Citrus Growers of South Australia Inc.

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SUBMISSION TO THE SELECT COMMITTEE ON AUSTRALIA'S FOOD PROCESSING SECTOR

- With the recommendation for a SENATE INQUIRY INTO THE AUSTRALIAN JUICE INDUSTRY

Background

Citrus Growers of South Australia (CGSA) is the grower organisation representing 450 growers in South Australia.

As with many other commodities citrus growers constantly struggle to survive on the returns they receive for their fruit even though SA citrus is very often recognized as the best in the world.

Constantly increasing cost of production and harvest labour contribute greatly to the battle to remain viable, together with water restrictions during the recent drought and the high Australian dollar which have even seen returns for export fruit at not much more than cost of production or in some cases negative.

Fruit sent for juice processing for many years has been well below the cost of production and at times has even been dumped as it has had nil value.

Over many years CGSA has been very active in lobbying government for measures to keep our industry sustainable into the future and support any measures for increased food security for Australia and overseas. We have also pushed for tougher labelling laws allowing consumers to know the content of what they are buying, predominately for fruit juice and fresh fruit, providing the consumer choice of buying local or imported product.

The Australian Citrus Juice Industry

For over 30 years the Australian citrus juice industry has been allowed to self-regulate.

In the early years the industry was importing the equivalent in fresh fruit of approximately 70,000 tonnes. It is now importing as much as 600,000 tonnes.

The market for citrus juice has been grown by more than 10% over the past 30 years and is now worth over $1 billion dollars a year in sales.

During this time growers have received an average of between $30 per tonne to $ 400 per tonne but at times have received nil. The price paid to the grower was derived from a world price formula that was never adequately explained at a grower level either by juice processors or grower bodies.

Over the last few years growers were becoming more optimistic that the floor price of their industry would increase as Brazil, being the country growing and selling the bulk of juice concentrate, was removing citrus and planting sugar cane. Florida is the other main growing area that produces concentrate which has been imported into Australia.

Brazil and Florida both have citrus canker and greening disease. As a result the world's largest citrus and juice producing areas are experiencing significant and long lasting production problems.

But while world supply was falling and prices around the world were rising, the price received by Australian growers remained low and well below the cost of production for the majority of growers, particularly smaller growers.

The pricing appears to be predatory.

Growers believe this is occurring for a number of reasons. Firstly, for smaller growers it is the packer not the grower who negotiates the juice price with the processors.

Secondly, the introduction of collective bargaining laws have made it very difficult, complex and possibly illegal for small producers to come together to negotiate a fair price. In contrast large commercial organisations have been able to negotiate a higher or even premium price compared to the smaller operators. As a result there is concern that we may be seeing the end of the small family citrus growers.

There has never been and inquiry into the Australian citrus juice industry.

There have been some attempts to set a world juice parity price for Australian growers, but this has always been done by the industry itself and not by an independent body. The problem is that the industry is made up of growers and processors and their interests are often at odds. This has resulted in the adoption of a parity price which has always favored the processors.

The current world parity price is quoted as 'Free On Board Brazil' – this means the cost of buying it in Brazil. This does not include the cost of freight handling, containers and storage etc. When these costs are added the real price of imported juice rises significantly.

Processors use the lower 'Free On Board Brazil' figure to justify paying Australian growers less than they should.

South Australia once grew 180,000 tonnes of juice fruit. We are now down to as low as 40,000 tonnes. At the same time thousands of hectares have been planted in New South Wales and Victoria despite the fact that until recently the nation was experiencing a significant drought.

This season growers have received between zero and 5 cents a kilo, making it the worst season ever. The outlook for the rest of season is also not looking good with the largest processor in Australia canceling juice contracts which immediately had affect on prices paid to growers for good quality juicing fruit.

Growers want to be able to negotiate an indicative juice price at the start of each season. This will give them the certainty that they need to plan. At the moment growers cannot plan ahead as even though a good return may be received at the beginning of the season this can reduce to almost nil; a decision needs to then be made whether to pick the fruit or leave it on the tree.

We need to have an Ombudsman or some other independent umpire to oversea negotiations between growers and producers to ensure a fair world parity price is achieved.

We would encourage the committee to look at investigating the following areas:

- THE COST OF IMPORTED CONCENTRATE?
- THE QUALITY OF IMPORTED CONCENTRATE?
- THE COUNTRIES WE IMPORT FROM?
- HOW MUCH FRUIT HAVE WE IMPORTED INTO AUSTRALIA OVER THE LAST FIVE YEARS?
- WHO IMPORTS THE CONCENTRATE?
- WHO PROFITS FROM IMPORTING CONCENTRATE?
- WHEN IS IT IMPORTED?
- WHAT THE IMPORTED CONCENTRATE IS USED FOR?
- THE COST OF PROCESSING CONCENTRATE IN THIS COUNTRY AND OTHER COUNTRIES
- THE COST OF FREIGHT
- THE COST OF PACKAGING
- THE COST OF STORING THE CONCENTRATE
- DO WE EXPORT JUICE PRODUCTS?
- WHAT AMOUNT OF FRUIT HAVE WE GROWN IN AUSTRALIA OVER THE LAST FIVE YEARS?
- HOW IS THE CURRENT LANDED JUICE PRICE SET?
- LABELLING LAWS IN OTHER COUNTRIES
- HOW MUCH ASEPTIC JUICE IS USED?
- WHAT IS THE COST OF PROCESSING ASEPTIC JUICE?
- WHAT ARE THE FREIGHT AND STORAGE COSTS ASSOCIATED WITH ASEPTIC JUICE?
- DO WE IMPORT ASEPTIC JUICE AND AT WHAT PRICE?
- DO WE IMPORT ASEPTIC CONCENTRATE?
- WHAT IS THE AMOUNT OF PULP THAT HAS TO BE ADDED TO IMPORTED CONCENTRATE TO MAKE IT FIT FOR SALE?

The juice price has traditionally created a 'floor' price within the citrus industry and securing a decent price for processed fruit at the beginning of the season would have a cumulative affect on other returns, which would go a long way to making the industry viable for growers to survive in the future.

The citrus juice industry needs a Mandatory Code of Conduct together with efficient powers for it to be enforced.

Mark Chown - Chairman
Ron Gray - Juice sub-committee

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