

25 March 2002

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

Dear Sir

PC Inquiry: Citrus Growing and Processing

Attached is a submission made on behalf of the QFVG Citrus Committee, in response to the draft report on Citrus Growing and Processing.

Yours faithfully

Chris Simpson  
Program Manager - Citrus



Productivity Commission Inquiry

## CITRUS GROWING AND PROCESSING

Submission by

Queensland Fruit & Vegetable Growers Ltd

In response to the draft report  
released on 12 February 2002

March 2002

## **1. General Comments on Draft Report**

The Citrus Committee of Queensland Fruit & Vegetable Growers (QFVG) makes this submission in response to the Productivity Commission's draft report on Citrus Growing and Processing.

In general terms the Queensland citrus industry felt that the report offered very little that would further the interests of the citrus industry.

The report and recommendations were found to be quite disappointing for a number of reasons, as follows:

- some of the recommendations were broad brush, and there is little indication of how they would be translated into meaningful implementation action by government – e.g. draft recommendation 7.1 – Compliance costs of superannuation, compensation and immigration policies;
- many important issues raised in submissions were either not addressed, glossed over, or dealt with in a fairly superficial manner e.g. problems with domestic marketing system, improvements to the system for accessing new export markets, the regulatory burden on industry (differentiating between supportive regulations and onerous regulations) etc.
- the Commission appears to have lost the confidence to recommend noteworthy structural measures; maybe it feels that government agencies will no longer take heed of PC recommendations and has therefore chosen to play safe and deliver recommendations around maintenance of the status quo – e.g. labelling laws, industry assistance measures.
- the Commission has put its own economic rationalist/deregulatory philosophies ahead of the argument and evidence presented in submissions, in formulating its recommendations – e.g. Draft recommendations 7.6, 7.7 and 7.8.

## **2. Orderly Marketing Arrangements**

The QFVG Citrus Committee questions how the PC can arrive at recommendations to curtail or dismantle orderly marketing, given the significant body of evidence presented which shows that these arrangements have been a raging success.

QFVG is concerned about the manner in which the PC has arrived at these recommendations, for the following reasons:

- the recommendations are underpinned by the Commission's own economic rationalist/deregulatory philosophies, rather than being derived from the evidence presented in submissions.
- The submissions received appear to have been scoured to find comment which supports the PC's mindset, rather than the submissions being used to build a picture of a problem and to develop a solution.
- The Commission appears to have given significant and undue weight to one particular submission made by commercial interests in a downstream sector. The Commission has questionable judgement in leaning so heavily on the views of this company, as the principals of the company do not have an unblemished financial track record..

- The Commission has quoted this organisation (QFVG) out of context to support the recommendations made, and in so doing has misrepresented the policy of the QFVG Citrus Committee on orderly marketing.

### 3. Queensland Position on Orderly Marketing

On pages 144-145 the draft report quotes the initial QFVG submission, as follows:

*QFVG suggested:*

*Queensland growers have a fairly independent spirit, and for the most part don't support new regulatory measures such as... single desk/ sole importer arrangements.*

This quote was included in the submission to illustrate the entrepreneurial and independent mindset of many Queensland citrus growers; not as a statement of policy on orderly marketing arrangements.

The Queensland citrus industry was not supportive of the concept of orderly marketing when introduced in the late 1908s. It saw this as a potential interference in long established export marketing arrangements and relationships. However, Queensland did agree to its introduction, on the basis that export licensing would be confined to new markets.

This policy has been successfully followed for over 10 years, with export licensing and single desk importer arrangements established for the USA market when access was granted in 1992; when Taiwan was re-opened with a 600 tonne quota in 1997; and now for Korea. Conversely, export licensing has not been imposed on long established export markets for the Queensland citrus industry such as Singapore, Hong Kong, Japan, Indonesia and Canada.

With this strategic implementation of orderly marketing, export licensing has not been a major issue for Queensland citrus, as Queensland does not enjoy access to the USA (for quarantine reasons), had limited access to Taiwan (as the quota excluded mandarins), and also has limited involvement in Korea (as mandarins are excluded from this market as well).

The Queensland citrus industry continues to support the strategic use of export licensing, recognising the enormous benefits delivered to the Australian citrus industry as a whole and appreciating that orderly marketing has been implemented in a manner which has not disturbed long standing commercial relationships in traditional markets.

It should be recognised that market access developments have been achieved largely through the work (initiatives and funding) of the growing sector - levies for R&D programs that have been required for the development of quarantine protocols and to underpin access negotiations; and funding of industry organisations (national and state) who have pursued on a long term basis (and who continue to pursue) these market access objectives. On the other hand, the commercial export sector has made no similar investment in measures to open up new export markets.

The citrus industry sought orderly marketing arrangements in the first place because of the unsatisfactory marketing practices (particularly price undercutting – at growers' expense) of commercial exporters, particularly in Asian markets. Now that the industry has been able to develop new markets with stability and viability,

underpinned by export control powers, the industry should be entitled to retain these arrangements to reap the benefits of many years of effort and investment that have gone before.

It would be unfortunate if the Productivity Commission maintained its recommendations which would curtail or dismantle these successful arrangements because they might be impure in economic nationalist terms, given that they are WTO legal and virtually revenue neutral for government.

The QFVG Citrus Committee requests that the Productivity Commission deletes the quote attributed to QFVG on pages 144-145 of the draft report, on the basis that it misrepresents QFVG policy on orderly marketing.

#### **4. Conclusion**

The Productivity Commission inquiry into Citrus Growing and Processing has placed a significant load on industry resources, as the industry has responded to the inquiry in a responsible manner.

This load has comprised the human and financial resources in researching and preparing submissions, engaging consultants, hosting the PC to growing areas, dealing with PC staff, and participating in public hearings.

The citrus industry is of the view that on an economic cost/benefit basis, the considerable industry resources applied to this inquiry have been a poor investment, given the meagre outcomes delivered to the Australian citrus industry.