



Australian Government

Australian Government response to the Senate Rural and
Regional Affairs and Transport References Committee
report:

Review of the Citrus Industry in Australia

August 2014

Review of the citrus industry in Australia

Report of the Senate Rural and Regional Affairs and Transport References Committee

Government Response

The Australian Government welcomes the Committee's report on the *Review of the citrus industry in Australia* and would like to thank the Committee for the time and effort it has put into the inquiry.

Response to recommendations

Recommendation 1

2.88 The committee recommends that the industry review its structure and introduce changes that provide all growers and other stakeholders with a more democratic and regionally representative peak industry body, finding an equitable balance between the need for industry 'presence' in terms of production volumes, and allowing small participants a meaningful say in the direction of their industry, and to provide for consistency on the selection of regional advisory bodies.

The Government notes the recommendation

The government recognises the importance of having representative peak industry bodies that provide effective industry leadership. The structure of peak industry bodies and their regional representation is a matter for industry.

Recommendation 2

2.89 The committee recommends that the industry work with DAFF and the LRS towards a compulsory registration system for growers and develop a central database of growers – with data including their locations, contact details, area under citrus cultivation, and varieties and volumes of citrus grown – to facilitate:

- industry planning
- industry policy development
- communication of research outcomes funded by levy payers; and
- communication with growers in biosecurity emergencies

and that this database be in the custody of a body independent from the current representative bodies (such as DAFF) until such a time as issues of equitable national and regional representation are resolved.

The Government does not agree to the recommendation

The Committee has suggested a compulsory registration scheme and central database of citrus growers would serve a number of purposes. The government considers it would be appropriate for these to be addressed through other means.

Industry planning and policy development are industry responsibilities, therefore, industry representative bodies (IRBs) should be responsible for facilitating communication with citrus growers. It is appropriate that engagement in planning and policy development is voluntary. It is likely that IRBs already hold certain information about growers who are members of the bodies. IRBs undertaking planning and policy development activities can utilise other means, such as industry events or media, to encourage citrus growers to engage in these activities if they choose to do so.

Levy funded research services are provided to the industry by Horticulture Australia Limited (HAL). HAL is able to use research levy funds to facilitate the dissemination, adoption and commercialisation of research outcomes to levy payers. HAL prepares an annual report on its activities for the citrus industry and interested growers can also obtain reports about the outcomes from individual projects.

Communication in biosecurity emergencies can be achieved through existing means such as grower organisations or the media.

The existing citrus levy legislative framework cannot be used to collect or distribute the suggested data. In most instances, levy and other relevant information are collected from an intermediary, such as a market agent or exporter, and there is no direct contact with growers. Levy related information collected by the Department of Agriculture (formerly DAFF) does not include information relating to individual growers. The establishment and maintenance of a compulsory grower database would require new legislation and new funding from appropriate sources. The custody of such a database and its maintenance should be the responsibility of industry. Compulsory registration would increase the regulatory burden on the citrus industry.

Recommendation 3

2.90 The committee recommends that the industry works with HAL to address apparent conflicts of interest by having directors and/or employees of CAL on the Citrus IAC and IAC Technical Reference Committee.

The Government notes this recommendation

The government notes the progress that Citrus Australia Limited (CAL) and Horticulture Australia Limited (HAL) have made on this issue including a revised IAC membership structure of nine members, six of whom are not PIB directors, executive officers or employees of CAL, and the appointment of an independent governance officer to the citrus IAC.

The Deed of Agreement 2010–2014 (the Deed) between HAL and the Commonwealth requires an independent review of the performance of HAL. The Deed contains the standard terms of reference for the performance review and provides for additional matters to be included as required. Additional matters that were considered as part of

the HAL performance review, which reported on 9 May 2014, include the HAL model of industry service delivery, and the constitution that underpins the model, against the benchmark of good governance under the Deed. The response to Recommendation 4 (see below) details the standard terms of reference and the additional matters that were addressed by the review.

Recommendation 4

2.91 The committee recommends that, as part of its review, HAL considers a membership structure which removes potential conflicts of interest in the allocation of funds to research projects.

The Government agrees to the recommendation

The independent performance review of HAL considered the structure of the horticulture levy system and the HAL model of industry service delivery. This included HAL's membership structure. The performance review report was released on 9 May 2014. The report contains nine recommendations, including that HAL transition from its current membership structure, in which horticulture peak industry bodies are the company's members, to a new membership structure, in which farmer levy payers are the company's members. The government has received the report the report and acknowledged that it meets the review's terms of reference. The government is considering the review findings and recommendations. The terms of reference for the performance review were:

Standard review

The Performance Review shall cover:

1. The performance of HAL in meeting its obligations under the Deed as the Industry Services Body for the provision of marketing and research and development services to the industry
2. HAL's implementation of strategic, annual operational, risk management, fraud control and intellectual property plans and its effectiveness in meeting the priorities, targets and budgets set out in those plans
3. The efficiency with which HAL carried out those plans
4. The delivery of the benefits to the industry and the community in general as foreshadowed by those plans

Additional matters

In addition, the Performance Review shall cover:

5. The HAL model of industry service delivery and its underpinning in the Constitution against the benchmark of good governance practice under cl 4.1 of the Deed, including but not limited to:
 - a) HAL's membership whereby PIBs, rather than individual levy payers, are the members as is the case with other industry-owned RDCs.

- b) The regulation of PIBs and other industry representative bodies under the HAL model; the nature and transparency of their direct and indirect funding arrangements with HAL; and their accountability to their own members and levy payers for their performance in consulting with levy payers and in spending industry and government funds, including the delivery of planned outcomes.
 - c) The operation of the IACs, including independence from the PIB/IRB and the extent and effectiveness of control by the HAL Board.
 - d) The influence of PIBs/IRBs on decision-making by HAL's Board, management and the IACs.
 - e) The capacity of the HAL model to deliver services in an efficient, effective and transparent manner to provide value for money to levy payers and corporate members.
 - f) Identifying alternative models to increase the effectiveness and efficiency of HAL's service delivery, transparency and accountability in HAL's funding arrangements.
6. The efficiency of the levy structure for the horticulture sector (in which many individual commodities maintain separate independent levy rates and collection mechanisms) and the process by which levies are conceived, implemented, collected and expensed.

Recommendation 5

3.120 The committee believes that DAFF needs to be more responsive to the needs, and more understanding of the capabilities, of the industry. Therefore, the committee recommends that, in its negotiations for market access on behalf of the Australian citrus industry, DAFF consult more closely with industry across the supply chain regarding protocols and work to better align protocols in new or emerging markets with existing/established markets.

The Government agrees to the recommendation

The Department of Agriculture (formerly DAFF) has been actively pursuing improvements to the consultation arrangements with Australian horticultural industries, particularly in terms of the processes to identify priority projects for market access negotiation.

There have been considerable achievements to date with the movement to more informed (evidence-based) analysis of market access applications and the strengthening of the engagement of industry in the strategies underpinning Australia's approaches, and the subsequent negotiations, to gain, improve or maintain access. The primary forum for advice to the department regarding the horticultural sector's priorities for market access is the Office of Horticultural Market Access, which is an industry project, funded by Horticulture Australia Limited from industry levies and matching Australian Government payments.

In addition, with the formulation of the Horticulture Export Industry Consultative Committee (HEICC), the citrus industry has the opportunity to assist with the establishment of process reforms and standards to further promote efficiencies in the export pathways.

Under HEICC the department has established a program to assist industry evaluate its ambitions for the markets, including those technical and policy hurdles which it faces in both Australia and in their targeted markets. The department encourages the citrus industry through CAL to be an active participant in these processes with its peers.

The previous recommendations that relate to the capacity of CAL to consolidate the views of the sector are also highly relevant to this recommendation. The citrus sector is extremely diverse with differing fruits, production systems, scale, pest health status, market sectors, etc. A well structured representative system to bring together the competing interests of the sector would allow the industry to more effectively participate in the existing consultation processes on market access.

Recommendation 6

3.121 The committee recommends that the Australian Government put more resources into finalising trade agreements with export destinations for Australian citrus, particularly those with considerable potential such as China.

The Government agrees in principle to the recommendation

The government is committed to securing high-quality, comprehensive trade agreements that produce tangible benefits for agricultural producers and exporters, including the citrus industry.

The government committed at the 2013 federal election to increase resources from within the Department of Foreign Affairs and Trade to fast-track the conclusion of free trade agreements. Senior Australian government ministers and officials intensified discussions with their Chinese, Korean, Japanese and Trans-Pacific Partnership counterparts and achieved significant progress, including the conclusion of bilateral trade agreements with Korea and Japan.

The Korea-Australia free trade agreement, once it comes into force, will deliver many benefits to Australian industries and exporters, including the citrus industry. It is a strong and liberalising agreement for agriculture that protects and promotes our competitive position in the Korean market. It will secure improved market access through elimination of very high tariffs on a wide range of exports, including oranges, lemons, limes, grapefruit and fruit juices. The agreement includes strong outcomes on citrus which will support Australia's competitive position in the Korean market, including for oranges, Australia's largest citrus export. Details of the agreement are available at <http://www.dfat.gov.au/fta/kafta/>.

The Japan-Australia Economic Partnership Agreement will provide a liberalising outcome for fruits and juices, including citrus, resulting in tariff elimination on the vast majority of Australian horticulture exports to Japan. The agreement is currently

undergoing legal verification and will become public once this process has been completed.

Recommendation 7

3.122 The committee recommends that the Australian Government encourage small and emerging citrus exporters by addressing the costs of compliance and establishment registration charges.

The Government notes the recommendation

The Government will provide \$15.0 million over four years to support small exporters in sectors where there are specific export certification registration charges.

Funding will be provided in 2014-15 to provide eligible small exporters with a rebate of 50 per cent of their export certification registration costs, up to a maximum of \$5,000. From 2015-16, funding will be provided for projects that directly benefit small exporters, particularly projects to improve market access. The Government will consult the small exporter sectors on the projects to be considered. This measure delivers on the Government's election commitment.

In accordance with the Government's cost recovery policy, the Department of Agriculture is obliged to recover the costs of providing export certification and inspection services. The horticulture export program within the department provided services that support the A\$197.2 million value of exports from the citrus sector in 2013.

The charges currently paid by registered export establishment enables the department to undertake a number of vital services for citrus exporters including:

- management of export conditions, publishing and maintenance of export cases on the Manual of Importing Country Requirements (MICO R), development of operational workplans that outline the requirements to meet importing country protocols;
- export accreditation and audit of the export pathway from growers and packhouses through to treatment facilities and registered establishments to ensure compliance with importing country requirements;
- facilitate operational audits and inspectors from importing countries;
- liaison and communication with peak bodies to facilitate export compliance and process operational changes;
- liaison with importing countries to resolve phytosanitary and inspection/certification issues;
- contribution to market access negotiations on operational issues, including harmonisation of interstate trade;
- assist in the selection of market priorities, with a focus on market readiness;
- technical/operational advice to authorised officers; and
- secretariat for the HEICC, which has representatives from the major horticulture export industries.

Recommendation 8

3.123 The committee recommends that the Australian Government take steps to discourage the dumping of imported fruit juice concentrate, and reverse the onus of proof onto importing countries to ensure local Australian citrus growers are not discouraged from bringing cases to the relevant authorities – for example, the Anti-Dumping Commission.

The Government notes the recommendation

The government's election commitments include proposals to strengthen Australia's anti-dumping regime. These commitments are aimed at ensuring Australian industries and businesses have access to a more efficient and more effective anti-dumping regime. Any changes would need to be mindful of Australia's international obligations, including relevant WTO agreements.

Recommendation 9

4.116 The committee recommends that the Commonwealth and state governments continue to support the National Fruit Fly Strategy with a view to implementing key recommendations which would reduce the cost and effort to growers and industry of managing fruit fly.

The Government agrees in principle to the recommendation

The government has long supported the development and implementation of the National Fruit Fly Strategy (NFFS) and the NFFS Implementation Plan. The government provided both financial and in-kind contributions to develop the NFFS and the Implementation Plan. This includes direct funding towards the 15 key projects identified in the NFFS Implementation Plan that are designed to facilitate an enhanced and sustainable national approach to the management of economically important fruit flies.

Successful implementation of the NFFS is contingent on a commitment from industries that produce fruit fly host goods to identify, fund, and undertake research that contributes to the understanding of fruit fly biology and management relevant to their sector. The government has committed to support these activities, both through matching industry funding for qualifying research and development activities undertaken through Horticulture Australia Limited, and through the provision of technical expertise and experience. The government has also committed funding to support the National Fruit Fly Strategy Advisory Committee, which will involve governments and industry, to oversee the implementation of the National Fruit Fly Strategy.

Recommendation 10

4.117 The committee recommends that, in conjunction and consultation with horticultural industries, the Australian Government consider the introduction of a national fruit fly levy across all industries associated with host material, to help fund the implementation of the National Fruit Fly Strategy.

The Government notes the recommendation

The government agrees that all industries that are affected by, or that contribute to fruit fly pressures through the production of host material should contribute to the national efforts to develop and implement effective management practices.

Many industries already have in place levy arrangements for responses under the Emergency Plant Pest Response Deed (EPPRD), as well as research and development levies. The Australian Government will consider any request by industries to investigate whether these levies could also be applied to broader biosecurity issues, including fruit fly, or whether a specific fruit fly levy is a more appropriate option.

For this approach to be successful, fruit fly affected industries would need to agree to such a levy and set them at a level which ensures sustainable funding.

Recommendation 11

4.118 The Committee recommends that an integrated approach be taken to the management of fruit fly at both a national and regional level, to ensure that regionally-specific fruit fly issues (for example, South Australia being fruit fly free, New South Wales and Victoria dealing with Queensland fruit fly and Western Australia dealing with Mediterranean fruit fly) are managed appropriately.

The Government agrees to the recommendation

As noted in submissions and in evidence provided to the committee by a number of parties, the management of fruit flies as a pest of horticulture has local, regional and national aspects. Factors including local and regional conditions and host crop varieties can influence the strategies required for successful management of fruit fly.

Experience in managing fruit flies as well as research capacity for investigating and developing new management strategies is spread between industries, private enterprises and governments. The state and territory governments also have a key role in managing the regulatory systems that support Australia's favourable fruit fly status. It is because of this that the Australian Government has provided support to the National Fruit Fly Strategy Advisory Committee. The Advisory Committee will bring together industry representatives, researchers, and quarantine regulators to identify key management and research needs, and assist in communicating and implementing a co-ordinated approach with industry and other regional and state government organisations. Strong industry representation on the Advisory Committee will be

critical for its success and to ensure that future management strategies for fruit fly include components relevant to all affected industries and regions.

Recommendation 12

4.119 The committee recommends that the Australian citrus industry and DAFF take immediate steps to ensure updated contingency plans are in place to effectively manage incursions of diseases such as HLB (and its vectors) and citrus canker, and ensuring this is adequately funded.

The Government notes the recommendation

The development of contingency plans is a step within the broader industry biosecurity process that includes the development of crop specific Industry Biosecurity Plans, Pest Fact Sheets and Diagnostic Protocols. Recognising that biosecurity is a shared responsibility, these are developed as a primary function of Plant Health Australia, a non-profit company that is a tripartite partnership between the Government, state and territory governments, and potentially affected plant industries.

Plant Health Australia has developed the Australian Emergency Plant Pest Response Plan, PLANTPLAN, which is the current preparedness and response guidelines for any incursion of an exotic pest or disease that would affect a plant industry. PLANTPLAN is constantly reviewed and regularly updated. PLANTPLAN can be applied to any plant pest incursion and is supported by nationally developed and agreed diagnostic protocols and response procedures.

The development of pest-specific contingency plans provides additional information to supplement PLANTPLAN, but does not supersede it. In the case of the pest-specific contingency plan for Huanglongbing and its vectors, it was developed as a specified project using citrus industry levies and funded through Horticulture Australia Limited with matching funding from the Australian Government. Should the citrus industry consider that the current contingency plan requires updating or that any pertinent matters are not sufficiently addressed in the plan or through other resources, the industry should seek to address this through Plant Health Australia. The government would support any necessary efforts to update industry biosecurity plans and contingency plans, including support by matching funding through Horticulture Australia Limited projects and provision of technical expertise where required.

Additional Comments By Nick Xenophon

Recommendation 1

The current 'user pays' approach for small and emerging agricultural exporters be scrapped and replaced with a sliding scale in order to encourage growth in export markets, particularly niche markets.

The Government notes the recommendation which is aligned to recommendation 7 above

Recommendation 2

That competition laws be amended to provide for a divestiture power to break up a company where there is evidence of anti-competitive conduct, including the imposition of unreasonable contract terms.

The Government notes the recommendation

The government considers it important that Australia's competition laws remain robust and effective into the future. To achieve this, the government has announced a 'root and branch' review of the competition framework.

The review will be an independent examination of how the competition framework is working, whether it is keeping up with emerging trends, and looking beyond the competition framework to identify impediments to competition with the goal of improving the living standards of all Australians.

As part of this, the review will have capacity to consider how key markets, such as groceries, have evolved with a view to promoting efficient, competitive outcomes and fair business dealings.

Recommendation 3

The Federal Government initiate an overhaul of Australia's country of origin food labelling laws to provide truthful and useful information to consumers.

The Government notes the recommendation

The government is aware that Australian consumers want clear and accurate labelling to help them identify and buy food grown and processed in Australia. The government is also aware that country of origin claims on food labels may be confusing to consumers. However, any changes to current laws would require agreement at the Commonwealth, state and territory levels. As a first step in developing clearer country of origin labelling for food, a government working group is considering activities to

improve consumer and industry understanding of country of origin labelling and other actions to develop clearer labelling options.

The Department of Industry and the Treasury co-chair this inter-agency working group. It is tasked with implementing the Council of Australian Governments Legislative and Governance Forum on Food Regulation response to Recommendation 42 of the Review of Food Labelling Law and Policy (2011). That response effectively requested agencies to review and clarify guidance material on country of origin labelling and, if necessary, conduct an education campaign. Members of the working group include the Australian Competition and Consumer Commission (ACCC), Department of Agriculture, Department of Health, Food Standards Australia New Zealand, Department of Foreign Affairs and Trade and Australian Customs and Border Protection Service.

To address possible consumer confusion, the ACCC has released a fact sheet titled 'Where does your food come from'. This factsheet explains to consumers how they can support Australian primary producers and Australian food manufacturing jobs. Revised industry guidelines, 'Country of origin claims and the Australian Consumer Law', were also released by the ACCC on 15 April 2014. These guidelines will help businesses to understand and comply with the Australian Consumer Law provisions relating to country of origin claims.

In addition, the House of Representatives Standing Committee on Agriculture and Industry is undertaking an inquiry into country of origin labelling for food. The Committee is looking into the current system to see if it can identify any gaps or compliance limitations, or any improvements that could be made.

Recommendation 4

Amend the Customs Act 1901 reverse the onus of proof so as to require an importer to prove the imported goods have not been dumped or subsidized for export.

The Government does not agree to the recommendation

The government's election commitments include proposals to strengthen Australia's anti-dumping regime. These commitments are aimed at ensuring Australian industries and businesses have access to a more efficient and more effective anti-dumping regime. Any changes would need to be mindful of Australia's international obligations, including relevant WTO agreements.

Recommendation 5

That imported juice of concentrate containing any level of carbendazim be banned.

The Government does not agree to the recommendation

Food Standards Australia New Zealand assessed the safety of carbendazim residues in orange juice in 2012 and recommended amending the maximum residue limit from 10 mg/kg to 0.2 mg/kg. The Legislative and Governance Forum on Food Regulation subsequently approved the inclusion of this lower MRL in the Australian New Zealand Food Standards Code. Carbendazim is an approved agricultural chemical used safely on a range of food commodities in Australia.

From 18 January 2014, importers are expected to source orange juice and orange juice concentrate that comply with the new requirements. The Department of Agriculture tests imported orange juice for compliance with the food standards code and publicly reports on the results of the testing program. State and territory jurisdictions have responsibility for ensuring that all food, including imported food, meets the requirements of the food standards code at the point of sale.