

**Mildura Fruit Company Response to Productivity Commission**  
**“Citrus Growing and Processing” Position Paper.**

Draft Recommendation 7.8

***Horticulture Australia Limited should give serious consideration to discontinuing the requirement that citrus exporters use a single importing agent in the United States.***

Mildura Fruit Company (MFC) does not support Draft Recommendation 7.8 and holds the view that single importer arrangements in the USA deliver benefits to growers and packers that would not be possible if single importer licensing arrangements were removed.

- Single importer arrangements allow the importer to control the volume of Australian citrus delivered to the market to achieve “farm gate” fruit values which are typically superior to the returns for the equivalent fruit in any other world market.

(MFC will supply information to the Productivity Commission during the public hearing on Thursday March 14, which compares the returns, (farm gate fruit values for Navel oranges), from the US market with the weighted average return from all other markets, for Season 2001.)

In addition to limiting the supply of Australian citrus to achieve predetermined price targets, the single importer arrangements enable the importer to have a strong influence on other conditions of supply, (e.g. fruit quality, packaging, manifest, supply schedule, etc.), so that the US market is supplied with Australian citrus of a quality, size distribution and delivery timing that best meets the demand of the US customers.

The control / influence that DNE World Fruit Sales can exercise over the Australian citrus program to USA is more easily managed with the concentration of greater than 95% of Australian citrus exports to USA through the single coordinating organisation, Riversun Export Pty. Ltd. Importantly, Riversun can only deliver the superior pricing to growers from the USA market because of the benefits of single importer licensing in USA. Riversun could not achieve this result by coordinating supply to a deregulated market of multiple importers.

- The superior prices that Australian growers have received from the US market over the past 10 years of supply, provide DNE, as sole US importer of Australian citrus, with the leverage to negotiate “conditions of supply” with the citrus industry in other southern hemisphere supply countries, when citrus access to USA is granted.

This was achieved with the South African citrus industry, by the formation of an alliance in season 2001. This alliance arrangement covered an estimated 70% of the South African Navel volume destined for USA. DNE became one of three major importers for South African citrus in 2001.

The 2001 US market was serviced by three major importers of southern hemisphere Navels in 2001. Because DNE handled greater than 65% of the combined South African and Australian Navel volume in 2001 and because

demand exceeded supply for most of the season, the loss of single importer arrangements for southern hemisphere oranges (pre S. African Navel supply) only had a minor downward impact on pricing.

The ability to form an alliance with competitor supply countries to manage volume, size, quality and importer arrangements to achieve mutually agreed target price levels would not be possible if the Australian industry supplied the US market through multiple importers.

- Single importer arrangements deliver benefits to the Australian industry as a result of the importance the Australian business represents to DNE, as USA's leading citrus category manager. DNE supplies US supermarkets with year round citrus. Southern hemisphere supply from Australia is critical to this continuity of supply. This sharpens DNE's commitment to work with the Australian industry to deal with major problems that threaten quality and/or supply. This has been evident during past seasons with the response by DNE to phytosanitary problems and in particular to the organisation and management of large scale repacking programs following major problems with orchard freeze damage (1998) and skin breakdown (2000).

In a deregulated market, the delivery of citrus with the arrival problems encountered in the US market in 2000, would have probably resulted in importer rejection for delivery of "out of specification" product. (This was MFC's experience in many other markets in 2000.) The special position of "sole importer" carries a responsibility and commitment to the supply country to work through product difficulties. In 2000, DNE arranged repacking of all citrus showing rind breakdown, (42% of pallets), and in so doing protected the market from substandard product and preserved the reputation of Australia as a supplier of quality citrus....in appearance and flavour.

MFC's experience in deregulated markets in 2000 is that importers would have quit the stock at "market value" if the single importer arrangement was not in place in USA. This would have delivered a reduced price to the grower and certainly damaged Australia's reputation as a supplier of quality citrus.

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