Productivity Commission Inquiry

CITRUS GROWING AND PROCESSING

Submission By

Queensland Fruit & Vegetable Growers Ltd
Citrus Committee

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Citrus Growing and Processing

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Citrus Growing and Processing

1. Introduction

1.1 QFVG Citrus Committee

Queensland Fruit & Vegetable Growers Limited is the representative organisation for the Queensland horticultural industry. All horticultural producers in Queensland are, by statute, members of QFVG.

QFVG ceased to be an SMA with the passage of the Queensland Primary Industry Bodies Reform Act 1999. QFVG Ltd was set up as the replacement body and the Reform Act provided a 3 year compulsory membership transitional arrangement, with voluntary membership to take over on 1 July 2003.

The Citrus membership of QFVG comprises some 350 citrus growers from all areas of the state. More than 250 of these could be classified as mixed horticultural producers (many small scale) spread the length of the Queensland coast. There would be less than 100 specialist citrus producers in Queensland.

The QFVG Citrus Committee is the representative group for Queensland citrus growers. It comprises 8 members elected from growing districts throughout the state. It has 2 members each from the major producing areas of Gayndah and Mundubbera, 1 from Emerald (the third largest centre of production), and 3 other members representing the Sunshine Coast Region, Wide Bay/Capricorn Coastal Region and the Far North (Charters Towers/Mareeba).

1.2 Queensland Citrus Industry

Whilst citrus is grown throughout Queensland, there are certain areas of concentrated production. These producing areas, in order of importance are:

1. Central Burnett (Mundubbera/Gayndah)
2. Central Highlands (Emerald)
3. Wide Bay/Burnett Coastal
4. Sunshine Coast
5. Mareeba
6. Charters Towers

In 2000, Queensland produced some 117,000 tonnes of citrus (Appendix 1). The Queensland industry is experiencing a sustained growth phase, with production having almost doubled from 59,000 tonnes in the twelve years since 1998. This growth continues, with most activity taking place in the specialist producing areas of Emerald and the Central Burnett.

For the purposes of this submission, the issues canvassed primarily relate to these specialist producing areas.

2. Characterisation of the Queensland Citrus Industry

1.3 Scale of Operation

The Central Highlands is dominated by one major citrus enterprise, 2PH Farms, with another enterprise of similar magnitude, Evergreen Farms, in the early stages of development. There are about 4 other citrus producers of note in the Emerald District.

Gayndah, in the Central Burnett, is anchored by the Gayndah Packers Co-operative Association Ltd (Gaypack). Gaypack has some 32 members, and on average they would be at the smaller end of the scale, at 20 ha of citrus plantings. There are also about 10 "independent" producers in the Gayndah area, averaging 30+ ha in size.

Mundubbera has one major corporate producer, Golden Mile Orchard, and about 15 "independent" producers. The larger established independents average 120 ha, and there is a wave of "new" producers in the district, averaging about 50+ ha.

There are a number of other significant producers at specific locations such as Biggenden, Wallaville, Childers, and Maryborough, in the coastal Wide Bay/Burnett region. These would average about 50+ ha of plantings.

1.4 Varietal Focus

The Queensland citrus industry is primarily orientated towards the production of mandarins, with 81,000 tonnes, representing 70% of Australia's mandarin output, produced in 2000 – Appendix 2.

The main mandarin varieties produced are:

1. Imperial – April-June
2. Ellendale – June-July
3. Hickson – June-July
4. Murcott – August-October

In addition to mandarins, some producers have other significant specialties such as lemons. For example, the Golden Grove orchard at Gayndah is one of the largest lemon producers in Australia.

Limes are produced in the coastal areas throughout the state, largely coming from small mixed farms. This sector is pretty much a hidden industry.

Orange production is essentially static, with citrus tristeza virus preventing the growth of the Navel orange production. However, valencias are an important commodity with a very good export market in Japan.

1.5 Fresh Market Focus

The Queensland citrus industry has always been orientated towards the fresh market, and there is little reliance on the processing sector.

Most independent Queensland growers have their own packing facilities, and therefore grow, pack and market their own product. Queensland growers mainly sell their product through wholesalers in the central markets in each state, and sometimes direct to the retail chains.

The Gaypack co-operative packs and markets the product grown by its members, again through central market agents.

There are no corporate packers in the Queensland industry.

The domestic market for Queensland citrus is dominated by the 3 major producer enterprises – 2PH, Golden Mile and Gaypack. A major supply chain alliance was established in 2001 – the Sweetee Group – to make a 4th force in the market. The independent growers market around these "corporate" producers.

1.6 Export Focus

The Queensland citrus industry has a successful export track record. Major markets include:

1. Hong Kong
2. Singapore
3. Indonesia
4. Japan
5. Malaysia
6. Canada

Queensland exported 21,000 tonnes of citrus valued at $28 million in 2000.

Exports are primarily handled by commercial fruit import/export companies. However, the Queensland grower owned company, AJCE Pty Ltd, handles most of the Japanese trade – having opened up and pioneered this market.

1.7 Processing Sector

There are 3 significant processing companies operating in Queensland:

1. Central Burnett Fruit Processors – a grower-owned company in the Central Burnett.
2. Tropico (Berri Ltd) at Palmwoods on the Sunshine Coast;
3. Golden Circle in Brisbane

With the exception of the Golden Mile Sunshine Coast property, no citrus in Queensland is produced specifically for processing. The product processed is generally overrun fruit from the packing line.

3. Queensland's Unique Aspects

As a citrus producing area, Queensland is significantly different to the southern "Mediterranean" producing areas. These differences include:

- varietal mix with an emphasis on mandarins
- scale of average holding
- fresh market/export orientation
- status of processing sector
- no corporate packers
- grower involvement through whole production/supply chain.

Queensland growers also have a fairly independent spirit, and for the most part don't support new regulatory measures – such as:

- orderly marketing arrangements/Export licencing
- single desk/sole importer arrangements
- co-ops and corporate operators (packers) who are seen by some as an extra cost in the chain, and a buffer growers from the true market forces.

Queensland also has some additional factors that must be addressed, inherent in growing citrus in a tropical/subtropical environment, such as:

- tight seasonal window
- pest problems – particularly endemic (native) fruit fly – *bactrocera tryoni* (Queensland fruit fly)
- disease problems – particularly citrus black spot

These factors often result in Queensland being treated differently to the rest of the industry when the terms of access to new markets are negotiated. For example:

- USA – only citrus produced from declared fruit fly area freedom zones are permitted into the USA – this excludes Queensland.
- Citrus black spot – an impediment to access to New Zealand, and will be a further barrier to overcome in achieving access to the USA
- narrow seasonal window from April to September

The effect of these differences is that Queensland's needs are often set aside for the greater good of the Australian citrus industry when market access is being negotiated with a trading partner, but more often than not, "the process" does not return to fix up these loose ends and Queensland's citrus access needs are often left unaddressed.

4. Export Issues

4.1 Status of Queensland Citrus Exports

Mandarins are Queensland's leading horticultural export, with exports valued at $24 million in 2000. Valencia oranges also featured in the top 10 horticultural exports from Queensland in 2000.

4.2 Export Market Access Situation

Notwithstanding this export performance the Queensland industry has regulated, limited, restricted or nil access to most of its current and potential export markets, due to quarantine restrictions (Queensland fruit fly and citrus black spot), and in many cases by non-quarantine barriers such as restrictive quotas and high tariffs.

The situation in relation to specific export markets is as follows:

Japan

Queensland has been successfully exporting valencia oranges to Japan since 1983. This is done under a fairly demanding quarantine protocol, namely cold sterilisation at 1ºC for 16 days for fruit fly (with Japanese inspector supervision at unloading of the cold rooms prior to shipment).

After 11 years of effort by industry and government (research agencies and quarantine negotiators), access for mandarins was achieved in early 1999 - with the same treatment approved that was accepted for oranges in 1988.

The Japanese market was opened up progressively from 1983 to 1999 on a variety by variety basis – a pedantic drawn out approach which has been ruled against by the WTO, following a challenge from the USA (apples).

Singapore

Singapore is an unregulated market, and is one of the main export destinations for Queensland citrus of all varieties, taking 5,400 tonnes in 2000.

Indonesia

By 1997 Indonesia had grown to be the principal export market for Queensland mandarins, taking 66 percent of the total mandarin exports that year. However the 1997-98 Asian economic crisis saw this market being almost totally lost. It has steadily recovered as a lower priced market for lower quality fruit, but is impacted by Australia's unstable political relationship with Indonesia.

Hong Kong

Like Singapore, Hong Kong is an unregulated market. Following the Asian economic crisis it took over from Indonesia as the main export market for Queensland mandarins taking 50 percent of Queensland's mandarin exports in 1998.

It is generally acknowledged that much of this product ends up in the Philippines and China (to which Australian citrus does not yet have formal access) via the thriving "parallel trade".

China

Australian citrus does not at this stage have legal access to China. This access objective is on Australia's official priority list for negotiation, however, this is likely to introduce expensive quarantine requirement that at present don't have to be met.

Whilst the Queensland industry is keen to open legitimate access to China to exploit the vast untapped potential of this market, substantial quantities of Queensland citrus end up in China anyway, via the "parallel trade" through Hong Kong.

Taiwan

Australia had access to Taiwan many years ago, but this was closed for political reasons.

However, Taiwan was reopened to Australian citrus in 1997 with a meagre quota of 600 tonnes per annum, but with no mandarins allowed (Taiwan is protecting its domestic mandarin industry).

Queensland has been unsuccessful in trying to get this quota increased to a more meaningful level, and with a quota allocation being allowed for mandarins. It is expected that the situation will improve when Taiwan achieves membership of the WTO, but the industry has been waiting many years for this.

Malaysia

Malaysia is a low price market, and has built in recent years as a fairly important outlet for lower quality fruit, taking 3,400 tonnes in 2000.

Thailand

Thailand lifted restrictions on citrus imports in 1991 and Orderly Marketing arrangements were implemented for that market by the AHC in 1995. Queensland does not participate in this market to any significant extent because of the high, 51 percent, duty on citrus imports.

Philippines

A Specific Commodity Understanding was signed between Australia and the Philippines in June 1996. However official trade in Queensland citrus to the Philippines has not developed due to the requirement for expensive quarantine treatments which are not financially viable for that market.

Republic of Korea

Access for citrus to Korea was achieved in 2000, but with no mandarins allowed. Korea has its own mandarin industry to protect, and they unofficially suggested that if mandarins were dropped off Australia's application, there would be less trouble getting approval for oranges and lemons – this was done.

The terms of access to Korea include the onerous testing of leaves and fruit for the presence of four fungal diseases, to enable orchards to be registered for the Korea program. There is no technical justification for this requirement. Also, a Korean inspector has to be present in Australia (at Australia's expense) to conduct a pre-clearance inspection and approve each shipment.

The Queensland industry has asked Biosecurity Australia to proceed with negotiations for mandarins to complete this access objective, but we believe this has been dropped to the bottom of the priority list. In any event, Korea has a 152.0 percent tariff (1999 rate – decreasing by 1.6 percent per annum) on mandarins.

India and the Sub-continent

In recent years, the Australian citrus industry has evaluated the potential of this market. In the midst of this investigation India announced in April 1999 that it had put its 2003 import schedule for citrus on fast forward to 1999, and the Australian Horticultural Corporation quickly followed up with a launch of Australian apples and citrus in India in July 1999. However, subsequent developments indicate that there are prohibitive tariffs still to be overcome (70 percent), and there is doubt whether mandarins will be included in the access approval.

USA

The opening of the USA market in the early 1990s has been a turnaround factor for the viability of the citrus industry in southern states, but access is only available to the Riverland (SA), Sunraysia (VIC/NSW), and Murrumbidgee Irrigation Area (NSW) which have declared fruit fly area freedom status.

The Queensland citrus industry is pressing for expanded access to the USA, for areas which cannot qualify for fruit fly area freedom. Whilst this is achievable with fruit fly treatments that should meet USA requirements, Queensland has a difficult road to hoe on account of the USA's very tough stance on another disease of concern, citrus black spot.

Canada

The west coast of Canada has been a good market for Queensland citrus for many years.

However, in 1999 Australian citrus was placed on the target list for tariff retaliation by the Canadian Government due to Australia's non-approval of access for Canadian salmon. With a negotiated settlement, fortunately, this did not occur.

Western Europe

The market potential of Western Europe was formally assessed by a team lead by the Australian Horticultural Corporation in 1998, and this confirmed that Europe is not a viable market for Queensland mandarins (Queensland's premium mandarin variety, Murcott, does not have market acceptance as it has too many seeds).

New Zealand

New Zealand will only accept citrus from areas free from citrus black spot (and this excludes the Central Burnett) and also requires a cold disinfestation treatment for Queensland fruit fly. With these restrictions, Queensland citrus is effectively excluded from the New Zealand market.

4.3 Queensland's Export Needs

It can be seen from the above that Queensland has good terms of access to only 5 markets – Hong Kong, Singapore, Indonesia, Malaysia and Japan.

The risk of having such a limited spread of options was brought home with the Asian Economic Crisis in 1997. The Indonesian market collapsed from 66% of mandarin exports in 1997 to virtually nil the next year.

Whilst Queensland needs more export markets to be opened, Queensland's interests often get set aside by Australia's market access negotiators in preference to the national industry's mainstream priorities. For example, export markets for Australian citrus where Queensland is effectively excluded include:

- USA – fruit fly area freedom zones only (not Queensland)
- Korea – not mandarins
- Taiwan – not mandarins
- New Zealand – overblown quarantine requirements (black spot)

4.4. Export Agents

Except for the Japanese market, Queensland's citrus exports are handled by commercial export agents.

In the main, there has been good co-operation between growers and exporters in opening and servicing export markets.

Notwithstanding this general view, dissatisfaction has been expressed by some growers that the larger corporate-type export agents take a commodity approach, and market the product primarily on price, particularly into southeast Asian markets. This needs to change with sales being made on the basis of quality and on the varietal characteristics of the fruit itself. To do this exporters need to have more knowledge of the buyers requirements (product description), and of the local infrastructure for handling the product. They also need to have better product knowledge, particularly of the newer varieties, to ensure that the product supplied meets the requirements of the market being serviced. Fruit supplied which fails to meet the expectations of the buyer is the main source of problems and disputes, and this can ultimately be costly for the grower.

4.5 Horticultural Market Access Committee (HMAC) and Biosecurity Australia

The role of Horticultural Market Access Committee is to receive industry requests for access to new markets, to assess the commercial viability of the request, to prioritise the request against other applications, and to co-ordinate interdepartmental and intergovernmental agencies in the work required to achieve the market access objective.

However, there is a widely held view in industry that HMAC is not very effective, and the link between HMAC approval and the work programs of government agencies is often somewhat tenuous.

For example, Australian Citrus Growers Inc (ACG) endorsed Queensland's proposal for citrus from fruit fly endemic areas (mainly Queensland) to the USA in April 1999. This was approved by HMAC in February 2000 following receipt of a submission from QFVG and this very important Queensland objective has been essentially dormant since then.

Responding to Biosecurity Australia's claims of limited resources, and an invitation for industry help with the effort, Queensland picked up the challenge and prepared the technical submission for access to the USA – as a stage 1 proposal, for areas free of citrus black spot. This was submitted to BA in May 2001 through the Queensland Department of Primary Industries. However, a recent enquiry as to its progress revealed that there have been staff changes, and the new person responsible had no knowledge of it (ie. it had become lost in the system).

In the meantime, an ad-hoc submission prepared by NSW Agriculture for the Bourke area was picked up by BA and submitted to US authorities, bypassing the entire market access process.

An efficient process would have handled the Queensland stage 1 and Bourke proposals as a single exercise, as the production areas are very similar, and the quarantine issues to be addressed are basically identical.

Biosecurity Australia is also perceived to be a weak negotiator by industry. Significant export access achievements take for too long, and the terms of access

ultimately delivered is often burdensome, uneconomic, or unsuitable for the real world, eg.

- Korea – leaf and fruit testing for fungal disease requirement
- Korea/Japan – pre clearance inspector requirement (at Australia's expense)
- Taiwan/Korea – not prepared to push for access for mandarins for unofficial trade-off reasons
- Japan – Mandarins (11 year process) was progressed on a variety by variety basis (not WTO legal). What happens when new varieties come on stream?
- China – BA is advocating more stringent protocols for Australian industry (cold disinfestation) than China may well be prepared to accept, and this would be a significant, unnecessary, extra cost for this market.

5.0 Domestic Market Issues

The bulk of Queensland's citrus is sold on the domestic market mainly through the central markets in each state, but with some sales direct to chainstores.

The traditional marketing systems have been reformed and then deregulated over the past 10-15 years, and growers must now place their faith (and livelihoods) in the hands of a system with very little protection of their interests.

The system in place now is the end product of a process of deregulation where rules and regulations were taken away, where new practices were developed by the trade to suit their own businesses (essentially paralleling the previous regulations), and where codes of practice were subsequently introduced to tighten up loose practices.

Some of the problems with the wholesale marketing system include:

- lack of clarity in the method of selling, with the wholesaler being able to operate as an agent (the grower's man in the market), or a merchant (the growers adversary in the transaction) at his discretion. In reality, they have the best of both worlds taking the merchants profit and carrying the agents risk (ie. nil, as the risk remains with the grower)
- there is no transparency in transactions and no guarantee that the grower receives payment based on what his product actually sold for
- there are no prudential standards to protect growers money (as you would find in the financial services industry)
- there is no clear change of ownership of the product, and claims against the product always come back to the grower, even if the product had subsequently been "purchased" by a merchant
- there is a problem with chainstores sometimes returning product after a weekend for spurious quality reasons, when the real reason is that they over ordered for the weekend.

These problems relate to all horticulture, not just citrus, and we believe that the domestic marketing system warrants further examination.

6.0 Processing Sector

The processing sector in Queensland serves largely as an outlet for overrun fruit, thus enhancing the quality of fruit sent to export and domestic fresh fruit markets.

However cheap imports result in very low prices being paid to growers, to the extent that the processing option is not as much of an incentive to growers as it should be.

Also, Queensland's principal product is mandarins and there is a limited market for mandarin juice products. At present the Food Standards Regulations allow up to 10% undeclared mandarin juice in orange juice, and an increase in this figure to 20 percent or higher would be a significant benefit. The mandarin varieties (Ellendale, Murcott) being tangors, are in reality hybrid oranges. Also, mandarin juice can be blended with orange to give it improved colour, without any effect on flavour.

In the meantime the Queensland industry is working with selected processors to develop a range of mandarin juice based products, and assistance with this initiative would be welcome.

7. Production Issues

In the Queensland environment, growers state that they need to realise $500 per tonne to cover costs. With the Queensland industry orientated towards the fresh market, exports, and more highly valued mandarin varieties, this is usually achieved. However, in years of market oversupply (becoming more common) and low returns, growers can experience significant losses.

7.1 Labour

The most significant cost factor is labour, comprising forty to fifty percent of the cost of production.

Mandarins are particularly labour intensive with harvesting carried out by hand, (with fruit having to be individually removed from the tree with clippers) and with fruit thinning being a significant off season labour expense. Mandarins in particular have to be thinned to reduce crop load on a tree, during the early fruit set period, to achieve better fruit size. An employee on fruit thinning duties can be expected to thin 30 to 40 trees per day, and this is a significant cost for an orchard of say 10,000 trees.

As well as cost, other important issues relating to labour include:

- backpackers/overseas workers – growers are required to check visas for entitlement to work. This is a bureaucratic impost and growers should not be expected to be experts in interpreting visa conditions. Backpackers wishing to work in Australia should be issued with an entitlement to work card on arrival to the country, which should be a standard single piece of documentation that an employer should have to check.
- workcover – employees have to be trained in every aspect of every operation they do on a farm and this training must be documented. There should be a system

whereby an employee having been trained once, can have this registered so that his training does not have to be repeated if he moves to another farm.

- compensation – growers often get bogus and extremely belated (and questionable) workers compensation claims made against them. We have a fairly charitable medical community and workers compensation system that usually sees these claims approved – at the growers expense. There needs to be more rigor in investigating workers compensation claims, and a stronger causal link established between the work undertaken and the injury claimed for.
- occupational health and safety – legislation requires an employer with more than 30 employees for 40 days per annum to have a safety officer. Rural industries are at present exempt from this, but this exemption may be lifted. A fully trained safety officer would be "overservicing" for most citrus operations, and someone trained in safety procedures at a more general level should be a sufficient requirement.
- occupational superannuation – superannuation contributions are paid for seasonal workers and overseas backpackers. Often backpackers leave the country without claiming their money. Sometimes seasonal workers use false names and later cannot be traced. In both instances, the superannuation payments have been a cost to the grower and are meaningless for (and are lost to) the recipient. Any unclaimed funds should therefore be returned to the grower who made the payment.

7.2 Agricultural Chemical Registrations

The citrus industry relies upon a suite of agricultural chemicals for pest and disease control, and also to meet quarantine requirements of both interstate and export markets (different treatments required on a case by case basis).

Due to an ongoing review process and changing international standards, certain essential chemicals are at risk of being lost to the Australian industry.

The industry needs access to new chemicals or non-chemical alternatives and the research needed to develop and make these available is usually time consuming and expensive. In many cases access to new best practice products (which may already be available to overseas competitors) cannot be achieved because the Australian market is too small for the chemical companies to justify the investment required.

The Queensland citrus industry believes that the review process should take into account the availability of alternatives at a feasible price for the grower, before existing products are withdrawn.

We also believe that the process needed to achieve access to new, world's best chemicals, needs to be easier, cheaper, and much more timely.

Chemical registration applications are assessed by the National Registration Authority (when their priority turn comes around) over a 2 year period. This assessment includes product efficacy, toxicology, application rate, residues, safety, environmental impact, etc. To a large extent this process reinvents the wheel as these products have already been evaluated in this manner overseas.

The Queensland industry believes that there should be not only greater acceptance of overseas data in assessing new chemicals, but also the precedent of their approval in high integrity overseas countries (eg USA, Japan, Germany) should be sufficient to fast track their approval for use in Australia. Maybe there could be an interim approval stage, whilst the local aspects (impact on environment, etc) are being assessed by the NRA.

8. Industry Viability – Cost-Price Squeeze

The Queensland citrus industry has, over the past 10 years, experienced a cost-price squeeze whereby the cost increases for inputs have been far in excess of the price increases that growers have been able to achieve.

Cost increases for major input categories, as reported by growers, have been as follows:

	1991	1991	2001	% Increase 1991-2001
Labour ($/hour)	$7.50	$9.60	$11.50	53.3%
Diesel (cents/ltr)	56	63	89	58.9%
Freight ($/carton)	$1.04	$1.12	$1.18	13.4%
Cartons ($ each)	$2.34	$2.45	$2.86	22.4%
Chemicals ($/5 ltrs)	$227	$279	$352	55.1%

The Average cost increases for these 5 categories over the 10 year period have been 36.5%.

For the same period, the average price for fruit sold in the Brisbane market has been as follows:

	1991	1991	2001
Mandarins ($/tonne)	$1366	$1203	$936

Whilst this indicates a substantial fall in proce over the decade, average proces for a carton of product, as provided by a typical grower, have been as follows:

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Imperial Mandarins ($/9kg carton)			12.75	13.45	15.55	12.25	15.30	9.35	13.75	13.55	8.30
Navel Oranges ($/18kg carton)	12.40	17.20	15.70	13.30	16.40	13.70	14.70	10.30	12.70	16.00	11.20

This shows that except for annual price fluctuations due to seasonal and marketing conditions, the price trend over the period has been basically static.

The extent to which these reduced prices returned to producers have been passed on to the consumer could be examined by the Commission. However, it would appear that there has been a redistribution of the consumers dollar from the producer to the retailer and/or wholesaler, and that this redistribution has been in accordance with the relative market power of the participant in the value chain, rather than their value adding contribution to the product ultimately purchased by the consumer.

9. Government/Regulation

It is generally perceived that deregulation is very one-sided, with "good" regulation usually taken away and "bad" regulation being increasingly imposed on industry.

For example, the regulatory burden on industry includes the following:

- industrial relations
- environment
- superannuation
- workplace health and safety
- taxation
- backpackers/illegal workers (immigration)
- land management/tree clearing
- chemical usage
- market access (quarantine) – even interstate

On the other hand, regulation which may be useful, and which provides assistance and protection for industry, is being removed or prevented in areas such as:

- domestic marketing rules and regulations
- exporting/access to certain markets
- grade standards and enforcement
- maturity standards
- barriers to entry into the industry, or quotas on production
- licensing of growers/competency standards for the industry
- measures to achieve industry co-operation and discipline in marketing for the common good (the taint of collusion)
- statutory industry bodies and statutory levies (at the state level) to fund whole industry support programs

The industry accepts that the "bad" regulations are justifiable and important, and for the most part require industry to operate to acceptable community standards. As a responsible industry, Queensland citrus accepts and supports these regulations. However, the point must be made that the regulatory framework around the industry is very much one-sided.

12. Regional Infrastructure

12.1 Roads

Significant and strategic road upgrading is required, mainly for access into and for product moving out of the Central Burnett region.

The priority needs are:

- Tansey/Kilkivan link road – linking the Burnett Highway to the Wide Bay Highway. This section is 25km of narrow (one lane) road, with a 2 km unsealed section over the Kilkivan Range. This is the main route from the Central Burnett to the National Highway system (at Gympie) and to Brisbane, and it is a disgrace that this main route from the Central Burnett to Brisbane (only 350 km) is not sealed all the way.
- The Durong Road south from Mundubbera to Dalby, being the primary route from Mundubbera to southern markets
- Extension of dual carriageway on the National Highway north from Yandina to Gympie, including a bypass of Gympie.

12.2 Rail

Rail freight costs are half that of road, but the poor level of service has resulted in this transport option being totally displaced by road operators in the early 1990's.

For rail to return, the infrastructure would need to be upgraded and the service would have to match the flexibility offered by the road alternative, ie. container pickup on-farm.

12.3 Telephone Network

The telephone service in the Central Burnett is sub-standard.

Mobile coverage on the digital network is patchy. Mundubbera and Gayndah are islands in terms of coverage, and no communication is available for the 150km of highway into the region.

Likewise the CDMA service has gone backwards from the previous analogue service.

There is also a loss of service in relation to the land line. The time frames for repairs are long (no local staff available), and third party service providers for equipment are a significant added expense, whilst the level of service on equipment has also gone backwards.

12.4 Water

The Central Burnett has experienced chronic drought conditions for most of the past 10 years.

The lack of water is holding back further development of the industry, and the lack of water security is resulting in the (current) removal of some orchard blocks in the upper reaches of the Burnett River.

The industry in the Burnett has not been able to drought proof itself, even with water storage's built in the 1970's. Burnett growers have typically had to operate at from 0% to 50% of their water allocation for most of the past 10 years.

Five new water infrastructure proposals have been under consideration for the Burnett Catchment for some years, comprising upgrades to two weirs, construction of two

new weirs and a new dam. The first two of these have recently been approved, and a decision on the others is still pending.

The process to getting these facilities has been particularly onerous, with studies carried out, water use efficiency measures promoted as alternatives, and extensive consultation and negotiation required over a long period of years. This process has been long winded, burdensome and cruel, whilst growers suffered considerably with extended drought conditions throughout the 1990's.

13. Conclusion

The citrus sector is a standout achiever in the horticultural industry in Queensland. It has experienced strong growth over the past 10-20 years, it has a strong presence in domestic and export markets, and is characterised by the entrepreneurial spirit of Queensland citrus producers.

Nevertheless, there is scope for many improvements to the framework in which the industry must operate. In summary these include:

- an improved range of export market access opportunities,
- a more outcome focussed and market responsive export market access process,
- a review of domestic marketing systems, to better protect those who use this system,
- improved processing opportunities for mandarins, and in particular an increase in the allowable mandarin content in orange juice,
- improved returns from the marketing system, and a larger share of the end consumer's dollar for the producer,
- attention to labour problems – particularly backpacker work visas, workers compensation rorts, and unclaimed superannuation money,
- improved access to best practice agricultural chemicals,
- less restrictive regulation, and a preparedness by government to provide regulatory support in areas which may better help growers work together, and to maintain professional standards in the industry, and
- improvements to the regional infrastructure – particularly roads, telephone service, and water.

We trust that the Productivity Commission will take these issues on board, and will make recommendations which will help the citrus industry achieve its future goals.