

To the Australian Productivity Commission,

## **Introduction**

Thank you for the opportunity to present my views regarding the implementation of emergency provisional safeguards and subsequent longer term full safeguards.

I am a third generation canning fruit grower of Pears, Peaches and Apricots. Our family has been part of the fruit industry for over 50 years. My two brothers and I currently own/manage over 350 Ha of orchard both fresh and canning. The processed fruit sector has been a successful and progressive industry often at the forefront of innovation and product development.

The viability of this industry which has existed for 100 years, has come under pressure in the last five years and particularly since 2009/2010 from the importation of products from overseas. Up until this period we have rarely seen imported product in our categories, on our shelves, in any significant levels. This has led to SPCA, the only fruit processing company in Australia significantly reducing its supply intake of canning varieties that are specifically suitable for processing.

## **Impact on my enterprise**

The reduction in fruit intake has had a serious impact on a large number of growers in the Goulburn Valley region. Our business is a typical example. We have been farming a 50 Ha property that is exclusively Canning variety Peaches and Apricots for over 40 years. This property has been made redundant by the fruit intake cuts. It has now been turned over for use as cattle pasture. It was capable of growing 1100 ton of canning product of numerous varieties and has supplied this tonnage. This has meant a loss of jobs, a loss of gross income (approx 1100 ton by \$500) and a waste of resource as the orchard had a significant amount of state of the art trellis infrastructure. I can only conclude, from SPCA statements and industry representation that this has been a direct result of overseas imports.

We also have a canning block of WBC pears that is also not required which supplied up to 300 tons of product, this reduction again as a result of imports.

## **Sudden nature of downturn**

Since 2010 my supplied tonnage capacity has gone from 1026 tons to now zero (2014) for peaches and apricots (as it is unviable to continue to operate a small hectare of apricots even though there is still demand) and my required pear supply capacity has gone from 400 ton to 150 tons. This drop has been sudden and totally unexpected; we have grown canning fruit for over 50 years and only recently planted peaches on trellis infrastructure to facilitate rapid crop development. One would not have done this if we expected a downturn in the industry. Other growers share the same surprise at the rapidity of change in demand. Many have only recently just planted new trees at considerable cost.

This reduction was unforeseen, we have successfully competed internationally for all of our industries existence. In the last few years however, Australia's unfettered approach to free trade and low tariff market with respect to fruit products has coincided with an historically high dollar, world overproduction in the light of the GFC and willing retailers welcoming foreign product and so a drop in local demand for our product has developed. I understand from my involvement at an industry representation level, that the drop in demand worldwide, particularly from the European market for processed fruit products has led to a glut in the supply of product. For example this has led to countries like South Africa having an excess which has been placed on our market. Australia has not been a traditional South African market.

## **Effect on whole industry**

Not only have we lost this production but over the last 3 years we have left product on the trees, an absolute waste of investment. This product is unsuitable for the fresh market and attempts to place it on the wholesale markets have had a negative effect on the overall price of our fresh fruit varieties. This is particularly the case for WBC pears. The enormous amount (thousands of tons) in excess of

SPCA's requirement has produced a flood of product that has depressed the fresh market price for our other pear varieties. This has had a significantly material effect on our business.

SPCA also supports the fresh fruit industry by providing an outlet for our 2<sup>nd</sup> grade fruit. Many thousands of tons of product that is not suitable for the fresh market is delivered to the cannery for processing and this adds value to product and brings further income into a growers cash flow. The fresh fruit industry of which I am a major grower is extremely concerned at the potential loss of SPCA as a receiver of 2<sup>nd</sup> grade fruit which will reduce competition for this product and reduce its value.

### **Cost of pest and disease management and critical nature of a rapid decision**

We now face the cost of removing these trees and the very real possibility of pest and disease outbreaks from surrounding orchards which do not have the financial capability to remove excess trees. This is a significant commercial issue. The rapid migration of Queensland fruit fly into our region is of particular concern with abandoned orchards or orchards not maintained in this climate of uncertainty providing ideal hosts for these pests. Blossom time is fast approaching which will start the cycle and provide sites for pest and disease to start appearing. The damage would be catastrophic and potentially irreparable. Once these pests get a foothold they may be impossible to control or remove.

An announcement of safeguards would provide growers with the confidence to properly manage their trees as they would see their industry being protected and valued. Presently growers feel abandoned to these unfair dumping activities without appropriate protection. Safeguards would provide a needed signal that Australian markets are being fairly managed. Fruit growers have successfully competed both locally and overseas for 100 years, we are viable and more than capable of competing in fairly administered markets.

The timing of such safeguards is imperative, unless growers see a future, the impact of unkempt trees will be devastating on the large number of fresh fruit orchards in our region. It goes without saying of the impact of this on our local community beyond cannery suppliers.

### **Wasted investment**

It seems inconceivable that for the sake of not implementing appropriate safeguard measures that are legitimately available, an entire industry that has one of the world's best canners, worlds best growers, a world recognised favourable location to grow fruit and the combination of soil, water availability and climate could be eliminated by what is a short term economic environment and dumping of product below cost.

Our region has been the recipient of considerable irrigation infrastructure upgrades, at the Commonwealth's expense. Horticulture is a significant user of this infrastructure and delivers a considerable dividend in jobs and income per mega litre of water used. The investment would be at risk of not realising its potential.

It is ludicrous that having invested heavily in better and more innovative growing technologies this investment has become redundant causing the land to suffer a loss in capital value as there is a cost to remove the trees and prepare the ground for other farming activities.

Goulburn Valley farmers have for many years competed in a zero tariff environment and have done it successfully by using modern technology and innovative growing techniques. My peach orchard that is now redundant has a heavy investment in this technology including trellis systems, computerised irrigation control and low flow high efficiency irrigation delivery systems. The investment made by growers demonstrates the unforeseen nature of the dumping of product into our market.

There will be a loss of grower knowledge and skill base as growers leave the industry, pruners and orchard workers leave our area and casual labourers are hesitant to come to our region. Growers will

be very reluctant to come back into an industry that has declined and it will also be very difficult for farmers to reinvent themselves. Horticultural skills are very specialised. Additionally diversification for these growers will require large investment; this will be beyond the reach of financially stressed growers who have to remove trees.

In a large business I rely on economies of scale to average costs and maintain competitiveness. The reduction in my size of business has put pressure on my ability to compete profitably. The underutilization of infrastructure, smaller workforce, wasted capital improvement, effect on productivity are impacting my ability to compete effectively and grow my business.

### **Job losses and effect on our community.**

We have had to reduce our workforce considerably, horticulture is a job-rich industry, 70% of our expenditure is labour, there would be around \$400,000 in wages now lost in our business in these cuts. Around 10 EFT jobs or up to 30 casual positions. The multiplication of jobs that also feed off our industry is considerable.

SPCA employs a large number of workers in its production facility, we are an integrated community. Service industries that support SPCA also support other fresh fruit operations. The potential demise of SPCA would lead to a loss of these valuable service industries without the critical mass of this large producer. The loss of direct and indirect jobs would have a huge impact on the economic and social viability of our community.

Shepparton has a strong record of supplying jobs for migrants and new arrivals into Australia. The latest wave of immigrants from Afghanistan has been another success story for Shepparton's ability to integrate and welcome people from diverse cultures. Without the fruit industry many of these new immigrants would be forced to leave our area and look for alternative employment. They have enjoyed the opportunity to work in our region, buy homes and integrate socially, this will be difficult to maintain without the low skill jobs that new arrivals with beginning English competency need to make a start and which the fruit growing industry has provided.

### **Growers need relief to rebuild**

Growers have demonstrated the capacity in the past to respond to challenges; we have been through periods of prolonged drought, flood and frosts. We have met and survived such challenges successfully. Many growers still have the capacity to respond and have significant investments and are operating large businesses employing considerable workforce numbers. We are confident in our ability to compete commercially on a level playing field but not against unfair dumping and predatory practices from producers who we believe do not have to meet the same food safety protocols that we meet in Australia. We need breathing space to form an all of industry response.

I believe that provisional safeguards followed by longer term full safeguards would provide the necessary environment to remain competitive, grow our industry and position ourselves to once again be a net exporter of processed fruit products. Safeguards would have no negative effect on any other suppliers of fruit in Australia as SPCA is the only remaining fruit processor in Australia. I would strongly encourage the Productivity commission to look favourably on the request for safeguards and believe, when the evidence is examined, you will conclude as we have, the unfair effect that increased, imported product dumped in Australia has had on a highly competitive, world class and innovative industry.

Kind Regards  
Peter Hall  
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