



Comments on the Issues Paper for the Productivity Commission Inquiry:

CITRUS GROWING AND PROCESSING

The submission by NSW Agriculture addresses the issues in the Issues Paper:

What roles have various governments played in developing the citrus industry in Australia?

The Commission is seeking information on Federal, state and territory assistance programs targeted at the citrus industry. In particular, information is sought on the objectives of the programs, levels and types of assistance offered, and the effectiveness of the schemes.

Introduction

NSW Agriculture is involved in three areas of assistance which relate to the development of the citrus industry:

- research and extension;
- quarantine and pest/disease control; and
- levy collection legislation for the general provision of industry services.

NSW Agriculture has been involved in all these three areas for a long period, and the focus of each type of assistance has changed over time. This submission addresses the current focus.

Research and Extension

During the early nineties significant research effort was focussed on finding parasitic, non pesticide, means of controlling important citrus pests, and on the investigation of orchard management techniques for improving the juice productivity of Valencia oranges, which included evaluation of other orange varieties for juice production.

In the mid nineties, the Department promoted market focussed planning, and programs were adjusted to include the evaluation of the markets for citrus which in turn influenced research and extension. During this period research programs devoted significant effort to investigations to improve quality assurance systems, based on market requirements. Research on juicing

varieties declined in favour of quality assurance programs for navel oranges, for which important markets were developing, first in SE Asia and later in the USA.

At the same time, the declining market for juicing valencias focussed extension effort on advice on variety replacement, and on producing navels to market specifications. Between 1996 and 2000 NSW Agriculture's citrus program cost an average of \$1.86 million per annum, including salaries.

In 2000, NSW Agriculture developed a five year strategic plan for research and extension activities for the citrus industry. That plan has now been directing activities for 18 months.

On the basis of time allocation of professional staff for projects under the plan, 32 per cent of the effort is devoted to projects concerned with market access:

- research into orchard management practices that optimise the production of market sized fruit;
- citrus disease diagnostics and surveillance for area freedom;
- research into irrigation management for timely production of fruit to meet market demand; and
- research into post-harvest treatments of export fruit.

27 per cent of the effort is devoted to general husbandry techniques, particularly for the control of Light Brown Apple Moth. 17 per cent has been devoted to research into new varieties of citrus fruit to replace current varieties, particularly types of mandarin for export, and 25 per cent has been devoted to rootstock research; screening them for viruses and disease resistance.

The program cost \$1.73 million in 2000-2001, and employed 11 full time staff.

In the past decade, which has seen the decline in tariff protection for the local juice industry, there has been a corresponding shift in the work of NSW Agriculture. Research has been directed toward the development of alternative citrus markets, including support for the growth in exports of navel oranges to SE Asia and the USA.

Quarantine and pest/disease control

The single most significant threat to the citrus industry of SE Australia is the Queensland Fruit Fly because of the requirement for area freedom from it for exports to many destinations. NSW Agriculture is a significant participant, in terms of staff resources and funding, to the control program in the three south-eastern states.

New South Wales joined the Commonwealth, Victoria and South Australia and fruit industry organisations as signatories to a Memorandum of Understanding (MOU) in August 1996 to establish the Tri-State Fruit Fly Strategy. The objective of the strategy is to facilitate export and interstate

marketing of fruit by preventing fruit fly outbreaks and maintaining “area freedom” status. This objective is being achieved by establishing a Fruit Fly Exclusion Zone (FFEZ) in south east Australia. As part of the strategy, NSW Agriculture took on the responsibility of developing the Sterile Insect Release Technology, which included the establishment of a sterile fly “factory”. NSW Agriculture, as do the Governments of Victoria and South Australia, also supervises and mans the quarantine program that is part of maintaining the FFEZ.

Control measures under the Tri-State Fruit Fly Agreement represent a form of collective, coordinated action under a government program, which results in more effective fruit fly control and also lower use of pesticides than would otherwise be the case. In the year 1999-2000, NSW Agriculture spent \$4.55 million on the Queensland Fruit Fly control program.

In the MIA the Riverina Citrus Committee, an industry representative body, contributes approximately \$80,000 per annum to the program, most of which goes towards activities carried out by staff of NSW Agriculture. The Committee also undertakes a local community awareness program and urban backyard spraying of non-commercial trees.

Levy collection legislation for the general provision of industry services

NSW legislation, the Marketing of Primary Products Act 1983, was used to authorise the initial constitution of the Murray Valley Citrus Marketing Board and the former MIA Citrus Fruit Promotion Marketing Committee, now called Riverina Citrus.

The Murray Valley Citrus Marketing Board was reconstituted jointly in NSW and Victoria under complementary legislation in each state in 1989, under Acts specific to the Board.

Both the Board and the Committee, as statutory authorities, are monitored and assisted by government and NSW Agriculture has been pro-active in this regard. Both the Board and the Committee are authorised to collect a compulsory charge from citrus producers in their defined areas. Originally, both authorities were authorised to remit some of the collection to voluntary industry bodies (local associations and ACG Inc), and they applied the remainder to the provision of services to the industry in the area they served.

Both authorities have been reviewed under National Competition Policy¹ and reviews have recommended that compulsory collection of funds in support of industry associations be discontinued. Reviews have also provided an opportunity to examine how and to what compulsorily collected levies can be applied², and NSW Agriculture is supervising legislative and procedural change needed to implement more specific applications.

The options for this to be satisfactorily implemented in New South Wales are favourable, since the making of the Agricultural Industry Services Act 1998. This legislation has been made specifically to authorise the collection of compulsory charges from producer groups in order to fund the provision of certain industry services: services which market failure inhibits the private sector from providing effectively.

In reviewing the operations of the Citrus Committee and the Citrus Board, the provision of such services were identified and justified under Competition policy, on public benefit grounds. In both cases this applied to the collection of charges in financial support of:

- the control of fruit fly for the achievement of area freedom;
- the generic promotion of citrus fruit, as a product that could not be differentiated by individual businesses which marketed it;
- the conduct of research and development, and extension of its findings, for enhancing productivity; and
- the identification of export markets and participation in the negotiation of product specifications and quarantine treatments.

In NSW, the Agricultural Industry Services Act 1998 authorises the constitution of service committees provided that:

- the services to be provided have due regard for Competition Policy (they are subject to market failure);
- a services committee publishes an operational plan which specifies overall funds required and the charges to be subsequently applied, and it presents it to a general meeting of constituents; and
- a proposed service committee has the majority support of constituents.

¹ The review of the MIA Citrus Fruit Promotion Marketing Committee was undertaken by a Review team convened by the NSW government and was completed in late 1997. Its recommendations led to the making of a revised marketing order that clarified the authority and procedures for application of the compulsory charge to specific services.

The review of the Murray Valley Citrus Marketing Board was conducted jointly by the NSW and Victorian Governments and undertaken on their behalf by the consultants, the Centre for International Economics. The review was completed in late 1999 and implementation of its recommendations is still in progress. The aim is to reconstitute the Board in a way that the authority to collect charges can be tied to the provision of approved services, and this will probably require legislative change, which is being negotiated at the present time.

²Copies of the Final Report of each review are attached.

In relation to the Murray Valley Citrus Marketing Board, changes are being coordinated with the Government of Victoria. The most favoured option is for the Board to be reconstituted as a Services Committee, but under Victorian legislation that is similar to the NSW Agricultural Industry Services Act 1998. In order to avoid the need to also reconstitute the in NSW under the Services Act, this option includes an examination of the option for Victorian legislation to authorise collection of a compulsory charge in NSW.

How governments intervene in the citrus industry will have important implications for its future competitiveness. With respect to compulsory charges for services, important issues will be achieving consistency across jurisdictions in services funded through such arrangements. A further issue of complementarity also arises with respect to those services most appropriately funded through Commonwealth levy arrangements and those funded through State levy arrangements.
