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J.H. & M. BAILEY (DIRECTORS)

18<sup>th</sup> February 2002.

The Presiding Commissioner  
Productivity Commission  
MELBOURNE VIC 8003.

Dear Mr Cosgrove,

## **Public Inquiry – Citrus Growing and Processing**

I have had the opportunity to peruse a number of the submissions made to the Inquiry by various parties and now feel I must make a statement to you concerning the fundamental flaws in a number of contentions made by some of these people.

In particular a submission by BGP International Pty Limited has a number of statements totally incorrect and therefore damaging to the industry.

I too, have been involved in the industry for over twenty years. When I was first involved in the packing sector in 1982, navel oranges were considered the 'poor cousin' of orange varieties. Growers received a pittance for their navels but very profitable returns for their valencias. Mr Barker's contention that "to witness in 2001 valencia trees being reworked to navels or removed is a sad indictment of the industry. The need for this change was clearly evident 20 years ago" is totally erroneous and misleading. His next statement concerning shortages of navels for many years is equally erroneous. The 2001 navel crop which was extremely light, has been the only one in my memory, where there was insufficient fruit to meet demand.

When Mr Barker discusses citrus imports he contends there is no domestic production of certain varieties at certain times of the year. This is fact but, he has failed to qualify his statement by informing the Commission that the northern and southern hemispheres are counter- seasonal for many varieties of fruits. It is therefore only to be expected that we have a bare market for certain varieties at certain times, due solely to seasonal circumstance not grower inability, as Mr Barker contends. His contentions that export to most markets could easily double if there was sufficient production available, is also misleading. He fails to inform the Commission of the very basic fact that increase in supply means decrease in returns. He then goes on to make specific comment concerning individual markets. To address his contentions I make the following statements --

**USA** - If anybody tried to put 15 million cartons of citrus into the USA in a three month window or even for that matter, a six month window then we could only expect to receive an account for our fruit rather than payment. It is obvious Mr Barker knows stuff all about the US market.

**Hong Kong/China** - Prices in these markets can attain the same returns as the USA market for like quality. In our experience these markets have not wanted to pay a premium (unlike the USA) for a good quality product. They have always had ample supplies available from our competitor nations such as South Africa. It is only in the last four to five years that market opportunities to this area have been rationalised to the point where we now see both class 1 and class 2 fruit being supplied in large numbers.

**Malaysia/Singapore** - Mr Barker contends that this market handles the small sized fruit that should not be grown. Obviously he has a better control over growing conditions than 'mother nature'. The very fact that a fruit is a 'living' thing means you have size variation, determined by nature long before it becomes obvious to the human eye. If Mr Barker can control this, then he is wasting his time being an importer/exporter. He is obviously not in touch with the Singapore market either, because that market in the main requires medium to large size fruit, particularly in the navel varieties.

**Korea** - This market has been under supplied by Australia in 2000/2001 not due to restrictive marketing arrangements, but due to -

1. Extremely harsh access arrangements, poorly negotiated by AQIS at the time.
2. Uncertainty by the importers as to the quality and reliability of the Australian product. Both active importers took a "hasten slowly" attitude to assess Australian product.
3. 2002/2003 should see a strengthening of this market.

**Barriers and problems** - Again Mr Barker's contentions although factual in some points, are unqualified and therefore misleading. The main problem confronting industry is lack of decent competitive access arrangements to Countries concerned with phyto-sanitary issues. I cannot agree with his points 1, 2 or 4.

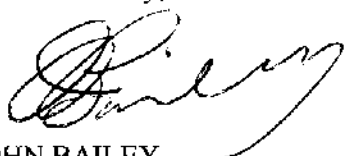
The marketing arrangement in USA with the single importer has proved over seven years, to be the right decision by industry. This market has been the most profitable for growers. It is obvious Mr Barker has no knowledge of the market requirements. He only has his perception that he can put millions of cartons into this market profitably. Totally wrong!!

I agree Government charges, particularly the latest imposts by AQIS, are an impediment to export.

Summation - whilst I agree with quite a lot of Mr Barker's contentions, I am obliged to point out his errors. Since the beginning of time, there has been one simple rule of marketing. This rule is one supplier, one purchaser means profit for both. Many suppliers, many purchasers means ruin for many of the participants. Orderly marketing, meeting what the market wants, means profit for all. Unfortunately it seems, Mr Barker by his own admission, cannot source sufficient fruit to meet his markets, whereas the rest of us who choose to supply product to suit market demands, manage to return a profit to both grower and exporter in Australia and consider we have sufficient fruit to meet our needs for both export and domestic customers.

If at all possible, I would like this submission published. Whilst, like any of the other submissions, I have not covered a lot of the other flaws in the report, I have highlighted fundamental flaws which are disparaging and financially damaging to our industry, should they be accepted by Government. Again if it is possible, I would welcome an opportunity, as an independent grower, packer and exporter of citrus fruits, to address the Commission in person, or be allowed to address the Commission at the intended forthcoming regional forums.

Yours faithfully,



JOHN BAILEY  
MANAGING DIRECTOR.