



# Food & Beverage Importers Association

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6 December 2001

Inquiry Director  
Citrus Growing and Processing Inquiry  
Productivity Commission  
Level 28  
35 Collins Street  
MELBOURNE VIC 3000

Dear sir,

This Association represents importers of food and beverages, including importers of frozen concentrated orange juice (FCOJ).

We wish to participate in this Inquiry and attached is our initial submission.

We appreciate that the Commission has a very short time to complete this inquiry, but would be happy to expand on any aspect of the submission. Should you have any questions, please do not hesitate to contact us.

Yours faithfully,

A J Beaver  
Secretary

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## Citrus Growing and Processing

### Productivity Commission Inquiry

1. This submission is made by the Food and Beverage Importers Association, members of which import frozen orange juice concentrate (FCOJ).
2. Oranges are the largest individual fruit crop in the world (approximately 63 million tonnes per annum). Brazil grows almost 30 percent of this crop, the USA, about 15 percent and Australia, less than 1 percent.
3. Brazil and the USA produce about 87 percent of the world's orange juice (respectively, 47 percent and 40 percent).
4. In all countries apart from Brazil and the USA (Florida), the fresh fruit market is the primary focus of the citrus industry. Only in Brazil and the USA are oranges grown predominantly for processing to juice.
5. Australia takes about 2-2.5 percent of Brazil's FCOJ exports. Prices for FCOJ are driven by supply and demand factors, and all prices are based on a FOB price at the port of Santos. Price variations between individual markets reflect in the main variations in freight and logistic costs.
6. In response to supply and demand factors, the world price for FCOJ does fluctuate. For example, in September/October 2000, the world price for FCOJ collapsed when, owing to a combination of high inventories and competitive pressures, a short price war broke out amongst the Brazilian FCOJ suppliers. The outcome of severe downturn in price is usually rationalisation in the Brazilian processing industry.

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7. Brazilian and USA FCOJ are sought after by processors because of their quality, especially the “sweetness” factor. The higher the ratio of fruit sugar to acid, the sweeter and more highly regarded the juice. Typically, the ratio for Brazilian FCOJ is 15-17 percent. Juice companies when packing 100 percent long life OJ prefer a minimum ratio of 15. Australian Valencia FCOJ would typically fall well short of that ratio (predominantly 12-14).
8. The market for fresh orange juice not from concentrate (the NFC market) has been growing substantially. This mirrors the experience in the USA where NFC juice from Florida oranges has achieved a market share of 45 percent and imports of Brazilian FCOJ have slowed. This market in Australia is basically “import proof”, because of sea freight costs and the exchange rate.
9. Combinations of low world prices and high local crops will occur on occasions; but this is not a reason for taking action against imports.
10. We do not believe a safeguard investigation is warranted.

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