

J. V. Whyte, N.S.W.  
1st March, 2002.

The Presiding Commissioner, The Productivity Commission, Locked Bag 2, Collins Street  
East Post Office, MELBOURNE. Vic 8003.

Dear Sir,

**CITRUS GROWING AND PROCESSING**

**RESPONSE TO POSITION PAPER**

The Introduction to this Position Paper explains that the Productivity Commission's processes and outputs are "driven by concern for the wellbeing of the community as a whole." As citrus growers, we are concerned with the wellbeing of the citrus industry. On many occasions we have been very kind to the community by providing cheap fruit, sometimes for less than the cost of production, and it was hoped that the community may have been able to assist the citrus industry in some very difficult seasons such as 2000-01.

I have some problems with the Overview, namely:

1. The Gross Value of Production. At what stage of the marketing chain is this figure based? I suggest that production is "on farm".
2. The real value of farmgate production, page XX1, para 2. If whatever value this is, it increased by 4% per year, I would be surprised if our costs did not increase by 4% per year.
3. "The year 2000-01 was unusual", a heading on page XX1V. It was a year of high production worldwide, but most citrus producing countries are increasing production. Will it remain unusual? If not, why?
4. Page XXV gives me the impression we are expected to subsidize citrus production with other crops or with off farm income. Are other industries expected to do this? At what stage should we say "enough" and decide it would be better to not grow citrus?
5. Page XXV11 indicates we have a source of wealth in the rising value of our properties. Whoever thought of that? It may help if we say "enough" and sell. Periodically the Valuer General's representative revalues our land for Shire rates, which are based on whatever price your neighbour achieves when he sells his property. There is no more inequitable system of taxation than Shire rates as they bear no relation to service provided or ability to pay. Land growing citrus is treated the same, regardless of the variety grown. Alternative funding for local government would be a good project for your Commission.  
The rising values of properties create an extra cost and interest burden for buyers and are an increased cost for those staying in business. We do not have an assurance that property prices are rising or will continue to do so.

DRAFT RECOMMENDATIONS: I have no problems with your first five draft recommendations. With your draft recommendation 7.6 I see a resemblance to Lord Nelson putting the telescope to his blind eye to avoid seeing obvious signals. I am not worried by the "loss of potentially profitable sales" as much as I am by the loss we could bear as growers by a proliferation of unprofitable sales. I am amazed at BGP International's statement that the market in U.S.A. could import 15 million cartons of our citrus fruit in our period of market availability. It is better to receive some good prices for 1.5 million cartons than nothing for 15 million!

Citrus growers have changed plantings and growing practices to produce fruit suitable for the market in U.S.A. This has involved much greater costs of production, requirements to meet packers' protocol and stricter handling procedures. The success of these changes was marred with the 2000 crop when too much fruit was sent to U.S.A. when their markets were already overloaded with fruit. Australian citrus was put into storage in the hope that the market would clear, but this resulted in wastage, requiring repacking at growers' expense.

I repeat my statement in my submission that the existing arrangement is always under threat by egoistic exporters and Government Competition Policy. I will also add your Commission to that group, with regret, because I believed that the advantages in the current system were so obvious that it would be supported.

Competitive marketing on export markets has cost growers dearly. I have visited some Asian markets and have been told "Sunkist will send one representative to sell their fruit. South Africa used to do the same. Australia will send W" Fruit merchants are not silly, but we are. We have to meet competition with lower prices, better fruit quality, more fruit in the carton and more trips to the markets to ensure customer satisfaction, all at growers' expense, to compete with Australian fruit.

Please try your telescope on the other eye!

Draft Recommendation 7.7 is out of my depth.

Draft Recommendation 7.8 should be amended by deleting the word "serious" and replacing it with "no".

FINDINGS; Unfortunately these are seriously flawed because you have obtained some unreal figures in Table 2.3 on page 9 of Citrus Markets. Where did you obtain Farmgate (average unit local value of production)? This table indicates a farm gate price of \$300.2 for valencias in the year 1999-00 \* My average works out at \$170 at farm, less \$20 freight to packing shed and less \$10 levies so that in fact the return to grower was \$141 per tonne. We had problems with small fruit but I thought this was about average. Growers with large size fruit would have fared better. Please check with some of our local packing sheds who, I am sure, can help you with these figures.

.3.

CITRUS MARKETS: 2.2 Recent movements in production and prices. Paragraph 2 states "Only a few countries - notably Brazil and the United States specialise in growing oranges purely for FCOJ." This is 2002, not 1994. Processors in U.S.A. are getting out of FCOJ as quick as they can as there is no money in it. The Sunkist plant at Tipton may be an exception as it has to handle the overrun from Sunkist packing sheds. However there was no joy there in December 2000, when they were still processing valencias for concentrate. The return to grower was expected to be nil, but the peel was being sold for dairy feed and this was hoped to cover costs. Florida growers were changing to "Not from concentrate" juice as this was a better product and could be sold at better prices than FCOJ. They also grow tangerines (mandarins) which are more profitable.

Your Position Paper gives the impression that we are achieving better than equivalent FCOJ price, so all is well. If this FCOJ equivalent price was doubled we would not have the processing capacity left to handle the fruit. The urgent need is to access more markets to absorb the increased production throughout the world, particularly of navels and mandarin types. I would like your Position Paper to be offering encouragement to processors to market fruit "ready to eat". Processors are not famous for wanting to pay top prices for fruit, but we continue, and will continue, to grow fruit which because of rind blemish, or size cannot be marketed as fresh fruit.

In my original submission I referred to Calcium enriched orange juice. I do not know if there are any impediments in Australia, but it would be good for the health of the nation, and the citrus industry. Consumers have an enormous array of lollywater types of drinks of dubious health value and it would not be a bad investment if our Governments spent more on nutritional advice for consumers.

THE GROWING SECTOR: I thought was a good document, but I have some reservations about the figures. There has been a revolution in our growing practices over the last 20 years and I expect change will be more rapid in future. We urgently need more information on crop regulation and tree management to stabilise our production and fruit size. It would be good if research was expedited on rootstocks and alternative varieties. Because of our high costs of picking and marketing fruit, we need to lead the world rather than follow.

I did not find in the Position Paper any solution to the declining share of the consumers' dollars coming back to growers. We support a lot of people between tree and consumer. Inland growers are disadvantaged by the trend to growers' markets close to consumers.

As I have found the Position Paper interesting reading but short on solutions to current and future problems, I look forward to meeting with you in Mildura next week.

Yours faithfully,

John Whyte