

AUSTRALIAN CITRUS INDUSTRY COUNCIL INC.

SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO CITRUS GROWING AND PROCESSING FOLLOWING THE RELEASE OF THE COMMISSION 'S POSITION PAPER

The Australian Citrus Industry Council represents the interests of the various sectors of the Citrus Industry; the growers through the Australian Citrus Growers inc; the juice processors, manufacturers and marketers through the Australian Fruit Juice Association; and the packers and marketers of fresh citrus fruits through the National Citrus Packers Association.

The Council chose not to provide a Submission to the initial part of the Inquiry in response to the Issues Paper released by the Commission. However, following the release of the Position Paper, the Council now wishes to make a Submission on behalf of the industry it represents, with respect to DRAFT RECOMMENDATION 7.8 - That Horticulture Australia Limited (HAL) should give serious consideration to discontinuing the requirement that citrus exporters use a single importing agent in the United States.

The Council is aware that the provision of this export control power by HAL for Australian citrus exports to the US market is governed by an approved overall regulatory regime; is subject to an annual review process to assess whether the use of the power has generated net benefits; and after three seasons provision exists for a Regulatory Impact Statement review to be conducted by HAL and AFFA, in conjunction with industry, to assess the need for the retention of the export control. power to provide net public benefits.

The Industry has accepted the review process as a satisfactory mechanism to protect the interests of the public and the industry.

But the Council is concerned that the Productivity Commission should go as far as to recommend that HAL should give serious

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the use of a single importing agent.

This recommendation, if included in the Final Report and adopted by the Government, could result in undue pressure being placed on HAL to discontinue this vital component of the US citrus marketing program, irrespective of the normal factors which would be taken into account as part of the annual review process.

The single importing agent arrangement, which has applied since Australia gained access to the US market for Navel oranges in 1992, has been directly responsible for the successful development of this market, with shipments rising from 2,400 tonnes in the year ended 30 June 1993 to over 26,000 tonnes in the year ended June 2000 . In the year ended 30 June 2001 the Navel exports totalled 19,000 tonnes as a result of South Africa also gaining access to the US market in that year.

Returns to growers from shipments to the US market are the best ever achieved by the industry and there has been a flow-on effect with higher returns in other export markets and in the Australian domestic market. In the twelve months to 30 June 2001 the FOB value of Australian Navel oranges shipped to the US market averaged \$1748 per tonne of fruit.

These achievements, in terms of volume and returns, would not have been possible without the single importing agent arrangement, which has enabled the effective control of the distribution of the Australian oranges to strategic market areas of the USA.

The loss of the single importing agent, only made possible through the HAL export control powers, would eliminate the orderly marketing results being achieved in the US market and, due to the complexities of that market, result in declining volumes and returns.

A single importing agent arrangement could not be created under any voluntary system or through the establishment of a voluntary code of practice. Confirmation of this view is supported by evidence of minor interests within the Australian citrus industry whose objective is to have the current arrangement removed. This unusual action by a minority section of the industry could

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majority of the industry strongly support. These minority interests might benefit from consistent margins on increased volumes but at the expense of achieving satisfactory market returns from the market, particularly for growers.

The single importing agent arrangement can only be achieved by corporate permission for the use of regulatory export control powers.

To successfully develop an export market such as the US market, fruit quality and packaging efficiency are of the utmost importance and Australian growers and packers have responded to the demands of the market during the ten year period since gaining access, under the personal guidance and encouragement of the single importing agent. This improvement in fruit quality and packing efficiency has also provided benefits for the industry in its approach to other export markets and the Australian domestic market.

In 1995 the Australian Government allocated funds to support industry efforts to reduce the reliance on the juice concentrate sector of the industry and to increase sales of fresh citrus fruits in export markets. The completion of this Citrus Market Development Program in 1999 showed that considerable progress was achieved in reaching the Program's objectives. Exports of fresh citrus fruits in 2000/2001 totalled 181,000 tonnes(23% of total citrus production with an FOB value of \$191 million), compared with 101,000 tonnes in 1993/94 (13.3% of total citrus production and an FOB value of \$85 million).

The success of the single importing agent arrangement in the US market has been a major contributor in these overall results and it would be detrimental to the industry's future export development if the industry lost that arrangement after the excellent support given by the Federal Government in recent years.

Australia is a Southern Hemisphere citrus producing country and accordingly is shipping Navel oranges to the US market at a time when the local US citrus industry is producing other orange varieties. The US citrus industry, which exports their Navel oranges to Australia during our Valencia orange season, is supportive of our US export program, particularly under the single importing agent arrangement, which ensures an orderly marketing

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The US market for our Navel oranges provides a limited period of opportunity when Australia can obtain beneficial results from the shipments without upsetting the normal orderly marketing programs of, the local US citrus industry.

With particular respect to Navel orange shipments this period basically applies from the end of the US Navel orange production season until the commencement of the Valencia orange season.

During this limited marketing period the successful harvesting, packing and assembly of fruit for a properly organised shipping program, frequently based on charter shipping, is a major task for the Australian industry. Under the export control arrangements the whole emphasis is on achieving satisfactory market returns, particularly for the grower of the fruit. Increasing volume sales provides extra packing charges for the packing house and export commissions etc. for the exporter, but does not guarantee a satisfactory return for the grower.

The single importing agent arrangement for the US market has achieved that result and its discontinuation would seriously jeopardise the good progress made in recent years in lifting the industry's fresh citrus export performance.

Finally, the Council considers that the arrangement provides a valuable public benefit to the national economy and to the Australian public through the improved export performance, and in providing higher fruit quality and better value for money to Australian consumers in the domestic market.

The Council earnestly requests the Commission to reconsider its position in respect to Draft Recommendation 7.8 and to delete this recommendation from its Final Report.