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Senate Standing Committees on Rural
and Regional Affairs and Transport
**Review of the Citrus Industry in
Australia, April 2013**

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Appendix 8: SA citrus industry review report 2011

Appendix 9: SA Citrus Industry Transition Party Final Report 2012

Appendix 10: National Citrus R&D Plan

Citrus Australia Ltd

Citrus Australia is the national peak industry body for the Australian citrus growing industry. There are approximately 1,800 citrus growers based in every mainland state and the Northern Territory, but concentrated in the Murray Darling Basin regions of SA, VIC, and NSW; and in the Central Burnett region of QLD.

The Australian citrus industry is one of the largest fresh fruit industries in Australia, and certainly the largest fresh fruit exporter. In January to December 2012 the Australian citrus industry exported 169,234 tonnes valued at \$187.1 million. Citrus is also one of the largest fresh import categories in Australia, with annual volume of around 23,000 tonnes valued at \$33 million. The Australian citrus industry produces only around 1% of global citrus production and competes directly in export markets with lower cost southern hemisphere citrus exporting countries such as South Africa, Chile and Peru.

A decade of reviews and change

In the past decade there have been many citrus and food sector inquiries, reviews and change initiatives including but not limited to:

- Productivity Commission Citrus Growing and Processing report April 2002
- Cost structures in the supply chain for citrus fruits Nov 2002
- Citrus canker eradication program 2004-2009
- Citrus growers request a review into the strategy and structure of their representative bodies in 2005: KPMG review 2005, Industry strategy 2006, Green Paper 2007, Deloitte Business Case 2008, White Paper 2008
- Citrus Australia formed by vote 2008
- Horticulture Code becomes mandatory in 2007
- ACCC Grocery inquiry 2008
- Citrus industry development needs assessment and recommendations 2009
- Queensland citrus growers wind up their state body Qld Citrus Growers Inc 2009

- One Biosecurity: the independent review of Australia's quarantine and biosecurity arrangements 2008
- Riverland citrus industry value chain analysis July 2011
- The Senate Economics Legislation Committee Constitutional Corporations (Farm Gate to plate) Bill report November 2011
- Labelling Logic: review of food labelling law and policy 2011
- Horticulture export certification reforms
- National Food Plan consultation
- Regional citrus board in Riverina voted to cease in 2012
- Regional citrus board in SA wound up in 2012 as a result of extensive review
- Horticulture export efficiency powers review 2012
- Citrus R&D Plan 2012-2017 finalised

There is an extensive and detailed library of information on the factors affecting the structure, profitability and competitiveness of the food sector and the citrus industry.

It is worth noting that in the last decade the Australian citrus industry has also experienced:

- Major biosecurity incursion (citrus canker)
- Drought and severe water restrictions
- Unprecedented floods (e.g. Griffith 2012, Gayndah/Bundaberg 2013)
- Increased southern hemisphere competition in its main export market (USA)
- Changed horticulture export regulations and certification reforms
- Changing varietal mix from Valencia oranges to navel oranges and mandarins
- Historically high Australian dollar

- Continued consolidation in the supply base and supply chain
- Increased input and compliance costs

The next decade of opportunities

Citrus Australia commends the Australian Government for the development of the National Food Plan and the Asian engagement strategy. It is important that the government demonstrate leadership and long-term vision for a more collaborative, commercial and integrated approach to food related policies and programs, particularly as we move into the Asian century.

It is essential that these plans are finalised and implemented effectively, as many of the initiatives will benefit the Australian citrus industry. These areas are:

- Seizing new market opportunities
- Enhanced Asian engagement
- Robust food supply chain relationships
- Increasing R&D
- Ensuring a competitive industry
- Tackling health, nutrition and labelling
- Sustainable and safe production systems

The industry itself has reformed its representative structure, and continues to adapt to changing market, economic and climatic conditions.

Industry and Government will need to work closer, more collaboratively in genuine partnership to capture the opportunities - and address the challenges - ahead.

Summary of recommended government initiatives

That the Senate Committee set up a small industry and Government task force to prioritise the outcomes of this review and drive implementation and action.

a) Scale and structure issues

a.1 Ensure robust value chain relationships

a.2 Seize new market opportunities; and reduce trade barriers

a.3 Boost support for research and development: new products, new practices and continual innovation are crucial to the future of Australian citrus. This includes facilitating and supporting the consultation and voting process for setting or varying levy rates; continuing to support the matching dollar for R&D investment; and developing specific programs and grants addressing strategic or business innovation needs of the industry.

a.4 Support peak industry bodies such as Citrus Australia: we are not a big industry (on a world scale) and we need to be united to make progress.

b) Facilitate export trade

b.1 Improve and fast-track phytosanitary (quarantine) and non-phytosanitary (tariff and quota) market access into key countries such as China, Republic of Korea, Japan, Thailand, Indonesia and USA.

b.2 Commit to export fee reforms with government assistance while new efficiencies are rolled out or approved by protocol markets.

b.3 Recognise the importance of horticultural trade in bilateral and multilateral trade negotiations and FTA's. Commit to finalising FTA's with China, Japan and Korea which are all crucial citrus export markets.

b.4 Support industry capacity building and promotions programs in export markets.

b) Biosecurity and quarantine

b.5 Improve border vigilance and regional surveillance, and working with industry in preparing for incursions of serious threats such as Huanglongbing (citrus greening) and citrus canker.

b.6 Tackling fruit fly, horticulture's biggest pest and trade restriction issue, by supporting the National Fruit Fly Strategy and providing seed investment into critical infrastructure such as an effective sterile insect factory for Queensland fruit fly. State government funding of fruit fly control in NSW and Victoria is forecast to reduce significantly from July 2013.

b.7 Develop world class government quarantine facilities and capabilities for the importation of plant propagation material.

b.8 Support improvements to the national citrus budwood scheme such as national registration and accreditation of citrus nurseries and movement requirements pre and post border.

b.9 Provide more clarity around owner reimbursement costs for biosecurity incursions.

b.10 Allow information and analysis obtained from pre-border, border and post-border biosecurity activities to be made available for use by state and territory governments, industry and research organisations.

b.11 Enhance government funding for activities which support biosecurity-related technical market access.

b) Agrichemical issues

b.12 Support the protection of essential chemicals for use in the citrus industry.

b.13 Streamline the agrichemical registration process so that new, safer chemicals can be registered more rapidly and efficiently.

b) Health, nutrition and labelling

b.14 Encourage increased consumption of fruit and vegetables.

b.15 Assist industry with health claims and country of origin labelling on packaged products.

b) Water

b.16 Commitment to current funding for infrastructure upgrades; consider new dam options.

b.17 Ensure adequate funding and resources for the implementation of the Murray Darling Basin Plan which will improve the water security of our growers and give them the confidence to invest in the future

b.18 Increase funding for water-use efficiency programs in growing regions outside the Murray Darling Basin.

b) Production costs

b.19 Assist with pest management costs such as fruit fly.

b.20 Remove the carbon tax.

b.21 Address freight and transport inefficiencies.

b.22 Increase access and flexibility of natural disaster recovery programs.

b.23 Ensure success of the working holiday visa program and seasonal worker program.

b) Assist growth of industry

b.24 Allocate more resources to achieve quicker results from market access negotiations.

b.25 Speed up Free Trade Agreement negotiations which will reduce or eliminate tariffs on our export products. Note that all fresh citrus imports enjoy a zero tariff.

b.26 Reduce costs of inter-state movement of citrus products by standardising and streamlining the quarantine regulations of each state and territory.

b.27 Confirming implementation and funding for the Murray Darling Basin Plan, which will improve the water security of our growers and give them the confidence to invest in the future.

b.28 Reducing the production costs facing growers, including the price of quarantine inspections and carbon tax increases in electricity and fuel costs.

b.29 Ongoing support for research, development and extension.

c) Competition issues

c.1 Finalise the National Food Plan and resource its implementation.

c.2 Increase consumer awareness of country of origin – Australian produced/grown.

c.3 Encourage support and compliance with the voluntary fruit juice industry code of practice.

c.4 Increase effectiveness of the mandatory Horticulture Code, or review its place in the new policy environment.

d) Adequacy and efficiency of supply chains

d.1 Assistance around cost of freight.

d.2 Infrastructure investment.

d.3 Reduce taxes on fuel and electricity, such as removing the carbon tax.

d.4 Simplify workplace relations and immigration regulations and policy. Support and enhance seasonal worker programs.

d.5 Streamline the certification of export consignments to help make our export sector more competitive.

d.6 Facilitate better communication and understanding through supply chains.

d.7 Support national industry programs such as the Australian Citrus Quality Standards.

e) Export growth

e.1 Devote additional resources to opening up, or improving, priority markets.

e.2 Assistance in developing export protocols that are uniform and which will improve our access to Asian markets.

e.3 Partnering with industry to find novel solutions to market access obstacles – we are ready to invest and commit to finding and adopting ways of increasing trade.

e.4 Trade between countries can be progressed through government building relationships with the appropriate officials in corresponding countries. This can be achieved through the organisation of and participation in trade visits or through specific wording in trade agreements. Trade can only progress where mutual respect is built and a relationship developed.

e.5 Progress Free Trade Agreements, which will provide us with a level playing field with our competitors in our key Asian markets.

e.6 Reduce the cost of quarantine inspection services.

e.7 Continue to support a 2 year transition from export regulations.

a) Scale and structure of the industry

Commercial scale and structure

The Australian citrus industry is one of the largest fresh fruit industries in Australia. The 28,000 hectares of citrus planted on some 1,800 properties represent capital investment of about \$700m (excluding land costs) and additional supply chain investments in packing houses, cool stores and transport are significant. The industry produces around 600,000 tonnes annually, with a farm gate value of \$450m and retail value approaching \$1b annually. Citrus is also Australia's largest fresh fruit export, with around 165,000 tonnes annually shipped to over 30 export destinations. Important markets include Japan, USA, Hong Kong, Malaysia, the Middle East, New Zealand and Indonesia. A more recent focus has been placed on the developing markets of China, Korea and Thailand. The industry has fully embraced the Asian Century initiative, and is investing heavily in developing new markets and trading relationships in the region.

The industry is a significant employment provider in regional Australia, with major production regions in South Australia, Victoria, New South Wales and Queensland. There are also plantings in Western Australia and the Northern Territory.

Navel orange plantings make up a substantial portion of the Australian citrus industry – 12,000 hectares out of a total of 28,000 hectares – and are the largest fresh citrus product. Valencia oranges are the next biggest variety, and form the basis of a domestic fresh orange juice sector.

Lemons, limes and grapefruit make a lesser but important contribution to the citrus domestic market offer. But recent plantings are mainly mandarins, a trend that is predicted to continue in line with consumer preferences. The industry invests heavily in variety improvement, with an eye on better meeting future consumer demands.

The last broad federal government review on the Australian citrus industry was conducted in 2002 by the Productivity Commission (Citrus Growing and Processing, Inquiry Report No. 20, 30 April 2002). The report looked at the competitive situation and outlook; markets, supply chain and grower demographics; Government policies and programs; and impediments to international trade and domestic markets.

In 1997, 30% of growers accounted for almost 90% of the production of citrus, while 50% of growers accounted for only 2% of the industry's production¹.

¹ Productivity Commission Citrus Growing and Processing report 2002, pg XXIII

Between 2003 and 2011 over 410 growers (18%) exited the industry with only a relatively insignificant decrease in the number of trees. This resulted in the average citrus area per property increasing from 13.1 hectares to 15.1 hectares².

It is estimated now that 20% of growers would account for almost 90% of the production of citrus.

Representative scale and structure

A proud history going back 65 years

The previous national organisation Australian Citrus Growers Federation (ACG) was originally constituted under a federated model and operated out of the Riverland, 65 years ago. The office relocated to Adelaide (for around 25 years) and then to Mildura in 2001, due to grower pressure to be located in a central growing region. It maintained its SA incorporated status until the restructure in 2008.

Catalyst for change in 2005

In 2005 regional grower representatives asked ACG to undertake a review of existing industry structures to meet the needs of a modern export oriented industry. Following this resolution by ACG grower members funding from the Federal Department of Agriculture, Fisheries and Forestry (DAFF) was secured and KPMG was commissioned to review structural options for the Australian citrus industry. The KPMG report outlined 3 possible options (current structure; multi-structure and single structure). It also strongly recommended the industry develop a strategy before any structural changes were undertaken.

In 2006 further DAFF funding allowed ACG to facilitate the development of an industry strategy (see Appendix 1) using an extensive consultation process. This involved growers as well as participants from the citrus value chain.

The Australian citrus industry plan outlined 4 main strategic areas of focus for the industry:

- Increase consumer demand
- Improve industry competitiveness
- Improve industry information and communication

² National Citrus Plantings Database, 2011, SunRISE21 Inc

- Enhance capability of industry leadership, structures and resource use

In 2007 a Green Paper (see Appendix 2) was released titled "Restructuring the citrus industry's grower bodies" and was followed by extensive regional consultation and submissions. This feedback raised many varied but relevant issues 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 for a new national body and a cost:benefit analysis on the various restructure options.

In 2008 a draft constitution was developed; a cost;benefit analysis completed by Deloitte (see Appendix 3) and a White Paper (see Appendix 4) released. This culminated in the finalisation of an Information Memorandum (see Appendix 5) in September 2008 and a successful vote by ACG members to wind up the association in favour of Citrus Australia Ltd.

The restructure mandate continues

In both the White paper and Information Memorandum the recommendation was to proceed towards a single structure through a staged process.

The first stage was the formation of a new national peak body Citrus Australia Ltd. The second stage was the new arrangements with, or voluntary dissolution of, the state/regional grower funded organisations.

Citrus Australia commenced operations on 1 November 2008 with 11 inaugural grower members and an enthusiastic skills-based board. Directors and staff have worked hard to grow membership, develop capacity and to get "runs on the board".

The second stage involved the review of the state/regional grower funded organisations.

In 2009/10 a Horticulture Australia Ltd (HAL) review based on comprehensive consultation into the Australian citrus industry development needs resulted in a clear direction for future R&D investment (see Appendix 6). The review concluded that industry development must be better resourced and professionally managed at the national level with a focus on 4 key program areas:

1. Market development
2. Information and data management
3. Communications

4. Leadership and Governance

In 2010 Citrus Australia reviewed its corporate strategy to align with these industry needs and developed new national programs and projects to address the key areas of market development, information and communication (see Appendix 7).

Early in 2011 the SA Agriculture Minister commenced a review into the multiple structures of the SA citrus industry. An independent report was finalised in July 2011 (see Appendix 8):

The issues facing the citrus industry are increasingly national issues as opposed to state ones and state industry bodies are likely to become increasingly irrelevant. Such things as quality standards, disease control, research and development, quarantine and market development are primarily national issues and best dealt with on a national basis. The overwhelming majority of citrus industry participants share this view and consider that a strong national body is essential for the future.

My own view is that the model of a strong, membership based national body with regional representation is by far the best one and the sooner the state bodies, with their baggage of regional jealousies and self-interest cease to exist, the better it will be for the industry as a whole. My experience in conducting this review has shown me that this change will not happen overnight, but the outcome of the review ought to be one which facilitates movement towards a national model³.

In December 2011 the SA Agriculture Minister then set up a SA Citrus Industry Transition Party with an independent Chair to facilitate the transition to one new united state based citrus industry body aligned to Citrus Australia. Its final report can be found at Appendix 9.

The SA Minister announced the new structure in May 2012. The SA reforms are currently underway – the new structure implemented; Citrus Growers SA voluntarily wound-up; the SA Citrus Board under administration; and new lower contribution arrangements in place.

Late in 2011, a group of Riverina growers petitioned the NSW Agriculture Minister to dissolve their regional citrus board. In March 2012 Riverina growers voted in favour of winding up their citrus board. Riverina Citrus is currently in the final stages of liquidation.

In May 2012 growers in the Murray Valley voted to retain their regional board for a further four years. However the mid-Murray growers were successful in excising

³ Citrus Industry Review, A. Moss (July 2011) pg 33

themselves from the board's jurisdiction and a legal challenge from two large Murray Valley citrus growers is also underway.

To continue providing priority industry programs where state resources have reduced or ceased Citrus Australia has been consulting growers on the need to increase the national R&D and marketing levies. This comprehensive two year levy payer consultation process has resulted in a new 5 year citrus R&D plan (Appendix 10) formally approved by the Horticulture Australia Ltd (HAL) Board. Consultation on proposed levy rates is currently underway.

The industry's peak body is Citrus Australia, which was established in 2008 following a decision by growers across the country to create a new modern more accountable industry body.

Citrus Australia is today supported by over 250 growers and affiliate members as well as an active and focused team that provides vital services to the industry. It has recently established regional advisory committees in its major growing areas including South Australia, the Riverina, Sunraysia and Queensland.

Further advisory committees cover the key issue of export marketing, domestic marketing and variety development. These committees form a strong consultation network, linking the peak body to all sectors of the industry.

Citrus Australia is recognised by the Australian government as the national peak industry body for citrus levy payers. Citrus Australia, as the recognised national peak industry body, is also a member of HAL and Plant Health Australia Ltd.

The ways in which Government can help address scale and structure issues facing the citrus industry include:

- a.1 Ensure robust value chain relationships.
- a.2 Seizing new market opportunities; and reduce trade barriers.
- a.3 Boost support for research and development: new products, new practices and continual innovation are crucial to the future of Australian citrus. This includes facilitating and supporting the consultation and voting process for setting or varying levy rates; continuing to support the matching dollar for R&D investment; and developing specific programs and grants addressing strategic or business innovation needs of the industry.
- a.4 Support peak industry bodies such as Citrus Australia: we are not a big industry (on a world scale) and we need to be united to make progress.

b) Opportunities and inhibitors for growth of the Australian citrus industry

Export market access and development

In order to achieve improved profitability, the Australian citrus industry must find increased markets for its produce. Unlike most horticultural industries in Australia, the citrus industry is highly geared to export trade, with around 45% of all fresh product shipped overseas. This means that increasing our share of existing markets and finding new ones is critical.

Citrus Australia is driving the development of increased exports to Asia, with increased market share in China, South Korea and Thailand. The industry recently gained access to the Philippines, which is expected to become an important market.

Even if the Australian dollar weakens, we can still expect serious competition from our main competitors South Africa, Chile and Peru. Unless we can get better quarantine access and tariff conditions to China, South Korea and more markets in other Asian countries, we are going to be under a lot of pressure in the foreseeable future.

Along with improved access and trade conditions, horticultural export inspection and certification reforms are essential in order to streamline processes and reduce costs for both industry and government.

The ways in which the Government can help facilitate export trade include:

b.1 Improve and fast-track phytosanitary (quarantine) and non-phytosanitary (tariff and quota) market access into key countries such as China, Republic of Korea, Japan, Thailand, Indonesia and USA.

b.2 Commit to export fee reforms with government assistance while new efficiencies are rolled out or approved by protocol markets.

b.3 Recognise the importance of horticultural trade in bilateral and multilateral trade negotiations and FTA's. Commit to finalising the FTA's with China, Japan and Korea.

b.4 Support industry capacity building and promotions programs in export markets.

Biosecurity and Quarantine

Australia faces serious biosecurity risks that could cause significant damage to the industry. Managing these risks is increasingly falling on growers, who are already struggling with increased production costs. As well as exotic incursions, a worsening pest situation, such as fruit fly, is seriously affecting profitability.

Citrus Australia is a member of Plant Health Australia; is a signatory to the Emergency Plant Pest Response Deed, and supports high R&D investment into biosecurity related projects.

The industry's national budwood and seed scheme is administered through Auscitrus, which ensures the highest health status of all citrus nursery trees in Australia.

The ways in which the Government can help manage biosecurity risks and costs include:

- b.5 Improve border vigilance and regional surveillance, and working with industry in preparing for incursions of serious threats such as Huanglongbing (citrus greening) and citrus canker.
- b.6 Tackling fruit fly, horticulture's biggest pest and trade restriction issue, by supporting the National Fruit Fly Strategy and providing seed investment into critical infrastructure such as an effective sterile insect factory for Queensland fruit fly. State government funding for fruit fly control in NSW and Victoria is forecast to reduce significantly from July 2013.
- b.7 Develop world class government quarantine facilities and capabilities for the importation of plant propagation material.
- b.8 Support improvements to the national citrus budwood scheme such as national registration and accreditation for citrus nurseries and movement requirements pre and post border.
- b.9 Provide more clarity around owner reimbursement costs for biosecurity incursions.
- b.10 Support information and analysis obtained from pre-border, border and post-border biosecurity activities be made available for use by state and territory governments, industry and research organisations.
- b.11 Enhance government funding for activities which support biosecurity-related technical market access.

Agrichemical Issues/Food Safety

A growing number of agrichemicals used by the citrus industry are being reviewed and suspended. Citrus growers are mindful of minimising chemical usage but require a variety of chemicals to combat pest pressure.

Citrus Australia is proactively reviewing a list of citrus agrichemicals and working with industry and the AVPMA in identifying priority products and R&D required to maintain registration or in finding alternate products.

Citrus Australia has recently developed, in conjunction with the major citrus exporters and the National Residue Survey, an export food safety program which supports the 'clean and green' image of our citrus exports.

The ways in which the Government can help manage pesticide suspension include:

b.12 Support the protection of essential chemicals for use in the citrus industry

b.13 Streamline the agrichemical registration process so that new, safer chemicals can be registered more rapidly and efficiently.

Health, nutrition and labelling

It is important for Governments to encourage increased consumption of fruit and vegetables in order to address an ageing society and increasing obesity issues. Clearer policies around health claims can also assist food industries in promoting their products.

Consumers also have a fundamental right to know where their food comes from.

It was disappointing to see the government's lack of support for a new country of origin framework, as recommended in Labelling Logic: a review of food labeling law and policy 2011.

Unfortunately, as country of origin information on whole oranges (and other fruits) has improved, labelling on packaged and bottled foods has not. A company can get around the Food Standards Code by calling itself "Australian-owned", but it could be making its products offshore. It may also be stating something is "Made in Australia", when it is made from mainly imported foods that are then packaged here.

The industry is increasingly alarmed at how confusing and misleading labelling on fruit juices can be for consumers. We are renewing our calls for simpler and more accurate product information.

The ways in which the Government can help address health, nutrition and labelling include:

b.14 Encourage increased consumption of fruit and vegetables.

b.15 Assist industry with health claims and country of origin labelling on packaged products.

Water

Recognise citrus as a permanent long-lead crop requiring high security irrigation water all year round, and the importance of the industry to the national economy and well-being.

The ways in which the Government can help address water issues include:

b.16 Commitment to current funding for infrastructure upgrades; consider new dam options.

b.17 Ensure adequate funding and resources for the implementation of the Murray Darling Basin Plan which will improve the water security of our growers and give them the confidence to invest in the future.

b.18 Increase funding for water-use efficiency programs in growing regions outside the Murray Darling Basin.

Production costs

Recognise that growers are facing unprecedented increases in the cost of production including labour, transport, power, pests, and natural disasters (droughts/floods).

The ways in which the Government can help address increasing production costs:

- b.19 Assist with pest management costs such as fruit fly.
- b.20 Remove the carbon tax.
- b.21 Address freight and transport inefficiencies.
- b.22 Increase access and flexibility of natural disaster recovery programs.
- b.23 Ensure success of the working holiday visa program and seasonal worker program.

Citrus Australia is trying to improve domestic consumption of citrus through promotional programs, and through the expansion and adoption of the Australian Citrus Quality Standards, which will improve consumer perception and repeat purchase of fresh citrus.

The ways in which Government can help grow the Australian citrus industry include:

- b.24 Allocate more resources to achieve quicker results from market access negotiations.
- b.25 Speed up Free Trade Agreement negotiations which will reduce or eliminate tariffs on our export products. All fresh citrus imports enjoy a zero tariff.
- b.26 Reduce costs of inter-state movement of citrus products by standardising and streamlining the quarantine regulations of each state and territory.
- b.27 Confirm implementation and funding for the Murray Darling Basin Plan, which will improve the water security of our growers and give them the confidence to invest in the future.
- b.28 Reduce the production costs facing growers, including the price of quarantine inspections and carbon tax increases in electricity and fuel costs.
- b.29 Ongoing support for research, development and extension.

c) Competition issues in the Australian market

The ACCC conducted an inquiry into the competitiveness of retail prices for standard groceries in 2008. The ACCC concluded that grocery retailing is workably competitive and did not identify anything that is fundamentally wrong with the grocery supply chain. Despite this conclusion the ACCC has recently successfully sought supplier information leading to the possible identification of anti-competitive conduct by the major supermarkets in Australia.

The grocery inquiry in 2008 also made a number of recommendations in relation to improving the effectiveness of the Horticulture Code.

The Horticulture Code of Conduct 2007 is a mandatory code administered by the ACCC to improve the clarity and transparency of transactions between horticultural growers and wholesalers.

In 2009 a Code review committee was formed and made further recommendations to improve the effectiveness of the Code. There have been further attempts to reach agreement between the various horticultural sectors, without success.

The ways in which the Government can help combat competition issues facing Australian citrus include:

- c.1 Finalise the National Food Plan and resource its implementation.
- c.2 Increase consumer awareness of country of origin – Australian produced/grown.
- c.3 Encourage support and compliance with the voluntary fruit juice industry code of practice.
- c.4 Increase effectiveness of the mandatory Horticulture Code, or review its place in the new policy environment.

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

There have been a number of studies into citrus supply chains over the past decade.

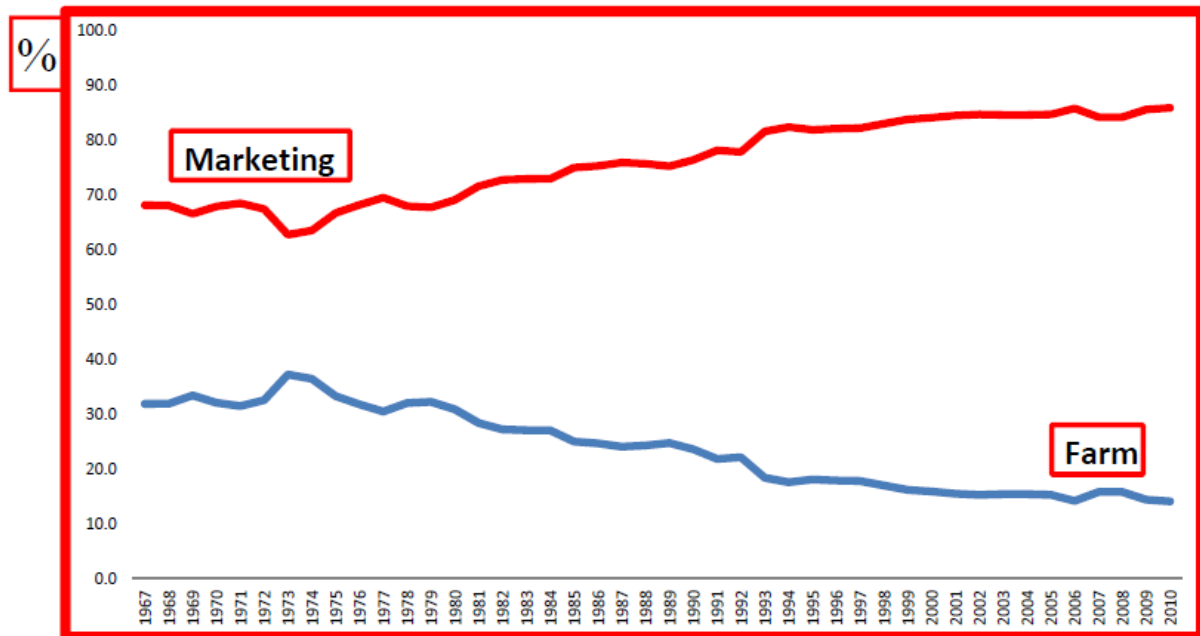
The areas identified as key priorities include:

- Improve information flows
- Define and implement a set of national quality standards
- Make managing trading relationships a part of doing business
- Focus on product attributes valued by the consumer

Consolidation continues in citrus supply chains though demand is consolidating at a faster pace than supply.

Though Australian data is not available for trends in farm gate price we are confident it reflects the trend in USA data – see Figure A.

Figure A: Share of Food Dollar, USA, 2011



Source: USDA, ERS Food Dollar Series, Updated 7/2012

Attempts to address this trend include: increasing size of property; supply chain integration; business structure/strategy; cost reduction; varietal change; product/service differentiation; streamlining representative structure and cost.

Unfortunately competitiveness remains an issue in Australia due to the high cost of labour; infrastructure and freight issues; increasing compliance costs; carbon tax; impact of the high exchange rate and market dynamics.

The citrus industry's main production regions are remote from capital cities and export ports – the increasing cost of freight to these destinations is a serious supply chain inhibitor.

Our packing sheds and irrigation pumps are heavy users of electricity – huge power cost increases are a drain on production and processing (electricity costs have risen by 25 per cent due to the introduction of the carbon tax alone).

Certification of export consignments here is also expensive compared to that of our competitors – the current reforms require extra urgency and effort.

The ways in which the Government can help improve the supply chain issues facing Australian citrus include:

- d.1 Assistance around cost of freight.
- d.2 Infrastructure investment.
- d.3 Reduce taxes on fuel and electricity, such as removing the carbon tax.
- d.4 Simplify workplace relations and immigration regulations and policy.
Support and enhance seasonal worker programs.
- d.5 Streamline the certification of export consignments to help make our export sector more competitive.
- d.6 Facilitate better communication and understanding through supply chains.
- d.7 Support national industry programs such as the Australian Citrus Quality Standards.

e) Opportunities and inhibitors for export growth

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

Asia is the most promising market for Australian citrus, but many countries which currently accept Australian citrus have set export protocols that are difficult and expensive to meet.

Recently, Australia gained access to the Philippines, which is likely to become a useful market. However, major new premium markets, like China, Korea and Thailand, are required to absorb the production that used to go to the United States pre-2009.

The ways in which the Government can help grow citrus exports include:

- e.1 Devote additional resources to opening up, or improving, priority markets.
- e.2 Assistance in developing export protocols that are uniform and which will improve our access to Asian markets.
- e.3 Partner with industry to find novel solutions to market access obstacles – we are ready to invest and commit to finding and adopting ways of increasing trade.
- e.4 Trade between countries can be progressed through government building relationships with the appropriate officials and industry sectors in corresponding countries. This can be achieved through the organisation of and participation in trade visits or through specific wording in trade agreements. Trade can only progress where mutual respect is built and a relationship developed.
- e.5 Progress Free Trade Agreements, which will provide us with a level playing field with our competitors in our key Asian markets.
- e.6 Reduce the cost of quarantine inspection services.
- e.7 Continue to support a 2 year transition from export regulations.

f) Other related matters

There are over 40 ways the Government can assist address industry's issues.

The most important recommendation would be to set up a small Government and industry task force whose role would be to consider and prioritise the outcomes of this review; drive implementation and action; and report outcomes back to industry.

Citrus Australia is prepared to participate and provide resources for this activity.
