

13th March 2002

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

Dear Commissioner Cosgrove / Professor Snape, Deputy Chairman

RESPONSE TO THE CITRUS GROWING AND PROCESSING POSITION PAPER

In response to the Position Paper I wish to address the issues below and look forward to discussing these further at the hearing to be held at Renmark, Friday 15 h March.

Product Labelling

Approximately 25% of navel & 65% of Valencia oranges produced in South Australia are directed to fruit juice and fruit juice products.

A considerable percentage of this is contracted fruit which supplies the fresh juice market and growers receive between \$150-220 per tonne. In general the balance is paid at the world price; this could be as low as \$50 per tonne, however normally ranging between \$80-110. It is uncertain how much of this fruit may actually be used in 100% fruit juice or go to concentrate.

It has been reported that the 'fresh' juice market is growing and growers who supply this market should also benefit in this growth by receiving a fair and reasonable return for their juice fruit. This will result in growers being encouraged to produce good quality fruit to maintain an adequate supply for the growing demand of fresh product.

Australian consumers are increasingly seeking to buy Australian product and therefore becoming more aware of product labelling.

Consumer reports indicate there is confusion over product labelling including 100% fresh juice and 100% reconstituted product.

There should be more distinct labelling of fruit juice, particularly in regard to country of origin, 100% fresh and 100% reconstituted product and the maintaining of at least 3mm (preferably larger) minimum font size lettering.

The Position Paper indicates that the current regulatory arrangements are sufficient and any further compliance should only be considered if benefits outweigh costs.

Why bother to have any regulations if due to cost they can't be upheld. What about the costs already incurred, should they be wasted?

Compliance should be policed strongly then reduced to less stringent 'spot' checking.

- Farm Gate Negotiations

Growers continually feel they are at the mercy of packers/exporters as in most cases their fruit is sold on 'consignment'. The packer/exporters take out their costs with the grower having to accept what's left. There is no guarantee the grower will receive any return at all, however, it would be very rare if the packer/exporter did not cover their expenses.

Over the past few years quite a few South Australian growers have negotiated 'farmgate' or 'whole fruit' contracts with a guaranteed price per tonne. Unfortunately many of these contracts have not been honoured by the packer when the market result is not as predicted. In some cases when threatening legal action to recover contracted prices, growers have been pressured by the packer advising that their action may result in bankruptcy/receivership and therefore no further payments would be forthcoming.

It would be difficult for growers to:

,seek authorisation under existing trade practices legislation to bargain collectively over farmgate prices in negotiations with large buyers'

as generally growers are individually dealing with a number of smaller buyers. It is the packers/exporter who deal with the large buyers (Coles, Woolworths, export markets).

- Off-Farm and Other Horticultural Income

Additional income is necessary for most citrus enterprises.

The Position Paper overstates some other forms of horticultural income (eg wine grapes). Whilst wine grapes have over the past few years been in a boom cycle, this has levelled out with problems also now being experienced. Some prices have halved within two seasons and at least one winery has offered growers \$100 tonne to leave some wine grape varieties on the vine.

The growth of the wine industry and high prices received for wine grapes over the past few years, together with the success of the US market, have been the catalyst for some growers to achieve some form of restructure of their citrus plantings.

Mr Kent Andrew, JP