# Murray Valley Citrus Board

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Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600.

Dear Sir,

**RE: Inquiry into Review of the Citrus Industry in Australia**

The Murray Valley Citrus Board (MVCB) is a grower funded Statutory Body established under the provisions of the Agricultural Industry Development Act 1990 (Victoria). The board has extraterritorial jurisdiction in the Murray Valley region of New South Wales. The Board was first established in 1989 and its continuity is required to be put to a registered grower vote every four years. This was most recently voted and approved for a further four year term by growers in June 2012. Growers are required to vote annually on the Boards Plan of operations and budget each financial year.

The MVCB is dedicated to providing a wide range of information and services to the citrus industry, particularly to the 385 registered citrus growers, packers and marketers in the Murray Valley region of NSW and Victoria. The Murray Valley production area produces approximately 23% of Australia's citrus.

Citrus production in the Murray Valley stretches from the South Australian /Victorian border south east through the highly productive areas of Sunraysia.

We welcome the opportunity to provide input into the Review of the Citrus Industry in Australia.

**(a) Scale and structure of the industry**

The Board is largely funded by a compulsory charge on growers for services delivered. Its role is primarily to resource regionally relevant research, development, extension and market access development services and our projects are endorsed annually by citrus growers in this region.

The MVCB supports the need for a national peak body to deal with national issues affecting the citrus industry in Australia. However our Board's focus is on regional issues of significance to growers in the Murray Valley.

Our Board has always been keen to work with the national peak body Citrus Australia Ltd (CAL) and it's fair to say that we have been very disappointed with some of the decisions they have made. For example we question the need for the formation of Regional Advisory Committee in our region. This committee has been established to advise CAL on regionally specific R&D issues. We believe that this capability

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already exists with our regionally based groups namely the MVCB and Sunraysia Citrus Growers (SCG) and is duplicating the capability already present. We also question why membership of CAL is a requirement to be considered for a place on these committees in the NSW Riverina and the Murray Valley regions, whilst in South Australia all growers may nominate for a position on the committee.
We also question why MVCB has been rejected by CAL for affiliate membership on more than one occasion?

### (b) Opportunities and inhibitors for growth of the Australian industry

Murray Valley citrus growers are high value producers and they need high value markets.

Murray Valley growers have high costs associated with energy, fertilizers, wages and other inputs. These costs have to be absorbed by growers whilst the prices paid to growers are diminishing. Growers can not withstand declining terms of trade. The approximate cost per hectare to produce navel citrus is $8,500 for the domestic market and closer to $10,000 per hectare for export. Growers need $250 per tonne (based on 40 tonne per ha) just to cover costs. Average return from the U.S last season was $215 per tonne.

In a speech in Mildura on March 25, Olam Group MD and CEO Sunny Verghese, commented that it was reprehensible that governments around the world are reducing investment in R&D for agriculture. R&D is a social and economic requirement that needs to be met by government and supported by extension provided through industry. R&D is linked with increased productivity and profitability, both of which are suffering generally for horticulture and agriculture under the current economic conditions. One such local example was the closure of the CSRIO Merbein facility in 2010, with the loss of 30 jobs and expertise in research for horticulture and in particular, citrus varietal research.

State governments are also reducing funding for R&D capability in their own departments. More investment at state and federal level needs to be made to meet the growing global demand for food. Australia has an opportunity to fill this need over time. It is noteworthy that foreign investors can see this as evidenced by their continued investment in agricultural property in Australia.

### (c) Competition issues in the Australian market

Our Board is very concerned at the levels of imported frozen juice concentrate (FJC) entering Australia. We believe much of this is entering Australia at lower than cost in order to move stock from those countries who produce it. We believe it should be up to the country exporting FJC into Australia to prove that they are not selling it less than the cost of production.

Labelling laws in Australia urgently need overhauling. Currently labelling laws provide manufacturers with the opportunity to state that their product is '*manufactured in Australia with local and imported product*'. There is no requirement to provide consumers with more information about how much of it is imported and how much is Australian grown.

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In the past and prior to free trade agreements the citrus industry benefited from local content laws which required that any juice sold in Australia had to contain a certain amount of Australian grown product. A return to this local content requirement would provide a significant outlet for citrus fruit that has not met the high standards required for the fresh fruit market. Currently much of this fruit is dumped for stock feed with no financial return to the grower. .

Concentrated supermarket buying power is reducing prices paid to citrus growers. Australian producers are inherently price takers. To simply say that growers can withhold supply until prices improve has not worked and will not work. We are dealing in a perishable commodity and need to harvest when the product is at its optimum quality. Growers have no influence or control over what prices are paid to them. Typically those businesses associated with the industry vertically (ie. transport, packaging, exporters, retailers, shipping etc) continue to make profits from the industry whilst growers continue to struggle financially. This is simply not sustainable in the long term. Australia is facing the future prospect of becoming a net importer of food.

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*Recommendations:*

- *New labelling laws be introduced to provide consumers with adequate information about country of origin for product contents.*
- *A return to local content i.e. a requirement of 20% Australian grown for juice products and a cap on FJC imports.*
- *Anti dumping action to be taken on those countries which flood our markets with FJC at less than cost of production and that the onus of proof rest with the exporting country..*
- *Major supermarket chains to comply with a new code of practice involving fair prices being paid for agricultural products.*

**(d) Adequacy and efficiency of supply chains in the Australian market**

State and Federal infrastructure investment is needed to improve the movement of freight via rail, road and at the ports. We have seen the steady decline in the level of investment on roads and rail in Australia. Large sections of our major highways deteriorated at an alarming rate during the wet years of 2010 and 2011 with much of this only receiving a band-aid solution.

Currently there are too many vested interests along the supply chain. Citrus packers, transport operators, packaging suppliers and exporters make more money by having more products packaged for sale. Whilst this allows businesses along the supply chain to spread more volume across their overheads it does not necessarily make growers more money as it usually means more product on the market and lower returns to growers.

**(e) Opportunities and inhibitors for export and export growth**

Exports from the Murray Valley constitute approximately 50% of all fruit grown in the region. Export market access is absolutely vital to citrus growers in the Murray Valley. Whilst we have access to a number of markets, the protocols which need to be met are onerous and costly to implement both on farm and post harvest. We urgently need improved protocols and additional market access to enable the industry to be more competitive with other southern hemisphere producers and exporters.

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The cost of compliance through government charges such as those imposed by AQIS are stifling export opportunity. With recent moves to full cost recovery by AQIS, growers are now less inclined to send product to an export destination, and this at a time when Australia needs more export income not less. Export licence fees have also recently risen.

If the Australian Government absorbed these export enhancing costs it would assist in leveling the playing field with our competitors whose governments often provide substantial assistance or subsidies.

The industry needs less red tape and more government assistance to develop new markets. We note that the ASEAN Free Trade Agreement of 1/1/2013 provides an opportunity for market access growth provided that all parties adhere to the agreement. For too long free trade agreements have not benefited Australian growers. Our competitors into these markets appear to be able to negotiate far better terms under their free trade agreements.

The length of time to successfully gain new markets or improved protocols is better measured in decades than years and this is simply coming too late for many Australian growers.

Queensland fruit fly (QFF) has been a major problem for the Murray Valley region and others over the last two seasons. QFF is considered by all export markets to be a serious pest risk and growers have been required to spend a large amount of money in treating properties in outbreak areas as well as their fruit both pre and post harvest.

The Victorian State government and to a lesser extent the NSW government, are to be applauded for their very substantial financial support to eradicate QFF outbreaks. Regrettably this support is now being reduced and industry is charged with the responsibility of funding the shortfall required. It is absolutely critical that the Sunraysia Pest Free Area (PFA) regain freedom from QFF. Without acceptance of this freedom by export markets, growers will be required to spend large amounts of money for additional treatments on fruit. This additional cost coupled with high exchange rates will render most export markets uneconomic.

Horticulture in the Sunraysia area is responsible for 30% of the employment with much of that vertically aligned off farm. The continued decline in terms of trade has many growers assessing their future in horticulture. Without support at both federal and state levels we may well see many exit the industry leading to less economic activity in these important regional communities.

*Recommendations:*

- *Remove the AQIS full cost recovery model.*
- *Significantly increase funding to support additional protocol and market access requests.*
- *Abolish all export fees.*
- *The provision of sufficient Federal funding to maintain existing Pest Free Areas and enhance moves towards establishing additional Pest Free Areas*

Yours sincerely,

John Tesoriero
Chairman
Murray Valley Citrus Board