AFJA

AUSTRALIAN FRUIT JUICE ASSOCIATION
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Dr John Salerian
Assistant Commissioner
Citrus Industry Inquiry
Productivity Commission
LB2 Collins Street East
PO MELBOURNE VIC 8003

Dear Dr. Salerian,

The Industry

The Australian Fruit Juice Association is the peak industry body for the Fruit Juice Converting and Processing Industry in Australia. The membership of 46 companies, 38 of which are converters of fruit juice and 8 processors represent 98% of sales of fruit juice in Australia.

The Industry represents $B1.1 in sales and $M800. is attributable to the Citrus Industry.

The Association has, and continues to support Government initiative which is designed to increase citrus production for the fresh fruit and fresh juice market.

Over the years the citrus marketing diversification program has assisted the growing industry to increase supply to both the domestic and export market which has been a welcome development. The processing industry has also welcomed increased domestic production which is suitable for fresh-type juicing.

This market continues to grow considerably as can be seen by the following figures –

Mat to 24/10/1999	**Total Juice Fresh**	**62,888,000 litres**
Mat to 22/10/2000	**Total Juice Fresh**	**66,939,000**
Mat to 21/10/2001	**Total Juice Fresh**	**77,238,000**

This represents an increase of 22.8% over three years.

At the same time the growing industry produced more fresh fruit, both for domestic and export markets and significantly the exports of fresh fruit have increased from tonnage 1994/95 of 108,358 to 180,637 in 2000/2001, an increase of 66.7% in 6 years. This increase in the market appears to be a direct result of the Commonwealth Citrus Marketing diversification program.

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Growing Industry

While significant progress has been made in diversifying production, more needs to be done to reduce production which directly competes with the less profitable FCOJ market and to encourage production of quality fruit for the fresh market, both juicing and eating citrus. It is our view that the process of further diversification is the way to go which has seen some growers consolidate to large land holdings, implement best practice horticulture and produce the correct varieties and quality to meet market demand and maximise return. In other words they should receive further government diversification assistance, not protection assistance.

The AFJA further believes that not pursuing our comparative advantage in citrus growing, i.e., by diversifying to the fresh fruit market and counter-cyclically exploiting our export market. There is no sense in our growing and processing industry competing with the Brazilian FCOJ which has the advantage of economies of scale, by sheer size and lower prices with which our industry simply can't compete. Australia should therefore channel its resources in the more validated market sectors of fresh fruit and fresh juices.

Processing Industry

The processing industry in Australia has had considerably rationalisation. There were ten major citrus processors that processed valencia to concentrate ten years ago. That number has reduced to 4, with some now only processing where there is a market opportunity, i.e., surplus fruit/low price. Investment in the fresh style juicing has occurred at the same time, a trend which will continue in the foreseeable future.

Processing into a concentrate is a residual market for the growing industry and for this reason processors cannot be expected to invest millions of dollars in plant and equipment to convert fluctuating quantities of fruit from year to year. It is simply not profitable to import fruit to fill up any short-fall if growers withhold fruit for processing. Also, given that the domestic market is relatively small by world standards, there is little ability for domestic processors to absorb cost fluctuating exports or shortfalls of supply.

With industry rationalisation and reduction in valencia tree plantings together with the increased fresh juice market sector, the following figures give an indication that processing to concentrate is just not viable:

	2001/2002
Export Fresh Fruit	50,000 tonnes
Domestic Fresh Fruit	75,000 tonnes
Fresh Juice	200,000 tonnes
Concentrate	-
Total tonnes required	325,000 tonnes
Forecast production	325,000 tonnes

The demand for fresh juice will continue to increase and growers will be encouraged to increase plantings of fresh juice fruit varieties under contract at sustainable price levels. At the same time, other than adverse seasonal circumstances, processors must be able to rely on growers to supply at the original contract price which has not always happened in the past.

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Summary

- **The fresh juice category is most important for growers, processors, and convertors, and must remain competitive against other beverages such as milk and carbonated beverages.**

- **The process of diversification within the citrus industry is a success story and should continue as such. It would be a great pity if the process of diversification were arrested in favour of protection to the growing sector.**

- **In line with the diversification program we would submit that the industry and government combine to**
  - **(a) further develop export and domestic fresh fruit markets**
  - **(b) further develop the fresh juice market by way of marketing and promotion based on quality.**

- **The Australian Fruit Juice Association will continue to support the growers of citrus and other fruits to produce quality products which meet the consumer and market demand.**

Yours faithfully,

ROLF SCHUFFT
SECRETARY