

## **SA Citrus Industry Transition Working Party**

***“A new citrus structure for South Australia”***

**Final Report**

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## 1. Executive Summary

In 2011, the Minister for Agriculture and Fisheries commissioned Mr Alan Moss, a retired District Court Judge, to review and determine future recommendations on the structures within the South Australian Citrus Industry. The Review identified the need for one strong industry body at the state level with the ability to contribute to and benefit from national citrus industry arrangements.

Subsequently, the Minister for Agriculture Food and Fisheries established the “SA Citrus Industry Transition Working Party (SACITWP)” to:

- Formulate the detailed structure and governance for the single citrus industry representative body (“the industry body”)
- Work with the citrus industry to transition to the new industry structure
- Complete its work and report to the Minister within six months.

The Working Party has met a number of times and recommends that the citrus industry establish a South Australian regional committee of Citrus Australia Ltd to be known as the South Australia Regional Advisory Committee (SARAC). SARAC would be constituted as an advisory committee to the Citrus Australia Board and would be charged with the responsibility of pursuing issues pertinent to South Australia.

Parallel to this National liaison role, SARAC would also be expected to be an advocate for the SA citrus industry on any Government issues or initiatives which impact on SA growers, packers and processors. It would also cooperate with other SA horticulture bodies in pursuing issues advantageous to their industry.

To support the activities of the SARAC, voluntary contributions from South Australia citrus growers under the *Primary Industry Funding Schemes Act 1998* would be collected. It is proposed that this contribution be set at \$1.00 per tonne of citrus fruit produced.

As a consequence of this new structure, the Working Party expects that the legislation enabling the SA Citrus Industry Development Board would be repealed and the Board wound up. Changes to the *Primary Industry Funding Schemes (Citrus Growers Fund) Regulations 2005* including the collection agent, the amount payable and the application of the fund will also be required. It is also expected that the grower organisation, Citrus Growers of South Australia (CGSA) will voluntarily cease to exist.

## 2. Introduction

### Moss Review

In 2011, the Minister for Agriculture and Fisheries commissioned Mr Alan Moss, a retired District Court Judge, to review and determine future recommendations on the structures within the South Australian Citrus Industry.

The review concluded:

- The South Australian citrus industry is currently represented by two industry organisations: the South Australian Citrus Industry Development Board (SACIDB) and Citrus Growers South Australia (CGSA).
- There is duplication of a number of functions described in *the Citrus Industry Act 2005* and the *Primary Industry Funding Schemes (Citrus Growers Fund) Regulations 2005*
- The citrus growers pay levies twice through the two separate mechanisms and contribute the majority of funding contributions and as such there are inefficiencies in the funding arrangements.
- The current impasse existing between the two state industry bodies is not conducive to the advancement of the citrus industry and has prevented state citrus industry participants from fully benefiting from involvement with the national citrus industry representative body Citrus Australia Ltd.
- The Review recommendations identify the need for a strong single industry body at the state level with the ability to contribute to and benefit from national citrus industry arrangements.

The review revealed strong industry support for an effective national citrus industry body. As the citrus industry moves forward it is becoming more and more nationally and internationally focussed. Both the problems facing the industry and the opportunities open to it are less and less able to be addressed at a state level. This is the case in areas such as: international and national marketing, research and development, biosecurity, collection of information, standards and labelling and promotion.

Citrus Australia Ltd is a developing organisation. At present only a few SA industry participants are members of the national body (although those members represent a significant portion of the total area in South Australia). The review revealed that the state citrus industry still wishes to have a state based industry body to represent the local industry. It will be important however, that this body be forward looking and prepared to work towards the goal of a strong national body and not become mired in parochial issues.

## The Citrus Industry “Blue Print”

The “Blue Print” detailed the following essential characteristics of a State Body:

- There be one representative body
- The body is to be owned and managed by the citrus industry with the opportunity for all parts of the value chain to be involved
- The body is to be independent of government. Government’s role is limited to facilitating the transitional process.
- The body should work towards the development of a strong national citrus industry representative body
- The body should be adequately funded to perform its functions
- Contributions to funding should be as fair and equitable as reasonably possible.

## The South Australian Citrus Industry Transition Working Party

The Minister for Agriculture Food and Fisheries established the “SA Citrus Industry Transition Working Party” (the Working Party) to:

- Formulate the detailed structure and governance for the single citrus industry representative body (“the industry body”)
- Work with the citrus industry to transition to the new industry structure
- Complete its work and report to the Minister within six months.

The Minister appointed the following persons as members of the Working Party:

- Hon Neil Andrew AO - Chair
- Mr Richie Roberts – Divisional Manager – Citrus, Costa Exchange
- Mrs Betty Lloyd – Grower
- Mr Jeff Knispel – Managing Director – Nippy’s
- Mrs Cathy Lowe – Grower
- Mr Peter Hill – Grower
- Ms Judith Damiani – Chief Executive Officer – Citrus Australia (non voting)
- Mr Simon Gierke – Acting General Manager, Agribusiness – PIRSA (non voting)

The Working Party was appointed by the Minister for Agriculture Food and Fisheries (“the Minister”) and was expected to:

- Consider the contents and recommendations of the Review report
- Consider the contents of the SA Citrus Industry Blue Print and Terms of Reference
- Decide upon the structure, role and function of the industry body
- Decide upon a name or title for the industry body
- Decide upon fundamental constitutional requirements for membership and governance of the industry body

- Consider any relevant regulatory function or legislative instruments required
- Facilitate the implementation of the creation of the new industry body
- Decide upon the nature of the relationship of the industry body with CA and negotiate that relationship in principle with CA
- Make recommendations upon the nature and level of funding for the industry body. Consideration shall be given to the equitable raising of funds from all members of the industry body
- Make recommendations for the raising of funds from citrus industry participants which do not become members of the industry body and whether such funds should be applied to the aims and objectives of the industry body
- Review the previous role of the SACIDB and CGSA and decide what functions of the SACIDB and CGSA should be continued by the industry body
- Identify the services which the industry body should provide to its members or assist its members to access
- Conduct in principle negotiations with CA and PIRSA concerning provision of services to the members of the industry body
- Such other roles and tasks as may be determined by the Minister.

The Working Party met on three occasions at the Loxton Research Centre and communicated by email and telephone between each meeting. Minutes of each of the meetings were kept including noting of the key resolutions.

### 3. A new structure for the Citrus Industry

#### Principles

At its first meeting the Working Party unanimously resolved that:

*The Working Group is committed to developing a new structure which allows one organisation to deliver those services deemed necessary for the citrus industry in South Australia.*

The Working Party based its work on the following principles:

- That there is to be one citrus industry structure in South Australia
- That costs to industry should be kept to a minimum
- That the structure must have a close relationship with Citrus Australia
- The structure is to be focussed on local and regional issues
- Appointment to the structure is to be open, transparent and based on skills and knowledge
- That the structure has links with all aspects of the citrus chain

#### The proposed model - South Australian Regional Advisory Committee of Citrus Australia

The Working Party recommends that the citrus industry establish a South Australian regional committee of Citrus Australia Ltd to be known as the South Australia Regional Advisory Committee (SARAC). SARAC would be an advisory committee to the Citrus Australia Board and charged with the responsibility of advocating regional issues pertinent to South Australia and lobbying on behalf of SA citrus industry participants.

#### The committee

SARAC has the following features:

- It will be a subcommittee of the Citrus Australia Board.
- It will be skills based and include a minimum 4 and a maximum of 7 people. At least 4 of the members must be growers whilst the remaining may be from other parts of the citrus chain. Members of SARAC will NOT be required to be Citrus Australia members, but grower members must be contributors to the PIFS fund under the new arrangements.
- Members of SARAC would not be remunerated except the Chair and/or an elected representative on committee business. Travel and meeting costs associated with committee business may be funded.
- Administrative support for SARAC would be contracted via a service provider (organising meetings, minutes and coordinating actions). It is not envisaged that a standalone office with full time staff presence would be needed.

- All minutes, actions and recommendations are to be considered at Citrus Australia Board meetings, for review, action and endorsement.
- The inaugural SARAC will be selected from citrus industry personnel who nominate themselves for selection. The selection of inaugural members will be initially determined by a selection committee comprising of two members of the SACIDB, two members of CGSA, a member of Citrus Australia and the Chair of the Working Party.
- The term of SARAC members shall be for a maximum of four years with half of SARAC retiring every two years. An early task of the initial SARAC committee will be to determine an appropriate mechanism for future SARAC appointments.

### Selection criteria for the initial SARAC

Members of the inaugural SARAC are expected to demonstrate and exhibit the following attributes:

- A willingness to advocate fearlessly and effectively on behalf of the South Australian citrus industry.
- A passion for the industry and a strong desire to have a key role in shaping its future.
- A knowledge of and experience in the production, processing or marketing of citrus fruit.
- A demonstrated understanding of both regional and national issues as they relate to the citrus industry.
- Specialised skills and knowledge in any of the following areas; production, processing, marketing, finance, workforce development and/or biosecurity.
- An ability to understand, interpret and represent the views of participants in the citrus industry.

### Functions of SARAC

The functions of SARAC include:

- **Maintain a management plan:** in line with the requirements of the *Primary Industry Funding Scheme Act 1998* SARAC will develop and annually update a 5 year management plan that details priorities for the future development of the South Australian citrus industry. This will be available through SARAC and published on the Citrus Australia website.
- **Communication with contributors and the citrus industry:** Using modern, low cost communication technologies, SARAC will be responsible for ensuring ongoing communications with contributors to the fund and industry participants more widely about SARAC activities. SARAC will also ensure that contributors are regularly briefed on SARAC and CA objectives and have an opportunity to provide input into any debate.
- **Provide information and advice to Citrus Australia:** SARAC will engage with Citrus Australia to provide advice on regional priorities and ensure that South Australian issues are actively considered within the national context. The Chair or Nominee will have the right to personally represent South Australia growers and chain participants to the Citrus Australia Board. SARAC will also

be responsible for engaging the South Australian industry in Citrus Australia programs.

- **Responding to regional issues:** SARAC will have a strong role in providing advice and input into local policy and issues. SARAC is to be the South Australian citrus industry's voice on political issues and will cooperate with other South Australian primary industry bodies on cross commodity issues (e.g. water, land use, workforce availability, industrial relations).
- **Provision of information:** SARAC will be responsible for ensuring that Citrus Australia is diligently collating national information on crop estimates and planting statistics with emphasis on the integrity of South Australian information.
- **Oversight of industry development activities:** SARAC will be responsible for identifying, prioritising and implementing South Australian industry development projects such as extension and the provision of industry information to chain participants.
- **Input into research and development priorities:** SARAC will be responsible for maintaining a local or regional focus on research and development priorities.
- **Management administration:** SARAC will be responsible for ensuring that appropriate records of meetings and decisions are kept and are effectively communicated to industry and Citrus Australia.

Citrus Australia will provide the following:

- **National and regional advocacy** – actively lobbying on industry's behalf on issues such water, export market access and development, biosecurity and quarantine, industrial relations and truth in labelling.
- **Market access, development and promotion** – breaking down barriers to export markets such as China, South Korea, Thailand, Japan and the United States.
- **Domestic promotion** – liaison with consumer bodies over citrus maturity standards and implementing domestic promotion programs.
- **Information collection** – provide information on plantings, crop forecasts and weekly market distribution through various programs including InfoCitrus.
- **Communication** – maintain an active website and use publications such as Citrus News to communicate to growers. Convene regional and National events.
- **Biosecurity and Plant Health** – maintain and facilitate the implementation of biosecurity plans and communicate information about key issues.
- **Administration of "Citrus Fund"** – meet the Ministers expectations that funds collected under the Primary Industry Funding Scheme are solely directed to SARAC and its activities. It is further expected that transparency in prudential arrangements would characterise the relationship between Citrus Australia and SARAC.



## Budget

To support the activities of SARAC, voluntary contributions will be collected from South Australia citrus growers under the *Primary Industry Funding Schemes Act 1998* (PIFS Act). This will require a number of changes to the *Primary Industry Funding Schemes (Citrus Growers Fund) Regulations 2005* including the collection agent, the amount payable and the application of the fund. Contributions collected under the *Citrus Industry Act 2005* will cease.

The Minister will administer the fund and transparent arrangements will be established between the South Australian Minister for Agriculture, Food and Fisheries and Citrus Australia, on behalf of all contributors, for the purposes of establishing and maintaining the SARAC and enacting its responsibilities. The arrangements will also ensure that the requirements of the PIFS Act are met (management plans, annual reports, audit provisions).

Citrus Australia will commit to quarantining funds collected under this arrangement for expenditure on the operations of the SARAC.

It is proposed to set the contribution rate at \$1.00 per tonne of all citrus produced by growers. In recognising that any packer or processor contribution to SARAC is by reason of cost recovery ultimately paid for by growers, no mechanism is provided for contributions by individual packers, processors and wholesalers. It is anticipated that these businesses may choose to sponsor particular activities of SARAC.

Compared to current State arrangements, this will represent a reduction to orange grower contributors of \$2.85 per tonne of fruit and other citrus grower contributors of \$1.85 per tonne. (Orange growers contribute \$3.85 per tonne and other citrus growers contribute \$2.85 per tonne to support the activities of the SACIDB and CGSA under current arrangements). It will also reduce the collective contributions from packers, processors and wholesalers from an estimated \$70 000 - \$80 000 to zero.

At this contribution rate, it is estimated that SARAC would have a yearly income of approximately \$150,000 (whilst current contributions vary according to production, grower contributions under current arrangements are approximately \$550 000 per annum). Approximately \$20,000 per year would be spent on PIFS administration with the remainder available for SARAC operating, activity and project costs (see Attachment One). The SARAC committee retains the right to review the collection of the contributions under the PIFS Act if it believes that a more efficient process is available.

In addition to contributing to the PIFS Fund, all industry participants would be encouraged to become members of Citrus Australia. It is anticipated that businesses in the chain other than growers would become affiliate members of Citrus Australia.

Recognising that the future prosperity of the citrus industry will rely on both productivity gains from research development and domestic and overseas market development, growers will be encouraged to support Citrus Australia initiatives.

#### 4. Conclusion and Recommendations

The South Australian citrus industry now has the opportunity to revitalise its structure to achieve efficiencies and reduce duplications. The Working Party therefore recommends to the Minister that:

1. The SARAC model as described is endorsed.
2. The following groups are briefed by the Minister and the Working Party Chair on the model:
  - Mr Tim Whetstone MP, Member for Chaffey as a matter of priority and if requested, the opposition spokesperson on agriculture.
  - Representatives from the SACIDB & CGSA.
  - Citrus growers, packers, processors, marketers and wholesalers through regional meetings.
3. The Minister now proceeds to instruct the relevant agencies to implement processes to enact the legislative changes required to support the SARAC model.

## 5. Attachment One – SARAC Budget

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Revenue</b>					
Balance bght fwd		\$ 14,779	\$ 24,665	\$ 29,462	\$ 29,184
Contributions from PIFS	\$ 149,104	\$ 149,104	\$ 149,104	\$ 149,104	\$ 149,104
Other	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 149,104</b>	<b>\$ 163,883</b>	<b>\$ 173,769</b>	<b>\$ 178,566</b>	<b>\$ 178,288</b>
<b>Expenses</b>					
Project activities	\$ 80,000	\$ 83,200	\$ 86,528	\$ 89,989	\$ 93,589
Sitting fees, travel, affiliation fees and other expenses	\$ 26,500	\$ 27,080	\$ 27,683	\$ 28,094	\$ 28,522
Secretarial support for SARAC	\$ 7,200	\$ 7,488	\$ 7,788	\$ 8,099	\$ 8,423
PIFS Administration	\$ 20,625	\$ 21,450	\$ 22,308	\$ 23,200	\$ 24,128
<b>Total</b>	<b>\$ 134,325</b>	<b>\$ 139,218</b>	<b>\$ 144,307</b>	<b>\$ 149,383</b>	<b>\$ 154,662</b>
<b>Surplus/Deficit</b>	<b>\$ 14,779</b>	<b>\$ 24,665</b>	<b>\$ 29,462</b>	<b>\$ 29,184</b>	<b>\$ 23,626</b>

### Notes:

**Contributions from PIFS:** rate based on average production previous 5 years:

- 2010-11 = 109,898 tonne
- 2009-10 = 171,032 tonne
- 2008-09 = 136,084 tonne
- 2007-08 = 161,800 tonne
- 2006-07 = 166,707 tonne
- 5 year total = 745,521 tonne
- 5 year average = 149,104 tonne at contribution rate of \$1.00/tonne

**Project Activities** – funding for projects in line with management plan and priorities of SARAC eg industry development, research and development and extension.

**Sitting fees, travel, affiliation fees and other expenses:** includes chair sitting fee, travel allowance and meeting expenses.

**Secretarial support for SARAC:** administration support for a minimum of 6 meetings per annum.

**PIFS Administration:** includes all costs associated with administering the Act including cost recovery for transactions, auditor general and general compliance.

**Annual increase in cost of expenses:** For the budget a 4% rate of inflation has been assumed for expenses. It is recognised that this is high end of the spectrum but provides a realistic base for the establishment of a new fund.

**Projected surplus:** It is prudent to budget for a surplus because of the variable nature of citrus crops. The surplus should be used to cover any requested refunds and to fund industry projects at SARACs discretion.