



Senate Committee Inquiry into the Citrus Industry In Australia

Submitted by

Fruit Juice Australia

a division of the Australian Beverages Council Ltd

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Introduction

This submission is made on behalf of Fruit Juice Australia, the authoritative voice of the fruit juice manufacturing industry in Australia. This submission is comprised of the collective information of all of the members of the association.

The Australian Beverages Council is the peak industry body representing the \$7bn non-alcoholic refreshment beverages industry. Members collectively produce over 95% of the market's production volume and represent small, medium and large companies involved in the manufacture and distribution of a broad range of beverages including carbonated diet and regular soft drinks, energy drinks, sports and isotonic drinks, formulated beverages, bottled and packaged waters, fruit juice and fruit drinks, cordials, iced tea and ready to drink coffee.

Fruit Juice Australia (FJA), a division of the Australian Beverages Council, is dedicated to representing the unique interests of the nation's juice manufacturers and represents over 90% of the juice market's production volume. A wide range of juice products including 100% fruit juice and juice drinks are produced by members (Appendix 1).

This submission will assist by providing Senate Committee with a range of industry information by providing an accurate snapshot of industry analytics and issues, namely:

1. The Role of Fruit Juice in a Healthy Diet
2. Scale and Structure of the Australian Fruit Juice Manufacturing Industry
3. Opportunities and Inhibitors for Growth of the Australian Industry
4. Capacity of the Australian Citrus Industry to Supply Fruit Suitable for Manufacture of Juice
5. Adequacy and Efficiency of Supply Chains in the Australian Market

1. The Role of Fruit Juice in a Healthy Diet

Positive Influence of Juice on Diet Nutrient Density

Consumption of fruit juice is associated with total diet quality. Literature on the topic in respected journals; which had been peer reviewed, was examined to test this idea in terms of scientific discovery (Fruit Juice Australia, 2013a). In particular, the relationship between consumption of 100% fruit juice and diet quality in Western populations was sought. The review included twelve studies on 100% fruit juice consumption - which had either positive or no observed effect on nutrient density in diets of children and adults. In a majority of these studies it was shown that children consuming a serve of juice daily had diets containing statistically more vitamin C, dietary fibre, folate, potassium and magnesium; and in adults, vitamin C and dietary fibre in their diets than the general population. This evidence shows fruit juice is recognised scientifically as a valuable component in the diet can benefit overall nutrient density of the diet of both adults and children.

Contribution to Australian Dietary Intake of Recommended Fruit Serves

These factors are of significance in consideration of having younger Australians meeting recommended daily fruit serves. The 2007 Children's Survey (CSIRO, 2008) revealed that fruit intake was generally below

recommended levels, with some age groups being particularly low. The Flinders re-analysis of this paper found that only 1% of children 14-16 years consumed the recommended amounts of fruit serves (Flinders Partners, 2010). When fruit juice was included as a fruit serve (as is consistent with the Australian Guide to Healthy Eating (NHMRC, 2013), one in five (i.e. 24%) of this group of children met the recommended number of serves of fruits. Likewise, for children aged 9-13 years, those who meet the recommended fruit serve intake increases from 51% to 90% when fruit juice is included. This finding is particularly relevant for non-fruit or low fruit consumers, as a way of helping to improve diet quality. Inclusion of 100% fruit juice can therefore be included in moderate amounts as part of the recommended two serves fruit/day for both children and adults.

Consumer Factors Impacting Buying of Juice

Given these parameters, it is essential for Australian juice manufacturers to provide a price sensitive product that is appealing to children and adults alike year round to encourage healthy eating. Australian juice manufacturers use a combination of local and imported juices, and provide the option of 100% Australian juice to provide consumers with the product that meets their particular requirements.

Consumer Attitudes Toward Healthiness of 100% Juice

Further support from the government is needed to show consumers that drinking a serve of juice daily can support their health and that a serving of 100% juice per day is a positive nutrition choice for them or their family. Consumers currently have the choice of a wide variety of Australian manufactured juices. The frequency of fruit juice manufacturing going offshore to reduce costs from carbon tax for one example is increasing. Promotion of Australian manufactured juice is timely to stop this trend. Support of health authorities to maintain consumer confidence and to support the Australian Dietary Guidelines is needed.

2. Scale and Structure of the Fruit Juice Industry

Manufacturing Overseas

Fruit juice and fruit juice drink manufacturers are a highly competitive manufacturing sector in Australia. It is most important to note that almost all of the juice in the market is manufactured in Australia, although increasingly manufacturers are forced to source finished product from overseas to meet consumer price requirements.

Employment of Australians

Currently, the Australian juice manufacturing industry employs many people in regional areas, and engages unskilled workers, qualified operators, food technologists, engineers, sales people, accountants and administrative staff. Our members also engage in vertically integrated operations which include farming, transport and packaging to serve their businesses.

Market Diversification

A variety of pack sizes and processing methods are available in supply of juice. Approximately 40% of juice and fruit juice drink produced in Australia is chilled short shelf life, and 60% ambient long life (Ibisworld, 2013).

Organic, halal and kosher are three areas of certification held by Australian manufacturers. Engagement in innovative packaging and engineering in particular has expanded markets for premium product; examples being high pressure processing and juice bars. Regardless, the mature manufacturing sector struggles to maintain volumes, and hence staff, in current markets.

Businesses producing 100% juice for retail number approximately ten medium to large manufacturers in Australia (Canadean, 2013). Volume sale of 100% juice market has eased in single digit levels over the past four years. Furthermore, small manufacturers are also represented supporting this important market.

Similarly, fruit juice drink, containing 25% juice, has been impacted by downstream demand from supermarkets and grocery, real household disposable income, domestic price of fruit, world price of frozen fruit juice concentrate and soft drink consumption (Ibisworld, 2013). Losses to this category have been larger than 100% juice including decreases of 2.5% in 2012 and 2.0% in both 2011 and 2013.

3. Opportunities and Inhibitors for Growth of the Australian Industry

The current consumer and key opinion leader attitudes towards juice is concerning.

A more informed and coordinated public health education strategy is required if Government is to help the juice sector. If the Government agrees fruit juice is a nutritionally important part of a balanced diet, which its dietary guidelines suggest it does, then so called Key Opinion Leaders claiming people should stop drinking juice is the biggest challenge to the sector and will ultimately impact farmers due to loss of volumes.

The Australian Dietary Guidelines recognise 125ml serve of fruit juice counts towards one serving of fruit. Consumers need to recognise that this is an appropriate step for both health and nutrition.

Findings from the Australian National Children's Nutrition and Physical Activity Survey (2007), show that without juice, 99% of Australian children aged 14-16 and 50% of 9-13 year olds do not get their recommended serves of fruit each day.

While we recognise Government is not able to control the comments made by media or these so called health experts, support for an education campaign to help overcome the mistruths and educate about the responsible consumption of juice, would go a long way to converting opinions and therefore stabilising the whole supply chain, providing greater security for manufacturers and growers.

4. Capacity of the Australian Citrus Industry to Supply Fruit Suitable for Manufacture of Juice

Market Changes Since New Millennium

Australian juice manufacturers utilise Australian fruit however due to changes in tariffs in late 80's and early 90's, fruit growers were persuaded to shift from growing valencia to navel varieties. Navels are a popular table fruit. The market for navel juice is small and price is low. It is noted that Australia does not import any navel juice or concentrate (Directus, 2012).

Current Requirements of Australian Consumer Market

Each year, the Australian juice industry has an underlying demand of approximately 500,000 metric tonnes (MT) of fruit (Fruit Juice Australia, 2013b). Valencia is the preferred orange for juicing as it is more palatable than juiced navel oranges, being both sweeter and less acidic. The domestic citrus growing industry can only supply approximately 250,000 MT of Valencia crop, allowing for seasonal variability. For example, in 2010-2011 year crop estimates totalled 228,500 MT. One MT of oranges produces on average approximately 500 litres of juice.

Shortfall of Australian Crops

This disparity results in a year on year shortfall in crop supply of approximately 250,000 MT of oranges which results in shortfall of approximately 125,000,000 litres of juice to domestic manufacturers.

To cover this annual shortfall, Frozen Concentrate Orange Juice (FCOJ) is being imported into Australia from a range of countries since the 1970's (see Table One).

Table One – FCOJ Origin Markets (Source: ABARE 2011)

Country Of Origin	December 2011 MT	YTD MT	2010 MT
Argentina		187.04	16.09
Belgium	37.80	651.00	264.6
Belize		18.90	
Brazil	3330.19	26517.51	28940.89
China			37.8
Chile			13.24
Costa Rica		528.56	400.5
Cuba		36.17	
Indonesia		0.63	17.16
Israel	74.13	593.53	425.31
Italy	19.20	196.61	192.76
Mexico	23.40	387.38	82.26
Netherlands	57.95	608.70	66.95
New Zealand		2.04	

Philippines			
Portugal			37.8
Singapore		55.65	
South Africa		7.50	
Turkey		8.01	
United Kingdom			3.51
United States of America	180.48	2605.62	1916.9
Uruguay	19.74	75.39	
Grand Total	3742.89	32480.24	32282.71

As is evident from the data in Table One, for 2010 the Australian juice industry sourced 28,940 MT of FCOJ from Brazil, representing 89.6% of the total FCOJ imports for that year. The dominance of Brazilian FCOJ in the supply chain is reflected in the quantity of FCOJ sourced from that market by the two market leaders.

In terms of product delivered to Australian consumers:

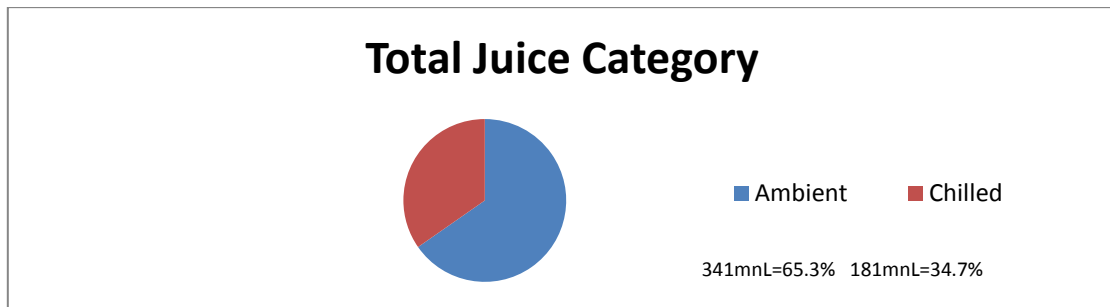
- Households consume approximately 50L of juice annually
- Total juice production (consumption) equates to approximately 522,000,000 million litres pa
- Total consumption equals 23L per capita per annum on average
- Children consume on average 122mL of juice daily

Juice Categories

The juice market is divided into ambient and chilled categories (Figure One).

Ambient juice refers to its ability to maintain quality at ambient temperatures and all products in this category can be found on the supermarket shelves. These will all be blends of local and imported juice. This portion of the total juice market represents approximately 341 million litres or 65.3%.

Chilled juice can be found in the supermarket chilled section and is less stable than ambient hence its need for refrigeration. These products will either be 100% local content or a blend of local and imported product. Chilled juice represents approximately 181 million litres of 34.7% of the total market.



Source: ABARE, 2011

Figure One – Total Juice Category, Ambient vs Chilled

5. Adequacy and Efficiency of Supply Chains in the Australian Market

Australian Citrus growers suffer the extremes of our environment. Drought, extreme weather events and floods mark farm life. The ramification is that quality of Australian fruit is variable in flavour, size, sweetness and colour and volume. Growers, who are increasingly reliant on technologically advanced irrigation, are increasingly faced by rationalisation of water from irrigation and environmental change.

The Australian Citrus Industry is dependent upon the support of growers to supply fruit at the appropriate time and to have access to affordable roads and transport, water, power and a skilled workforce. Provision of supply chain for distribution is key for market access.

Since 2008 the FIS price for FCOJ has ranged from US\$1200 to US\$3000 and is currently approximately US\$2500 per metric tonne (Fruit Juice Australia, 2013b) (Table Two). Using the old industry standard processing cost of A\$99.00 per tonne the following table demonstrates the return to the Australian grower participating in the ambient market sector.

Table Two - Free In Store Price for FCOJ vs Price Per Tonne Oranges (Fruit Juice Australia, 2013b)

Free In Store Australia FCOJ Price per MT of concentrate in USD	Price per tonne for Australian Oranges delivered to Australian Processor
USD 1,200.00	-AUD 4.00
USD 2,200.00	AUD 75.00
USD 2,500.00	AUD 98.00
USD 3,000.00	AUD 138.00
Exchange Rate 1.00	

The cost of harvesting oranges is approximately \$90/tonne therefore just to break even with picking costs the FCOJ price needs to be USD2500 per metric tonne of concentrate.

The price paid by Australian processors for Valencia used in the chilled sector currently ranges from \$250 to \$300 per MT. This price is influenced by supply and demand within the chilled market.

Conclusion:

The fruit juice industry is an integral part of the citrus industry in Australia. Each Australian drinks an average of 23L of orange juice annually. This juice is supplied by a combination of quality Australian juice which is predominantly from Valencia varieties, and imported juices that are extracted largely from purpose developed juicing oranges.

An awareness of consumers of the ramifications of not having an Australian industry is not recognised. Consumers are often unaware of the nutritional benefit of juice, nor the benefit in Australia in terms of jobs and crops. Support for consumer education in relation to consuming a serve of juice a day should be compelling for this reason.

FJA members encourage the Senate Committee to examine a range of issues including the local growing industry's ability to meet demand for juice, transport and other key inputs including power, water and legislative support as a major factor toward the impact on the Australian juice manufacturing industry.

The FJA would welcome the opportunity to present these facts at the Inquiry of the Senate Committee on the Australian Citrus industry for consideration.

Yours sincerely,

Geoff Parker

Chief Executive Officer

Australian Beverages Council

References:

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Directus (2012) Pers Comm with Peter Gates via email, 23rd October 2012.

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Fruit Juice Australia (2013b) Industry Data. Pers Comm via email 22nd March 2013.

Flinders Partners (2010) Analysis of the 2007 Australian National Children's Nutrition and Physical Activity Survey. Report for Australian Beverages Council Ltd. 2010.

National Health and Medical Research Council (2013) Australian Dietary Guidelines - providing the scientific evidence for healthier Australian diets
http://www.nhmrc.gov.au/files_nhmrc/publications/attachments/n55_australian_dietary_guidelines_1.pdf
Canberra, Australia.

Appendix One – FJA Members

Bevco

CB Juice

Coca-Cola South Pacific

Directus

Emma and Tom

Fruitmark

Grove Fruit Juices

HJ Heinz Australia

International Flavors and Fragrances

Juicy Isle

Just Squeezed

Lion

Mildura Fruit Juices

Mountain Fresh Juices

Nippy's

Nudie

Schweppes Australia

The Product Makers

Tradexaisa

Interaustfoods

VISY

Vitality Brands