



# **Restructuring the Citrus Industry's grower bodies**

**Final Report  
(White Paper)  
June 2008**

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## 1. OPEN LETTER FROM THE PRESIDENT

***Dear Grower,***

*After three years of extensive consultation and independent research into the Australian Citrus Industry's strategic directions and organisational structure, I am pleased to report that the Board of Australian Citrus Growers Inc. (ACG) is unanimous in its recommendation for change that will benefit growers.*

*For several years, growers have recognised the need for change and this was reflected in the Industry's strategy Citrus 2015. Citrus 2015 recommends aligning the Industry's organisational structure as a critical, positive step for the future of Australia's citrus industry.*

*The Board's recommendation is for all of the Industry's grower-funded bodies to move, in a staged process, into a Single Structure Model and replace the current arrangement.*

*The Single Structure Model combines existing state and regional grower organisations and the majority of the state statutory authority functions into a new national body. This national body would be owned and accountable to growers, along with all service delivery benefits.*

*The first part of the staged process is for a new national body to be established under Commonwealth Corporations Law. The New National Body would be called "Citrus Australia Limited" (CAL) and would replace the existing ACG Inc. CAL would have a regional, national and global presence and, for the first time, individual citrus growers would own and direct their national body.*

*Citrus growers would be able to directly join CAL through an annual voluntary membership fee based on their area (hectares) or volume (tonnes) of*

*production. Voting will reflect the grower members' area or volume of production and hence their level of investment in the Industry.*

*CAL will be governed by a seven (7) person Board of Directors, appointed by grower members through a transparent process based on skills criteria. At least four directors will be grower members and up to three (3) with commercial experience or supply chain skills. The CAL Board will then establish advisory committees based on national issues, varieties and/or regions.*

*The Board will recommend that our current national grower delegates vote to establish CAL to replace ACG at a Special Meeting on or before 14 October 2008. Pivotal to this is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan will include a due diligence process and transitional arrangement to ensure the continuity of services to guide Industry through the change.*

*The ACG Board is proud of how the Industry's current structure and previous achievements have served growers during the past 60 years. But the time has now truly come to embrace change that will more effectively and efficiently meet the needs of today's modern export-oriented industry.*

*I urge everyone with a financial interest and commitment to the Citrus Industry to read this final report (White Paper) with an open mind.*

*I look forward to presenting this paper at ACG's 60<sup>th</sup> Annual General Meeting on May 29 in Mildura, where remaining questions can be answered and a direction confirmed.*

**Mark Chown, ACG President**

## 2. EXECUTIVE SUMMARY

The Board of Australian Citrus Growers Inc (ACG) unanimously recommends that:

- The Grower Industry Bodies move, through a staged process, to a single structure.
- The first step is the formation of a new national peak body, Citrus Australia Ltd on, or before, the 14 October 2008 (*subject to ACG delegates voting at the proposed Special General meeting*).

Pivotal to the first step is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan, which would include a robust due diligence process and transitional arrangement to ensure continuity of services, will guide industry through the change.

### **Citrus Australia Ltd (CAL)**

CAL will be a Company Limited by Guarantee under the *Commonwealth Corporations Law*.

Growers will form its voting membership upon payment of an annual fee.

It is recommended that the membership fee, and subsequent voting rights, be based on a growers' area (hectares) or volume (tonnes) of production and hence their level of investment in the Industry.

Individuals, organisations or firms from the citrus supply chain may form its affiliate non-voting membership upon payment of an annual fee.

### **Citrus Australia Ltd's Board**

The seven (7)-person Board would be elected by the Grower Members and include at least four (4) grower members and a maximum of three (3) appointed for their commercial skills or supply chain experience.

The role of the Board would be to:

- Execute the priorities spelt out in the Industry's Direction Plan Citrus 2015, and national grower objectives
- Consult with levy payers on the appropriateness of the current national statutory research & development (R&D), marketing and biosecurity levy rates and, if required, make representation to Horticulture Australia Ltd (HAL), Plant Health Australia (PHA) and the Government on behalf of the Industry
- Nominate members to the HAL Citrus Industry Advisory Committee, whose role is to provide a five year strategic plan and annual operating plan that recommends expenditure of national R&D and Marketing levies
- Assist in the expenditure of National Plant Health and Biosecurity levies in partnership with PHA

- Liaise with the Federal Government on matters that affect the future of the Industry
- Ensure effective relationships and coordination with the supply chain
- Represent the public face of the Industry to governments and community

The Board would obtain specialist advice from national committees based on issues or varieties as well as regional advisory committees where necessary.

### **Appointment of Board Directors**

The appointment of the Board's Directors must be a transparent process to ensure a high-level of industry ownership and the best possible mix of expertise and experience.

A Director Selection process has been designed to appoint CAL's first board, possibly by October 2008. Once CAL is formed, its constitution will establish the rules for the future

appointment of Directors as positions become vacant.

It is recommended that:

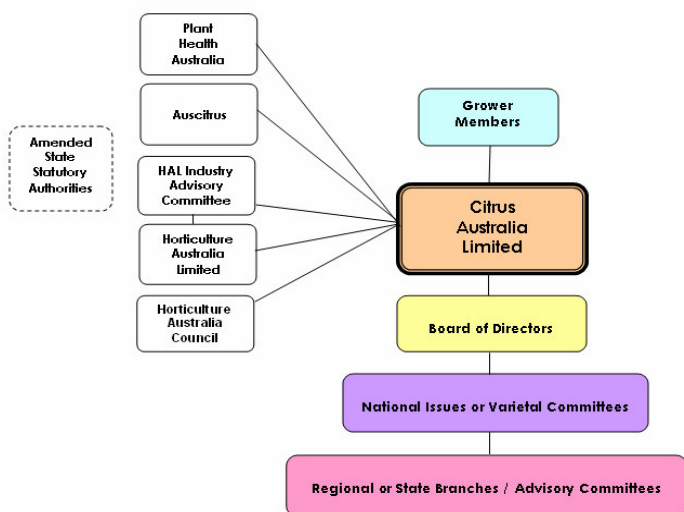
- Directors for the Inaugural Board be selected by an inaugural Director Selection Committee and endorsed by grower members at the first Annual General Meeting (AGM)
- CAL Directors select the Board's Chair from within the Group
- Directors of CAL to appoint the Chief Executive Officer (CEO).
- The Chair and the Directors be appropriately remunerated, recognising market rates and grower endorsement

## Why a Single Structure?

The ACG Board's recommendation to move towards a Single Structure Model for the Grower Industry is based on three years' of consultation and research with growers, grower bodies as well as other industry leaders and participants. The recommendation also includes the Board's consideration of:

- The findings of an independent review by the international consulting firm KPMG
- The findings of a cost: benefit analysis and resulting business case which were prepared by Deloitte on the basis of information provided by ACG, regional grower bodies and state statutory authorities
- The Development of an industry strategic plan Citrus 2015
- Extensive grower and supply chain consultation

## A Single Structure:



- Ongoing input and support from ACG member organisations

The case for changing to a Single Structure Organisational model is timely given the pressing challenges and potential opportunities facing the Industry.

Based on services currently received by the Australian citrus growers and the desired objectives as described in Citrus 2015, as well as detailed financial / operational data and qualitative information provided by ACG, regional grower bodies and state statutory authorities, an independent cost: benefit analysis for the Current Structure and Proposed Structural Options has been performed. The financial viability of each structure over the next five year period is described below:

- The Current Structure is the aggregation of the current operations for ACG, the state statutory authorities and the

regional grower bodies within the Australian citrus industry.

The financial model for the Current Structure, which was prepared on the basis of assumptions and information provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash flow deficits for each forecast period;
- a negative terminal value; and
- accordingly, a negative net present value (NPV) of approximately \$9.7 million.

The negative NPV suggests the Current Structure is not financially viable without a significant increase in revenues or a substantial reduction in expenses.

- The Single Structure represents an assumed single national peak body structure that retains regional presence.

The financial model for the Single Structure, which was prepared on the basis of assumptions and



information provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash inflows in years 1 and 5 and cash flow deficits in years 2, 3 and 4;
- a positive terminal value; and
- accordingly, a positive NPV of \$157,000.

The positive NPV suggests that the Single Structure proposed is a financially viable structure compared with the Current Structure over the longer term, provided the projected cash flow deficits in years 2, 3 and 4 can be funded.

The Single Structure is more financially viable than the Current Structure and the Multiple Structure option because of removal of duplication and efficiency gains from nationalisation of services.

- The Multiple Structure represents an assumed organisational

structure similar to the Current Structure with the additional committees to assist in the delivery of industry objectives.

The financial model for the Multiple Structure, which was prepared on the basis of information and assumptions provided by ACG, regional grower bodies and state statutory authorities, produces the following:

- cash flow deficits for each forecast period;
- a negative terminal value; and
- accordingly, a negative NPV of approximately \$12.6 million.

The negative NPV suggests that the Multiple Structure proposed is both not financially viable and inferior to the Current Structure from a financial perspective.

In short, the findings reflect the views of the Industry – "...that the current arrangements are unsustainable and that a single, integrated structure

would be more appropriate and viable”.

Consequently, the ACG Board considers that the case to move to a Single Structure is very clear, and a decision to make the necessary change is essential.

### **Who decides on the Structure?**

At ACG Inc.’s AGM on May 29 2008, a special presentation of the White Paper’s recommendations will be delivered.

ACG’s legal advisers, Finlaysons, will be available to answer questions on the legal aspects and the draft constitution of CAL. Representatives from Deloitte will also be on hand to answer any questions relating to the Business Case Study.

The elected delegates of ACG will then vote at a Special Meeting to form CAL - a new Company Limited by Guarantee - and instigate wind-up procedures for the old incorporated association.

Subject to majority approval by delegates, the Implementation Team, appointed by the ACG Board, will proceed with the processes to form CAL and the Director Selection Committee will commence a transparent process to select and recommend the new Company’s Directors.

An Implementation Plan, which includes a robust due diligence process and transitional arrangements to ensure continuity of services, will guide the Industry through the change.

The decision to move towards a Single Structure Model is not one that can be made solely by ACG (or the new company, CAL).

Growers, themselves, will need to make that decision through:

- Choosing to join CAL as a direct, voting member
- Advising their current regional associations of their decision
- Advising their state statutory authorities and state

governments that they want  
Australia's Citrus Industry to be  
a Single Structure Model

State and regional associations have obviously been considering their options and, it is anticipated that, if growers so wish, the move towards a Single Structure would be a staged process. This is because there are different and independent processes involved in the alteration, or winding-up, of regional associations and state statutory authorities.

It is now clear that the time for action has come. Growers must change their industry representative structure to more effectively and efficiently meet the needs of today's export oriented industry.

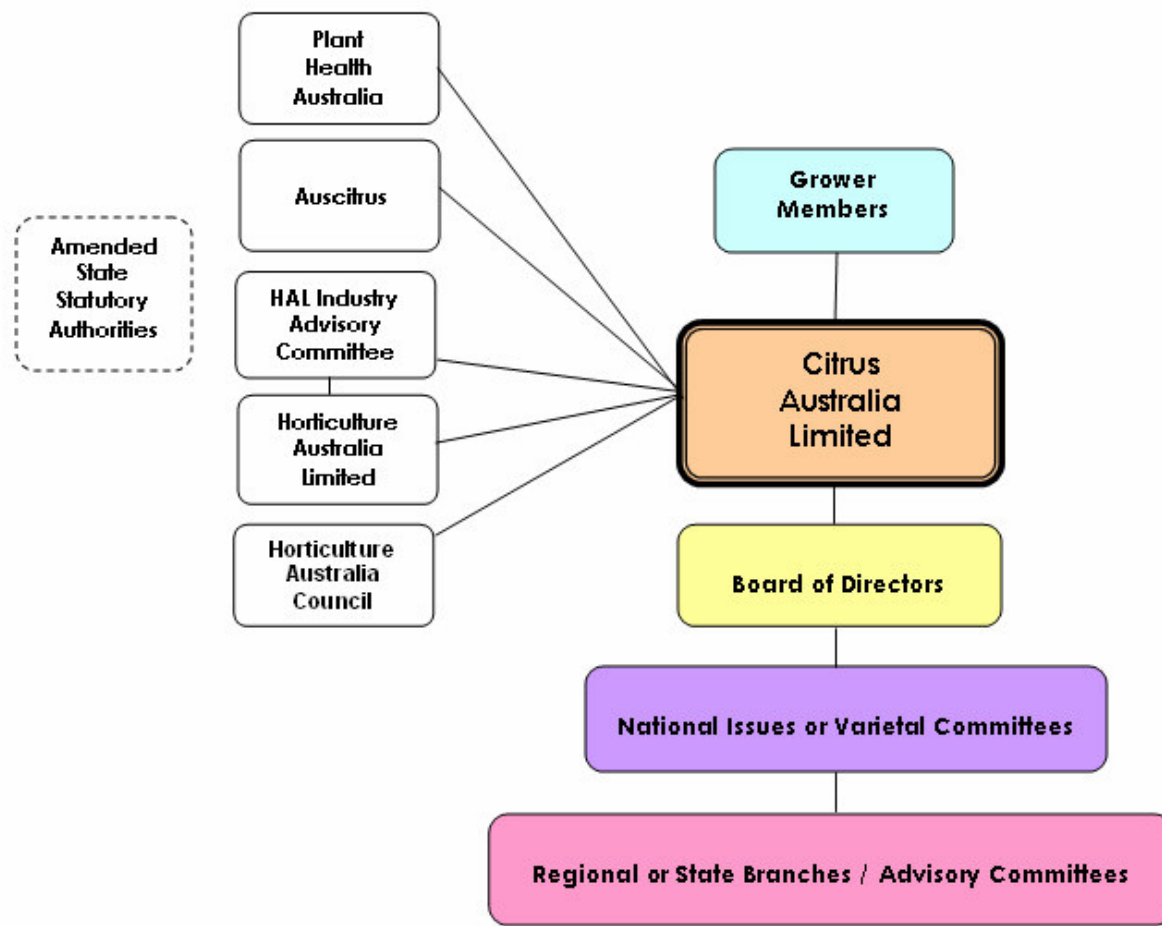
## CITRUS AUSTRALIA LIMITED

### A Single Structure at a Glance:

- A Company Limited by Guarantee under Commonwealth Corporations Law
- Grower owned through direct membership
- Grower members vote for the Board's Directors and at General Meetings (the membership fees and votes to be based on area or volume of production, such as hectares or tonnes)
- A seven (7) person Board of Directors elected by grower members (minimum four grower Directors, maximum three (3) commercial Directors)
- Provide national leadership and strategic direction
- Deliver defined services
- Lobby and liaise with government
- Has affiliate members (non-voting) which could include organisations, supply chain companies, or individuals
- Increased grower and industry involvement coordinated through:
  - National varietal or issues advisory committees which would draw on industry expertise
  - State or regional branches with advisory committee structures, offices and staff as required
- Requires integration of all citrus organisations to transfer the cost of administration and duplication to more efficient and effective national policy and service programs

- Provide greater value for money for the Australian citrus grower through simplifying the current collection of state and national levies and voluntary contributions into one set of national levies and voluntary membership fees
- Offer an opportunity for significant efficiency gains
- More flexible, accountable and market-focussed

An Implementation Plan which will include due diligence and transitional arrangements will serve to guide industry through the change, recognising a series of independent processes in the regions / states.



### 3. INTRODUCTION & BACKGROUND

*(subject to ACG delegates voting  
at the proposed Special General  
meeting).*

#### Introduction

This is the Final Report (White Paper) on the findings of the Industry restructure process which has been designed to "...align all organisational structures and resource use".

Unlike the previous Discussion Paper (Green Paper) presented in October 2007, this Report (White Paper) presents the ACG Board's final recommendations on how the Industry should be restructured, based on three (3) years of consultation and research.

#### **The Board of Australian Citrus Growers Inc (ACG) unanimously recommends that:**

- The Grower Industry Bodies move, through a staged process, to a single structure.
- The first step is the formation of a new national peak body, Citrus Australia Limited on, or before, the 14 October 2008

Pivotal to the first step is the finalisation of a new Constitution and Implementation Plan. The Implementation Plan, which would include a robust due diligence process and transitional arrangement to ensure continuity of services, will guide industry through the change.

#### **Background**

The catalyst for "change" was ignited in 2005 by growers at ACG's AGM when the following resolution was unanimously passed:

"That ACG undertake a broad review of existing industry structures to meet the needs of a modern export orientated industry."

Following the resolution by ACG members, funding from the Federal Department of Agriculture, Fisheries and Forestry (DAFF) was secured and the international consulting firm KMPG was commissioned to review

structural options. The KPMG report outlined three possible options (current structure; multi-structure and single structure). It also recommended the Industry develop a strategy before structural changes were undertaken.

In 2006, further DAFF funding allowed ACG to facilitate the development of an industry strategy (Citrus 2015) using an extensive consultation process. This involved growers as well as participants from the citrus supply chain.

Citrus 2015 outlined four main areas of focus for the Industry over the next five (5) to eight (8) years. They were:

- Increase CONSUMER demand
- Improve industry COMPETITIVENESS
- Improve industry information and COMMUNICATION
- Enhance CAPABILITY of industry leadership, structures and resource use

In early 2007, members supported a new two (2) year operating plan proposed by ACG and based on Citrus 2015. Three key areas were outlined:

- Establish ACG as a world class industry body
- Improve the competitive position of the grower
- Enhance industry information and communication

### **ACG Restructure Task Force**

A Restructure Task Force was appointed by the ACG Board to facilitate the process of establishing ACG as "...a world class industry body". The Taskforce included grower representatives from the three state statutory authorities to assist in the development of a Discussion Paper (Green Paper). ACG also undertook preliminary discussions with its member organisations in August/September 2007 to assist in finalising the document. The Green Paper was publically released in October 2007.

ACG undertook further regional public meetings in: Gayndah, Queensland; Gosford, Leeton and Dareton, NSW; Mildura and Melbourne Victoria; Berri, South Australia and Moora, Western Australia as well as providing an update to members at the General Meeting in November 2007.

Following the release of the Green Paper, about 180 people participated in the public meetings and 39 written submissions were received.

In summary, a common theme throughout both the public meetings and within the written submissions was "...the need for change".

The Industry had a range of views on the need for change such as: the rate of change; the various models for change; the governance framework required to implement and operate within a changed environment; the representation issues inherent within the industry and

the issues to be addressed by the New Peak Body.

The feedback raised many relevant issues for the Implementation Team, and the ACG Board itself, to consider in taking the restructure process forward.

The key issue was the provision of further information to assist growers in the decision making. This required a draft constitution and some cost: benefit information on the various restructure options.

*(Note: A summary report on the issues raised during the "Green Paper" discussion period can be found on ACG's website).*

## **ACG National Citrus Strategy**

### **Leadership Group**

ACG appointed a National Citrus Strategy Leadership Group to help drive the implementation of Citrus 2015. The Group, which consists of key industry leaders along the supply chain, agreed that "...the highest priority for the implementation of



Citrus 2015 is to align all resource use and organisational structures”.

### **ACG Implementation Team**

The Restructure Task Force met in December 2007 to consider the feedback from the Green Paper and public meetings as well as to provide recommendations to the newly appointed Implementation Team.

The Implementation Team, appointed by the ACG Board, is responsible for the initial set-up and operations of CAL.

The Implementation Team includes growers and other industry people with skills in change management, corporate governance, industry communications and human resource management.

The Implementation Team’s first two tasks were:

- To develop a draft constitution for a new peak body
- To commission a business case/cost: benefit analysis of the structural options

#### **4. A NEW PEAK BODY TO REPLACE ACG: 'CITRUS AUSTRALIA LIMITED'**

CAL will be a Company Limited by Guarantee under the *Commonwealth Corporations Law*.

Growers will form its voting membership upon payment of an annual fee.

It is recommended that the membership fee, and subsequent voting rights, be based on a growers' area (hectares) or volume (tonnes) of production and hence their level of investment in the Industry.

Individuals, organisations or firms from the citrus supply chain may form its affiliate non-voting membership upon payment of an annual fee.

##### **The Board**

A seven (7)-person Board of Directors will be elected by the Grower Members and include a minimum of four (4) grower members and a

maximum of three (3) appointed for their commercial skills or supply chain experience.

The role of the Board is to:

- Execute the priorities spelt out in the Industry's Direction Plan Citrus 2015, and national grower objectives
- Consult with levy payers on the appropriateness of the current national statutory research & development (R&D), marketing and biosecurity levy rates and, if required, make representation to Horticulture Australia Ltd (HAL), Plant Health Australia (PHA) and Government on behalf of the Industry
- Nominate members to the HAL Citrus Industry Advisory Committee, whose role is to provide a five year strategic plan and annual operating plan that recommends expenditure of national R&D and Marketing levies
- Assist in the expenditure of National Plant Health and

Biosecurity levies in partnership with PHA.

- Liaise with the Federal Government on matters that affect the future of the Industry
- Ensure effective relationships and coordination with the supply chain
- Represent the public face of the Industry to governments and community

The Board would obtain specialist advice from national committees based on issues or varieties as well as regional input as required.

### **Appointment of Board Directors**

A transparent process for appointing Directors is essential to ensure a high-level of industry ownership and the best possible mix of expertise and experience.

A Director Selection process has been designed to appoint CAL's first Board of Directors, possibly by October 2008. Once CAL is formed, its constitution will establish the future rules for the appointment of the

Directors as positions become vacant.

It is recommended that:

- Directors for the Inaugural Board be selected by an inaugural Director Selection Committee and endorsed at the first AGM by grower members
- Directors of CAL select the Chair from within the group
- Directors of CAL appoint the Chief Executive Officer (CEO)
- The Chair and the Directors be appropriately remunerated, recognising market rates and grower endorsement

### **Objectives of Citrus Australia Limited**

- To be the Peak Industry Body that represents the interests of all citrus growers on regional, national and international issues
- To execute the Industry's strategic direction
- To advocate the Industry's position and make representations to government

- To actively promote the reputation of the Citrus Industry
- To encourage good practice and high standards in citrus production
- To source, collate and distribute statistical data, market intelligence and other industry information to members or other participants in the Citrus Industry
- To develop an effective relationship with the whole of supply chain
- Undertake market development and promotion initiatives that support domestic and export sales of citrus fruits and products
- Coordinate citrus research and development through the effective extension of research information to growers and other industry participants
- Manage commercial activities incidental or ancillary to the above objects
- To oversee other incidental or ancillary activities

## **5. BUSINESS CASE / COST: BENEFIT ANALYSIS**

The Green Paper consultation process confirmed that a systematic approach was important to inform grower consideration of the options for change. This important information included a draft constitution and Cost:Benefit Analysis on the various Structural Options.

In February 2008, after a tender process, ACG appointed an independent advisor Deloitte, to prepare a Business Case including Cost:Benefit Analysis. The Business Case would examine the relative advantages and disadvantages of the proposed Structural Options, and acknowledge the primary objectives required for the Industry as directed in Citrus 2015.

### **Approach to Cost: Benefit analysis**

Three financial models were constructed by Deloitte, based on information and assumptions provided by ACG, regional grower bodies and state statutory authorities,

to facilitate the cost: benefit analysis of the Proposed Structural Options.

Financial models were constructed for the following:

- Current Structure model - examines the financial performance of the structure currently in place (ie. aggregation of the current operations for ACG, the state statutory authorities and the regional grower bodies within the Australian citrus industry)
- Single Structure Option model – prepared from an assumed organisation structure principally based on the structure outlined in the Green Paper and adjusted for additional information provided to Deloitte by various industry bodies. This assumed model provides for a single national peak body structure that retains regional presence
- Multiple Structure – prepared from an assumed organisation structure principally based on the structure outlined in the Green Paper and adjusted for additional information provided to Deloitte

by various industry bodies. This assumed organisational structure is similar to the Current Structure with additional committees to assist in the delivery of industry objectives

It is important to understand the financial models constructed for the Proposed Structural Options were based on assumed organisational structures derived from the models previously described in the Green Paper. Accordingly, the cost benefit analysis for these structural options required a number of assumptions that were agreed with ACG as a part of the process of preparing the Business Case. In addition, the inputs to the model were not audited or verified by Deloitte.

### **Financial Viability & Net Present Value (NVP)**

The conclusions about financial viability of each structural option were assessed with reference to the net present value (NPV) of discounted free cash flows over a

five year period (including the terminal value calculation).

Components of the NPV calculation are as follows:

- determination of annual 'Cash flows from operating activities', (operating revenues less expenses, adjusted for the changes in working capital)
- determination of the projected residual value based on projected cash flows after the five year period ('Terminal value')
- determination, in today's dollars, of the risk adjusted value of the projected cash flows and the terminal value ('Discounted free cash flows plus terminal value'). Projected free cash flows and terminal value have been adjusted for risk by using a discount factor to reflect their value today. A discount rate of 12% has been assumed in these calculations

The sum of each period's discounted free cash flow plus terminal value

provides the NPV of the structure. Deloitte did not provide any assurance on the reliability of any forecasts or projections or the reasonableness of any underlying assumptions. Since forecasts or projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the forecasts or projections. Accordingly, actual results are likely to be different from those forecast or projected because events and circumstances frequently do not occur as expected, and those differences may be material.

### **Business Case/ Cost: Benefit Findings**

#### ***Current Structure***

The Current Structure is projected to provide ongoing cash flow deficits in the order of \$0.75 million to \$1.0 million per year in years 1 to 5.

The cash flow deficit in Year 5 produces a negative terminal value for the Current Structure.

The aggregation of the discounted cash flow deficits and the discounted terminal value yield a negative NPV of approximately \$9.7 million for the Current Structure.

The major drivers of the cash flow deficits are as follows:

- no annual net membership fee income growth in years 1 to 4
- high costs associated with industry data collection and dissemination
- duplicate administrative expenses.

The negative NPV suggests that the Current Structure is not financially viable without a significant increase in revenues or a substantial reduction in expenses.

#### ***Single Structure Option***

The Single Structure is projected to provide cash inflows in years 1 and 5 in the order of \$0.15 million and \$0.03 million. Years 2, 3 and 4 are projected to provide cash flow deficits ranging from \$0.9 million to \$0.6 million per year.

The cash inflow in year 5 produces a positive terminal value for the Single Structure.

The aggregation of the discounted cash flows and the discounted terminal value yield a NPV of \$157,000 for the Single Structure.

The major driver of the fluctuating cash flows over the projection period is the movement in projected net membership fee income.

The positive NPV suggests that the Single Structure proposed is a financially viable structure over the longer term compared to the Current Structure, provided that the projected cash flow deficits in years 2, 3 and 4 can be funded.

### **Multiple Structure Option**

The Multiple Structure is projected to provide ongoing cash flow deficits in the order of \$1.0 million to \$1.3 million per year over the projection period.

The cash flow deficit in year 5 produces a negative terminal value for the Multiple Structure.

The aggregation of the discounted cash flow deficits and the discounted terminal value yield a negative NPV of 12.6 million for the Multiple Structure.

The major drivers of the cash flow deficits are as follows:

- 'flat' annual net membership fee income growth in years 1 to 4
- high costs associated with industry data collection and dissemination
- duplicate administrative expenses

The negative NPV suggests that the Multiple Structure proposed is both not financially viable and inferior to the Current Structure from a financial perspective.

*NOTE: Deloitte was engaged by ACG in accordance with an engagement letter on 4 February 2008. The scope, limitations and terms of Deloitte's appointment were set out in the letter. The analysis provided in this White Paper is a summary of key issues and should be read in conjunction with the full Business Case prepared by Deloitte. A copy of the Business Case is available to growers and members of ACG on request from ACG. Please note that Deloitte does not accept any responsibility (whether for its negligence or otherwise) to any party other than ACG for its work or its report.*



**A general comparison between the  
Deloitte Business Case Assumed  
Single Structure Option and ACG  
recommendations:**

<b>Deloitte Business Case Assumed Single Structure Option</b>	<b>ACG recommendations: Single Structure</b>
National Board of Directors: 2 growers, 5 independent	National Board of Directors: Minimum 4 growers, maximum 3 independent
4 national issues committees: 1 National Director, 5 variety-based grower, 2 independent	National committees (variety or issues based): 1 National Director, representatives to be determined
Membership Fee: \$ per tonne  Voting: Number of bearing hectares	Membership Fee: Minimum fee plus \$ per hectare / tonnes. Voting: Number of hectares / tonnes or dollars contributed (for discussion only)
9 regional advisory committees: 7 growers on each	State/regional branches: number & staffing to be determined by new Board/Members

## 6. THE SINGLE STRUCTURE – Ticking all the Boxes

- ✔ 2005 - ACG Members resolve that ACG undertake a broad review of existing structures to meet the needs of a modern export-orientated industry
- ✔ 2005 - KPMG review identifies three structural options (current, multi-structure and single structure) and strongly recommends the development of a national industry strategic plan prior to any restructure
- ✔ 2006 - Citrus 2015 – the Industry’s new strategic plan for growth is developed as a result of the KPMG report and extensive industry consultation
- ✔ 2006 - Members resolved that ACG move forward with the finalisation and implementation of the draft ACG Operating Plan, particularly in relation to the process of facilitating the alignment of the Industry organisational structure and strategic plan
- ✔ 2007 - ACG Members resolved that Industry focus on the implementation of strategies rather than the development of more strategies
- ✔ 2007 - ACG appoints a National Citrus Leadership Group to drive Citrus 2015
- ✔ The Group determines as the highest priority; to align all organisational structures and resource use
- ✔ 2007 - ACG appoints a Restructure Task Force (RTF) (includes seven respected growers, and chairs of the state statutory authorities) to assist in development of a Discussion Paper (Green Paper)
- ✔ 2007 - ACG consults with its Member organisations to assist

in developing the Discussion  
Paper (Green Paper)

Company Limited by  
Guarantee

✔ 2007 - ACG distributes  
Discussion Paper (Green Paper)  
to industry in October

✔ A Business Case / Cost:Benefit  
Analysis is tendered to  
examine the Current Structure,  
Multi and Single Structure  
Models considered in the  
Green Paper

✔ 2007 - ACG takes the  
Discussion Paper (Green Paper)  
on the road for two (2) months

✔ Deloitte is selected by ACG to  
conduct an independent  
Cost:Benefit Analysis

✔ 2007 - Members agree to  
continue the restructure by  
developing more detailed  
information that enables  
growers to make an informed  
decision

✔ May 2008 – Cost: Benefit  
Analysis outcomes: “the NPV  
analysis indicated that Current  
Structure is ‘not financially  
viable’, the assumed Single  
Structure ‘is a financially viable  
structure, compared to the  
Current Structure, over the  
longer term providing the  
projected cash flow deficits in  
years 2,3 and 4 can be  
funded’ and the assumed  
Multiple Structure is ‘not a  
financially viable structure and  
inferior to the Current Structure  
from a financial perspective.”

✔ 2007 - ACG appoints the  
Implementation Team to assist  
in responding to the Green  
Paper’s feedback

**2008 – Based on the Green Paper’s  
feedback:**

✔ The ACG Implementation  
Team drafts outline for ‘Citrus  
Australia Limited’, a new peak  
body, to be set up as a

- ✓ April/May 2008 - ACG consults with its Member organisations to assist in developing the Final Report (White Paper)

- To endorse the Board of Directors
- To confirm strategy and priority actions
- In setting and/or altering national statutory levies

## HOW WILL IT WORK?

GROWER VOTING MEMBERS of Citrus Australia Ltd

- Each grower can register as a member, through the payment of a voluntary membership fee, based on a fee per hectare of plantings or tonnes of production
- Votes will be allocated based on planting area (hectares) or production (tonnes) or on the basis of one (1) vote per dollar paid in membership. It is essential that a simple and equitable voting system is adopted

Grower members will use their voting rights:

- At CAL's AGMs or any general meeting/s

## AFFILIATE NON-VOTING MEMBERS

(With a determined membership fee)

- Will not vote at AGMs, special general meetings or vote on Director elections
- Can provide advice to the Board
- (It is important for CAL to embrace all sectors of the Industry by encouraging individuals, industry organisations or commercial firms to become financial members)

## **PARTNERSHIPS**

CAL will be recognised by the Federal Government as the eligible peak Industry Body for the Citrus Industry in relation to national statutory levies.

There will remain four (4) national citrus levies:

1. Research and Development
  2. Marketing
  3. Plant Health
  4. Biosecurity (remains at zero until required)
- The industry-owned Research and Development and Marketing Services Body, Horticulture Australia Limited (HAL), will consult with CAL before it makes a recommendation to the Government concerning statutory levies for the Citrus Industry
  - The Citrus Industry Advisory Committee will provide recommendations to HAL in regard to the allocation and

management of the National Research and Development and Marketing levies

- CAL will nominate the Citrus Industry Advisory Committee which would be a committee of HAL. The role of the Industry Advisory Committee would be to provide a five (5) year strategic and annual operating plan that directs the expenditure of the National Levies
- Expenditure of the National Research and Development levies will be matched dollar for dollar by the Federal Government
- Levy funds also will be provided to the Peak Body under stringent guidelines for consultation with growers (levy payers) and HAL
- The new Peak Body, in partnership with Plant Health Australia (PHA), will assist in the management of the National Plant Health and Biosecurity levies

- The new Peak Body also will work closely with the peak horticultural body, Horticulture Australia Council (HAC), to lobby and liaise with government(s) on key industry issues

### **Funding**

The new Peak Body will need proper resources. This can include:

- Voluntary Membership fees
- Levy funds to be provided under stringent guidelines for consultation with growers (levy payers) and HAL
- Project work
- And other forms of income determined by the Board

### **National Advisory Committees**

The Board also will establish national committees to deal with specific issues (such as export market access, biosecurity, promotion and supply chain) or varieties (such as navels, Valencias, mandarins and others).

It is envisaged that each committee will have one (1) Director representative from the National Board, with the remaining members elected and/or co-opted.

### **Regional Advisory Committees**

The Board of Directors may establish regional and/or state branches where necessary. This may include staffing and other resources and may involve an elected regional advisory committee to bring forward regional issues (relevant to the strategic direction for the industry) to the Board, and to assist in service delivery.

*(Note: Refer to single structure chart on page 13).*

## 7. WHERE TO FROM HERE?

At ACG's AGM on 29 May 2008, a special presentation on the recommendations of this White Paper will be delivered. This will include presentations by legal advisers, Finlaysons, on the legal aspects and the draft constitution of CAL.

Deloitte also will be attending to explain the Business Case study in more detail. The presentations will provide an opportunity for attendees to ask further questions.

The elected grower delegates of ACG will vote at a Special Meeting (to be held on or before the end of October) to form CAL - a new Company Limited by Guarantee - and instigate wind-up procedures for the old Incorporated Association.

Subject to majority approval by delegates, the Implementation Team will proceed with the processes to form CAL and the Director Selection Committee will commence a

transparent process to recruit and recommend the New Company's Board Directors.

The decision to move towards a Single Structure is not one that can be made by ACG (or the new company, CAL). Growers themselves will need to make that decision through:

- Choosing to join CAL as direct voting members
- Advising their regional associations of their support for the Single Structure
- Advising their state statutory authorities and state governments that they want Australia's Citrus Industry to be a Single Structure Model

State and regional associations obviously have been considering their options and it is anticipated that, if growers so wish, the move towards a Single Structure would be a staged procedure, as there are different and independent processes for altering or winding-up regional

associations and state statutory authorities.

Some of the Implementation Steps to be addressed within the next four (4) months:

- Current ACG member associations indicate their response to the recommended Single Structure Option, and the establishment of a new national peak body
- The Implementation Plan for the transition process put in place
- Growers will vote on a resolution to wind-up ACG and to form a new company (CAL), through representation from their national delegates
- 'Prospectus' for the new CAL and the call for membership distributed to all citrus growers, in conjunction with other communication and information processes
- Processes for transfer of business and integration of assets and activities commence. This could include some of the preliminary Human Resource Management issues
- Director Selection Committee commences advertising and other processes for the selection of the seven (7) Directors for the new Board of CAL
- Selected Directors endorsed by grower members at an inaugural AGM of CAL (to be held as soon as possible after the completion of the Director Selection process)
- The new Board of CAL, elects a Board Chair, appoints the CEO and commences the top priority role of resource planning and redistribution required to take the new Company forward. This would be within the framework of the Industry Strategy Citrus 2015, and the Company's objectives
- The new Board to establish the National Varietal / Issues Committees and formalise its preferences for the Regional or State Branch Structures



- CAL actively takes the Citrus Industry forward into the Twenty First Century

**The challenge is now for all citrus growers to take the information and the proposed structure and mould it into a new grower organisation that will carry the industry forward to more effectively meet the new global and domestic challenges and opportunities.**

**Disclaimer:**

*This Paper was prepared by the Board of Australian Citrus Growers Inc. and the Implementation Team for the purpose of consultation with citrus growers and other interested parties. The information and recommendations are put forward for discussion. Citrus growers will set the final policy position on the structure of the industry, initially through delegates to the ACG General meeting.*

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