

Mildura Fruit Company Submission to

Senate Inquiry into the removal of rebate for AQIS export certification functions

About Mildura Fruit Company (MFC)

Mildura Fruit Company is Australia's largest citrus packer and Australia's largest citrus exporter.

MFC packs 3 million cartons of citrus annually and 85% of packed product is exported to more than 20 countries.

MFC sources citrus from 100 growers located within a 200 km radius of our Mildura packhouse, in Victoria, NSW and South Australia.

The company employs 35 permanent staff and up to 250 casual staff during peak packing season.

A further 400 to 500 pickers are employed by our growers, to supply MFC with our peak daily intake of 2200 bins.

MFC makes its profit from a packing and marketing charge, applied on a per carton basis. All costs of supply, (road freight, sea freight, container stow, AQIS inspection etc..), are deducted from the overseas customer invoice, to determine the 'shed door price per carton' from which the packing and marketing charge is deducted to give the grower return per carton.

MFC has a Compliance Agreement with AQIS that enables MFC to undertake certain AQIS tasks 'in house' and so reduce AQIS fees.

MFC's view on the removal of the rebate for AQIS export certification functions

The removal of the rebate for AQIS export certification functions and the revised fee structure has added significantly to MFC's export costs. These increased costs are passed back to our growers as a reduced fruit value.

Citrus growers, already battling with higher water, fertiliser, chemical and wage costs are in no position to absorb increased AQIS charges.

MFC packed 45% more cartons of citrus in July 2009 compared to the prior year, (which was a lighter crop). In both seasons, MFC exported a similar portion of our pack, (85%), and to similar overseas destinations. July 2009 AQIS charges are up 183% on July 2008!!

	July 2008	July 2009	Increase
Cartons Packed for month	512,000	742,000	45%
AQIS Invoice for month	\$16,366	\$46,280	183%

Attached is a case study to demonstrate the severe impact of increased AQIS fees on grower returns.

MFC exported a refrigerated container of Count 138 (small size) Class 1 Navels to Taiwan on vessel "Ital Fortuna", which sailed Port Melbourne on August 17, 2009. AQIS inspected 26 cartons of fruit, (2% sample), from the consignment and supervised the placement of three probes to monitor intransit cold treatment and supervised the fork lift loading of 20 pallets into the container.

AQIS inspectors, (two), were present for three hours on August 15 to carry out this function and invoiced MFC \$1538.80 for this service.....\$513 per hour. (Refer attached Service Advice No. ELSO260038245).

Other AQIS charges relating to this consignment, (export permit (RFP), RFP authorisation, phytosanitary certificate, tonnage exported charge), total a further \$177, bringing the total AQIS charge for the container to \$1716, equivalent to \$1.36 per carton.

Attached is a detailed list of all costs of supply, used to determine the grower return for this Taiwan container. The grower return for a carton of Class 1 Count 138 Navels is \$1.18.

AQIS fees represent \$1.36 per carton of the \$8.18 per carton cost of supply from shed door to Taiwan, (17%).

AQIS earns more in a 3 hour inspection than the grower receives for 12 months orchard management , in producing the 1260 cartons of citrus in the Taiwan container.

MFC's business response to AQIS fees

MFC made the decision, that in 2009/10, the company will not pack for and export to; China, South Korea and Thailand. The orchard and packhouse costs of complying with the demanding protocol applying to these three countries, of which AQIS fees are a substantial item, make in MFC's view, these markets 'uncommercial'.

MFC concentrates packing and marketing activity to non phytosanitary export destinations, (e.g. Singapore, Malaysia, Hong Kong, Canada,) and phytosanitary markets with no AQIS inspection fees, (e.g. USA, Europe, Middle East, New Zealand).

MFC's actions to favour these markets, in part is a response to the erosion of grower returns by increased AQIS fees. Whilst in the short term, MFC delivers our growers a potentially superior return than would apply to export to higher AQIS cost destinations, (like Taiwan, S Korea, China, Thailand), the company's withdrawal from these markets is not desirable in the medium to long term and is not a response to poor market returns.....but to uncompetitive costs of supply....of which AQIS fees are a very significant slice.

Russell Witcombe

Managing Director Mildura Fruit Company



Australian Government

Department of Agriculture, Fisheries and Forestry
Australian Quarantine and Inspection Service

www.aqis.gov.au

ABN: 24 113 085 695

MILDURA FRUIT CO P/L
THE CRESCENT
MILDURA VIC 3500

Service Advice

Service Advice No: ELS0260038245

Account No: COM006379

Service Start Date: 15-Aug-2009

Service End Date: 15-Aug-2009

Inspecting Officer: Sinnott Greg

Location: 3111 - Victoria

Cost Centre: 123933 - Horticultural Exports

For inquiries please call 1800 647 531.

Customer Reference:

CFS Melb

Comments:

RFP 5373768 Vessel Ital Fortuna 931

CIC 4

Code	Date Start-Finish	Time Start-Finish	Description	Qty	Unit Price (\$)	Line Value (\$) Excluding GST	GST (\$)	Line Value (\$) Including GST
SHO02A	15/08/2009-15/08/2009	07:00-08:45	O/time rate-non cont with ord duty #	1	240.0000	240.0000	0.00	240.0000
SHF06A	15/08/2009-15/08/2009	07:00-08:45	FFS - Travel Charge (per km) # Travel split	8	0.8500	6.8000	0.00	6.8000
SHF02	15/08/2009-15/08/2009	07:00-08:45	FFS - Field Inspec/Serv (Min 30 mins) # Inspection of Oranges for Taiwan.Two Aqis officers attended the inspection	14	68.0000	952.0000	0.00	952.0000
SHF02	15/08/2009-15/08/2009	08:45-10:00	FFS - Field Inspec/Serv (Min 30 mins) # Supervision of loading of Oranges for Taiwan	5	68.0000	340.0000	0.00	340.0000

DO NOT PAY - ADVICE ONLY. An account invoice will be forwarded at the end of the month.

= \$1538.80

Client unavailable for acknowledgement.

THESE AMOUNTS DO NOT CONTAIN GST - Division 81 determination issued by the Treasurer under s 81-5 of the GST Act exempts these amounts from GST.

The disclosed services have been provided on your account in accordance with the Export Control (Fees) Orders made under the *Export Control Act 1982*, *Imported Food Control Act 1992* and/or Determinations made under the *Quarantine Act 1908*.

The Australian Quarantine and Inspection Service (AQIS) is an agency within the Australian Government Department of Agriculture, Fisheries and Forestry.

Cost of Supply Analysis

TAIWAN

Grade Carton Net wt (kg) Stow	Class 1 C6 18 1260	Total	Cost per Carton
Supply Cost	excludes GST		
Sea Freight			
Sea Freight	\$ 4,525		
Additional Sea Ft Costs	\$ 624		
Total Sea Freight		\$ 5,149	\$ 4.09
Wakefields Charges			
Pickup from MFC, coolroom storage, load on to truck and road freight to Melb			
Total storage, freight to Melb		\$ 1,776	\$ 1.41
Container Forwarding Services			
Precool, pack, place probes, tport to port			
Total precool, container stow, probe set etc		\$ 1,100	\$ 0.87
AQIS			
Inspection of fruit & loading supervision	\$ 1,539		
RFP	\$ 26		
RFP authorisation	\$ 68		
Phytosanitary Certificate	\$ 26		
Tonnage charge	\$ 57		
Total AQIS Charges	\$ 1,716	\$ 1,716	\$ 1.36
Sundry Items			
Temp Recorder, Courier, palletising			
Total Sundry Items		\$ 560	\$ 0.44
Total Supply Cost		\$ 10,301	\$ 8.18
Packing, Marketing, Insurance per carton			
Packing Charge, marketing fee, indent agent Inherent vice and vreit insurance			
Total Packing, Marketing, Insurance			\$ 9.92

Sale Price CIF Taiwan (A\$ per carton)		\$ 19.28
Less Supply Cost (\$/ctn)	\$ 8.18	
Less Packing and Marketing Charge (\$/ctn)	\$ 9.92	\$ 18.10
Grower Return for Fruit (\$/ctn)		\$ 1.18

Container loaded August 12, 2009

Vessel ITAL FORTUNA v 931N CIC4
Cont APRU5806633

APL
Sea Freight US\$ 3400
Other Sea Ft US\$ 356

Exch Rate US\$: AUD 0.83

\$16 US\$ per cartom