KEENAN PARTNERS

GROWERS OF CITRUS AVOCADOS FLOWERS AND WINEGRAPES

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Mr John Cosgrove
Presiding Commissioner
Productivity Commission
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10 March 2002

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Dear Commissioner Cosgrove,

Public Inquiry - Citrus Growing and Processing

I appreciate the opportunity to comment on the Position Paper on the above inquiry released on 12 February 2002

<u>Introduction</u>
I am a citrus grower in the Mildura district and have been so for the past 45 years. My farm has produced a very wide variety of citrus cultivars from main to niche markets focusing on the fresh markets for export and Australian markets, with the remainder where possible being sold for "fresh" (not -from- concentrate) or concentrate juice markets, as a last resort.

I have been a citrus/horticultural industry member (as director, delegate or committee member) at regional state and national level over most of that period.

Our orchard has been in constant change, in regard to alternative citrus varitities and alternate horticultural crops for the past 30 years or so, in response to market demand and specialty, endeavouring to maintain and improve farm profitability and sustainability. This has lead from a total citrus production enterprise to diversification into avocados, (Australian markets), cut flowers (export markets) and wine grapes (export driven) to remain viable.

<u>Economic Position.</u>
Returns from citrus growing overall from a farmgate perspective, have been marginal over much of the past 10y years, varying considerably from negative to poor and occasionally good. It has, with specific variety, fruit size, quality and time, rarely produced very good returns on capital.

The Commission's project report by Retailworks for the 2000 - 2001 year, portrays very erroneous fanngate prices which are not reflected in total farmgate returns across all outlets.

To report to the Productivity Commission that

30% of the fresh market sold in cartons returns $490 – 606/tonne
70% of the fresh market in bags/bulk returns $193 - 200/tonne
? % of the fresh juice returns $80 - 240/tonne
? % of the concentrate juice returns not reported, distorts reality.

This does not reflect actual returns for the total citrus crop and hence does not relate to farm profitability. The last two juice sectors could relate to 10-30% for navels and 20-50% for valencias.

The report "Citrus Benchmarking Results" by Rendell, McGuckian for the Murray Valley Citrus Marketing Board and the Horticultural Research and Development Corporation (Feb 2002) reports a more accurate coverage on navel and valencia orange production in the Murray Valley for the period 1995-2001. This reflects average returns of $40 to $115/tonne for navels and valencias combined.

With the commission apparently relying heavily on the Retailworks report the recommendation for no specific assistance measures are not surprising.

Expot Marketing

The major recommendation by the Position Paper deals with citrus exporting to the USA.

One could interpret that this subject was outside of the Terms of Reference.

The citrus industry collectively has contributed enormous amounts of resources, money and time for oveT 15 years in opening up the market for citrus into America, following the sales of counter-seasonal Californian navels in Australia.

Over the following 8 years of actual co-ordinated (but not trouble-free) exporting to USA as the first country to do so, Australia, through Riversun and the single importer arrangement, has built up a quality supply and distribution system which has rewarded all. components of the supply chain, including the grower. In 2000, a year of tight marketing opportunities and disastrous fruit condition outturns, the combined efforts of Australian exporter and American importer made the best of a terrible season in regard to American consumers and the Australian growers.

The submission by BGP Exports, which the Commission appears to be very impressed with, fails to have even a basic understanding, suggesting the market has existing potential of 15 million cases over the 2-3 month "window" into USA, ten times last seasons sales.

The very last consideration that the exporter would have, would be returns to the producer!

For the Commission to recommend the disbandment of the single importer arrangements which is one of few marketing successes in the past decade after years of "investment", would throw Australian Growers again closer to the poverty line

In an ABC interview on the day of the release of the Position Paper, Commissioner Cosgrove indicated that the Commission was unable to determine if the arrangement was a benefit (to Australian producers) or not. So the Commission recommended that the arrangement be discontinued.

That conclusion defies logic and understanding, and demands reversal.

A classic example is citrus marketing in South Africa. Recently, after many years of co-ordinated marketing under the ‘Outspan’ label, a few larger growers in some areas believed they would be better served by throwing open the export market to all exporters.

South African exporters competed strongly, cutting prices to get market share, with resultant huge losses to growers- After two years of disastrously negative returns, the citrus industry has reformed into a major export entity, "Citrus South Africa", handling some 80% or more of production, and providing profitable returns to producers. A lesson for Australia!

Recommendations

1 strongly recommend that the Productivity Commission withdraws its recommendation to dismantle the single importer arrangement for citrus exports from Australia to the USA.

I further recommend that the Productivity Commission endorses the retention and development of the single importer arrangement for the benefit of Australian citrus producers.

Yours faithfully,

Michael Keenan