

12 November 2001

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

Dear Sir

Farm ....., ..... was developed by my father and grandfather, migrants from Italy, in the 1950's. I purchased this orchard from my father in 1989, to become a third generation farmer on this orchard.

This property in the past, has supported two families, in most cases at the same time, we now find that we can barely generate enough income to support my young family. Advised and constantly told to become profitable on 'my orchard I needed to expand. In 1995, I purchased an additional orchard comprising 34 acres of citrus in an effort to be profitable.

Even after expanding and efficiently growing quality citrus, I find dependant on Centrelink payments to put food on the table for my children. Although we expanded with the aim of increasing my income, the reverse occurred (expenditure increased, income decreased).

The reasons why I feel my income has decreased are:

**1. The cheap importation of Frozen Concentrated Orange Juice (FCOJ), mainly from Brazil.** Since 1996/97 imports of FCOJ in equivalent fresh tonnes have increased from 187,000 tonnes to 311,077 tonnes, an increase of 66%. The highest being 370,240 tonne in 1998/99. It is my belief although this is a major increase; the price of this concentrate is more detrimental than the amount coming in. Figures show that over the last 10 years the equivalent price per tonne landed in Australia for FCOJ has been as low as \$30/t. This automatically sets the floor price for all fruit delivered to either packhouses or processors in our area. For example, growers supply their fruit to a packer or a processor or both. A packer then packs a growers fruit and sells the juice quality fruit directly to a processor, so in real terms what would happen is this will become a packer/processor floor price for purchasing fruit. In

most cases, the packer or the processor will then pay \$10-\$20 above and beyond that price.

2. **The abolishment of the 25% Tax Exemption for fruit juice products:** In August 1986, the exemption from sales tax, for fruit juice products, which contained twenty-five percent (25%) or more of local product, was converted to a sales tax concession with such products being taxed at ten percent (10%) compared with twenty percent (20%) for other fruit juice products. The exemption from sales tax had an effect, which increased demand for domestic produce over imported produce. Prior to the introduction of the sales tax concession, local orange juice production was relatively low and by the mid 1980's real prices had increased by over thirty percent (30%). As prices increased, local production also increased to a point where the real price for processing Valencias halved.
3. **Reduction in Tariffs:** After reducing tariffs on FCOJ to 5% in 1996, and in the hope under the GATT agreement that by the end of 2002 all countries in this agreement would be on the same playing field. However, the Australian Government reacted prematurely to this agreement and in turn our industry has been forced to be non-competitive. It will be interesting to see if in fact the other countries follow suit and decrease their tariff rates.

I hope that through your investigation you will address and resolve these problems, to give my children an brighter future.

Yours sincerely

Frank Madaffari