

Response by:
Horticulture Australia Limited

to the position paper titled
'Citrus Growing and Processing'

prepared by the
Productivity Commission

and released during
February 2002

March, 2002



Horticulture Australia

Preamble

The following submission is made by Horticulture Australia in response to the Productivity Commission's position paper titled Citrus Growing and Processing dated February, 2002.

This submission responds to a number of issues raised by the Commission's position paper regarding the use of the Export Control Powers exercised by the Prescribed Body under the Horticultural marketing and Research & Development Services (Repeals and Consequential Provisions) Act 2000. On 29 January 2001, Horticulture Australia was appointed by the Parliamentary Secretary to the Minister for Agriculture Fisheries and Forestry to be the designated Prescribed Body of the Export Control Powers.

The submission also outlines the history of the Export Control Powers and their use by the Prescribed Body in addition to providing a comprehensive outline to the review procedures that are required as per Horticulture Australia's Deed of Agreement statement with the Commonwealth and the Memorandum of Understanding document with all company shareholders.

Firstly, it is worth making the note that out of the 88 submissions originally forwarded to the Commission, 3 were provided in confidence and were unable to be assessed by the public, 69 failed to mention any reference to the Export Control Powers, 11 mentioned the Export Control Powers and the benefits such Powers have brought to the Australian citrus industry and 5 mentioned the use of the Export Control Powers in a negative sense.

Introduction

During 2001, Australia was the 6th largest citrus producing country in the Southern Hemisphere behind Brazil, Argentina, South Africa, Indonesia and Peru and the 24th largest producer in the world. In terms of oranges, Australia was the 5th largest producer of oranges in the Southern Hemisphere behind Brazil, South Africa, Indonesia and Argentina and the 18th largest in the world.

World Production	2001	2000	1999
Area Harvested – citrus (hectares)	7.174m (0.49%)	7.070m (0.50%)	7.256m (0.47%)
Area Harvested – oranges (hectares)	3.606m (0.73%)	3.567m (0.75%)	3.768m (0.70%)
Production – citrus (tones)	98.536m (0.61%)	99.840m (0.64%)	102.992m (0.55%)
Production – oranges (tonnes)	61.250m (0.77%)	62.365m (0.82%)	64.088m (0.70%)

Source: FAO – as at Feb, 2002

figures in parenthesis represent Australia's % share of world supply

Reflecting production levels, Australia is also a relatively small exporter of citrus fruits compared with Northern hemisphere suppliers. During 2000, Australia was the 2nd largest citrus exporting country in the Southern Hemisphere behind South Africa and the 12th largest exporter in the world. In terms of oranges, Australia was the 2nd largest exporter of oranges in the Southern Hemisphere behind South Africa and the 8th largest in the world.

World Trade	2000	1999	1998
Exports – total citrus (tonnes)	9.784m (1.72%)	9.327m (1.56%)	9.666m (1.46%)
Exports – oranges (tonnes)	4.565m (3.00%)	4.221m (2.89%)	4.737m (2.56%)
Exports – total citrus (US\$ FOB)	4,476m (2.35%)	4,599m (2.25%)	4,707m (1.96%)
Exports – oranges (US\$ FOB)	1,817m (4.44%)	1,850m (4.37%)	2,057m (3.72%)

Source: FAO – as at Feb, 2002

figures in parenthesis represent Australia's % share of world trade

According to the ABS, there were approximately 3,444 establishments growing citrus fruits in Australia during the 1999/2000 period with an estimated agricultural output of A\$5,000 or more.

During the 2001 calendar year, the Australian citrus industry exported 148,652 tonnes of citrus fruits with the top 5 licensed citrus exporters representing 63% of this volume. The remaining 37% was exported by a number of the other 111 licensed citrus exporters in Australia.

The niche supplier status of the Australian citrus industry, relative to other global suppliers such as South Africa and the USA, combined with the number of licensed citrus exporters who have the ability to represent Australian citrus fruits in a number of markets depicts a highly fragmented industry which is less likely to meet the required standards compared to their competitors.

The intense competition experienced among businesses within Australia has marginalised net average returns to growers which are significantly lower compared to other world suppliers.

Supplier	Net Returns
Australia	14%
USA	25%
South Africa	43%

Source: Australian Orange industry Benchmarking Study 1995, page 11.

One of the key strategies of the Australian citrus industry is to invoke the use of the Export Control Powers in new markets as a market development tool, not to impinge a new trading platform on existing or established markets. The use of the Export Control Powers assist with unifying Australia's supply position in markets where the use of the Power has been agreed and adopted.

Are existing export control arrangements limiting the potential for exports by the Australian citrus industry (Citrus Growing and Processing position paper, page 144).

The Australian citrus industry exercise Horticulture Australia's Export Control Powers in the US, Taiwan, South Korea and Thailand. The intent of these Powers is to appoint importers to represent Australia's exports of citrus to these markets. Exports of citrus from Australia to these markets represented only 13% of total

exports during 2001 while other markets where the Export Control Powers are not exercised represent the remaining 87% of total citrus exports.

Australian Citrus Exports	2001		2000		1999	
	volume	value	volume	value	Volume	value
Markets where export control arrangements are utilized:						
United States of America	19,857	43.254m	25,859	41.540m	25,327	41.924m
Taiwan	1,287	1.395m	570	0.527m	637	0.662m
South Korea	1,155	2.192m	1,196	1.891m	-	-
Thailand	799	1.117m	959	1.180m	679	0.849m
sub-total	23,097	47.958m	28,584	45.137m	26,643	43.434m
other markets	152,947	161.839m	138,220	133.216m	108,840	114.599m
total exports	176,044	209.797m	166,805	178.353m	135,483	158.034m

Source: ABS – as at Mar, 2002
volumes quoted in metric tonnes
values quoted in A\$FOB

The current export control arrangements have had limited effect on the growth prospects in these markets. Trade measures that have limited the potential for exports by the Australian citrus industry include the provision of quantitative restrictions (quotas), the imposition of tariff measures and quarantine barriers either prohibiting or banning the importation of citrus fruits from Australia or curtailing cost effective and competitive market access relative to other world suppliers who have been able to negotiate better quarantine access.

Limiting the potential for exports by the Australian citrus industry to the US include trade restrictive quarantine procedures and costly tariff barriers.

In terms of quarantine procedures, an import permit and phytosanitary certificate with additional declarations attached is required. These restrictions allow citrus fruits from only the Riverland district of South Australia, the Sunraysia district of Victoria and the Riverina district of New South Wales to be exported to the US. Other quarantine restrictions and declarations are also necessary for the export of citrus fruits to this market. These restrictions do not allow the Queensland citrus industry nor the industry located in Western Australia to supply the US market.

In terms of tariffs, there are specific duty levels imposed on the importation of citrus fruits from Australia.

US Import Tariffs	Tariff Rate
HS 080510 (oranges)	US\$0.019/kg
HS 080520 (mandarins)	US\$0.019/kg
HS 08053020 (lemons)	US\$0.022/kg
HS 08053040 (limes)	US\$0.018/kg
HS 080540 (grapefruit):	
Aug – Sep	US\$0.019/kg
Oct	US\$0.015/kg
Nov – Jul	US\$0.025/kg

Source: US International Trade Commission – Mar 2002

Limiting the potential for exports by the Australian citrus industry into Taiwan has included trade restrictive quarantine procedures, tariff rates and quotas.

Unlike other markets for the Australian citrus industry and competing suppliers to the Taiwanese market, the Australian industry faces trade restrictive quarantine measures in Taiwan. These include the need for a special import permit from the Board of Foreign Trade, the provision of a phytosanitary certificate and the need to undertake cold-disinfestation procedures prior to product arrival. Until recently, mandarins from Australia were banned for importation.

In terms of tariffs, prior to accession to the World Trade Organisation (WTO) on 1 January 2002, an import tariff rate of 40% was applicable on all citrus imports from Australia. Post-accession, the tariff rates have declined but still provide an impost to export and market growth.

Taiwan Import Tariffs	Tariff Rate
HS 080510 (oranges):	
Oct – Feb	30% ad valorem
Mar – Sep	20% ad valorem
HS 080520 (mandarins)	35% to 30% by 2007 ad valorem
HS 080530 (lemons/limes):	
Oct – Dec	30% ad valorem
Jan – Sep	15% ad valorem
HS 080540 (grapefruit):	
Oct – Dec	30% ad valorem
Jan – Sep	15% ad valorem

Source: Board Of Foreign Trade (BOFT) – Mar, 2002

Since the inception of the trade with Taiwan and prior to Taiwan acceding to the World Trade Organisation (WTO) on 1 January 2002, the Australian citrus industry has only been granted restricted access to the Taiwanese market due to the imposition of a quota arrangement by the Taiwanese authorities. Up until the commencement of the 2001 season, this quota level had been set at 600 tonnes. During the 2001 season, the quota increased to 1,000 tonnes. This quota has been managed by Horticulture Australia, and formerly the Australian Horticultural Corporation, on behalf of the citrus industry and has been distributed to licensed exporters based on a number of factors including trading history, knowledge of the market and export performance. The Australian citrus industry has, in most years, completely filled the quota level.

Taiwan Quota	2001	2000	1999
Quota amount (tonnes)	1,000	600	600
Australia's performance (tonnes)	960	552	600
Exporters who requested an allocation (number)	42	39	35
Exporters who received an allocation (number)	37	22	22
Total allocation sought by all exporters (tonnes)	7,942	5,891	7,360

Source: HAL

While the quota amount has limited the potential for exports by the Australian industry, the actual amount being sought by exporters, given the trading conditions prevalent in the market in any one year, far outweighs the quota amount available.

Limiting the potential for exports by the Australian citrus industry to South Korea include trade restrictive quarantine procedures and costly tariff barriers.

Since the commencement of trade in South Korea in 2000, the Australian industry has been subject to a restrictive and costly import protocol. The protocol includes the registration of all interested orchards, leaf sampling and testing, fruit sampling and incubation, pre-shipment dis-infestation and inspection, by a Korean inspector, and product inspection upon arrival. Additionally, only oranges and lemons have gained access with other citrus fruits, especially mandarins, being prohibited for importation from Australia. Other requirements include specific product labelling and documentation.

Regarding tariffs, the tariff rates for the import of citrus fruits supplements the trading impost provided by the quarantine restrictions.

South Korea Tariffs	Tariff Rate
HS 080510 (oranges):	
market	64.7%
Cheju quota	50%
HS 080520 (mandarins):	
market	148.8%
Cheju quota	50%
HS 080530 (lemons)	36%
HS 080540 (grapefruit)	36%

Source: US International Trade Commission – Mar 2002

Limiting the potential for exports by the Australian citrus industry to Thailand include trade restrictive quarantine procedures and costly tariff barriers.

Quarantine procedures for exports of citrus from Australia to Thailand include the need for an import permit, a phytosanitary certificate with additional declarations, the need to undertake cold dis-infestation and other conditions stipulated in a Specific Commodity Understanding between Australia and Thailand.

In terms of tariffs, there are a list of tariff and duty rates that are required for the importation of citrus fruits from Australia.

Thailand Tariffs	Tariff Rate
HS 080510 (oranges)	60%
HS 080520 (mandarins)	60%
HS 08053020 (lemons)	60%
HS 08053040 (limes)	60%
HS 080540 (grapefruit)	60%

Source: Thai Customs Department

These restrictions are supplemented by the ability of these economies to award domestic support measures to their own citrus industries and export subsidies curtailing Australia's ability to compete thereby limiting the potential for Australia's citrus exports.

Regarding the US trade, there has been a significant increase in demand and hence sales of Australian citrus fruits, mainly oranges, into this market since access was first granted. According to DNE World Fruit Sales (US import agent), in 1992 Australia exported 126,000 cartons which has increased to in excess of 1.1 million cartons in 2001. Despite this increase in volume, unit price has increased from US\$21.30 per carton in 1992 to US\$27.39 per carton in 1997.

Other data supplied by the US Department of Commerce depicts a similar increase in demand and product sales. Since 1992, exports have increased by 89% each year on average increasing from 2,517 tonnes to 20,220 tonnes in 2001. In terms of unit prices, average annual increases have been recorded at 35% with prices increasing from US\$0.50/kg in 1992 to US\$1.35/kg recorded in 2001.

Australia's Trade in Citrus to the US	CAGR¹	2001	2000	1997	1995	1992
Imports into the US ² :						
total volume (tonnes)	+88.9%	20,220	26,613	16,543	5,537	2,517
total value (US\$CIF)	+170.2%	24.592m	32.777m	22.347m	6.410m	1.256m
unit value (US\$/kg)	+34.7%	1.22	1.23	1.35	1.16	0.50
Exports to the US ³ :						
total volume (tonnes)	+744.8%	19,857	25,859	16,252	5,528	194
total value (A\$FOB)	+1,170.5%	43.254m	41.540m	24.681m	9.268m	0.204m
unit value (A\$/kg)	+22.9%	2.18	1.61	1.52	1.68	1.05

Source: ²US Department of Commerce & ³ABS

¹Compound Annual Average Growth Rate over the period depicted

The current trading environment in the US has resulted in significant increases in export volumes and sales values over the recent past relative to other markets. The Australian industry has been able to retain high unit values into the US compared to other markets through a single focal point managing the trade on Australia's behalf. Additionally, the increases in unit values and volumes experienced over time have been significantly greater than other volume markets for the Australian industry.

Australia's Trade in Citrus	CAGR ¹	2001	2000	1997	1995	1992
Exports to Malaysia:						
total volume (tonnes)	+26.4%	40,548	30,883	33,166	27,655	17,152
total value (A\$FOB)	+31.4%	35.589m	24.876m	24.301m	22.084m	12.974m
unit value (A\$/kg)	+4.0%	0.88	0.81	0.73	0.80	0.76
Exports to Hong Kong:						
total volume (tonnes)	+50.5%	52,632	44,510	15,512	12,503	17,144
total value (A\$FOB)	+58.5%	57.859m	41.797m	14.761m	10.844m	14.177m
unit value (A\$/kg)	+7.5%	1.10	0.94	0.95	0.87	0.83
Exports to Singapore:						
total volume (tonnes)	-1.2%	21,836	19,355	20,765	23,437	23,344
total value (A\$FOB)	+2.4%	21.180m	17.349m	16.591m	21.020m	20.208m
unit value (A\$/kg)	+3.2%	0.97	0.90	0.80	0.90	0.87
Exports to Japan:						
total volume (tonnes)	+57.5%	10,111	9,069	9,828	9,860	3,021
total value (A\$FOB)	+65.5%	17.478m	13.852m	14.578m	13.153m	3.985m
unit value (A\$/kg)	+7.1%	1.73	1.53	1.48	1.33	1.32

Source: ABS

¹ Compound Annual Average Growth Rate over the period depicted

It is common in a number of export markets for importers and other buyers in the supply chain to negotiate price downward where there is more than one seller. According to DNE World Fruit Sales, a recent example was when an Australian exporter supplied oranges to Canada with the intention of selling the product into the US market. The same product was later quoted to three major retail customers at US\$8 less than the price originally quoted by the Australia's nominated importer, DNE World Fruit Sales. The only way the alternative importer could sell this parcel of Australian oranges was to reduce the price. The final negotiated price was US\$10 per carton below the regular sale price of Australia's nominated importer. This sales strategy has an adverse impact on price positioning that Australia has developed over the recent past.

A key question is whether export control powers generate additional benefits, beyond those achievable through voluntary cooperation, multiple agents (Citrus Growing and Processing position paper, page 146).

The US market is the highest per unit priced volume market for Australian citrus and the opportunity cost of removing the single focus through the deployment of the nominated importer arrangement is the loss of premium world prices currently being received by the Australian citrus industry.

The cost of supplying lower grade, and hence lower priced citrus fruit is in excess of the benefits that can be achieved by limiting supply to a higher grade and hence premium priced product. The nominated importer arrangement sets supply disciplines on product specifications to maintain the premium price and hence maximise benefits for Australian growers. Annual performances are reported back to the Australian industry on a regular basis.

During the National Competition Policy review undertaken in 1999, the committee concluded that given the role of the Prescribed Body under the Export Control Act, non-legislative alternatives could not deliver the same benefits to Australian exporters and the nation as can be obtained by legislation.

Evidence presented to the Administrative Appeals Tribunal hearing in relation to the export arrangement in place for the US market suggested that given the 'commodity' status of Australian citrus, if supply to the US market were supply driven and not cohesively demand driven, an oversupply of product into the US market would occur weakening prices. In consultation with the Australian industry prior to the commencement of each season, the nominated importer determines a commercially responsive balance between market price and anticipated volume ahead of each season.

Over the recent past, key competitors to the Australian citrus industry in the US have been South Africa and Argentina. The Australian industry's performance in this market relative to the competition has been solid with per unit values increasing despite the rise in volume sales. In 2002, even though Australia was the highest volume supplier as an importer from the Southern Hemisphere (counter-seasonal supply), the Australian industry sold product into the US at an average price point of US\$1.22/kg compared to US\$0.92/kg for South Africa and US\$0.69/kg for Argentina.

US Market Competition	2001		2000		1999	
<i>Total Citrus</i>	<i>volume</i>	<i>unit value</i>	<i>volume</i>	<i>unit value</i>	<i>volume</i>	<i>unit value</i>
Australia	20,220	1.22	26,613	1.23	24,775	1.20
Argentina	18,883	0.69	7,494	0.84	33	1.12
South Africa	22,055	0.92	12,888	0.64	2,281	1.20

Source: US Department of Commerce – as at Mar, 2002
volumes quoted in metric tonnes
unit values quoted in US\$CIF/kg

In South Korea, the Australian industry has only been trading for two seasons and as a result, it is considered to be a new market for Australian oranges. Unlike the US, the South African industry has had access to the South Korean market for a longer period of time. Despite this, Australia's performance in this market has also been buoyed by the current export arrangements. During 2001, Australia was able to maintain the highest price point in this market relative to the competition despite the Australian industry also being the highest volume supplier to South Korea at this time. South Africa, Australia's largest global competitor, reached a price point of US\$0.66/kg while New Zealand, with relatively limited supply, averaged US\$0.96/kg. Australia was able to reach US\$0.97/kg with the assistance of the market focus provided by the export arrangements currently in place.

South Korea Market Competition		2001		2000	
Oranges		volume	unit value	volume	unit value
Counter-seasonal supply:					
	Australia	910	0.97	1,260	1.09
	New Zealand	397	0.96	131	0.99
	South Africa	846	0.66	2,133	0.70
Seasonal supply:					
	US	88,975	0.83	95,493	0.63

Source: Austrade, Seoul – Jan, 2002

volumes quoted in metric tonnes

unit values quoted in US\$CIF/kg

The evidence provided by two key markets for the Australian citrus industry suggest that the per unit price point is assisted by the trading platform exercised in these two markets relative to the employment of an environment of voluntary co-operation and multiple agents that are likely to, with a commodity product such as citrus, compete the price downward thereby marginalising the status of the product and the returns to the Australian industry.

It is difficult to see how a single importer can cover all possible outlets for Australian citrus in the United States (Citrus Growing and Processing position paper, page 152).

The use of the Export Control Powers by the Australian citrus industry is employed across four markets with a single importer only being appointed to manage Australia's exports to the US market. The appointment of multiple import agents has occurred in all other markets where the industry has adopted the use of the Export Control Powers. This strategy is due to the inability of any one importer in most countries being able to service the total market.

However, the US market is deemed to be different in structure and distribution to those other markets where the Export Control Powers are utilised including South Korea, Taiwan and Thailand.

In the US, the distribution of most fresh produce (including citrus) is through 'western' style supermarket and hypermarket retail chain stores while throughout Asia, traditional 'wet' market and wholesale markets dominate the distribution of fresh produce.

Retail consolidation is happening at a rapid pace, in line with the notion of globalisation, and there is a need for appointed category managers to supply these large retail entities. The nominated importer acts as a category manager for Australia which is deemed to be a niche supplier of citrus fruits to the US market. In 1994, 8 US-based retail chain stores had a market share of 29%. During 1998, the top 8 retailers increased their market share to 42% of the business with the top 3 retailers obtaining a market share of 36% recorded in 1999. According to the Produce Marketing Association in the US, the top 8 retail chains in 1994 represented 29% of food sales, in 1998 this increased to 51% of total food sales.

Retail consolidation in the US has resulted in the number of 'banner' stores per chain increasing significantly over the recent past. Currently, the nominated importer of Australian citrus in the US who acts as the category manager for the product directly services:

- 100% of the 7 retail chains that represent approximately 9,838 stores with each retailer possessing 700 or more stores.
- 90% of the 6 retail chains that represent approximately 3,049 stores with each retailer possessing 300 to 700 stores.
- 75% of the 27 retail chains that represent approximately 4,535 stores with each retailer possessing 100 to 299 stores.
- 60% of the 15 retail chains that represent approximately 1,167 stores with each retailer possessing 50 to 99 stores.

While the above figures outline the nominated importer's current distribution links directly to retailers throughout the US market, it is important to note that the nominated importer also supplies local distributors that provide other retailers with Australian citrus fruits.

With retail consolidation comes the need to generate supply consolidation through the adoption of many retailers of category managers. As outlined in the Australian Orange Industry Benchmarking Study in 1995, there is a need for a more co-ordinated citrus marketing approach as the large supermarkets increase their market share world-wide.

Even throughout Asia, not known for the dominance of 'western' style retailing, there is a need to consolidate to meet customer demands for price, volume, promotion and marketing and long term supply windows. If the Australian industry does not start to pick up these programs, it will be excluded from the supply chain or left to pick up the remaining 20% of the market according to the Asian Foodbuyers Survey, 2001.

As reported to the Australian citrus industry each year, the nominated importer in the US distributes to the vast majority of stores that are willing to accept a premium quality citrus product at a price point that provides the Australian citrus industry with a higher price point that can be obtained by other suppliers to the US market. A number of other retailers or wholesalers that do not carry Australian citrus fruits are reluctant to do so due to the high price points relative to the cheaper citrus fruits being sourced from the domestic industry, mainly Valencia fruit.

It is unlikely that one importer can have a perfect knowledge of every market opportunity. Consequently, marketing fruit through a number of diverse importers may lead to the wider exploitation of market opportunities (Citrus Growing and Processing position paper, page 152).

Perfect knowledge of a market cannot be obtained through the appointment of one importer, nor through the adoption of voluntary co-operation or multiple agents. However, the appointment of a single importer in the US market has been able to manage the demand for premium fruit with the supply made available from Australia each season. The adoption of multiple agents will exploit the total market through a mass distribution approach thereby placing at risk the price premium position and product perception that has been obtained over the recent past.

While any licensed citrus exporter from Australia is able to supply the US market, the nominated importer is able to not only distribute citrus to their preferred customers in the US but is also able to approach new customers that may have been developed, through the provision of other fresh produce, to contacts that have been developed by Australia's exporters over time. The nominated importer has and will continue to offer this as part of their agreement with the Australian industry at no cost or commission to any Australian exporter. This is crucial in order to ensure that as much market knowledge is used to market Australian citrus into the US trade. This ability assists the nominated importer in ensuring that the US market is adequately covered given the niche supplier status and small 'window' of opportunity that Australia is able to supply the US market on a counter-seasonal basis.

The National Competition Policy review committee suggested that it may be necessary to impose import controls to ensure Australia's reputation, as a supplier of consistent quality citrus fruits, is not threatened. Some threats could arise from the activities of inexperienced citrus exporters or alternatively, government and industry may decide to pursue a special opportunity that requires export controls to comply with a particular quality or standard.

Export Control Power History

The following timeline provides a summary of major changes and reviews that have resulted due to the provision of the Export Control Act and the use of the Export Control Powers by the Prescribed Body.

- 1982: The promulgation of the Commonwealth Export Control Act, 1982.
- 1988: Formation of the Australian Horticultural Corporation legislated with Export Control Powers as agreed by the Australian horticultural industry and the Commonwealth government.
- 1990: Australian Horticultural Corporation Export Control Regulations promulgated. Regulations made for the export of apples, pears, nashi and citrus at the request of industry.
- 1991: First Corporation Permission document issued by the Australian Horticultural Corporation.
- 1992: Agreement signed between the Australian Horticultural Corporation and DNE World Fruit Sales (nominated importer in the US) for Australian citrus.

- 1993: Three-year review of the Export Control Powers since promulgation. Industry agrees to continue with the Export Control Powers.
- 1996: The stone fruit industry is added to the regulations as requested by industry.
- 1996: Mid-term Export Licensing review. The review committee was established with members from government and industry. Industry and the Australian Horticultural Corporation agree to continue with current powers.
- 1997: Corporation Permission number 14 issued. Final Corporation Permission issued by the Australian Horticultural Corporation.
- 1999: Administrative Appeals Tribunal upholds the use of the Export Control Powers in the US market for Australian citrus and the appointment of DNE World Fruit Sales as the nominated importer.
- 1999: Report from industry and government working party on the use of the Export Control Powers by the Prescribed body and industry.
- 2000: National Competition Policy review of Export Control Act, committee recommends retention of the Act.
- 2000: Agreement signed between the Australian Horticultural Corporation and Sooil Commerce and Samjoo Marketing (nominated importers in South Korea) for Australian citrus.
- 2001: Formation of Horticulture Australia who assumes all assets and liabilities of the former Australian Horticultural Corporation including the Prescribed Body status for the Export Control Powers as appointed by the Minister for Agriculture, Fisheries and Forestry.
- 2001: Development of Export Control Power guidelines regarding the introduction and review of the Powers by industry and documented in the Horticulture Australia's Deed of Agreement and Memorandum of Understanding.

Export Control Power review guidelines

There is a comprehensive guide provided in Horticulture Australia's Deed of Agreement with the Commonwealth that details the procedures for reviewing the benefits obtained from the use of the Export Control Powers. The Deed of Agreement outlines the timing and content of such reviews.

Annual Review:

- This review needs to show that the Export Control Powers are providing benefits to the industry.
- This review is to be conducted by Horticulture Australia in consultation with the industry sectors using the Power.
- The review would assess performance against the targets and performance goals in the business or marketing plan outlined for each market.

Three Year Review:

- A Regulatory Impact Statement (RIS) needs to be prepared under National Competition Policy guidelines.
- The focus of the report is on the use of the Powers providing net public benefit and the need for the retention of the Power to achieve continued public benefits.

Ten Year Review:

- It is government policy that every 10 years all regulations be reviewed against National Competition Policy principles as outlined in "A Guide to Regulation", prepared by the office of Regulatory Review (1998).

In addition to the review guidelines as outlined in the Deed of Agreement, there is a comprehensive set of guidelines outlined in Horticulture Australia's Memorandum of Understanding with all shareholders that details the necessary step and procedures for implementing the Export Control Powers in new markets.

Conclusion

The establishment of nominated importers in new and developing markets allows the Australian citrus industry to capitalise on the ability to establish a focal point and marketing strategy that will allow buoyant unit pricing and returns to all sectors of the Australian citrus industry.

All markets where the use of Export Control Powers are exercised have been proactively evaluated by grower, packer and exporter representatives leading up to the establishment of a licensing arrangement and during the assessment of its implementation. The Powers have only been exercised by the Prescribed Body on the request of industry and after extensive consultation.

The potential for Australian citrus exports is not limited by the appointment of nominated importers as other factors far outweigh the impact of the Export Control Powers in relation to industry growth such as prohibitive quarantine protocols, the implementation of import tariffs curtailing commercial returns, the provision of quantitative restrictions through quotas, the application of domestic support measures and the continual promotion of export subsidies among a number of target markets.

The careful use of the Export Control Powers has generated additional benefits for the Australian industry beyond those that would have otherwise been achieved through the adoption of voluntary co-operation or multiple agents. The relative price points that have been achieved in a number of markets are the highest of any competing suppliers in those markets despite growth in volume in most cases.

While the adoption of many import agents are more likely to cover a broader distribution base, it may not be in the interest of a niche supplier such as the

Australian industry to increase the current distribution beyond those customers in the US market that are not willing to pay a higher price for what is a premium product. The presence of lower quality citrus fruits outside of the quality parameters agreed to by the Australian industry with the nominated importer in the US will affect the image of Australian citrus and hence the willingness of the US consumer to pay buoyant and premium prices for the quality fruit currently supplied.

The final decision of the recent Administrative Appeals Tribunal hearing reveals that in the implementation of the nominated importer condition in the US, the Prescribed Body had consulted widely across all sectors of the Australian industry and state authorities. While it was noted that there is opposition to the US arrangement from a minority of industry participants, a very substantial majority were in favour of the arrangement. The predominant level of industry support, together with the Prescribed Body's own assessment and analysis that the nominated importer arrangement is the preferred option for the exporting, marketing and distribution in the US market to optimise returns to the Australian industry, were relevant factors that the Tribunal took into account in recommending the continuation of the arrangement.

In summary, there have been a number of positive outcomes that have been generated as a result of the adoption and use of the Export Control Powers on behalf of the Australian citrus industry. These outcomes are measurable and have been recorded.