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Submission – Inquiry into Review of the Citrus Industry in Australia

I am Frank Battistel a 2nd generation citrus farmer from Griffith in the Riverina. I was the previous Chairman of Riverina Citrus for seven years and also President of the Griffith and District Citrus Growers Association for two years. I am currently farming 135 hectares of citrus consisting of 2/3 Navel and 1/3 Valencies. It has a current annual production of 5,000 tonnes and expected to grow to 7,000 tonnes over the next five years, of which 2000 tonnes is exported. Most of the plantings are eleven years old or younger. At the time of planting all investigations showed a real future in the citrus industry, this has all changed in the last three years mainly due to the high Australian dollar. It takes about ten years to get a citrus tree into full production. Our property currently employees two full time employees and sixteen casual staff for eight months of the year for harvesting.

a) Scale and structure of the industry

The Australian Citrus Industry is one of the largest fresh fruit industries in Australia. Currently there are approximately 2,000 growers and packers with an estimated value of investment of over 1 billion dollars, this equates to production of over 600,000 tonnes of which approximately 45% is exported. Navel and Valencia oranges make up the bulk of the production in Australia with Navels being the largest.

In 2008 Citrus Australia (CA) was established to replace Australian Citrus Growers (ACG). Growers had made a decision to create this new peak body which included the State Boards in Victoria, South Australia and the Riverina. I feel that Citrus Australia are dedicating too much of their time and resources to create an empire and not focusing on the real issues effecting citrus growers. They have assisted in the demise of two state boards that being the South Australian Citrus Board and Riverina Citrus Board. The above reason could have been a contributing factor to their membership numbers being less than 10% of the grower base. I feel that the previous structure with the peak body who concentrated on dealing with national issues and the state board who concentrated on dealing with local and state issues was a preferred structure. The previous peak body needed personnel changes rather than structural changes to bring the Citrus Industry leadership up to world standards.
I also have a concern of the previous makeup of the Industry Advisory Committee (IAC) who makes the determination on where the federal levies paid by growers and Government are spent. It was totally inappropriate that the IAC and CA were the same people and most of the levies were directed to CA projects, it maybe that they were the best projects but we will never know. Both the Chairman of the IAC and the CEO of HAL should have been aware of this conflict. Very little detail is distributed to all grower levy payers on how it spent the national levy and how successful the projects it

managed were. There low number of grower memberships of CA indicates dissatisfaction with the peak body.

b) Opportunities and inhibitors for growth of the Australian Citrus Industry

Australia produces too much fruit for the Australian market and needs to export. The current high Australian dollar has made exporting unprofitable and difficult. This has forced more fresh fruit onto the domestic market, causing the domestic market to be flooded with produce, which in turn also makes the domestic market unprofitable. The decision by Citrus Australia not to do any promotion last season with the biggest navel crop on record also did not help the situation. Approximately 75 cents per tonne is paid by orange growers to Horticulture Australia for promotion and marketing. Why they did not utilise these funds for promotion is beyond comprehension?
The flawed ideology of free trade which is not fair nor on a level playing field for the Australian farmers has not helped the Citrus Industry. Market access just for the sake of “access” has also not helped the citrus industry. We need access with achievable protocols. The cost of producing citrus in Australia is one of the most expensive in the world given that the Australian farmer is one of the most efficient in the world. The false perception that we will feed Asia in the future is ridiculous, as they will not be able to afford our horticultural produce. It will be more than likely that Asia or developing countries will feed Australia if the Government is not prepared to assist in keeping a horticultural industry in Australia. Food produced cheaply in developing countries, in the first instance should be for their own use, but the financial advantage in sending food to Australia with our high income, high exchange rate and high cost to local farmers makes Australia a very attractive destination. To add to the high costs of production we also have high compliance costs and high quarantine inspections costs which also add to the cost of doing business in Australia. Developing countries have lifted their quality and farming technologies to be better than or as good as ours. I now found myself getting agronomy advice from South Africa, we now find ourselves getting information in new technologies and new varieties from developing countries, which have governments who are prepared to invest in Agriculture. CA is now recommending that growers remove Navel tree and plant Mandarins. It was only 6 years ago that the recommendation was to plant Navels, given that it take 8 years to get a tree in full production, and Mandarin have an even greater cost of production will Mandarins be the next tree that is remove before it reaches full production. How often can we keep removing and replanting tree without ever having made a profit.

c) Competition issues in the Australian market

Labelling has been an issue that has been ongoing. Both sides of government have not had the will to fix this problem which has dogged all farmers and industries for years. Very little, if any of the Blewitt Recommendations inquiring into food labelling has been implemented allowing processors a free rein to blend imported products with Australian products and call it “made in Australia”. The labelling continues to mislead the consumer thinking they are buying an Australian product when that is not the case.

The dominance of Coles and Woolworths in the market has also distorted competition. There seems to be a huge competition in Coles and Woolworth’s suppliers but very little competition in Coles and Woolworths as buyers. There are 2,000 citrus farmers trying to supply two major retailers. It is hard to comprehend that a kilo of oranges leaves my farm gate at 15 cents per kilo and within a few days it is in the supermarket at 200 cents per kilo. Most of the cost has occurred in the growing of the produce for over 12 months. I realise that previous inquiries into the retail food industries have shown that the margin above is what retailers require to do business, but I also require more than 15 cents per kilo to do business. Every day you hear of another horticultural business shutting down. The limited competition for the buying of produce by two major retailers have assisted in farmers not being able to achieve cost of production for fruit sold in Australia, with the two major retailers controlling 80% of retail market, unheard of in any other country . The practice of the peak body CA of allowing both Coles and Woolworth to be affiliate members of CA has made it difficult for CA to criticise the major retailers when they have been the major sponsors of conferences and other major CA events.

Another concern to the industry is cheap imported citrus concentrate. In 2012 cheap imported concentrate was being dumped into Australia due to the fact of it having traces of carbendanzin. Both the USA and Europe had rejected this concentrate, but it was below the Maximum Residue Level (MRL) set by Australia. Due to that fact that orange concentrate was being offered below the cost of production, an anti-dumping case should have been investigated, but due to the complexity of proving your claim and time required to put an anti-dumping claim together it would have been too difficult and taken too long. In 2012 the Riverina area dumped to the ground 20,000 tonnes of mainly blemished Navels and some Valencia's which normally would have went to processing for concentrate. One processor quoting, "Even if you gave me your oranges for free it would be cheaper to use imported concentrate."

Only recently a Brazilian judge has ordered four of the major processors in Brazil to pay $227 million in compensation for a decade of illegal labour practices. In the 90's Brazilian major processors also took part in a cartel formation and price fixing to their suppliers for fruit and on this occasion paid $100 million to their government to prevent further investigations, and agreed to stop anti-competitive behaviour of price fixing. The investigation appropriately named (Operation Fanta) while all this was taking place we the Australian Citrus farmers were asked to compete with cheap imported concentrate from corrupt Brazilin processors practices.

Navel oranges from Egypt were also imported last year and being sold below the cost of Australian Valencia's which were being sold below the cost of production. Freight, wholesale costs and retail margin on the Egyptian Navels were barely being met at the price they were been sold for, this would also have qualified for an anti-dumping claim but again the time required and the complexity of achieving this was unachievable. Government or peak bodies seem to not have the will to pursue these unjust practices

d) Opportunities and inhibitors for export growth

Citrus is the largest fresh horticultural product exported, exporting around 45% of our fresh crop. We need to maintain and grow that amount to prevent flooding of the domestic market with citrus. Every carton we send off shore is a carton we don't need to sell here easing supply issues and price pressures domestically.

Opportunities exist in China and Korea but some form of orderly marketing system must be implemented as per the USA single importer. Australian oranges are one of the most expensive in the world. We need to direct our citrus to provinces or areas where our oranges are affordable and with targeted promotion to achieve prices which will return a profit back to the growers. Indiscriminative exporting of our produce only helps to export more volume with little or no return to growers and only assist in lining the exporter's pockets. Opening new markets must have achievable protocols and orderly co-ordinated marketing to achieve price points required to make it profitable for the farmer.

e) Other related matters.

The NSW Government have withdrawn support in maintaining trapping grids and a fruit fly control and eradication programme, within the residential area of the Fruit Fly Exclusion Zone(FFEZ). The NSW Government want the growers to wear the total cost of this, however it is a community benefit if we have a citrus industry that is profitable and exporting citrus. The community should be assisting in funding this through tax dollars. The citrus industry in the Riverina alone spend over $50 million on farm inputs annually to grow their crops and all this generates jobs in the community. At the present time it is not appropriate to pass on further costs to growers as it is being crucified by the high Australian dollar. If we were able to achieve fruit fly free status during winter (winter window) when most of the exporting is done and not require cold disinfestation we could direct the saving back in to fruit fly control currently done by the state government. This is a time when the industry needs the support of State and Federal Government to see it through and maintain a citrus industry in Australia. Approximately $3 million is spent by growers in cold disinfestation and $2 million by State government on fruit fly measures in the Riverina.

The Federal Government must maintain vigilance in its borders to prevent the entry of Huanglongbing (citrus greening) entering Australia. If this disease were to enter Australia it would be the end of the Citrus industry. The cost of trying to curtail this disease would be unaffordable by the Australian growers and would be the demise of the industry.

Another issue which has arisen due to the low return on horticultural farms is many properties have been abandoned creating a real risk for Queensland Fruit Fly and other pests and diseases. The NSW State Government has legislative power to force the removal of abandoned trees but is unwilling to pursue this. This is becoming a real risk as more and more orchards are being abandoned. From observation over 10% of orchards have been abandoned.

How can Government Help

1. Implement all recommendations of the Blewitt Report into labelling.
2. Improve the process and the speed in which an anti-dumping claim can be made.
3. Improve vigilance of our borders to keep out pests and diseases (citrus greening).
4. Fund the implementation of the National Fruit Fly Strategy.
5. Reduce costs of exporting by Government support for AQIS costs.
6. Ensure market access has achievable protocols.
7. Free trade agreements need to be on a level playing field e.g. carbon tax only applies to Australian farmers.
8. Enquire into Citrus Australia self-funding with national levy and their performance in achieving results for the Australian Citrus Farmers.
9. Persuade the State Government to act on abandoned orchards and continue fruit fly monitoring and control program as it is a community benefit.
10. Make the major retailers accountable to pay for produce at a sustainable price to farmers and all imports meet the same standard imposed on Australian farmers.
11. Implement policy that will allow the Australian Dollar to move to a level that will make exporting viable for all Australian industries

I would welcome the opportunity to appear before the senate committee to give a more detail explanation of this submission

Frank Battistel