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To whom it may concern

Restpath Pty Ltd was incorporated in 1994 with a vision of “doing it right’. It was anticipated that a blend of youthful exuberance, hard work, new ideas and niche marketing would deliver a profit to the bottom line.

All of these ideals have been adopted and profits generated have been at best modest to a deficit.

In this time we have seen two highs and many lows, with returns to growers generally at sale prices less than the cost of production and more generally at prices that barely cover the costs of harvesting and delivering to the packer or processor.

Whilst some “fresh juice” contracts have offered greater security for growers some have not and the surplus to these contracts has had to be either marketed as “non-contracted fresh juice”, concentrate or for fresh fruit.

Australia has however never produced enough oranges to satisfy all demand that exists between juice requirements and fresh fruit requirements. This shortfall has needed to be filled with imported product, primarily from Brazil. The ABS indicates that imports of FCOJ in 1999/2000 equated to 295 000 tonnes almost equal to that of the Australian domestic production of 334 000 tonnes of valencia, a figure not likely to be repeated in Australia again.

Production has shifted in recent years with many valencia trees being removed. Some of this land has gone toward navel orange production but much has gone to viticulture.

The dilemma of this shift in production is that slowly but surely the infrastructure of the citrus industry is being eroded away. With already a heavy reliance on imports, any downturn in domestic production further pushes processors and retailers toward an import focused supply chain in which Australian producers have a limited and volatile participation. This participation does then become a price driven role where producers are forced to compete at the lower end for a share in their own domestic market.

Around five years ago Restpath Pty Ltd, purchased fruit from around 20 growers. Today that figure is closer to 10 with some having resorted to packing their own fruit in order to value add their product, some having contracted fruit direct to processors, most having turn a large portion of their citrus production over to viticulture and some subdividing their land for housing. To greater ensure supply we have recently had to purchase our own orchard as grower longevity is very much under threat.

With the existing growers, fortunes have fluctuated greatly with one season producing not enough fruit to satisfy our static demand and the next by only slightly over-producing making marketing of that fruit profitably, very difficult if at all achievable due to low “off-contract” juice prices.

Governments, both Liberal and Labor have constantly told growers that diversifying into navel production with an export focus was the answer to the problem.

This however does not recognise the extremely important role valencia oranges play in the overall citrus industry. It is this variety that is being imported for orange juice. Despite extensive research navel oranges are not able to be properly utilised for quality orange juice and as such, returns for juice grade navels are generally poor. In fact Berri Ltd have terminated all contracts for the supply of navel oranges effective at the end of the 2002 season.

The valencia marketing period usually extends for around eight months, starting in October and ending in May. Some contracted fruit for processing is harvested June to August. An enormous amount of jobs are created by valencia oranges in this time with the industry very labour intensive.

On August 18th 1997 Prime Minister John Howard said “ I acknowledge the contribution Toyota as a corporate citizen has made to Australia over a long period of time. Your company has been a very fine corporate citizen in Australia over the years, it has employed over the years thousand of

Australia. It has invested large amounts of money in the future in the future of this country…..". This statement was made after government policy on tariffs was altered to ensure enough industry protection was in place to secure the commitment of Toyota to Australia. The citrus industry has created thousands of jobs and will continue to if viability can be sustained. Unlike Toyota most profits made from the Australian citrus industry are retained and reinvested in Australia.

Many jobs have already been unnecessarily lost in the citrus industry to the detriment of our nations and our farming families. On the 28th of October 1997 the Dept. of Social Security advised that the cost of losing 4500 jobs in the citrus industry could be around $20 million per annum to the federal government in social security payments. With the production of valencia for 1999/2000 reported at 334 kilotonnes this equates to a staggering $59.88 per tonne. A huge cost for Australia.

Valencias also pay for a huge amount of industry overheads in this same period of time as well as keeping the workforce employed in the industry. Workers in the industry will not be in place to be utilised in the navel season for four to five months if for the rest of the year they are given little or no opportunity for employment. They will simply leave to find better security of employment in other industries. If this happens we also lose much of the years of industry experience built up, and may not be able to make the most of export or domestic market opportunities.

Valencia oranges long touted as being worthless are quite the opposite and should be looked upon as a great asset to industry and government alike. One can only assume that treasury would much prefer receiving income tax from industry employees rather than paying out welfare benefits.

Having established that valencia oranges are of huge importance to the overall well-being of the industry and the fact that Australia is DEPENDANT on IMPORTS of FCOJ to SUPPLEMENT DOMESTIC PRODUCTION one must ask why this product does not come in at a much higher price. The price the marketplace could afford and therefore provide greater profits for both domestic producers and companies exporting FCOJ to Australia. It was former opposition leader Kim Beazley who said on August 20 1997 "…you don't get any cheaper products from our retailers by simply slashing tariffs…."

One must assume that the major FCOJ producers in Brazil do act with honour and integrity and therefore would not “dump” FCOJ on the Australian market.
They must simply be able to produce it cheaper than us. Is it genuine economies of scale or is it cheap labour? Australian producers are obliged to pay employees a fair and reasonable wage along with working conditions befitting that of a developed and moral nation.

It is reported that wages in Brazil are from $2-$6 per day. In Australia if a contract labourer for oranges picking receives $50.00 per tonne the employer sponsored superannuation alone is $4.00 per tonne .If the average picker picks 2 tonnes of oranges per day the harvest cost alone in Australia is $54.00 per tonne. In Brazil however the cost per tonne could be as little as $1-$3 per tonne. This unfair advantage would logically flow through the entire growing, harvesting, processing and distribution network creating an even greater unfair advantage for imported FCOJ to enter Australia and erode away the domestic industry.

It should be noted that in the General Agreement on Tariffs and Trade, to which Australia is a signatory, it states that if imports are doing material damage to the domestic industry, tariffs can be imposed and be imposed for up to eight years. As such the principals of free trade can allow for morally correct, industry- protection in developed nations where industries are vulnerable to dangerously cheap imports created by exploitation of workers in third world countries.

Furthermore, whilst the Australian government touts free trade, our trading partners are not quite so generous to importers of FCOJ into their marketplace. Brazil for example has a much higher tariff rate and imposes this tariff at the cost of the product including freight making the overall cost even higher. Australia however imposes tariffs free of freight, which has a lessening impact on the overall prices. According to Austrade data most countries in the world with a citrus industry impose some sort of industry protection on imported FCOJ.

As both a citrus producer and packer I would be very interested in economic modelers doing a study of the Brazilian industry using our wage structure and working conditions. This would establish if the Brazilian industry is genuinely extremely efficient or simply able to exploit cheap labour domestically and soft governments abroad.

It is my opinion that the key to a successful citrus industry rests with the viability of valencia oranges. If government takes a pro-active role to protect industry from unfair trade practices such as exploitation of cheap labour and inadequate labeling laws and enforcement thereof , the citrus industry can return to it's former glory and keep many Australian families and individuals employed for many generations to come. Valencias should not be looked upon as the downside of the citrus industry but rather as an opportunity to sustain the industry for more than half of each year. This will however happen only if government moves from it's ideological approach of industry protection and fair trade to one of identifying exploitation and indexing imports of FCOJ to our standard of living. Is that not what governments do? Ensure a decent standard of living for its' constituents.

Each time a worker in Brazil is exploited and that FCOJ is exported to Australia, an Australian worker and an Australian farmer and his family are also exploited and there lifestyle challenged. By the rules of the GATT agreement this need not be the case. As an Australian all I ask for is for the opportunity to compete in the Australian marketplace fairly and that I am given the same opportunity to do so as is afforded to that of the imported product.

Yours faithfully

Grant Hearn
Managing Director