

8 March 2002

Citrus Industry Inquiry  
Productivity Commission  
Locked Bag 2  
Collins Street East Post Office  
MELBOURNE VIC 8003

John Cosgrove, Presiding Commissioner, and  
Professor Richard Snape, Deputy Chairman of the Productivity Commission

## **Response to the Citrus Growing and Processing Position Paper**

Australian Citrus Growers Inc (ACG) response is outlined below.

ACG must express its disappointment on the overall recommendations of the draft report, in that what was supposed to be a citrus growing and processing inquiry has turned out to be a citrus export inquiry!

General statements such as the following show an incomplete understanding of the industry...

*“Demand for fresh fruit and fresh orange juice has increased strongly”*

☞ This has been true for fresh export fruit and fresh orange juice, but not with fresh domestic fruit and unfortunately farmgate prices received for some export fruit and fresh juice fruit have not enjoyed the same ‘strong increase’.

*“growers need to shift out of producing oranges for concentrate”*

☞ There is not one grower who will grow oranges specifically for concentrate. The aim of the game is to grow for fresh markets with the remainder as ‘salvage’ and destined for processing.

*“The year 2000/01 was unusual”*

☞ 2000/01 was not unusual. The latest Murray Valley benchmarking report has indicated that growers made a loss 4 out of the last 6 years.

ACG is extremely disappointed that with very little analysis of the export sector, of export markets and the heavy reliance on one particular citrus exporter - BGP International – the Commission has made recommendations on the export control powers, in particular on dismantling the citrus industry’s most successful market (USA).

ACG will look forward to discussion at the public hearings and request the Presiding Commissioner flag any areas of ACG’s initial submission requiring further explanation before the public hearing in Mildura.

Sincerely

Peter Davidson  
President

### *Negotiating domestic fruit prices*

ACG notes that one way to address the concern of market power is to seek authorisation for a collective arrangement through the ACCC. This course of action will be followed up. However, there seemed to be little in terms of other initiatives to help deal with product, price and income instability.

### *Addressing information asymmetry*

ACG notes the attempt by Retailworks to identify the cost structure along the citrus value chain.

Whilst most of this information is valuable there are some concerns to specific price information ...

- farmgate prices quoted in Table 2 of \$489.50 to 606.62 seem extraordinarily high (therefore the percentages range quoted in Table 7.1 are also high)
- retail selling price in Table 3 seems extraordinarily low. In Table 7.2 the retail price of \$1.98 does not seem to correspond. If you used the average retail selling price over 2000/01 (\$1.79), then the percentage farmgate price would be in the order of 11-12%.

ACG also has serious reservations regarding the farmgate prices indicated in Table 2.3, particularly the ABS calculation of 'local value' which is ascertained by deducting marketing costs from the gross value of production. ACG believes that total 'marketing costs' have not been fully deducted due to lack of knowledge of what these costs are.

ACG would therefore question the statement that "the average share of retail price accruing to growers is significant for fresh fruit ..." The following updated table highlights the growing difference between grower returns and retail prices for oranges :

## **Average Retail Vs Grower Returns for Oranges 1995 to 2000**

YEAR	Average Retail Price of Oranges \$ per tonne	YEAR	Average Return: Murray Valley Orange Grower \$ per tonne	Difference \$ per tonne
1995	1,330	95-96	282	1,048
1996	1,510	96-97	241	1,269
1997	1,650	97-98	203	1,447

1998	1,890	98-99	437	1,453
1999	2,330	99-00	367	1,963

Source : > ABS Cat. No. 6403.0 Average Retail Prices of Selected items, Eight Capital Cities  
> Citrus Bi\$Check (Benchmarking) Project MVCMB/HAL

### *Reducing barriers to export markets*

#### ***ACG supports Draft Recommendations 7.2, 7.3, 7.4, 7.5.***

The Government should consider augmenting Biosecurity Australia's resources, not via an industry levy. ACG indirectly augments resources by its Market Access Technical Team comprising citrus pest and disease advisors which meet with Biosecurity every six months primarily to progress market access issues for citrus.

There also needs closer communication regarding technical and trade issues between the various agencies i.e. Biosecurity Australia, AQIS and Trade in order to provide industry with timely advice and a complete overview of market access issues.

### *Export control powers are valuable and should remain*

#### ***ACG does not support Draft Recommendations 7.6, 7.7 and 7.8.***

In regards to independent review and monitoring of export control powers and arrangements, there exists an approved regulatory regime which provides sufficient public interest safeguards, including annual review, three year review and a fundamental ten year review. Industry reviews also take place regularly.

The collaborative approach by growers, packers and exporters to develop specific arrangements in new export markets emphasises the importance to industry of continued access to the export control powers available through HAL. These powers provide industry with flexible options to best meet the need of particular markets at particular stages of development.

The Australian citrus export program to the US, supported by the export control powers, is regarded as a model of best practice not only by the Australian citrus industry but also by other industries in Australia and internationally.

The success of the US program has been instrumental in underpinning the adjustment of the citrus industry of SA, VIC and NSW. It is estimated that an additional \$20-\$25 million (1999 estimates) is flowing back into these three regions. As well, up to 300 full time equivalent jobs have been created.

The draft recommendations do not provide any further benefit or direction to the current system and ACG suggests complete removal from the final report.

*Initiatives to improve the industry's competitive position*

## **Harvest Labour**

***ACG supports Draft Recommendation 7.1, though in its broad thrust, does not provide real impetus for Government action.***

## **Regulatory framework for chemicals**

The industry must have timely access to chemicals used by competitor countries.

The minor use permit scheme is fraught with its own difficulties. Mr Brian Newman, from Ausveg (pers. comm. 7/3/02), stated out of frustration that only 24 out of the 129 minor use permit applications to date have been approved.

## **Labelling laws**

CHOICE Magazine June 2001 states that over 80% of consumers think its important to 'buy Australia', but there's confusion about what that actually means – and an abundance of labelling claims, symbols and logos makes it difficult to identify true-blue Australian products. Our labelling laws are complex, with many loopholes. It's too easy for manufacturers and distributors to mislead consumers about the origin of their products.

Consumers have a right to be fully informed and unfortunately existing institutions and regulatory arrangements are not sufficient to limit misleading labelling practices. A simple example is the lack of (POS) labelling/incorrect labelling of imported produce in the supermarket.

## *The need for citrus adjustment assistance*

Surely specific adjustment assistance can be tailored in such a way as to provide benefits to those citrus growers with genuine needs.

One could also argue that dairy, sugar and pork producers should have been able to “manage risks” without government assistance by diversifying and seeking off-farm income and using land value as a source of wealth!