



**TRANSCRIPT
OF PROCEEDINGS**

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PRODUCTIVITY COMMISSION

INQUIRY INTO CITRUS GROWING AND PROCESSING

**MR J.H. COSGROVE, Presiding Commissioner
MR G. EDWARDS, Assistant Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT GRIFFITH ON MONDAY, 11 MARCH 2002, AT 8.56 AM

MR COSGROVE: Good morning, ladies and gentlemen, and welcome to the public hearings on the Productivity Commission's inquiry into citrus growing and processing. My name is John Cosgrove. I'm the presiding commissioner on this inquiry and with me is Geoff Edwards, an assistant commissioner who has been actively involved in the inquiry. The purpose of these hearings is to facilitate public scrutiny of the commission's work to date and to receive comment and feedback on the position paper which was released a month ago. Some aspects of the position paper have attracted critical attention from industry representatives and we would welcome constructive input to assist our further consideration of those matters.

Following this hearing in Griffith, hearings will also be held in Mildura and Renmark later this week and in Melbourne next week. The commission will then be working towards completion of its report which is to be given to the government by the end of April. That final report will of course take into account all the evidence presented at these hearings and in written submissions provided to us. Participants in this inquiry will automatically receive a copy of the final report once it has been released by the government, which may be up to 25 parliamentary sitting days after completion of the report.

We like to conduct these hearings in a reasonably informal manner but we are taking a full transcript of proceedings, as you can see. For that reason we cannot take comments from the floor. However, at the end of today's proceedings I will provide an opportunity for anyone wishing to make a brief presentation to do so. Of course people intending to make use of this arrangement should feel free to contact our staff during the day.

Participants in these hearings are not required to take an oath but should be truthful in their remarks. They are welcome to comment on matters raised in other submissions, if they wish, as well as on the position paper itself. The transcript of our hearing will be made available to participants and will also be available on the commission's Web site following the hearings. Copies may also be purchased using an order form available from our staff today. Submissions to the inquiry are also available.

I would now like to welcome our first participant today which is a group of people from the Riverina citrus growing areas. I would be grateful if each of you at the table could identify yourself for our transcript and indicate the capacity in which you are with us today.

MR MANCINI: Domenic Mancini, a Riverina Citrus committee person.

MR SJOLLEMA: Bob Sjollema, a person of the Riverina group and district citrus

growers.

MR NARDI: Dominic Nardi, executive officer for Riverina Citrus.

MR BOWERING: Shane Bowering, consultant to Riverina Citrus.

MR BOATWRIGHT: Bob Boatwright, an adviser to Riverina Citrus.

MR P. BLACKER: Phillip Blacker, chairman of Riverina Citrus.

MR B. BLACKER: Bill Blacker, chairman of the Leeton and District Citrus Growers Association.

MR BAIRD: Hugh Baird, a Riverina Citrus person.

MR COSGROVE: I think it's over to you. I think Shane is going to - or Dominic, perhaps?

MR NARDI: Yes, it's Dominic Nardi. Just on this, we've tried to include as many people as we feel experienced and affected by this report as possible in our panel and, as you can see, we've got representatives from both Griffith and Leeton associations and also Riverina Citrus which represent all citrus growers in the Riverina.

MR BOWERING: For everybody's information today we've produced a submission to these public hearings on behalf of Riverina Citrus and relevant growers. We will primarily be working directly off the submission paper today, if that's okay.

MR COSGROVE: Yes, that's all right.

MR BOWERING: We will give a general overview of our concerns with the position paper and then hopefully we will get time to go through basically page by page of the position paper, to highlight where we've got concerns and where we think evidence is lacking and maybe not accurate. So I will introduce by just reading a sort of statement - actually it's a pretty long statement:

The peak body, Riverina Citrus, representing citrus growers in the Riverina area, including Leeton, Griffith and Carrathool growers are pleased to be able to respond to the Productivity Commission's Citrus Growing and Processing Position Paper. Riverina Citrus on behalf of growers in the area believe that this draft report is a poor example of the capacity of the commission to adequately address the terms of reference

as specified by the treasurer and to comprehensively and thoroughly investigate the factors impacting on citrus growers across the country. Riverina Citrus completely reject the draft recommendations and findings identified in this report and advise that the Productivity Commission no longer enjoys the support or confidence of growers in this area.

Our members are so disgusted by the inept work of the commission and its failure to undertake relevant activities to identify the accurate financial position of the citrus growing industry in this country and specifically the Riverina area that we will be seeking immediate support from the federal treasurer, Peter Costello, to terminate the services of the Productivity Commission in this regard. We will be seeking support from the government to engage the services of a suitably qualified and skilled independent commissioner who will continue this inquiry in a fair and equitable manner and who will implement processes and activities aimed at identifying all relevant information before -

and I underline before -

reaching any conclusions, preparing any position papers, reporting to the government, et cetera. In this submission we aim to raise the overarching concerns regarding this Productivity Commission inquiry of Riverina Citrus growers to the commission and will endeavour at the hearing to demonstrate that the process to date, and the position paper specifically, are so flawed that the validity and credibility of this inquiry have been fatally compromised.

Until an independent commission is appointed by the treasurer, and in order to comply with the existing requirements of this current inquiry by the Productivity Commission, Riverina Citrus will attend hearings -

obviously, because we're here -

and forward the submission to the commission in order to verify our view that the Productivity Commission is either not skilled for this task or is evidently biased against the needs and concerns of citrus growers. The major areas of concern to Riverina Citrus growers with regard to this position paper include failure of the commission to fulfil the terms of reference of the inquiry as specified by the treasurer, ie, 1(a) and 1(b), the obvious bias of the commission in not accepting the evidence of the citrus industry or growers in detailing the financial plight of the industry. The commission, however, has placed great credence on evidence provided -

and we term that word "evidence" very loosely -

by other stakeholders, including BGP International, Warren Muirhead, J.V. White and Berri. In this regard - although a benchmarking study has identified that growers in the Murray Valley suffered losses three out of five years, broke even once and made a profit once, and that the commission itself has accepted that 2000-2001 was a disaster year for the growers - the commission still contends that growers were in a sound financial position.

Misrepresentation of data and figures by the commission: the selective utilisation of some data and statistics to support their assumptions and the utilisation of flawed financial modelling rather than actual realistic grower costs and returns to skew findings, attempts by the commission to include off-farm income and income from other crops in order to validate the financial viability of the industry.

This information to us seems to be outside the scope of this inquiry. This inquiry was to focus on the profitability of the citrus industry. As such, given that growers need to grow other crops and work extra part-time jobs in order to survive, it clearly demonstrates that citrus growing is not profitable and yet the commission refuses to accept this position. The complete failure of the commission to obtain all information prior to preparing the position paper, the failure of the commission to make any recommendation which will realise any on-farm benefits to growers now or in the immediate or long-term future, and the focus of the commission on the supposed benefits of exports and the complete lack of focus on the effects of imports on the local industry. Appendix A, which is attached to this submission -

and which, as I said, we will hopefully go through in detail later, which is our page-by-page pratique of the position paper -

details the specific areas of the position paper and the process of the inquiry which are of significant concern to the Riverina Citrus growers. However, following is a brief outline of the various issues that Riverina Citrus wishes to raise. In particular it is clearly evident and apparent that the commission has not fulfilled the terms or the requirements of the terms of reference in many areas. One example of this relates to the failure of the commission to undertake relevant activities and investigations to obtain a true and accurate picture of the financial conditions, including profitability of the industry - terms of

reference 1(A).

In order to obtain enough relevant information to report accurately to the government in this regard and in fact to be able to prepare a position paper in the first instance, based on facts rather than estimates and a reliance on completely incorrect and unsubstantiated data, the commission needed to undertake thorough, complex and impartial investigations. While the citrus growing industry and growers from the Riverina have attempted to provide financial data to the commission -

which I must say on that point is fairly hard and we don't have all of the evidence relating to the financial position of the industry, but we do have specific grower-related perspectives -

the commission has refused to accept this as an accurate reflection of the current plight of growers and has requested that respondents provide further evidence. In the position paper the commission even states information on the financial position of establishments and income of households engaged in the citrus growing is very limited. It is the view of Riverina Citrus that the primary role of the commission and this inquiry was to in fact identify the profitability of the industry.

The industry peak bodies and growers are more than willing to assist, where possible, but it's the view of Riverina Citrus that the Productivity Commission, who has not only the power but the resources required to undertake such a comprehensive, complex and difficult task, has failed to identify such data, information, statistics, et cetera, except to refute the evidence provided from growers themselves. The commission, however, on the other hand consistently utilised the evidence -

and once again we question that -

of unqualified respondents and data to validate their position of grower viability. Throughout the report the commission adopts a completely biased and incorrect perspective that the citrus industry is financially viable and that in essence no assistance to growers at the farm-gate is necessary. One such comment from the position paper states that, "Growers in the citrus industry have adjusted to changes and remain financially viable by changing the mix of the varieties of citrus and of other crops." Riverina Citrus cannot comprehend how the commission arrives at this assessment, given the only realistic figures available to the commission on the profitability of the industry are available through the Murray Valley benchmarking study.

This study clearly shows that growers in that area on average realised substantial losses for the years 95-96, 96-97, 97-98, barely broke even in 98-99, and on average suffered - on average realised a profit -

and it was a small profit -

in 99-2000. This study was also undertaken before the disastrous losses suffered by growers in 2000-2001. So in essence growers in Murray Valley have only made a profit from citrus in one year out of the last six. Given that Murray Valley growers grow varieties more suitable to the more profitable export market than do growers in either Riverina or Riverland, the losses suffered by growers in these two other areas can be significantly multiplied.

These figures indicate that growers have not remained financially viable as indicated by the commission. One further issue with the aforementioned quotation from the report regarding financial viability of growers, which in itself is a fundamental flaw regarding the commission's inquiry and position paper, relates to the commission's continued reliance on income from other crops and indeed off-farm income to validate the growers are financially viable. This inquiry was implemented to review the profitability of the industry, not the profitability of other industries and crops, nor for the commission to include the fact that growers earn off-farm income to support growers' meagre returns from citrus in their attempts to validate grower viability. The commission should refer to the terms of reference in this regard - 1(a).

The financial conditions including profitability of the industry: the commission should note that this requirement in the terms of reference does not include the words, "Profitability of the farm or profitability of the household". The commission's assertions and evidence in this regard fall outside the terms of reference and should be dismissed and removed from the position paper.

The intent of this quotation is inherent throughout the report and clearly demonstrates the commission's biased view and continued attempts to use information, data and evidence, et cetera, to misrepresent the accurate picture of the citrus industry and to support a finding that the industry does not need any assistance from the federal government. As mentioned previously, the commission has failed to adequately validate the financial viability of the industry and yet has produced a position paper with

findings and draft recommendations based on the viability of growers.

Not only has it failed to identify the financial viability as required by the terms of reference, but the commission has produced a position paper without identifying any of the following essential information: financial conditions in citrus packing, the current cost of competitiveness of the packing sector in Australia, the financial performance of citrus processors and converters, whether citrus growers who meet the relevant eligibility criteria face any impediments to gaining access to government programs which facilitate adjustment, the process of market request by Security Australia, including by way of specific example, and the appropriateness of supplementing via Security Australia's government funding with contributions from industries which benefit directly from its market access negotiations. Those points were even clearly identified by the commission as requiring more information -

and, as I said, Riverina Citrus cannot comprehend how the commission can put together a position paper without having all the information at hand.

This failure by the commission to fully access all the evidence and facts before preparing this report ensures that the report cannot be realistically considered, let alone accepted as a factual representation of the state of the citrus industry in Australia. Throughout the document the commission misrepresents figures and statistics to validate their position and uses quotations from sources who are not experts in the field and who do not have the expertise, experience or qualifications to represent the points of view the commission seems to accept as factual in order to support the contention of citrus grower viability, failure to adjust and to implement innovations.

Even if we were to set all of the aforementioned concerns aside this report cannot be supported and the commission's ability to effectively investigate this matter in an impartial manner must be strongly challenged by the commission's own refusal to adequately fulfil the terms of reference - 1(b). In the position paper the commission states, "The commission does not plan to evaluate the general" -

which is the general government policies -

"policies and programs that are available to the citrus industry." This statement is in clear contravention of the requirements by the treasurer for this commission and inquiry and as such on this basis alone the position paper is rejected completely by Riverina Citrus. The treasurer

has requested that the commission investigate the impact and effectiveness of existing and recent Commonwealth-state policies and programs. The commission is clearly ignoring the treasurer's instructions in this regard and evidence on this matter is completely absent from the position paper.

Riverina Citrus now will be seeking the support of all other peak citrus grower representative bodies to approach the treasurer formally to have an independent commission appointed to this inquiry. This inquiry in its present format, the process and the position paper, are now compromised to such an extent that this inquiry is now fatally flawed and Riverina Citrus believes that this commission is now unable to effectively complete its tasks as required by the treasurer with the full confidence of citrus growers across Australia.

Riverina Citrus proposes the following recommendations to replace those identified in the position paper: (1) that the treasurer dismiss the services of the Productivity Commission immediately with respect to this inquiry and appoint an independent commissioner as a matter of urgency; (2) that the independent commissioner implement activities to thoroughly investigate and identify the following information prior to preparing a further position paper.

And the points that we want the independent commissioner to obtain information on include:

Financial position of citrus growers in each separate major citrus growing area across Australia: as such the independent commissioner should base findings and recommendations on the differing financial positions of growers in the differing areas and recognise that growers in the Riverina area are suffering specific financial hardships; (2) identification of the complete effects of imports on the local industry, especially in setting the fall price in Australia and in reducing profitability of Australian growers, particularly those in the Riverina; (3) financial conditions of the citrus packing; (4) the current cost competitiveness of the pecking sector in Australia; (5) the financial performance of citrus processors and converters; (6) undertake a thorough review of the applicability and effectiveness of state-federal policies and programs in assisting the citrus industry; (7) where the citrus growers meet the relevant eligibility criteria face any impediments to gaining access to government programs which facilitate adjustment; (8) all future challenges which will impact both positively and negatively on Australia's citrus industry; (9) the processing of market requests by buyer security including the way of specific

example; (10) the appropriateness of supplementing via Security Australia's government funding with contributions from industry which benefit directly from its market access negotiations.

Riverina Citrus believes that before the commission can progress anywhere with any position paper that all of that information must be to hand in order to give the commission or the independent commissioner a factual view of the industry as it stands at present. The further recommendations we propose include that following an assessment of the information obtained through the formal investigations, the independent commissioner recommend an appropriate and equitable assistance package to citrus growers which may include the implementations of tariffs on imported produce or a grower assistance package based on that which has already been proposed to the federal government by Riverina Citrus, which we have included in this submission as appendix B.

Any assistance package which may be required to meet the needs of growers in differing areas: given that Riverina Citrus are primarily in the Valencia markets, the needs and requirements of growers in this area will vary markedly from other growers across Australia, and as such any assistance package should recognise these differences. Another recommendation: that the independent commissioner make recommendations to local, state and federal government that facilitate easy access to labour. In this regard, effective policies and practices need to be developed as well as the negotiation and implementation of effecting policing measures.

Local government needs to address accommodation and taxation issues of backpackers; that the independent commissioner recommend to the ACCC that the citrus industry be relieved of requirements under the Trade Practices Act to enable growers to enter into collective bargaining arrangements with processors in the retail sector; that the independent commissioner address the issue of poor labelling laws, ie, with regard to country of origin content (indistinct) size, et cetera, and the inability to ensure compliance with same, and that the independent commissioner seek to identify future impacts on the industry prior to developing a position paper, and proposing any assistance measures for the citrus growing industry.

As we've said, appendix A details the concerns of Riverina Citrus in further detail and identifies problems and discrepancies with the Productivity Commission's position paper. After that long-winded appeal, that's basically our considered position. We've spent a long time on going through the position paper. We

understand that the commission has tried its best to identify information but I think the general view of growers - well, certainly the overwhelming view of growers in the Riverina is that the information isn't at hand at this point in time. There are a lot of areas where the commission even clearly states in the position paper that they don't have the evidence, and yet a position paper has been put together, and I find that, from an ex-government employee, a somewhat unusual way to present a report, I suppose - that a position paper with draft recommendations and findings is out in the public forum before all of the information is to hand, and that was clearly the concern of growers in the Riverina.

MR COSGROVE: Thank you. We could spend further time working through appendix A, if you wish, though I think there are a few remarks that I might make at this stage. The first is that although you may think otherwise, I am an independent commissioner, and the Productivity Commission is an independent body. It is appointed on that basis under its own specific legislation, and is required by that legislation to operate in accordance with certain guidelines, a key one of which is independence, and I'm afraid I have to take some umbrage at any suggestion that we have not conducted our work in an independent manner. That's not to say that we have found all of the right answers. In fact, as our position paper indicated, there are areas in which we would like to have more information. We have invited further information from participants and we hope to obtain that during the course of these hearings and further submissions which will come our way, and in our own continued efforts to identify useful information.

As you've said quite rightly, there are important pieces of information relating to citrus growing and processing which are clearly deficient, and we have done our best to make use of the available information, including, I would say, a good deal of information from Australia's principal compiler of statistics, the Australian Bureau of Statistics. People can question the accuracy of those statistics but I don't think anyone would doubt that the ABS is a very professional body which goes about its responsibility in a thorough manner.

There are many points that you've made to us already which I think we can have some discussion about. It's not right, I think, for example, to say that we have painted an unequivocally rosy picture of citrus growing and processing. I think it's a fair interpretation of our paper to say that we see that important parts of the industry are doing well and have good prospects. But one has to look only at the very first page of our overview, that is the key messages page, to find a reference there to the fact that, "A substantial increase in low-cost, high-quality frozen concentrate orange juice from Brazil has reduced returns and created financial problems for local growers competing in this part of the market." You will find that point, as I'm sure you've already seen, discussed in somewhat greater detail, in particularly chapter 2 of the report. So I think it's a little unfair to say that we have not been conscious of and

indeed sympathetic to the difficulties that some growers, who may be in considerable numbers in the region around this city, are facing.

MR BOWERING: I suppose from Riverina Citrus's perspective, and certainly my perspective reading the position paper, the position paper clearly comes across as the current position of the industry and certainly the future viability is very positive. It's only, I think, in the very last page, page 167 of the position paper - the very last page of the general information - where the commission actually says, "A significant proportion of growers appear to have uneconomic citrus operations", yet the other 166 pages, plus the initial overview of 30 pages or 40, whatever it is, gives an indication that citrus profitability is good, that citrus growing - all growers generally seem to be coping well. As I said, it's only that last page that the commission really stands up and says, "Well, hold on, there is a significant proportion."

That conflicts completely with the rest of the document, we believe, and also the feeling and the general thrust of the report in the position paper that citrus growers are doing well, as we said, conflicts completely with what we see as the only study undertaken into the citrus industry viability, which is the Murray Valley study, where citrus growers in that study suffered losses three out of five years, broke even just once and made a small profit once. As I said, Riverina growers being more in the Valencia market would have suffered more significant losses than those people. That says to me, and to the growers here, that citrus is not a profitable industry, there are major problems. And yet the recommendations that have been provided by the commission in general don't offer any assistance at the farm-gate at all to growers. No benefits - some information there and recommendations about export markets which, when we get to that, we disagree with completely, but no assistance to growers at the farm-gate, even though, as I said, in that last paragraph the commission accepts finally and states that a significant proportion of growers do have uneconomic citrus operations.

I suppose our view is that the commission seems to be saying that those growers who do have uneconomic citrus operations - the reasons why they're uneconomic is their own fault and their own choices rather than the economic circumstances on a global scale or in Australia, or whatever. We refute that. Citrus growers in this area have tried very hard to move with the times and to innovate and have not been sitting on their hands basically waiting for a government handout. But it is very difficult to change varieties or innovate or buy new machinery, implement new technologies, when growers aren't getting the returns to be able to reinvest that money to do that. I think that's where the key is, that growers are caught between the devil and the deep blue sea at the moment in that a lot of growers realise that, yes, there might be a need to change and to change varieties and to move to more of an export focus. However, to be able to do that they need dollars, and they need access to government programs which might assist them. At the moment that access to

government programs doesn't exist in terms that really will help them. There are problems there, we acknowledge that, but those programs do not meet their needs in general. So anyway, I'd just like to make that point in response to the commission's report.

MR BOATWRIGHT: Commissioner, if I might just add to that.

MR COSGROVE: Yes.

MR BOATWRIGHT: No-one is doubting the veracity of ABS, let me assure you of that. What we are concerned about is that many of your analyses are based upon examinations of a very small microcosm of the industry, which we understand has been taken from one small study in the Murray Valley. We're not suggesting by any means that there are sufficient financial data available for you to make the judgments that we're surprised to see in the commission's report.

MR COSGROVE: Yes. That's where I think there may be a significant difference between us. Certainly we drew on that - well, there were a couple of surveys undertaken in the Murray Valley on behalf of the growers in that area, and we've looked at them particularly because they were important direct evidence on the financial performance of growers which, as we've frankly identified, is pretty scarce. But looking across the growing and processing sector more broadly, it seems to us that one can use information on production levels of different types of fruit, on the forms in which it is used or sold, on trade in fresh fruit and orange concentrate, and on the basis of that broader information covering the whole of the industry, not just the Murray Valley, one can indirectly form conclusions about the likely situation and outlook of the industry.

We have that information presented, I think, in our overview. We have a table - well, it's a mixture of tables really but one important table is table 1 in the overview. That's on page Roman XXIV, but perhaps a more useful point of reference might actually be in chapter 2, pages 8 and 9 of the position paper proper. You can see there in table 2.2 that we have presented information, derived principally from ABS sources, showing how navel oranges, Valencias, and total orange production is sold, whether in the form of fresh fruit in domestic or export markets, or whether for processing, either as fresh juice or as concentrate. The following table 2.3 presents information derived from a variety of sources, clearly outlined in footnotes to the table on the prices received for oranges sold in these various markets, as well as some information on prices received by growers at the farm-gate. There's also some information there on retail prices.

Now, what we found, drawing all of that together, was that the bulk of production is sold as fresh fruit, either within Australia or abroad, and if one looks at

the prices - or the price information that we have obtained anyway - for fresh fruit sales, you don't get the impression that those prices are close to or certainly not below the cost of production which people have drawn to our attention. Of course - and this was the point which we were trying to convey in that quotation from the key messages that I mentioned earlier - if there are growers - and we'd be interested to hear from you people especially on this - if there are growers who are competing predominantly in the supply of oranges destined for processing as concentrate, they're competing with imports of Brazilian concentrate, then we don't have any doubt that those growers are in trouble.

MR SJOLLEMA: No-one actively grows for the concentrate market.

MR COSGROVE: That's what we had sort of deduced ourselves, and therefore we were wondering - - -

MR SJOLLEMA: It keeps coming through the report - sorry to interrupt - that growers are particularly targeting concentrate, and not one grower grows for the concentrate market, but it seemed to come through the report that there's a number of growers still doing that. Some may fall into that category inadvertently or in a high supply year, but certainly no-one grows for concentrate, and that's coming across here.

MR COSGROVE: Well, our drafting may have been misleading in some respect there, but certainly our intention was the contrary, as I thought your own criticism of our paper has indicated that we were focusing too much on what we see to be the increasing trend in the industry to move away from that particular area of the market into areas which provide higher returns, but we didn't have information to be certain - and that's one of the purposes, of course, of issuing a position paper, so that it can enable people to shed more light on areas where we've missed points or made some false analysis, but we left open the possibility that there may be some people who, for whatever reason, cannot obtain sales of their fruit in premium grade markets, fresh markets, and therefore might have, in some years at least, had a significant proportion of their crop directed towards production of concentrate. Now, if you're telling us that that's not really an issue for you people - - -

MR SJOLLEMA: I think you're misunderstanding what I'm saying, John, sorry. Nobody is actively growing oranges for concentrate. That doesn't mean that concentrate price doesn't totally impact on our fresh juice contracts or where we haven't got fresh juice contracts or our oversupply impacts markedly, which is something that you've said doesn't impact in here at all, and yet if you look at the ACG submission it follows it very closely. But if I could just start on this table 1, those prices - I have ACG's table here - farm-gate prices for oranges fluctuating considerably. Source, Rendell McGuckian, is it?

MR COSGROVE: McGuckian, yes.

MR SJOLLEMA: And their prices are nowhere near as high as that. I have the prices from our local packer, who would certainly pay the most for navels in this area and possibly the entire Riverina, and their prices - if we got those prices, none of us would be here today. I can be quite assured of that. We'd all be very happy. I wouldn't be working in town or farm, and I wouldn't be sitting here. I'd be looking at seeing what I could buy next or go on the next holiday, and I'm not trying to be facetious here - - -

MR COSGROVE: Yes.

MR SJOLLEMA: - - - but these figures are - I'll provide a copy of this. This is Mario's Packhouse. I don't think they'd mind that. They gave this quite freely. They're certainly the largest navel packer in this area. They would pay the highest prices for navels in this area. Their growers get the best returns, and they're nowhere near these prices. Their Valencias are likely to be half this price most years. I was just flabbergasted when I saw these results, and when I look at the ACG report which is also just on the Murray Valley, the prices are not as high as these, and if I go through a few comments in here, just one comment that ACG had in here, if I can find that page again, regions such as the Riverina where Valencias account for around 75 per cent of the total orange production, and South Australia 68 per cent Valencia, have had considerably worse financial outcomes than the Murray Valley, and yet that doesn't seem to be coming across in this.

So we have this picture of prices here, which is above the Murray Valley prices I've been quoted, and the Murray Valley prices have been suggested to be considerably higher than South Australia and this area. It is in this report somewhere where the difference is extremely marked between Murray Valley and Riverina. That's not coming here at all.

MR BOWERING: That's a point that really we'd like to press with the commission in that, in general, if we were looking at maybe other industries, looking at Australia on a whole basis would probably be the way to go, but there are such significant differences here between Murray Valley and here that we just believe the commission needs to be looking at each area, maybe even almost in isolation as a component of the major picture, obviously, but that the differences - because Riverina growers primarily focus on Valencias that the problems in this area are significantly different and the requirements and needs of growers in this area are completely different to growers in the other states, and by taking an average - which, as we've said, we believe that the information in the report isn't accurate, and we will provide this information that Bob was talking about.

MR COSGROVE: That would be very helpful. We'd be glad to have it.

MR BOWERING: But just to give you some indication, Valencias make up primarily 70 per cent of the crop on farms in this area. 97-98, on average, \$95 a tonne - this is Valencias; 98-99, a pretty good year, 238; 99-2000, 141; 2000-2001, 135. So based on the cost of production that we believe - being around \$220 a tonne - only one of those years, which was 98-99, realised an \$18 per tonne profit for growers. So obviously significant losses in the Valencia area for the last four years. And if we look at the navel prices, which Bob has said from this pack house pay more than primarily everybody else in the area, and bearing in mind that navels only make up 30 per cent of the crop, 98, \$462; 99, 512; 2000, 160; 2001, 435.

So bearing in mind that, yes, three out of those four years you would say navels have been a good income earner for farmers, however, once you take into account that 70 per cent is tied up in the Valencia area where they're suffering losses, doing well in the navels has not counteracted the losses in the Valencias, so we're more than happy to provide that to the commission and, as I said, we just make the point that we strongly believe the commission needs to be looking at each area almost in isolation as a make-up of the overall picture in Australia. What's happening in River - completely different situation to what's happening elsewhere.

MR NARDI: John, I might want to mention, too, that those prices from those packers - I'd be sure that would be a contracted price, okay, so that would be above everybody else, and I mean a lot of times double of what the others are receiving, and it amazes me that the commission has gone out and got the information from one area, the Murray Valley - - -

MR COSGROVE: No, I corrected - - -

MR NARDI: No - well, they've homed in on that - - -

MR COSGROVE: We've used much broader information than the Murray Valley.

MR NARDI: Okay. South Australia and the Riverina are probably 60 per cent of the market and the information doesn't go our way.

MR COSGROVE: Well, this is a bit of a puzzle for us really. There are some elements, I understand, of the estimation of prices at the farm-gate by the Australian Bureau of Statistics, which might complicate the matter a bit. I think there are some packing costs, for example, included in that farm-gate value, on the assumption, not unreasonable, it seems to us, on the basis of our own visits to various orchards, that growers sometimes do their own packing, they have their own sheds - not always,

but sometimes. So that one we need to and will be looking at again to make sure that we're not in any significant way overstating what appears to be the true levels there.

The export prices one would have to think are accurate. You know, they're collected from regular trade data, prepared by the Australian Bureau of Statistics. The same, of course, is true of the FCOJ import price. The retail prices are again based on ABS data. No doubt it forms a component of their work in preparing the Consumer Price Index, so one would guess that they're reasonably accurate. So the levels that we're seeing in those areas for prices are clearly very much different than the prices that you were quoting to us, even if one looks at Valencias alone at export level or at wholesale market level.

Now, we understand, of course, that there are various stages of the supply chain where margins will have to be earned by, in some cases, packers, distributors, transporters, retailers and so on, and clearly what the grower gets is not going to incorporate those elements, but there may be - and I'm not disbelieving you that there are significant differences across regions. It happens to be the case that regional data on a comprehensive basis is not prepared by anybody and it would take a substantial effort and a considerable amount of time by anyone competent in those areas of data collection, like the ABS, to do so, if it was so minded. But somewhere in the industry as a whole there are much higher prices being received for the best part of one quarter of our total orange production, and that's about what our present export proportion is.

MR BOWERING: We wouldn't disagree that there may be some people somewhere earning more than the figures that we have got, and certainly maybe there are some people earning even the figures that are in the position paper, but it's not the majority of growers. Our information, and certainly in this area, is that no growers are receiving anything like that, not even close. Those prices in there, those farm-gate prices, are 50 to 100 per cent more than, as we said, the information we have got direct from a pack house which, as we said, is paying more primarily than anybody else in the area, so everybody else who isn't - like, this pack house is Kevin Lass - those figures just aren't representative of the true position in Riverina. Now, those figures could be, maybe - and we've sat down and talked about this in depth - we don't believe that virtually many growers anywhere in Australia would be getting anything like that, but that's where once again we believe that we're going off maybes. Throughout the paper - and the commission accepts that the information is really lacking - - -

MR COSGROVE: Yes.

MR BOWERING: - - - and we understand that as well, but our view was that we thought that was the role of the commission to identify that, to talk to pack houses

and growers and try and collect as much real information, rather than ABS based, which once you put the skew on - you know, how we worked out this and this is our model for that and also - not saying that ABS data isn't the most accurate picture, it probably is, but it's still missing a lot of people as well. There's a lot of people in ABS data that get missed in the process and don't get picked up.

We just think that relying on that ABS data rather than actual information from growers and pack houses - that is the only way to get an accurate picture of how the industry is going, and if we've all got it wrong here and growers are really doing really well out of citrus, and that the information from growers and packers - once you get that and source that - shows that, well, we'll give ourselves a good kick up the backside and walk away.

But that's not the position in this area, and it's clearly not, and we can't stress that enough and, as I said, we can't stress enough that what happens here is completely different to what's happening elsewhere, and what's happened in the Murray Valley will be completely different to what's happening in Queensland, and each area should be looked at in isolation because we just believe that because we're basically Valencia focused, there might be a need for more specific assistance to growers from the government in this area, as opposed to maybe people in the Murray Valley.

Now, how that works I don't know, obviously. We've talked about an industry package which we'd like, and that would be good, but there might be bits in there that - hold on, we need to focus this area more and give more to growers in the Riverina than to growers elsewhere because they're focused more on exports. That's just our suggestion.

The other thing I was going to say, John, if I could - it might be worthwhile - and this is just a suggestion - if we went to appendix A because we actually raise a lot of these issues, and maybe the commission can present where you guys have come from.

MR COSGROVE: Yes, I think we should do that. Just give me a few more moments on a couple of things, and my colleague might also have a question to you. Could you tell us what proportion of local area production the packer that you mentioned earlier who is providing seemingly much lower prices than we have in our tables accounts for? I mean, is this a packer who accounts for the majority of - - -

MR SJOLLEMA: With navels it would be five to seven thousand tonne, which would - - -

MR COSGROVE: I'd need a percentage of the total.

MR SJOLLEMA: About 10 to 15 per cent of the navel - - -

MR COSGROVE: 10 to 15. So a great quantity was sold to other people.

MR SJOLLEMA: Putting the largest packer in the area.

MR COSGROVE: Yes, we have another comment?

MR BAIRD: John, I represent another packing organisation and I can reassure you that the prices through this packing operation is at least 50 per cent of the figures shown in that table, and on Valencias can actually be down to a third of the value shown in that table and we would probably represent as big a volume, particularly on Valencia oranges, that Bob's packing house represents.

MR COSGROVE: Which markets do these oranges go to? Are they sold as fresh fruit or for processing predominantly? Is it possible to - - -

MR BAIRD: Obviously with Valencias it's predominantly a processing variety, but there is a percentage that goes export - and I can't quote you the percentages - and there is a very large percentage which goes domestic through supermarkets and agents, a lesser amount that goes export, but a very large chunk that goes to processing, and that processing price is predominantly influenced by what the current world import price is because it drags the whole market price down. It's the lowest common denominator and therefore when you sell product to agents they know what the world price is and they will offer you a price marginally better than FCOJ.

MR BOWERING: That's processing to the fresh juice market primarily - - -

MR COSGROVE: That's what I was going to ask.

MR BAIRD: That's processing to fresh juice and to concentrate - - -

MR BOWERING: Not concentrate.

MR BAIRD: - - - because you never get every year where you've got an equilibrium of supply and demand and whenever there is a slight oversupply that price becomes marginally better than FCOJ and that therefore drags the whole market down in a year where you've got just a bit more than supply and demand equilibrium.

MR SJOLLEMA: So it ties in very closely to the FCOJ prices - what you're selling.

MR BAIRD: The whole market price is influenced by import FCOJ price on Valencias. Navels are slightly different because it's predominantly a fresh orange, but yet again the overrun portion - which in this area can be 40 per cent or greater - that price is again influenced by import FCOJ price because, generally, overrun navels don't go to fresh juice because of the limonenes, which are a compound in navel juice which don't make it suitable for fresh orange juice, which effectively means that that overrun price - because the limonene is actually set slightly less than import FCOJ price, so when we talk about overrun, in a year with any navels it's influenced by import FCOJ and, with Valencias, where you have got slightly more than equilibrium on supply and demand it is influenced by import FCOJ.

MR SJOLLEMA: And I just want this to be clear, John, because it goes to support that FCOJ doesn't affect it, so you're saying that when you get a little bit above equilibrium it's just not that little bit that goes to concentrate - that's the FCOJ prices. Even the fresh fruit that's not contracted comes down to - - -

MR BAIRD: The market fruit is influenced by FCOJ price because it's the lower common denominator.

MR SJOLLEMA: And that will also affect your fresh fruit market because the less goes to juice the more goes to - does it affect that as well?

MR BAIRD: Most definitely - - -

MR SJOLLEMA: I just want to be clear, John.

MR BAIRD: - - - because the agents in the fresh markets know what the import price is. They offer a return marginally better than current concentrate price or FCOJ price. That means that it has dragged it down. Additionally, the supermarkets who buy off agents, or direct - their prices also pull down.

MR SJOLLEMA: And then it leads on to rather than oversupply the fresh market they will then oversupply the export market. They do that, too. That that leads on - - -

MR BAIRD: Well, the export market is a very small window of opportunity for Valencia because once the American navels become available it is very difficult to sell a fresh Valencia on the export market or, for that matter, even domestically, because the consumers want navel oranges for fresh fruit, not Valencias.

MR NARDI: We've mentioned this on numerous occasions in submissions and reports to the commission and the government, that that floor price has come about

by the FCOJ and, with the navels, for example, we would all love to grow 100 per cent export oranges but, in the real world, it doesn't happen. Okay? We have mentioned it on numerous occasions and we would love 100 per cent pack-out also and, with the Valencias, as I said, we've mentioned that on numerous occasions FCOJ from overseas definitely has impact on the price of Valencias in Australia.

MR COSGROVE: Yes. We don't disagree, but we think there are, on the evidence which we looked at, significantly higher prices paid for fresh fruit than for fruit destined for processing. That would be a concentrate.

MR NARDI: Is that mainly contracted fruit or non-contracted fruit, because there is a difference there. There are processors that are paying contracted price - three years, six years whatever that is - and there's probably about 50 per cent, if not more, of the rest of the growers that have not got contracts.

MR COSGROVE: Yes.

MR NARDI: And they are the guys that are really affected by the FCOJ.

MR COSGROVE: These are contracts for processing fruit.

MR NARDI: With processors.

MR COSGROVE: Yes.

MR NARDI: The processors will not give 100 per cent.

MR BAIRD: Even the fresh juice portion, which is non-contracted, is subject to annual fluctuations in price, because only half is at a fixed contract; the other half, where a large proportion may go to fresh juice - to the smaller fresh juice companies in particular - that price again is set marginally above FCOJ price, because that is all they have to pay in order to get that fruit because the growers effectively have got no other home for it.

MR SJOLLEMA: We must also remember that the contracted price of fresh juice is 180 at best, which is below the cost of production. This year my pack house is actually paying 163, because that's the Berri contracted price, less grower levies, which is five to six dollars, so 157 is the maximum I can get and, if they have got a heavier charge, I might get 150. That's in a short supply year.

MR COSGROVE: That's well above the FCOJ price, which is less than \$100.

MR SJOLLEMA: Yes, but we're talking about the smallest year in history almost -

in the last 20 years of Valencias. I'm talking about this season.

MR COSGROVE: We have figures going back to the mid-90s and - - -

MR SJOLLEMA: I am talking about this year's Valencias.

MR COSGROVE: Yes.

MR SJOLLEMA: So we're saying for fresh juice this year the grower is getting 157 because of contracts and what - - -

MR COSGROVE: Yes. What is your understanding of the FCOJ import price level?

MR SJOLLEMA: That won't affect it in a year - - -

MR COSGROVE: I don't think it's 150.

MR SJOLLEMA: - - - like this, because this is an extremely low supply year.

MR NARDI: John, can I mention - I have got documentation here from two growers for prices for juice. They're contracted growers to a major company and, mind you, these are contract prices, and they vary right down to \$120, even down to 105, up to 205. That's contracted prices and that's what they have received over the bridge. Like I said, they vary from - there's a 223 one; there's \$107, \$103, \$104, and these are contracted prices. I am more than happy to pass this over to you later on, at the end of the day, to show to you that even the contracted prices - 116, 117, 95 dollars - even within the contracted prices they're varied and the highest I see here is probably \$230.

MR BOWERING: Generally, 99.9 per cent less than the cost of production.

MR COSGROVE: That was another point I wanted to come back to but, before then, how many growers are there in the Riverina area?

MR NARDI: There are 585-odd growers, consisting of 650 orchards.

MR COSGROVE: I think that in a way illustrates the problems we have in getting what you would regard as truly accurate information in these matters. I mean, two growers out of 585 - I mean, I am not saying that they are necessarily atypical of the growing operations as a whole, but that was what we thought the ABS data should be reasonably reliable on because, on the basis of a sample of growers, it is trying to present statistical information which is representative of the industry as a

whole. As we have discussed it earlier, they don't do it on regional basis, but then the cost of production - you mentioned it is well above \$200. I have forgotten the precise figure.

MR NARDI: John, we'll have some figures sometime this morning - some firm figures.

MR COSGROVE: Does it show the breakdown of that cost between - - -

MR BOATWRIGHT: It's going to be similar to the breakdown that you have included in your report.

MR COSGROVE: Similar percentage breakdowns.

MR BOATWRIGHT: Information that you've got from Rendell McGuckian.

MR COSGROVE: Right.

MR BAIRD: John, our organisation would probably represent nearly 200 of those 585 growers and, as I mentioned before, our growers' prices are 50 per cent - and with Valencias sometimes a third of the prices quoted in there, so our prices are going to be fairly representative for a very large percentage of those growers.

MR COSGROVE: Okay.

MR P. BLACKER: John, can I just say, too, that within this room here - I have just had a bit of a glance around - we have nearly 60 per cent of the actual packing capacity of the Riverina - Mr Sergi, Mancini, Pacific Fresh, Excello and Mario's. We control the bulk of the Riverina and the prices quoted in the document are far and above what we have seen and are receiving. Pacific Fresh point of view - this is my company - I have been a member for four years and we have only packed Valencias on two occasions. As soon as we get to the break-even point for juice price we stop and, basically, the last four years we've only packed for about four to six weeks per year - that's basically December - and then the prices deteriorate in the fresh domestic market and, once they deteriorate to the level where it becomes uneconomical, we stop. This is the first year we have been able to pack Valencias right through the season because the prices in the domestic market have been sustainable - the first year.

MR COSGROVE: Yes.

MR P. BLACKER: Every other year we have had to stop.

MR COSGROVE: I'm not quite sure I follow that point.

MR P. BLACKER: A lot of packers are forced to pack fruit at uneconomical prices to get rid of the volume, otherwise it ends up more in concentrate. Packers will tend to continue because it's a business - they pack fruit - but the price received by the grower declines. We have no choice. We have to do it because even though it is uneconomical - it's below fresh juice price - it's better than concentrate, so we are forced into a situation where we have to put fruit onto the domestic market at unviable prices to try and get away from the impact at the other end of the scale where we're forced to take \$40 or \$50 per tonne for concentrate at the end of the season.

MR COSGROVE: Yes.

MR NARDI: John, I am not suggesting in any way how you should be doing your job, but I can't work out why you would not go to the major processors and major packers in the area and ask them what prices, rather than going to ABARE. I have had a problem with ABARE and I'll give you a bit of an idea. I remember I started this position nine years ago - - -

MR COSGROVE: ABARE - you mean ABS?

MR NARDI: ABS, sorry. My job was to actually validate or update the crop planting statistics. I found 200 extra growers and 2000 extra hectares in the first six months of what ABS had, so if we are going to rely on ABS statistics I should recommend that you go - for example, there are six people in this room now that represent probably 60 to 70 per cent of the packing industry, and they are all telling you one thing, and we've gone to ABS to rely on their statistical information. I have got the figures I read out before as far as juicing - that company is probably 60 to 70 per cent of the whole processing industry in Australia and, as I said, why haven't we gone to those rather than ABS?

MR COSGROVE: We have presented in the position paper some information which Berri gave us - a very major processor, of course - and they are saying that they have been providing three-year rolling contracts for the totality of their fresh juice Valencia requirement with minimum prices in the range of 170 to 240 dollars.

MR P. BLACKER: Minimum price is \$150. It's also subject to quality standards, and the prices which we are receiving are down as low as 120 and, at the top end of the scale, at 220.

MR COSGROVE: From Berri?

MR P. BLACKER: From Berri.

MR NARDI: John, I suggest you disregard Berri's figures altogether because that is the (indistinct) figures right there from the two growers showing every itemised account, and they go down as low as \$95 a tonne. I am sure I can get you a lot more too, if you like.

MR COSGROVE: Okay.

MR P. BLACKER: Even though they look good on paper, there are terms and conditions within those contracts which we've had to take because there is no other option, and the terms and conditions and the quality standards, particularly for this area, are far too high and therefore the price received by the grower is much reduced.

MR COSGROVE: When you say they are far too high, what do you mean?

MR NARDI: Can I give you a suggestion on that, John?

MR COSGROVE: Yes.

MR NARDI: Sorry to butt in, but last year we had a pretty - not a big crop. Berri, for example, put in all these criteria and standards and, like I said, the manual was that thick. This year the crop is pretty light - have a guess what happened to the standards, John?

MR COSGROVE: Yes.

MR NARDI: It's FCOJ related.

MR COSGROVE: Berri is appearing at our Melbourne hearing, so we'll be able to pursue some of those points with them.

MR NARDI: If you ask about those standards. The fruit this year is paid on litres ratio and brix. It's taken on 500 litres per tonne yield. A ratio was 13 to 1, but we've had that reduced because we've had a submission to Berri and they have brought it back to 11 to 1, but it is still high, so if your fruit yield is under 500 there is a penalty. If your fruit yields less than 11 to 1 ratio there is a penalty, and if your fruit falls below 10 degrees brix there is a penalty. This year is a low brix year, so even though the yield is okay the litreage is good, but the brix and ratio are low. Therefore, even though the contract says \$170 growers are receiving less.

MR COSGROVE: Yes, but I guess in terms of the contract, growers - - -

MR P. BLACKER: Very little flexibility.

MR COSGROVE: - - - perhaps, for reasons beyond their control, I don't know, have not been able to meet the requirements.

MR P. BLACKER: But it usually falls across the region. We're all basically similar. It's a regional effect. The Riverina is actually historically low in brix and it's historically low in ratio compared to the other areas. The information, or the quality standards, are based on the Murray Valley in South Australia.

MR COSGROVE: Why is that? Is it inescapable, or can measures be taken to improve the brix - - -

MR P. BLACKER: The main reason, in my opinion, is root stock. The Riverina is basically trifoliata where the other two regions are - we're on heavier soil as well - where the other two regions are on mallee, loam and sand, different root stocks, they pick earlier, their fruit is harvested much earlier than ours and we're forced to hold, because the major processing plant is here in the Riverina.

MR COSGROVE: Yes.

MR P. BLACKER: Therefore they ask us - they encourage us to try and hold fruit much later. The later we hold the fruit past February the lower the declining yield and the quality standard.

MR COSGROVE: Okay, thank you.

MR BAIRD: John, just a bit more information with regard to Phil's comments on Valencia. The predominant export season for Valencia, if you call that an export season, is in fact September, October and maybe early November. Unfortunately that's when ratios in citrus on Valencias is exceptionally low, and you're talking about maybe seven up to nine. Unfortunately Berri and fresh juice people do not want Valencias at such a low ratio, so what you have got is a conflict between fresh juice and export.

Growers get a better return from export, but at that time your fresh juice people don't want the fruit for juicing. So in effect they will pay you concentrate price when you're trying to tap into the export market. Then post-Christmas, or come December-January, where the ratios are higher, unfortunately there is no export market, or very little export market at that time. So whilst the processing might go up you've lost your other market, so you've got a conflict of returns.

MR EDWARDS: I would like to reiterate the point John has made, that

undoubtedly we could have come to a better understanding of the position in this area, and in other areas, had we been able to access better information. But I would like to raise a general question about how useful better information on costs of production would be. We have had a lot of experience now over many decades with different farming industries making the argument that their returns are very poor in relation to their costs of production, but at the same time this plan has been made we have seen the industry increasing its output.

If we look at citrus we see - I'm taking a more national view here, but our overall picture is that the value of production has been going up, exports have been going up, the number of trees planted has been going up. So there is a picture here of the industry going ahead, notwithstanding the claim that is being made here, and that we've heard elsewhere, that returns are poor, vis-à-vis costs of production. We can go back quite a number of decades and find Prof Keith Campbell, professor of agriculture economics at the University of Sydney, writing articles in the 1950s, pointing out all the problems in defining and measuring a meaningful concept of costs of production.

There are all sorts of problems in how to handle, for example, interest on capital in the form of land returned to operator and family labour. There are problems of distinguishing between average costs and marginal costs, which are relevant in taking decisions to change production. So although I can appreciate that yes, we would have a better understanding of the financial situation of the industry if we had better information on returns and costs at the farm level, I'm not sure just how important that is in an overall assessment of the industry. Do we not have to put considerable emphasis on the answer to the question, "Are farmers showing, through their behaviour, through their production decisions, that they are finding it worthwhile?"

MR P. BLACKER: Could I just say that most of what you said is actually correct, that growers - we've got more trees in the ground, we're producing more and we have been forced to do that through efficiencies. The reason that there are more trees going in the ground - the growers have realised that the old single-planting status is uneconomical, they've removed old trees, pulled one out and planted two, sometimes three, in its place, they've recognised that they need to change varieties. But every time you make a change on your property it costs money. It costs money to make that change, and whilst it's costing you money to make that change you are also losing income.

Every time you remove a tree you've lost that income for the next seven years and it comes at a cost for the earthworks, the removal of the trees and the time, labour and energy spent in actually getting that tree - new ones back into production. So every time we make a change on our farms our cost of production will go up. It

will change every year, because every time we make a change there are significantly more costs associated with it, and it is going to vary annually.

MR SJOLLEMA: I've noticed your increased number of trees, I think, was 9 per cent. That doesn't give an area indication if there has been increased areas. I look at my farm, my farm is one of the double-planted which is 180 trees per acre. Now, I've been pulling a lot of Valencias out there; some of the old navels, but certainly Valencias, and I've planted 400 to 600 trees per acre. They get dwarfed, and I think you will find there's a lot of growers doing that. We can actually more than double, in some cases triple, and if people have single planting at 90 trees per acre we are more than quadrupling, a 450 per cent increase in tree numbers, and we can actually have a smaller area. So the tree numbers aren't really giving a true indication. Are they just oranges, or do they include mandarins too, because mandarins have certainly been increased in the market. There has been good money in mandarins I believe.

So those figures, while I'm not disagreeing with the figures, I'm wondering how much - certainly production per tree is the same for the first several years, but because - if you've got 400 trees as against 90 trees per acre, you're going to get less and less production per tree, but your production per acre will be more until the 15th year when they equal their normal double-planting. So the idea is to get more production earlier. You get more trees, but the overall production isn't greater after 15 years. They can be quite misleading, those figures.

MR NARDI: I would like to see the - I can't see Valencia trees increasing, and navels I don't think have increased that much on a national basis. I think if you can incorporate the figures of Queensland, where 30 per cent of their mandarins aren't even bearing yet, what is going to really mask everybody else's figures - I think, like you said, you need to go down to area bases again.

MR COSGROVE: We haven't been able to do an area base, but we have looked at a variety classification of tree plantings and, yes, there's certainly a different picture for Valencias where - - -

MR NARDI: Over 1 million trees have been removed in the last three or four years.

MR COSGROVE: Yes, non-bearing young navel trees are growing.

MR NARDI: But remember, that could have happened seven years ago.

MR BOWERING: That was my point on this whole argument here, that the amount of production is increasing and exports are increasing, to validate that the

current situation of the industry is rosy. Forgive me for my ignorance in citrus, I'm not an expert, and that's why I've got these growers here, but those decisions to plant those varieties, or whatever, were taken many years ago. It takes a long time to - we've got figures from Ron Hutton, New South Wales agriculture, who says it's a 15-year turnaround time basically.

Those decisions were taken a number of years ago, so to transport the decisions to increased plantings and different varieties, to transport the concept that now that production is increasing the growers must be doing really well, when those decisions to plant those varieties were actually taken, you know, seven, 10, 15 years ago, I think is ludicrous. The situation is that what the commission should be looking at is what are farmers getting at the farm-gate for their product, for the different varieties, versus cost of production? Now, to validate the commission's stance of, "They must be doing well, because amounts like that are being produced, or increasing, and export market is increasing," is ludicrous. Irrespective of - - -

MR COSGROVE: That's not what we've done.

MR BOWERING: Well, that was the point that Jeff was making certainly. The point that needs to be taken into consideration here is, what are growers getting over the last five, six, seven years and our figures are - we've got Murray Valley study, we've now got the information from pack houses. Information that you've heard here today is that growers are losing money, are in dire straits. They are not getting the figures that the commission is discussing and has stated in here. In the Riverina area 50 to 100 per cent less than those figures. Once you compare those to the costs of production which, as I said, hopefully we will have shortly today, growers are losing. Therefore, the industry in this area and in the other areas we believe, from our discussions with our colleagues interstate, is that citrus growing is not viable. There are troubles.

Whether you're in export or not, the mix of things - yes, sure, if you were primarily all focused on export at the top end of the market, you're probably doing pretty well. That is a very small percentage of growers. The commission had to look at the industry as a total, not look at a very small 5 or 10 per cent of the people at the top end of the export market, had to look at industry as a whole and the financial viability of the industry, and I think the discussions here today have shown that this industry is not viable. It is not viable. There are problems.

People do need and want to move on to get out of citrus growing, to do some other things. But they can't, because they don't have the capital to change. They don't have the capital to be able to buy a property or a house in town to get out of it altogether. Another issue that we've just found out the other day is that people now are locked into these contracts with the processors, and basically the contract is with

the person and not with the farm. So they're locked into contracts. Even though they're financially unviable they can't get out, because they're locked into a contract for two years. Dom, can you just give a bit of information on that, please?

MR NARDI: For example, we've got a Leeton grower, a 70-odd I think, Phil?

MR P. BLACKER: Yes, 70 - - -

MR NARDI: Wishing to get out of the industry, he has had enough. Unfortunately he signed a contract with Berri last year, and now he's in the situation where Berri are suing him for \$1.2 million I think it is, because the contract is with the grower and not with the farm, the orchard. So even though he wants to get out he can't get out.

MR COSGROVE: Why hasn't he sold his farm?

MR EDWARDS: Why is he being sued?

MR NARDI: He has already sold his farm and then he realised after he sold the farm that the contract was with the grower.

MR COSGROVE: I see.

MR NARDI: There are a lot of other growers, we've been told from real estate agents, in Leeton, for example, that want to sell, but because they're locked into these contracts they can't sell. Now, that's just to give you an idea how severe some of these processors can be.

MR COSGROVE: What's the problem of being locked into a contract? I mean presumably one enters a contract, because you see some advantage in it for yourself. Is that a mistaken - - -

MR SJOLLEMA: When you want to get out - I'll give you an example of my contract, which is through Mario's Packhouse: 172 is what Berri is paying, minus \$9 rates, so we will get 163, less levies it will be 157, and if Mario's takes them out themselves at this stage I'm not sure what that would be. 157, I'm not growing oranges for that. That's this year, in a very low year. Sure, some of mine are also going to packing this year, which is lucky. I'm just telling them to get stuffed with the juicing part, because I can't be viable. 10 tonne an acre, you can work out the income yourself, 10 tonne per acre at 160, that's only \$1600. Less \$65 a tonne for picking, that's \$950 an acre. That's a totally unviable cost.

MR COSGROVE: Yes, but I'm trying to get back to the point about the grower being sued by Berri. I mean, we all make decisions.

MR SJOLLEMA: But that's why growers are getting out, because the contracts are not viable.

MR COSGROVE: Not all of our decisions are good ones after the event. But if a person enters a contract - I mean, I can understand that somebody might look at a contract price being offered and say, "That's below my cost of production, I'm not going to take the contract." But if you take a decision to enter a contract, presumably you have undertaken some sort of fairly serious assessment about the likelihood of you making a profit under that contract. Now, this person who, I think, Dominic was identifying, had done that - entered a contract; had sold the farm, then realised that the contract was attached not to the farm but to this person. The first question is, why can't that person, even if no longer in charge of the farm, have arranged with the person who bought the farm to complete the contract?

MR P. BLACKER: The person who is purchasing the farm doesn't want the Berri contract because he can receive \$350 a tonne on the spot market, where he's committed to 172 per tonne for contracted fruit.

MR COSGROVE: That's fine. He has no obligation of course - - -

MR P. BLACKER: Of course.

MR COSGROVE: - - - that person, under the contract to fulfil it. The person who did undertake that contract is the person who sold the farm.

MR P. BLACKER: Most of us here are Berri contract holders in some form. What other choices do we have? The pack houses can only handle about 20 per cent of the crop; 50 per cent of the crop goes into fresh juice, and the remainder goes into concentrate. That's what normally happened in the past. So if you don't take up a fresh juice contract, you're committed then to trying to put all your fruit through a pack house, which is not always possible, particularly in the Leeton area, or you take the risk of getting concentrate prices.

MR BOWERING: Just on that point, to finalise that discussion, it is the growers' own choice, as you say. I accept that - that it is their choice - but basically a lot of the time the choice is really not a choice. They are thinking, well, do I take this, make a small loss, rather than maybe just sit and wait and maybe take a bigger loss? So at the end of the day they make the choice of the devil you know rather than the devil you don't know, and all we were making the point of in this instance was that this grower wanted to get out because it just wasn't profitable, but he's locked in and now various things. All we are saying is that those contracts do offer benefits - we accept that - but there are also some pitfalls in that as well. We just wanted to make

that point.

MR COSGROVE: Let's just focus on Valencias which, I think you mentioned, are 70 per cent of your production in this area. What proportion of Valencias would be sold under contract?

MR NARDI: Can I ask a question from the audience, if it's okay? I have a person who can answer that.

MR COSGROVE: If the person needs to answer, we will need them to come up to a mike, that's all, and identify themselves.

MR NARDI: Can I ask that of you, Johnno - roughly? Would you know the proportion of the percentage from the area?

MR DAVIDSON: John Davidson from Berri Fruit Juices, and I'm also a grower. Currently last year Berri's contracts were about 63, 64 thousand tonnes of Valencia in the MIA. I believe original, Hugh, 20.

MR COSGROVE: So that's 83.

MR DAVIDSON: There's probably about another 20, 25 thousand that would go out to the independent small - - -

MR COSGROVE: So something over 100,000 of total production of what?

MR NARDI: In last year, 90,000 tonnes. So you do your figures on that one. But obviously there was a carryover from last year. So let's say about 120, 130 thousand tonne.

MR COSGROVE: So a large proportion is sold under contract.

MR NARDI: A very large proportion.

MR DAVIDSON: I would say close to 100 - - -

MR NARDI: It depends on the year that you get. Next year you might get a very low crop. You might have a problem.

MR DAVIDSON: One of the questions about the contracts is, the contract has been assigned to the person. The problem at the moment with the Berri contracts is that it's the first time ever that the contract has gone the other way. In the last three years probably the average Berri contracts - or the current contracts - start at 172 plus

bonuses. Currently at the moment it's \$180 plus bonuses on leaders, brix or ratio. In previous years the fruit pricing in the MIA, the Berri contract has been a much higher price than, say, this year because of the shortage of fruit in the district. The biggest problem is our biannual bearing of our fruit in the MIA.

You're talking about export. Export is probably limited to September-October. September you can't use the juice, and in October currently in the MIA we start to use fresh juice around about mid-November when it becomes about 10 to 11 ratio, because that's what the consumer wants in the fresh style of juice in the country. Prior to that it's immature, bitter, sour - whatever you want - so the MIA is disadvantaged because we're probably anything from a month to six weeks behind the other areas in the fresh style of juice.

MR COSGROVE: Just before you go, the prices under the contract arrangements are set on an annual basis. Is that right?

MR DAVIDSON: Yes.

MR COSGROVE: Thank you.

MR DAVIDSON: The contract was only drawn in August last year for the next three-year term, with another three years pending that. So the problem area at the moment is that the people that are selling out, the buyer doesn't want the contract.

MR COSGROVE: But that situation could change from year to year, I guess, particularly with his biennial cropping pattern that you have in this year.

MR DAVIDSON: Yes.

MR COSGROVE: Is that inescapable? Can orchard management practices change that at all, or not?

MR DAVIDSON: Not so much for fresh juice. If the growing sector can't move the fruit into the packing thing and we have a big crop - because in fresh juice we can only take so much a week or so much a month; it's contracted through to August each year. The later you leave that crop on the tree, the worse it gets. That's what happened last year. We had a massive crop - it was probably a 10-year massive crop that we had. We have had frosts and things in the past three or four years which have affected crops, so we were probably at a 10-year high in the past year, which has severely affected the tonnage in the MIA this year - and even next year.

MR EDWARDS: Could I ask at what time of the year the contract price is announced?

MR DAVIDSON: Normally in July or August they will set the term and price.

MR EDWARDS: Thank you.

MR BOWERING: John, can I just ask a question?

MR COSGROVE: Yes, please go ahead. I would like to interrupt briefly, if I may. I'm sorry. Yes, go ahead.

MR BOWERING: Is our session finishing in a couple of minutes?

MR COSGROVE: No. That's what I was just checking on. In fact, we have until 11.00.

MR BOWERING: That's all right.

MR COSGROVE: So let's press ahead on that basis.

MR BOWERING: Is there anything else that you wanted to know, before we started taking our specific comments on the position paper?

MR COSGROVE: Well, perhaps this is going over ground which we have already covered in a slightly different way. We have information which is actually not in our position paper - and I would imagine it is, again, ABS information - on the farm-gate unit values for oranges by state. That information shows that for New South Wales - which I guess basically means the MIA for orange production purposes - the level of unit value in recent years, which has varied a little bit, was unusually high by the looks of it in 1998-99. We don't have figures beyond 1999-2000. But over four years it's showing an average unit value below the national average - well, it's not a lot below the national average. In fact, in 1998-99 - the year I mentioned - it's actually above it. In the other three years it is slightly below in two of them, slightly above in one. But, anyway, if I could draw a rough average across the four years, just eyeballing it, you would probably say an average unit value of the order of \$300 per tonne.

MR NARDI: Are you talking about Valencias, navels - - -

MR COSGROVE: That's Valencias.

MR NARDI: For Valencias, \$300 per tonne for the growers near MIAC.

MR COSGROVE: Yes. Unit value, which is not the same as price, but it's

effectively derived by dividing the value of production by the quantity of production.

MR BOWERING: As we said before - - -

MR COSGROVE: You seriously doubt these figures.

MR BOWERING: - - - our view is ABS data in this regard is completely incorrect. We've provided the commission this morning already with information which completely conflicts with that data, and growers are not receiving anywhere like those returns. We're more than happy, as I said, we'll certainly submit that document to you, but we will endeavour, if the commission needs other evidence, to get some other evidence to validate that. Rather than two or three growers, as was suggested before, we're talking about the major proportion of growers in this area who are receiving those prices, not the prices that are suggested through ABS.

At the end of the day, what's the realistic position of the industry? Is it the ABS data or is it the realistic figures from growers? Obviously, we're suggesting the ABS data needs to be thrown out completely and not considered. It might give some general feel for a small percentage of growers, but the actual position is the position that we've provided to you today.

MR COSGROVE: We would be glad to have any further information. That was, of course, one of the things that we invited at the outset of the inquiry. We did visit a number of orchards in all of the producing regions. We obtained some information on those visits. It's difficult though, of course, to rely on what was essentially piecemeal data, and I think it's natural that we would have sought to make use of seemingly more comprehensive and, we had thought, professionally prepared ABS data. But if you are able to give us as comprehensive a feel as you can for production in the MIA and the prices received for it, and your costs, then obviously we'll have a careful look at that and go back and reassess things with the ABS. But I do emphasise that information from one or two growers, unless they account for 80 or 90 per cent of total production, is not something we can really rely on.

MR BOWERING: As we said, we're not talking about one or two growers here; we're talking about the majority of growers in the MIA, and certainly the information that has been received from the table here this morning is that we have representatives from the major pack houses who have all validated that those prices are nowhere near what people in the Riverina are getting. So if that's not enough evidence, on the principles of natural justice and all those sorts of things, I don't know what is.

MR COSGROVE: Okay.

MR BAIRD: With regard to the pricing, to give you some indication of realism, if you take the numbers that were put forward previously for fresh juice, which was Berri in the order of 60-plus thousand, original up to 20, and others maybe 20,000 in total, which gives you around about 100,000 tonne. Those prices are in the vicinity of probably, on average, \$170 per tonne, and 100,000 tonnes this year is probably 90 per cent of the total crop. That's nowhere near \$300 per tonne.

MR COSGROVE: No. Are there any exports of Valencias from this region?

MR SJOLLEMA: Very few.

MR NARDI: If you work it out, John, easy 90 per cent of the crop it's - - -

MR COSGROVE: Yes, but let's say there might be 5 or 10 per cent exported - - -

MR BAIRD: John, you would have to get ridiculously high prices - of \$1000 per tonne plus - in order to come back to an average of \$200 per tonne.

MR COSGROVE: What about your fresh fruit prices?

MR NARDI: The same.

MR COSGROVE: The same as for processing?

MR NARDI: No. You won't get your fresh fruit - you haven't got a market. What we're saying is 90 per cent of your crop is made up of fresh juice contracts.

MR COSGROVE: This year?

MR NARDI: This year.

MR COSGROVE: 90 per cent of the price - - -

MR NARDI: No, 90 per cent of the crop, the Valencia crop.

MR COSGROVE: 90 per cent of the crop gets contracted price of 170. Okay.

MR NARDI: So to get to your \$300, you would have to be getting over \$1000 for the export market and also domestic market. Now, if you can get those prices, we'll all go home now.

MR P. BLACKER: The fresh fruit market is around about 350, the spot market. That's for the packed tonne, back to the grower.

MR SJOLLEMA: My packer is offering \$300 per tonne, for packed fruit, depending on how it packs out. He's supplying very few of the people who are contacting him because he can't supply fresh juice, so they can't supply the local market because there isn't the owners. Now, say, for 10 per cent of his fruit he might get \$300 per tonne for; the other 90 per cent from Berri is 163, less charges. So you can see straight off. His top price is 180 maximum average to growers. Some might get 250, some might get 150. But we must remember that this is 80 growers. With Hughie's there that's over 200. It's a very high proportion of the area. We're not one or two growers.

MR BAIRD: This is in a year where supply is basically less than demand, so if you go the other way and you get a year where supply is greater than demand, that's where your FCOJ impact comes in, because a large percentage of the crop ends up going to concentrate which is at basically world parity pricing. So the grower ends up getting stitched up both ways.

MR COSGROVE: When you say a large proportion goes to concentrate in high production year, what proportion would you say goes to concentrate?

MR BAIRD: You're probably looking at 40 per cent. Don't forget my comments earlier, the agents and the wet markets understand what the world pricing is and they will pay a price marginally better than FCOJ price because they know that that's all they have to pay, because growers have got to get rid of their fruit somewhere. They can't let it drop on the ground and if they get \$20 a tonne better than concentrate price then growers will take that option because that's the best paying option. So the grower ends up being stitched up both ends with Valencias. Short supply, yes, he's locked into fresh juice contracts; big supply, yes, he gets hit with FCOJ pricing.

MR NARDI: John, for the record, we must remember - - -

MR COSGROVE: Short supply, yes, you could sell it on a spot basis though, I guess.

MR BAIRD: No, if you're contracted to a processor - - -

MR SJOLLEMA: 90 per cent is contracted. 90 per cent is taken. If you don't supply it you've lost it next year, if you don't take that course.

MR NARDI: Remember our picking costs are incorporated on it straightaway. With Valencias you have to pick it. They won't do us the honour and drop on the ground. So we have to pick it. So you've got that picking cost no matter what. So if the grower has got to pick them you might as well supply to somebody, and if he gets

\$20 extra - do you know what I mean - that's the burden of it.

MR SJOLLEMA: Maybe I should just clarify that 90 per cent on contract. That's this year. If we had these contracts last year it would be likely to be 50 per cent. This year I'm picking - I haven't worked out that accurately - roughly 10 tonne an acre. Last year it was 30 to 40 tonne an acre. So it can vary quite markedly. So you must remember that. 90 per cent this year is 50 per cent next year. The other 50 per cent is who wants \$20 a tonne. On a big buy - and it will vary in a year - we've got to make that, yes - so I think that really has to be remembered.

MR MANCINI: If these contracts with juicing companies were as far as whole farms' productions, well and good, but no-one wants to commit to a full production. They want tonnage, and if you produce 400 tonne they will take 200 because they're certain on a light year to have that volume all the time. So when we do average 170, or so-called 170, with averages around about 150, and you're below FOJ prices we're worse off than previous. It's only this year that we might average 150, 160.

MR NARDI: In a big crop year a contracted grower should be better off than a non-contracted grower and on a low year the contracted grower would be worse off than a non-contracted grower. For example, I don't know if there's any grower in the Riverina - for example, like Dom was saying - that would have a full tonnage contract. For example, like I said, if you had 200 tonne you wouldn't contract 200 tonne because of biennial (indistinct) and that, and then after, and if you don't meet that 200 tonne on a real light year you get penalised for it. So you're saying your 100 tonne of contracted price on a big year, okay, fine, you might get your 150# tonnes, 50, but the other 100 tonne you would probably get 30 or 40, \$60 a tonne. So it's going to bring your contracted price - your average price to the grower - right down.

MR COSGROVE: Thank you. We have another 20 minutes. Would you like to start on appendix A.

MR BOWERING: Can we start on appendix A, please, if we could. We've all sat down and read the position paper in detail, and I suppose can I make one overarching comment. We've put a lot of work into this document and tried our best to look at it objectively, and I suppose that's difficult coming from a grower's perspective but we have tried to do that. Me being a non-grower and not involved in the industry at all I've tried to provide that overarching - well, you know, a government perspective, looking from the Productivity Commission's perspective, to bring to bear. It has taken us a lot of time.

We are concerned, however. We don't really feel that we got a lot of lead time to prepare a response to what's in essence a 250-page document in four weeks, and I

suppose we're a little bit concerned by that, probably a bit more than a little. We're pretty concerned that the lead time of being able to prepare a robust submission back on this position paper - we just didn't feel that the four weeks really gave us enough time to look at this in depth and Dom and I were up until half past 11 last night still looking at things.

MR COSGROVE: Yes, I understand that. We feel a little similarly in terms of the amount of time we've been given to do the inquiry as a whole.

MR BOWERING: I suppose from my perspective based on - we already had a delay earlier and based on what has happened I think that ACG should be going back to the treasurer and asking for an extension, but anyway that's just my view. So can we just go through these comments?

MR COSGROVE: Yes, sure.

MR BOWERING: We will just talk in general about what our thoughts are with the different issues and we can go from there. As we said before we don't believe that the investigation into the profit and loss of citrus growers across the country has occurred and we believe that the evidence that we've provided today and what we envisage you will hear from other bodies across Australia will be very similar, and that we certainly believe that this sort of investigation needs to be undertaken in depth by the commission and to obtain evidence for each of the major citrus growing areas. As I said before, they're all different, completely different. What's happening in Queensland and how profitable or non-profitable they are compared to Riverina and others will fluctuate widely from year to year. I just think that that sort of analysis needs to occur.

As I mentioned before, we certainly believe that the commission hasn't fulfilled its obligations in respect of the terms of reference of the inquiry, 1(a) and 1(d), in that they haven't identified realistic grower information on the profitability of the industry and certainly in relation to 1(d) have not reviewed the effectiveness of those government programs and without doing that we believe that - as I said, there has been a breach of the terms of reference.

MR COSGROVE: I would say that we did review the effectiveness of programs, by the way, and we have some commentary in chapter 5 on that.

MR BOWERING: We challenge that in that the position paper clearly states - and we will get to it later - that the commission is not going to review the effectiveness, and the commission actually states that.

COMMISSIONER: Yes, that's a selective quotation, but go on.

MR BOWERING: Anyway our view was if that was to be met that the commission needed to undertake an in-depth analysis of each of those programs that are available at local - probably at local, state and federal government, I believe, even though the terms of reference don't include local. There are local government programs that might be applicable. It needed to do an in-depth analysis of those programs rather than relying on some reviews that have been undertaken by government appointed consultants or whoever reviewed some of those programs, and that this has not occurred, and, as I said, certainly there's nothing in here.

Even though it does mention the different programs and what they're about there is certainly no evidence that has been obtained to identify how effective they have been specific to the citrus industry. I'm going to be flicking between my document and what we've prepared, but if we go to page 21 in the overview you make the statement here:

The commission says the available evidence indicates that many growers in the citrus industry have adjusted to the changes and remain financially viable.

Again, as we've talked about in detail this morning, we ask the question, what evidence? Maybe from those ABS statistics it may validate that. Certainly from our grower perspective on the ground it's a completely different situation. As we've said in here evidence from the Murray Valley benchmarking study shows three out of five years were at a loss and one was break-even. Murray Valley figures would have been worse for the Riverina area, as we've mentioned before, because Riverina is focused primarily on Valencias. The commission is stating that the industry is financially viable. Why are packers going into receivership? There are three prominent packers in the last two years who have gone into receivership. So if the industry was very viable those people wouldn't have been going into receivership, I'm sure.

Growers have also provided evidence to the commission but this has not been accepted by the commission as a valid industry-wide perspective, and that certainly is a concern that growers in the Riverina and Riverina Citrus has, that throughout this the industry, ACG, Riverina Citrus, probably the industry bodies from the other states, have all said the same thing and provided information but it doesn't seem that the commission has accepted that as valid because obviously you've accessed ABS data which suggests otherwise, and, as we've said, we believe that that data is completely incorrect.

Also the commission states in here, on that page, that there has been a 14 per cent increase in real value of exports. We just ask the question how does this

relate to the farm-gate? How has that equated to returns to growers? Does the cost of returns exceed the cost of production and where does the evidence come for that? In the foreseeable future Australia is going to be opened up to more and more, to imports and competition on the fresh fruit and fresh juice market. We don't see throughout the position paper that the commission has accepted that while we have on the domestic market probably a significant benefit in that there doesn't really seem to be a lot of imports, that is not going to remain as a status quo forever and that continually in the future the local growers are going to be exposed to that competition. We just don't think that the commission has fully appreciated those things that may happen in the future.

MR COSGROVE: Are you talking here mainly about FCOJ imports or not?

MR BOWERING: No, fresh juice; fresh fruit and fresh juice. On page 22 - and this is a general response about the position paper - the commission seems to rely on information from different sources, and I probably point Warren at your head, BGP International, J.V. White, and a number of others, as the evidence from those submissions supports the commission's view. We probably have a concern that those people do not have the expertise to make those comments and yet the commission has relied on them heavily to support their stance.

We've actually got - which I think the commission has got - that EJT Packers have put in a late submission in relation to BGP International submission which basically throws out and calls into question all of the information provided by BGP International in their submission. So what we're saying essentially is that the commission has relied heavily on those people to validate their stance. Our view is that those people don't have any expertise in the areas that they claim to have, don't represent the realistic position of growers on the ground and certainly don't represent the views of the industry peak bodies and therefore while they need to be considered, as every submission needs to be considered, the commission should be questioning the validity of the evidence that they provided.

MR COSGROVE: I think we try to do that. We may not always succeed but there are people whose specialisation lies in understanding the forces at work in international markets, in this case the citrus. There are people whose specialisation lies in the production of citrus; there are people whose specialisation lies in the packing of citrus.

MR BOWERING: In the growing of citrus, which are these people here.

MR COSGROVE: Exactly. We've tried, where we can, to rely on those areas of speciality. Maybe we've been unwise to do so but I think it's not an unreasonable position to adopt. Of course we will be looking at all - as I said at the outset - the

evidence provided to us at these hearings and in submissions and we will be looking again at the paper as a whole. So I don't want to give you the impression that we're immovable on any of this.

MR BOWERING: What we're saying, I suppose, is we are questioning the validity of those people's claims. I don't know Warren Muirhead, and we've asked as to who that person is and what expertise that person has, or J.V. White. I understand BGP International. However, as I said, I think the commission now has a submission from EJT Packers dated 18 February which really basically pours scorn on the claims made by BGP International. So we accept completely the need to look at all submissions and weigh up the evidence but continually quoted were those three individuals or enterprises to validate the commission's view, when we feel that those people don't have the expertise to be able to make those suggestions. As you say, yes, some people are experts in export markets, some people are expert processors, packers, whatever. This is the growers' perspective, and while I'm sure even here this afternoon some individual growers may make claims - who knows; I've got no idea of how viable their little business is. The overwhelming thrust of this morning's information from 99.9 per cent of growers in this area is that this was not viable.

MR COSGROVE: Could I just go back also to your point at about page 21. I think that table isn't wholly distressing and, if you look just at the citrus part of the business, you're right, that in three years out of five there have been losses made and, in one of them, only a small profit. But it's interesting, I think, that if you look at the mean for the citrus business - one wouldn't want to make too much of it, it's only two years - but it's moving upwards. In other words, all of the loss years were in earlier times.

Now, I accept, as you've been emphasising to us, that this is the Murray Valley and that they probably are more profitable growers than those in your area, but the highest quartile, ie, 25 per cent of growers, is making in recent years what one would think are reasonable returns per hectare, for which we have data.

MR BOWERING: Can I also say that the lowest quartile is making huge losses.

MR COSGROVE: There's nothing unusual - well, I take your point.

MR BOWERING: No, I agree with you there.

MR COSGROVE: That is typical of agriculture.

MR BOWERING: It's typical of everything, and in my business, or in any business, there are people who make a good dollar, there are people who don't make a good dollar, but on the whole - that's up to 2000. My understanding - and, once

again, please excuse my ignorance in the citrus industry - 2000-2001 was a significant loss, was it not?

MR COSGROVE: That was the year when there was a large supply from Brazil and here.

MR BOWERING: Yes. As we state, those figures are for Murray Valley, more focused on exports, and therefore the losses incurred by growers in the Riverina would have been significantly more than those, and the profits, if we take the mean as correct and we say 99 and 2000, \$1157 was the profit in Murray Valley, that wouldn't have been realised in Riverina. So we could basically say in Riverina at least four out of those five years growers would have lost, and lost significantly and, even though you say that the trend is upwards, we're challenging, in that, as we said, the last year basically was a loss as well.

MR COSGROVE: But the current season will get better again.

MR BOWERING: Yes, that's right, it could balance out, There are good and bads. But overall, if you took that on an overall scale and worked out what growers had lost over the last, say, even six years, if you include this year's figures, growers have lost significantly. The good years have not counteracted the bad years in any circumstances.

MR COSGROVE: No, I accept that.

MR SJOLLEMA: Unfortunately, because of contracts, if you don't end up with a good price this year, as we've discussed a lot, it doesn't then add up to good prices this year for a lot of people. I think we've discussed that quite thoroughly - that 90 per cent of the fruits contracted guaranteed no more than 180.

MR COSGROVE: That's a decision, as I said, people make. Sorry to interrupt.

MR SJOLLEMA: They might make it, but it's still a fact; I think we must accept that. It's still a fact, and they did it because of the exceptionally poor year last year. People panicked and took contracts this year. I think we must accept that as fact.

MR COSGROVE: I accept it as fact.

MR NARDI: John, I just want to mention on 22, concerning the Muirheads - I realise there were a lot of submissions from guys from the Riverland that went in, and I have not seen one reference to one grower from the Riverina in this whole document, but you take a reference from Warren Muirhead which I believe has nothing to do with this at all. That amazes me, it really does - a retired person also.

That really surprises me.

MR COSGROVE: We'll try to correct that.

MR BOWERING: Page 23: although average farm-gate prices were higher than the price recorded, FCOJ, evidence from the Riverina suggests that in 2000 the average price was \$156 per tonne; 99, \$140 per tonne; 98, \$126 per tonne. However, the cost of production in this area is estimated at \$220 per tonne minimum and, as I said, we're trying to get those figures later today; therefore, growers realise the significant loss per tonne compared to the cost of production.

MR COSGROVE: Could I ask a question in relation to these figures. They pose a question as to why you continue to produce. If you're making losses for a series of years of a significant order and, if one takes the highest price quoted there, 156, it's \$64 below your cost of production. How do you keep operating in this way?

MR: That's why the farmers have to go out and get off-farm income to sustain their farms.

MR COSGROVE: I understand that, but is there not some incentive to shift away from citrus production into other areas of horticulture?

MR: Some growers have done that, though. They've removed - - -

MR NARDI: A lot of growers have done that, John but, remember, planting a tree, it costs to plant, and you don't get your production straightaway. It's not like rice and where you can go one year to rice, next year to wheat, or lucerne, whatever you like. you've got a tree that you plant in the ground.

MR COSGROVE: That's if you stay in citrus. What I'm saying is if the order of loss that these figures demonstrate is such, why do you keep trying to plant new trees?

MR NARDI: Are you suggesting we go into grapes, John?

MR MANCINI: Farmers that did convert over to other crops - mainly farmers that had mixed farming enterprises - may have gone into full grape growing because they already had the machinery to adapt to that particular crop and it was already established. But to ask citrus growers to pull out all their trees and convert over - I don't know what the cost is of just planting grapes, it's in the thousands of dollars an acre. You have to have the money from somewhere. The grape growers have had a good return in the last seven, eight years or so, but look out for them from now on. They're on the downhill run.

MR BOWERING: Dom, what's the current situation with grape growers at the moment?

MR SJOLLEMA: Unfortunately, what happens in citrus, you're going to hang on for a couple of years hoping the prices will turn around, and I think what has happened to a number of growers - by the time they've realised it's not turning around, they've become virtually bankrupt and they can't afford to pull out. I've got 50 acres. If I pulled out 10 acres a year, what's the cost per acre of setting up grapes? 5000? I can't find 50,000 for grapes - six or seven thousand. I've heard all reports - 5000 is at the lower end - what I've heard. But it's very, very expensive. And then in two or three years' time, it goes "boom", which has happened, and that's always the fear.

MR BOWERING: Grapes have hit the wall, in our understanding, this year - that growers are being paid, Dom, are they not, to leave their crop on the vine?

MR COSGROVE: We have seen a report to that effect, yes.

MR BOWERING: We're not disagreeing that there may be scope, as I've said all along, to move into different varieties or different crops. However, to be able to do that farmers need to have dollars behind them to be able to do it, and at the present time, because of the circumstances and the state of the industry certainly in this area, they do not have the capacity to be able to change - the dollars in the bank or the access to finance, or the access to government programs and funding which would realise benefits, and then be able to access those programs. As I said before, there are some programs there that people can access certainly through the PowerPACT, or whatever, but generally it requires the commitment of the grower to be able to have some sort of funding to support what the government might give.

We're suggesting there needs to be a change there. Guidelines need to be lessened a little so that growers, who basically do not have much capacity for funds or finance, can access grower support adjustment packages through the government. The dollars from the government need to be increased, and the threshold needs to be decreased in order for growers to be able to have the opportunity. Lots of growers in this area - Dom might be better placed - might be thinking, "I'd love to change to something else - to stone fruit, or grapes," and I don't even know if stone fruit grows here - but they can't because they don't have the dollars. It's basically, "Stick with what we've got, hope that times will change and that profits will return," or go bankrupt. At this stage, that's their only two options.

MR NARDI: John, I've got figures here, a case study. One is to remove Valencias to plant navels - and we plant navels - \$14,900 per hectare. Remove, and you're not

going to get a return off that. It's a 15-year turnaround.

MR COSGROVE: 15 years.

MR BOWERING: That's a study undertaken by - - -

MR COSGROVE: Are you meaning to generate a positive a cash flow?

MR SJOLLEMA: That's actually to repay the costs of replanting. You can get production after, say, five or six years.

MR BOWERING: Ron Hutton from New South Wales Agriculture, a citrus researcher, came up with those figures of 15 years.

MR SJOLLEMA: And to move from Valencias to wine grapes is \$15,466, so obviously there's a big cost, and that's per hectare. That's probably why not many people are doing it.

MR BOWERING: While growers would maybe love to do that, the current financial circumstances are that they've got no opportunities.

MR COSGROVE: We might have to come back to this later in the day, but the point still in my mind is that even if you can't afford to move into a different form of agricultural production, it doesn't seem to me to be a sustainable proposition on the figures that you've presented to us, to say that you see no prospect of prices getting anywhere near your cost of production and yet to remain in production - ie, you seem to be accepting that you're going to be making losses seemingly indefinitely, and I wonder what the sense of that is, how viable it is.

MR SJOLLEMA: Certainly a number of growers are getting out or doing different things. The cost of production includes replacement of equipment, which isn't happening; some investment on the farm, which isn't happening; so cost production is artificially lowered.

MR COSGROVE: You mean it's not \$220 per tonne.

MR SJOLLEMA: It is, but if you're running down your tractor, so that instead of having a viable tractor you've got old equipment which eventually is worth nothing.

MR COSGROVE: So you're postponing investment.

MR SJOLLEMA: You're postponing all this investment, plus paying - - -

MR COSGROVE: Your actual cost of production is below \$220.

MR SJOLLEMA: You are artificially lowering that cost.

MR COSGROVE: Yes, I do understand you're not doing things that you would like to be doing.

MR SJOLLEMA: You've got to take replacement, depreciation of equipment, because you're not doing it - replacement of trees, and so forth, you're not doing it, replacement of any of that. You're involving family members running the farm, picking fruit on weekends, wife working off farm, husband working off farm - so there are a lot of ways - hoping that things will change and, unfortunately, for some people it hasn't changed, so they've got to the stage of being too far down the track. They can't get out now, and I think that's the sad part. People like myself are replanting, are pulling out, and hoping that is the right decision. I'm sure there are many others also.

MR BOWERING: Can I just say on the cost production, that's just our estimate. At the moment we're waiting on figures, as I said today, to give us a bit more information, so that was just a very broad guess. The studies, I think, in the Murray Valley suggested the cost of production was actually \$350 per tonne, and that I think that information is in ACG's submission. That was their estimate on that benchmarking study, that the cost of production was 350. So if you take all those things out, well, maybe the cost of production really still is 220, and we're only just sort of guessing on that, it was only a broad-brush guess. We'll maybe have some more information on that today.

MR COSGROVE: Thank you. I think we will need to break now before our next participant. But, yes, if you people are able to come back after lunch - - -

MR BOWERING: What time would we be back?

MR COSGROVE: We're suggesting about 2 pm. If that's okay for you, we'd be very grateful. Thank you for what you have told us this morning. We'll take a short break now and we'll resume at 11.15.

MR COSGROVE: Our next participant is MIA PowerPACT, and I would like each of you, if you wouldn't mind, to identify yourselves and the capacity in which you are here today.

MS FORMOSA: Carmen Formosa, MIA PowerPACT and MIA Council of Horticultural Associations, executive officer.

MR COSGROVE: Thank you.

MR SARTOR: Louis Sartor, chairman of MIA PowerPACT program and vice-chair of the hort council.

MR COSGROVE: Thank you very much. Thank you for the submission that you have provided to us today. I've had a very quick flip of the pages, but I'm sure you would like to tell us what is in it.

MS FORMOSA: Thank you, John. The Productivity Commission's Citrus Growing and Processing Position paper makes comment on a variety of factors affecting the citrus industry, and makes various conclusions on appropriate measures that will assist the citrus industry, such as the MIA PowerPACT program. Some of the assumptions and information available at the time of writing the paper probably didn't paint a clear picture of the Riverina citrus industry and the nature of this industry, and also how programs like MIA PowerPACT can actually assist the citrus industry and structural reform.

In terms of characteristics of citrus growing in Australia, the MIA differs significantly from other areas across the country, and the Productivity Commission states that very few growers appear to specialise entirely in the production of citrus. Now, within the MIA 56 per cent of growers have over 90 per cent of the plantings on their farms that are citrus. This can be compared with about 20 per cent of growers in the Murray Valley region with this figure. I'm aware that Riverina Citrus have already made some of these figures available to you. 20 per cent of the industry in the Riverina have less than half of their farm with citrus plantings, and this can be compared with 48 per cent of the Murray Valley.

So our growers have a huge emphasis on citrus plantings, and we have a number of individual specialist producers in citrus. We also have a number of larger growers that are significantly larger than the average growers, 26 of them with citrus holdings over 50 hectares and eight with over 100 hectares. So it is definitely a region with specialist producers. Our property sizes are also significantly larger than property sizes across Australia as a whole. PowerPACT supports the view of Australian citrus growers, stating that the Murray Valley region has a significantly

higher proportion of navel fruit to total fruit. 59 per cent of all our plantings are Valencias. The total sum as I understand it, of those trees that are bearing, is somewhere around 70 per cent. So that again increases our reliance on citrus production in terms of Valencias as opposed to navels and other profitable mandarin varieties.

This becomes significant when we look at assistance packages for the region. A lot of the other areas have received assistance through rural partnership programs in the past, and have been able to make changes to alternative varieties. Riverina hasn't had this opportunity as yet. Specific factors affecting grower performance have also been quoted in the Productivity Commission paper, particularly diversification as an option for increasing profitability. We would support this view, but also make the important note that diversification does nothing to raise the profitability of the citrus portion of the enterprise. It may cloud initial figures for profitability, as would off-farm income, but the citrus portion of the farm still is not making the profit that it could be.

Diversification can also decrease the individual grower's buying power in terms of specialist inputs, decrease their selling and negotiation power when it comes to engaging in contracts for smaller amounts of fruit and involve the purchase of additional specialist equipment which increases capital costs, which are constant, no matter what the citrus industry is facing at the particular time. Those things really need to be taken into account. Diversification also involves the significant capital cost in changing of plantings, and the funding for this has to come from somewhere.

Growers have taken on a number of measures to increase profitability in portions of their farm. I heard you mention earlier, "Why are citrus growers staying in the industry when it doesn't seem to be profitable?" The point was mentioned that it is very difficult, in an enterprise like citrus, to change over immediately. A grower is restricted in the amount of farm they can change over in any one year and this is between the 4 to 6 per cent figure. You lose the immediate income from the citrus that might be producing something, even though it may only be just over break-even point, and actually lose on that land for a number of years until the trees come into production. So you have a total - even though those portions of your farm may not be profitable, they're still providing some form of cash flow. So this is significant when trying to access funding or trying to replant horticultural plantings. The banker, the financier, the partner has to wait a significant length of time before they can receive return on that investment.

I would like to go on now and talk about specifically the impact and effectiveness of programs to facilitate adjustment and economic change. We recognise that training is very important in achieving long-term outcomes for the citrus industry, as for all our agricultural industries across Australia. Small

businesses, not only in agriculture, are typified by a lack of business planning skills and we do acknowledge that the training is very important. However, funding dedicated to training for the citrus industry does not result in any immediate change or any immediate increase in profitability, and that has to be acknowledged. Although the government may have spent 7 or 8 million dollars on training for the citrus industry, that doesn't mean that the growers involved are immediately more profitable. It does assist them, but does not have any concrete change.

Quite often training will recommend, or training will increase awareness of, changes that need to be made for the farm, and these changes also have to be funded. So a grower might have a wonderful vision of what they might do with their farm, but unless they have got the money to execute that plan it is really a waste. The Farm Help Supporting Farm Families Through Change Program is also an area that requires attention. You mentioned also why farmers aren't leaving farming. I think this is one of the reasons. The Productivity Commission states that re-establishment grants are designed to be an incentive for farmers in financial difficulty, who are judged to be unviable in the long-term, to leave the industry.

It goes on to state, or make comment, that some growers and some industry bodies see that this funding should be available to purchase a comfortable house in the nearest town, and is critical of that statement. We would suggest that unless government grants for re-establishment allow growers to at least maintain their standard of living, particularly in relation to housing, there will not be any incentive to leave farming. They will remain on the farm and erode equity, and drag down the rest of the industry. The rural partnership program has significant business planning focus, and 48 per cent of the total funding is actually dedicated to business planning and benchmarking. That's 56 per cent of the direct assistance to growers is actually business planning and benchmarking, the training-type activities I mentioned before.

It's the first step in the program, and growers have to complete this before they apply for other grants. Now, the initial view of most growers is that the business plans are undertaken in order to access funding for redevelopment or property expansion. So basically growers are doing the business plan to get the grants. This attitude changes after they've done the business plan and a lot of them recognise that it's a wonderful thing to do. The Kick-Start Sunraysia rural partnership program has stated that overwhelmingly growers agreed that they would not have undertaken the business plan had it not been a requirement for accessing kick-start redevelopment funding.

This is significant when you look at how you attract growers to programs to undertake training assistance without some sort of carrot at the end. It is a problem that this program will face and is facing at the moment. We have had 18 growers who have enrolled in the program drop out, because they became aware that they

would not, because of their personal circumstances, be able to access grants. Growers have also identified two main problems with the MIA PowerPACT program in terms of redevelopment grants. They are the total amount of grant funding available to the industry, and the ability of growers to actually access this funding. Kick-Start Sunraysia is a similar program in another horticultural production area. The total funding available through that program was \$10,080,000. Our program is less than half that, with \$5 million.

Their approval for redevelopment grants was 90 per cent. So nine out of 10 growers who applied for a redevelopment grant actually got one. This provided a wonderful way for the industry to change structurally, a way for the area to also undertake training and business planning which has set them up for long-term change. We won't be able to achieve that figure with the amount of funding we've got. We have property expansion and redevelopment grants for 107 growers if they take it up at the maximum level. Now, that's 107 grants for the MIA. Not for the citrus industry, but for the entire MIA.

One of our objectives is to achieve structural reform in the citrus industry, and in the industries of the MIA, and I hardly think a \$15,000 grant for that many growers is really going to achieve that. It's a huge, huge ask. With the business planning enrolments so closely linked to the availability of grants the program may not even be successful in achieving targets in this area. So as the grants run out it will be harder and harder to attract people to do the business planning component of the program, and harder and harder to achieve those long-term aims.

In terms of access to funding, the Productivity Commission has requested additional information on whether growers who are eligible for the program are not receiving funding. I've mentioned that 5.6 per cent of total growers in the MIA will get some sort of assistance through the program in terms of redevelopment and property expansion grants, so many needy citrus growers are expected to miss out. We have to expect that more than 5.6 per cent of our industry are in need of some sort of assistance to undertake structural reform.

Kick-Start Sunraysia didn't actually have a specific needs criteria, and that was how they were able to attract so much attention to their program, undertake so many business plans and deliver so many grants for funding. The MIA PowerPACT guidelines however state that a grant must be necessary to undertake the re-development and the business must demonstrate potential for ongoing viability, which in many ways contradict. I'll provide a perfect example: a grower looking to undertake replanting, at a total cost of \$10,000.

So that, from the figures quoted before, is probably about one and a half acres. They need to demonstrate that without a grant of 2 and a half thousand dollars the

redevelopment will not be undertaken. They will not do it. At the same time they must also demonstrate potential for ongoing viability, regardless of the fact that they can't beg, borrow or steal 2 and a half thousand dollars. So it really makes it difficult for the average grower to actually access a grant underneath those eligibility criteria.

The amount of grant funding available also presents a challenge to growers. As stated, we have grants of 25 per cent up to \$15,000 for redevelopment and new technology. As mentioned in the previous example, if the grower can't find \$2,500 to do redevelopment they're not going to be able to do it regardless. Where are they finding the other 75 per cent? If a grower can't find \$2500 where is the grower finding \$7500 to undertake the rest of the redevelopment? For those growers in a dire financial circumstance, 25 per cent just isn't enough. That is why the MIA PowerPACT program is currently presenting a submission to the state and federal governments to expand the amount of funding available in terms of the amount of grants and also the percentage of redevelopment that that grant will actually cover, and expanding that to 50 per cent.

MR COSGROVE: Could you tell me, please, what the present status of that submission is? It has been provided to the governments?

MS FORMOSA: It has been received by both the federal and, we hope, the state government by now.

MR COSGROVE: Yes, no reaction yet?

MS FORMOSA: The federal government has received it. We have had meetings with the minister on that topic and we're currently approaching the state government under the rural partnership program model.

MR COSGROVE: Right.

MS FORMOSA: 50 per cent has to come from the state and 50 per cent from the federal government. So unless we're able to get support from both governments at the same level we won't get any funding. That was the problem that the program did face in its early stages. One government was prepared to make a larger commitment than the other, and we actually lost the funding.

MR COSGROVE: Thank you.

MS FORMOSA: In terms of impediments to improve performance of citrus producers in industry adjustment, section 7.2, the Productivity Commission lists a number of avenues from which citrus growers can access funding for redevelopment. Many growers have experienced low returns, you've heard this a number of times

today, and have low equity. With a history of low returns and a low equity level they have little access to traditional sources of funding through banks and financial institutions. No financial institution in its right mind would lend money to farms with a history of low earnings and a very low equity level, knowing that that farm will have to survive for another five to seven years before any cash flow is received from those trees.

If a grower is unable to access funding from a bank, why would a private enterprise or individual be willing to enter into partnership with them, which was another source of finance that was listed in the document. Government programs such as MIA PowerPACT are not available to every grower in the citrus industry and have tight eligibility criteria and probably, on that basis, shouldn't be listed as a source of funding available to citrus growers. Grants from rural partnership programs are only available to people within the MIA.

They're not available to growers in New South Wales outside of the MIA, and the programs in other areas have ceased. The Riverland program is finished and, as I understand it, Kick-Start Sunraysia is as well. So it's not really something that can be listed as a valid source of finance for growers.

MR COSGROVE: Yes. No, that's been drawn to our attention, I think.

MS FORMOSA: The Productivity Commission has concluded that a specific industry adjustment package is not needed, because assistance that focuses narrowly on commodities can distort farm business decisions with possible adverse effects on efficiency of the sector. It can also result in inequities, delay inevitable adjustment and be costly to administer. We would like to refute these claims.

The rural partnership programs are designed to build capacity and, to a lesser extent, encourage structural adjustment, were aimed at increasing the efficiency of growers to allow them to adapt their management practices. So we've got very long-term aims. We're aiming to become a self-sustaining region, not a region and not an industry that comes back asking for more money every five to seven years as governments change. We want assistance to develop ourselves into a viable, sustainable industry. You can see there's no reason why we shouldn't be. We've got so many of the elements.

Before grants are approved they have to be supported by a business plan which identifies how the redevelopment will improve efficiency. We're not about funding ostrich farms, we're about funding programs and investment and development which will improve ongoing viability and giving growers the tools to make the decision themselves. This supports rather than distorts business decision-making. If we were to apply for a program which would give an ongoing payment of \$10,000 a year to

every citrus grower in the MIA we might distort business decision-making. We're not about doing that. We're about helping them make decisions, reassess their business - which they haven't had an opportunity to do - and go on from there.

Growers involved in the program don't always focus on redevelopment. I don't have access to information on what each family farmer is doing because of confidentiality reasons, but one family involved in the program, to get redevelopment grants, realised after completing their business plan that their focus really should be on consolidating their debt and reducing that. Other growers involved in the business planning program have identified that risk management is more of an issue than redevelopment, that changing of business structure and family partnerships is also very important and they've addressed succession planning issues.

A number of other farmers have also had to readdress why they are in farming and look at their options outside of farming through other programs. It actually speeds adjustment by making growers aware of their true financial business. A lot of them, until that stage, when relying on taxation type financial reports, have not really known what sort of situation they're in. These programs make them aware. But, I repeat, we can't get growers to do business plans unless there's something at the end of the program for them.

In terms of administrative costs, through our total program our administrative costs, including communication, administration, implementation, running our program committee and monitoring and review of the program, paying the rural assistance authority to administer their end of the grants funding is 15 per cent of our total program. If we were to deliver more program grants, this wouldn't skew our administrative costs at all. We could deliver more grants for basically the same amount of money.

The program has also undertaken significant measures to reduce costs. We are housed in the MIA Council of Horticultural Associations which is an existing business with a high profile within the town and the program hasn't had any initial set-up costs. We access other parts of industry communication, newsletters and journals, access the local media and we do this in a way that doesn't cost us a lot of money, and a lot lower than can be delivered if the program was being delivered from a capital city, or on a national level. So I think really our administrative costs can be compared very closely, and even exceed the amounts for similar programs.

There's also criticism that a citrus-specific assistance package would fail to focus assistance only on those genuinely in need. We identified earlier that our citrus growers are more specialist citrus growers, so that's certainly to be taken into consideration there. But eligibility criteria again can focus on those citrus growers that are in need. With the business plan we have access to information that will

ensure that only those eligible will actually be in receipt of assistance, and probably therefore a more effective way of spending government funds than by countrywide agricultural assistance type packages that are generally available.

Our MIA PowerPACT enhancement strategy recently put to the government, for example: suggestion centres are restricted to growers with citrus plantings greater than 50 per cent of total plantings. Are there any particular questions that you have on our submission?

MR COSGROVE: Yes, if you've finished, I do have a few. You have finished, I take it?

MS FORMOSA: Yes.

MR COSGROVE: Okay, thanks. Just a clarification perhaps first on that quote from the overview to our position paper that you refer to on page 8 of your submission to us today: I think one can always argue about these things, but I don't think it's very easy to dispute the point about the inequities that can be involved in a commodity or an industry-specific assistance program, because it is by definition applied to only one part of a nation's economic activity, and insofar as it's effective would be likely to stimulate investment in that particular assisted sector; whereas another sector - if it had received the same assistance - would also have been stimulated, but is not.

For example, I think we cited in the report proper the case of assistance provided to citrus growing might result - and this area could be a good example of it - in a shift from wine grape production into citrus because of the assistance. That's what we had in mind there.

MS FORMOSA: I would, sorry, contradict that fact, John. Our program has a criterion that the people involved within it have to have been farming for a period of two years prior to the start of the program. The program doesn't also pick winners. It's only available to those bona fide farmers that have been involved in the industry for a certain proportion of time and it is available for those farmers who meet the eligibility criteria to do whatever they like. The assistance for redevelopment isn't redevelopment assistance to go into citrus; it's redevelopment assistance for redevelopment. So if they decide that citrus is the way to go, high-juicing new Valencia varieties, navel varieties, some other type of variety of fruit, that's fine. If they decide that small-scale vegetable production is where they want to go - it's not about picking winners; it's not about promoting one industry over another. It's about allowing an industry to redevelop a little bit quicker than it would have done.

MR COSGROVE: An industry, yes. A particular industry.

MS FORMOSA: But it's not shifting the focus.

MR COSGROVE: No, I see what you're saying.

MS FORMOSA: I wouldn't suggest it's shifting the focus of investment to that industry.

MR COSGROVE: Yes, okay. Could you tell me, please, how you actually allocate the limited amount of funding available under this program? Do you have an annual sized piece of money that goes on a first come, first served basis? Or is it just straight first come, first served, whatever the time period?

MS FORMOSA: The Rural Assistance Authority approves and administers all of the grants. That's not done on a local level. The program is open only to citrus growers for the first 12 months in terms of redevelopment and property expansion grants.

MR COSGROVE: Yes.

MS FORMOSA: Though anyone in the MIA can do a business plan at this time. The funding is awarded to those growers who meet the eligibility criteria and it is being given out until it runs out. We don't have any specific criteria per year.

MR COSGROVE: So it's basically first come, first served until the money evaporates.

MS FORMOSA: Yes.

MR COSGROVE: Yes, thank you. You mentioned that 5.6 per cent of growers - I've forgotten the train of thought - but the basic point is you see many needy citrus growers in addition to that 5.6 per cent. How many? Would you venture a guess on that? I mean in percentage terms, I guess, rather than actual absolute numbers.

MS FORMOSA: I think this is a problem, John, that you've faced in presenting the Productivity Commission - that we don't have clear statistics on the viability of the industry: how many participants are in dire financial circumstances and how many might be in need of assistance. That's 5.6 per cent of all growers within the MIA, so it's not just of the citrus industry. I would hazard a guess that it would be significantly more than that. I might refer to Lou who has longer experience in the industry than I do.

MR SARTOR: What would you like to know, John? I read your Productivity

Commission report on the PowerPACT program. I don't know whether you know a lot about the history of the PowerPACT program - in terms of the stages that we negotiated on and how long it had been in train before it actually hit the ground. In about 1997, I suppose, we got together - the citrus industry, state and Commonwealth governments - or the representatives got together, Department of Ag and various other key stakeholders I suppose. We got together on a program that was supposed to deliver initially about \$20 million only to the citrus industry. You know, the writing was on the wall pretty much then. It goes to show how long the citrus industry has been in dire straits.

Unfortunately once we got the program up and running it was down to almost \$12.8 million and then, unfortunately, when it was finally signed off it was only signed off to \$5 million because of the inequities from financial contributing partners to state and federal governments. Hence, we're still at, I suppose, that crossroad now again for looking at continuing that redevelopment. I suppose there's been a high level of frustration particularly in our industry, that farmers are required to come up with 75 per cent of redevelopment. It's a very, very large gap; a large gap that, in some years, or probably most years - probably up until the last eight or nine years, since there's been a significant decline in our industry - has been very difficult to facilitate from the grassroots.

It's been rather disappointing to think that we are probably not taken as seriously as we should. I'm not quite sure how we should go out and make ourselves look more serious as citrus growers, or as an industry. Our export figures look quite wonderful so obviously through the economic change someone is doing pretty well. Unfortunately it's probably not being reflective at the production end, but rather the value adding end.

A couple of comments, as chair of the PowerPACT program, is that it would be interesting to know how many people actually use the farm exit part of the program as a means of exiting the citrus industry with albeit a little bit of dignity and pride, I suppose, given that most of these people have been on farms for a significant amount of time. That would probably be reflective in the average age of farmers that are in this area at the moment, horticultural farmers. It would be interesting to really know those kinds of figures. We don't have them as an organisation, but certainly the RAA and people like that do, but I suspect they would be very, very low.

When government initially facilitated this program, one of their key objectives was to reduce the number of citrus growers by 20 per cent. That has probably happened with natural attrition with there being other industries that have probably seen the removal of citrus on their enterprise and gone into other industries. Again, we're not about picking winners and losers. The ability for the business plan to identify what sector of their industry and what sector of their business is viable is the

catalyst to go and move probably more of their enterprise into that business, into that key line of business.

I suppose we see it as a program that should be enhanced rather than removed. We have a vehicle in place, a very successful vehicle, a very cost-effective vehicle that can deliver those kinds of funds and it would be almost irresponsible of government not to utilise that vehicle to continue and enhance the program. As Carmen has said, we're not about asking for money on a continuous basis; we're about getting an industry to a level of sustainability, and commercial productivity and also commercial lines where we don't have to go back to governments every 10 years and say, "Well, please, can we have some more money?"

MR COSGROVE: You mentioned that a considerable number of growers who are eligible - perhaps they all are eligible for these business training and development programs - need the carrot of the grant to go ahead with it. I may have missed what you said on that earlier but has the take-up of that particular facility of the partnership, the PowerPACT program, been pretty low because of this factor?

MS FORMOSA: I would suggest it has been fairly high because growers have drawn the connection between the business plan and the grants. We've had 189 growers enrol to do business planning. 70 per cent of them are citrus growers and I would hazard a guess that 99 per cent of them are in there for the grants.

MR COSGROVE: So they have been receiving those grants, the number you mention.

MS FORMOSA: For business planning, yes, definitely.

MR COSGROVE: So a separate but related question is why some people drop out of those programs or do not participate in them at all because they don't think they are going to get a grant, or they would not get a grant if the money ran out or something. If I am a grower and this service is being provided to me for free and it's likely to improve my business management skills, or what have you, why would I not take that free advice?

MS FORMOSA: Because you're not a farmer, John. You're an educated person who works in a business, who works in a job, who recognises the value of planning, for whom planning is an everyday activity. For a grower, growing is an everyday activity. So the connection between planning and profitability is not drawn for most growers, for most agriculturalists, for most small businesses, I would hazard a guess. It's not something typical.

MR COSGROVE: It's a bit of a worry.

MS FORMOSA: It is, and that's why we're trying to address it through this program.

MR COSGROVE: But without the grant funding you feel you're going to be ineffective.

MS FORMOSA: Without it we struggle.

MR COSGROVE: Yes.

MR SARTOR: Business planning is relatively new in this area. Our accountants are more in terms of tax preparation rather than business planners. It's very difficult to sit down with your accountant, who is probably not very cheap, I would dare say, and talk about where your business is going to be subjectively, I suppose, rather than - or objectively - in the next five or 10 years, or where you would like to be. You know, this guy knows you and he probably knows the enterprise but he knows it from a numbers point of view, a financial point of view, but not from a business planning point of view, which is a big difference.

Business plans are very new in this area and most farmers spend a lot of their time trying to make a dollar on the farm, not going out there wondering where the farm should be in five years' time. Sure there needs to be a mind shift there in farming and the way we think but given the average age of horticultural farmers in this area being about 64 years old, and a lot of them from ethnic and migrant backgrounds, I dare say - and my father would be a clear example of that, if you talk to him about business planning he wouldn't have a clue what the hell you were talking about.

You're asking these people to come off their farms, who have never been involved or exposed to this level of activity, which is very, very difficult - whether it be a language barrier or a cultural and ethnic barrier, and to go out there and do business plans. We recognise through the PowerPACT program that the people who signed up early in the piece, and there were 30 per cent of eligible business plans, were signed up prior to the commencement of the program, which would give you an indication of the need out there, but most of those people I dare say would have been out for the redevelopment need. There was that kind of need. The need was blatantly obvious.

MS FORMOSA: An important thing to realise though is after the business plan is completed the attitude changes. We've had people that have never participated in these types of programs before coming in and saying, "Regardless of whether I get the grant or not that was a wonderful thing to do. I really know for the first time

where I am and where I'm at," and that's the sort of outcome we want - that really is - because then when the training programs come up in the future they're more likely to be accessed, those growers are more likely to use their business plan and approach their financial institutions when undertaking some sort of further investment and have a business focus. Our farmers are wonderful producers; they're really good growers. Their skills in this area need improvement and that's what we're about.

MR COSGROVE: Again a related question: if somebody goes through this process and is declared eligible for a redevelopment grant one of the conditions of reaching that stage, as you mentioned, is that there has been an assessment made that this is an orchard that has future financial viability.

MS FORMOSA: Mm.

MR COSGROVE: In that circumstance why is it not possible for that grower to obtain private sector finance to cover the gap that you mentioned earlier? If I'm a bank and someone comes along to me and says, "Look, here's a study of my orchard which has been undertaken by a responsible government agency. It has had a close looking-over and they say I'm going to be viable. I've got to find 75 per cent of the investment amount to implement this change," would there not be some chance at least that a banker or another private financier would - - -

MS FORMOSA: That's exactly what they're doing. The growers are taking their business plans to their financial institutions and using them to support their loan applications.

MR COSGROVE: Yes.

MS FORMOSA: For all growers - they're not going to be able to access 100 per cent of their funding through that. The other thing we have to consider is the speed of redevelopment and also how much occurs at any one time, not only in terms of redevelopment of the trees and the living infrastructure but also of the technology on the farms. A grower may be able to access finance for a certain proportion of that in one year and in the next year and in the next year but if we want this to happen rapidly, and we do, if we want growers to take up new technology and become more productive rapidly, they need more assistance. They need assistance from outside, over and above what they can source from financial institutions.

MR SARTOR: The other thing is that a business plan may identify where the business is at the moment and at the moment the level of debt or servicing of a loan to a financial institution might be sustainable. You're then asking a person to go out and increase his debt loading by 75 per cent of the total amount that he's requiring to make that sector of his enterprise more sustainable. Given the nature of citrus and

the length it takes to require commercial return off that farm you're really asking a lot of farmers out there to extend their financial situation. If redevelopment grants were 75 per cent of \$60,000 then the gap wouldn't be such a difficult ask but you're asking them to find 75 per cent of a gap. While \$15,000 doesn't sound like a lot of money it's highlighted pretty much in our industry with the need out there for any sort of financial carrot, that the growers are taking it up, but really way understated.

MR COSGROVE: Could I ask a question about the exit assistance. My understanding is all of these program components of the rural partnership program were designed in consultation with local communities. I'm wondering therefore why the assistance level is not what you would now suggest it should be. Is this simply a function of the fact that the consultation was, let's say, less than successful and that the governments who were actually handing out taxpayers' money for this purpose decided that a lower level was what should be used?

MS FORMOSA: In terms of exit grants they are generically available grants for all industries. So we're talking specifically in this case about redevelopment grants. We only offer an access service to the exit grants at this stage.

MR COSGROVE: I see.

MS FORMOSA: They're only at the levels that are available everywhere else. The redevelopment grants, in terms of their level, was basically the best we could get. We would have liked and hoped for more and worked for more for a number of years but you have to really bite the bullet at some stage.

MR SARTOR: Community consultation was done on the basis that there was going to be anywhere between 12.8 and 20 million dollars available in this program. When we were offered \$5 million we would have been almost morally responsible to have said, "No, we don't want it," although the temptation was there. We could have turned around and said, "No, we don't want it. We don't put a program into place. We don't help anybody. We just sit back and we just keep bitching and whingeing and say, "We want money. We want money." We were fairly responsible and took on a program that we thought would probably increase and put a vehicle into place that we could use to facilitate the grant, to gain more access to future funding for more growers.

MR COSGROVE: You mentioned in the case of the Sunraysia area program a higher proportion of growers, I think, had applied. Was that the right - - -

MS FORMOSA: Been successful in getting grants.

MR COSGROVE: Been successful, that's right. Yes, are you able to tell us what

proportion of the grower population actually did apply? That may be something we need to pursue in Mildura.

MS FORMOSA: I have the information on me. I can't get it now. 90 per cent of the growers that did apply were successful in getting redevelopment grants but how many actually in the area have applied I can look up for you and have by this afternoon.

MR COSGROVE: That would be fine, if you could provide that information, thank you.

MR SARTOR: There was also more funding available in the Sunraysia Kick-Start program than there was in the PowerPACT program.

MR COSGROVE: Yes, I realise that. Yes, it was for that reason that I was asking the question. I think my final question for you - my colleague may have some - is your interesting statement that MIA citrus can be viable. How do you see that coming about? You may have missed some of the evidence that was given to us this morning which suggested a considerable degree of difficulty in earning profits in this area out of citrus. What would you see being the central elements of its return to profitability?

MS FORMOSA: There are benchmarking results that have come out so far and they don't represent a true proportion of the industry in terms of a random statistic or survey but do present some results that there are some citrus producers out there that are doing well, that are having comparable returns to other industries. Our problem is that the difference between there and here is so huge and that most of them are down here. What we would like to do is bring them up to that profitability, and those are the things that we've mentioned before and my colleagues at Riverina Citrus that know far more about structuring citrus businesses could give you more evidence on that, but just on a statistical basis it can be done, and there's no real reason without proper redevelopment, support, industry restructuring that we can't get more of those growers there in a profitable state.

MR COSGROVE: Is a big part of this change replacing Valencia trees with navels or replacing root stock, for whatever variety? You're not an expert in that area.

MS FORMOSA: It's not about picking winners. It's not about one formula for every citrus property in the MIA. If we did that I would make an appointment to meet you here in another 11 years and we could go through this again, about the crisis in the navel industry, and how we're giving money to people to plant Valencias.

MR COSGROVE: So what you're saying is that these redevelopment grants, apart from the business planning aspect of the matter, are essentially a bundle of money with which the grower decides what to do.

MS FORMOSA: With which the grower with professional support, with cash flow planning, makes a decision on what will be best for them for their resources, for their expertise, for their family, for all of those factors, for their assessment of which industries are doing what - makes for themselves.

MR SARTOR: Interestingly some of the benchmarking that has been done in the industry in our area will identify marketing as probably a very important, or a key motivator or a key element for any industry or citrus enterprise that is successful in terms of a business. Marketing: a lot of farmers are marketing their fruit, their Valencias, with contracts with processors, also contracts with packers, on the fresh fruit market, who then send a lot of fruit, particularly to the US market, and in the structure that it is at the moment it has been a very successful market, and people who have done the business plan will identify that as one of their key points, that it stands out a mile; that the way that they market their fruit and those types of marketing arrangements that they have in place give them a clear edge and give them a constant and a better cash flow for that sector of the enterprise than those people who are out there and play the market and willy-nilly go about and do their own business how they used to do it, and how their fathers did it and everybody else.

MS FORMOSA: We have put a lot of emphasis on redevelopment and replanting. Another side of things which we haven't given as much attention to is the ability of those grants to be used for new technology. These allow growers to do a lot better with what they've got - things like plastic fruit bins which allow them to increase pack-outs, better spraying equipment, which means that more of their crop is available to access lucrative export markets; labour-saving type equipment, which can be used to improve tree health, like pruning saws and pruning shears, which improve fruit quality. It's not necessarily about changing trees. It's also about adopting modern production techniques to reduce costs of production.

MR COSGROVE: I accept what you have been saying. Let me come back though to a more specific matter. Do you know what proportion of trees that were existent in this area - let's say a decade ago - have been changed to another variety?

MS FORMOSA: I can access those statistics if you give me time.

MR COSGROVE: I would be very interested, yes, okay.

MS FORMOSA: Specifically let me know what you're after and I am more than happy to go through our statistics and find that information for you.

MR COSGROVE: Okay. We might be able to pursue that better separately. Did you have anything in your mind?

MR EDWARDS: Agricultural economists who have looked at rural adjustment programs of various types - and of course we've had a number of these - thinking about the agricultural sector more broadly, not focusing on citrus, have made the point, firstly, that any contribution to adjustment that results from programs is always very small compared with the adjustment that is going on as farmers make decisions in accordance with their own assessment of things. They also make the point that it's very hard to devise a program of intervention in the adjustment process that will not have some unwanted effects on the much bigger process of what we might call autonomous adjustment.

An example which they often give is that any program that provides money to a particular farmer to undergo development may have the effect of keeping that person there on that property and stopping a neighbour perhaps buying out the property to build up his or her own establishment. Do you have a view on the extent to which the programs that you are responsible for could be interfering with desirable autonomous adjustment in the region?

MS FORMOSA: I would suggest that those criticisms have been made of government programs in the past, which have focused primarily on interest subsidies and have really looked at coasting farmers in industries through a bad patch, and instead of those farmers who would normally fall out during that bad patch they coast along until the next good patch and you have the same problem, re-emphasising the cyclical nature of most agricultural industries.

Rural partnership programs are a lot more recent. They have been structured to avoid some of those problems. In the citrus industry particularly we've had a lot drop out already - the ones that are in are generally the better producers so far - and the program has been structured so that growers actually look at their business. You will get some that perhaps might coast along a little bit longer because they get a grant, but I don't think in the nature of these grants - if they were income-support type grants, perhaps, but grants for redevelopment and farmers that decide to redevelop or invest in new technology may, in the very short term, actually reduce their profitability because they pull out bearing trees or they have a significant investment in new technology that might take them some time to recoup, so the use of the program to actually help those growers just stick in there for another couple of years is probably not significant. Does that answer your question?

MR COSGROVE: Is there a significant difference though between an interest rate subsidy and a redevelopment grant?

MS FORMOSA: I would suggest so, because an interest rate subsidy on existing debt for a grower does nothing. There is no change.

MR COSGROVE: That's on the existing debt. I mean, money is fungible - - -

MS FORMOSA: Sorry. I am comparing a program - and there have been some in the past which have offered interest rate subsidies on existing debt, just to help farmers through a bad patch, and similar ones can be seen in dire circumstances like droughts and floods and fires.

MR COSGROVE: Yes, certainly.

MS FORMOSA: They, in some sense, don't change the business. The business still has the same potential to earn the same amount of dollars it had when it applied for the grant as it does when the grant finishes. In this sense there is the business on day one, where there is certain earning potential. They receive assistance. They expand their business skills. They make valid decisions about where they go from here, and some at that stage will decide, "No, this isn't for us. We're getting out." Then the business, once the grant period is finished, is actually in a stage where they can earn more.

MR COSGROVE: So under the program that you are responsible for, it would not be permitted for a redevelopment grant to be used to retire some existing debt?

MS FORMOSA: No, no. It's for redevelopment. They have to undertake the redevelopment. They have got to prove that they do that. It's also not available for redevelopment that has already occurred, so there has got to be a change from when they have done the business plan.

MR SARTOR: I have two comments to you, Geoff, in regard to the agricultural consultants.

MR EDWARDS: I wasn't thinking just of agricultural consultants - - -

MR SARTOR: No, but - - -

MR EDWARDS: - - - but I think that is a message that comes through in the agricultural economics writing, fairly general.

MS FORMOSA: Yes.

MR SARTOR: Most of the consultants I know are failed farmers anyway, so they

are out there to go and give people what they couldn't do - think that they could do better. If they feel that the progress is too small, when grants are available give us more grants and we'll make sure that that progress is larger. I suppose when a business is not viable and you're asking people to expand their enterprise - and particularly if they are going into wholly citrus - I really can't understand how economists can view that if you are going to lose money on 500 tonne of oranges and you're going to produce 1000 tonne of oranges - it's just deemed you're going to lose twice as much money. I have yet to see or to understand the rationale behind "getting bigger means getting better", particularly in an industry where you are not making any money and particularly in an industry that that you're not - suggesting we vertically integrate and value-add to our product, but you're just saying from the production point of view we've just got to produce more.

MR EDWARDS: Certainly I wouldn't accept that getting bigger always means getting more efficient or getting better. The point really is just how feasible is it to assist people to stay in there, to build up their property in one way or another, without having some impact on the autonomous adjustment process. I guess I would sort of lead on a little by taking you, Carmen, to your suggestion - that you think it would be helpful if the government were to pay a larger proportion of the development expenses under certain programs. Would it not be true that if we did move to the government paying a higher percentage then that would make it more likely that you would be enabling people to stay on their farm and making it less likely that their property could be taken over to work with another business?

MS FORMOSA: Yes, but the outcome at the end would be a good one. If you enable a business - - -

MR EDWARDS: Not perhaps according to the neighbour.

MS FORMOSA: There are a few citrus farms on the market, by the way.

MR SARTOR: If I were a farmer and going to buy a neighbouring farm - and I have three neighbouring farms - I would probably choose the one that was more financially viable than the one that was least financially viable, irrespective of the price I have to pay, given that my ability to service any debt would probably come from the one that was more financially viable as opposed to the one that is least or nil financially viable. Economically I would rather spend twice as much and know that I can sustain and pay that loan rather than one that was cheap as chips and didn't matter what I did I wasn't going to get a dollar off it and I was going to do my arse anyway.

MR EDWARDS: But the program of assistance perhaps has meant that a farm that potentially was on the market for adding to other properties is not on the market.

MS FORMOSA: No. We're not looking at farms at that level. Farms that aren't sustainable - you heard what we were talking about with regard to the eligibility criteria - without redevelopment are not eligible for funding.

MR EDWARDS: Yes, but that is always a fine judgment, of course. What's sustainable in the long run depends on judgments we make about productivity changes, about markets and so on.

MR COSGROVE: I think we might have to cut this interesting discussion short because I have to keep an eye on the clock. There may be some scope for us to pursue some of these issues separately outside the hearing. I think we'll do that. If I could just ask quickly - I was noticing a reference in your paper today to the MIA Horticulture database. I'm not sure that we have made use of that, in which case we probably should. Is it a publicly available database?

MS FORMOSA: The MIA Horticultural database is a database managed and funded by Riverina Citrus, the Australian Prune Industry and the Wine Grapes Marketing Board, and actually administered by the MIA Council of Horticultural Associations. It has information on plantings, age of plantings, planting types, varieties, farm sizes, planting sizes, irrigation types, for all the farms within the MIA, and some of that information is available to the commission.

MR COSGROVE: Perhaps you could help our staff in learning how we can obtain that.

MS FORMOSA: Yes, certainly, and I have been speaking to them.

MR COSGROVE: Unless you wish to make any other points to us I think we need to call our next participant.

MS FORMOSA: Thank you for the opportunity.

MR SARTOR: Thank you, John and Geoff.

MR COSGROVE: Thank you very much to both of you for coming along and providing us with a submission. Thank you.

MR COSGROVE: Our next participants are Mr Catanzariti and Mr Nugan. Are they here yet? Good afternoon, gentlemen. Would you please identify yourself for our transcript and indicate the capacity in which you are here today.

MR CATANZARITI: Tony Catanzariti. I'm a local grower.

MR NUGAN: I'm Matthew Nugan, general manager of the Nugan group; grower and packer.

MR COSGROVE: Please go ahead.

MR CATANZARITI: Thank you for the opportunity of hearing us out and, as you may see there, I've put down three issues that I'd like to talk about, without spending a lot of time.

MR COSGROVE: Yes.

MR CATANZARITI: Obviously, the one that interests both myself and Matthew to the major extent is the first point there, which is the restriction of export trade, particularly to the USA and other markets. Firstly, before Matthew starts, may I congratulate the committee on the view taken on this particular point. It's something that I've been fighting against. The legislation has been put in place by the government of the day, under the instructions of the Australian Horticultural Council and also supported by, I should say, the executive of the ACG. In saying that, I don't believe for one moment that there has ever been a poll of growers taken as far as whether there should be this restrictive trade or there shouldn't be, regardless of the requests made particularly by myself and I know of others, not only from this particular area but from other areas.

My main point of concern is that since around about 1996 where I had become involved in the exporting of citrus to America, I am still at a loss to understand the reason behind the support by the executive of the ACG and the AHC to ask the government to legislate so that the only way we would market into America would be that number 1, it goes to a single operator who happened to be D and E, where in turn D and E said, in agreeing with that with open arms - you could imagine why - they would only accept fruit from Australia on a consignment basis, and that seems to be the bone of contention, and in my particular view I have grave doubts whether that would be actually legal under something like the Trade Practices Act.

I have for a certain period of time been in touch with Prof Alan Fels on this matter, and he advises me that the reason that he can't take it on is that it is Australian legislation. I'm not sure whether you're aware of this or not, but being legislation, if

you happen to want to go to America and not through the D and E situation, it would be a criminal offence.

MR COSGROVE: Yes, I understand.

MR CATANZARITI: This is not what I would call democracy. Certainly if you look at being a criminal to try and export your own fruit, you wonder whether we are in Australia. I want to point out also that in the past few years, and particularly one year, we had a request through the company that I was working with at the time to market a large amount of small fruit to America, which would have equalled about 70 containers.

MR COSGROVE: Was this a request from Australian growers?

MR CATANZARITI: No, from the American contingent, where we told them that the fruit was small and they didn't want that small fruit. Particularly one guy said that, yes, they would be happy to take 70 containers of small fruit, and the small fruit was basically the fruit that Americans - the D and E contingent - didn't want, and there was a glut here in Australia as well, so that fruit would have either been dumped or put on the market as being dumped. Eventually it was dumped. 70 containers of that, times that by 1400 cartons, so it was quite a considerable amount of fruit.

I approached the Australian Citrus Growers president and also the CEO - or whatever they like to call themselves - to give us special permission to undertake that sale. It would have been made on a forward sale basis, and it would not have only come from this particular area; it would have had to come from other areas as well to make sure that we would have been in that window of opportunity. To our disgust and dismay, the ACG had no problem with coming back and saying, "No." Again, I believe that's very negligent on behalf of the ACG, to take a financial gain from growers who were doing it desperately, in a desperate situation at the time.

MR COSGROVE: Did the ACG provide any reasons for this position? I assume they had some sort of grower interest in mind.

MR CATANZARITI: Yes. They felt that if they allowed this fruit to go to America that it would possibly mean that there could be price-cutting in the American market. In theory, that might sound all right, but in practical terms the fruit that was going to go there was fruit that the person didn't want, didn't want to handle, yet somebody else was going to handle it and had a market for it, and already had explained to us how he was going to sell that fruit. The person that was going to buy the fruit was going to be totally committed to the fruit, and the obligation would have been his once it had passed the USDA number 1 class.

So here we had one agent or buyer who was going to buy this fruit at a set price, take full responsibility for the fruit after passing the restrictions in the USA, and on the other hand we had the peak of the fruit, the best fruit, the best sized fruits, going to somebody else who was going to take that fruit on behalf of the growers and sold on consignment, and whatever he got back, take his commission and his whatsaname and give it back to the growers. I believe that that year showed to us that on the sales of the other fruit, the smaller fruit, we would have ended up getting more for the small fruit than what would have happened with the fruit from DNE who got it on consignment.

However, we attempted to fight the corporate permission at the AAT in Melbourne. That was well represented by DNE officials. In fact David Nixon, the vice-president of the company, flew over to be one of the main witnesses at the hearing; well represented by the AHC, well represented by the ACG, to make sure that for whatever reasons that would not change. I believe that having this corporate permission in place and this legislation in place leaves open to possibly some people room for corruption and room where one particular agent - which is a one desk person at DNE - has really no obligation whatsoever to handle the fruit in any particular way or in the best interests of the grower.

In saying that, there are figures around - and Matthew may touch on these; I'm not sure - on times where fruit was kept for some eight weeks in their coolrooms. For people who don't know what fruit is all about, it's a living thing and it is a perishable item, and if you're leaving it for eight weeks, there's got to be something wrong with the way the handling is being done. I happened to ask David Nixon a few years ago, while I was over there, he was telling me how good the lemon market was over there, and that lemons should be another thing; they should go over there, and that they had a lot of lemons and they were looking at sending them to Australia in the coming season because they felt they could get a good dollar for them.

Just being a little bit sarcastic, I said to David, "Would you send these lemons over on consignment, David? It would be interesting." He didn't realise that I was joking and he said, "You've got to be kidding," and there wasn't only me there when he said it. So that's my part of it. I'm happy to answer questions, and Matthew will have some figures there for you before we move on to the other.

MR NUGAN: Do you want to ask any questions?

MR COSGROVE: Yes. I have had a look at that AAT decision in the case you mentioned and while I think, strictly speaking, you might be right in saying there was no poll of growers, there were opportunities by way of meetings, as I understood it, in the early 90s at least, for growers and others to come along and say yea or nay to

this idea of the particular arrangement that now applies for exports to the US. Why is it though, do you think, that much of this fruit in the US market is sold on consignment?

MR CATANZARITI: It's the only way that DNE, who's the sole importer, will take this fruit.

MR COSGROVE: So it's a decision on their part, which our side of the deals go along with.

MR CATANZARITI: They agree with it, because if they didn't agree with it, they would go along with that particularly. It's just what DNE says. In fact, I believe that the legislation that has been put in place has been totally designed by DNE.

MR COSGROVE: DNE, as I think you mentioned, sells on a commission basis.

MR CATANZARITI: Yes.

MR COSGROVE: On consignment. If the commission is determined as a proportion of the sales value, would DNE's interests not coincide with those of our exporters; ie, they would have an interest from their own financial point of view - DNE I'm speaking about - in maximising the value of sales in the US market?

MR CATANZARITI: The whole thing is that DNE, being the sole importer, have that monopoly under that system of marketing on consignment. It could also be said that he has an ulterior motive. That ulterior motive would be that they do have a lot of fruit themselves over there in America. They also have a lot of growers that grow fruit for them - be it grapefruit, be it oranges or be it lemons. Being cynical, it would be interesting if their main buyer said to them, "Well, if you're not going to do this for us with the navels, we'll look elsewhere for your Valencias or for the grapefruit or for the whatsaname." Interesting situation.

Before I leave here today, I will leave this with you. I in fact sent all this to Jane Brockington back in December 1999 and explained a few things, and there are also some letters in here that are from buyers in America, and there are also some letters from some growers. Unfortunately the time was so short, I wasn't aware of this meeting taking place here until Thursday of last week, otherwise I would have prepared a proper documented - but I'm sure you'll find a lot of the background to that, and I will leave you with this just for your information.

MR COSGROVE: Okay, thank you. Are you involved in the exporting of citrus to places other than the US?

MR CATANZARITI: I'm now working for myself. I do have an export licence and I do intend to export. My biggest complaint would be that I would not supply markets such as Korea or those places, or even America, on consignment. The only reason you do it is that the window is there. The opportunity is there. If you happen to be one of the lucky guys - because they're not all an equal situation here in this consignment marketing, some groups may be better treated than others, and you could be on either side.

If you just imagine that since day one you've been arguing about the system of his handling of the fruit in particular and the returns to different people, is he going to look at you in the right way or is he going to say, "Well, these blokes are going to get sick of it. We won't take theirs, we can take a bit more from up in South Australia." I come back to one quick point where we were talking about polls. I've been told that there was a meeting in South Australia, this is in the very early years - - -

MR COSGROVE: Yes, early 90s, yes.

MR CATANZARITI: Yes, where South Australia got access before we did, or even Victoria did, simply because of the fruit fly situation. I believe there was a meeting there with other growers from the south from us, our area, and they were meeting to discuss whether Victoria would gain access or they had gained access, I'm not exactly sure of the situation. There happened to be some people from the Riverina and they said, "Well, we may be getting access in a couple of years. We might as well listen in to what is going on." They were denied access to that meeting. That's the democracy.

I'll give you another instance. When there was a review of the AHC exporting licensing powers on 5 November we presented a submission. When I say "we" at the particular time I was working with Filmont. There was Filmont and David Oates from the Craig Mostyn group also and we went in together on that. Anyhow, there was going to be a committee formed to try and work through some of the issues regarding that AHC review. A letter, a memo, from the executive of the ACG read, "Strong representations nominated by peak industry bodies is required on the working group. AHC's Mark Knapper is the consistent effective advocate of export licensing and might well also be involved."

In other words, "This is one of the guys we would like you to have." "Industry representation could include some or all of ACG: the Australian Dried Fruits Association, AAPGA, AFCFJA, Ausveg. Filmont/Craig Mostyn's representation on the working group is not acceptable." This is from the ACG. I'm just trying to point out to you that if you don't toe the line you are on the outer. So if you don't toe the line with Mr Nixon, are you in the inner? That's all I have to say, thank you.

MR COSGROVE: We might move then to the next topic I think, thank you.

MR NUGAN: I'm going to be talking on behalf of the Nugan group. We are large growers. We have got 600 acres of our own citrus and some 5000 acres of farming property planted to grapes, olives and with some other vegetables. We are also a reasonably large packer, mainly packing our own fruit nowadays, but we also have been involved in the citrus industry for 60 years and we have got relationships with American companies that we have developed over that period of time.

When it came time to be able to export to the USA, due to the corporate permission we could only export through DNE. Even though we already had good customers that were willing to take the fruit, big customers that have got plenty of money and have got very good marketing across the USA, possibly the oldest and biggest citrus marketer in the world is one of those companies, we weren't allowed to. The permission was there. So I didn't export there for a few years, because I didn't agree with the lack of free trade and with not being able to forward sell.

To me that seems wrong that we have to survive on our own, but we can't pick out who our own customers are, we can't strike up our own business dealings. We're exporting to Japan with quite a deal of success, we're exporting to Hong Kong, exporting to the UK, Canada. All these markets, it's all done in a normal business fashion where you make an arranged price, you ship a product. If the product arrives in the order that it's supposed to arrive in you get paid for your product. The way it is with D and E is, you pack a product and you get paid three or four months later depending on when you get your liquidation returns, and while you're fed market reports on what supposedly is going on what actually happens and what you actually get paid can be different things.

Now, I know there have been excellent returns come out of the US and there have been excellent returns come out of other markets around the world as well. To my experience so far, my returns out of the US on average over any year, and I've been exporting there since 98, has not been better than my returns that I've averaged out of other markets for that same quality fruit. I have paid back growers, including ourselves, from \$1400 down to \$600 a tonne for that export portion.

MR COSGROVE: This would be for comparable quality fruit in these markets.

MR NUGAN: Depending on the year and the world supply situation. Whether we like it or not, if you have a single desk it doesn't control the world supply situation. It doesn't control how much fruit is on the market. It doesn't control how much fruit is left over from the previous season in that particular country. In any market in the world, if you've got an over-supply of fruit on a flat market you've got problems. The only way you can control your risk is to have letters of credit in place and have

fixed pricing. I know people don't agree on some of those issues, but that's the way we've operated and our returns have been satisfactory. Similar qualities, yes, and those returns are from a year-to-year basis.

Certainly when I have a problem with the USA, it's a situation where you get up to a couple of million cases going to the market through one seller. That one seller can in no way satisfy every customer in the US. That one seller can't have a really good relationship with every customer in the US, because simply not every customer in the US is going to want to deal with that one company. You know, there are several huge packing citrus organisations, importers and exporters, in the US, and while they're forced to buy fruit from one importer I suppose they will, but they won't appreciate it. When they can buy other countries' fruit, as they can now, in that market, and they can buy it off other importers, they will immediately go to their preferred supplier.

I have a problem with the fact that we have good customers out there that come to me and say, "Why can't my customers buy Australian citrus?" I've presented this to DNE in the past and I've been told, "You tell me who the customer is and we'll make sure that we get them some citrus," but you can't guarantee that your fruit will go to that customer. I've got a problem with that. I've got a problem with the fact that I can't build a relationship with my customer. I'm just one of the also-rans in the group.

There is a very big supplier who supplies a variety of qualities that from year to year can go from very good to pretty ordinary, and the problem you have, even though there have been steps taken to address this amongst this big group supplying over there is that you cannot have everyone doing the exact same job. For my business I would be much happier if I could put my package, my job and have my customer knowing what they're getting and being happy and then having no problems.

MR COSGROVE: Can I ask you, if it was possible for you to undertake the type of export arrangements in the US market that you are referring to, would you see that as having any deleterious impact on the price received for citrus exports in - - -

MR NUGAN: You'll have to tell me what deleterious means.

MR COSGROVE: Sorry?

MR NUGAN: What does deleterious mean?

MR COSGROVE: Adverse. Would prices be likely to fall if increased exports were sold in the United States, again of a particular grade of quality.

MR NUGAN: In my experience, with the increased exports to the United States, prices have fallen, regardless of the single desk situation, purely because it's a big job to try and shift two million cases of fruit through one organisation, through one set of warehouses, in that short period of time. It's not because the market can't take the fruit, it's because it has got to go through one organisation. It's very easy for fruit to get lost, lose control of the situation. If everything is not working perfectly we've got a problem. Now, that organisation is now not only handling Australian fruit, it's also handling South African fruit, so we've got a double problem as far as being able to keep your fingers on the tabs.

In my experience with Japan, when we've set our prices for export into that market, and everyone in the industry is always feeling each other out on what they're doing, I haven't had that experience. So I believe if there is sensible marketing about how you go about selling then no, I don't think you will have a problem with that. I have also seen in other markets in Asia, like Singapore, where people are fighting to sell the most amount of fruit for the least amount of money, which doesn't make any sense either. That's one of the reasons I stay out of that market for the most part. But certainly if you have your own guy who is trying to compete for a section of that market he will want to return you the best possible returns he can, because if he doesn't he knows that someone else will approach me to buy that fruit.

Now, I've been approached by four different importers in the US over the years, all good, reputable companies. If you only have one guy handling the fruit, then he has no-one else to keep him honest. There is no-one else that may take the business away from him. The worst year we ever had was 1998 when we had huge claims come out of the US through a supposed frost-damage problem. Yes, there were some problems over in the US, but there was problems with every other market in the world, markets that are further away from the US, and I didn't experience anything close to the claims that I received. I had to return growers up to negative 5 and a half dollars a case. Had to give them a bill. I never collected my bill from the growers. I ended up wearing it, but my arrangement at the time was that I wouldn't be, and the growers were well aware.

I had another experience a couple of years later when there was also problems with distribution in the US. I want to go back to 1998. I went and looked at that fruit in the US and inspected it with David Nixon. I asked him to get it sorted quickly, get the few breakdowns that were in there and get the fruit sold. Now, that fruit sat there for up to three months and then was basically thrown out. Every box was sorted through and most boxes were thrown out. If you want those liquidation reports I can find them and have them sent to you. But my first return was fantastic. It was something like \$34 a case back for the growers. My last three returns were absolutely dreadful. The rest of the markets that I had that same fruit into, the same

quality, and the US gets the best quality, I didn't have anything like it. I didn't have, really, a claim to speak of.

When I went and saw the amount of fruit he had in the coolrooms over there, I went to one of the warehouses at Long Beach, which is where a lot of this area's fruit gets unloaded, they were full. We were cutting fruit, looking at fruit and he was trying to explain to me what this problem is. I've got photos in my computer I can show you of some of the problem fruit and some of the good fruit from that trip. When I left him I felt that he was going to do the right thing and get on and repack it and sell it. Some of that fruit did not need to be repacked at all, it was quite presentable, still ate quite well. Much to my amazement, as soon as I got on the plane the plans changed and I didn't have any control. I had no ability, no control, whatsoever over what he could do.

The next year we had problems, because we had such a big bunfight over that. I actually did say to him, "Well, if you've got a problem with that fruit, what can you sell it for to get rid of it now without all these repack charges and everything else?" He did turn around and sell that fruit and get rid of it, but I believe that if I hadn't been hassling him to do so that he wouldn't have done so, because he had no ownership of the fruit. He didn't, at any stage, own the fruit until he had sold it.

I've had fruit that he's sold and then, two weeks later, it's come back from the customer for whatever reason and been resold for a reduction of \$10. I mean, once you sell fruit to a customer that's been on the water for six weeks, been in the coolroom for two, three, four weeks, you don't expect to get it coming back at you two weeks afterwards, when the customer really should have sold that fruit.

Another thing I've got a problem with the US is with promotional activities. I only shipped five containers to the US last year and the reason I only shipped five containers to the US last year is because of the way the Corporate Commission is. I would like to ship a lot more fruit, but I have no real faith in what will happen to my fruit. I had one of those five containers used for a promotion. I don't know whether that was fair enough or not. I don't know whether everyone had one in five containers used for promotion. The information is not available to me and I can jump up and down and carry on about it, but it's not going to change any of that situation. If I had a free market relationship with my guy and he came to me and wanted to promote the fruit - maybe the market is tough - then you would negotiate what you would do, what you would be prepared to spend, and that's what you'd do. That's the way it works.

The returns last year were no better than any other market. I've got my returns for last year's fruit, average net return back to me and last year was a very strong year all over the world, and my average net return averaged from 18 and a half dollars a

case to my best return of \$24 a case. My returns from other markets were anything from \$22 a case, up to \$27 a case.

MR COSGROVE: There's no difference in the quality of fruit.

MR NUGAN: No, same quality.

MR COSGROVE: Between these markets.

MR NUGAN: All forward sold, sold via exporters - so there's another commission that comes out of it, outside of this guy's commission - and the markets were still comparable.

I'll move on to another issue, this supposedly overwhelming grower support for this situation in marketing. I don't believe it's true. The problem that you have with your - where it starts in the local areas is that you have your meetings of your local citrus growers organisation and it's up to the level of interest of that farmer to turn up to those meetings. I was the president of the citrus growers here, the domestic citrus - the Riverina Citrus Growers here in 98. Some meetings you would be lucky to get a quorum and other meetings, if there was a bit of stirring up done around the neighbourhood and people didn't like what was going on, and whether the people agreed with other people's points of view or not, then you'd get a few more people.

As a result in that year there was - tried to create some interest in freeing up the market of - there were people trying, too, and it was agreed that growers didn't want to send fruit on consignment to the US. It was agreed they weren't happy with that situation, in that meeting. A letter was written to the ACG along those lines. That was the opinion at the meeting at that time. That opinion swayed both ways all the way through that year and depending on how many people you rustled up to get to a meeting, whether you were a supporter or not a supporter of what was going on in those meetings, you could have 20 or 30 people there, or you could have just the quorum.

MR COSGROVE: Never more than 20 or 30 in your experience.

MR NUGAN: Not in my experience, except for at the AGM when they gave me the sack. There were more than 30 there that time. It's really perception. Is that really what the growers really feel, or is that just what the growers who can be bothered getting off their backsides and going in there really feel? Or the growers that are stirred up by other growers to go in there and say what they think.

MR COSGROVE: Perhaps - as we were told earlier in the morning, I think, before you arrived - it may have reflected the relatively low level of exporting from the

Riverina area.

MR NUGAN: I don't know if that's right or wrong, but we've been a fairly solid exporting area, particularly in navels, for the last 10 or more years. Previously the area probably was more Valencia orientated and because the juice industry was protected was not so involved, which is different for other areas in the country. But certainly the fresh fruit business, the only way - as a packing shed, the packing sheds being able to make money and as a grower, the growers being able to make money - is to export. We pushed out 300 acres of Valencias in the first three of that 10 years.

MR COSGROVE: We were told this morning that well under 5 per cent of Valencia production in the Riverina is exported. Is that your view?

MR NUGAN: That might be true for the whole Riverina. There are quite a few factory contracts. I'd say that for ourselves, and we've got our own juice factory and we don't crush many Valencias. We're a concentrating juice factory instead of a fresh juice factory and we hardly crush any Valencias because we can't compete on the world market. But all the Valencias that I do have left are normally packed and exported before the second week of November. That's our own fruit and that's what we do. We don't grow it for juice. The returns on that are fairly marginal - on the Valencia exports, but it's something that - we don't know whether to use the D9 Valencia harvester this year and push them out, or whether we're going to try for one more year.

MR COSGROVE: I'm just keeping an eye on the clock. People may be getting peckish.

MR NUGAN: Do you want to ask questions?

MR COSGROVE: I'd like to finish your presentation to us before we break, if possible. Is that likely to be possible?

MR NUGAN: I think that's about the majority of it, yes.

MR COSGROVE: But you had a couple of other points?

MR CATANZARITI: Yes.

MR COSGROVE: Sure.

MR CATANZARITI: Briefly, we won't take anywhere near as much as any of the others. It's just that one of them deals with the future of Valencias and in particular Valencia growers. I certainly believe that there is a place for Valencia growers in the

future. In fact, at times I have my own feeling that it's probably going to be - there's probably a better future coming through with that, than navels. However, to do that I believe that there's got to be some things that have to happen very, very quickly. One is definitely the labelling. I don't think they should be pussyfooting around with that. Labelling has got to be done, and it's got to be done virtually straightaway if we're going to do anything at all. The other thing is that - - -

MR COSGROVE: Could I just understand what you mean by that.

MR CATANZARITI: The true labelling of whatever - particularly in the juice side of it.

MR COSGROVE: Right, but my interest was whether you see weaknesses in present labelling laws or whether you were referring to increased effort by the growers themselves to enhance their labelling of - - -

MR CATANZARITI: No, I think the labelling laws at the moment, the way they are - there really are no labelling laws at all. I think what should happen is there should be a proper identification on that label; something not only to say that the fact - and how it's been going, or what it is - then it should have, in my view, something to identify that that is Australian made, or the majority of the thing is from Australia, and not "product of".

MR COSGROVE: Yes, I see.

MR CATANZARITI: You understand? But that is one of the most important things that I seek there. The other thing is that certainly there's got to be some sort of - I know protection is not the word that any governments want to hear - but there's definitely got to be some protection as far as bringing in concentrated fruit juice willy-nilly - because that can blow Valencias right out of the water completely. I mean, you could have the whole Valencia crop in Australia be destroyed. Other than the one that they use for fresh juice - and you really don't need it in the citrus industry, if that happened. That would be because of government not looking after what they should be doing.

I really believe that there's also a move at the moment, if it hasn't already been done, and that is that some countries are looking at sending in fruit - 100 per cent fruit juice from other countries coming in.

MR COSGROVE: Fresh, you mean?

MR CATANZARITI: Fresh, yes. It will be coming in in tankers. I was not aware of this but I believe that tankers - most juice tankers of any product coming into

Australia is the ones used by fruit juice, concentrated fruit juice. More than petrol and more than anything else. I was not aware of that but apparently that's the case. I am always of the opinion that if you want to keep farmers, be they citrus growers, or be they grape growers, or be they large broadacre based farmers, you must keep them viable, because if you don't keep them viable the age group of those people will slowly die off and the younger generations won't take it on en masse, I'm talking, and what will happen is that most of the products that we do grow here will not be grown.

One day somebody is going to find themselves thinking, "Well, why aren't we growing spuds?" Or "Why aren't we growing oranges?" And nobody will know how to do it. So by keeping the farmers there at the moment viable they will also keep their family on the farm as much as they possibly can. Not all of them will stay at the best of things, but by keeping them there you keep that experience going - where it's free to any government or society in the future. I just don't want to go too far on that, but I do think that's very important; that we must convince government that we've got to be kept viable - and that's right across the board in farming.

The other point that I wanted to bring up is support for the industry bodies. Again, I go to the ACG, national packers, some regional organisations and Horticulture Australia. I believe that in these things here any levies to these people should be on a voluntary basis. I say this: if anything you have to perform to be paid. If you don't perform, well, you're not worth getting anything. I think it's a two-based thing where growers can see what the performance is - should they want their growers organisations to keep going - if the answer is yes, they obviously are doing the right thing. If the answer is no, well, then just move on. I believe it's voluntary - should be voluntary.

MR COSGROVE: Yes, that's not an uncommon view. The main criticism that's made of it is the so-called free rider problem, whereby if I'm not compelled to pay then I might be inclined to rely on my fellow growers to foot the bill and I'll take the benefits of all the research that these bodies are doing - or other services they're providing - and pay nothing.

MR CATANZARITI: Yes, that might sound okay, but I'll give you another scenario: I always liken - and mind you, I've always supported in the past; I don't support them as much now, particularly ACG - to pay levies. The way I try to convince people to pay the levies is: what is your car worth? Some might say \$30,000. How much do you pay for your insurance on the car? X amount of dollars. What's your farm worth? X amount of dollars. You find that the difference between the insurance on your car and your levies on your farm may be double - on your farm - but the crux of the matter is that you're paying so much for your car, yet you're getting more value in where your industry is. If people can't see that there's

something wrong. But I think a lot of the people don't believe that. But it should happen; it should be voluntary based and then you'll find that governments will listen.

MR COSGROVE: Okay. That's it. Anything else you wanted to say? No, all right. Thank you very much, both of you, for coming along. I'm sorry you didn't find out about it a little earlier.

MR CATANZARITI: No, that's all right. It's just that we could have done this - - -

MR COSGROVE: We'd be glad to have a look at that material, yes, thank you. I understand that our next participant would like to step up to the table before we break for lunch, so we'll do that. I'm just going to pop out for a short break, but I'll be back in a minute or two.

MR COSGROVE: I would like to resume now, ladies and gentlemen. Our next participant is Mr David Tayler. As with the others, would you, for our transcript, just identify yourself and the capacity in which you're here today, please.

MR TAYLER: My name is David Tayler. I was a citrus grower in the Hawkesbury district of New South Wales. I specialised in growing lemons. I had 10,000 lemon trees and 15 hectares of land.

MR COSGROVE: Excuse me. Could people please go outside if they wish to talk. We need quiet. Sorry.

MR TAYLER: I've come here today because I went through the process similar to our previous two speakers, that I was contacted to supply a significant number of lemons to the United States and I was totally frustrated by Horticulture Australia Ltd. I will refer to them as HAL from now on. I spoke to some representatives of the Australian Citrus Growers Inc and I was frustrated from that point of view as well. I found a market for lemons and I think the first thing that we've got to get straight here is we keep talking about the citrus industry. The citrus industry is made up of a lot of products. So perhaps we should be talking about the Valencia industry, the navel industry, the lemon industry, and then there's tangelos and mandarins and so forth like that. I know that the navel and the Valencia is the major crop but there are people out there producing lemons and there are people out there producing mandarins and they want to sell them to the best market possible.

So I'm just going to specifically talk about lemons because that's where my expertise is. I will talk about my specific example first and then I will talk about a couple of issues. One of them is the market information that I received from HAL and how I believe that the whole process of exporting to the United States is totally discriminatory in the way that it's put in place. First of all when I was contacted to supply lemons to an American importer let me say this was an extremely big importer. Their turnover in fruit and vegetables, which can be checked on the Dunn and Bradstreet database, is half a billion dollars, Australian dollars, in fruit and vegetable sales, and they run a truck fleet of 200 trucks. This is not a small company.

I really just ran into the DNE problem last year when no lemons were sent to United States. DNE didn't want lemons. DNE were getting their lemons from Argentina and if you look at the press in the United States it reports - where DNE reports what it's doing with Argentine lemons - there was quite a lot of it, and just recently the Argentine lemon import into the United States has been stopped because of some disease problems in Argentina and yet DNE is working as hard as hard as possible to get the lemon situation reversed in the United States so that Argentine

lemons can go back in, but in the meantime no Australian lemons are going in and last year, and I believe it's the year before, no lemons from Australia went in when there was an opportunity to send them in.

So I went off to HAL to find out why weren't lemons being sent into the United States and it was clear - well, I'm going to read you some of this material they sent. It was just astounding:

There were no lemon exports undertaken in 2001 due to the intense competition from Argentina and Chile, with wholesale prices of \$US6 being reported and conservative C and F prices of \$5.84 to \$US9.62 being recorded.

That's ridiculous. Who is going to send a case of lemons to the United States at a C and F price of \$5, \$6? It's crazy. This information was totally unsourced.

MR COSGROVE: Even from Argentina?

MR TAYLER: Even from Argentina. It was totally unsourced and you wonder - and I believe I know where this information is coming from. It was there to turn me off trying to do something in the United States. It went on to say:

Also in the United States last year between one and a half and two million cartons of Californian lemons were released from storage.

When you look at that sort of data, one and a half to two million cases, that's half a million cases difference. How is the organisation that's supposed to be telling us - collecting the market information for import/exports of citrus or what's happening in other countries. That's an amazing variation from one and a half to two million cases. So again I wonder where the source was of that information. It was unsourced. When I did some checks on that of course the Australian statistics and American statistics are somewhat similar, in that there's a wide variation in what you actually believe, but on one source - what they call their "shipping statistics" they talked about 2.1 million cartons of citrus being shipped out of California and, what, two million of those came out of storage? So that is just a phenomenal amount. Most of the American lemon market came out of storage last year, according to HAL. Then I asked them for some other data on prices - sorry, on quality, and they went on to say:

It has been widely acknowledged that the quality of Australian lemons has not on an average met the quality standards of those of our competitors in the market -

again trying to stonewall me to not be interested in selling lemons.

But then they went and made a mistake of actually giving me some prices for what Australian lemons have sold for in the marketplace in previous years, and let me tell you they are about 50 per cent higher than those that were sold from Argentina and about 90 per cent higher than those sold from Chile. So if our lemons are such poor quality how come they're selling for more than in Argentina - sorry, more than the Argentinian and more than the Chilean?

MR COSGROVE: When were those sales made? How long ago?

MR TAYLER: 2000. They were referring to me about 2000 and 1999. I'm preparing this submission for you so you will have all this data at your fingertips.

MR COSGROVE: Thank you.

MR TAYLER: Let me just say the citrus industry is not my main focus today. I'm only doing it because I'm interested in it. I'm doing it all for free. I mean there are people here getting paid to actually put statistics together and I find the statistics are just atrocious. If I go back and look at these prices, they did give me some prices where Australian lemons were getting \$20 and even a bit higher. I looked last year at what were the market prices for lemons in the USA. I just got on to the Internet and I looked at the prices for lemons in the Los Angeles terminal, the wholesale market, and the price for lemons in the time that we could have been exporting were up to \$US38 a case, \$A76 or thereabouts.

The cost to getting a case of lemons to the United States is probably half the cost of that \$38 and our dollar is about half of a US dollar. You can see that we could be paying growers in Australia for lemons 25 to 30 dollars a case very easily at those topnotch prices. Even when I looked at the average of the size of lemons, and the Americans are interested more in small lemons than in big lemons, you can look at prices of averaging over \$30 for the full range. From our size, what we talk of is 88s right through to 150s. The Americans even want 200s - that's 100 pieces of fruit in a case - and 235s. Nobody wants to pick those, so I said we're not interested in supplying those, but you can still see that the market for lemons in the United States is very lucrative and yet I'm being told by HAL that our lemons are poor quality and that you can expect very low prices for them.

I went to an independent market source. I can tell you the source of my information. I've clearly got it written down. None of the information that HAL gave me supported what I could actually see on the marketplace. So I wonder where is HAL getting their information? I think, when we talk about DNE - I won't draw the correlation - but I will let you think about it. The other issue that I asked about

was, "Well, how can I supply lemons to the United States?" and the answer back was, "You can through it through DNE." I thought, "Oh, well, okay. I will do it through DNE," but then I was told, "Expect to pay a commission to DNE." "How much?" "About seven and a half per cent, maybe 10 per cent," and I'm thinking, "So DNE are going to get seven and a half per cent and do nothing." They probably won't even handle much paperwork over it but take seven and a half to 10 per cent. Who am I going to take the seven and a half and 10 per cent off to make the export, the grower, because he's always the last one to receive his dollar, so he won't get this seven and a half and 10 per cent and everybody else gets their money.

I thought this was unreasonable, but I did go then to the American importer and asked the American importer, "Would you take lemons through DNE?" Wow, the answer was phenomenal - "No, wouldn't touch them." They said to me DNE are more interested in finding out who my customers are than wanting to sell fruit and that they wouldn't open their books, not in any way, to DNE. The conversation flowed on from that was, "Do DNE have all the markets in America? Do they have all the customers? To they sell to every potential customer in the United States?" I believe everybody in the room can sort of say to themselves, "No single marketer has access to every potential buyer," and when you consider that the United States has a population of 282 million and that there's just one importer of Australian fruit it's just a bit too much to believe that they access the whole 282 million people.

If you compare what the Corporate Commission says to places like Thailand and Korea - and somebody has already said something about the Korean market - I looked that up too and when you look at the number of importers into - I'm just looking through my notes - Korea and into Taiwan, and look at the population differences, in Korea there's 47 million people but there's 10 importers, approved importers. In Taiwan there's 22 million people and there's - sorry, there's three appointed importers to Korea with 47 million people, 10 appointed importers into Taiwan with a population of 22 million, and similarly in Thailand, 10 importers into Thailand with 61 million. One in the United States with 282 million people. Phenomenal.

MR COSGROVE: Who, incidentally, approves these importers in those other countries? Is that an Australia decision or in a domestic - - -

MR TAYLER: I will tell you what I've done. The American people want the lemons again this year. They want to purchase 200,000 cases of lemons in the size range from 88 to 150, and anybody that's growing lemons I think would be pleased to be able to send that sort of stuff into the American market. There's another word I like to use, you don't get rid of your fruit; you sell it or you market it. As soon as you start, "I'm getting rid of it," you will get bottom price. You've got to love your fruit to get top price.

I made an application to HAL to have the Corporate Commission adjusted so that I could send lemons to this company in the United States. HAL got back to me, very quickly actually, and said I need to make my submission to the Australian Citrus Growers Inc. I found this very strange because HAL is the one that manages the Corporate Commission and they administer the Corporate Commission but I was writing to Australian Citrus Growers Inc to get permission. I had to go back to them and ask them for a reply. It was just going to go nowhere.

I got on the phone and rang them back and asked them what did I have to do to get some movement on this. They said to me, "Oh, look, we will consider it." I said, "I want to sell lemons this year. I have to book containers or people have to book containers and the Americans want to know whether it's going to come from Australia or whether they should get it from somewhere else." I said, "I need to know reasonably quickly what's happening with this Corporate Commission." They came back to me and said, "Look, you will have to do a cost benefit analysis on whether you will change the Corporate Commission to allow you to send citrus in."

I thought, wow, this must be a unique situation in Australia, where an exporter actually has to do a cost-benefit analysis to an organisation in order to export something from the country. That has got to be a number 1 in Australia. It would be very easy - cost-benefit analysis - to do. If I sold one case of citrus in the United States for \$10 and put \$10 back in the industry in Australia, that's \$10 more than what is being put into the industry at the moment, but there is a better flow-on. As we know, Queensland grows quite a lot of lemons, Lisbons mostly, and they are a good substitute for the Eureka lemons that we grow in the southern states of Australia.

The Queenslanders pick their crop because they need to have it finished in such time that they don't want to be selling lemons in competition with lemons grown in the southern states of Australia, and lemons grown down here are good quality. They're known to be good quality. I used to hate it when the southern lemons came in when I was doing my stuff at Hawkesbury, because I took a price drop because your quality down here is a lot better.

If more lemons are moving out of these areas from southern Australia into the United States and other markets around the world, then the Queenslanders have a longer period of production. They have got a longer period to let their fruit get bigger and they can be supplying the domestic market. Queensland can't export because of fruit fly problems, but they can certainly be supplying domestic markets in Sydney and Melbourne and so forth around the place, so when you look at the industry you're not just looking at an isolated little sector down here at Griffith or Mildura or over in Renmark. You're looking at the industry in totality, so while we

can make some changes down here we can actually make some big changes to other areas in Australia, and that is just one of the flow-ons.

I've heard people say here that you must have a single desk into the United States because it's the only way we can control our prices. We're getting good prices, and I don't deny that. Last year when I was looking up the Los Angeles terminal prices, oranges were selling from 32 to 36 dollars a case, US, and no doubt about it, that's a good price, and that's listed. That was listed on the terminal. The Argentinian lemons weren't listed on the terminal - not at \$5.84 a case. I then went back and asked, "If DNE is doing such a wonderful job, how are you assessing how good it is?"

There are two ways of assessing your market. You can look at your price and you can look at the quantity you sell. A good example is a Ferrari costs half a million dollars, but you only sell 10. A Holden might cost 30 to 35 thousand dollars, but you're selling hundreds of thousands, so 10 times half a million is 5 million, but a hundred thousand times 30,000 is a hell of a lot more money, so there's an issue here that it's just not a price thing. It's a price and quantity issue that you need to be looking at, so I asked, "How are you benchmarking what's happening with DNE?" Well, they're not. They can't, because DNE is the only one that imports the fruit.

They have got no other organisation in America that they can go and say, "Well, you're selling this fruit for \$30 and DNE is selling it for 34. DNE is doing a better job." We don't know whether DNE is doing a good job. Pricewise we say DNE is doing a good job. Why? Because the grower back here says to himself, "I would like to get back in my pocket say \$20 a case Australian for my fruit." He's the one who is really dictating price. If he can't get his \$20 a case for fruit back here in Australia why would he sell it to anybody overseas who is not going to give him that money?

This is where the prices are set here. A farmer tries to set the best price he can here and then goes through the market principle of you won't supply a market that's not giving you a good return, so you need a couple of people over there to benchmark one against the other. The other issue is you can give these licences to different importers and they can have performance indicators in them and the performance indicators can be saying, "Look, your licence fee is for two years. If you can't scratch up you're not going to get reissued." Why is the one always going to do it? The other issue of DNE's - - -

MR COSGROVE: I think there were provisions for review of - - -

MR TAYLER: There are.

MR COSGROVE: Yes.

MR TAYLER: Try and get them from HAL. They're not going to give them to me. You try and get them. You have probably got more opportunity.

MR COSGROVE: They're appearing before us, yes.

MR TAYLER: I was astounded at what HAL said to me. They said it was going to be reviewed every 10 years, so I said, "Ah, that means you're going to review it this year because it started in 1992." "No," they said, "It's going to be reviewed 10 years from when Horticulture Australia was set up," and that was in 2000. That means it was going to be reviewed in 2010, and I thought I'll stick to what I know best and I'll pull out of that argument, but that is what I am being told by HAL. What I am wondering is, how much of this market information is being fed back into the citrus industry, is being told to growers, "Accept your lot, because that's what it is." There is more opportunity out there but it's not being managed in a way that you can actually maximise the potential of what markets are.

MR COSGROVE: Yes.

MR TAYLER: Why are we talking about the American situation? Because the American market is the most lucrative on paper. After listening to Matthew Nugan I don't know now. When you look at the statistics on what citrus - and I've got to talk about oranges now, because very little other citrus is sold in the United States. The American market is phenomenal. It's double. I mean, we're sending fruit to Malaysia and getting about half the price of what we get in the United States. I know what is going to Malaysia will be different fruit from what's going to the United States, but why are we getting such phenomenal prices in the United States and not in Malaysia?

Go and look at the foreign exchange. Our dollar compared with the United States dollar has fallen 30 per cent over the last 10 years. We've gone down - we've been up a little bit but we've come from an average of 75 cents in 92 and we're down to about an average of 51 last year. If you look at any export moral of sending citrus into - what I should say is, if you look at the Malaysian market then you'll find that our dollar and the ringgit is about the same over that period, so our American prices have gone up and the industry is trying to tell me that that's because of DNE, but I will tell you that it is the foreign exchange.

If you look at any model that you put together on exporting oranges to the United States - I have done a model and I put in 51 cents, and there is a very nice - when the exchange rate - I am sorry. I used 53, because we've got people that want to make a little bit of money on the exchange rate as well. If you lift that exchange

rate up to 60 cents, the profitability into America is sort of starting to dwindle. Put it to 70 cents, you might as well send your lemons to Malaysia. When the industry comes and says to me that the one organisation is making their day, I have got to question it when I'm looking at foreign exchange rates.

The other area where we have sold a lot of citrus is in Japan. Japan's foreign exchange rate has come down with ours at about the same rate as America. If you chart the two it's about the same, so we're doing well in Japan, too, and I know we're doing well in Japan with lemons, and nobody would ever want to upset that market. My view here is not to upset DNE. If DNE is getting these wonderful prices and can continue to get wonderful prices, good. Let's keep DNE in the picture. My view is we have got to have other organisations in the picture to have benchmarks; to make sure that we are meeting the full potential of the industry.

This is going to be one of the last things I'll say. Since I have been involved with this I sort of get into the press all the time. I get into the press in the United States. I use the Internet to read all the articles and I'm reading the articles in the press in Australia, and somebody has to explain this to me. Why are Riversun going to South Africa to shore up a market situation with DNE, to sell Australian fruit into the United States? Does DNE stand for Australian fruit or does it stand for South African navels?

Lemons: does DNE stand for Australian lemons or does DNE stand for Argentinian lemons? Why would we put a company in a monopolistic situation when it does not put us in the same sort of situation? We are being laughed at by the Americans. I have to admit that when I went back to the Americans and told them that our fruit is poor quality and we were getting low prices, again they laughed at me. They said, "Why would we be asking you for all this fruit if your fruit was poor quality? Do people in Australia think we're mugs?"

A lot of Australians think Americans are mugs, but it's not reality. I'm sitting here talking to people who are actually in the business of wanting to import Australian lemons and sell them in America. After I got all this poor quality stuff they came out and we walked around Sydney market and we had a look at the oranges and the lemons, and we had a look at avocados and nashis and all sorts of things. They thought our fruit was marvellous. They thought the lemons were terrific, and when we were told that they were poor quality - I mean, the Americans just had to laugh at him. They said, "This is poor quality? We would have taken this straight out of the Sydney market into America."

I believe the current situation is highly discriminatory and it's discriminatory because the Corporate Commission has given sole rights to DNE to import lemons into the United States - all citrus into the United States. If DNE don't want our

lemons then we've got to wear it. We can't even go and look for an alternative source without involving DNE. DNE does not want to market our lemons. We have to find our own people to market our lemons, but DNE want their cut. DNE are not in the business to support Australian citrus. DNE are in this business to support DNE, and the quicker we realise that the better off we are. It's discriminatory because a lemon grower - maybe he's the minority in the citrus industry - can't find the best market for his lemons because we have a system in place, supported by the Australian Citrus Growers Inc and - I only think this but I think it's administered by Horticulture Australia. I can't work it out - what this relationship is. It's astounding. I actually think I've said quite enough.

MR COSGROVE: Thank you. I have at least a couple of questions though. You mentioned that DNE wanted a 7 and a half or 10 per cent commission on sales into the US market. Do your investigations enable you to tell us whether that is a typical agent's fee or a distributor's fee - whatever the right word is - in that market?

MR TAYLER: The way it come about was that the representative of HAL told me that there would be a fee payable. I then talked to several people in Australia, who had tried to export fruit to other purchasers in the United States other than DNE, and they told me initially DNE wanted a 10 per cent fee; that HAL helped them negotiate that down to 7 and a half. They didn't go ahead with it because they felt that paying this fee for nothing in the industry - and here's an industry that's begging you today for government money but prepared to let a fee go out there for nothing.

MR COSGROVE: Okay. It might be argued, I suppose, that one advantage of the DNE arrangement is that there can be control over product quality, marketing, in that particular country. Do you see any signs of those things occurring with DNE?

MR TAYLER: I'll answer that question very simply by saying that DNE stands for Australian citrus and South African citrus. How do we know what DNE is selling? Why are they doing the same thing with South African citrus?

MR COSGROVE: Let me put the question another way perhaps. Some of those people who favour the DNE arrangement would argue that without it, if you had normal competitive marketing arrangements in place, that Australia's reputation as a supplier of high quality fruit to the US market could be jeopardised because you know some particular traders might be happy to make a sale; some of the packed fruit might not be of the best quality and word could get around the United States that, "Oh, look, be wary of that Australian stuff; you know, it's a bit mixed." Would you give any credence to that line of argument?

MR TAYLER: No, because they've got nobody to benchmark DNE against. We don't know if other people are doing a bad job. I believe that any grower or any

packing house will not supply fruit to one organisation if another organisation will pay more for it. By the way, the people I'm talking about were not going to take fruit from Australia on consignment.

MR COSGROVE: Geoff, any questions?

MR EDWARDS: No.

MR COSGROVE: Thank you, David, for your submission to us today. I gather we'll be receiving a piece of paper from you in due course, will we?

MR TAYLER: By the end of the week, yes.

MR COSGROVE: That would be fine. Thanks very much. I'm sorry we have run over time and I owe an apology to our Riverina Citrus people. We obviously won't be able to resume at 2.00. In fact, I understand that there is another participant wishing to speak, so what I propose to do is to resume, if we can, at about 2.30, or as near to that as people's luncheon gathering will allow, and we'll then take the submission from the additional participant, and then we will go to Riverina Citrus for the remainder of the afternoon. Yes, Dominic?

MR NARDI: John, I want to object to one thing. If Don can help me out, if Don can go after us, we have a guy who is from Brisbane; has to meet a plane by 4.30, 5 o'clock. We're paying him money to help us out, facilitate us out. Don is a local. I'm sure he can come in after. Thank you very much.

MR COSGROVE: That's agreed? Then let's try to get back here as near to 2.30 as we can with Riverina Citrus. Thank you.

(Luncheon adjournment)

MR COSGROVE: I think we should now resume and, if my memory is correct, we are probably on page 9 of Riverina Citrus's submission.

MR BOWERING: A couple of points we'd like to make on some of the other submissions this morning.

MR COSGROVE: Yes.

MR BOWERING: We'll talk about the single desk later. But one point we'd like to make is that certainly Riverina Citrus endorses the single-desk arrangements at the moment. It hasn't been proved, and there has been no study undertaken to categorically confirm that returns to growers would be better if that was changed and, in that respect, until some such evidence to demonstrate that, Riverina Citrus certainly wants to stay with the single-desk arrangements. So any claims to the contrary - that multiple importers into the US would be better - have no factual basis and, in an area of competition with a variety of importers competing against each other for deals, will obviously in my view and in the view of Riverina Citrus lead to reduced prices to growers. We'll talk about that a bit later.

In relation to our statement before that we don't believe the commission has met the terms of reference in reviewing the effectiveness of programs, the insightful analysis by Carmen this morning on the PowerPACT program was exactly the type of information we expected to find in this report on all of the programs. That sort of analysis of how effective they are for citrus growers that Carmen had undertaken should be being done by the commission on every program, and that would then give us a much better picture as to the extent of the existing programs and whether those programs need to be altered in the future. That said, was there anything else from this morning that we need to pick up? As I said this morning, we'll just continue if the commission doesn't mind going through our concerns with the report and the different comments that we've made.

MR COSGROVE: No, that's fine.

MR BOWERING: At page 9, the commission's statement, "The only fruit suitable for juice is overrun and fruit unsuitable for the fresh fruit markets," is wrong. This statement may be true for areas like the Riverland, but completely incorrect for the Riverina. All fruit this year was suitable for fresh juice. The commission has failed in their report to identify that there are different circumstances for different growing areas, and this has not been addressed. At page 24, table 1, we've got a question here as to where those figures have been drawn from. Evidence from Riverina growers suggests that these figures are completely incorrect and way overestimated. The Riverina has certainly not experienced a boom in Valencia exports as relative to

other areas. Different root stock, seasonality and soil: I think we might have already touched on that this morning.

MR COSGROVE: Yes. It's material based on chapter 2.

MR BOWERING: So that table 1 there, where were those figures drawn from? Was that ABS data?

MR COSGROVE: That is the table I was referring to before. I'm not quite sure we've got the right cross-reference incidentally in that overview. I'll have to look at that. But I believe it's information taken from table 2.3 on page 9 of the position paper proper. It's a condensed version of that table of nominal unit value and price.

MR BOWERING: So that is taken from the ABS data?

MR COSGROVE: Yes.

MR BOWERING: Okay. As I said, we certainly reaffirm that the ABS data is not correct. Page 25: the commission states, "Many of those engaged in citrus growing are not solely citrus growers." As shown in the MIA PowerPACT study, 59 per cent of the industry have 100 per cent citrus and 64 and a half per cent almost of growers have greater than 51 per cent citrus in the Riverina area. The commission has been asked to study the viability of citrus, not of farm income or income from other crops, as we've mentioned before. The reason why some farmers are involved in sourcing off farm income is because citrus is not a viable commodity and the figures from the MV benchmarking study validate that.

This is evident throughout the position paper: the commission is interpreting data to suit their means, where in paragraph 3 it says, "More than 50 per cent of establishments had no more than 60 per cent of the crop area allocated to citrus." If you turned that around, this equally could be turned around to state almost 50 per cent of growers had more than 60 per cent. So what we're suggesting is continually throughout the report the commission uses figures somewhat loosely and if you turned those figures around and looked at them a different way you would come up with a different finding. We state there the comments before of the Murray Valley study where the top 25 percentile were doing really well; forgets about the other 75 per cent who are doing pretty ordinary. I think the commission needs to look at figures and statistics a bit more realistically.

People have validated the industry's position to the commission, and yet the commission has refused to accept that. We've talked about that previously as well, in that those other submissions from people - BGP, Muirhead, et cetera - have seemed to be accepted as factual when in the view of Riverina Citrus they are not factual

under any circumstances. As we're going here, we're going to go over some ground that we've already touched on, but as I said, we tried to review page by page, so some comments that we've made are going to be relevant again and we'll just try and skip over those when we get to them.

MR COSGROVE: Yes, I understand.

MR BOWERING: 26: the reason why people have to grow the crops is because they're not viable. We've talked about that as well. While we have information from Murray Valley, there is no information for the Riverina. We're trying to get some, as I said before. We've got some this morning and we'll provide others. But the fact that Riverina focuses on Valencias is obviously a major difference compared to other areas. There was also apparently historical legislative restrictions in relation to aggregation of holdings, which in the past had prevented growers in this area aggregating too large holdings.

Consequently, there appears to be scope for many less growers to be profitable. The commission is not accepting the fact that even those growing export varieties have suffered losses recently. The Murray Valley study suggests that as well. The commission is also not accepting the long-term time frame that it takes to change and implement new varieties. To be able to change, growers need to have the capital to be able to do it, and the MIA PowerPACT proposal estimates that at 14,900 per hectare, which is obviously a lot of money.

Just on that point, back to Carmen's comments about PowerPACT offering \$15,000, I think it is, redevelopment grant - I think that was the figures quoted - based on that fact and based on \$14,000 per hectare, even accessing the redevelopment grant is only going to allow a grower to redevelop one hectare of their property. While that's good and that would be a start, the amounts offered for redevelopment for 15,000 certainly is not going to sufficiently and quickly move growers to redevelop more quickly and to get into varieties much quicker. Maybe if it was 60,000 or 75,000 or something that might be different, because then they could access and redevelop four or five hectares.

That might be applicable. But then you have to counteract how that's going to be with no income. But all we're suggesting is that 15,000 really is not going to move the industry ahead very quickly and to realise any significant changes in the short term. We've talked previously about Ron Hutton from New South Wales Agriculture, stating that it's a 15-year turnaround time for growers to realise a profit from any changes anyway.

MR COSGROVE: Could I just go back that point you mentioned earlier on this page about the historical legislative restriction on preventing aggregation of holdings.

Is that still in place?

MR BOWERING: No, that's been rescinded. Am I right in saying that that's been rescinded? How long ago was that rescinded?

MR NARDI: It would have been five, six years ago.

MR COSGROVE: Okay.

MR MANCINI: But the impact remains.

MR BOWERING: Yes.

MR NARDI: The impacts, yes. As you know, John, it's a replanting process.

MR COSGROVE: Thank you.

MR BOWERING: Page 27: an increase in land values does not provide any relief for growers but will in fact realise increased overheads through rate increases, so basically what we're saying is, while yes there may be an increase in land values which may be - and we say the word "may" - beneficial to growers in the long term, it doesn't realise any operational benefits and, as we've said there, it obviously incurs rate increases. In any case, land values are only set at the value of a buyer at sale, so any speculation on potential increases in value cannot be substantiated until such increases are actually realised at sale. So unless the property is sold and the nominal value that's applied through the rating process or whatever is actually realised at sale, those potential increases in land values are basically not worth the paper they're written on.

MR EDWARDS: So would you say that there would be no increase in a grower's ability to borrow as a result of increasing land values?

MR BOWERING: That could be possible. We're not saying that's not possible; that could be possible. What we're saying is that operationally, without the grower having - all right, the grower would also need to have the capacity to service that debt anyway, so yes, maybe they could use that with the bank to say, "Well, look, my land is now this, so I've got more equity." I've got to be able to have the capacity to service that debt in any case. So without the ability to service the debt, they could have land as much as they want and still not be able to access finance.

At page 28, second-last paragraph, the commission states that, "A majority of citrus growers are not special producers solely dependent on citrus." As we've said before, this is not the case in Riverina. The last paragraph on 28 - and I don't know

what that says, but I'm just about to it - yes. The commission states, "The evidence suggests that many growers are profitable because they have adapted well to market developments." Once again, we suggest that there is no evidence for that. The commission hasn't sought the evidence that's needed, certainly not the breadth and depth of evidence from different growers across the country, and therefore we can't see how the commission can make those statements.

As I said before, we find with the whole report that there is a lack of in-depth information collected and collated, and we again reiterate that we can't see how a position paper was put together before that's all to hand. Page 29: in the Riverina nobody grows solely for the concentrate market. The commission states there is evidence for this. Where is it? As we've said, it might be a by-product where fruit will go to the concentrate market, but primarily growers in this area are focusing on the fresh juice market and on the export market. So we don't think the commission's statements are correct there.

31, second to last paragraph: again, I must reiterate that those words "many", "lots", "most", including "most are profitable", these statements aren't validated in this position paper. There are no figures to substantiate. We're also not saying that high tariffs are the answer in this regard, but the imported FCOJ price from overseas has a large effect on the domestic Valencia and navel prices, as we've discussed this morning. The commission has dismissed the notion of a tariff, but hasn't considered alternative strategies - ie, import quotas - and we think that those sorts of things should be considered and discussed in this position paper. Being that it is a position paper, all alternative strategies should be assessed and recognised and considered.

MR COSGROVE: I think I could safely say that we would have that one well down the list of preferences.

MR BOWERING: Agreed totally. Once again, we're not proposing that tariffs are the be-all and end-all, or quotas. However, what we're saying is that in a fully substantive position paper where all positions are being considered that one should have been raised and maybe knocked on the head at the same time for whatever reasons.

MR COSGROVE: Yes, maybe we should. There is a reference to a quota in a later part of the paper, when we're looking at the safeguards, investigation possibility.

MR BAIRD: Just further to the FCOJ issue, 12 months ago the imported FCOJ price was \$US850 per metric tonne of concentrate. At those rates there were businesses in Brazil that were actually going bankrupt and closing, which for me indicates that they were selling product in Australia at below their sustainable cost of production, and I think that's probably confirmed at the moment - is that price has

increased by something like 50 per cent. It would either mean that processes in South America and North America are actually making a lot of money at the moment or, when they were selling it at 850, they were actually making considerable losses.

At those sorts of price levels, I would have to suggest they are making losses and unfortunately that does expose the Australian citrus industry, when you have countries like South America - Brazil, Argentina, et cetera - who are able to produce very large volumes of concentrate and sell into Australia at less than what I think are their cost of production. I think that is rather unfair on the Australian citrus industry, to allow that to continue to happen.

MR COSGROVE: Have you considered requesting a dumping investigation, if you think that's what is going on?

MR BAIRD: That was one of the issues we hoped would come out of this Productivity Commission and yes, it had been considered, but at the time it was instigated prices had generally turned, because prices normally stay low for maybe 12 months, 18 months - two years at the outside - and by the time prices hit home and you start the ball rolling, the prices have come back up again and it's normally just rejected out of hand.

MR BOWERING: We were also advised - please correct me if I'm wrong - that any evidence of dumping primarily had to be sourced and provided by the industry, which - you know, bearing in mind the limited resources of ACG and Riverina Citrus and whatever - the opportunity for us to do that is just about negligible. We obviously and honestly believe that it's a government prerogative to be looking at that, not at the industry to provide that sort of information. We would like that to happen and we had talked about that previously, as a possibility. Sure, we have some evidence, but we haven't got the resources to be investigating to take something to the government formally.

MR COSGROVE: The problem with that is that the government is responsible for taking the decision. It could not, at the same time, make a request.

MR NARDI: The other issue, too, is once you file an antidumping case, if the price changes again in six months' time they throw it out. However, in that six months - and you might be aware last year what happened, too, is that processors can buy for up to two years' worth of stock. So really they've changed the price in six months but they've bought enough stock for two years to have an impact on us. So it's totally unfair and the system stinks, quite clearly.

MR COSGROVE: Yes.

MR BOWERING: Page 32, we believe there's a contradiction between paragraph 1 and information previously outlined in the report, in that the commission stated previously that a tariff would have no effect on the industry. However, on this page it now says it would be a very blunt way of providing assistance to the citrus industry. Throughout the document we think that that type of contradiction and information that's provided in one spot and then something else is provided in another spot comes out time and again.

MV statistics don't validate the statement under impediments to industry performance, second-last paragraph, we believe the commission is trying to dilute the potential impediment to the citrus industry by including other sectors of the horticultural industry. There are also other impediments to industry performance that are not recognised by the commission, including road-rail infrastructure, fuel pricing, telecommunication problems, increased uncertainty over the future regulatory controls and price impact on water supply, increased compliance costs from the new tax system. We think all of those are issues that the commission could have considered and we believe that they should consider before any final paper is put together.

MR EDWARDS: If I could just go back to the statement about the inconsistency: maybe you see different words to me, but I don't see a statement on page 31 saying tariff would have no effect.

MR BOWERING: If it's not "no", it's "limited".

MR EDWARDS: I see the words "a very high tariff" or "a small support quota would be required to have any significant effect on farm income".

MR BOWERING: Yes, but the insinuation certainly is there that a tariff is not applicable and that, you know, basically it wouldn't have any effect on the industry, or much effect at all. Yet, as I said, in that next paragraph you say it would have a blunt effect. So all we're saying is that we believe there are inconsistencies in the wording.

MR COSGROVE: It's not an inconsistency, it's a separate point. It's "blunt" because it would apply to all growers, irrespective of their profitability.

MR BOWERING: Maybe it should be spelt out a little bit better than those terms. We certainly believe that there are a number of other issues that need to be considered as impediments to industry performance that the commission may not have considered.

MR COSGROVE: We did take account, incidentally, of - you're talking about

price impact of water supply?

MR BOWERING: Yes.

MR COSGROVE: Okay.

MR BOWERING: Page 33, draft recommendation 7.1. We just think that this could be a bit firmer. The federal government must tell the state and territory governments that they must do that, instead of - I think it says "should". We'd just like that a bit firmer - that would be good. Draft recommendation 7.2, we believe this recommendation is useless and that the federal government has had little or no success in this regard, as evidenced by the recent US tariff on steel and the US farm bill. Basically that recommendation will never be realised, or certainly it's very questionable that will ever be realised, and therefore it probably shouldn't be in the position paper.

MR EDWARDS: But the fact that we haven't - - -

MR COSGROVE: Surprised by that.

MR EDWARDS: - - - persuaded other countries to go as far as we would like on liberalising trade, doesn't mean there has been no progress.

MR BOWERING: Surely the - - -

MR COSGROVE: Nor that there should be no further efforts to make such progress.

MR BOWERING: No, we don't suggest that at all.

MR COSGROVE: I thought you said it was a useless recommendation.

MR BOWERING: Yes, in that it's not going to achieve anything for growers and generally the federal government has failed in this regard, and the recently announced tariff on steel in the US basically proves the case that the government has little success - - -

MR COSGROVE: That remains to be seen. My understanding is that there are continuing negotiations going on.

MR BOWERING: Okay.

MR COSGROVE: On that matter.

MR BOWERING: Anyway, that's our view. We'll stick to that view. The information relating to buyer security and the commission's contentions that if import requests were processed quicker that those countries would then process our import requests quicker, Riverina Citrus believes that's nonsense. That would just be - you know, if we facilitate quicker access here - it just beggars belief that it could be thought that other countries might then process our requests quicker. In the real world that won't happen. Certainly it's the belief of Riverina Citrus that that is the situation.

Draft recommendation 7.3, no beneficial effects on growers on the ground and will increase costs in relation to the grower levies, which was buyer security. Draft recommendation 7.4, this needs to be stronger. The government should not consider but implement strategies where, based on public benefit, general revenue funds are used to augment buyer security resources. Funding should not necessarily be sought from relevant industries. Draft recommendation 7.5, strongly agree. Imports should be exposed to the same scrutiny as our exports to other countries. Draft recommendation 7.6, we agree with the continuation of the single-desk importer into the US; therefore we disagree completely with this recommendation. We need orderly marketing for all export markets. In any case, Riverina Citrus has difficulty comprehending how this issue falls within the terms of reference and how the commission arrived at this finding.

Draft recommendation 7.7, agree, but include AFFA in close consultation with industry and then the rest of our comments are as per draft recommendation 7.6. Draft recommendation 7.8, disagree strongly; to be removed from the report. No validation in the report to support this recommendation. As I said before, our view is that no investigation and research has been undertaken to validate one way or the other that it would be better or would not be better. Until that evidence is at hand such a recommendation should not be made. Page 36, the first sentence under "outlook" - no evidence to support this statement, Murray Valley statistics apply.

Page 37, first paragraph, "How can growers expand when suffering losses?" Larger organisations in this area are suffering more than smaller operations and we refer there to PowerPACT for that information. The evidence from the Riverina completely conflicts with the statement by the commission. In any case, what evidence did the commission use to validate this? We've said there that in Sunraysia there is a submission from Dudley Marrows, who is a very large grower, who is also struggling. So bigger is not necessarily better, and I think Carmen spelt that out this morning as well.

Second-last paragraph conflicts completely with all previous statements in regard to profitability of the industry made by the commission. The commission

continually espouses the theory that changing to navels will solve the profitability issue, but refuses to acknowledge that there is a continuing need for Valencias for the fresh juice market. In 1999-2000 all navel growers suffered severe losses - refer to Dudley Marrows' submission. Also the Murray Valley study - which is primarily a navel area - shows growers suffered losses three out of five years.

Page 39, finding 2.1, we ask: where is the evidence to support this finding? The percentages of FCOJ vary widely year to year. Finding 2.2 is a completely incorrect statement. The commission has no realistic evidence to support this claim. Finding 2.3 and in relation to figure 2.8 - we were a bit confused by that table in that we didn't really understand what it was saying. Could the commission throw some light?

MR COSGROVE: I'm sorry, I was looking back at what you were saying about finding 2.2 first. That seems to me to be incontrovertible. What is the problem with that?

MR BOWERING: Where are we at? I can't even find it.

MR COSGROVE: The average price received by growers for their orange crop is substantially above the FCOJ fruit equivalent price. This is averages, right? We're not talking about every grower, every region. We're simply saying that on average across the industry the price received is above the FCOJ price.

MR BOWERING: Okay, maybe on average we would concede to that point.

MR COSGROVE: I don't see how you could question that.

MR BOWERING: We concede to that point.

MR COSGROVE: The next point was finding 2.3. Please explain.

MR BOWERING: Yes, we were confused by the table there. We all had great difficulty interpreting what in the hell that meant.

MR COSGROVE: What it means again gets back to this difference of view about the facts of the matter which lies between the position paper and your evidence to us today. But what it's really trying to say is that in terms of absolute levels the FCOJ import price does not determine the price of fresh fruit in Australia, of fresh juice - it certainly doesn't determine the price that we get in our export markets. However, the second part of that finding says that in terms of movements from year to year, there is some relationship between - or there can be some relationship between the FCOJ import price and some of the domestic prices, that's all. So we're trying to

distinguish levels from changes. Maybe we need to make it clearer.

MR BOWERING: We all just sat there and were trying to work out what that meant, and we're thinking, "God, what does it mean?"

MR COSGROVE: Okay, we'll work on that one.

MR BOWERING: Finding 3.1: how is this validated, where did the commission get this information from? We've asked the question there, "What percentage is substantial?" The commission says substantial - what is substantial?

MR COSGROVE: That material I think you'll find in chapter 3. It's probably in the overview as well. It's Murray Valley based, again.

MR BOWERING: Yes.

MR COSGROVE: But I'm struggling to find the chart. I'll look for it in the overview- there it is. On page - - -

MR BOWERING: It certainly conflicts, as we've - - -

MR COSGROVE: On page 27 of the overview.

MR BOWERING: It certainly conflicts with information, as we said, from Riverina, where most growers are largely dependent on citrus production for viability.

MR COSGROVE: Yes.

MR BOWERING: And we say again we would probably just like that recognised, that there are significant differences across Australia.

MR COSGROVE: Yes, we will cover that.

MR BOWERING: Finding 5.1, what validation and data does the commission use to show that these assistance programs have been beneficial to citrus growers? We can't overestimate this point that that has not been done in this report and, as a matter of urgency, if the report is to have any validation the critique, ie, as Carmen did this morning, has to be done for all of those programs. Finding 5.2, no evidence to validate this statement at all, information from the rural counselling service that this is incorrect, and we have been advised that Peter Gerard-Smith has already provided you with an amount of information in that regard.

MR COSGROVE: We did get a submission from them in the first round, yes.

MR NARDI: Just on that, I spoke to Peter at length a while back, and of all the people - I'll give you a bit of an idea. The financial year 2000-2001, Centrelink nationally: not one of the people that had taken up the exit re-establishment grant were citrus. There is not one that was citrus, okay? The other thing is the year to date: out of 115 applications nationally, 40 of them which were local, not one again is citrus. So obviously that has got to be saying there's something wrong with that \$45,000 exit. That's what it says to me. Obviously it's not working.

MR COSGROVE: But it's working for other types of agricultural - - -

MR NARDI: It's not working for citrus. Obviously citrus has got to be treated as a separate commodity.

MR COSGROVE: Why is that?

MR NARDI: Well, if no citrus growers take it on, obviously it's not working for citrus. There has got to be something wrong there.

MR EDWARDS: So what's the answer?

MR COSGROVE: I don't know.

MR BOWERING: I don't know. I thought that was your job as an economist to come up with those things. I don't know.

MR EDWARDS: By implication you're saying they need to be offered more.

MR BOWERING: Maybe - there has to be a reason. I don't know, the 45 needs to be probably more. I don't know. I'm not in that position.

MR BOWERING: I would say that's certainly the answer. As we said this morning, for people to move out of citrus, exit the industry completely and say they were - because the majority of growers - I think the figures today were 67, or average age 67, in this area. So for them to move out of the industry and move completely into a new industry is probably questionable at best. They're probably more likely to get out of horticulture altogether and set up in town. \$45,000 is not going to assist them to be able to buy a house in town based on their current level of housing that they currently enjoy. It's just not going to happen, and the \$45,000 Riverina Citrus believes needs to be increased substantially.

Finding 6.1 - agree. Finding 6.2 undersells the future negative impacts on

Australian growers. Finding 6.3 inconclusive in that yes, it may, but also it may not. There is no evidence to suggest either way. Finding 6.4: we believe this is a non-finding as this is applicable to all industries. Finding 6.5: this may be applicable in other areas, however Riverina growers have a good supply of water. However, they feel there will be significant increase in costs and therefore increase in costs of production as a result of that.

Finding 7.1: compliance activities are not sufficient or effective. The code is too loose and doesn't advantage the consumer or the grower, only the processor or retailer. Strongly disagree with this finding. Finding 7.2 - to whose benefit? Compliance of codes and laws are not based on whether it is cost effective, but whether the law is being broken. Completely disagree with this finding. If we were to only implement cost-effective compliance and policing activities, then our police force wouldn't be in place, that's for sure. Basically the commission shouldn't be considering whether compliance is cost effective, but whether the laws are actually broken. Finding 7.3 - disagree. Refer to comments re draft recommendation 7.6. What evidence of the success of alternative strategies has the commission proposed in this report? We've actually got - who wants to talk on that? The South African model?

MR NARDI: Just to give you an idea of what is happening in South Africa, South Africa had one exporter four or five years ago, which was called Outspan, single exporter. It was broken, and in three years it went to 220 exporters. It was dismantled and deregulated. After this happened growers went back towards the one desk. Now, they are looking at the model in the system similar to the Riversun and Progress. So they've gone right around and come back to the other system after finding out they lost a lot of money. That's the comment I want to make there, so maybe you need to probably use some of their information. If we go into it it's too late to go the other way, but maybe you need to borrow somebody else's experience.

MR COSGROVE: We have, since the position paper, been looking further into this whole matter of export marketing. The US Department of Agriculture information on imports of citrus to the United States show that South Africa has increased its market share while Australia's market share has declined. This is before they have gone the full circle that you were referring to. So we're looking at that still.

MR BOWERING: Finding 7.4 - disagree. Refer to comments on draft recommendation 7.8. Again, what evidence of the successful alternative strategies have been proposed? Finding 8.1 - disagree with finding. Refer to previous comments regarding tariffs. Finding 8.2 - disagree. Targeted assistance to dairy, pork, sugar, et cetera, proves that assistance to specific sectors is extremely beneficial. I have some knowledge of the dairy package in relation to a number of

clients that I deal with in accessing the government funding. That has proved to be a very, very successful package, certainly from the user's perspective, the people that I come into contact with. It has been a very successful package, primarily because it is focused on employment opportunities, and increasing employment within that sector has obviously been a great boon for dairy-reliant communities.

MR COSGROVE: Increased employment in the dairy sector?

MR BOWERING: No, there's a number of different arms to that program, but one of the components of that program is that if you have a project which generates employment in the dairy-affected area, then you can apply for funding. But the bottom line is that you have to be able to generate employment and create employment opportunities with your project. So that program, that arm of the program, is very, very successful and was well received.

MR COSGROVE: Yes, I can see that - I mean, this is a much-debated issue, I realise, but it's easy to see the direct effects of public expenditure. It's much less easy to see the indirect effects of public expenditure. One of the most straightforward of them is that someone in the community, in this case consumers of milk, now have less income than they otherwise would have. So that their expenditure capacity is lessened and jobs in the areas where they are located, which is basically all over the place, might decline as a result. So one needs to keep, you know, all aspects of that issue in mind. It's not always easy to unravel it, I admit.

MR BOWERING: Finding 8.3: what financial economic model has the commission drawn upon to validate this position? The next point, how has the commission made draft recommendations and findings when all of the information is not at hand? We make that point forcefully, that we can't understand how draft recommendations, a position paper and findings have been made when there is a plethora of information that the commission has not identified and is still gathering. We just make a general comment there on the market diversification program. This program was no good for the Riverina, because it was focused on export markets. Benefits were realised indirectly by Murray Valley and Riverland growers with minimal benefits realised by Riverina growers. Even those growers in those areas didn't receive any on-farm assistance at all.

Our understanding and experience is that that program was aimed at accessing new export markets, which obviously then did have somewhat of a flow-on effect, but there was no financial assistance offered to growers from that program. Because Riverina is highly concentrated in the Valencia market we believe a specific package is required to assist Riverina growers. Completely different to people in the export market. What I suggest we do with the rest, if I could just make the suggestion, a lot of these things we have already touched on and are already covered.

MR COSGROVE: All right.

MR BOWERING: It's just further information. We just have general comment here. If anybody else wants to make any other specific comments, while they're doing that I might just flick through this and have a look at any other points.

MR COSGROVE: Sounds sensible, Shane, yes.

MR BOATWRIGHT: Just a general observation that much of the discussion today has centred around the lack of credible data, the extent to which it may or may not be available and the extent to which some representatives' samples may or may not be adequate. Hence the validity of the judgments that have been made are, understandably, probably pretty loose. I would like to consider with you the possibility that there tends to have been a failure in the market of the provision of information such that, for example, people who have gone through the process of business planning might be able to assess the outcome of their particular property against the wider community. I presume your job would have been made much simpler if there were adequate data available. So I wonder what the possibility might be of one of the forms of assistance that you could consider with government would be some form of quite intensive financial study of the citrus industry.

MR COSGROVE: So organisations like ACG, for example, don't do anything of that kind?

MR BOATWRIGHT: I presume that if they had you would have heard about it.

MR EDWARDS: Yes, we would have it right now.

MR BOATWRIGHT: And we would have the benefit of it. For many other industries - - -

MR COSGROVE: You're right, but I'm asking, because it seems to me, as a quick reaction, that this is information that - while it might have benefited our inquiry, it's information which is essentially of use to the people in the industry. So that raises a question in my mind as to whether the community at large should subsidise the acquisition of such information.

MR BOATWRIGHT: To me, that's a suggestion that perhaps there should be a sharing of the cost. There's public good involved here.

MR COSGROVE: What's the public good?

MR BOATWRIGHT: The government would be able to put into place programs that are appropriate for the industry.

MR BOWERING: Look, that's an important point, and as a person coming from ex-government, when talking to ACG, I had a concern that there was no information. Nobody had collected anything. I do see that, yes, that is a role - you know, somewhat responsibility for the peak bodies to identify that information. But bearing in mind that it isn't available, we don't have it, if this inquiry is to progress to its conclusion and come up with realistic recommendations which reflect the true picture, we viewed that that was a role for the commission, because it was a deficiency, to try and identify that sort of information. We just certainly believe that it was the commission's role, but I do take your point.

MR BOATWRIGHT: We sympathise with you.

MR BOWERING: Yes, that point. Has anybody else got anything else? I can't see anything here. What I would probably like to do - - -

MR COSGROVE: We will be looking at all of this of course, very carefully - - -

MR BOWERING: Yes, a table for the transcript, the rest of appendix A that we haven't covered as things that we would like the commission to look at in our comments in relation to inconsistencies, areas where the commission's view has been validated by BGP or whoever else, where we don't believe it should have been, information where the figures that are quoted by the commission don't stack up with the figures that our growers are experiencing, or the Murray Valley statistics. In essence, basically consider all of those points.

MR COSGROVE: It's taken as done, yes. We will certainly be looking at them all.

MR BOWERING: Are you guys all happy to do that? Otherwise we're just going to go over most things that we've rehashed.

MR COSGROVE: I can assure you we will read it, word by word, paragraph by paragraph .

MR P. BLACKER: John, can we make comment to other speakers that we have heard today or can we - - -

MR COSGROVE: Of course you can, yes.

MR P. BLACKER: There are a couple which I would probably like to make

comment to. This morning, Mr Catanzariti spoke of wanting to export 70 containers to the US. He mentioned everything except the price, and I think it would have been fair to indicate what that price was going to be and how it would have impacted on the rest of the premium fruit which was in that market. I have no problem with what he put up this morning - none whatsoever - but there are just a couple of facts that he left out.

DNE have also been taken to task in the fact that in 1998 they did make some mistakes. They have admitted that and they have addressed those problems. They do come out and state that they're marketers of 1.6 to 1.8 million boxes of fruit. They are not repackers of a million boxes of Australian fruit. 1998 was a particularly bad year, where they did repack a substantial amount of Australian product and that did cause problems and they have addressed that since that year, so we have to say that in their favour.

MR COSGROVE: Yes.

MR P. BLACKER: But we cannot deny that this single importer has had problems in the past but each year they have managed to get better, be more efficient, and they are certainly doing the job, I feel, for the Australian growers. Again, with Matthew, I can sympathise with - they are a large company in their own right, but how many growers in Australia can actually grow the volume of fruit that he does, pack their own and market their own? I submit to you that very few growers are in the position that Matthew is in with the marketing team that he has, so it's a little bit biased. We're talking on behalf of all growers - or the majority of growers - so therefore we have to take it into consideration.

MR COSGROVE: Incidentally, on that point, could you clarify for me, please, is his production included or excluded from the figures which you were giving us earlier today about - - -

MR P. BLACKER: He'll be included.

MR COSGROVE: Included?

MR P. BLACKER: Yes.

MR COSGROVE: Thank you.

MR P. BLACKER: He also mentioned that other markets, such as Japan, Hong Kong, Canada and the UK, have all been very successful, but he didn't mention in the same year as 1998 some of those markets had very similar problems to the USA, where there were repack situations and substantial costs to his company. He

forgot to mention that. It's all fair to criticise the single-desk marketer, but you've also got to be fair and mention that the same circumstances have arisen in fixed-price markets, as well. It's not a situation which is unique to single-desk or consignment marketing.

I move on to Mr Tayler. Mr Tayler's comments were also reasonably valid, but again didn't address the fact that Hawkesbury Fruit is also under quarantine - or regulations for fruit fly. Queensland can't export to the USA because of fruit fly regulations, and I would suspect that Hawkesbury would be in a similar situation. He forgot to mention that as well. That would be a situation where the Hawkesbury region is heavily infested - there is no control - and therefore that would be a major precluding factor in him actually being able to get access to the USA.

MR COSGROVE: In terms of what he said this afternoon though, it would seem that that was not a concern for HAL. They were talking about quality problems.

MR P. BLACKER: That has always been an issue with Australian lemons. We do have black scab and a couple of other diseases which are quarantinable in the USA. The 7 and a half per cent commission - I don't know of any agent working in Australia or anywhere in the world who does not charge commission. It's something we all face. We pay, I think, around 8 per cent on our navel program. We're up to 8 per cent, depending on the degree of price which is achieved in that market. The higher the value the higher he is able to earn, and I believe that's in the best interests of the Australian growers.

MR COSGROVE: You mean the rate of commission rises with the price?

MR P. BLACKER: Will rise. That's my understanding. Could be wrong. Mr Tayler also mentioned price and quantity. One thing has been proven with the South African and Australian volumes into the USA - the more volume we ship in the lower the price we can expect, and that has definitely been proven with the South Africans, where uncoordinated shipping and uncoordinated marketing has created a price disparity of around 5 to 10 dollars per box US in that market. It has had a profound effect on Australian income. It has lowered our income as a result and that's why there has been some coordination between DNE, Riversun and the ACG, to try and lift the South African standard to a position where it's similar to Australia and therefore all fruit in that market will command a serious high net return to all growers in that market. It's a positive attitude which we have to go to the United States with. It's a declining market because the US economy is declining. It is only viable because our Australian dollar is at the rate of 52 cents.

MR COSGROVE: The market may be declining - I would need to look at the figures harder on that - but for any given market in the last couple of years,

South Africa has done better than Australia in that market. That seems to me to be to be a - - -

MR P. BLACKER: They have only done better because their rate of return on the rand is 10 to 1. We are 3 to 1.

MR COSGROVE: No. I'm talking here - if you look at US dollar prices - forget about the exchange rate effects. In fact I am looking at volume, so price is not really a factor here, but they - - -

MR P. BLACKER: We've outstripped South Africans in price year after year in all markets.

MR NARDI: South Africa is always cutting below us.

MR P. BLACKER: They have always undercut us and that is the problem.

MR COSGROVE: On the information I have here, in three out of four years, in US dollar terms South Africa's prices have been lower. I don't know what the reasons for that are.

MR P. BLACKER: Substantially lower because of quality and - - -

MR COSGROVE: You would expect a lower price for lower quality, wouldn't you?

MR P. BLACKER: And they're harvesting their fruit immature, and it is getting to the market in a condition which is far below the Australian product.

MR COSGROVE: Despite all that they're still increasing their share of the market.

MR P. BLACKER: They will, and we hope to increase our share, as well. We haven't met our targets in the last two years. That's something which I know is being addressed currently. You'll be spoken to about it in the next two days.

MR COSGROVE: Yes, I am sure we will.

MR EDWARDS: Could I ask a question there: as you say, in thinking about the gains from shipping more into the United States we have to consider the effect on the price that we get there, but the flip side of that is if we're shipping more to the US we'll be selling less in Australia, or less in some other export market.

MR P. BLACKER: I don't think so. There is enough production in the three

growing regions. There's an increasing volume. There's a lot of unproductive trees at the moment. Indications are that navels and Easy Peelers will increase, probably double, in the next five years within Australia.

MR EDWARDS: But in any given year, the more we shift into the US the less will be available for sale in Australia or into other export markets.

MR P. BLACKER: Australia is not a profitable market for us. Our domestic market is only second grade. Except for last year there have been no premiums for number 1 grade export fruit in Australia - very little. It's a very small market.

MR EDWARDS: So are you suggesting that if we sell more oranges in the US, taking some out of the Australian market, there will be no upward movement in the price received for oranges sold in Australia?

MR P. BLACKER: I don't think there will be. We need to supply more to the US. We need to supply more to South-East Asia and the UK. We need other markets. We need new markets to take on the volume which is coming into production. The Australian market is basically - the domestic market is fairly static and we're also in competition with imported fruit from other countries in our off-season. The consumer is getting used to having the navel orange in the supermarket 12 months of the year and this is where our competition with the Valencia also comes into play. Domestic market for Valencias is only good until about December, when the US navel comes into the supermarkets and we're out of the picture. Even though it is three times the price the consumer will buy a navel in preference to a Valencia.

MR EDWARDS: It seems to me we are talking about two different concepts here. On the one hand we are talking about the scope to increase different markets in the future but, on the other hand, if we're talking about selling more into the US in a particular year, we must be selling less - - -

MR P. BLACKER: We need to open up all markets.

MR EDWARDS: - - - in some other market.

MR P. BLACKER: We need to supply all our markets with more fruit. We will need to grow all of our export markets to satisfy the volume which we're producing, and the USA is the major one.

MR BAIRD: Supply of navel oranges in particular is on the increase, so we don't have to reduce any market in the future in order to supply more into the United Kingdom, Japan, Korea or the USA, because supply is progressively growing on those varieties.

MR EDWARDS: Granted that; nonetheless it is true that if we sell more exports next year to the US then there will be fewer to sell somewhere else than if we had not sold more into the US.

MR BAIRD: Percentage-wise, yes. The total volume - - -

MR EDWARDS: In absolute terms also.

MR BAIRD: I would suggest, no.

MR P. BLACKER: That's only assuming that there is no growth in the navel industry. There is growth. We need to export more into all markets and still maintain what we have in the domestic market in Australia. That's not a problem. We're facing a situation where we have expanded our navel production and we need to market that fruit in the best markets possible, the US being one, Japan, Korea - China is an emerging market, and Taiwan. We will need also to supply premium quality fruit to the domestic market to gain a better return here, as well.

MR COSGROVE: One point that Mr Catanzariti and Mr Tayler seemed to me to be making was that a single importer in the United States could not realistically exploit all of the market opportunities, so couldn't you envisage that without such an arrangement increased sales would occur - a higher volume of sales would occur - without necessarily any effect on the price in that market that we received?

MR BAIRD: No.

MR COSGROVE: No?

MR BAIRD: We would end up with another market like Malaysia where we ship absolutely hundreds of thousands of tonnes - not hundreds of thousands, but hundreds of tonnes, thousands of tonnes, into that market - and the price return is all but cost price.

MR P. BLACKER: Matthew Nugan said that this morning. They don't supply there any more because it's too cost competitive.

MR COSGROVE: Yes.

MR BAIRD: As soon as you get too many customers in a particular market they'll all start playing each other off and there's only one way the price will go, and that's down.

MR P. BLACKER: I will say that DNE are category managers for Walmart. Walmart is the largest supermarket chain in the US and DNE have 100 per cent supply category management citrus, so they do have that wide target area. They do target all areas of the United States and they are 100 per cent suppliers, category managers, therefore they do have the outlets to take more citrus in the future and more Australian products.-

MR COSGROVE: So your view would be that there is not a single part of the United States market that DNE is missing?

MR P. BLACKER: There are some areas they choose not to go to because they are poorer areas and our premium priced fruit is not acceptable. They do prefer lower grade product in some of those poorer states. That's a choice of DNE - to try and maximise our returns.

MR COSGROVE: So what is the argument then - that it's not profitable for poorer grade fruit to be exported to the United States?

MR P. BLACKER: Yes. Some areas of the United States are traditionally poor and there are areas - the same as in Australia - which are your Double Bay type markets who will pay the premium - some areas won't - and they target the areas where the premiums are, and that's by choice, whereas there is not enough return on the areas - some places in the south - which can't financially sustain paying a premium price. There's not enough volume there for them.

MR COSGROVE: Can you give me an estimate of the differential between a premium grade navel orange and a lower grade navel orange?

MR P. BLACKER: In cost?

MR COSGROVE: In price.

MR P. BLACKER: \$5 plus per box.

MR COSGROVE: Per box.

MR P. BLACKER: US.

MR COSGROVE: Given the exchange rate factor, would it be unprofitable to accept \$5 less a box for - - -

MR P. BLACKER: It is marginal. That \$5 is a profit in the grower's pocket rather than an agent or a trader. Certainly \$5 to a grower is a significant amount. That's

why the US market has been maintained as the premier market, and other areas of South-East Asia and the northern hemisphere have taken the rest of the fruit, smaller sizes and number 2 grade.

MR COSGROVE: So if I'm roughly in the ballpark on the prices being received from the US something like \$US30 a box is very remunerative, you like the arrangement that gets you that, but \$25 a box wouldn't be profitable.

MR P. BLACKER: \$30 is sort of - that would be our base price, what you've got to aim for.

MR COSGROVE: Wait a minute, base price - I thought the story was this is our best market.

MR P. BLACKER: It is our best market.

MR COSGROVE: So this is not a minimum price that - - -

MR P. BLACKER: There isn't a minimum price.

MR COSGROVE: - - - covers your cost of production.

MR P. BLACKER: Once we get below \$30 - - -

MR COSGROVE: This is your best market.

MR P. BLACKER: Once we get below \$US30 - - -

MR COSGROVE: Yes.

MR P. BLACKER: It's becoming marginal. If you get \$22 or less you're better off in other markets.

MR COSGROVE: I find that hard to believe.

MR P. BLACKER: I'm sorry, but the costs of getting a carton of fruit to the US are fairly high.

MR COSGROVE: That may be the case, but I thought you people had been saying to us that "The United States market is our most profitable market."

MR P. BLACKER: It is at the moment.

MR COSGROVE: And "Please don't do anything in connection with the DNE arrangement."

MR P. BLACKER: That's right, it is at the moment. We need to keep it there.

MR COSGROVE: And yet you're now saying that in the most profitable market a price \$5 lower would not be worthwhile.

MR P. BLACKER: \$5 would make a significant change in any market.

MR COSGROVE: Significant change, but if it was \$5 off an average market price - - -

MR P. BLACKER: \$5 in the US - - -

MR COSGROVE: - - - maybe I could understand what you're saying.

MR P. BLACKER: \$350 a tonne difference to the grower.

MR COSGROVE: Yes.

MR NARDI: John, could I go back to page 44 and table 3.7.

MR COSGROVE: Yes.

MR NARDI: If we go through the expenditure column it adds up - the proportion of cost adds up, average cost per hectare adds up. However, you've got on the average cost per tonne, at 351 dollars point 5. Our calculator tells us 246.2. Is there any reason why that's not added up right, or is there something hidden that we don't know about?

MR BOWERING: That was from the Murray Valley market - - -

MR COSGROVE: This is from the Murray Valley - - -

MR NARDI: Yes, that doesn't add up. However, I need to let you know, this morning we quoted \$220 price of cost of production, a minimum.

MR COSGROVE: Yes.

MR NARDI: We've now been informed that that is more likely to be at 250 plus, and I've got the information here, okay. Now, what it is, it works out that the top 20 per cent of growers is \$170.81. That's not including the interest and return on

capital cost, as the Murray Valley does. So if we implement the same capital cost and gains, it's well over \$250 a tonne. This is a survey done by MIA Horticultural Council of 66 orchards, which is 10 per cent - over 10 per cent of our orchards in the area. I've got a copy here, too, which can be forwarded to you. There are six copies there.

MR COSGROVE: Thank you. We'd be glad to have it. It reinforces the question that I was posing to you before we broke before lunch, which is if your cost of production is now even higher than the prices that you are telling us you're receiving, then how can you continue on that basis?

MR NARDI: I think you have to continue, John. If you can't get out, you've got to stay in.

MR: No buyers for your land.

MR COSGROVE: If you whittle away your capital, that seems to be a good way to do it.

MR NARDI: That's exactly what's happened, John.

MR: You can't just walk away from the property and let it sit there.

MR: You can't just shoot your sheep and walk off, John.

MR P. BLACKER: Off-farm income - if it wasn't for the wives and even farmers going out and earning extra income this area would be finished. We need to get to a situation where farms can be viable on their own and to do that we need just a reasonable return. If we could get 220 minimum for our Valencias fruit and the packing for navels - we've got to get returns of around 350 or better for navels.

MR COSGROVE: But if the market doesn't want to pay you those prices - - -

MR P. BLACKER: They can be sustained, we can get those prices using best practice and this area is changing - we're planting to newer varieties, we're taking on new techniques, pruning, thinning, changing varieties. Those sort of things are what cost a lot of money. That's why the Murray Valley are so much dearer. They're five years in front of us. Murray Valley and South Australia are at least five years in front of the MIA. That's why their cost of production is so much higher. We're getting there. It's a slow - even Lou Revelant will tell you that it's slow. He's been trying to get us going on this for probably 10 years, but it's been slow to uptake because of the fact we haven't had the returns in our pocket to try and - to make it work. Until you start getting some decent returns you can't put that money back into

your farm. So at the moment the only way we're surviving is off-farm income, where wives and husbands have two and three jobs in the family to try and sustain the lifestyle and maintain the farm as it is at the present state.

MR COSGROVE: I see.

MR BOWERING: Just a couple of other points I'd like to make just to finish up.

MR COSGROVE: Yes, certainly.

MR BOWERING: We'd just like to reaffirm our concerns with the requirements of the Trade Practices Act in relation to collective bargaining. We see that as a real impediment and a disadvantage that growers are at - if the commission could see fit to place some more emphasis on that aspect and maybe some sort of recommendation. We would like a recommendation basically to the ACCC that the citrus industry - consideration should be given to the citrus industry being relieved of the requirements of the TPA.

MR COSGROVE: That was a point raised with us, of course, in the initial round of submissions, especially by ACG and perhaps by you people as well, and we thought about it. I don't think it really would help, to be honest. My understanding of the ACCC is that it would require an application by the people who wish to have protection - temporary protection is all that's available at present - temporary protection from the anti-competitive practices of the Trade Practices Act through what is called an authorisation. I think if we were to recommend that the ACCC should do this, they would just say, "Well, thank you very much, but we need an application from the citrus industry."

MR BOWERING: They may well do. All that it would do would give maybe some weight to our application I suppose, and some sort of support that, from your investigations you think that would be a beneficial outcome for the citrus industry. We think that would give some weight in that respect.

MR COSGROVE: I see.

MR BOWERING: Just another couple of things, just to finish up. We think the report needs to have some comment or analysis of the performance of HAL. Probably it doesn't really analyse that issue in any detail, and that could be considered as well, as another issue.

MR COSGROVE: Yes. We didn't receive a submission from them, I think, in the first round. I may be wrong about that. Anyway, they're certainly appearing at the - - -

MR BOWERING: We think it's another important issue affecting citrus growers.

MR COSGROVE: Yes.

MR BOWERING: The performance of HAL should be considered.

MR COSGROVE: I agree.

MR BOWERING: Just another point: Retailworks is quoted and it was just something that we missed. It was quoted in here and in general Retailworks make estimates. We just had great difficulty in how they've come up with findings and different things based on estimates. We just think that their whole work should be dismissed out of hand as - - -

MR COSGROVE: We will look at that again, but I think it's not right to say that their work is based on estimates.

MR BOWERING: That's what the position paper says. It says "Retailworks estimated that" and "Retailworks estimated that" - you know.

MR COSGROVE: Okay, that may be loose language, but what I do know is that they derive much of their information from supermarket cash register information. That, I would have thought, was a very accurate - - -

MR BOWERING: That's probably right, but down the chain was the estimation - especially back to grower returns.

MR COSGROVE: Yes, that might be less precise.

MR BOWERING: Yes, very less precise. One other point: there's a few references to studies that were undertaken in the 1970s and we probably suggest that that's probably drawing a very loose bow in that - and they're probably way out of date now and probably useless at the end of the day.

MR COSGROVE: Okay.

MR BOWERING: We make that point. Last and final summary, the two major areas that I think we've got real concerns with are the fact that the commission hasn't identified all the information, especially the financial position of growers, and we hope that this morning we maybe helped to portray a different light, especially for growers in the Riverina. As we said, we're more than happy to try and provide some more information in that regard so that - - -

MR COSGROVE: Yes, we'd be glad to have it.

MR BOWERING: - - - would validate certainly our position and that might then hopefully make the position paper look in in a completely different context than what we've got now. We certainly firmly believe that there needs to be a critique of those government programs. We can't stress that enough; that needs to be done because that's essential in that - I understand that there are many programs out there. I deal with them all the time. There's thousands of them, and particularly in the horticultural area there are a lot of programs that could be applicable, but there needs to be a thorough analysis of whether those programs are beneficial and what impediments there are to citrus growers particularly.

As we said before, the critique that Carmen undertook for the PowerPACT is basically what we are looking for, for all of the other programs as well. It's going to be time-consuming and we understand that, but we think that without that being done the position paper really can't go anywhere and the terms of reference haven't been met. Probably our only other final - my last comment on the recommendations - none of those recommendations really provide any direct benefits to growers on the ground. If growers in the Riverina were to look at this, which they have extensively, the first thing they said was, "There's going to be no benefits to me now." Growers are suffering now. They need assistance now, not in seven years' time when they change varieties, or 15 years' time or whatever. They need some sort of assistance to survive now, and to change, and to innovate, some recognition of that. The recommendations as they are in the position paper now don't offer any hope for growers right now, like in the next six months; there is nothing there for them. Okay. Has anybody got anything else? Are we all happy?

MR B. BLACKER: No, you've done very well.

MR BOWERING: Or forever hold your peace.

MR B. BLACKER: Yes, always do.

MR COSGROVE: You're welcome to make any further points before we part company today.

MR BOWERING: Okay. Dom, are you happy, mate? No, that satisfies us.

MR COSGROVE: Thank you all. We are grateful to you for coming along and helping us to try to clarify aspects of the paper which we might not have got quite right. I can assure you, we will be having further consideration of quite a few aspects of the paper, including those that you've raised with us. Like you, in the past

months, we're going to be under a time constraint, too, in finishing, but we'll do our best. Thank you all for coming along. I realise the effort you've put in.

MR BOWERING: Thanks for giving us the opportunity. Thank you.

MR COSGROVE: Thank you. While our friends from Riverina Citrus are still with us, could I ask that further pieces of information that you plan to provide to us - it would be very nice if we could have those during the course of next week, if not sooner, for the reason I mentioned; we too are under quite a bit of time pressure now.

MR BOWERING: We'll try as best as we can.

MR COSGROVE: Okay, thank you very much.

MR COSGROVE: Our next participant is Mr Centofanti. Would you please identify yourself and the capacity in which you're here today?

MR CENTOFANTI: My name is Don Centofanti. I'm representing both Golden West Packing House and Filmont Pty Ltd, which is an exporting company.

MR COSGROVE: Thank you.

MR CENTOFANTI: I'd just like to say that my family has been packing fruit in this area for over 50 years, I'm the second generation running the packing house. In that time it's been both domestic and exporting. I'm here to talk about the USA one-desk marketing and some of the problems that we've come up against with it. We've had trouble - DNE have been given the licence to import all the fruit and it's a commercial decision what you do with DNE then. They lay down the rules, consignment selling, et cetera. Year 2000 we sent over four to five contracts trying to come to a contractual arrangement with DNE, because we've had trouble, and we ended up sending fruit without a contract in place because DNE wouldn't sign ours; we wouldn't sign theirs. Theirs were too hard. They reckon ours were too hard. Even though we're forced to deal through them, there is no single contract to show people so everybody knows they're getting the same deal.

MR COSGROVE: But you still send the fruit.

MR CENTOFANTI: We ended up sending the fruit, yes.

MR COSGROVE: And what happened to it?

MR CENTOFANTI: We sent it because we believed it reverted back to the contract we had the year before, which was a much better contract than the one that they were trying to get us to sign in 2000.

MR COSGROVE: Yes.

MR CENTOFANTI: Some of our members had major problems and some fairly bad returns and we had no basis of - we just had to accept them. There are some negotiations still going on with DNE over the year 2000.

MR COSGROVE: I see.

MR CENTOFANTI: Or our insurance companies. We've been dealing with them for quite a time and there's always something coming up. One of the things that we don't know is that they have sale prices, so they might be - I've got one of their fliers

here, one of their market reports. They may have fruit at \$30, but they will do a sale for \$22. Some of the smaller people exporting to them, you don't know what percentage of your fruit is going into these sale prices, at a loss of \$8 a case, to what's going in from the bigger exporters. So there's no guarantee that your percentage of sale price fruit is the same as somebody else's. So you can take a bath in that, even though the fruit is okay, no repacks.

MR COSGROVE: Yes, we've been wondering about that ourselves. Do you know whether there are any guidelines governing the allocation of individual growers' fruit?

MR CENTOFANTI: Talking to David Nixon quite extensively on this, he said it's luck of the draw - as it comes out of the cool store.

MR COSGROVE: Yes.

MR CENTOFANTI: But I don't believe that's the case. There's been a lot of publicity by some of the bigger players on prices returned back to Australia. The prices they're returning are the highs. What they need to show or what the commission should be investigating, if they're going to make a recommendation on this, is the number of cases sent to America and the number of dollars that come back - forget all the rest - then you know how much the fruit is worth. It has also been pointed out, as other people pointed out today, there are South African agents for South African fruit.

I can't believe that the people who set up the contract with DNE for the licence didn't have a reciprocal thing that they wouldn't supply other people fruit throughout America. They must have a conflict of interest there. They're asking for voluntary quotas every year, for the last three years, on the amount of fruit sending over. They don't want you to send a lot of fruit. They keep coming back to the point of - "We want to quota the system." So how can you grow a market if you're asking people to quota their fruit? There's never been a benchmarking study done and for about eight years we had the USA market totally to ourselves with Southern Hemisphere fruit. We had the only navels on that market and nobody did a benchmarking. I can't see how people can say that this is the best system; it has so many faults.

MR EDWARDS: Is DNE quite explicit in referring to the arrangement as a quota?

MR CENTOFANTI: I haven't checked the correspondence to see if they've actually used the word "quotas" but, yes, reducing numbers - yes. Last year and the year before we were told that they wanted us to reduce numbers; that the rest of Australia voluntarily accepted that and we should be doing the same. In the end we didn't send the volumes we were going to, but that was a market decision that was

taken by the group.

MR EDWARDS: Was that part of the difficulty you experienced in reaching a contract with them?

MR CENTOFANTI: No, that came up after - it was an ongoing thing but, no, that wasn't in the contract at all, no. It's only a class 1 market. In the early years there was some class 2 fruit sent over, but they discontinued that. Some of the class 2 fruit actually returned higher prices than the class 1 fruit. They're saying that they've got all bases covered. They're not looking for any other market, they're just worrying about the supermarket type sales and saying that's the only one that's relevant; that's the only one you can get these sort of returns on. We've had other companies coming in from America wanting to do business and they're not so fanatic about just wanting to deal with the supermarkets. They believe there are other things. There are five-pound bags they believe they would be able to market, which is a smaller fruit, the 113s.

We've had four other exporters see the Filmont group over the last couple of years - over the last four or five years - wanting to get in, wanting to know more about the American market. They did not want to deal with DNE, and also we've been advised that people had trouble getting the Australian product if you weren't in the DNE circle.

MR COSGROVE: You would have heard the Riverina Citrus Growers just recently in response to my question, saying that they didn't think a different arrangement would be able to produce a higher volume of sales in the US market. Do you have a reaction to that response?

MR CENTOFANTI: In any market you start to market to a company and you end up building up a business relationship. You grow that relationship. You both aren't sitting there to stay there stagnant. If you've got a year when you've got a lot of small fruit, you try to work together. This arrangement here is not allowing any of the Australian producers to build a market relationship with an importer over in America, so the business is stagnant. You've got what he's got and that's all you've got. If you've got other players out there and you find somebody that complements your business, both of you together will grow your own market.

MR COSGROVE: So you're saying that we are missing out on sales opportunities in the US market as a result of this arrangement?

MR CENTOFANTI: I believe so, yes. There's a lot of repacking done to stay in that high standard of fruit and with the long sailing times, the amount of fruit he's getting, all goes in and bottlenecks up in his coolrooms, and if it's a year where fruit

is short, yes, he clears it quite well. If it's a year where there's a lot of product on the shelves it slows down, the fruit deteriorates and then the repacking starts. When he repacks, he has a lot of losses and you may have a pallet of 70 that goes into repacking and it might come out with a pallet of 40. He will still return your \$28 or whatever the market is, but it's no longer \$28 on 70 cases, and this is where a lot of people have been hurt and are hurting in that US market and where the returns are not as good as what the publicity leads people to believe.

You also have a market taking all the number 1 fruit. That means all the number 2 fruit from Australia has got to go somewhere. It's been forced into areas like Hong Kong and other markets - DNE leaves the Australian people with that - so you're forced to get rid of it where you can. Actually, I believe the amount of number 2 fruit being forced into other markets is forcing those markets down also. The Australian market now is basically a number 2 market because all the number 1s are going to the US and the price has been forced to follow suit.

MR EDWARDS: Could I ask you also whether in your experience the actual volume of fruit sold in the United States is declining. Are you able to express any view on that?

MR CENTOFANTI: I don't think anybody in our group packed for USA last year because they're disillusioned with it. From our group, which is a fairly vocal group - the Filmont group - yes, it's declined to a point of non-existence at the moment, but we don't believe it's right that we should be missing out on what we believe is the most lucrative market in the world because of government intervention.

MR EDWARDS: What proportion of sales in the past to the US would your group have accounted for? Are you small or - - -

MR CENTOFANTI: Always small, because of the consignment selling. Most of the people in our group are growers, grower-packers - I'm the exception - and they like a firm price. In 98 we actually sent fruit to the US through DNE and some of our fruit also went into Canada and then was, through the free-market agreement, taken down in the US. The fruit that went into Canada, we received \$26 Melbourne; the fruit that went into the US we received a negative income, and basically on the same boats.

MR EDWARDS: How did that come about?

MR CENTOFANTI: The fruit that we sent into America was held in cool stores and repacked. The fruit that was sent to Canada was sold and the guy realised there was a problem and he must have got out of it really quickly and it was eaten before the problems appeared. I'm not saying that the fruit we - I did a trip to the US in 98

and there was frost-affected fruit there and it was only just starting to show up. Now, I went fairly late on. I had a look at their repacking operation that year and they had a lot of people that looked like they just picked up out of the street, and there was a lot of good fruit being thrown out because it was very difficult.

I only went to one facility. The other facilities they said they had blemish graders and that which probably would have been a lot better, but the facility I looked at - they were just packing off pallets and rollers and a lot of good fruit was thrown out that year, with major losses to the Australian industry. I just wanted the commission to know the feelings. A lot of it was covered by Matthew and Tony this morning. I just wanted to put that to you.

MR EDWARDS: Could I ask one further question. In your view, if we did make it easier for people like you to export through other importers into the US market so that more oranges or citrus went there, do you think there would be price effects on the Australian market or in other export markets?

MR CENTOFANTI: I'm just trying to get around that question. You're saying that we have a certain volume of fruit, a certain percentage goes into America - if you have 100 per cent of fruit, 20 per cent is going into America; out of that 100 per cent, if you put 25 per cent would that - - -

MR EDWARDS: Yes.

MR CENTOFANTI: I think it would have to help. You don't know, but if you take off one market, it must help another, unless all markets are overloaded. Then it doesn't help, does it? That's all I can say on that.

MR EDWARDS: Thanks.

MR COSGROVE: Are you able to tell us anything about whether or not for a particular quality of citrus orange I guess basically Australia earns a premium over other exporters of that same quality fruit in the US market?

MR CENTOFANTI: The only fruit that's on the US market at the particular time is Southern Hemisphere fruit.

MR COSGROVE: South Africa and us?

MR CENTOFANTI: South Africa basically. Yes. I think they're the only other one that has access there. In my trips overseas over many years, normally the South African fruit is anaemic - it hasn't got as good colour as the Australian fruit - so Australian fruit usually in any market brings a premium. You get the odd year where

South Africa have weather conditions and they will get that sort of colour, but that's very rare.

MR COSGROVE: As you're just saying, it's not a result confined to the US market, or wherever we sell our fruit. It tends to be well priced because of its quality.

MR CENTOFANTI: Because of the quality and the visual - colour.

MR COSGROVE: Thank you. I don't think I have any further questions, thank you, Mr Centofanti. Do you have any more, Geoff?

MR EDWARDS: No.

MR COSGROVE: Thank you very much for coming along. We appreciate your help. That concludes today's scheduled proceedings but, as I indicated at the outset this morning if anyone else wishes to make a submission to us here today, now is the time to step forward.

MS BRIGHENTI: My name is Sue Brighenti. I'm a director in Sumar Produce. We are growers and packers in this region.

MR COSGROVE: I see.

MS BRIGHENTI: I have a couple of comments on Mr Centofanti and a comment you made about the number of exporters sending to America which may be not as great or falling. The last year we've had to cold-sterilise our fruit because of fruit fly, and to cold-sterilise it has to be kept at a certain temperature for a certain period of time.

MR COSGROVE: Yes.

MS BRIGHENTI: Putting that in containers has proven unreliable and a lot of people have lost money because it's got over there and the temperature has fluctuated. So it was really only Riversun who had the capacity to do large volumes via charter ships into America, so I think that would explain why people have not continued to send fruit, especially out of this area and the Mildura area. The other thing I would like to say from my personal view is, 20 years ago I was a 30-acre grower with my husband and family. We have increased our production to become a larger grower. We've also vertically integrated with a pack house and, as you can imagine, that has cost me financially a lot of investment in the industry.

The only way I can protect myself is to protect my markets and I have been through the period where we have relied on city based exporters and it is not a secure way - to plant up thousands of acres of citrus. The grower needs to have an input into it, and the only way they can do that is with some sort of coordinated marketing which allows us to control who we sell to and the conditions under which it is sold. I would think that every grower who is thinking of investing heavily in the citrus industry would think twice if that coordinated marketing out of America goes.

MR COSGROVE: Why is it that what you call a city based exporter can't get the job done as well as you would like?

MS BRIGHENTI: His interest is to purely sell the fruit to the market. He's not interested in what price he buys it at, for our interests' sake. What happens is usually, say, 10 exporters export to a market. They will keep dropping the price so they're able to increase their percentage of that market.

MR COSGROVE: How is their commission set? Is it not a percentage of sales value?

MS BRIGHENTI: No.

MR COSGROVE: It's what, an amount per carton, is it?

MS BRIGHENTI: They just say to you, "What price can you supply me with so many cartons?" and then they'll go to the importer in whatever market and say, "I'll supply you X amount of fruit for this price."

MR COSGROVE: I see.

MS BRIGHENTI: Or vice versa: they'll be given a price from the importer and then they'll go back and try to make as much money as they can at our expense, and because we don't have this level playing field we don't have any other means of protecting ourselves. And I have a son, who's 25, in the industry, and I would like to think he has a future, but I don't think he does. At the moment the only way we can protect ourselves is with some sort of coordinated marketing.

MR COSGROVE: Do you export a considerable proportion of your production to - - -

MS BRIGHENTI: Probably 60 per cent. We don't have a lot of Valencias, so that's probably why my main concern is this coordinated marketing.

MR COSGROVE: Yes, I see.

MR EDWARDS: Are you exporting to more than one market?

MS BRIGHENTI: Yes, all the markets - Canada, Japan, Asia, UK, Korea.

MR EDWARDS: What has your experience been in exporting to the US market, compared with the other export markets?

MS BRIGHENTI: Because it's done through Riversun and it's a large company, it's the easiest market I have. I can really concentrate on getting the quality right. I'm not continually on the phone worrying about all the other things that go with exporting, like shipping and transport, return of the money, collecting the money. All that's done through the Riversun company and it has allowed me to concentrate on growing and packing the best quality that I can.

MR EDWARDS: Have you also found you have not been able to sell as much to DNE as you would have liked?

MS BRIGHENTI: No. That's another thing. There has never been a quota put on anybody. We have never actually supplied the total amount that has been asked of us

each year. I'm talking about the whole of Riversun. There are worries that we may put in too much too quickly, but that hasn't happened.

MR COSGROVE: Another matter which has been raised with us today is this issue of selling in the United States on a consignment basis. Is that an issue for you?

MS BRIGHENTI: Everything in this industry is virtually consignment, because I think anyone who has sold fruit will realise that if you have a set price - and this refers to Japan or any other market - if it gets there and the market has dropped, that buyer with your money will turn around and say to you, "Oh, I'm sorry. You've got a few quality problems." That's the nature of fresh produce marketing. It's a give and take all the time. If you do say to this fellow, "We've settled on a price. You either pay it or not," you'll lose your market. It's always a very give-and-take sort of marketing.

That's one of the things with DNE. Well, not particularly DNE; they are just the present importer. Their contract comes up every year or two and we could get Dole or Sunkist in to do it if they came up with a better deal for us. With DNE, if they know they have a valuable amount of fruit coming into the country, then they will try everything they can to protect that. So if they're going to shank us in any way, they're really going to make it so that we will just go elsewhere with our importing.

MR COSGROVE: That leads me to ask - also partly in the light of what you said earlier on - is Riversun more important for you than DNE?

MS BRIGHENTI: No, because I could sell into - Riversun wouldn't operate without DNE, being the sole importer, because once you get more people in the market you get this effect of everyone undercutting each other.

MR COSGROVE: Yes, but you could have the more typical arrangement in Australian agricultural marketing which is a monopoly exporting body - as we have had in wheat, rice - I think we still have it - barley we used to have it, no longer do - whereas what we have here is an import monopoly where, even if there are special returns arising to Australian growers out of that arrangement, you would think that they have to be shared in part with in this case DNE, whereas if you were operating a single export arrangement any premiums gained through this coordinated marketing would accrue exclusively to Australians.

MS BRIGHENTI: In my understanding, it was done that way so that the individual exporters - packers, anyone - can individually go through DNE. So you weren't going to exclude any of the marketers from doing it. If you have a single marketing body, you're actually excluding all those marketers that are out there, and

the fruit industry has a myriad of marketers. Pack houses are marketers in their own right. So this system still allowed them to go through the single importer.

MR COSGROVE: Except in some cases like lemons, as we heard. DNE won't take them.

MS BRIGHENTI: I was a bit confused with that, because DNE have never said, "Don't send lemons," and lemons have been sent. I'm talking through my experience with Riversun, but we've never achieved the price that has made it a really viable thing to do. I'm talking about southern lemons. As was said, I don't think - and I'm sure - that they cannot get Queensland or any other area's lemons into America, simply because of the quarantine.

MR EDWARDS: Could I ask you a question that we've also asked the previous people: if we did export more oranges to the US, perhaps through liberalisation of the importing arrangements in the US, do you think that there would be an increase in the price of oranges in Australia and/or in other export markets?

MS BRIGHENTI: Increase in price?

MR EDWARDS: Yes. If we were shipping more oranges out of Australia to the US, do you think there would be a response in price here or in other export markets?

MS BRIGHENTI: In the previous probably five years that I was packing before we went to the US, with the markets we had it was increasingly hard to find markets that would take all the fruit that we produced here, and the year before I went to the US my average price return to my growers was \$160 per tonne for navels. The next year it went up to \$300 per tonne when I went into America. Now, if the American market in some way collapsed and you had to put all that fruit into other markets, you would find we would be back to the \$160 per tonne, if we could get rid of it.

One of the speakers also mentioned that we have, I think, a doubling of navel production coming up in the next four or five years, so if we don't protect our markets and develop new markets, we're going to be really struggling, and I think that by taking away our ability to keep the US market, a premium market where we do make that little bit extra, the returns for growers will be a lot less.

MR COSGROVE: Yes. As I was saying to some of the earlier participants today, though, we seem now to be losing sales in the US market in aggregate.

MS BRIGHENTI: Where do you get that from?

MR COSGROVE: This is, as I said, from United States Department of Agriculture

data which compiles, I would think, pretty thoroughly information on imports into the US from other countries. We've got information for total US imports as well as those from Australia and South Africa.

MS BRIGHENTI: However, how many years are you talking about?

MR COSGROVE: The fall has probably occurred over the last couple of years basically.

MS BRIGHENTI: That's just seasonal.

MR COSGROVE: 2000 and 2001.

MS BRIGHENTI: Yes. We had a very light crop last year and the year before that as well. We had two very light crops.

MR COSGROVE: I thought 2001 was the big crop.

MS BRIGHENTI: No. We've had two very light crops.

MR COSGROVE: You're talking navels, are you?

MS BRIGHENTI: Yes.

MR COSGROVE: So you think it's just a shortage of production on our part which has resulted in that?

MS BRIGHENTI: Yes. Everyone was short last year. We were running around looking for oranges in all sorts of directions. Also, I think if you look at the people that gave information on going back to the system we had before, which is an open market where any exporter can use it, it didn't work then - why is it going to work all of a sudden now? The grower did not benefit from that sort of market. We were bleeding for years over that, and the navel industry has only blossomed since we've had the American market. Also, South Africa's growers are the ones that approached us because they realised what price we got. They said, "Well, why aren't our marketers doing the same thing?" and it's gone from there. We could say to them, "You do your thing, we do our thing," but we're better off talking together and trying to coordinate ourselves, because we're the only two Southern Hemisphere big grower bases. If we talk together, it's a better way of approaching a problem than going head to head.

MR COSGROVE: How long has DNE been marketing South African fruit in the US? Do you know?

MS BRIGHENTI: Just last year, last season, and that was done with the permission of the Australian industry. They always let us know what they intend to do and we do have a say over that.

MR COSGROVE: On the face of it, it seems a somewhat odd arrangement now - - -

MS BRIGHENTI: It probably is.

MR COSGROVE: - - - with a southern importer distributing fruit from two country suppliers. You would think there's a bit of scope there for playing off one against the other.

MS BRIGHENTI: No. They're going to be there anyway, and the year before, the disaster we had with South Africa, that was their first time in the market, and that's what reduced our prices so dramatically that year.

MR COSGROVE: Related to a question that my colleague put to you a moment ago, if Australia were to increase the volume of its navel exports to the US over and above present arrangements, would you see any effect of that emerging in terms of the price received. Would the price be likely to fall?

MS BRIGHENTI: Possibly, but I think if DNE and the Australian industry get together - I mean, we all knew that the really high prices may not last forever, because South Africa was coming into the market, some of the American marketers started to go down a bit. So we all knew that you're not always going to get those really high prices. That's where the single-desk marketing comes in, where we can actually start using the fact that we do have this critical mass and we can actually put some good marketing strategies in place. This is when we really need it. You don't need a single desk if everything is going fine, but now is when we're going to need it and I think this is when it will be to our advantage to be able to use it.

MR COSGROVE: You don't think at the Australian end that kind of marketing program could be mounted? Do we have to rely on this particular arrangement in the United States to ensure that?

MS BRIGHENTI: We're not a huge industry. If we were maybe wheat or wool, we could look at doing something like that ourselves, but we're not even 1 per cent of the world market. If we want to put into place the marketing system that DNE have, it doesn't matter who we are, none of us are big enough to do that, and yet with the single desk we do have that critical mass for DNE, to think it worthy enough to put that sort of effort into it.

MR COSGROVE: And you don't think that the Australian industry is paying indirectly for the marketing effort that DNE undertakes?

MS BRIGHENTI: To be honest, I'm only interested in the grower at this stage, and the packer. I know the exporters aren't happy with it, but then we're not going to have an industry for very long if we allow that sort of marketing to continue. We won't have growers in the industry. That's just a fact of life. That's business.

MR EDWARDS: Could I just clarify something you said a moment ago. You said that the last year was low production of navels. Were you referring there specifically to high-quality navels of the sort we sell to America or were you referring to total navel production?

MS BRIGHENTI: Total navel production. Both, virtually. Dominic knows what we were down to.

MR COSGROVE: We have figures here up to the financial year 2000-2001, so the year ending June 2001. I'm not quite sure whether that's as up to date as you are, but that shows a considerable increase in the volume of fresh navel exports. They have gone from low to mid 60s in the late 1990s up to 74,000 tonnes in 99-2000 and then 96,000 tonnes.

MS BRIGHENTI: Are you talking about total exports?

MR COSGROVE: Total exports of navels, yes. There may have been a downturn in the most recent year, the year we're in. Is that what you're saying?

MS BRIGHENTI: The last season, which would have ended 2001, was a light crop in this area and all over Australia.

MR COSGROVE: Yet we still seem to have pushed up exports substantially.

MS BRIGHENTI: It was a better season for export, but it was a light crop. We could have sold another half as much again in that market.

MR COSGROVE: Still, there might have been a cutback in domestic supplies and you sold abroad. I don't think we have anything else. Thank you very much for your interesting remarks.

MS BRIGHENTI: Thank you.

MR COSGROVE: I'm glad you came to the table. Thank you.

MR COSGROVE: Do we have anyone else wishing to say anything this afternoon before we close?

MR DAMETTO: My name is Adrian Dametto. I'm a second-generation citrus grower. My dad came from Italy back in 1934. He went through the war years and everything, and finally bought a farm about 1946, and I took over the farm after he passed away about 30 years ago. On 21 acres of land, he was making really good money. He had peaches, table grapes and citrus. Forget about export at the moment, because we've been concentrating on the export of citrus and nothing on the local.

We had a lot of peaches. They went to the canneries. We had about 10 canneries here in Griffith, if not more. They all fizzed out - "Get big or get out." The latest one that went here in New South Wales was Letona. That was eight to 10 years ago. I lost big money there. They said, "Diversify. Go into citrus. Plant Valencias." We planted Valencias. Of course, the first juice and concentrate was going all right before the Brazilian market came in. "Well," they said, "get out of Valencias. Go into navels." Right. So you pull out your peaches, pull out a few Valencias, go into navels. Then we expanded and bought another 12-acre block and then another 12-acre block. So what to plant?

Anyway, we couldn't go into the packing business because we couldn't afford it. Dad passed away and with dividing the money from the will and everything - so we stuck to the domestic market, and with the domestic market, what I cannot understand - especially in the last few years, especially last year with the heavy crop - selling my oranges at roughly around about 8.5 cents to 10 cents a kilo, why were the supermarkets selling them for over \$2 a kilo, which is equal to \$2000 a tonne? Where is the government and Alan Fels, to work out why is the citrus grower getting only 10 cents - we'll just work on round figures - and the supermarkets and you guys in the cities are paying for \$2000 a tonne?

MR COSGROVE: Was there anything special about your oranges that resulted in such a low price?

MR DAMETTO: No. It's just because they didn't have a contract. I had about 100 tonnes of contract. That only went for \$160 a tonne last year, and that was only a percentage. The rest had to go for 85, take it or let them go on the ground. Picking costs around about 60, 65, so I tried to pick some myself, which was impossible, just to save \$65 a tonne. Then after that, with what's going on with the government regulations, a few years ago I did the HASAP course. Then there was WorkCover coming in and giving us heaps. We can't survive any more. Last year I had a very big crop. This year I got the contracts, and although I'm getting \$180 a tonne, I could be getting at least 300. This is on the domestic market. Why is it \$300 - that's only

30 cents a kilo - and why is it here, locally, selling for \$1.99? So there is a big injustice on the government's side of things.

We employ a lot of people. We generate a lot of employment for people out there, indirectly and directly, with transport, with packaging, with wages, as the oranges roll along. All we're asking is to get around about 25 to 30 cents a kilo, and we wouldn't be into this situation. I found an old docket at the back of the truck about three months ago from about 1976, I think it was, and we were getting \$160 a tonne then. So monetarilywise, going on that, we should be getting at least 450, being realistic.

MR COSGROVE: Yes. Unfortunately, not all market prices move together.

MR DAMETTO: Unfortunately, yes.

MR COSGROVE: The market for citrus obviously hasn't moved along with general prices. We did have a look - and I regret to say I'm struggling to find the point at which we did present it - at some information on the gap between the price paid by consumers in retail chain stores for oranges and the price paid at the farm-gate level.

MR DAMETTO: Yes. I had some figures there. I forget the right amount, but - - -

MR COSGROVE: They didn't show the gap of the order that you were referring to.

MR DAMETTO: Yes, I know. It doesn't show the gap at all.

MR COSGROVE: There's still a gap.

MR DAMETTO: I believe there's one gap there that shows that we're getting between 460 and 610 farm-gate for packed fruit.

MR COSGROVE: It's table 7.1. We looked at the share of the retail price through some main elements of the supply chain for Valencias sold per kilo and Valencias sold in three-kilogram bags and also for fresh juice. There's some variation across these three categories, but if you're looking at the fresh Valencias sold on a per kilo basis, according to these figures the grower is receiving about 30 cents of a retail price of \$1.80 in round terms, so that's about one-sixth. But you're saying you're getting nothing like that.

MR DAMETTO: Nothing like it. That's why I'd like to know where you guys got those figures from. We sell it per tonne, farm-gate. Where we sell it to the pack

house, it goes for juice or they send whatever percentage for export. Well, Valencias, you can cross that out, for export - to the domestic market. If not, most of them go for fresh juice or concentrate. So if you look at some of those prices you've got there, what do you reckon? Farm-gate, on the lower end, on the juice and concentrate, is 85 cents to 24 cents.

MR COSGROVE: For fresh juice we have a farm-gate - I must say I've forgotten whether these are percentages or amounts.

MR EDWARDS: They are per cent.

MR COSGROVE: They are per cents. I see, yes. So for the fresh juice category we do have a big range there in these estimates. It's from 9 per cent to 26 per cent of the retail price. But you were saying you were receiving 10 cents per kilo - - -

MR DAMETTO: I could show you dockets. Yes.

MR COSGROVE: - - - on a price which was, per kilo, in the retail store? What was the price? \$3?

MR DAMETTO: At the moment they're selling them at \$1.99 here in Coles, but then if you go into the city, I don't know. You would probably be paying a lot more there.

MR COSGROVE: 10 cents out of \$2.

MR DAMETTO: Yes, which is very low.

MR COSGROVE: It's about 5 per cent, yes.

MR DAMETTO: Yes. If we get around about, like I said, 250, 300 - because what the government doesn't realise is how much money they get through taxes of the spin-offs just from us growers, like making the plastic bags for the supermarkets, the cartons, the tractor dealers, the fuel, the cartage. You can go on and on and on - you know, people being employed. Do you understand what I mean? The government will probably get about \$400 a tonne through taxes by the time the consumer is eating that orange, whereas we're only getting at the moment, let's say, 130, 120 dollars a tonne on average.

MR COSGROVE: But under the present tax system, the GST, the government receives tax which is equivalent to 10 per cent of the retail price of the orange. That's how it works. All of the taxes paid along the chain are paid back, and so the ultimate tax falls on the consumer. Then, of course, the government provides some

revenue benefits to agriculture in general. There are various rebates on fuel, assistance programs and so on. So I'm not quite sure that we could conclude that the government is accumulating a lot of tax from growers.

MR DAMETTO: I reckon if you really went into it, from when that orange leaves the farm-gate, how much employment that generates - well, the packing shed: he's not going to have just one guy sitting there packing the oranges. I know they need the volume, but they've got to have at least 10 people. Then there's the forklift hire. You've got to build a bigger shed. Everything gets involved. If suddenly there's no citrus industry, how many people are going to be unemployed all along the line in all directions? Tractor dealers, mechanics - - -

MR COSGROVE: That depends on how much people want to spend on other things. Let's just say for the sake of argument that we were to import more fresh oranges than we do at present because they were less expensive; then the consumers of that fruit would have more money in their pocket which they would probably spend somewhere else in the economy and create employment there. This is a somewhat complex argument perhaps, but I think it has validity. We know that all of us, pretty well, would like to have more money to spend on things that we don't presently own, so if one area of economic activity contracts, it's very likely that another area of economic activity will expand as the pattern of expenditure changes.

I don't think, in other words, it's always sensible to conclude that, if a particular regional or type of agricultural production were to decline, total employment and economic activity in Australia as a whole will decline. There could be some temporary loss, I agree with that, as adjustments take place, with people and machinery and so on moving or being placed in new activities, but on the whole the aggregate level of employment is determined by the aggregate level of expenditure.

MR DAMETTO: Yes, but you've got to realise that growing - any agriculture; mainly horticulture - is labour intensive.

MR COSGROVE: Yes, it is.

MR DAMETTO: Because you can't mechanically pick oranges for export or for the domestic market and if they are picked for the juice - - -

MR COSGROVE: But the most labour-intensive sector of the economy is actually the services sector, not agriculture, not manufacturing.

MR DAMETTO: It's always on the food production side.

MR COSGROVE: The figure you've drawn to our attention is, as I say, outside the

ranges that we had estimated and I can't explain to you why that is the case. I think the way these figures were derived was to take the retail price and then deduct from it estimates of the costs of various other activities between the supermarket and the grower. It may be that we haven't quite deducted enough.

MR DAMETTO: I don't think so. If you want dockets to verify it, I'm quite happy to give them to you.

MR COSGROVE: We're using these hearings as an opportunity to gain further information, so if you would like to send them to us, our staff will give you the address.

MR DAMETTO: How many do you want?

MR COSGROVE: It's all grist for our mill. Thank you. Anything else you wanted to say?

MR DAMETTO: For our next generation of young farmers to carry on in citrus - it's going to be very hard for our children. I haven't got any sons and, even if I had a son, I'd make sure he wouldn't be a citrus grower. I've got a daughter. She works for the government. She makes twice as much as me. I've got 46 acres of land, growing citrus, and she just works five days a week 9.00 to 5.00 and she makes twice as much. So where is the sense of anybody owning a citrus farm or any other farm if you can make more money and have less worries, less hassles, less putting up with government policies, and a lot of government BS, too? That's all I've got to say.

MR COSGROVE: Thank you very much. That was interesting. One last time: anyone else? No. Then I'll adjourn these proceedings and we will resume our hearings in Mildura on Wednesday, 13 March. Thank you.

AT 4.45 PM THE INQUIRY WAS ADJOURNED UNTIL
WEDNESDAY, 13 MARCH 2002

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