

**Submissions of John Pressler  
on behalf of 2PH Farms**

**Senate**

**Rural and Regional Affairs and Transport  
Legislation Committee**

**Reference: Citrus canker outbreak**

**27 July 2005**

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## The Presslers

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1. John, Pam and Craig Pressler are the owners of the largest commercial mandarin citrus orchard in Queensland, called 2PH. The Presslers first planted the 2PH orchard in Emerald in 1987. Until October 2004, 2PH consisted of the following:

Property	Size
Andersons	254.6 ha
Broadacres	259.6 ha
Heatherdale	90.27 ha
Burrows	60.67 ha
Carpenters	19.13 ha
Hart's Road (Burrows)	131.2 ha
Rifle Range Road (Capricorn)	79 ha
Gumtrees	86.9 ha
TOTAL	981.37 ha

## Canker incursion

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2. On 26 and 27 July 2001, the Australian Quarantine and Inspection Service (**AQIS**) carried out raids on Evergreen Farms in Emerald, Central Queensland based on reports of the farm having illegally imported plant material, including budwood and seeds. AQIS subsequently entered into a private arrangement with the operator of Evergreen Farms in October 2001 regarding surveillance which effectively gave Evergreen Farms control of the surveillance program and which ensured secrecy as to the results of the surveillance.
3. Notwithstanding complaints made by me and other Emerald growers about the secrecy of AQIS' arrangements with Evergreen Farms, the results of AQIS's surveillance were kept secret.
4. Full blown citrus canker was discovered on Evergreen Farms in late June 2004.
5. Notwithstanding the ramping up of 2PH's strict phytosanitary measures following the detection of citrus canker on Evergreen Farms, I identified an apparent citrus canker incursion on my property in early October 2004. I immediately reported this to the Queensland Department of Primary Industries and Fisheries and on 6 October 2004 a positive laboratory identification was made. Prior to that time, 2PH had been pest free.
6. As a result of this detection, 190,000 trees have been destroyed on 2PH, with a further 53,000 healthy trees being deemed infested and required to be destroyed by the Queensland Department of Primary Industries and Fisheries (following a decision of the National Management Group).

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7. The circumstances surrounding the incursion of citrus canker in Emerald are well known and documented and it is not the intention of these submissions to canvass these issues in any detail. They have been ventilated at length in this Senate Inquiry and will no doubt form the basis of further investigations. However, suffice it to say, for present purposes, that it is not a coincidence that citrus canker appeared on 2PH shortly after the discovery of full blown canker on Evergreen Farms, particularly given the DNA for the canker on both farms have been shown to match.

### **Growers' losses**

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8. The effects of citrus canker on 2PH and on all farms in the Emerald area have been devastating. Growers have been shut out of the domestic market for 13 months and the available export market has been substantially diminished, with growers' reputation irreparably harmed. Now entire crops of healthy trees will be destroyed on the basis of deeming provisions with no compensation being paid and, worse still, growers will not be entitled to replant until 1 January 2008.
9. The Emerald growers have been endeavouring to stay afloat without receiving compensation from either the State or Federal Governments. However, unless compensation is provided, it is inevitable that many farms will fold.
10. Leaving aside the trees that have been destroyed under the now discredited "cookie cutter" approach, it is estimated that the loss arising from the destruction of the remaining healthy trees (which have been deemed infested) alone will be in the vicinity of \$34 million, calculated on the limited formula below<sup>1</sup>:

Value of trees that have been deemed infested and are to be destroyed	173,961 trees x \$97 per tree	16,874,217.00
Costs associated with orchard preparation, replanting and management	\$20 per tree per year for 7.5 years	17,400,000.00
<b>TOTAL</b>		<b>\$34,274,217.00</b>

11. Apart from the fact that this calculation does not cover the value of the trees destroyed pursuant to the "cookie cutter" approach, this figure is well below the full measure of loss for citrus growers in Emerald. A conservative estimate of 2PH's loss alone from this citrus canker incursion is calculated to be approximately \$93,570,000. Such figure includes the value of trees destroyed, lost profits (past and future), loss of the bank of citrus germ plasma breeding material and varietal development program, additional maintenance costs up to the date of destruction, other variable costs and future re-establishment costs.
12. Immediate decisive action is required by both the State and Federal Governments to seek to ensure a catastrophe of this magnitude does not happen again. Equally important is

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<sup>1</sup> Calculated in accordance with the Emerald Citrus Growers' Re-imbursement & Re-establishment Package Summary July 2005 attached at Annexure A.

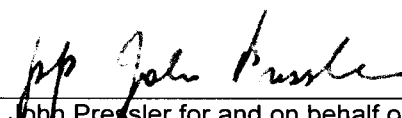
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the necessity to provide fair compensation for growers to keep them in business and, as a result, maintain the wider Emerald economy and national citrus industry.

### Impact on economy

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13. The citrus industry is an integral part of Emerald's economy. As can be seen from the Emerald Citrus Growers' Re-Imbursement & Re-Establishment Package Summary July 2005 attached at Annexure A:
- the estimated total local citrus industry income for the Emerald area was approximately \$35 million per annum; and
  - since the citrus canker incursion, the employment of approximately 700 casual employees and 100 permanent employees have been terminated or downgraded and the entire revenue stream from the citrus industry will be lost.
14. Further, citrus is one of the larger horticultural industries in Australia, with a gross value of production in excess of \$400 million<sup>2</sup>. Citrus exports have grown at an average annual rate of 14% between 1988-1989 and 2000-2001, which is faster than the growth in Australian total exports. Citrus growing regions in Queensland contribute about 70% of total mandarin production in Australia.
15. In addition, the reporting of suspected exotic pest incursions is vital to the biosecurity of Australia's agricultural industries. No doubt growers and their employees will be less inclined to make such reports if growers will bear the brunt of the response plan, without receiving due compensation.
16. Accordingly, it is imperative that the Emerald growers be compensated for the losses they have sustained as a result of the citrus canker incursion. This is in accordance with the fundamental principles underpinning the Guidelines for Owner Reimbursement Costs under the draft Emergency Plant Pest Deed that:
- (a) no one should be worse off or better off as a result of reporting a suspected exotic pest incursion and;
  - (b) social justice should be provided to growers who, through no fault of their own, are seriously affected by a response plan to eradicate an exotic pest.



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Date 27 July 2005

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<sup>2</sup> Draft Contingency Plan for Citrus Canker, Office of the Chief Plant Protection Officer, Department of Agriculture, Fisheries and Forestry, May 2004.

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# **Annexure A**

**EMERALD CITRUS GROWERS'  
RE-IMBURSEMENT & RE-ESTABLISHMENT  
PACKAGE SUMMARY  
JULY 2005**

## **Emerald Citrus Industry Re-imbusement and Re-establishment Package**

For the Emerald citrus pest quarantine area affected commercial growers to be assured of some financial security, and the means by which their industry can rehabilitate for future production, the following package is suggested for adoption by and application under the National Management Group:

### ***Financial Payment Considerations***

That the Emerald citrus pest quarantine area commercial growers be paid:

- On destruction of the trees, a one-off payment of \$97 per tree<sup>1</sup>, non-inclusive of the costs of destruction (totals \$16,874,217) and
- Following destruction and provided the area goes back into citrus, an annual payment of \$20 per tree over the period prior to replanted trees reaching their productive age (totals \$17,400,000) to cover the costs associated with orchard preparation, replanting and management.

### ***Local Industry Rehabilitation Requirements***

This above financial re-imbusement arrangement to apply to those commercial growers within the Emerald citrus pest quarantine area on the basis that:

- It applies to all citrus trees<sup>2</sup> destroyed on or after the 1<sup>st</sup> of May 2005, and
- Total completion of the destruction of all trees is concluded prior to the 30<sup>th</sup> of September 2005, and
- The capacity to replant commercial trees in the Emerald citrus pest quarantine area is guaranteed to commence following the 30<sup>th</sup> of September 2007.

### ***National Industry Rehabilitation Requirements***

In addition, the following important re-imbusement package<sup>3</sup> managerial aspects to be adopted:

- Prior to the destruction of citrus trees in Emerald, and assuming no further detection of citrus canker outbreaks within the Emerald citrus pest quarantine area, the Australian citrus industry must guarantee future market access to Emerald commercial citrus growers. Such market access must apply to all fruit from those replanted trees.
- Regulatory controls must be put in place by the NMG to ensure that, should a tree slated for destruction be found to have been overlooked beyond the cut-off date (30<sup>th</sup> September 2005), the replant 'clock' is not automatically re-set. The tree(s) in question should of course be immediately destroyed. The requirements of this clause should also apply to the control of regrowth of destroyed trees.

**Final note:** Should the above package be agreed to, all trees destroyed between 1<sup>st</sup> November 2004 and 1<sup>st</sup> May 2005 are not to be precluded from future negotiations or action by the owners.

**Important Package Foundation Points**

1. The \$97 per tree figure, exclusive of destruction costs, is based upon several factors. Firstly, an independent valuation of the fruit trees in Emerald by Herron Todd White Valuers. Secondly, an inclusion value for lost productivity for the 7-8 years before full production yields will be resumed. Thirdly, a value to discount any lump sum payout given to growers in the present.
2. The estimated total number of commercial trees slated for destruction before the final cut-off date of 30<sup>th</sup> September 2005 is 173,961. This is comprised of Cordoma Farms (42,000 trees), Maurie and Connie Iddles (6,600 trees) and the sum of 2PH commercial blocks (125,091 trees).
3. The re-impbursement package has been proposed to be split both into the to major components (reimbursement and re-establishment) and between the following parties in, the case of the states, proportion to their share of the national citrus industry:

- Reimbursement component breakdown:

a. Australian Citrus Industry contribution	20.0%	\$3,374,843
b. Commonwealth of Australia	40.0%	\$6,749,687
c. South Australia	12.6%	\$2,216,151
d. New South Wales	11.0%	\$1,856,156
e. Victoria	7.86%	\$1,326,313
f. Queensland	7.86%	\$1,326,313
g. Western Australia	0.68%	\$114,745
<b>Total Contributions:</b>	<b>100%</b>	<b>\$16,874,217</b>

4. Re-establishment component breakdown:

a. Australian Citrus Industry contribution	20.0%	\$3,480,000
b. Commonwealth of Australia	40.0%	\$6,960,000
c. South Australia	12.6%	\$2,192,400
d. New South Wales	11.0%	\$1,914,000
e. Victoria	7.86%	\$1,367,640
f. Queensland	7.86%	\$1,367,640
g. Western Australia	0.68%	\$118,320
<b>Total Contributions:</b>	<b>100%</b>	<b>\$17,400,000</b>



## Notes

- Any levy on the citrus industry would have to be underwritten by the federal government in the first instance and paid back by the industry over time (e.g. a pay back period of 20-25 years). Such a move would ensure the fund up front for the affected growers and give greater capacity for the industry as a whole to bear the cost. In addition, such a time frame would mean that the Emerald citrus growers would also contribute to the repayment once full production had been regained. The Emerald growers would also be open to accepting a special levy applicable to their contribution to make it comparable to the contributions made by other citrus industry sectors.
- Prior to the citrus canker outbreak the number of citrus trees in the Emerald area were (approximately):
  - Evergreen Farms - 152,000 trees
  - 2PH (Pressler) - 243,000 trees
  - Joe Cordoma - 40,000 trees
  - Cottrell's - 30,000 trees
  - Maurie Iddles - 7,000 trees
  - Total citrus trees 472,000 trees**

The average gross value of production from the different varieties of citrus planted in the area can also be summarised:

○ Lemon trees -	\$300	/tree
○ Imperial Mandarin -	\$120	/tree
○ Murcott Mandarin -	\$120	/tree
○ Orange -	<u>\$100</u>	<u>/tree</u>
<b>Average gross return</b>	<b>\$150</b>	<b>/tree</b>

Multiplying the number of trees by the average gross annual value of production allows us to set the total gross revenue for the Emerald district prior to the outbreak of citrus canker at \$70,800,000 p.a. This is also the annual value of the area now *lost* to citrus canker.

In addition, while future action is not precluded, setting the cut-off date for re-imburement at the 1<sup>st</sup> of May 2005 means that some 150,000 trees on 2PH destroyed prior to this date will not be included in the re-imburement package proposed. This equates to some \$14,550,000 not included in the proposed package which could have been had the date been rolled back to 1<sup>st</sup> October 2005 when the second outbreak occurred.

- How many trees are likely to be replanted in the area? This is very important for setting the final replant re-imburement package figures.
  - *Emerald growers have committed that the total area under citrus before the outbreak will be replanted to citrus following the two-year quarantine period (approximately 174,000 trees)*

- How many jobs have been estimated to be lost from the area so far as a result of the outbreak and loss in production? Is it around the 1,500 figure quoted earlier? Can the growers quantify this figure?
  - *Around 700 casual picking and packing jobs with 100 permanent jobs in the CQ local industry have been lost or downgraded following the canker outbreak.*
- What is the total citrus industry normally worth in CQ? How does that stack up to the re-imbursment figure being demanded? What sort of return to the state and national economies does this local industry provide?
  - *Estimated total local citrus industry income for the CQ area (Emerald) is \$35 million per annum. So the package represents only one years' worth of production for the area and gives five to seven years of benefit and rehabilitates a major economic input for the state and Australia.*
- What other re-imbursment packages have been put about by the federal and state governments? Mitsubishi factory workers package detail? Ansett re-imbursment package detail? Similarities?
  - *Mitsubishi car industry in SA bailed out by package to the tune of \$250 million.*
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