

Chapter 1

Introduction and background

Conduct of inquiry

1.1 On 28 February 2013, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 20 June 2013:

Review of the citrus industry in Australia, including:

- (a) scale and structure of the industry;
- (b) opportunities and inhibitors for growth of the Australian industry;
- (c) competition issues in the Australian market;
- (d) adequacy and efficiency of supply chains in the Australian market;
- (e) opportunities and inhibitors for export and export growth; and
- (f) any related matters.

1.2 On 15 May 2013, the Senate granted an extension of time for reporting until 31 July 2013. On 31 July 2013, and in response to an interim report, the Senate granted a further extension of time for reporting until 30 September 2013. The committee presented a further interim report out of session on 27 September 2013, requesting a new tabling date of 30 March 2014. Following the re-establishment of the committee in the 44th Parliament, the Senate re-referred the inquiry for completion and report by 30 March 2014.

1.3 The inquiry was advertised in *The Australian* on 3 June 2013. The committee also wrote to key stakeholder groups, relevant government departments, organisations and individuals to invite submissions.

1.4 The committee received 43 submissions which are listed at Appendix 1. The submissions are also published on the committee's website.

1.5 The committee held two public hearings – in Griffith on 3 July 2013 and Mildura on 4 July 2013. The committee took evidence from a variety of industry bodies, state and Commonwealth government departments, agricultural businesses, local government bodies and individual growers. A list of witnesses who appeared at the hearings is at Appendix 2.

Structure of the report

1.6 The remainder of this chapter provides a general background in relation to Australia's citrus industry.

1.7 Chapter 2 describes the structure of the Australian citrus industry, current industry leadership, the administration of the industry's IAC and the relationship between Citrus Australia (CAL) and Horticulture Australia Limited (HAL). Chapter 2 also examines the structure of regional, state and national representative bodies across the industry and outlines some of the specific issues which have presented challenges to the industry over recent years.

1.8 Chapter 2 also examines the role played by Citrus Australia Limited (CAL) in representing all parts of the industry. It also assesses whether CAL is fulfilling its responsibilities in terms of allocating levy funding (particularly in relation to research and development) in a transparent way and for the benefit of the industry as a whole.

1.9 Chapter 3 outlines a range of other issues the Australian citrus industry is currently facing, including increasing costs of production, the impact of export fees and charges, the effect of imported orange juice concentrate on the viability of Australian producers, and the current labelling regime for juice products.

1.10 Chapter 4 outlines the threat posed to the industry by pests and diseases and the policies currently in place to deal with incursions of diseases such as fruit fly, citrus canker and Huanglongbing (HLB). It also examines the role of research and development, not only in countering the threat of disease, but in developing new, high-quality, disease-resistant varieties of fruit, with a view to enhancing the Australian industry's competitiveness in the future.

Background

The citrus industry in Australia¹

1.11 Citrus production in Australia tends to be highly concentrated in the inland irrigation regions. The major citrus growing regions in Australia are the Riverina in New South Wales, the Riverland in South Australia and the Murray Valley/Sunraysia region in Victoria. These regions predominantly produce eating (navel) and juicing (valencia) oranges. In addition, the Central Burnett region in Queensland is a major production region for mandarins, lemons and limes.

1.12 In 1999–2000, Australian Bureau of Statistics (ABS) estimates indicated that there were around 3,444 citrus-producing establishments in Australia with an estimated value of agricultural output (EVAO) of \$5000 or more. In 2005–06 that number had dropped to 1,387, and by 2010–11, this number had declined to 1,115 establishments.

1.13 The Australian citrus industry is essentially made up of a relatively large number of small businesses. In the 2010–11 financial year, 437 (39 per cent) of the

1 The background information contained in this part of the report was largely drawn from Department of Agriculture, Fisheries and Forestry, *Submission 35*.

1,115 businesses were reported as having an output of less than \$100 000, with the majority of holdings (877 or 79 per cent) being less than 50 hectares.

1.14 In 1999–2000, total citrus production was approximately 641,000 tonnes, but by 2010–11, this had declined to 428,500 tonnes. The majority of this decline was due to a 196,000 tonne (63 per cent) reduction in the production of valencia oranges.

1.15 The value of the Australian citrus industry has similarly declined over the past decade – largely as a result of a reduction in orange production generally. Among the citrus varieties, in 2010–11 mandarins had the highest gross value of production, having surpassed navel and valencia oranges as the highest gross value citrus category in the past decade.

1.16 Over the past ten years, a number of factors have influenced changes in the production of citrus crops. In 1993–94, the production of valencia oranges began to decrease, largely as a consequence of increasing imports of frozen orange juice concentrate (FOJC) and growers electing to plant navel oranges and mandarins for the fresh fruit market. In addition, the number of bearing-age valencia trees has decreased 12 per cent (from 4.2 million in 1993–94 to 3.7 million in 1999–2000). This trend has continued with the number of bearing-age valencia trees declining to 2.8 million in 2010–11.

1.17 The value of imports of FOJC increased significantly between 1990–91 and 1998–99, when it grew from \$16.5 million to \$59.5 million. Brazil is one of the few countries that specialises in growing oranges specifically for the production of FOJC, and was responsible for approximately 80 per cent of Australian FOJC imports in 2011–12. Brazil has a competitive advantage over Australia in relation to the production of FOJC, due to lower labour costs, lower transport costs, excellent growing conditions, and larger scale growing operations with lower unit production costs.

1.18 Since 1998–99, imports of FOJC have averaged around \$54 million with significant year to year variability. Recent figures, for example, point to a drop in the importation of concentrate generally. Figures show that in 2010, approximately 29,000 metric tonnes of concentrate was imported from Brazil. In 2011 that figure had declined to 26,000 and in 2012, it had again decreased to 15,000 metric tonnes.²

1.19 The consumption of orange juice in Australia has declined over recent years, from 49,000 tonnes in 2004–05 to 41 000 tonnes in 2011–12. In terms of market share, and in contrast with other non-alcoholic beverage categories, juice declined five per cent between 2011 and 2012.³ It has been projected that, as a consequence of

2 Mr Geoff Parker, Chief Executive Officer, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 36.

3 Mr Geoff Parker, Chief Executive Officer, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 35.

competition between the juice category and other beverages, such as water (and between orange juice and other fruit juices, such as cranberry and pomegranate juice) consumption will further decline to 36,500 tonnes in 2016–17.

Acknowledgements

1.20 The committee acknowledges the many individuals and organisations that made contributions to the inquiry through submissions and appearing as witnesses to the inquiry.

Note on references

1.21 References in this report are to individual submissions as received by the committee. The *Hansard* transcripts of the committee's hearings are available on the Parliament's website at www.aph.gov.au. References to the *Hansard* throughout the report are to the proof transcript. Page numbers may vary between the proof and the official transcript.