

DUDLEY MARROWS

MARROWS ESTATES PTY. LTD.

ACN 001 388 085
Horticultural Enterprises



"Summer Gold"

30th October, 2001

Commissioner
Citrus Industry Inquiry
Productivity Commission
LB2 Collins Street,
EAST MELBOURNE 8003



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Dear Sir,

WITHOUT COMMENSURATE ASSISTANCE/PROTECTION TO THAT GIVEN OUR INTERNATIONAL COMPETITORS OUR SMALL VOLUME INDUSTRY WILL, TO OUR NATIONS LOSS, CONTINUE TO CONTRACT.

The industry does not have the necessary profit to maintain variety mix, within the required tree age (25 years and under), with optimum equipment/management levels, to meet constantly changing market requirements.

Markets that are increasing controlled by international merchandisers.

Hence, because of my regard for our industry and of its potential great value for Australia have written at some length.

History: I have had contact with the citrus industry for 67 years!

My first contact with the citrus industry was when I was working with the railways; 1934 on.

The industry was on its knees – until Harold Clapp, Chief Commissioner of Victorian Railways, established fresh juice stands on Flinders Station Concourse.

Then with the advent of war, demand for both fresh fruit and juice sky rocketed.

During the war and for some years after – until Australia became party to the "free" trade agreement, and unilaterally, prematurely, naively dropped tariff to 5%, the industry was very nationally indeed internationally, sufficiently valuable and profitable for governments to sponsor soldier and other closer irrigation settlements.

When, post war first working in the industry, with a wage of 8 pound per week, a case of select grade and size was selling for 10 pounds.

On establishing our first planting, a war era grower told my wife that when it came into production we would not know what to do with the money!

Of possible interest, when preparing for demobilization, I wrote the Victorian Department of Agriculture re prospects for the industry: got back a letter stating that 10 acres of good citrus would provide a comfortable living.

I had served 4 years in the militia and 6 years as a pilot in the RAAF – earning both the Distinguished Service Order and the Distinguished Flying Cross – hence entitling me to be considered for soldier settlement.

Settlements that established many of our irrigation communities!

Just prior to war I had obtained my accountancy degree.

Having opportunity to lease my own section of land, to obtain the vital “soldier settler” loan, at the then concessional rate of 5%?, I was required to work with a recognized successful grower to obtain a qualifying certificate.

I was lucky; obtained a job with the then most prominent progressive grower – Mr. A. D. Leng.

To obtain the loan, I had to agree to plant 2/3rds valencia's, a carry over from the era previously covered.

Additionally as were other soldier settlers also area restricted, I was restricted to planting 25 acres citrus – controlled by water license.

Restrictions that were progressively lifted without appropriate financial assistance to enable existing growers to take advantage thereof.

Today anyone, any entity can grow, subject to obtaining water, any area: Thus, poor economic conditions were made even more non competitive for the “small” soldier settlement sized, outmoded properties.

We now have a problem in adjusting/amalgamating properties in these settlements.

Doubtless the commission will appraise the large area allotments in the Deakin Irrigation Project; and, a similar project in NSW.

To date water supply problems have been the dominant issue.

Unless these projects are market driven, with an acceptable business profit, after setting aside the very significant taxation and G.S.T. benefit, they will be unsound and will increase the problems of the struggling smaller grower.

Despite requests, to my knowledge, the Deakin Committee has not sought/carried out reasonable consultations with growers on markets or industry economics.

Copy of my letter of 26-7-2001 to the Deakin Committee is enclosed.

When tariffs were, abruptly, dramatically lowered without appropriate appraisal of the effect on either the nation, certainly not the citrus industry, all “economic hell” broke out.

Processors, really converters, promptly imported the cheap Brazilian concentrated orange juice: lowering prices for factory fruit to some \$30.00 tonne, well below direct picking costs: indeed some fruit was dumped.

I submit that it is a far more convenient, cheaper, cleaner way, and I believe more profitable, for “processors” to convert imported concentrate, utilizing our water, into consumer drinks than to use uncertain supply of “messy” Australian fruit.

It is only the health conscious, sufficiently affluent that can afford to buy “fresh, single strength Australian juice”.

Fresh single strength Australian juice, hopeful fresh consumer segments, must be major markets.

The low spending power of the far greater percentage of our community can, at the best buy the cheaper reconverted foreign juice or cordial.

The Commission must make itself conversant with the ability of converters to play with words when labeling their product; and, with the lack of government's courage to fully enforce "truth in advertising".

Our industry and the public are materially duped. As stated previously, "all economic hell" broke out: growers, largely powerless, soon felt the drastic fall in their ability make a profit.

They made logical approaches to governments, but were originally clearly "fobbed" off at relevant grower meetings, with successive promises of level playing fields, fair trade, fair go, and equal sacrifices. Promises that were substantiated at a grower meeting on 9th September, 2001.

None of these promises have been honored.

Promises made over an extended period that made it difficult for growers to make timely decisions.

It is essential that the inquiry understands the disastrous effect of the abrupt loss of a "reasonable" factory price: and the vital importance thereof.

It sets a base price for all other sales.

One way or another, other nationals overcome this vital economic need; the South Africans eat factory quality fruit! The European Union, amongst other means, subsidizes growers \$150 tonne for factory fruit.

Our industry should have, but has not, continuously updated, knowledge of assistance/protection given our competitors.

Additionally, assisted by government, the industry must have similar knowledge of production trends of our international competitors.

Profit potential being the major force, I have been given to understand other southern hemisphere countries, particularly in South America (Chile?) are to greatly increase production.

As with South Africa, with lower costs, to supply northern hemisphere markets – particularly USA!

With our ever increasing higher infrastructure costs, little or no protection, and internationally insignificant production the future prospects for our valuable industry lies in the hands of our governments.

Resulting from the industries rapidly deteriorating economic position "marketing" boards were formed.

The M.V.C.M.B. has not been able to halt the deterioration because –

It was not given any relevant power other than to levy growers only.

It brought about a virtual demise of voluntary grower associations: "the board has the money and the responsibility now"

Membership of the board, additional to growers, varying individually from time to time, includes, as voting members, business experts and public servants.

Collectively the board, due to undue continued adherence to the impossible to achieve free trade policy, and to government politics, has had doubts as to both grower production and marketing abilities.

Of interest re government politics, on inquiry why the board did not send representatives to a most important interstate grower/politician meeting, I was informed that one of the boards government representatives had convinced the board, that it was politically improper.

Whilst I have been told that this "problem" has been overcome, it does give indication as to whether the board accepts full responsibility for the industry.

Consequently it has not made sufficient, timely forceful presentations to governments.

Substantiated by formation of this inquiry, and because of chaotic world conditions, I am hopeful that governments are becoming anxious to see what can be done to assist our industry.

Relevant to its existing setup, the inquiry should appraise the industry value of the board.

I submit that without far greater government support; and, change to its constitution, powers, membership, it is of neutral value. The present stagnant state of our areas industry is an indicator.

In the meantime the industry has been allowed to morally and economically deteriorate.

The commission might ask why, with its very high standard of fruit, the industry in our area has stagnated.

We have a potentially nationally valuable industry from growing provisioning, packing, processing, transporting, selling; an industry that is one of the highest users of sorely needed "grass roots" employment.

Although we are in a slack period, I strongly recommend that the commission visits an active citrus packing shed, to view the large number of "grass roots" workers, mainly women, of whom it is quite reasonable to state have urgent need of employment.

The South African Minister of Agriculture has forcefully spoken of the employment value of the South African citrus industry. The same basic employment usage is valued everywhere else – but not here?

Decentralization – now under valued, was a "selling" factor for soldier settlement – both after WW 1 and 2: commitment to community and settler families has been broken – without thanks or compensation.

Closer settlement, with sharing of ideas has brought about significant advances in irrigation technique, land use and other innovations.

Alternative hemisphere, with the bulk of population and wealth in the other hemisphere, surely it must be nationally worthwhile to give our industry the promised fair go!

Wide range of latitude gives Australia a unique extended seasonal supply advantage!

An advantage, which relevant to soft fruits is giving our industry, locally, ever increasing competition; by an increasing range of varieties over an ever increasing seasonal availability.

The long keeping value of citrus, to housewife and retailer alike has long gone!

The commission should compare present day selling values of citrus properties with the cost of establishing new properties, and ask why they are so different.

They should have due regard to the fact that it takes some 10 years from bare ground to full economic production; and, only then will it be known that the selection of varieties planted does meet the then market demand!

With such long term establishing time, water availability doubt adds another unknown – the authorities will only give a 10 year licence.

The commission should know that the pineapple industry has won an anti dumping case against importation of concentrated juice (refer attached).

Applied to our industry this would be of major value. Commission assistance could be of major value!

Probably due to governments indifference, previous grower anti dumping endeavors have, through too many obstacles and lack of assistance, been unsuccessful.

Our overall infrastructure costs, particularly on export, need appraising. Perhaps as governments have an almost impossible task of meeting Australia's dramatically increasing social costs, they are steadily passing on "appropriate" costs on to industry – making them less internationally competitive.

For instance, our board is now having to take over tasks that had previously been undertaken by such as the Departments of Agriculture.

The commission might contact John Bailey, a local grower/packer/exporter who is knowledgeable particularly with relation to export and extraneous costs.

Indeed the commission might consider holding relevant open meetings in this area. There are so many facets to our complex industry.

One being the increasing great force of international merchandising, "a force" that is requiring change.

Viability/value of the industry is directly associated with that of the struggling dried fruit industry; and, perhaps to a lesser extent other vine fruit industries.

Many growers have both citrus and vine fruits.

The commission should consult with rural counselors, accountants, indeed banks!

I extend an invitation to the commission, should they so desire, to visit our properties.

We have 270 acres of citrus, being innovative in endeavors to be producing the right fruit at the right time.

Separate from off property costs (packing, etc) our direct "growing" wages cost last year was \$374,963.00.

Unfortunately, because of the continuous changes required, variety, age of trees, irrigation, machinery, marketing, management, etc we cannot make a profit anywhere near comparable to input.

Indeed, largely due to rapidly rising costs, we are operating at a loss.

Financial papers could be made available if desired.

Regretfully, at the altar of free trade, whilst both in our and other countries, industries are being assisted, our industry is being slowly, thoughtlessly, but intentionally, sacrificed!

I commend creation of the inquiry and await with great interest its findings.

Yours respectfully



DUDLEY MARROWS
A.S.A., D.S.O., D.F.C.