

Australian Government Productivity Commission

By E-mail: fruit.safeguards@pc.gov.au

Attention: Carole Gardner / Alex Maevsky

Your Ref:

Our Ref: M187/20130717

Date: 17 July 2013



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Dear Productivity Commission,

SAFEGUARD INQUIRY INTO THE IMPORT OF PROCESSED FRUIT PRODUCTS

I refer you to the above matter and our correspondence on the 16th of July 2013 in terms of which we requested a possible extension to submit our submission. I also refer you to our correspondence of 17 July 2013 in which we requested the disclosure of the supporting documentation referred to below. We confirm that we would appreciate it if we could still receive same as we would like to make an additional submission.

I confirm that I am submitting this submission on behalf of the South African Fruit and Vegetable Canners' Association. In this regard please do refer to the required cover sheet as well as the attached power of attorney.

A. Increase in imports

- I. An increase in imports is the normal and indeed the expected consequence of trade liberalisation. As such it is not any increase in imports that allow for safeguard action to be taken, but only increases in imports qualified by certain conditions and circumstances.
- II. The first condition is that the increase in imports must result from "unforeseen developments" as set out in Article XIX:1 of the GATT 1994. We note that the WTO Appellate Body¹ concluded that the meaning of the phrase "as a result of unforeseen developments" in Article XIX:1(a) of the GATT 1994 means that the increased quantities of imports should have been "unforeseen" or "unexpected". In this regard the Appellate Body noted that the phrase "in *such* increased quantities" in Article 2.1 of the *Agreement*

¹ Argentina – Footwear (EC) - WT/DS121/AB/R
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on *Safeguards* and Article XIX:1(a) of the GATT 1994 is meaningful to this determination. As such the Appellate Body found that the determination of whether the requirement of imports "in such increased quantities" is met is not a merely mathematical or technical determination. In other words, it is not enough for an investigation to show simply that imports of the product this year were more than last year – or five years ago. Again, and it bears repeating, not just *any* increased quantities of imports will suffice. There must be "*such* increased quantities" as to cause or threaten to cause serious injury to the domestic industry in order to fulfil this requirement for applying a safeguard measure. And this language in both Article 2.1 of the *Agreement on Safeguards* and Article XIX:1(a) of the GATT 1994, requires that the increase in imports must have been recent enough, sudden enough, sharp enough, and significant enough, both quantitatively and qualitatively, to cause or threaten to cause "serious injury".

- III. In addition the WTO Appellate Body² stated that the ordinary meaning of the phrase "as a result of unforeseen developments" requires that the developments which led to a product being imported in such increased quantities and under such conditions as to cause or threaten to cause serious injury to domestic producers must have been "unexpected". This must be demonstrated as a matter of fact in order for the safeguard measure to be applied.
- IV. It is submitted that the increase in imports as contained in the Australian Notification under Article 12.1 (A) of the Agreement on Safeguard on Initiation of an Investigation and the Reasons for it (the "Safeguard Notification")³ does not comply with these conditions.
- V. Firstly the information presented on pages 2 and 3 (and indeed elsewhere) of the Safeguard Notification does not show whether the increase in imports are as a result of unforeseen developments and are therefore unexpected. If one indexes the information using the 2007/2008 year as a base year⁴, the data shows that the increase in imports is indeed not due to unforeseen developments.
- VI. In most instances that data reveals the increase in imports has been rather small and constant. Save for the imports of apricots (2008.50.00), peaches including nectarines (2008.70.00) and mixtures (2008.99.00) the overall increase from the base year is rather minute and as one may expect in the normal course of trade. In one instance there has been a decrease from the base year. The trend that the data does reveal is

² Korea – Dairy - WT/DS98/AB/R

³ G/SG/N/6/AUS/4

⁴ Please refer to Annexure A annexed hereto.

that the increase has been constant and is thus not due to unforeseen developments⁵. As the trend in the increase can be observed for some time, it cannot be considered to be a sudden increase as is required under the WTO Agreement on Safeguards. It is thus legitimate to infer that the problem experienced by the Australian domestic industry (SPC-Ardmona) is not one of a surge in imports. There seems to be an impression both by SPC-Ardmona and the submissions in favour of the petition by SPC-Ardmona that the alleged injury is caused by cheap imports. This may suggest that the problem lies with either dumped or subsidised goods (the imposition of which was recently abandoned by the Australian Government). Spain and China previously faced anti-dumping duties and countervailing measures. In this regard it is significant to note that China is a major source of imports of the subject product and that SPC-Ardmona imports the subject product from Spain and China⁶.

VII. Secondly⁷, the increase in the imports does not occur in such increased quantities to cause or threaten to cause serious injury. Annexure A and the information presented on pages 2 and 3 (and indeed elsewhere) of the Safeguard Notification reveals that the increase in imports is therefore not recent enough, sudden enough (this is true for all of the tariff subheadings), sharp enough (this true all of the tariff subheadings), and significant enough (this is true for the following tariff subheadings: 2008.30.00, 2008.40.00, 2008.97.00, 2008.92.00 and 2008.99.00) both quantitatively and qualitatively, to cause or threaten to cause serious injury.

VIII. The Safeguard Notification on pages 3 and 4 refers to the increase in imports from the 2000/2001 financial year to the most recent financial year. It is submitted that the comparison made between the 2000/2001 and the most recent financial year is deceptive and incorrect as it cannot demonstrate that the surge in imports was recent or sudden as required by the WTO Agreement on Safeguards. A correct approach would be to consider the imports over a more recent period such as from the 2007/2008 financial year to the most recent financial year. In addition one cannot just compare the beginning of the period (2007/2008) with the end of the period (2011/2012) as one is required to consider the trends in imports over the period of the investigation. It is submitted that such a consideration will lead to a finding that the increase is not recent enough, sudden enough, sharp enough or significant enough to support a finding to impose safeguard measures due to serious injury being suffered or an imminent threat of serious injury.

⁵ We elaborate in this submission on other factors to be considered showing that the increase in imports are not due to unforeseen developments.

⁶ See *infra*.

⁷ As stated *supra*.

- IX. The supporting data⁸ on which reliance is placed does not contain the data for the calendar years 2001 to 2012. We have requested the Productivity Commission to provide us with the complete data set. This will allow us to conduct a detailed analysis of the data and to comment thereon in a comprehensive fashion. As we only recently became aware of the deadline we cannot obtain this information in time to consider it either from the Productivity Commission, the Australian Customs Service or the Australian Bureau of Statistics.

B. Serious Injury

- I. Article 4 of the WTO Agreement on Safeguards requires that all relevant factors of an objective and quantifiable nature having a bearing on the situation of the Australian domestic industry must be considered in order to determine whether there is serious injury or a threat thereof.
- II. In particular the following factors need to be taking into account:

a. the rate and amount of the increase in imports

As mentioned in paragraph A hereof, there has been a slow, minor and constant increase in the imports. It is submitted that neither the rate nor the amount of the increase is responsible for any alleged serious injury or threat thereof.

b. the share of the domestic market taken by the increased imports

We could not obtain any details hereon in the limited time at our disposal and hence cannot comment thereon in this submission. We do however draw the Productivity Commission's attention to Annexure E⁹. It would seem that SPC-Ardmona sources the subject product from some of the countries (being China and Spain) which have previously had anti-dumping duties and countervailing measures imposed against its imports. It also sources from South Africa. Yet, the Safeguard Notification claims that China and South Africa are the major sources of Australia's processed fruit imports. This evidence does not support a finding that SPC-Ardmona is suffering any serious injury or a threat thereof.

⁸ <http://www.pc.gov.au/projects/inquiry/fruit-safeguards/data> - accessed on 17 July 2013.

⁹ Annexure E is a copy of a presentation by SPC Ardmona at the 9th World Canned Deciduous Fruits Conference in March of 2009.

c. *changes in the level of sales*

We do not have data on the level of sales. However Annexures C and D do state that the prices paid for certain of the fruits used in the subject product has increase substantially since 1981/1982 (and indeed 2000/2001 as well as 2007/2008). This is not indicative of a domestic industry that is suffering serious injury or a threat thereof, especially where the industry is virtually vertically integrated with the only canner and the canner (in this case really the domestic industry being SPC-Ardmona) will set the prices paid for fruits used in the subject product.

d. *changes in the level of production*

- i. We refer to Annexure B¹⁰, Annexure C¹¹ and Annexure D¹² annexed hereto in terms of which we highlight certain of the production trends.
- ii. Annexure B states that for pears, seasonal and climatic factors (and not imports) have affected production in recent years, which would in turn affect the production of subject product falling within tariff subheading 2008.40.00. Annexure B states that the canning pear hectares under production has decreased by 10% during 2006 to 2009, whilst Annexure C in turn states that the canning pear hectares under production has decreased by 11% during 2006 to 2010 and that crops yields have reduced due to climatic conditions and not imports. This would thus clearly explain the slight (also 11%) increase in imports during the 2011/2012 financial year. Annexure D again confirms that there has been a reduction in hectares under production for pears. As stated in below in paragraph v, it is clear that this reduction is not related to any increase in imports. Annexure D also confirms that crops yields have reduced due to climatic conditions and not imports. Annexure E further confirms that climatic conditions pose a risk for SPC-Ardmona and not imported products.
- iii. Annexure B states that there has been a reduction in the planted area for apricots over the last 5 years. In addition trees that have been removed due to age have not been replanted. Annexure C states that the hectares under

¹⁰ This is a presentation made by Ivan Routely (the same person having made the First Submission to the Productivity Commission as found on <http://www.pc.gov.au/projects/inquiry/fruit-safeguards/submissions> - accessed 17 July 2013) during March 2009 at the 9th World Canned Deciduous Fruit Conference on behalf of the Canned Fruits Industry Council of Australia.

¹¹ This is a presentation made by Simon Mills during August 2010 at the 10th World Canned Deciduous Fruit Conference on behalf of the Canned Fruits Industry Council of Australia.

¹² This is a presentation made by Simon Mills during June 2012 at the 11th World Canned Deciduous Fruit Conference on behalf of the Canned Fruits Industry Council of Australia.

production for canned apricots have been reduced by 31% over the 2006-2010 period, whilst Annexure D states that over the 2007-2011 period the hectares under production was reduced by 41%. As stated in below in paragraph v, it is clear that this reduction is not related to any increase in imports.

- iv. Annexure C states that there has been a reduction in the hectares under production for canned peaches of 12% over the 2006-2010 period. Annexure D in turn states that over the 2007-2011 period the hectares under production was reduced by 15%. As stated in below in paragraph v, it is clear that this reduction is not related to any increase in imports.
 - v. In addition to the production factors listed above for pears, peaches and apricots, Annexures B, C and D further confirm that the following factors have had an influence on the production as well as on the hectares under production. The first factor is that the grower costs have increased substantially. The second factor is that there has been a continuous drought for over 10 years in Australia. A third factor is that there is low irrigation water allocations which would result in less production or more costly production. A fourth factor is that there is an increased risk of frost due to drier soils. Annexure E further confirms that climatic conditions pose a risk for SPC-Ardmona and not imported products.
 - vi. There has also been a decrease in the number of growers whose fruit is used in the canning of the subject product. Annexures B, C and D confirms that the number of growers have decreased from 240 to 210. This decrease is however as a result of supplier rationalization. In other words it is the reorganisation by the only canner (SPC-Ardmona) of suppliers (growers) in order to increase its efficiency. As such the reduction is related to an efficiency decision by SPC-Ardmona and not by the imports. Other factors mentioned in this submission could also likely contribute to the reduction of suppliers and these factors are more likely the cause than any imports.
 - vii. The decline in production is clearly due to the factors mentioned above and not as a result of any imports contrary to that claimed in pages 3 and 4 of the Safeguard Notification.
- e. *changes in the level of productivity*

It would seem as if the changes in the level of productivity have been influenced by the factors listed in this submission and not by any imports.

f. changes in the level of capacity utilization

Annexures B, C and D state that the capacity remained constant, however due to factors other than imports, the full capacity was not utilized or at the very least realised.

g. changes in the level of profits and losses

We note from Annexures B and C that growers derived only 35% of the total business farm gate income from canning fruit through SPC-Ardmona and the balance of the income from fresh market varieties. However Annexure D states that growers now derive 40% of the total business farm gate income from canning fruit through SPC-Ardmona. This increase in earnings must be taken into account by the Productivity Commission as it does not support a finding that any imports are causing serious injury or a threat thereof to the domestic industry.

A further point to take into consideration is that of the substantial investment made by SPC-Ardmona. This is evidenced in Annexure E¹³. A domestic industry would not invest that amount of money if it was indeed suffering serious injury or a threat thereof.

h. changes in the level of employment

Annexures B, C and D state that the wages now account for up to 65% of the annual costs in some varieties of deciduous fruit produced for canning. This is clearly a factor which would result in injury to the domestic industry and cannot be attributed to the imports.

III. It is submitted that the factors listed above in paragraph II do not support a finding that there is serious injury or a threat thereof. These factors also detract from a finding that there is in fact a causal link between the increased imports and the serious injury or threat thereof.

¹³ Annexure E is a copy of a presentation by SPC Ardmona at the 9th World Canned Deciduous Fruits Conference in March of 2009.

- IV. Article XIX of the GATT 1994 not only requires that the increase should have been as a result of unforeseen developments but also due to the effect of the obligations incurred by Australia under the GATT 1994. It is submitted that the increase is not as a result of the obligations incurred but as a result of the factors listed in this submission. One additional factor is worth mentioning in this context. Firstly Annexures B clearly states that the Australian dollar and the United States dollar exchange rate was at 17 year high. This will clearly have an effect on the volume of imports and will be a key consideration for exporters and not the tariff commitments of Australia on the subject products. Annexure E further confirms that exchange rate fluctuations pose a risk for SPC-Ardmona and not imported products.
- V. In addition Annexure E states that SPC-Ardmona suffers from a lack of innovation and inefficiency and does not suffer any injury as a result of imports nor does it see the imports as a risk. A further consideration is the global financial crises which SPC-Ardmona recognises could be a risk. Again no consideration is given to any imports.
- VI. Article 4 of the WTO Agreement on Safeguards further requires that there be a causal link between the increased imports and the serious injury. Some of the factors listed in this submission clearly cause injury, which should not be attributed to the imports of the subject products. It is submitted that there is no causal link or indeed any factual evidence (mere conjecture is insufficient) that the imports are in fact causing the serious injury or clearly imminent threat thereof. The Productivity Commission should not attribute the injurious effects of all the other factors contained in this submission to the imports.

C. Conclusion

Due to the submissions made above, it is clear that there hasn't been any surge in imports as required by the WTO Agreement on Safeguards, nor has the domestic industry suffered any serious injury or threat thereof. It seems clear that there are numerous other factors which cause injury to the domestic industry; however this is unrelated to the imports. The imposition of a safeguard measure in this instance would not conform to the WTO Agreement on Safeguards. As a result WTO Member Countries would be able to rely on Article 8 of the WTO Agreement on Safeguards which would allow them to insist that Australia maintains a substantially equivalent level of concessions and other obligations, failing which, they will be able to suspend substantially equivalent concessions or other obligations. Alternatively they may have recourse to the WTO's dispute settlement body.

I thank you for the opportunity to submit our submission and look forward to hearing from you in due course.

Yours faithfully

Rian Geldenhuys
Director

Annexure A

Indexed results using 2007-2008 as the base year					
Imports of citrus fruit 2008.30.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	1061647	721806	667902	1098988	1161342
percentage	100.00%	67.99%	62.91%	103.52%	109.39%
Imports of pears 2008.40.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	1864034	1226892	1334078	1763003	2076775
percentage	100.00%	65.82%	71.57%	94.58%	111.41%
Imports of apricots 2008.50.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	1202143	1384972	1164482	1627389	2378177
percentage	100.00%	115.21%	96.87%	135.37%	197.83%
Imports of peaches incl nectarines 2008.70.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	6446820	6511185	5826782	9100998	9338104
percentage	100.00%	101.00%	90.38%	141.17%	144.85%
Imports of mixtures 2008.97.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	0	0	0	0	3551999
percentage	no finding of a surge imports can be made as this code				

	only became operation in January 2012 and the data for 2008.92.00 reveals a substantial decrease in imports.				
Imports of mixtures 2008.92.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	5373253	4206987	6181069	7825336	4421904
percentage	100.00%	78.29%	115.03%	145.63%	82.29%
Imports of mixtures 2008.99.00	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Volume	17628256	17379078	18278129	24323473	25749764
percentage	100.00%	98.59%	103.69%	137.98%	146.07%

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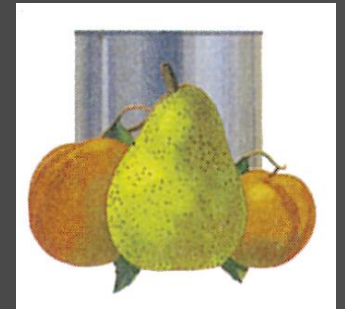


AUSTRALIA

COUNTRY REPORT



Canned Fruits Industry Council of Australia



9th World Canned Deciduous Fruit Conference

Shepparton, Australia
March 29-31 2009.

Presented by

Ivan Routley

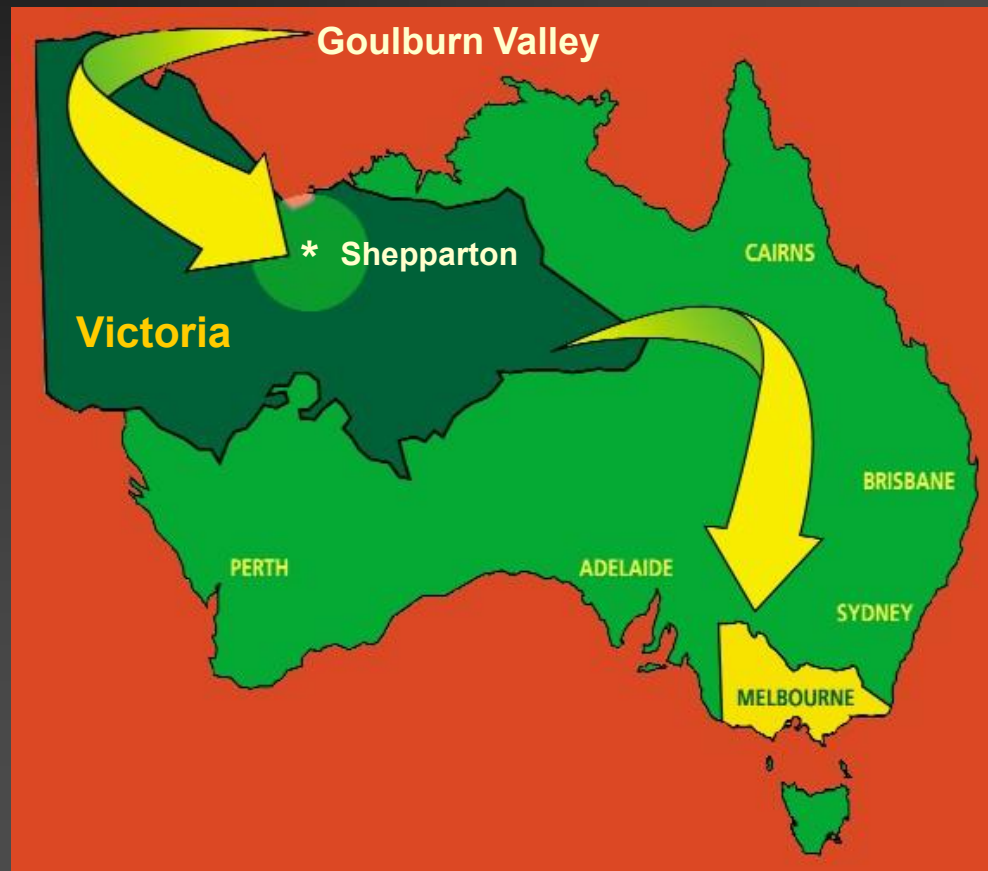
Canned Fruits Industry Council of Australia



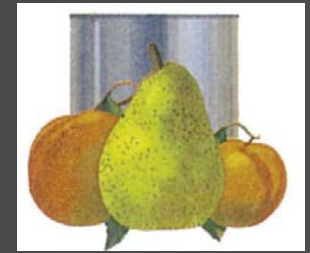
■ Background

- The Canned Fruits Industry Council of Australia is the peak industry organization
- CFICA represents the interests of both growers and the canner.
- There is now only one growing region in Australia;
 - Goulburn – Murray Valleys, Victoria. (within 80km of Shepparton)
- Since the merger of SPC and Ardmona in 2002, there has only been one Australian canning fruit processor, operating three factories in Victoria.
- In 2005 SPC Ardmona became a wholly owned subsidiary of Coca Cola Amatil.
 - CCA is an Australian beverage manufacturer , and the sole bottler of Coca Cola products in the region.
- Approximately 240 growers supply deciduous fruit to the canner.
 - A reduction of 25% since the commencement of rationalization in 2006.

Canned Fruits Industry Council of Australia



Canned Fruits Industry Council of Australia



■ Production Trends

■ Peach

- Increased plantings of peach during the mid 1990's.
- Plantings have reduced and now stabilised
- Variety improvement have resulted in yield gains

■ Pear

- Seasonal and climatic factors have affected production in recent years.
- Reduction in area planted to WBC (Bartlett)

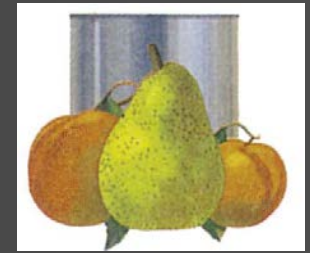
■ Apricot

- Reduction in planted area in past 5 years
- Trees removed due to age have not been replaced

Canned Fruits Industry Council of Australia



Canned Fruits Industry Council of Australia



■ Production Issues

- Continuous drought in SE Australia for 10 years
- Low Irrigation Water allocations
 - Grower can purchase incremental water on temporary market
- Increased Risk of Frost due to drier soils

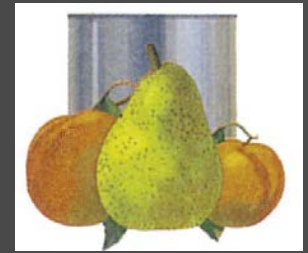
■ 2008

- 57% Irrigation Water Allocation
- Temporary Water cost \$650/ML

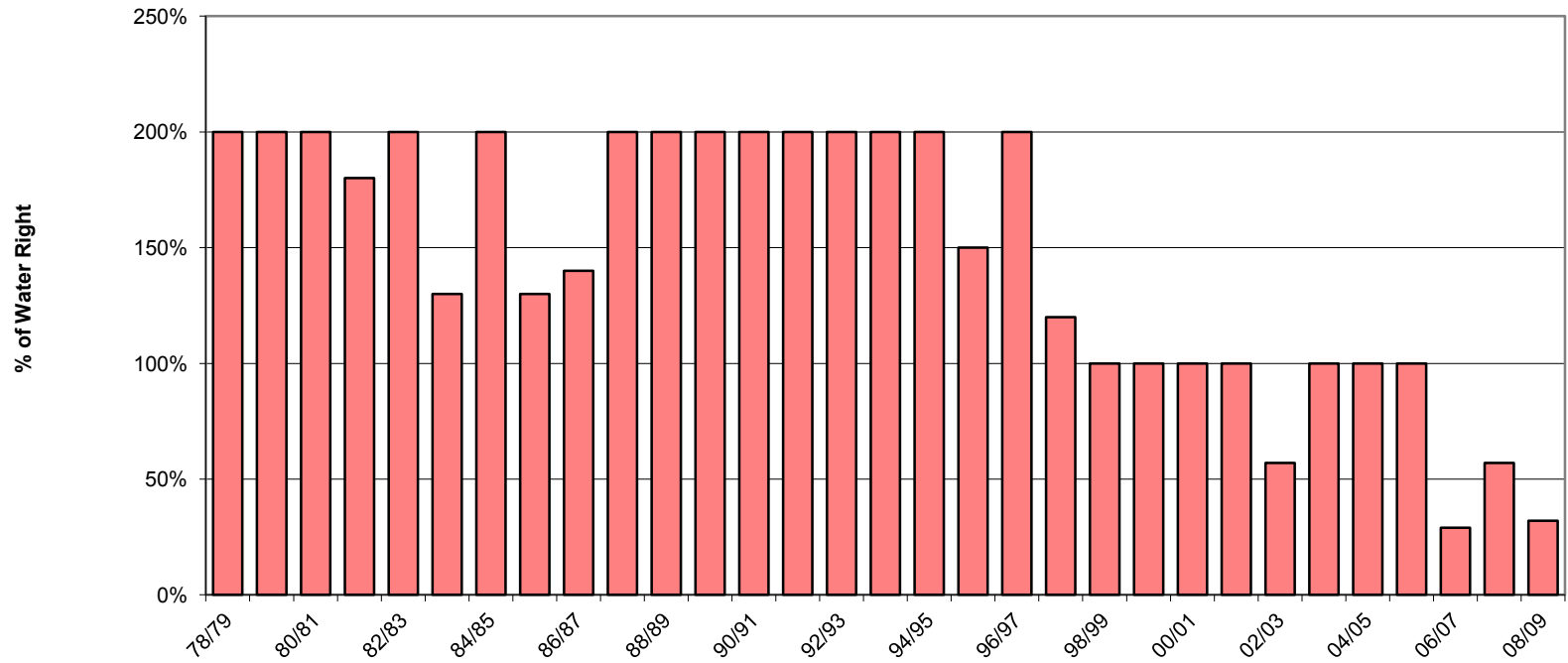
■ 2009

- 32-35% Irrigation Water Allocation
- Temporary Water cost \$350/ML
- Extreme heat (max 47°C)
- 21 of 28 days > 35°C including 10 days > 40°C

Canned Fruits Industry Council of Australia



Water Allocations - Goulburn System



Canned Fruits Industry Council of Australia



Canned Fruits Industry Council of Australia



■ Growers

- 240 Growers supply canning fruit to SPC Ardmona
- Supplier rationalization has resulted in 15% reduction in number of canning fruit growers since 2006
- Average grower now derives only 35% of total business farm gate income from canning fruit.
- Balance of income is from fresh market varieties
- Most growers supply at least 2 canning crops;
Pear + Peach, or Peach + Apricot + Plum, etc.

Canned Fruits Industry Council of Australia



■ Production Capacity

■ 2006-2009:

- Apricot hectares reduced by 15%
- Peach hectares reduced by 6%
- Pear hectares reduced by 10%,
- Crops have been further reduced due a series of bad seasons,
 - Frost, Hail, Drought, Heat
 - growers are suffering
- Grower costs have increased substantially
- Wages now up to 65% of annual cost in some varieties

Canned Fruits Industry Council of Australia



■ Current Plantings (Goulburn Valley)

<u>Crop</u>	<u>2006 Ha</u>	<u>2008 Ha</u>	<u>+/-</u>
Apples	2,260	2,230	+ 1%
Apricots	615	525	- 15%
Nectarines	650	675	+ 4%
Peach Cling	1,875	1,765	- 6%
Peach Fresh Market	385	492	+28%
Pear WBC	1,690	1,524	- 10%
Pear Fresh Market	1,990	2,018	+ 1%
Plums	565	562	
Other	<u>800</u>	<u>800</u>	
	10,830	10,592	- 2.2%

Canned Fruits Industry Council of Australia



Canned Fruits Industry Council of Australia



■ Production Facilities

- SPC Ardmona is Australia's biggest fruit and vegetable processing company, with three production facilities in Victoria's Goulburn Valley. Each year, the company processes up to 180,000 tonnes of fruit, using world-leading fruit inspection systems.
- The **Shepparton** plant covers 21 hectares, and processes peaches, pears, apples, plums, apricots, grapes, beetroot, beans, pasta, rice and vegetables.
- **Mooroopna**, on 18 hectares, processes peaches, pears, apples, plums, apricots, grapes, tomatoes and mangoes.
- On 8 hectares at **Kyabram**, SPC Ardmona produces its much-loved jams, fruit sauces, toppings, bakery fillings, fruit preparations and marinades.

Canned Fruits Industry Council of Australia



■ Innovation

- SPC Ardmona continues to maintain a strong emphasis on the development of new products and packaging
 - SPC Ardmona have established the 1 Kg fridge pack as the dominant consumer pack for domestic sales.

■ Industry Investment

- SPC-Ardmona is continuing to invest in the latest processing technology
- Electronic sorting and imaging systems are being introduced wherever possible to reduce labour cost

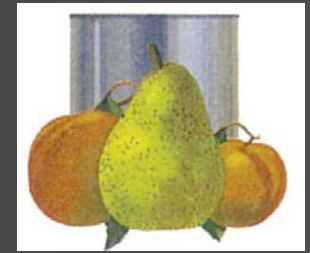
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Canned Fruits Industry Council of Australia



■ Research and Development

- The Australian canned fruit industry has an active research and development program
- Industry funds are matched by Government
- Current research programs include:
 - Canning peach breeding program
 - Pear breeding program
 - Canning Apricot breeding program
 - High Density pear production systems
 - Integrated pest management including;
 - Wide area mating disruption strategies
 - Attract and kill strategies
 - Chemical and mechanical thinning of canning peaches

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Other Issues

- Exchange Rates
 - A\$-US\$ rate was at 17 year high

- China free trade agreement
 - Bi-lateral agreements such as the US – Australia FTA leads to winners and losers

Canned Fruits Industry Council of Australia



TOTAL AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS (All varieties in Metric Tonnes And Hectares)

Years Products	UNIT	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	MT	64,000	60,150	49,250	51,750	47,150
	HA	1,890	1,887	1,897	1,782	1,766
PEARS	MT	85,000	85,500	81,100	76,600	67,050
	HA	1,618	1,677	1,655	1,564	1,524
APRICOTS	MT	12,300	10,210	4,900	8,700	5,900
	HA	424	421	401	352	309

NOTE:For example season 205/2006 indicate production available for canning for the year 2006

MT: Metric Tons. HA: Hectare

Canned Fruits Industry Council of Australia



AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS VARIETIES FOR THE CANNING INDUSTRIES (MT)

Years Products	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	58,000	52,211	42,841	44,983	41,400
PEARS	57,000	50,860	46,980	64,627	60,000
APRICOTS	10,500	7,040	2,928	6,769	5,300

NOTE: For example season 205/2006 indicate production available for canning for the year 2006

MT: Metric Tons

Canned Fruits Industry Council of Australia



AMOUNT OF FRESH FRUIT CANNED MARKETING YEAR (MT)

Years Products	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	48,040	47,735	37,985	41,528	38,400
PEARS	52,747	42,606	36,984	31,621	28,000
APRICOTS	8,850	4,785	2,192	4,001	3,884

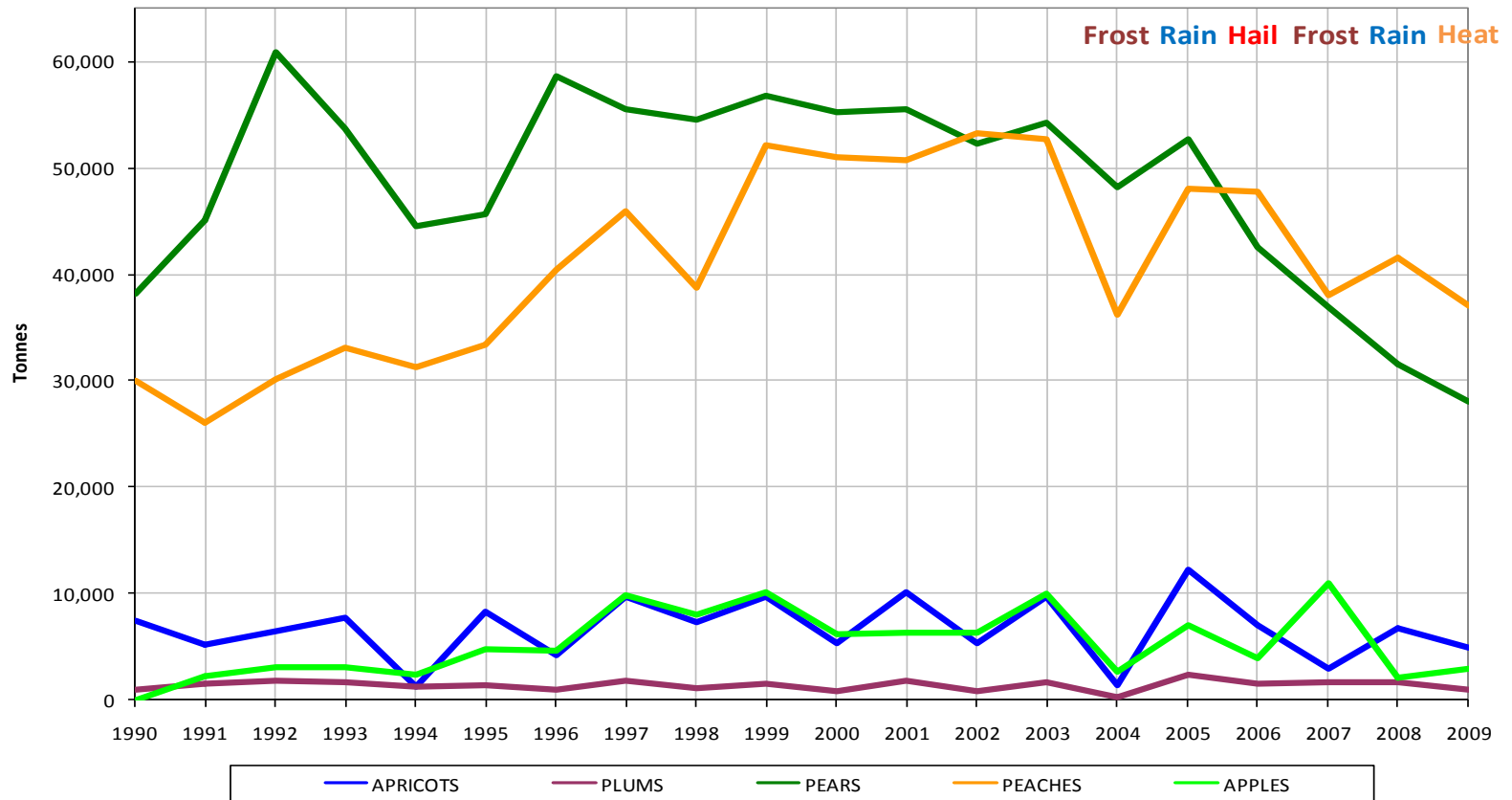
Marketing year: South Hemisphere April to March. North Hemisphere September to August.

MT: Metric Tons

Canned Fruits Industry Council of Australia



Canning Fruit Intake 1990 - 2009 (Deciduous)



Canned Fruits Industry Council of Australia



AMOUNT OF FRESH FRUIT USED IN PUREE MARKETING YEAR (MT)

Products \ Years	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	4 ,352	4 ,476	4 ,586	3,455	3,100
PEARS	1,500	1,400	800	1,150	1,400
APRICOTS	345	654	736	2,768	1,073

Marketing year: South Hemisphere April to March. North Hemisphere September to August.

MT: Metric Tons

Canned Fruits Industry Council of Australia



TOTAL INDUSTRIAL PRODUCTION CAPACITY BASIC CARTONS (24 Cans / 1 Kg)

Years Products		2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	N° Industries	1	1	1	1	1
	Prod. Cap.	60,000	60,000	60,000	60,000	50,000
PEARS	N° Industries	1	1	1	1	1
	Prod. Cap.	60,000	60,000	60,000	60,000	50,000
APRICOTS	N° Industries	1	1	1	1	1
	Prod. Can.	11,000	11,000	11,000	11,000	11,000
MIXED FRUITS	N° Industries	2	2	2	2	2
	Prod. Can.					

Canned Fruits Industry Council of Australia



TOTAL CANNED PRODUCTION IN BASIC CARTONS

Products \ Years	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 (Estimated)
PEACHES	1,510,839	1,447,036	1,118,600	1,208,465	1,109,760
PEARS	1,118,637	922,830	767,900	654,238	582,960
APRICOTS	654,015	356,961	171,195	310,558	291,883
MIXED FRUITS	2,460,811	2,220,135	1,843,950	1,794,345	1,624,144

Marketing year: South Hemisphere April to March. North Hemisphere September to August.

Canned Fruits Industry Council of Australia



Tatura 211

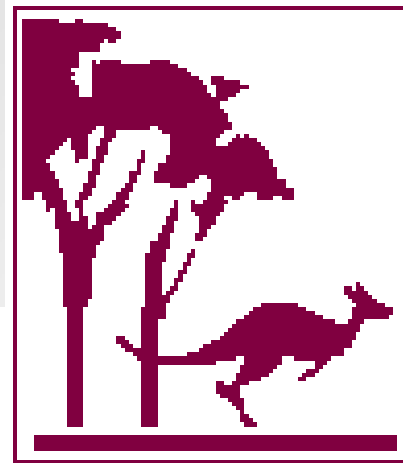
Canned Fruits Industry Council of Australia



Canned Fruits Industry Council of Australia



CANCON09



The 9th World Canned Deciduous Fruit Conference



COFFEE BREAK

Keynote Speaker

Mr. Tony Pearson

Tony Pearson is the former Deputy Chief Economist of ANZ Bank. He was responsible for analysis of the Australian economy including both macro-economic research and forecasting, and industry analysis. He was previously Head of Economics in the Global Markets Division at National Australia Bank. Prior to that, Tony was an economist with the Reserve Bank of Australia for 17 years, rising to be a Senior Manager, Research in the Domestic Markets Department. He holds an Honours Degree in Economics from Macquarie University.

Keynote Speaker

Mr. Nigel Garrard



Nigel Garrard , who has been managing of SPC Ardmona for eight and a half years, recently announced his decision to leave the company and take the CEO role at Amcor which had \$2.2bn sales in the past financial year with \$332m profit before income tax.

During his time at SPCA the company to grew and developed in an increasingly competitive market. Turnover has lifted from \$200m to \$500m and that has been achieved.

Today he will reflect on his time at SPC Ardmona.

Keynote Speakers



Questions

Keynote Speakers

GENERAL BUSINESS - FORUM

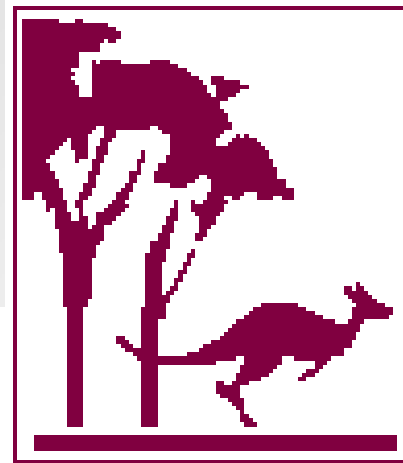
Each delegation will state any issues that they want discussed. The Chairman will compile a list then proceed through each issue inviting the country (delegate) that suggested the topic to make an opening statement and then invite other delegates to comment.

CANCON10



Where and When

CANCON09



The 9th World Canned Deciduous Fruit Conference

CLOSE OF BUSINESS



Canned Fruits Industry Council of Australia

10th World Canned Deciduous Fruit Conference
Xuzhou, China

August 24-28, 2010.

Presented by
Simon Mills

Industry Overview

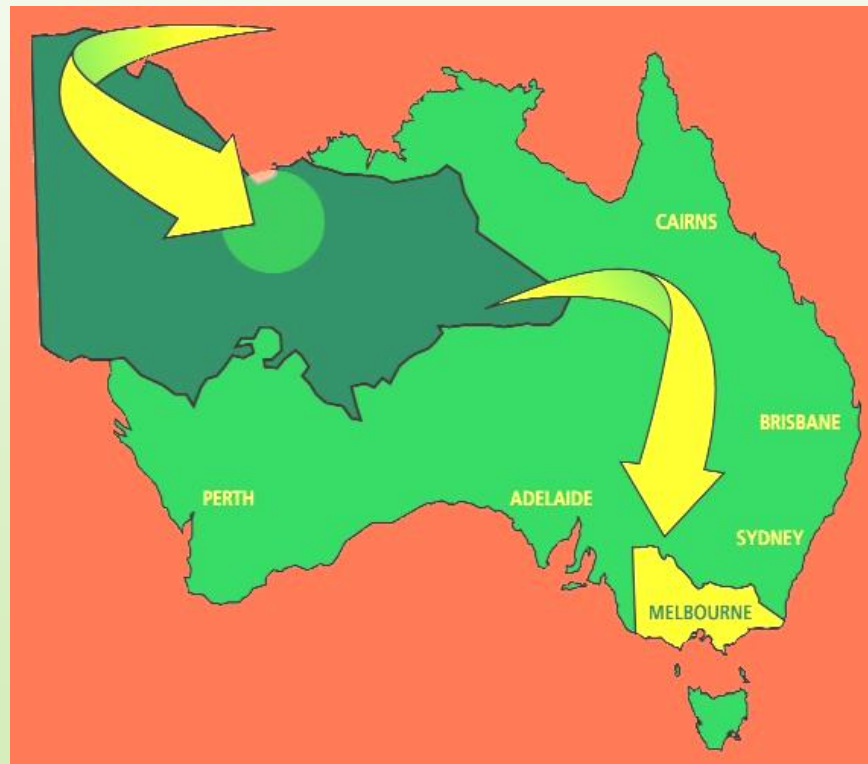


- Canned Fruits Industry Council of Australia
 - Peak industry organization
 - CFICA represents the interests of both the growers and the canner
 - CFICA membership now comprises only
 - 2 Fruit Grower Associations
 - 1 Fruit Canner
- SPC Ardmona
 - 2002 - SPC and Ardmona merged
 - Only 1 canner remaining, operating 3 factories in Victoria
 - 2005 - SPC Ardmona acquired by Coca Cola Amatil
 - CCA is Australian owned beverage manufacturer
 - Sole bottler of Coca Cola products in Australia, New Zealand, Indonesia
 - The Coca Cola Company (US) is the largest shareholder

Industry Overview



- Growers
 - All deciduous canning fruit grown within 80km of Shepparton factory
 - Approximately 210 growers will supply deciduous fruit to the canner
 - A 30% reduction since the commencement of rationalization in 2006



Industry Overview



- Growers
 - 210 Growers supply canning fruit to SPC Ardmona
 - Supplier rationalization has resulted in 15% reduction in number of canning fruit growers since 2006
 - Average grower now derives only 35% of total business farm gate income from canning fruit.
 - Balance of income is from fresh market varieties
 - Most growers supply at least 2 canning crops; Pear + Peach, or Peach + Apricot + Plum, etc.



Industry Overview



- Production Capacity
 - 2006-2010:
 - Canning Apricot hectares reduced by 31%
 - Canning Peach hectares reduced by 12%
 - Canning Pear hectares reduced by 11%,
 - Crops have been further reduced due a series of bad seasons,
 - Frost, Hail, Drought, Heat, Rain
 - Growers are suffering
 - Grower costs have increased substantially
 - Wages now account for 65% of annual cost in some varieties



Industry Overview



- Current Plantings (Goulburn Valley)

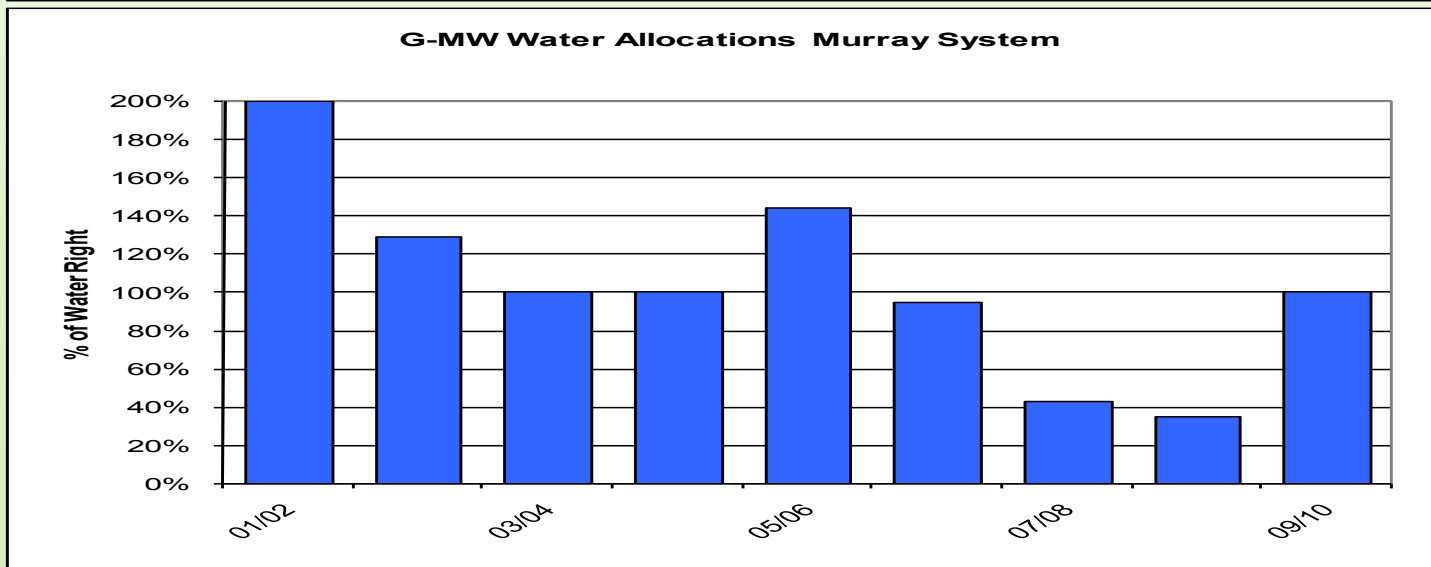
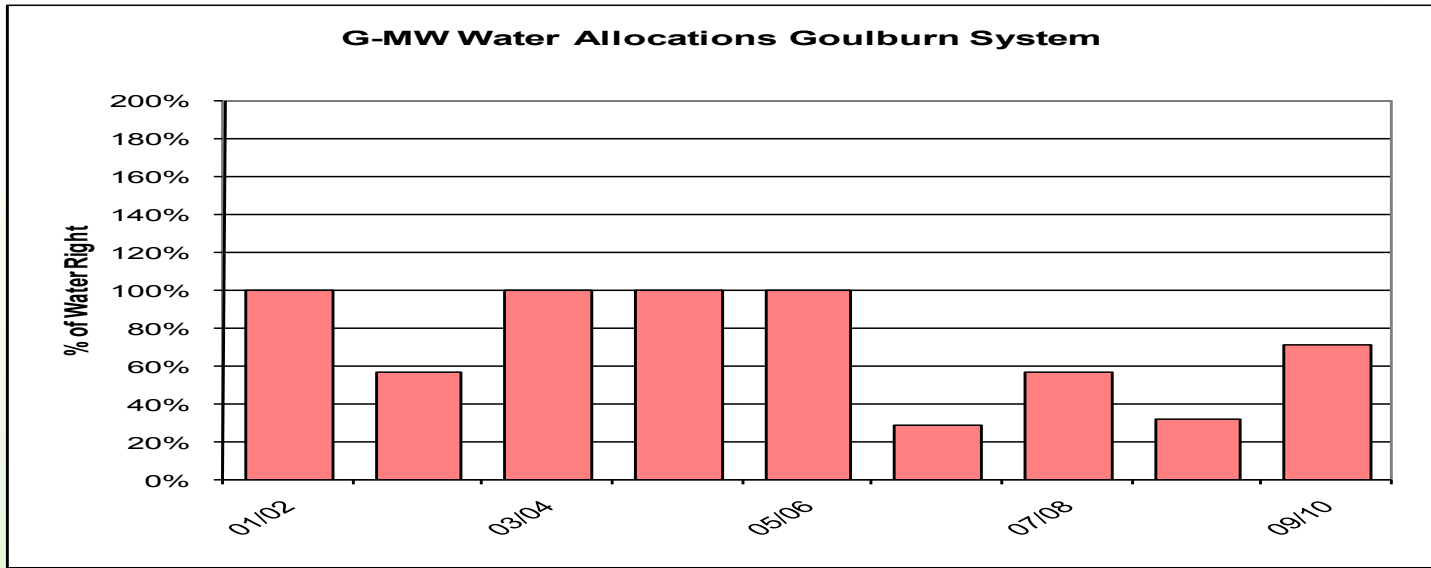
<u>Crop</u>	<u>2006 Ha</u>	<u>2010 Ha</u>	<u>+/-</u>
Apples	2,260	2,230	+ 1%
Apricots (all varieties)	615	525	- 15%
Nectarines	650	675	+ 4%
Peach Cling	1,863	1,648	- 12%
Peach Fresh Market	385	492	+ 28%
Pear WBC	1,630	1,450	- 11%
Pear Fresh Market	1,990	2,018	+ 1%
Plums	565	562	
Other	<u>800</u>	<u>900</u>	
	10,758	10,500	- 2.4%

Production Issues



- Irrigation Water
 - Availability
 - Prolonged drought since 1999 depleted annual reserves
 - All canning fruit are reliant on irrigation water supplied by government controlled channel system
 - Allocation of irrigation water is regulated
 - Cost
 - Increased cost to purchase water allocation from dairy farmers
- Labour
 - Costs
 - Recent changes to legislation has increased costs of orchard labour
 - Factory labour costs continue to rise:
 - AUD 22.06 basic rate in 2011
 - Plus Leave accruals, Insurance, Superannuation etc
 - Plus shift and overtime allowances
 - Availability
 - Reliance on international backpackers to supplement numbers

Irrigation Water Allocations



Agronomic Research and Development



- Breeding Programs
 - Apricot
 - Peach
 - Pear
- Labour Reduction
 - Mechanical harvesting
 - Mechanical and chemical thinning
- Water Saving
 - Drought has challenged growers to improve irrigation efficiency
- Climate Change
 - Reduced Chill Hours with warmer winters
 - Increased Frost Risk due to drier winters



Peach Breeding Program



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Peach Breeding Program



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Peach Breeding Program



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Clingstone Peaches



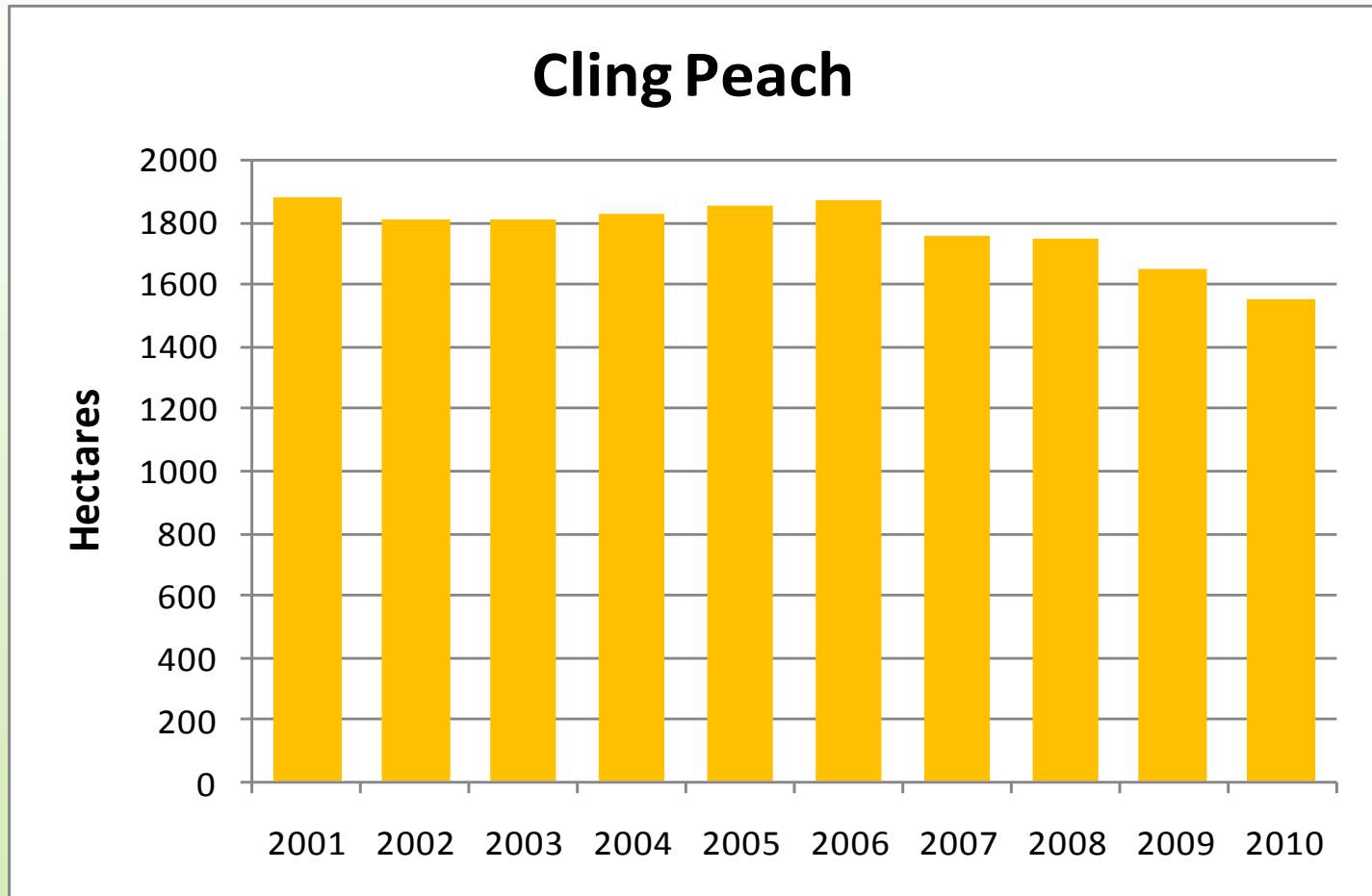
CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Peach Planting Trends



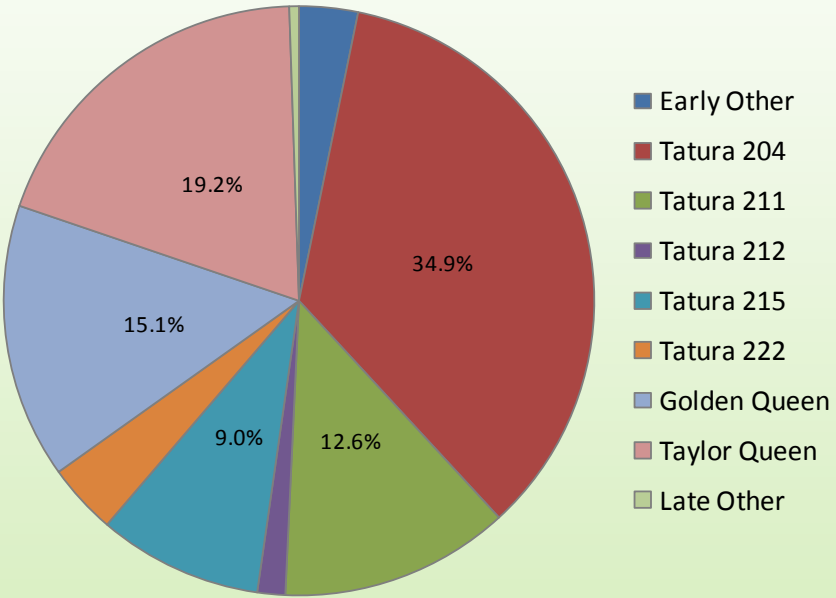
- Area planted to Cling Peach has reduced by 15% since 2001



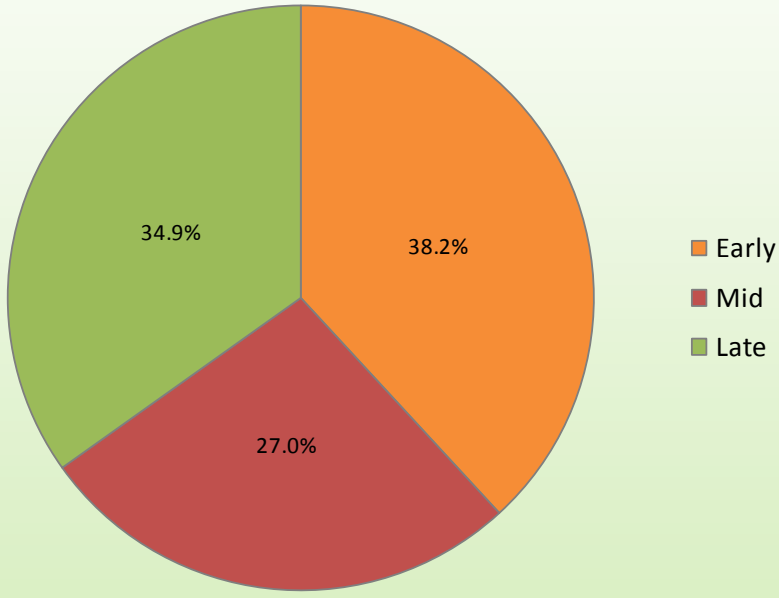
Peach Varieties and Harvest Timing



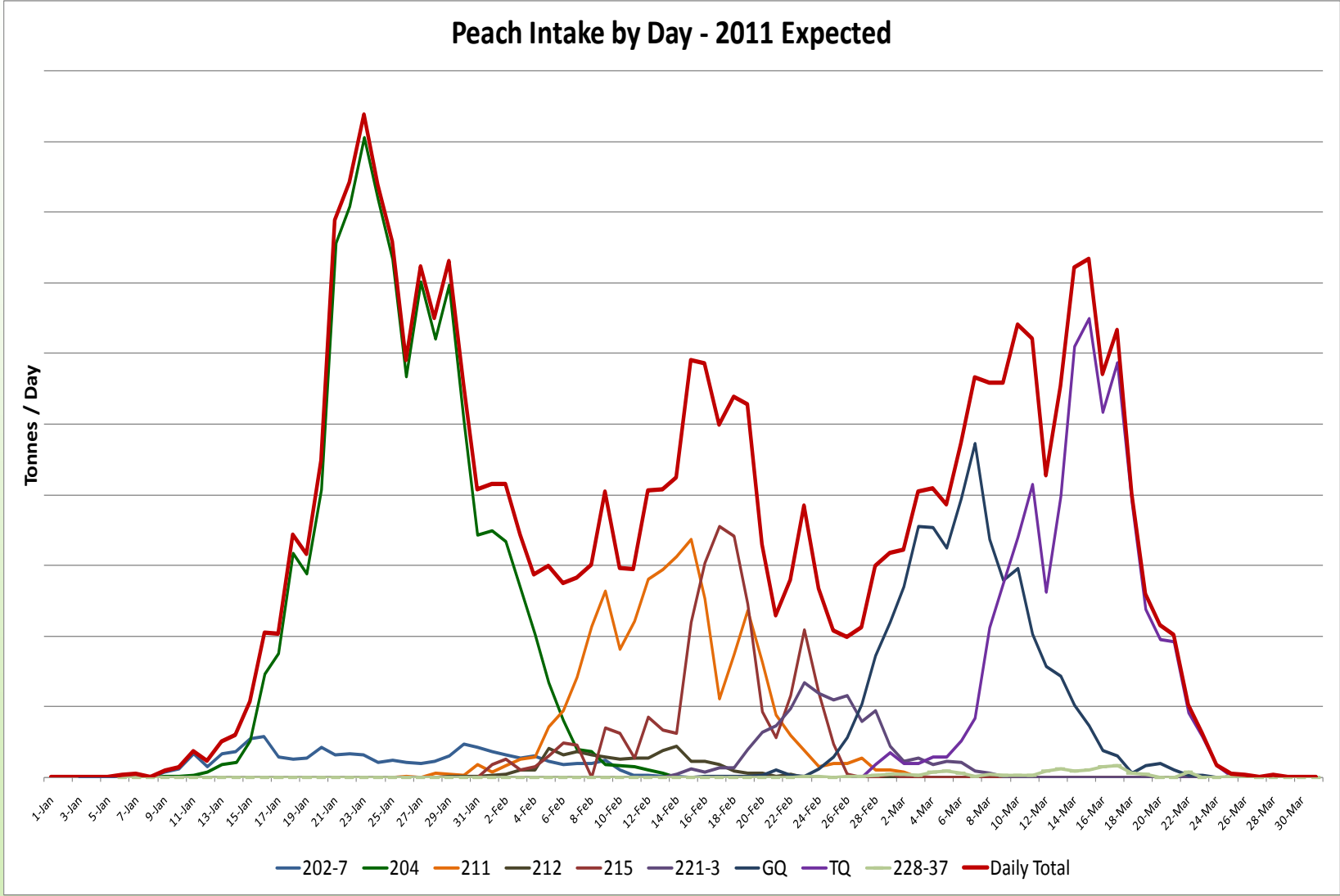
Peach % by Variety



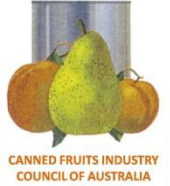
Peach % by Group



Peach Daily Intake



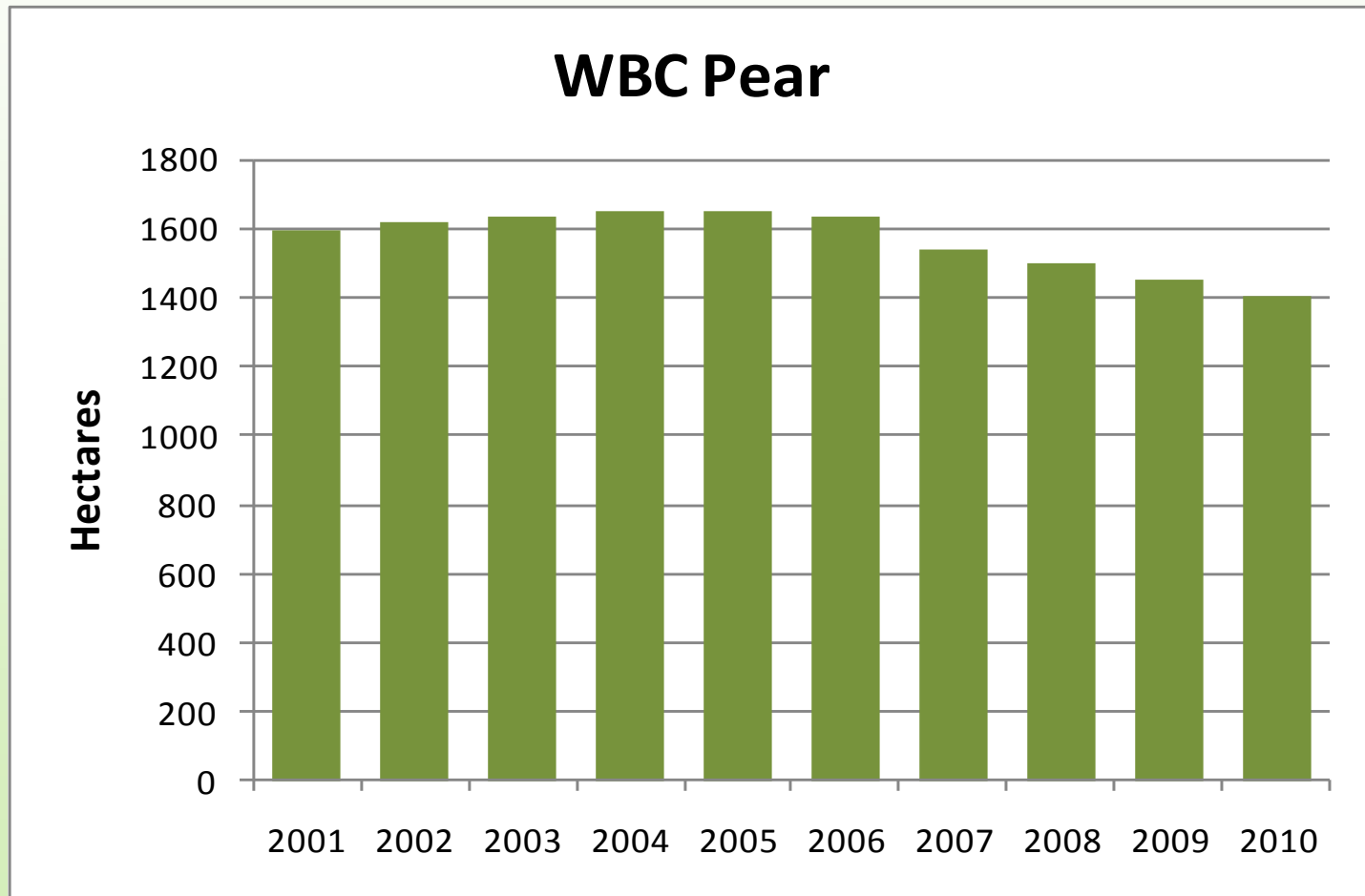
William Bon Chretien (Bartlett) Pear



Pear Planting Trends



- Area planted to WBC Pear has reduced by 9.2% since 2001



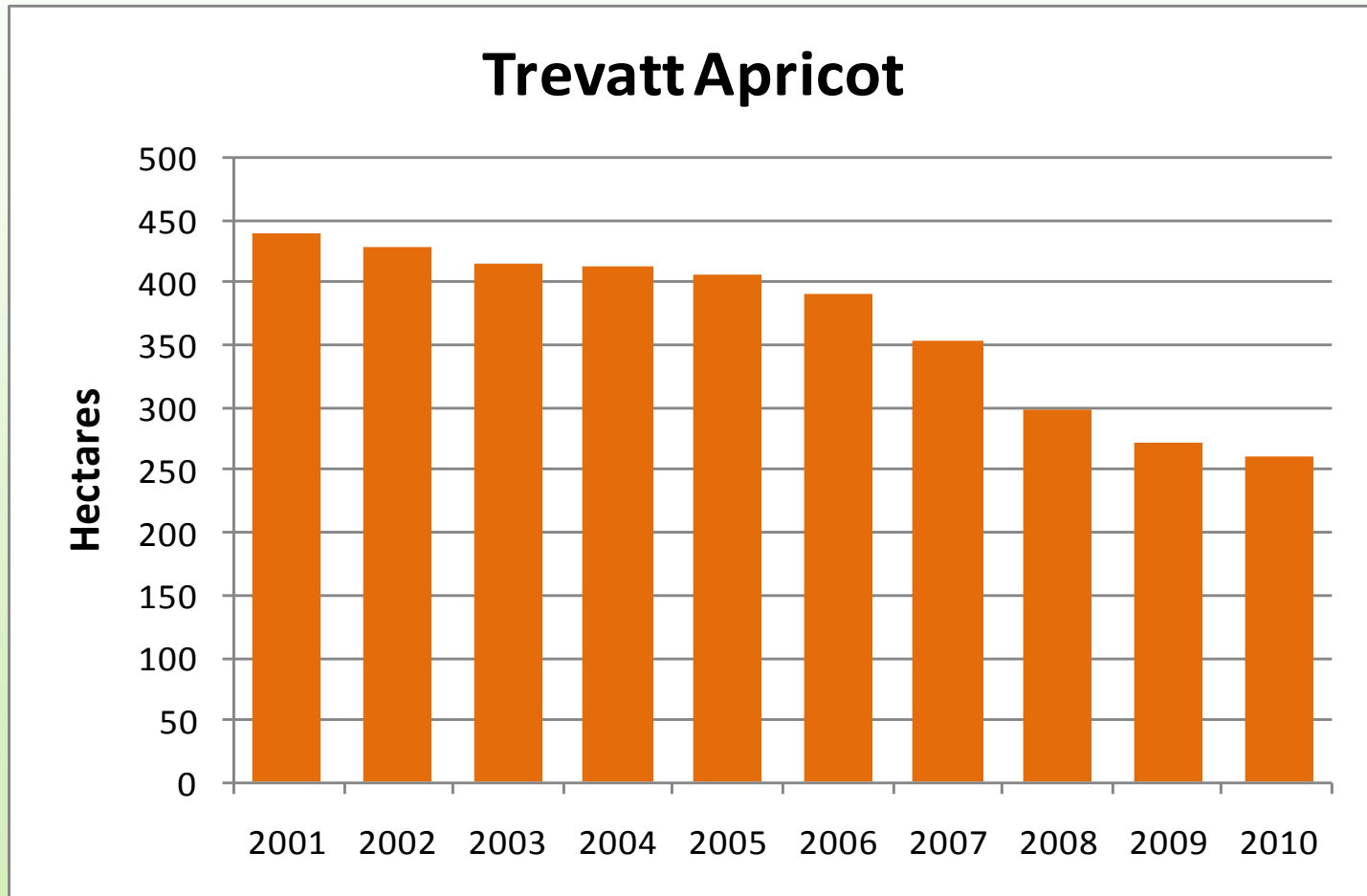
Trevatt Apricot



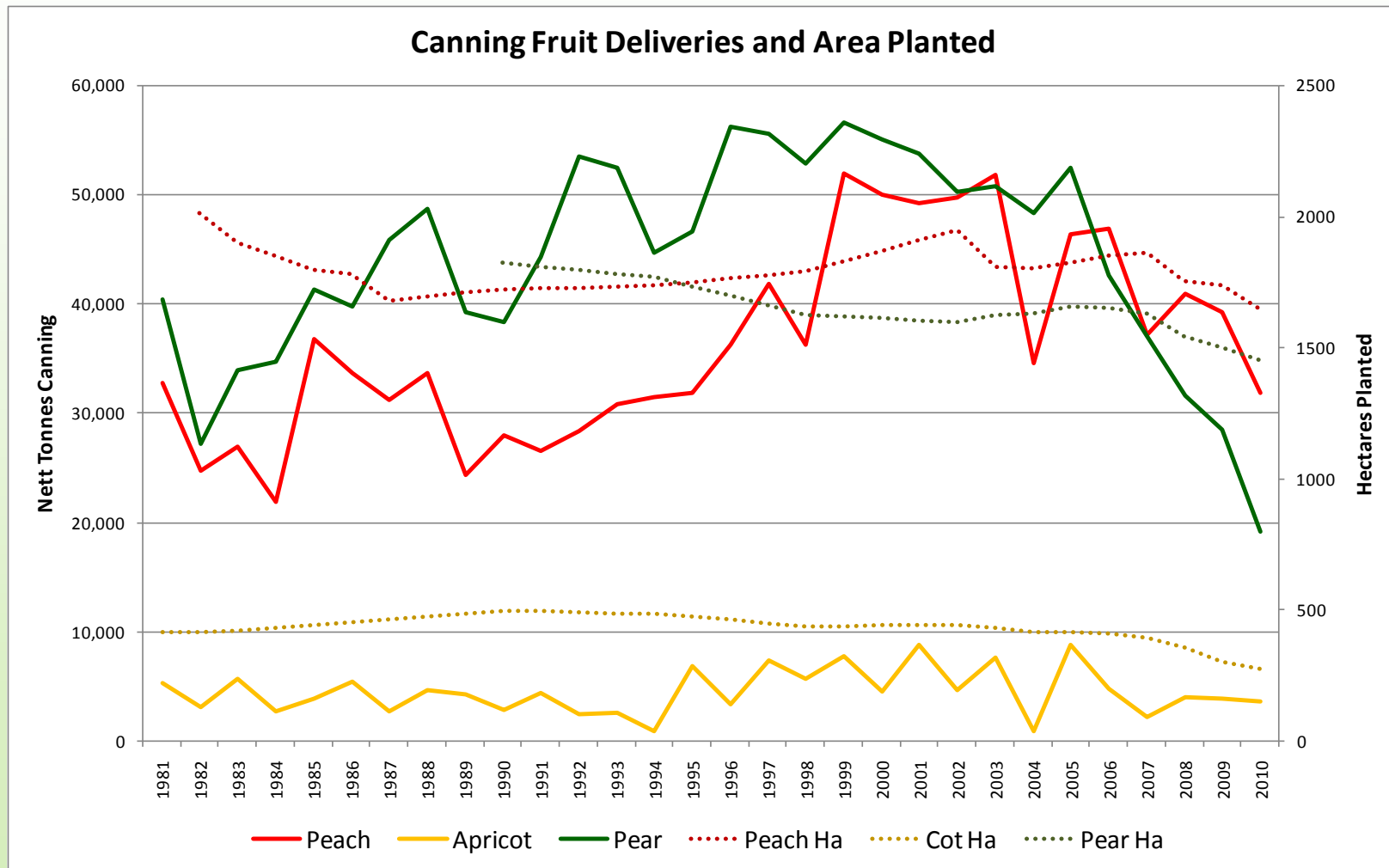
Apricot Planting Trends



- Area planted to Trevatt Apricot has reduced by 38% since 2001



Canning Fruit Delivery Trends



TOTAL AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS (All varieties in Metric Tonnes And Hectares)

	UNIT	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	MT	57,430	46,770	49,130	48,080	41,150
	HA	1,853	1,863	1,753	1,739	1,648
PEARS	MT	90,845	78,225	76,997	67,451	42,030
	HA	1,652	1,630	1,540	1,499	1,449
APRICOTS	MT	8,800	4,100	8,460	5,948	6,181
	HA	408	392	354	299	272

NOTE: For example season 2009/2010 indicate production available for canning for the year 2010

MT: Metric Tons. HA: Hectare

AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS VARIETIES FOR THE CANNING INDUSTRIES (MT)

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	54,693	44,453	46,791	44,935	37,403
PEARS	56,621	50,315	39,917	35,518	21,300
APRICOTS	7,039	2,928	6,769	4,957	5,375

NOTE: For example season 2009/2010 indicate production available for canning for the year 2010

MT: Metric Tons

AMOUNT OF FRESH FRUIT CANNED MARKETING YEAR (MT)

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	46,924	37,188	40,955	39,259	31,843
PEARS	42,606	37,059	31,621	28,509	19,153
APRICOTS	4,785	2,192	4,001	3,884	3,635

Marketing year: South Hemisphere April to March. North Hemisphere September to August.

MT: Metric Tons

AMOUNT OF FRESH FRUIT USED IN PUREE MARKETING YEAR (MT)

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	4 ,476	4 ,586	3,455	3,100	1,750
PEARS	1,400	800	1,150	1,400	1,200
APRICOTS	2,254	736	2,768	1,073	1,740

Marketing year: South Hemisphere April to March. North Hemisphere September to August.

MT: Metric Tons

TOTAL INDUSTRIAL PRODUCTION CAPACITY

BASIC CARTONS (24 Cans / 1 Kg)

		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	N° Industries	1	1	1	1	1
	Prod. Cap.	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
PEARS	N° Industries	1	1	1	1	1
	Prod. Cap.	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
APRICOTS	N° Industries	1	1	1	1	1
	Prod. Can.	825,000	825,000	825,000	825,000	825,000
MIXED FRUITS	N° Industries	1	1	1	1	1
	Prod. Can.	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000

TOTAL CANNED PRODUCTION IN BASIC CARTONS

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	1,447,036	1,118,600	1,208,465	1,109,760	903,855
PEARS	922,830	767,900	654,238	582,960	361,505
APRICOTS	356,961	171,195	310,558	291,883	219,942
MIXED FRUITS	2,220,135	1,843,950	1,794,345	1,624,144	1,034,239

Marketing year: South Hemisphere April to March. North Hemisphere September to August.

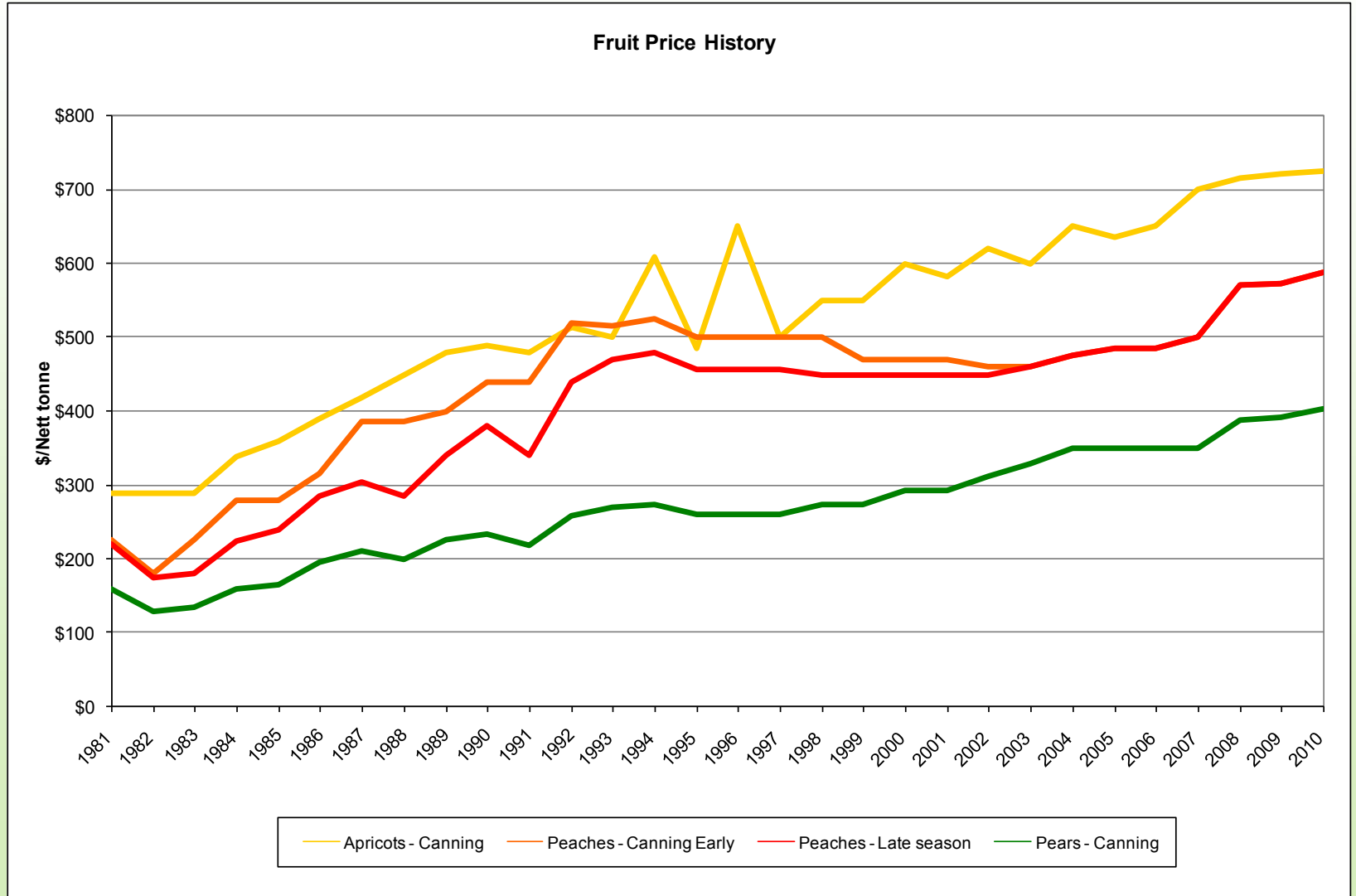
NET PRICE PAID BY THE INDUSTRY PER METRIC TONNE

PRICE IN AUD

\		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
PEACHES	IN LOCAL CURRENCY	485	500	565	572	588
	IN USD					
PEARS	IN LOCAL CURRENCY	350	350	389	393	404
	IN USD					
APRICOTS	IN LOCAL CURRENCY	635	700	715	721	724
	IN USD					



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Limited Water Resources?



- Almond orchard
 - 10,000 hectare orchard planted in 2008
 - Managed Investment Schemes with government tax assistance





Canned Fruits Industry Council Australia

11th World Canned Deciduous Fruit Conference
Litochoro, Greece

May 30 – June 2, 2012

Presented by
Simon Mills
Chairman, CFICA



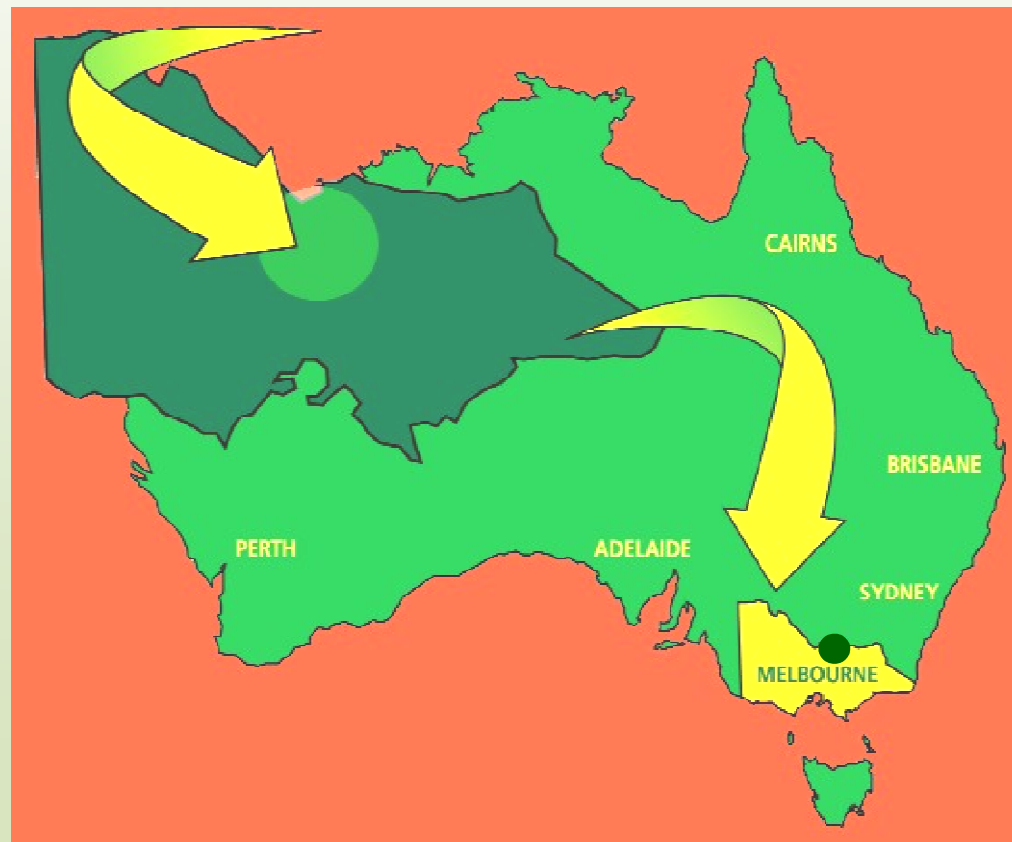
Industry Overview

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 - CFICA membership now comprises only
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 - 1 Fruit Canner
- SPC Ardmona
 - 2002 - SPC and Ardmona merged
 - Only 1 canner remaining, operating 3 factories in Victoria
 - 2005 - SPC Ardmona acquired by Coca Cola Amatil
 - CCA is Australian owned beverage manufacturer
 - Sole bottler of Coca Cola products in Australia, New Zealand, Indonesia
 - The Coca Cola Company (US) is the largest shareholder

Industry Overview

- Growers

- All deciduous canning fruit grown within 80km of Shepparton factory
- Approximately 210 growers will supply deciduous fruit to the canner
 - A 30% reduction since the commencement of rationalization in 2006



Industry Overview

- Growers
 - 210 Growers supply canning fruit to SPC Ardmona
 - Supplier rationalization has resulted in 30% reduction in number of canning fruit growers since 2006
 - Average canning grower now derives 40% of total business farm gate income from canning fruit. (up from 35%)
 - Balance of income is from fresh market varieties
 - Most growers supply at least 2 canning crops; Pear + Peach, or Peach + Apricot + Plum, etc.



Industry Overview

- Production Capacity

- 2007-2011:

- Canning Apricot hectares reduced by 41%
 - Canning Peach hectares reduced by 15%
 - Canning Pear hectares reduced by 15%,
 - Crops have been further reduced due a series of bad seasons,
 - Frost, Hail, Drought, Heat, Rain
 - Growers are suffering
 - Grower costs have increased substantially
 - Wages now account for 65% of annual production cost in some varieties



Industry Overview

- Current Plantings (Goulburn Valley)

<u>Crop</u>	<u>2007 Ha</u>	<u>2011 Ha</u>	<u>+/-</u>
Apples	2,260	2,236	+ 1%
Apricots (all varieties)	610	494	- 19%
Nectarines	725	618	- 15%
Peach Cling	1,840	1,556	- 15%
Peach Fresh Market	457	571	+ 32%
Pear WBC	1,649	1,397	- 15%
Pear Fresh Market	2,040	1,945	- 5%
Plums	600	554	- 8%
Other	<u>800</u>	<u>1,200</u>	+ 50%
	10,981	10,571	- 3.7%



Production Issues

- Irrigation Water
 - Availability
 - All canning fruit growers are reliant on irrigation water supplied by a government controlled channel system
 - Allocation of irrigation water is regulated
 - 11 year drought has ended, all reservoirs are now full (now we have floods)
- Labour
 - Costs
 - Recent changes to legislation has increased costs of orchard labour
 - Factory labour costs continue to rise:
 - AUD 23.40 basic rate in 2012
 - Plus Leave accruals, Insurance, Superannuation etc
 - Plus shift and overtime allowances
 - Full cost approximately AUD 33.00 per hour
 - Availability
 - Reliance on international backpackers to supplement numbers at harvest





Rain 2011 and 2012



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Jan 2011



Jan 2011



Mar 2012



Mar 2012

Agronomic Research and Development

- Breeding Programs
 - Apricot
 - Peach
 - Pear
- Labour Reduction
 - Mechanical harvesting
 - Mechanical and chemical thinning
- Integrated Pest Management
 - Use of Pheromones has lead to problems with other pests
 - Diminishing list of chemicals to choose from
- Climate Change
 - Reduced Chill Hours with warmer winters
 - Increased Frost Risk due to drier winters





Peach Breeding Program



CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA





Clingstone Peaches



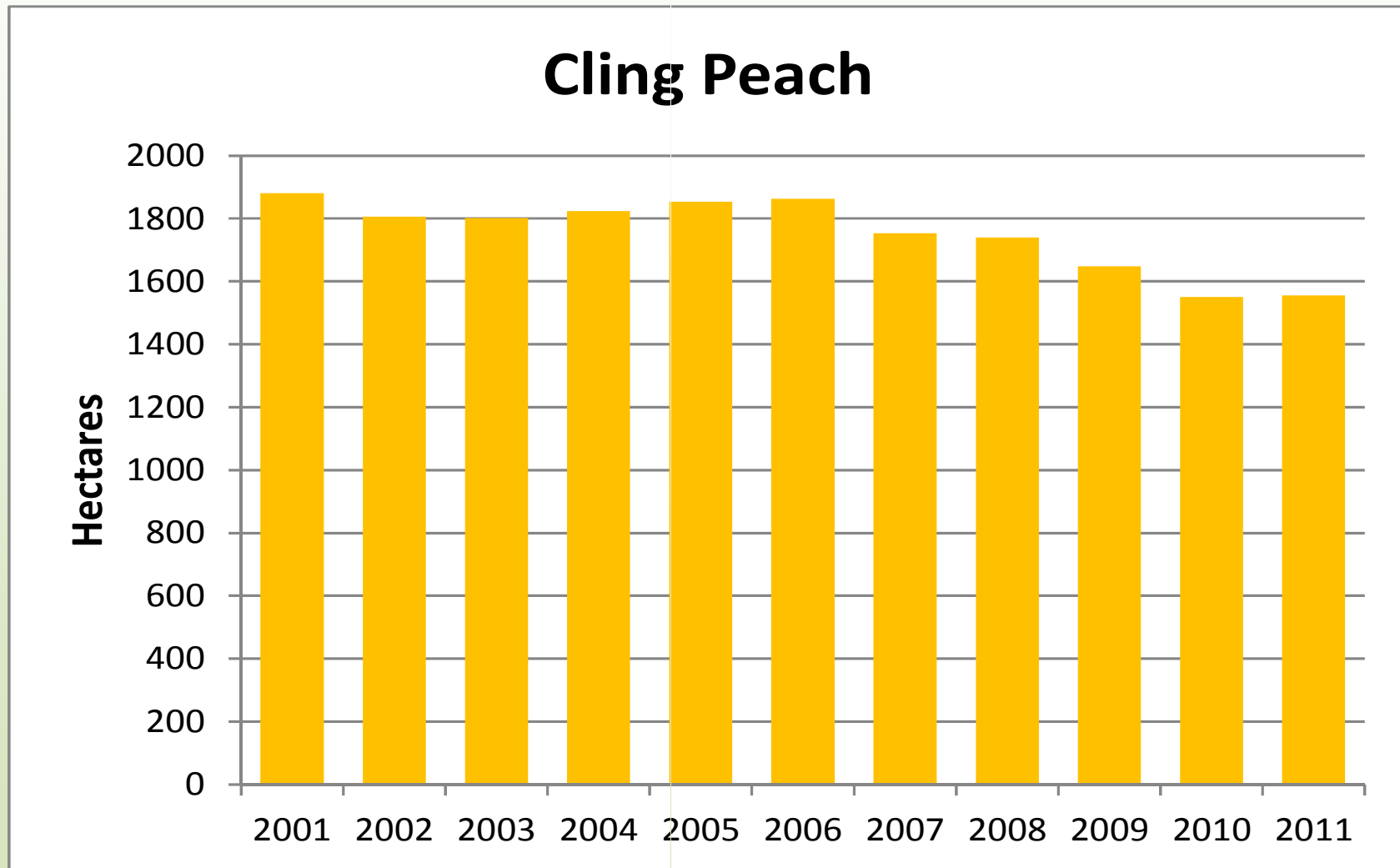
CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA



Tatura 204

Peach Planting Trends

- Area planted to Cling Peach has reduced by 15% since 2001

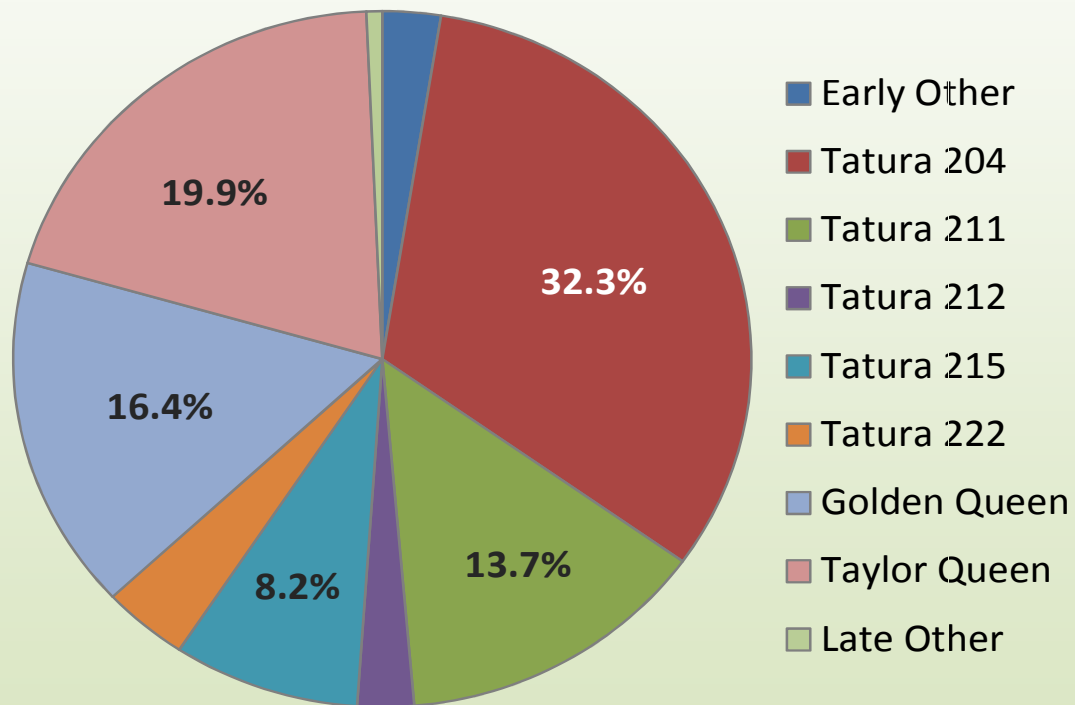




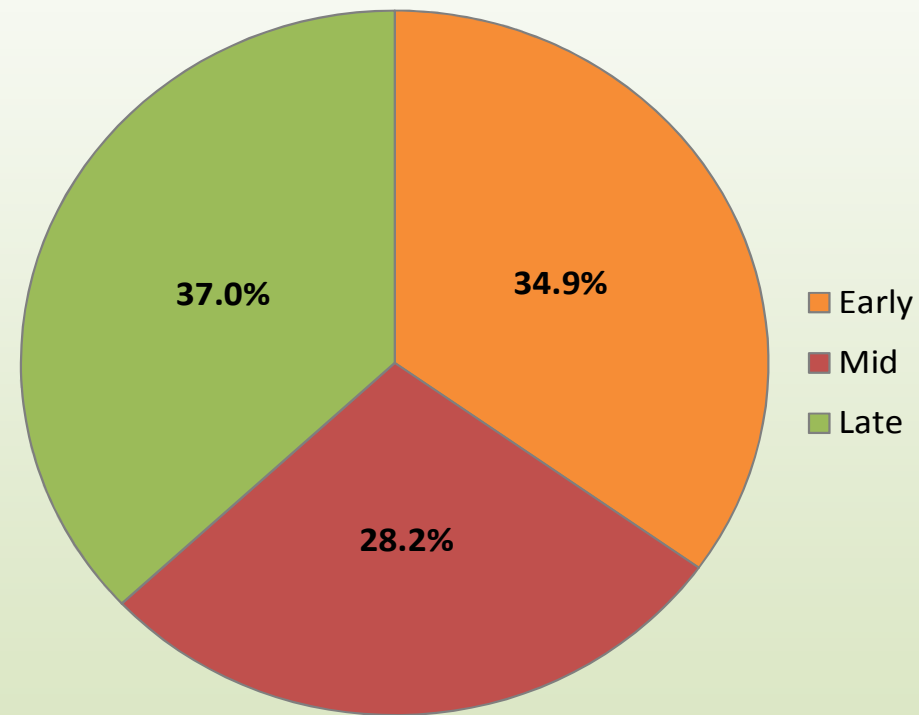
Peach Varieties and Harvest Timing - 2012



Peach % by Variety

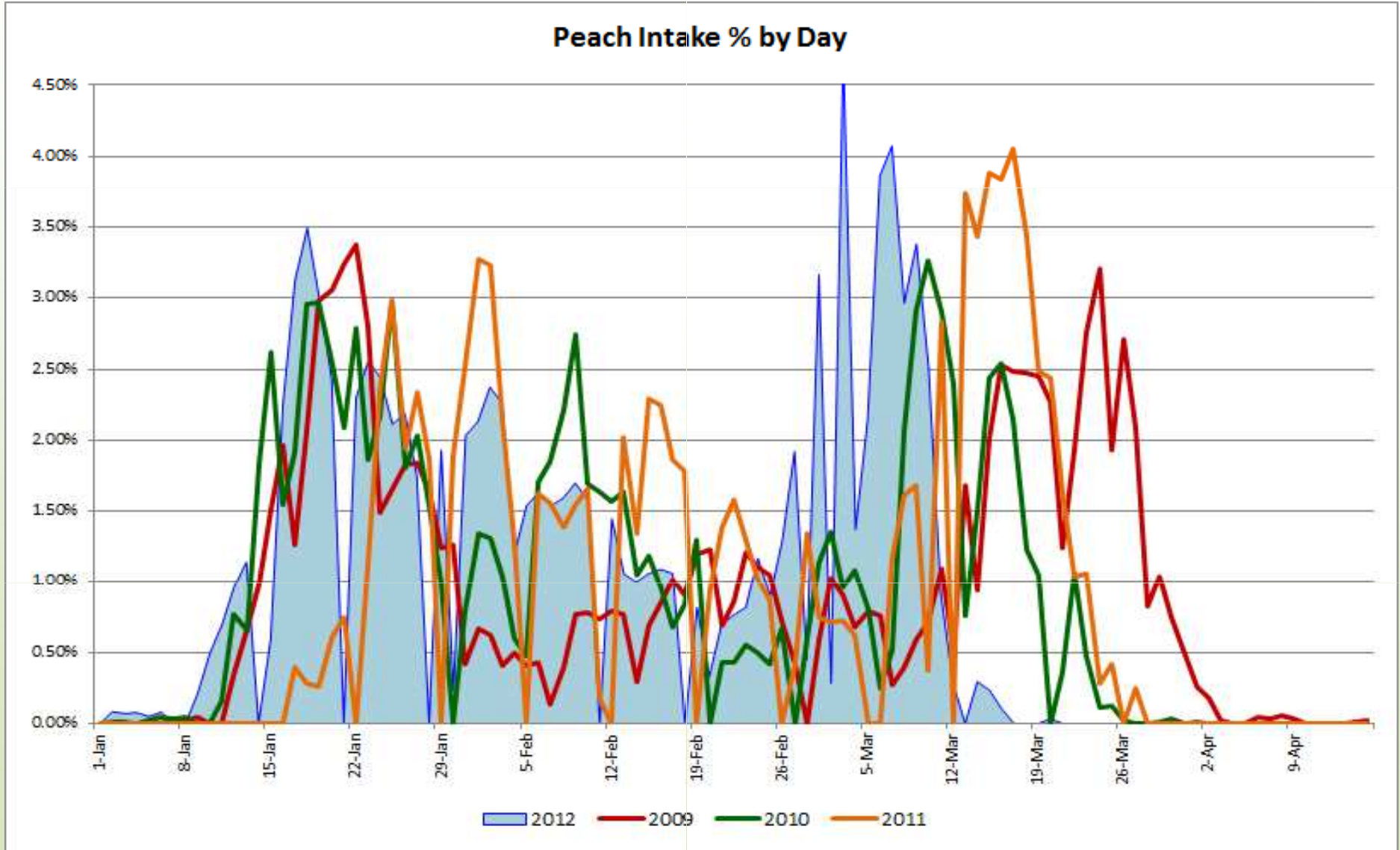


Peach % by Group





Peach Intake Timing



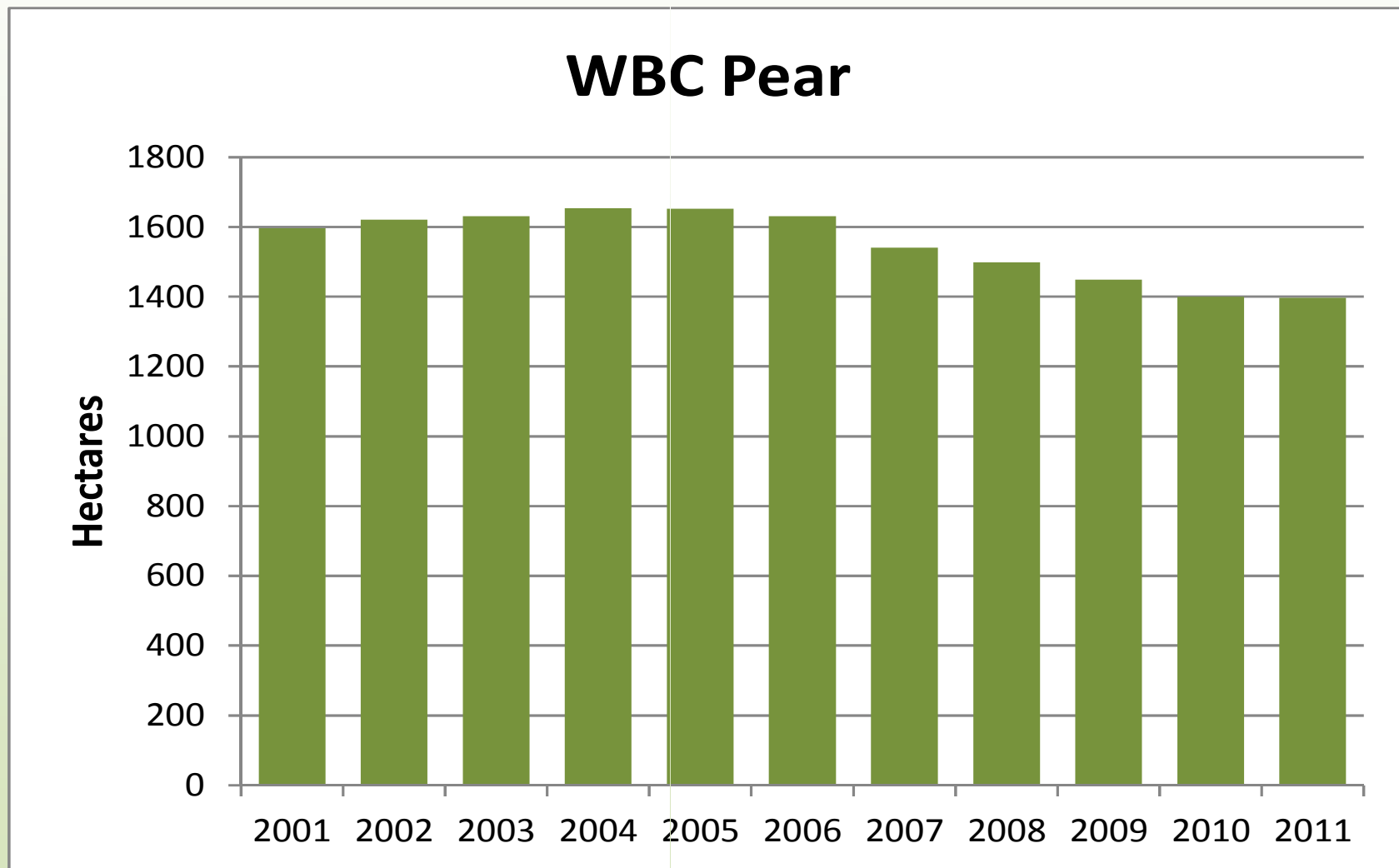


William Bon Chretien (Bartlett) Pear



Pear Planting Trends

- Area planted to WBC Pear has reduced by 13% since 2001



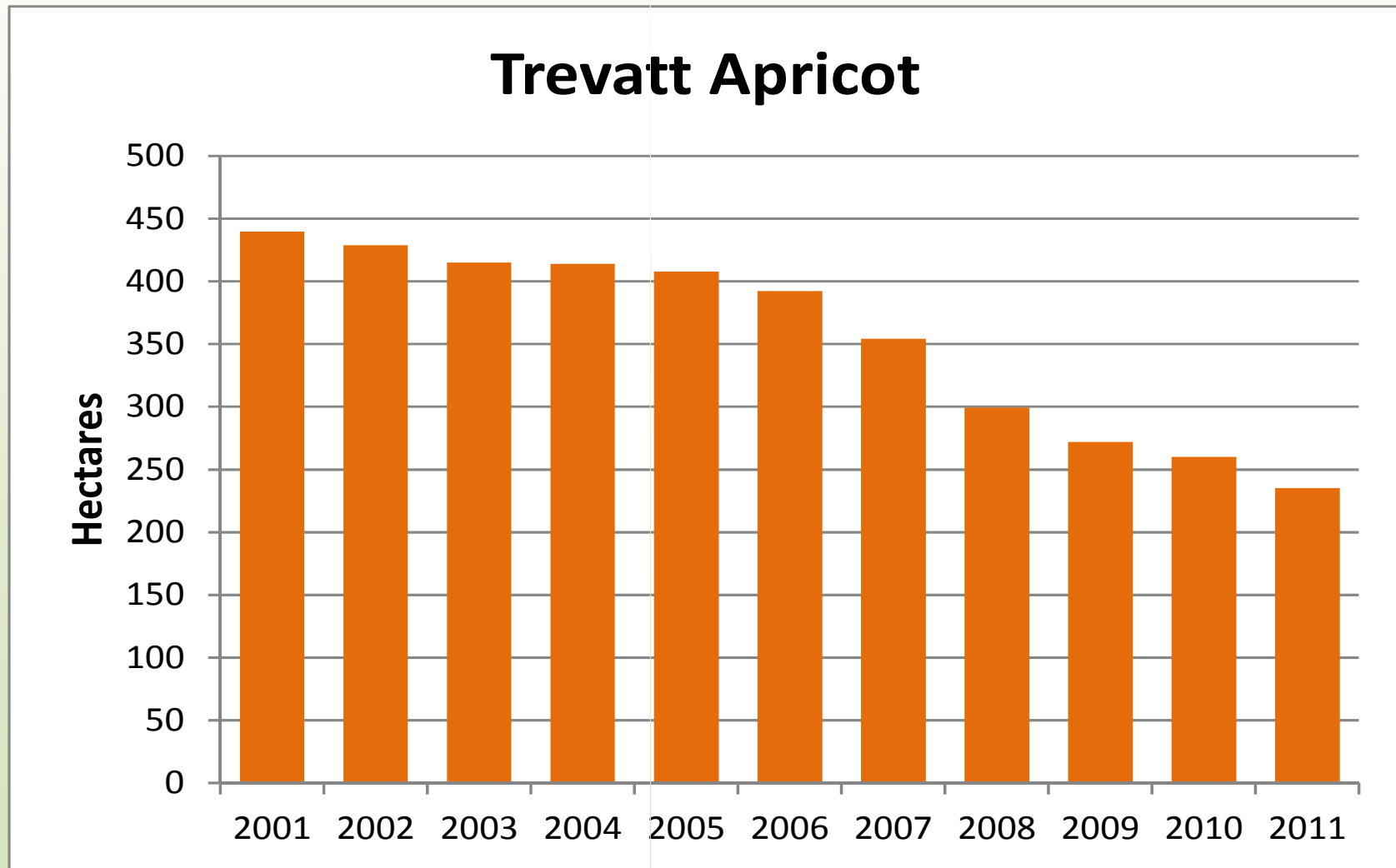


Trevatt Apricot



Apricot Planting Trends

- Area planted to Trevatt Apricot has reduced by 47% since 2001



TOTAL AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS (All varieties in Metric Tonnes And Hectares) (Canning Varieties only)

	UNIT	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	MT	49,130	48,080	41,150	36,115	39,520
	HA	1,753	1,739	1,648	1,550	1,556
PEARS	MT	76,997	67,451	42,030	72,800	67,050
	HA	1,540	1,499	1,449	1,400	1,397
APRICOTS	MT	8,460	5,948	6,181	5,672	5,150
	HA	354	299	272	260	235



AGRICULTURAL PRODUCTION OF DECIDUOUS FRUITS VARIETIES FOR THE CANNING INDUSTRIES (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	46,791	44,935	37,403	28,495	31,786
PEARS	39,917	35,518	21,300	25,165	25,963
APRICOTS	6,769	4,957	5,375	5,048	4,169



AMOUNT OF FRESH FRUIT CANNED MARKETING YEAR (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	40,955	39,259	31,843	27,854	30,685
PEARS	31,621	28,509	19,153	19,692	23,859
APRICOTS	4,001	3,884	3,635	3,871	3,484



AMOUNT OF FRESH FRUIT USED IN PUREE MARKETING YEAR (MT)

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	3,455	3,100	1,750	641	1,021
PEARS	1,150	1,400	1,200	1,450	900
APRICOTS	2,768	1,073	1,740	2,019	1,045



TOTAL INDUSTRIAL PRODUCTION CAPACITY

BASIC CARTONS (24 Cans / 1 Kg)

		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	Nº Industries	1	1	1	1	1
	Prod. Cap.	1,600,000	1,600,000	1,600,000	1,000,000	1,000,000
PEARS	Nº Industries	1	1	1	1	1
	Prod. Cap.	1,400,000	1,400,000	1,400,000	900,000	900,000
APRICOTS	Nº Industries	1	1	1	1	1
	Prod. Can.	825,000	825,000	825,000	460,000	460,000
MIXED FRUITS	Nº Industries	1	1	1	1	1
	Prod. Can.	2,600,000	2,600,000	2,600,000	2,000,000	2,000,000

TOTAL CANNED PRODUCTION IN BASIC CARTONS

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	1,208,465	1,109,760	903,855	777,126	877,951
PEARS	654,238	582,960	361,505	360,363	433,040
APRICOTS	310,558	291,883	219,942	294,970	278,023
MIXED FRUITS	1,794,345	1,624,144	1,034,239	1,106,530	1,387,872



NET PRICE PAID BY THE INDUSTRY PER METRIC TONNE

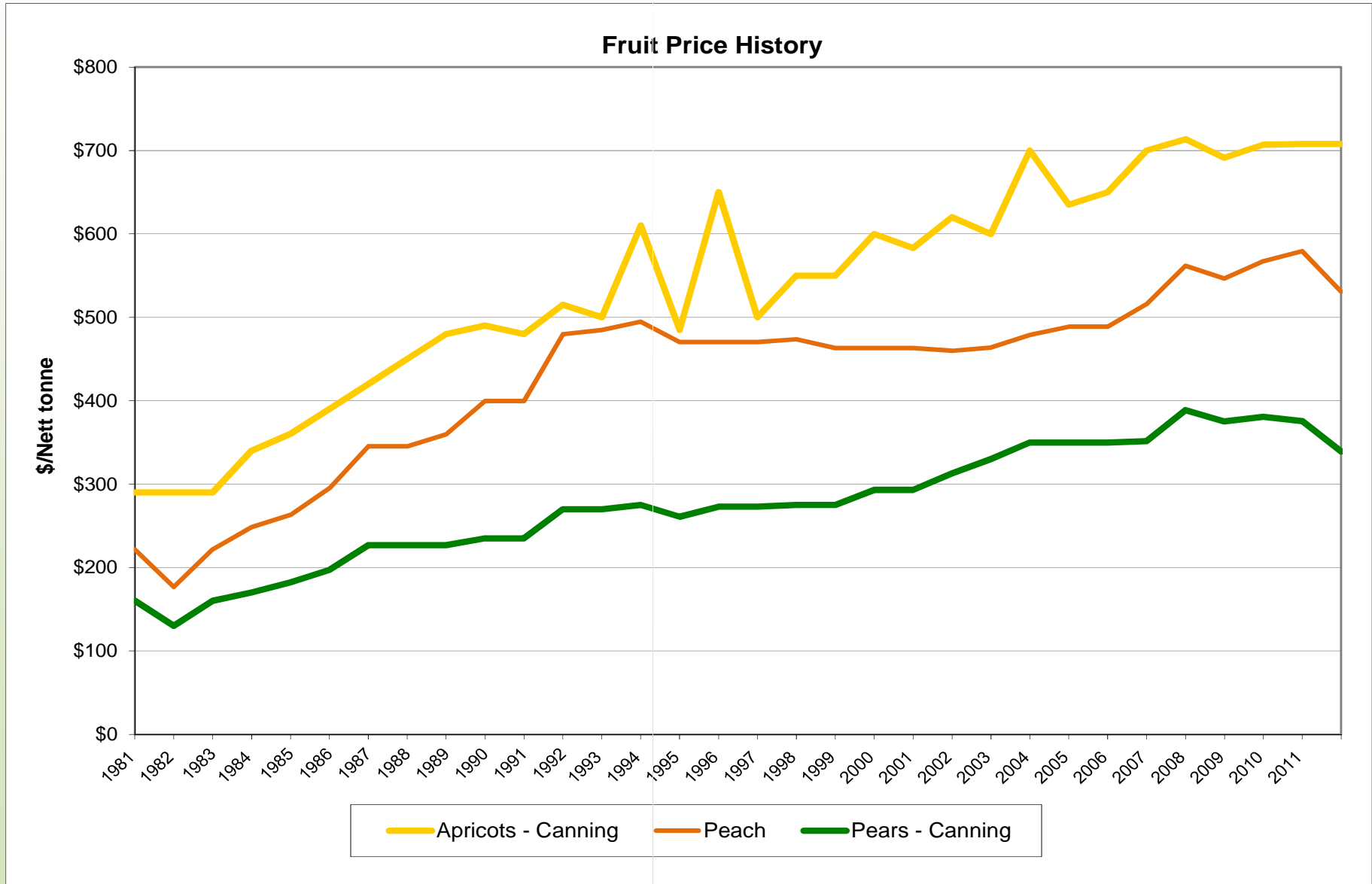
PRICE IN AUD

		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
PEACHES	AUD	565	572	588	579	531
	USD	435	484	554	601	534
PEARS	AUD	389	393	404	396	339
	USD	300	333	380	411	341
APRICOTS	AUD	715	721	724	708	708
	USD	551	610	682	735	712





Fruit Price History





CANNED FRUITS INDUSTRY
COUNCIL OF AUSTRALIA

Thank you.



SPC ARDMONA

No. 1 in Food

Presentation to CanCon09

**9th World Canned Deciduous Fruits
Conference
March 2009**



Items to cover:

1. SPC Ardmona today
2. Our industry – challenges and opportunities
3. The Global Financial Crisis
- an opportunity?
4. “Change” or “Be a Consequence of Change”
- The pace accelerates



SPC Ardmona Today

- Last remaining deciduous manufacturing company in Australia



Our Ownership

➤ Today owned by COCA-COLA  AMATIL



➤ Invested over AU\$100 million in new capital at SPCA over the last 4 years – a significant commitment to our business and our industry



customers



people



passion



innovation



excellence



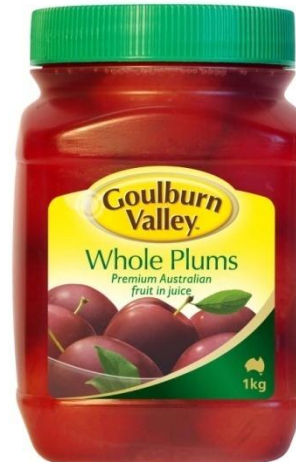
citizenship

➤ **Source from 6+ countries, sell in 30+ countries, use 15+ currencies**



Multi Ranges of Products

1. Multi Serve Fruit



Multi Ranges of Products (cont)

2. Fruit Snacks

- customers
- people
- passion
- innovation
- excellence
- citizenship



Multi Ranges of Products (cont)

3. Tomatoes



customers



people



passion



innovation



excellence



citizenship

Multi Ranges of Products (cont)

4. Baked Beans & Spaghetti



customers



people



passion



innovation



excellence



citizenship

Multi Ranges of Products (cont)

5. Spreads/Jams



Multi Ranges of Products (cont)

6. Cooking Sauces & Marinades



Why the diversity?

- Diversify the **Climate** risk
- Diversify the **Currency** risk
- Maximise utilisation of the plants
- Maximise the strength of the brands

= a more consistent and sustainable earnings base



Our Industry – Challenges & Opportunities

➤ **Base product = cans = commodity**

- Price always used as the lever and it's not sustainable long term

➤ **Lack of innovation**

- Other categories competing for share of consumer's wallet. They are, generally, offering more innovation and interest.

➤ **Cost plus mentality, rather than “how can I do X for \$Y”. Inefficiency results**



But, opportunities are abundant!

- Consumers want to eat healthier – *fruit is a solution*
- “5 a day” type program – *fruit is a solution*
- Snacking trends (on the go consumption) increase – *fruit is a solution*
- Fruit – eaten as dessert mainly with some at breakfast. Identify the other meal opportunities and solutions.
- **BUT**, cannot have a one size, one product, fits all mentality



The Global Financial Crisis

- The strong will survive and grow, the weak/under funded will fail. There will be less growers, less processors, less agents in 2-3 years time as a result, but probably doing more in total
- Funding of inventory, collection of debtors will be key issues
- Consumers are : Eating more at home
 - : Reverting to brands and products they trust
 - : Buying less each shopping trip
 - : Look for value and some treats



GFC – An opportunity – yes, but ...

- **Consumer trends are in the industry's favour – opportunity is there but not if you do the same thing and expect a different result**
- **Make a product that meets a consumer need/want – other than one you have always made**
- **Working together/collaboration/mergers should be considered, eg reduce funding with Northern & Southern Hemisphere production**
- **Promote why consumers should buy our products rather than using price as the only lever**



Summary

➤ Industry is at a crossroads – those with vision and prepared to change will prosper

➤ Customers (supermarkets) will deal with those who can :

- : deliver everyday
- : supply a safe product
- : innovate

➤ The battle for the consumer \$ will intensify – the challenge comes from other categories



Summary (cont)

➤ **GFC will see businesses fail, money difficult to obtain**

➤ Consolidation, cooperation keys to success

➤ **The decision we all must answer:**

❖ ***Change (and how) or be a casualty of the changes?***



customers



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citizenship

SPC ARDMONA

No. 1 in Food

SPECIAL POWER OF ATTORNEY

I, **Jill Atwood-Palm**, as authorised representative of **South African Fruit & Vegetable Canners Association**, do hereby nominate, constitute and appoint

TRADE LAW CHAMBERS (PTY) LTD

with power of Substitution, to be my respective lawful Attorney(s) and Agent(s) in my name, place and stead, to :

- A) act in all matters involving the Australian Government's Productivity Commission, and
- B) sign any and all documents and authorities relating to and in giving effect to our opposition of the safeguard investigation in respect of processed fruit products (being citrus fruit, pears, apricots, peaches, including nectarines, mixtures and other) from South Africa on our behalf,

and generally for effecting the purposes aforesaid, to do or cause to be done whatsoever shall be requisite, as fully and effectually, for all intents and purposes, as I might or could do if personally present and acting herein - hereby ratifying, allowing and confirming and promising and agreeing to ratify, allow and confirm all and whatsoever my said Attorney(s) and Agent(s) shall lawfully do, or cause to be done, by virtue of these presents.

Signed at **Paarl** this **16th** day of **July 2013**, in the presence of the undersigned witness.

AS WITNESS: Arlene Pienaar

As duly authorised by:
Jill Atwood-Palm
South African Fruit & Vegetable
Canners Association