

LEETON SHIRE COUNCIL

Preserving the Past, Enhancing the Future

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The Citrus Industry Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
Post Office
MELBOURNE VIC 3003

RE: SUBMISSION ON THE CITRUS INDUSTRY

Dear Sir,

I welcome the opportunity to present a submission to your public inquiry on the significant changes and major issues that the citrus industry are facing.

In this submission I would like to impress upon your Commission the significant social, financial and community effects that are being felt due to the difficulties that the citrus industry is facing. I would like to enunciate that through the following features:

- Financial impacts
- Industry Actions
- Government Actions
- Competition Policy
- Barriers to Entry; and
- Social Impacts.

Financial Impacts

It must be recognised that the citrus industry, according to 1996/97 figures was worth \$292M and is therefore a very substantial industry. The industry however has been in decline for the last 12 years and has coincided in the reduction in tariffs on imported frozen concentrated orange juice (FCOJ) from 35% to the current level of 5%. This reduction has eroded the farm gate income from \$340 tonne to currently between \$40 & \$50 per tonne. The effect of a \$10 decrease in

the price of citrus direct to the grower results in a \$2M lost income to the region, according to Peter Davidson then Chairman of the Riverina Citrus Marketing Board, on 28 October 1997 and now President of the Australian Citrus Growers Association.

The current situation involves about 8,000 growers in the Murrumbidgee Irrigation Area who are making losses of \$150 per tonne and obviously this sort of even short term losses, is not viable.

With all these financial impacts that the industry has faced, I turn now to the actions of the industry to determine what they have done to address what has happened in the market.

Industry Actions

The industry have attempted to absorb the above affects by the following actions:

- The industry has expanded its export industry from 30,000 tonnes to 133,000 tonnes.
- There has been significant changes to the number of plantings, which involved the planting of a lot more navels.
- The industry has recognised that there is 300,000 tonnes produced of juicing oranges compared with 170,000 tonnes of processor requirements at the moment.
- The industry has been encouraging growers to reduce the number of plantings, to reduce the overall supply.
- The industry has been very active in coordinating and forming cooperatives to process and export oranges to streamline production processes and improve their industry.
- There has been significant improvements in technology, via controlled irrigation methods, (i) to improve the efficient use of the scarce resource of water and (ii) to save funds and (iii) to improve the environment.
- The use of frost fans is also another means of improving the quality of the product, ensuring a more reliable quantity and quality of fruit.
- Obviously individual growers have made other initiatives and implemented other actions to improve their efficiencies but the above concept shows that the industry has been progressively making significant changes to its industry to improve its productivity, but they are still finding that even this is not enough.

Government Actions

In researching information for your Inquiry, I note that there were various government actions that were going to be implemented back as long ago as 1997 and these included efforts to ensure that trade barriers to our exporting neighbours and other countries were reduced to ensure that the Australian Citrus Industry could compete on an equal footing. There were also issues such as government assistance, taxation relief and funding and development grants considered at that time, but alas I do not believe that they have received the same level of action as what the industry has initiated themselves. Therefore if we are undertaking an Inquiry, it would be better to give the citrus industry a realistic picture of what the government intended to do in terms of assistance and what it can do with agreements it has reached on trade arrangements rather than fobbing the citrus industry off into the belief that certain changes will be made to these international trade arrangements, or financial assistance to them from governments.

Competition Policy

Leading on from the above discussions about reducing trade barriers, we were interested to listen to a deputation in 1997 from one of the growers in the MIA area who indicated that, yes, there was a reduction in the import tariffs into Australia from 35% to 5%, based on the fact that the Australian government had signed off on the world trade organisation GATT agreement to improve free trade. We at that time were given the examples of what would it cost in terms of tariffs, duties and taxes for an Australian producer to import oranges into Brazil and we were advised that it equated to 43%. This highlights the concept that many Australian industries clearly do not compete on a level playing field, as Australia appears to be one of very few countries who have lowered their tariffs to such an extent that they expose their industries to significant dumping from overseas entities, yet are closed out of international markets because of their higher tariffs. I am sure that the government will argue that we still have a significant net benefit in terms of overseas trade, which is true, but it still hides the fact that the citrus industry is being crucified by the dumping practices of other industries. In your issues paper on the inquiry, you indicate whether factors such as the significant reduction from 35% - 5% reduction in quota were too significant and clearly this has proven to be the case.

Speaking on the concept of the level playing field, we also must remember that what we are competing against is the industrial relations policies of overseas countries where they pay their labourers a pittance and in a lot of cases these labourers are children who have to work in oppressive conditions and hours of work. Therefore I believe the level playing field should at least set a minimum benchmark of what we are prepared to compete against and those countries that don't meet those standards, we should not be lowering our tariff position and

giving them the option to dump their produce on the Australian market. Therefore, if the World Trade Organisation established a standard of work conditions that overrode the trade agreement on tariffs, then would that not be the easiest way to alleviate the government's responsibility to reduce tariffs for imports from countries who harvest their product with child labour.

I have spoken above about the dumping concept and I believe that the World Trade Organisation agreements should take into consideration the dumping concept and increase tariffs to cover that component. This could easily be assessed by the level of the domestic price of the commodity in the exporting country as against the price that they are putting onto the international market.

Barriers to Entry

The ability of the citrus industry to react to market changes is obviously impeded by the fact that it takes between 7 – 8 years to get an orange tree to production phase and therefore any changes in the market will often take some time for the industry to react to, and therefore government assistance during this period is obviously needed.

Social Impact

We, at Council often hear and we do see the effect that reduced farm incomes are having on our communities and in particular it is noticeable by the need for farmers to take off-farm jobs and for them to seek government assistance in other forms. This is obviously having significant social impacts on the families as well as a financial impact on the community, in that these farms are obviously no longer employing the level of staff that they did in the past and that they are also now involving the farmer seeking other suitable work which could be provided by some other member of the community.

We are often hearing about rural decline and the movement away from our rural areas and we are wondering why this is happening. We only have to reflect on why we are undertaking a public inquiry into the significant issues that the citrus industry are facing to explain why various rural communities are in decline. The rural industries are being forced to accept unjust prices, whilst the consumer continues to pay higher prices. Another classic example of this is the deregulation of the milk industry, which has seen the price to farmers decrease, yet the price in the supermarket for milk increased. And yet we undertake public inquiries to try and explain why this has happened and what is happening to our rural communities when we are often given the spiel by various governments of how beneficial these types of measures, whether they are deregulation, competition policy reforms, COAG agreements or World Trade Organisation agreements.

The other major social impact that we are finding with the citrus industry issues at the moment is that it does erode the manufacturing base and expertise in our community of a viable agricultural product. Once this expertise is lost or an industry is forced to close down, it is extremely difficult to regain that expertise. We recently received a press report of a processing plant reducing its staffing levels by about 50% and obviously this has far reaching effects on our community and when you add the economic modifier effect, they are far reaching.

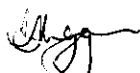
Conclusion

I trust that your enquiry will take into consideration these important effects that are being felt by the citrus industry and that they are not just part of a government process to ensure that a public statement can be made that public submissions were sought and received without taking due consideration of the significant effect and changes that the citrus industry is facing.

I urge you to deal with the far reaching effects that government policy over time, have had on rural economies, on industries that are forced to compete in unlevel playing fields and the adherence to various competition policy reforms, when we are one of very few countries that is properly conforming with the principle to the significant detriment of our own industries.

I look forward to your response on this issue and if I can be of any further assistance, please do not hesitate to contact me.

Yours faithfully,



Phil HIGGINS
Acting General Manager