Riverina Citrus

4 December 2001

The Citrus Industry Inquiry
Productivity Commission
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 3003

Dear Sir

The Riverina Citrus Industry comprises of approximately 600 growers, making up 70% of the production of citrus in New South Wales and 30% of the overall Australian production. Citrus plantings in the Riverina total 9000 hectares and are predominately made up of Valencia and Navel orange varieties.

The area was developed in the early 1900's after a strong advertising campaign, by the Government, to farm in the region. Potential farmers came from as far a field as Sydney, Broken Hill and California, to start their dream life of farming in the 'country'.

The area was also favoured by Italian migrants wishing to pursue the type of farming familiar to them in their homeland, and live a prosperous life in their new 'homeland'.

Unfortunately, this was not to be the case ……….

Consistently over the last three decades the citrus industry in the Riverina, and indeed the whole of Australia, has been faced with a number of major issues which have now culminated in the situation where many growers are faced with the real prospects of their being little or no future for them within the industry.

Issues contributing to the downturn of the citrus industry include:
- The increase importation of cheap Frozen Concentrated Orange Juice
- The reduction of Australian Tariffs
- The abolishment of the 25% Juice Content Tax Concession

- Confusion in labeling laws
- Difficulties with the global trading environment
- Price variations along the 'chain', and
- Financial Situation of growers

THE INCREASED IMPORTATION OF CHEAP FROZEN CONCENTRATED ORANGE JUICE (FCOJ)

Imports of FCOJ have had an increased detrimental effect on the citrus industry, on both demand of fruit and prices being paid to growers.

In the 1996/97 season 14,410 tonnes of concentrate were imported into Australia, this is equivalent to 187,000 tonne of fresh citrus.

Over the years imports have steadily increased, and in the last Valencia season approximately 23,929 tonnes of concentrate were imported, equivalent to 311,077 tonnes of fresh citrus.

There is much concern over the increasing imports, as FCOJ can be stored in freezers for a number of years, potentially damaging the industry for years to come. Buyers can buy at cheap prices, store it then sell on a light year.

Not only have these imports virtually crippled the local industry, but the current floor price for all citrus in Australia is set by the international price of FCOJ. For example, once the prices of FCOJ are publicised, processors then set their price around that, usually $10-$20 more, informing their growers they can purchase from overseas for that price. There is a carryon effect, where packers who are dealing with juice companies, offer their growers less than they are able to sell their fruit to the juice companies for. Last year the average price for FCOJ was $63 per tonne.

We estimate that approximately 40% of the Riverina's citrus growers have some form of juice contract with processors. These contracts cover only a proportion of the grower's production, not the whole orchard. Although contracts vary from processor to processor we estimate an average of $140 per tonne is being received for contracted fruit, on the other hand, fruit delivered outside of contract has achieved as low as $35 per tonne.

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The low price of orange juice being imported from countries such as Brazil (approximately $80 per tonne) has also caused a large reduction in the use of locally made FCOJ, further complicating the situation of Australian citrus growers.

Countries such as Brazil and South Africa are able to sell their products to Australia at such low prices due to their low cost of labour and other overheads. A number of citrus growing countries, such as those in Europe, are also subsidised by their governments. Australian citrus growers are forced to fend for themselves with little or no government assistance.

THE REDUCTION OF AUSTRALIAN TARIFFS

In accordance with the Federal Government's economic reform and commitment to the World Trade Organisation and the GATT Agreement, tariff protection has been reduced, with the tariff for Orange Juice being reduced from 35% in 1996 to 5% in 1998. A change that was not followed by any of our competitor countries involved in this agreement.

This reduction had a huge impact on the citrus industry, growers had no protection, and imports of fresh and frozen produce flooded Australian markets.

THE ABOLISHMENT OF THE 25% JUICE CONTENT TAX CONCESSION

Long term sales tax arrangements providing a 10% lower rate for juice products with a minimum 25% local juice content were abolished from 1995. From then, the 10% sales tax break applied to products with 25% minimum juice content of any origin.

The exemption from sales tax had an effect, which increased demand for domestic produce over imported produce.

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CONFUSION IN LABELLING LAWS

Labelling laws have been introduced which provide some assistance to the industry. These laws assist consumers in determining the country of origin of particular products.

It has been found through investigations held by the ACCC, that these requirements in relation to labelling are not necessarily being complied with in the market place nor do we believe that the laws are strong enough nor policed to assist consumers with easily identifying "real" Australian made products incorporating Australian grown fruit. Penalties for those not complying are not high enough.

DIFFICULTIES IN THE GLOBAL TRADING ENVIRONMENT

Australian exporters, although they have access to a number of markets are faced with real difficulties or 'barriers' when sending their fruit overseas.

Australia to USA

- There is a window between 1 July-1 September where Australia is able to export to the US, this is during their off season for citrus, apart from this time there are restrictions on all imports from Australia in particular a nil tolerance on quality (fruit breakdown).
- There are strict quarantine requirements

Positives
Success of the single desk arrangement to the US, limited access should be considered to new markets as they are opened instead of open slather.

Australia to Japan

- Fruit Fly – Japan does not accept area freedom from fruit therefore all fruit must be cold sterilised before leaving Australia adding a higher cost to exporting.
- At different times of the year, tariffs increase remarkably.

Australia to Korea

- Fruit requires inspection, by Korean inspectors, before leaving Australia.
- Leaf and fruit sampling is required for the first 3 years of exporting on all orchards exporting.
- These are an additional cost to the exporter, packer and grower

Unfortunately, for Australian citrus growers it is quite simple for other countries to bring their products into the Australian market place.

Any Country to Australia

- There are quarantine restrictions on goods coming into Australia, on such pests and diseases as fruit fly and citrus canker
  - Fruit fly must be cold sterilised before arrival in Australia
  - No region that has citrus canker can export to Australia

Australia does not have the same stringent restrictions as their competitors.

PRICE VARIATIONS ALONG THE CHAIN

Riverina Citrus growers are currently faced with the major issue of the large differentiation in price from the amount the grower receives for their produce, and the price the consumer pays in the major supermarket chains.

During the 2000/2001 Navel season, citrus growers received between 5-15 cents per kilogram, or $50-$150 per tonne, for their Navels on the domestic market, when supermarket studies show that major retailers are selling that same produce for up to $2.99 per kilogram.

Navels have, in the past, allowed struggling growers to keep their heads above water. Most growers are reliant on reasonable prices for their Navel crop, due to the low price being received for Valencias over the past ten years. Valencia season is now upon us and the returns to growers are by no means on par with the cost of production. Unfortunately this is not a problem that is isolated to the Riverina citrus industry, it is evident all over the country.

EFFECTIVENESS OF GOVERNMENT POLICIES

Labour and Superannuation – A large majority of pickers are not claiming the 8% superannuation, therefore it is going back to the Government. Growers are asked to do all the paperwork for nothing, it is just like an extra tax.

MIA PowerPACT – the current MIA PowerPACT is for all agricultural commodities, although it is citrus specific for the first year. It also does not apply to all growers who require assistance. The levels of assistance are also varied, meaning not all growers that pass the Business Plan are able to take advantage of the other incentives within the plan.

CMDG Project – The $8.4 million that was awarded to the industry in the late 90's was for export development. It is believed that a great deal of this money was spent on projects and consultants, with little benefit to the 'grass roots' grower.

FINANCIAL SITUATION

Many growers in the Riverina are having problems supporting their families. Many rely on off-farm income or Centrelink payments to put food on their tables.

The Murrumbidgee Rural Counselling Service in Griffith has 'seen a continuing increase of citrus horticulturalists experiencing extreme difficulty meeting the day to day living expenses and the servicing of high debt levels that many of them are carrying.'

They have also noted in their Annual report for 2000/01 that 48% of their clients were receiving either family or parenting payments with 25% of rural clients receiving some form of off-farm income.

In recent years with prices being paid for citrus, growers have struggled to meet their picking costs of approximately $65 per tonne, let alone their average cost of production.

CONCLUSION

Riverina Citrus would like to see the Government support limited importers to any new market open to Australia. This will reduce undercutting and give a better share of the export dollar to the Australian grower.

The current state of the citrus industry is presenting a real threat to not only growers but rural townships within the Riverina, and indeed all over Australia, as a large percentage of income is based on horticultural industries such as citrus. Some businesses in this area have been forced to downsize or close altogether. Must we continue to see this happening???

Yours sincerely

PWA Blacker

Phillip Blacker
Chairman
Riverina Citrus