

Productivity Commission  
Into  
Citrus Growing and Processing

Dear Sir, Madam

14.03.02

Productivity commission into Citrus Growing and Processing

Kangara Foods is a major grower packer and exporter of citrus based in the Riverland, South Australia. The company was Australia's largest privately owned packer/exporter of citrus until they were purchased by Chiquita Brands South Pacific in July 2000. Under this acquisition, the company intends to expand all areas of its interest in the citrus industry and as such has a very strong interest in the outcome of the productivity commission.

The company is also a founding member of Riversun.

We have a particular issue with the finding 7.4 and recommendation 7.8 and it would appear the Commission has not got the full picture from the people that are benefiting most from the current legislation.

Our comment on certain statements (*in italics*) in the position paper is as follows.

*1.0 Can a single importer cover all possible outlets in USA?*

In a straight response to the question the answer is yes. The question is are they doing so, and we believe the answer is also yes.

All that is needed is enough personnel and procedure to identify and cover the market place. This is a building process over many years and can at times be limited by supply.

The fact we have a much-sought after product that is a recognised profit –maker, means in some cases the buyer comes to the importer.

The bonus of having a single importer is that all the enquiries and all the information is centralised, and therefore a more accurate assessment of the market is possible. This reduces the possibility of over/under supply, which leads to reduced returns. (also see 3.0)

## 2.

### 2.0 *Are existing export controls limiting the potential for exports by the Australian industry?*

This question must be answered on a country by country basis, as all have different dynamics. There are four (4) markets that are controlled;

USA- the control of allowing one importer only is beneficial in that it is a huge market that allows for synergies in distribution and promotion that would not be achievable by individuals. The market is 10 years old and maturing well, with the challenge now being Sth. African imports and our best method of maintaining our market share, is by staying united. As the single importer, DNE has the confidence to invest heavily in systems and personnel to our mutual benefit, which it would not otherwise do.

The control of volume into the market is only achieved by this method, as with numerous importers there would be less information sharing and therefore more likelihood of over-supply.

Our 10- year relationship with DNE gives us a huge advantage, and we believe this will hold us in good stead for the difficult times ahead.

THAILAND-the panel of 14 importers is not providing any impediment that we are aware of, and neither are the quality standards. In fairness to the market, the panel should be reviewed regularly to allow for new businesses to become involved and those listed but not participating be removed.

TAIWAN- with the removal of the quota applicable to this coming season, it is really too early to comment on the current controls. We would support a review at the end of the 2002-2003 citrus season.

KOREA- another relatively new market that has not yet been tested. In the two years that Australia has sent fruit, the first was fraught with poor quality (from seasonal conditions) and the second was a restricted volume due in the first part to nervousness from the previous season and secondly to a shortage of navels. We expect the conditions will truly be tested this year based on larger crop estimates and the fact the Koreans were happy with our quality last season. Recommend a review at the end of 2002-2003.

### 3.

#### 3.0 *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*

In general you could say this statement is true. We would go so far as to agree it probably was the case in the USA in the the first few years. For the first 5 years the market was below 1.0million cartons, but this was not the fault of the importer, but more the lack of supply. For the last 5 years volumes have well exceeded 1.0m., to over 1.7m in1998 and 2000. This has come from the adequate supply and the importer growing the market to accommodate the same.

If they have the backing of the supply base, they will invest in growing the market and they have the resources to advertise and promote much wider and more competitively than others would importing smaller volumes.

There is no doubt there may still be some more opportunities to be unearthed, although it may well be at a lower return. However there is no reason why the single importer cannot develop these opportunities as well as if not better than, a myriad of other importers.

Further to this the volume of our business has assisted DNE in becoming “the category manager for citrus in the USA” with an ability to supply citrus to retailers all year round. Who better then to investigate market opportunities??

#### 4.0 *Restricting the export of lower grades of fruit (explicitly or implicitly), and having no alternative importer, could lead to missed opportunities for profitable export sales into lower grade markets.*

Every season we negotiate with the importer on the volume, size and quality of fruit available and what they believe the market can handle.

Through merchandisers we discuss this with retailers and determine what product they want on their shelves

What is overlooked in the above comment is that we are sending navels to a market that still has its own domestic production of valencias on the retail shelves. This is what we compete with for a lower price level. If consumers are looking for a cheaper line they invariably go for the valencia which is sold at a lower price than we can land our fruit for.

Remember also, we are fortunate to have access to USA and could lose this through lobbying if it was felt we were harming the domestic industry. One only has to look at Argentine lemons or the steel industry to see how unlevel the playing field can become if not managed effectively.

4.

5.0 *The lack of alternatives for marketing and distribution may be leading to the loss of potentially profitable sales. In addition, the sole importer arrangement may not provide any benefits beyond those that can be achieved through voluntary cooperation.*

Remove all trade policy and control powers if this is the attitude. Why restrict the attack to the most lucrative market, that people with hard work and vision were committed to over the last 10 years to produce a “unique” market second to none, to such an extent that others today want to jump on the band-wagon.

In any marriage there are difficulties and the encouragement to work through these is because of the legal bond formed. Without this there is no doubt that there would have been certain times when individuals would have thought that the grass looked greener on the other side.

However as bound by legislation, people put forward alternatives to resolve such issues and in doing so actually strengthened the relationship and allowed it to move forward.

In summary, we refute the findings and recommendation in 7.4 and 7.8 and fully support the retention of the single importer status in USA

Yours truly,

Scott Searles  
Export Manager