Vitonga Pty Ltd ATF Estens Trust
Grove Fruit Juice Pty Ltd

The development of a Australian owned, vertically integrated fresh juicing company

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1.0 Background

Having moved to Moree from the central west the Estens Family cotton operation commenced in 1981 on a leased farm Beela which overtime we have acquired full ownership of the land. In 1988 we purchased Laurella which is 5km from Beela. In 1989 we brought the property Dodd's and in 2004 the adjoining property Lower Box. Both of these two properties were sold in 2007 due to the impacts of global warming and the loss of water reliability from the Murray-Darling system, we could not budget an allocation of water.

Beela and Laurella have been growing approximately 800 Ha of cotton and other various irrigated cash crops for the last thirty years dependent on water availability from the river (total flood irrigation development 1200Ha on these two farms). The success of our farming business has been centered around reliable ground water aquifer on these two properties along with surface water from Copton Dam which through the last 10 years has underperformed.

2.0 Sustainable Bore Water Extraction Losses

Our ability to run a viable farming operation has been severely impacted upon due to the Governments cutbacks on groundwater which commenced in the 2009/10 financial year and the failure of general security water allocations. Our farms Beela and Laurella will lose a total of 45 per cent of groundwater over six years forcing us to change our entire business enterprise. Outlined in the table below you can see our collective bore water loses for both farms is 1945 Mgs of which the Government has paid us $1,039,600 ($534.50 per Mgs) in compensation, 20% of its value. On a market value we have lost over $4 million dollars.

	Original bore Water Mgs	Water taken by Govt in cutback scheme	Compensation by Govt for 1945 Mgs	Total Value 1945 Mgs @ market value $2700
Laurella	2190	1038	$489,150	$2,802,600
Beela	2157	907	$550,450	$2,448,900
Total	**4347**	**1945**	**$1,039,600**	**$5,251,500**

The impact to our business has been immense as along with losing 45 per cent of our bore water this has had a flow on effect leading to a 60 per cent loss in production making it impossible to service our debt in coming years if we continue to grow cotton. Our property Laurella is now reasonably sustainable as it has been using approximately 1100 Mgs a year and we have just spent in $600,000 in 2009 improving water efficiency and eliminating bore water transmission loses.

Our predominate farm Beela has been using in excess of 3000 Mgs of bore water for the last 25 years and is now left with 1250 Mgs, a huge disaster. To think that this could happen in a first world country to me is unbelievable.

2.1 Water losses

We have mapped our water losses on Beela years ago (see table on following page). On average we are loosing a third of our bore water through transmission loses. The bulk of our water loss is caused by having to transfer the water via open channels to a storage, where it is estimated we lose around 33% through transmission and evaporation loses. Adding to this some of our fields with alluvial soils are excessive in water loses. The future is having our bores pump directly into a drip irrigation system which will mean no water loses. To pay for this we need higher valued crops which we commenced planting in 2009.

Summer & Winter Evaporation & Transmission Losses "Beela"

Year	96/97	97/98	98/99	99/00	00/01	01/02	02/03	07/08
Summer Beela	961	764	692	867	1027	834	782	585
Winter Beela	51	455	295	110	40	295	70	513
Total losses Mgs	**1012**	**1219**	**987**	**977**	**1067**	**1129**	**852**	**1098**

2.2 NSW Sustaining the Basin Boarder Rivers – Gwydir Tender

We were successful in three tenders, two on Beela and one on Glen Prairie. These were based on irrigators surrendering water to the Federal Government in return for funding for water use efficiency within our farming operations. Most of this expenditure was on drip irrigation systems and the piping of bore water to centralized storages. We gave back 639Mgs of river water and contributed 25% in cash

	Total Mgs Surrendered	Total Tender Amount
Beela 1	280Mgs	$1,250,000
Beela 2	139Mgs	$621,000
Glen Prairie 1	220Mgs	$984,000
Total	**639Mgs**	**$2,855,000**

The tender for the Border Rivers was $21 million, only $6 million was taken up with nearly half that going to ourselves. We have saved over 1000 Mgs a year in water losses from Beela and Glen Prairie.

3.0 Alternative Enterprise

As an avid studier of long-term weather patterns in Australia and more closely our farming region the impact of global warming was becoming increasingly clear. We knew we had to look for crops that developed higher returns per a megalitre.

In 2000 in conjunction with the NSW Department of Agriculture (Bernie McMullen from Bathurst) along with a handful of other growers in the North West region we invested $10 000 each to research citrus growing in the North West. The report confirmed citrus growing in the region would likely be highly successful dependent on securing or building a market for orange juice.

In 2006 with bore cutbacks upon us we were forced to move to an alternative enterprise for our farm Beela. After researching a number of cropping and horticultural options we decided that growing citrus posed the least risk and had the highest return on investment provided we could secure an on-going relationship with a juice company.

(McMullen et al – Horticultural Alternatives in the Lower Gwydir– Preliminary Report 2009)
http://www.gvia.org.au/documents/LowerGwydirHorrticulturalReportOne.pdf

(McMullen et al – Citrus Development Strategy for NSW – Preliminary Report 2001)
http://pandora.nla.gov.au/pan/38433/20031029-0000/citrusindustrydev.pdf

4.0 Citrus Industry

4.1 Domestic Overview Citrus Industry

Successful citrus production in the world grows between 20 – 40 degrees latitude. Moree is ideally placed at 30 degrees south with access to Australia's fastest expanding region of south-east Queensland. The juicing industry is dominated by two major companies Berri and Golden Circle. Berri is owned by National Foods which is part of Kerin a Japanese beverage company which processes in Leeton. Golden Circle is part of Heinz Corporation an American company processing out of Melbourne.

The key to successful horticulture production is marketing and achieving a fair and honest return, farmers always lose. We are on the end of the pricing chain. There is generally less risk with broadacre crops such as cotton and wheat which have 12 month cycles and the added advantage of being able to change your production mix given market demands and pricing.

We were determined to control the processing side as much as possible and have an influence on the marketing. Having visited the Riverina numerous times, and seeing first hand growers dumping oranges or simply leaving them on trees because of low prices, wasn't encouraging. A bigger problem was the average citrus farm size in NSW being 15Ha's which was uneconomic and not competitive in world terms.

Coupled with the on-going effects of global warming and the need to reduce transport costs there is a viable opportunity for larger scale citrus production in the North West to supply the East coast of Australia and Asia.

There are only three companies buying oranges for juicing in the eastern states, Berri, Golden Circle and Grove Fruit Juice. Grove Juice is based in Brisbane which also hauls oranges from the Griffith region, we paid them a visit.

4.2 World Overview Citrus Issues

On a global scale Brazil and America are by far the largest citrus producers and heavily impact world citrus prices. Both of these countries are now being heavily impacted by disease. Huanglongbing, otherwise known as HLB citrus greening, is an uncontrollable disease that is slowly expanding through citrus growing regions in the world. Recently the most heavily hit has been Florida after a hurricane spread the disease reducing up to 50 per cent of their production in 2010 a loss of nearly five million tons. HLB is a threat to the industry and can be found throughout Asia, the Middle East, Africa and North and South America. Brazil dominates the world market of citrus concentrate and already it can be seen the impact has been felt. In the last 12 months the price for citrus concentrate futures has doubled. Currently Australia does not have this deadly virus which is helping to create an opportunity for a citrus industry to develop in North West NSW. Developing citrus in a new area helps on the quarantine side it would be important that Australia maintains world standards in biosecurity.

5.0 Purchase Grove Juice

Our early interest centered around Grove Fruit Juice a small Brisbane based company and in 2008 we were successful in purchasing 50 per cent of the shares in the company. Grove is currently producing 100,000 liters of juice a day using imported Brazilian concentrates and oranges from Griffith for its fresh juice production (approximately 10 000 tons). This is what interested us together with the fact we would more than halve the transport costs of raw product by bringing it from Moree in NSW North West.

We have recapitalized Grove and are now moving to Warwick and building a new factory at cost of $15 million. The first stage (raw production producing bulk orange and mandarin juice) has been completed for a cost of $5 million. In addition to this we have imported a new apple processing plant from Germany which we have presently operating in a temporary site in Stanthorpe. This will be moved to the new Warwick factory in December 2011. The concept of building a new high tech plant in Warwick has centralized our haulage of mandarin from Mundubra, apples from Stanthrope and oranges from Moree and Griffith (one of the reasons we built the plant in Warwick is that we cannot bring QLD fruit into NSW).

We are building an export market for orange juice from the Warwick facility which will lead to a sustainable citrus industry being developed in North West NSW and South QLD. The new facility will employ approximately 40 people in Warwick and 40 in Brisbane in management, marketing and distribution. Stage 2 will be building a new modern high-tech bottling facility in Warwick at a cost of approximately $10 million dollars which will be completed hopefully by the end of 2012. Our resources are becoming stretched.

5.1 Vitonga Citrus

With the successful purchase of Grove Juice, we planted our first 65 Ha of citrus trees in 2009 with a further 50 HA being planted in 2010, and 2014 for a total of 165 Ha. To date we have spent $4,361,447 with a further $1,185,649 to be spent in the next two years on trees and infrastructure and operating costs for a total of $5,547,096. The cost of switching our farming enterprise to citrus is costing us $33,620 a Ha. At present growing cotton we are currently receiving approximately $200 gross margin per megalitre before EBIT, however, we envisage that once we achieve full production from our citrus we will be returning over $1000 per Mg EBIT.

We have taken over part ownership and the management of Glen Prairie citrus (a neighboring farm) which is a further 100Ha. At 50 tons a hectare, coupled with Beela's trees we will be producing close to 13,000 tonnes of oranges by 2020 which services Grove's current requirements and in conjunction with our existing growers will allow us to meet the needs of a growing export market. The development of Glen Prairie and Beela's orchards will guarantee Grove's production in the future. Further expansion relies on developing an export market for orange juice via our Warwick facility. Early indications from our work in Brisbane on export opportunities in Asia are looking hugely successful, and with the on-going problems associated with production loss in America, this is creating great export opportunities for us, with a flow-on benefit to farmers in the Northern Murray Darling basin who will be able to derive higher returns per a megalitre from shrinking water allocations. This is a great opportunity for Australian farmers.

6.0 Summary

In summary due to global warming our family farming business which was centered around cotton growing contributing $10 million dollars in export income has been hugely impacted upon. Coupled with this the Government removing 45% of our bore water entitlement, would have left our farms with a diminished turnover. Out of this disaster we are building a new vertically integrated industry for the North West centered around our remaining secure water achieving higher returns per megalitre. Our family is investing over $15 million dollars on this project. It is heavy lifting especially with the on-going bore water ramp down.

Dick Estens