Kellogg announces plant closures in Australia and Canada

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In a shock statement last week, food processing company Kellogg announced it would close its plant at Charmhaven, 100 km north of Sydney on the New South Wales Central Coast, by the end of 2014 at the cost of 100 jobs.

Kellogg declared that the jobs will be "eliminated, not relocated" and the company will make more "effective use of existing capacity in its manufacturing network." The plant produces snack foods, including the Be Natural, K-Time, LCM and Sun Brite brands.

The closure is part of Kellogg's Project K "efficiency and effectiveness plan" to restructure its global operations. Facing stiffening competition from major competitors such as General Mills and private-label cereal brands, together with rising costs of food commodities, Kellogg is resorting to another round of brutal cost cutting.

Under the four-year Project K plan, the company aims to reduce its 31,000 global workforce by 7 percent, destroying around 2,200 jobs. Savings from the restructure are expected to generate extra profits of up to $475 million in 2018.

On the same day, the company dropped the bombshell on the Charmhaven workers, it called a mandatory meeting of employees at its Canadian ready-to-eat cereal plant in London, Ontario to announce it would close the 90-year-old facility by the end of 2014, destroying 550 jobs. Cuts at Kellogg's US operations are also underway, eliminating 70 jobs at its cereal plant in Memphis, Tennessee during June and August.

As part of Project K, the company is expanding its cereal and snack production plant in Rayong, Thailand. It will be fully operational by early 2015, so as to further profit from the country's cheap labour rates and sweatshop conditions. In Rayong, for example, the minimum daily wage currently stands at around $US8.

In November, just one month before the closure announcements, Kellogg recorded a third quarter operating profit of $504 million. It is expected to make a $1.3 billion profit for 2013, up from $960 million in 2012.

Much of this has been generated directly at the expense of the workforce by slashing jobs and conditions under successive cost-cutting programs. Project K deepens Kellogg's 2009 K-LEAN restructuring plan, described by management as "really a wide-ranging headcount reduction within the plants."

Australia and New Zealand managing director Andrew Towle told the media that Kellogg would carry out a "phased closure" at Charmhaven and "work closely with employees to help them through the transition." Similar statements were issued in Canada.

Talk of "transition" is an attempt to hose down resentment and prevent any opposition to the closures by holding out the hope that displaced workers can secure alternative employment. "Phased" closures are designed to ease workers out the door while maintaining production up to the very last minute before new capacity, such as in Rayong, can be brought on line.

The real "transition" for workers is to be cast into an ever-shrinking job market. In Wyong Shire, where the Charmhaven plant is located, official unemployment stands at 7.6 percent, well above the 5.8 percent national average, while youth unemployment is 40 percent.

In London, Ontario, the unemployment rate is 9.2 percent. Youth unemployment hovers at around 20 percent, far higher than the average Canadian range of 13.5 to 14.5 percent. Moreover, the province of Ontario, with an unemployment rate of 7.3 percent last month, was hit by the announcement that Heinz will

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shutter its ketchup plant in Leamington next June at the cost of 740 jobs.

Kellogg is proceeding with its closures confident that the trade unions in both countries will fully collaborate to contain any potential opposition by workers and will seek to ensure an “orderly closure” of each plant. In both countries the unions have worked continuously to deliver concessions to the corporations, telling workers they can only protect their jobs by making “their” companies competitive.

In Canada, Bakery, Confectionary, Tobacco Workers and Grain Millers Union Local 145G president Bob Martin confirmed that the closure came despite the union having worked with the company to “lower costs” and being prepared “to discuss ways to reduce production costs” even further. Opposing any campaign to oppose the closure and defend jobs, Martin declared that “the next steps for the union” would be to “negotiate severance and retirement packages.”

An almost identical position is advanced by the Australian National Union of Workers (NUW), which covers part of the workforce at Charmhaven. NUW spokesman Mark Prolemy told the WSWS: “The closure is already locked in. It is part of a global structure and the decision has been made by head office in the US. The place is closing, so what can the union do? In reality, the men will cop the redundancy package.”

The NUW has majority coverage of Kellogg’s cereal plant in Botany, Sydney where, according to the union, the management wants to change the current work agreement to allow increased numbers of casuals and introduce a two-tier wage structure. The NUW, however, will not carry out any unified fight to defend jobs and conditions at Charmhaven and Botany.

The NUW has a long history of isolating its members’ struggles and imposing outcomes to suit the employers, including in Melbourne at the Toll Holdings distribution centre last year and the JBS Swift cold storage meat plant in 2011.

It is imperative that workers oppose all job cuts and plant closures, and the escalating drive to mass unemployment. Workers at Charmhaven and London should reject the closures as the first step in developing a global fight by Kellogg’s workers against the company’s offensive. This requires a break with the unions and the building of new organisations of struggle based on a socialist and internationalist program.

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