MURRAY VALLEY ~ CITRUS MARKETING BOARD

RESPONSE TO PRODUCTIVITY COMMISSION POSITION PAPER

ON CITRUS GROWING AND PROCESSING

BENCHMARKING

Results for the sixth consecutive year (200012001) of benchmarking of citrus growers' financial business performance have recently been released. The average performance for participants in this year was a - 2% return. on capital representing a loss of $903 per. hectare.

Average results across the six years all Participants have therefore shown losses for 4 of the 6 years surveyed. Even acknowledging the top 25% of growers who achieved good results in some years, this could hardly summarized as the performance of a healthy industry.

The Murray Valley Citrus Marketing Board is concerned also that the Commission is perhaps placing to much reliance on these figures which am a relatively sm, all. snapshot of the citrus growing industry. The Commission should take into account that, with the exception. of the first year, no MIA growers have participated and that those growers who have been involved are regarded as the more progressive proactive operators who could reasonably be expected to achieve better financial results than growers in the MIA, given their heavier reliance on Valencias.

It is also interesting to note that production of Navels in the coming 2002/2003 year is forecast to be similar to 2000/01. This Navel season will possibly be the highest on record and will certainly produce a very large volume of small sized fruit. These extreme variations in bearing are not unusual.

USA EXPORT ARRANGEMENTS

The Commission's specific recommendation to dismantle the present export licencing arrangements for the US defies all reasonable logic.

I personally have a particular interest in our US program in the ACG/HAL appointed role of "product champion". In this capacity and prior to the appointment 1 have visited the US market annually, assessed DNE's performance and made observations on the various market conditions across the USA. Questions about the capabilities of DNE to achieve widespread distribution have been asked and evaluated many times, leading to the appointment of Seattle based Oppenheimer as a co-distributor in the USA in the mid 1990s. The joint distribution arrangement works very well in delivering a well planned marketing program which is detailed to all major retail customers well in advance of the season. and supported by co-operative promotional campaigns over several weeks of the export program. Shipments (in the main) are co-ordinated by Riversun who also oversee the harvesting and packing required to meet charter shipping schedules. The shipping schedule is planned to land a shipload approximately every 10 days in orde r to clear inventories, ensuring that product reaches retail shelves as quickly as possible.

With these arrangements in place and the counter seasonal advantages we have with Navels during the US summer, we have been able to achieve and maintain profitable returns to growers at a premium over the normal selling price of US Navels. However, if the US market was being supplied in the same way as all other export destinations, the competition to supply the same major customers would quickly see prices tumble.

The realities of the US market are that it costs around US$12 per carton just to land the fruit at the San Diego port with further distribution, marketing and some re-packing costs required before the grower can earn a single dollar. Typically the US oranges would make wholesale sale prices in the US$6 - S14 range per carton depending on size and variety.

Australian Navels have generally sold in the US $20 - 530 per carton.

The US market may well be able to absorb a larger volume of Australian citrus. However any compromise in quality and specification coupled with un-coordinated. supplies would most certainly see sale prices struggle to cover the landed cost.

South African competitors have done precisely what the Commission has, recommended -with disastrous financial results for their growers., and exporters.

LACK OF MARKET POWER

Several growers in this area have expressed disappointment and anger over the Commission. s draft position paper. Their comments have specifically been in response to:

(a) Lack of grower negotiating power with processors which they believe has been ’gloased over’ and simply referred to the ACCC,

(b) Reference to the various Government Assistance Schemes which they believe impose too many conditions or are designed as unrealistic "exit packages" rather than provide assistance for redevelopment of their properties.

(c) Anger that the US export arrangement., have been ‘targeted' when it is the most successful marketing model the industry has.

The MVCMB understands that the issue of collective negotiation would need to be endorsed. by the ACCC. However we also feel that an acknowledgement by the commission as to growers lack of market power (particularly in negotiating contract prices with processors) would be helpful in any approach to the ACCC.