

The Senate

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Rural and Regional Affairs  
and Transport  
References Committee

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Review of the citrus industry in Australia

December 2013

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# Membership of the committee

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Senator the Hon Bill Heffernan, Deputy Chair	New South Wales, LP
Senator Alex Gallacher	South Australia, ALP
Senator Sue Lines	Western Australia, ALP
Senator the Hon Ian Macdonald	Queensland, LP
Senator Peter Whish-Wilson	Tasmania, AG

## Members 43<sup>rd</sup> Parliament

Senator the Hon Bill Heffernan, Chair	New South Wales, LP
Senator Glenn Sterle, Deputy Chair	Western Australia, ALP
Senator Sean Edwards	South Australia, LP
Senator Fiona Nash	New South Wales, NATS
Senator the Hon Lin Thorp	Tasmania, ALP
Senator Peter Whish-Wilson	Tasmania, AG

## Substitute members for this inquiry

Senator Anne Ruston	South Australia, LP
to replace Senator Sean Edwards (on 3 and 4 July 2013)	
Senator the Hon Richard Colbeck	Tasmania, LP
to replace Senator Fiona Nash (on 3 and 4 July 2013)	

## Other Senators participating in this inquiry

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Senator John Madigan	Victoria, DLP
Senator Bridget McKenzie	Victoria, NATS
Senator Anne Ruston	South Australia, LP
Senator Nick Xenophon	South Australia, IND

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# **List of 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 in the selection of regional advisory bodies.

## **Recommendation 2**

**2.89** The committee recommends that the industry work with DAFF and the LRS towards a compulsory registration system for growers to develop a central database of growers – with data including their location, 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 time as issues of equitable national and regional representation are resolved.

## **Recommendation 3**

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

## **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.

## **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.

## **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.

## **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.

## **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.

## **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.

## **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.



### **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.**

### **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.**



# 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 44<sup>th</sup> 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 Australia<sup>1</sup>***

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

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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.<sup>2</sup>

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.<sup>3</sup> It has been projected that, as a consequence of

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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](http://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.

## Chapter 2

### Structure of the Australian citrus industry

2.1 Prominent among the issues raised in evidence to the inquiry were growers' concerns about the current structure of Australia's citrus industry, arrangements for the representation of the industry at the national level and the allocation of levy funds. Many submitters were also critical of the performance of the industry's peak body, Citrus Australia (CAL), particularly its relationship with growers, and the role it plays in the allocation of research and development (R&D) funding.

#### Structure of the industry - background<sup>1</sup>

2.2 Horticulture Australia Limited (HAL) is the body responsible for managing the Government's investment in research and development (R&D) for Australia's horticulture sector. HAL is an industry-owned company, established under the *Corporations Act 2001*. The company is funded by statutory levies, export charges and voluntary contributions and is in receipt of matching Federal Government funding for eligible R&D expenditure.

2.3 In addition to an R&D levy paid on all citrus, a marketing levy is paid on oranges only.<sup>2</sup> HAL administers the funds raised by the citrus levy and the charges paid by citrus growers. In 2011–12, HAL expended \$4.29 million on R&D and \$0.53 million on marketing for the citrus industry.

2.4 The *Corporations Act 2001*, the *Horticultural Marketing and Research and Development Services Act 2000*, and the 2010–14 Statutory Funding Agreement (SFA) signed with the Commonwealth, contain the key accountability framework for HAL. The purpose of the SFA is to allow funds appropriated by Parliament to be provided to HAL and to ensure that the funds are spent for the purposes for which they are appropriated – the delivery of marketing and R&D services.<sup>3</sup>

2.5 The Minister for Agriculture is ultimately responsible for the administration of the primary legislation governing HAL. The Department of Agriculture, Fisheries and Forestry (DAFF)<sup>4</sup> does, however, provide advice on various matters in relation to HAL (including corporate governance).

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1 This section is based on information provided in Department of Agriculture, Fisheries and Forestry, *Submission 35*.

2 Marketing expenditure does not attract matching Federal Government funding.

3 The Statutory Funding Agreement does not allow these funds to be spent on agri-political activities.

4 In September 2013, the Department of Agriculture, Fisheries and Forestry (DAFF) had its name shortened to the Department of Agriculture. However, for the purposes of this report, the department will be referred to as DAFF.

2.6 DAFF described the principles which govern the department's approach to corporate governance responsibilities and its oversight of rural Research and Development Corporations (RDCs) – including HAL – as follows:

- The individual RDC is primarily responsible for ensuring the quality of its own corporate governance.
- The department's oversight of the RDCs is not to duplicate nor lessen the agencies' governance responsibilities.
- The department does not direct HAL in its operations (that is the role of HAL's Board of Directors).
- The department undertakes a support role to:
  - assist HAL in meeting legislative requirements and in complying with its SFA, including providing guidance to HAL on better practice administration; and
  - assist the Minister to discharge statutory and parliamentary obligations with respect to HAL. This includes providing advice on the operations of HAL and its accountability of funds.<sup>5</sup>

2.7 DAFF's submission indicated that HAL's Company Constitution recognises 'A-Class' members as those prescribed industry bodies (or industry representative bodies for the growers of levied commodities) that contribute levy funds to HAL. It was also noted that, under the Primary Industries (Excise) Levies Regulations 1999, CAL is the prescribed eligible industry body for the citrus industry.<sup>6</sup>

2.8 The committee was also told that under HAL's Company Constitution, the HAL Board (in consultation with 'A-Class' members whose industry sectors contribute levy receipts greater than \$150,000 per annum) are required to establish sectoral industry advisory committees (IACs). The purpose of the citrus industry's IAC is to:

- provide advice to the HAL Board in relation to the industry;
- oversee the development of marketing and R&D programs for the industry; and
- ensure that a strategic investment plan, annual investment plan and annual report are prepared for the citrus industry.<sup>7</sup>

2.9 DAFF also noted that:

- it is not the citrus industry IAC's role to make decisions on the allocation of funds; and

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5 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 10.

6 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 10.

7 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.



- the allocation of funds is the responsibility of the HAL Board, or appropriately delegated HAL officers.<sup>8</sup>

2.10 Further, HAL's Company Constitution notes that when establishing and maintaining IAC's, the HAL Board is required to consider and pay full credit to the recommendations of the relevant industry representative body in respect of:

- the structure of the IAC;
- the industry sector grouping for which the IAC is responsible;
- the development, implementation and delivery of the strategic investment plans; and
- annual investment plans for the industry sector for which the IAC is responsible.<sup>9</sup>

### **Current industry leadership**

2.11 Previously, the Australian citrus industry was represented by the Australian Citrus Growers Federation (ACG). ACG was constituted under a federated model and initially operated out of the Riverland. In 2005, at the request of regional grower representatives, ACG undertook a review of existing industry structures, primarily to 'meet the needs of a modern export oriented industry'<sup>10</sup>.

2.12 KPMG was subsequently commissioned to review structural options for the industry, and provided a report which outlined 'current structure', 'multi-structure' and 'single structure' options. KPMG's report also strongly recommended that the citrus industry develop a strategy prior to undertaking any structural changes.<sup>11</sup>

2.13 In 2006, ACG engaged Concept Consulting Group (CCG) to facilitate the development of a strategic plan for the industry. In developing the strategic plan, CCG undertook a consultation process which involved industry bodies and individual growers. The Citrus Industry Strategic Plan, released in December 2006, identified the following four areas of focus for the industry:

- increase consumer demand for Australian citrus;
- improve industry competitiveness;
- improve industry communication and information systems; and

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8 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

9 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

10 Citrus Australia Ltd, *Submission 15*, p. 12.

11 Citrus Australia Ltd, *Submission 15*, p. 12.

- enhance the capability of our industry and leadership.<sup>12</sup>

2.14 In 2007, ACG released an initial discussion paper titled *Restructuring the Citrus Industry's grower bodies*. In 2008 – in response to feedback from stakeholders who requested additional information to assist in the decision-making process – a draft constitution and a cost-benefit analysis of various restructure options for the industry were developed by Deloitte. In September 2008, shortly after the release of a final discussion paper,<sup>13</sup> ACG issued an Information Memorandum which proposed that the representative structure of the Australia citrus growing industry be changed. The memorandum proposed that:

... the majority of functions of the industry's grower-funded bodies and the state statutory bodies be merged, in the medium term, into one peak body, being a newly incorporated company limited by guarantee named "Citrus Australia Limited".<sup>14</sup>

2.15 At a general meeting in October 2008, in line with the ACG board's recommendation, members voted to support 'Stage 1' of the process – 'for ACG to transfer its undertaking and operations to Citrus Australia'.<sup>15</sup> CAL commenced operations as the peak industry body representing Australian citrus growers on 1 November 2008, with eleven inaugural grower members.<sup>16</sup>

2.16 The second stage of the process – implementation of the broader restructure objectives – involved the dissolution of existing grower bodies and state statutory bodies. The ACG Information Memorandum noted that:

If a dissolution process is agreed upon, the intention is that each Grower Body would be wound up voluntarily by the members of that body, with any surplus assets upon winding up being transferred to Citrus Australia.<sup>17</sup>

2.17 In 2009–10, Horticulture Australia Limited (HAL) conducted a review of the citrus industry's development needs. The HAL review concluded that industry development needed to be better resourced and more professionally managed at the national level. The review also recommended that the citrus industry adopt a program-based approach to future industry development activity and proposed the following four program areas:

- Market Development;

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12 Concept Consulting Group Pty Ltd, *Creating our future: A national strategy for the citrus industry, Part A: Industry Strategic Plan – 2006 to 2011*, p. 5, (Appendix 1, Citrus Australia Ltd, *Submission 15*).

13 Australian Citrus Growers' discussion paper titled, *Restructuring the Citrus Industry's grower bodies, Final Report (White Paper)*, was released in June 2008.

14 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 1.

15 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 1.

16 Citrus Australia Ltd, *Submission 15*, p. 13.

17 *Information Memorandum, Citrus Australia Limited*, September 2008, p. 5.

- Information and Data Management;
- Communications; and
- Leadership and Governance.<sup>18</sup>

2.18 In 2010, CAL reviewed its corporate strategy and amended it to conform more directly to the needs identified by the HAL review. CAL also developed new nationally-focused programs and projects to specifically address the key areas of market development, information management and communication.<sup>19</sup>

### **Criticism of Citrus Australia's operations and performance**

2.19 As noted previously, a large number of the submissions provided to the inquiry were critical of the performance of CAL. Submitters acknowledged that initially there was general support for 'Stage 1' of the structural change, which involved the formation of a national peak body. It was the second phase of the process which became the primary cause of growers' concern. Specifically, submitters were critical of the structure of the industry, the administration and allocation of levy funds, and the representation of the industry at the national level. Many submitters were also critical of what they described as CAL's lack of engagement with growers and the peak body's opposition to grower-funded and state statutory bodies.

2.20 The views expressed by South Australian citrus grower, Ms Betty Lloyd, reflected those expressed by a large number of growers:

I admit that in late 2008, I accepted the outgoing ACG President's statement that; "Citrus Australia offers a fresh, more professional and commercial approach in representing our industry and maximising grower investment and returns."

Sadly, something has gone horribly wrong and I now see a once very strong and prosperous industry in a state of great turmoil and insecurity.

Every citrus growing region in Australia needs a strong regional organisation with the passion and power to control State issues with an overseeing body whose prime purpose must be to diligently use grower levies to promote the world's best quality citrus and ensure that variety and production is marketed in an orderly way.

In recent years even domestic marketing and promotion has been too late in the season, or in some States and for some varieties promotions have been almost non existent.<sup>20</sup>

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18 Horticulture Australia Limited, *Australian Citrus Industry: Industry Development Needs Assessment and Recommendations*, November 2009, p. 26 (Appendix 6, Citrus Australia Ltd, *Submission 15*).

19 Citrus Australia Ltd, *Submission 15*, p. 14.

20 L D Lloyd and Sons Pty Ltd, *Submission 14*, [p.5].

### ***CAL's ability to represent the industry***

2.21 Another common concern expressed by submitters was that because only 10 to 12 per cent of Australian growers are actually members of the new peak body, CAL is not representative of the industry as a whole.<sup>21</sup> In expressing growers' concerns about CAL's status as the peak industry body Mr Bart Brighenti, a citrus grower from Yenda in NSW, argued that:

The fact CA presents itself as the Peak industry body, but then has membership of its own representing a small portion of the industry, will always lead to conflicts of interest between the interest of their members to that of the majority of Citrus growers in Australia.

In my time and experience in the Australian citrus industry I have never experienced a time of such fragmentation and dysfunctionality, Citrus Australia carries a lot of responsibility for this at a time when farmers needed a strong united industry the most.<sup>22</sup>

2.22 Mr Phillip Blacker, a citrus grower from Leeton noted that in March 2012 (following a vote to wind up Riverina Citrus Growers) CAL made pledges of support to growers in the Riverina. He told the committee that, to date, CAL's support 'has been limited and as yet unmeasurable'.<sup>23</sup> Mr Blacker also submitted that:

Citrus Australia (CA), the federal industry body which was set up to be funded by grower membership has failed to attract growers in the Riverina.

I myself was a member for two years but did not renew this year as I felt I was not getting the support in the Riverina that we should as the largest grower region in Australia.<sup>24</sup>

2.23 CAL's submission asserted that the Australian Government recognises it as the national peak industry body for citrus levy payers. CAL also noted that, as the recognised national peak industry body, it is also a member of HAL and Plant Health Australia Ltd (PHA).<sup>25</sup>

2.24 At a public hearing in Mildura, CAL's Chair and Chief Executive Officer were asked about the membership of the organisation – specifically, the number of growers it currently represents:

**CHAIR:** ... As to who you represent, no-one knows who you represent individually because it is not released. How many growers do you represent?

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21 See, for example, Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 11 and Mr Ron Gray, *Submission 12*, p. 3.

22 Mr Bart Brighenti, *Submission 30*, p. 4.

23 Mr Phillip Blacker, *Submission 10*, [p. 3].

24 Mr Phillip Blacker, *Submission 10*, [p. 4].

25 Citrus Australia Ltd, *Submission 15*, p. 15.

**Ms Chapman:** Grower numbers?

**CHAIR:** You represent the industry, but who has signed up? That is really what I am asking.

**Ms Chapman:** As to who has signed up, about 50 per cent of production has signed up. As to grower numbers, the actual percentages vary from region to region.

**CHAIR:** But is it 10 or 12 per cent, or whatever we were told, of growers as opposed to production?

**Ms Damiani:** It depends what number you use. I think Senator Ruston picked this one out. Industry uses 1,800 growers. I noticed that the ABS has '1,115 establishments'. So it depends on what number you use. We use 1,800. In terms of the number of those growers, it is close to 200.

**CHAIR:** So what qualifies as a grower? Two trees? 10 trees? 10,000 trees?

**Ms Damiani:** Our constitution says that if you have one hectare of citrus you can join as a member.

**Senator STERLE:** So you have 200 members?

**Ms Damiani:** Grower members, and we have about 80 affiliate members.<sup>26</sup>

2.25 Clarification was also sought from DAFF regarding whether the Department regards CAL as the primary representative body for the Australian citrus industry:

**Senator Xenophon:** ... is it the case that an assumption was made [by DAFF] that Citrus Australia would play the key role that it has in the industry in terms of levies and funding because it was assumed that Citrus Australia was broadly representative of the citrus industry?

**Mr Koval:** Citrus Australia transformed from Australian Citrus and is the only national peak body for citrus.

**CHAIR:** So, from your point of view, the fact that it represents 10 to 13 per cent of the industry is not an issue for the department and that is an issue for the industry?

**Mr Koval:** Essentially, that is right. Our view is that it is a national body and people choose to become members of bodies and it is up to themselves.<sup>27</sup>

2.26 The committee also received evidence which was supportive of CAL as the national peak body for the citrus industry. In its submission, for example, the Costa Group indicated that it is 'a strong supporter of CAL and the role it performs',<sup>28</sup> and argued that:

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26 Ms Tania Chapman and Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 65.

27 Mr Matthew Koval, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, p. 51.

28 Costa Group, *Submission 13*, p. 3.

Citrus Australia is an effective representative of the interests of citrus growers and is the only citrus peak body capable of operating at a national level and dealing directly with the Australian government on behalf of citrus growers.<sup>29</sup>

2.27 The submission provided by horticultural business Seven Fields expressed support for the submission provided by CAL and indicated that, as an organisation, it remains committed to there being one peak body:

... there needs to be one national body representing citrus growers in Australia. This allows the industry's limited resources to be more efficiently used and deployed according to industry requirements.<sup>30</sup>

2.28 In evidence, Mr Greg McMahon, Managing Director of Seven Fields, told the committee that not only did he support the establishment of a national, grower-owned body, but he 'was in 100 per cent agreement with the structure and the way it was going forward':

[CAL] is doing what I thought it would. The only thing is that it does not have enough funding. My opinion is that the national levy needs to be higher.<sup>31</sup>

### ***Identification of levy payers***

2.29 The problems associated with the collection of data were raised a number of times during the inquiry. It was argued that because most statutory boards have been wound up (and none of the main players appear to maintain a comprehensive list) it is impossible to identify those levy players who pay the citrus R&D levy. The committee was told that under the previous structure:

... most of the statutory boards, under their state acts, had the ability to collect that data on production, crop harvesting and obviously who was in the industry. So, for instance, in South Australia we knew that there were 450 growers, we knew what yield, we knew what the planting database was, we had full nine yards in relation to information, and that would have gone into that Deloitte report. Subsequent to the demise of that board, that information is now not – no-one has the ability to collect that information, and they will not get that information under the Privacy Act anyway. Effectively, unless you have some sort of statutory power to do that, you will not get it.<sup>32</sup>

2.30 Mr Con Poulos, Chairman, South Australia Region, Citrus Australia, confirmed the problems that are currently associated with data collection. The committee was told that as Chairman of South Australia's new peak industry body, Mr

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29 Costa Group, *Submission 13*, p. 3.

30 Seven Fields, *Submission 16*, [p. 1].

31 Mr Greg McMahon, Seven Fields, *Committee Hansard*, 4 July 2013, p. 42.

32 Mr Peter Walker, *Committee Hansard*, 4 July 2013, p. 19.

Poulos is unable to say, with any accuracy, how many growers there are across the state:

Because, as the previous speaker said, a lot of that information is collected under an act. We are not privy to any database they have. And that opens up a point. Who they are, their contact details, their names, their planting data, the number – we do not know who they are. This is one of the biggest issues we have. Part of our mandate is to communicate with contributors into our fund. Yet, at our very first meeting when we met with PIRSA in SA who went through the regulations and all that, one of the first things they told us that day was: 'We don't have access to who the growers are that fund us.'<sup>33</sup>

2.31 The issue of data collection and storage was also raised with DAFF officials. In responding to questions from the committee regarding HAL's governance arrangements, officers indicated that HAL has a statutory funding agreement in place which places certain conditions around the expenditure of funds. It was also noted that, as part of the terms and conditions of the deed of agreement, HAL 'must undergo an independent review of how they are performing, and everyone has an opportunity to have input into that review process'.<sup>34</sup>

2.32 The committee questioned DAFF officials further on this particular issue:

**Senator RUSTON:** Who is everyone?

**Mr Koval:** Levy payers, for example; ourselves as a government department.

**Senator RUSTON:** How do the levy payers have input into the process when we have been advised earlier that no-one has the capacity to know who the levy payers are?

**Mr Koval:** They [sic] levy payers themselves know who they are. We do not go to the consultant hired to undertake the review and say, 'These are all the levy payers who pay levies to Horticulture Australia for every industry, and you must go out and talk to every single one of them.' They do go through a public process where individuals themselves self-select and say, 'I would like to have a say,' or, 'I have a view.'

**Senator RUSTON:** I suppose I am getting to the point of how on earth you can expect HAL or Citrus Australia to be able to communicate their responsibilities in relation to the deed of agreement in communicating the results of R&D funding when we have no capacity to give either body the names of the people who are providing the funding which they are spending. Anyway, I will leave that with you.

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33 Mr Con Poulos, South Australia Region, Citrus Australia, *Committee Hansard*, 4 July 2013, p. 28.

34 Mr Peter Ottesen, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, p. 48.

**Senator COLBECK:** It is a question that has come through a number of times: how does Citrus Australia know who its members are when it cannot get access to the list of levy payers?

**Mr Koval:** That is a question in relation to how does Citrus Australia know who its members are or how does Citrus Australia know who pays the citrus levy?

**Senator COLBECK:** Both.

**Mr Koval:** One would assume that Citrus Australia knows who its members are. They are an organisation and may have a register of members and things like that. We would assume that. We have no oversight of industry bodies. We would assume an industry body covers itself. Levies are collected at a collection point and that collection point is like pack houses and we do not mandate that. They must go through it and tell us the payments of each individual. If payments are received by levy services, we make sure that levies are collected consistent with the legislation and to the volume.<sup>35</sup>

### *Appointments to CAL and IAC*

2.33 Concerns were raised about the way in which appointments are made to both the CAL and the IAC with a number of submitter suggesting that there was a lack of transparency in appointments, as well as possible conflicts of interest.<sup>36</sup> In evidence, Mr Alan Whyte, a board member of Sunraysia Citrus Growers, told the committee that:

There are, I would suggest, some fairly serious issues about appointment of people to the IAC. It was not a transparent process and no interviews were held.<sup>37</sup>

2.34 Mr Whyte went on to argue that:

... we have a situation here in which Citrus Australia is the principal proponent of projects and the principal recipient of projects. Those projects are its largest source of income, as has been mentioned earlier today. Yet we have Citrus Australia directors, Citrus Australia members and Citrus Australia staff all through the process. If that does not ring alarm bells about conflict of interest I do not know what does.<sup>38</sup>

2.35 In response to a question from the committee regarding CAL's method of selecting (and subsequently electing) board members, the Chair of CAL, Ms Tania Chapman, told the committee that:

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35 Mr Matthew Koval, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 4 July 2013, pp 48–49.

36 See, for example, Mr Peter Walker, *Committee Hansard*, 4 July 2013, p. 18.

37 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.

38 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.



We have a director selection committee that is made up of members from each of the growing regions, and we also have an independent consultant who manages that whole process. As chair, I sit on that director selection committee but I do not have a vote. I am there solely to talk about the skills that our board has and if a director is up for election or not—if they are standing down—what skills gap that would then leave across the board. We then advertise out there for applications, and we talk about the skills we would be looking for. They include growing skills, they may include exporting and they may include marketing. If they are independents, then it would be a whole host of other different skills that might include retailing. That process all goes back to the independent consultant. The whole director selection committee is then involved in working through and grading all of the applications and determining how many people they will interview, and the interview process then goes through. That director selection committee then makes a recommendation back to the board as to who they think should be the new directors.

...

Once the board has taken that on board, the AGM notice then goes out. The members actually get the chance to vote on whether or not those directors will be accepted. Because of our constitution there is another little side part, where a member who did not go via the director selection process, provided they have I think three member signatories, can actually apply to be director outside of the whole process. If that were to happen, obviously we would hold a vote at the AGM, as we have done once before.<sup>39</sup>

### ***Regional representation***

2.36 A number of submitters took the view that the previous representative structure, comprising a national body to deal with national issues and state bodies to deal with local and state issues, was more effective. Mr Frank Battistel was one such submitter, who argued that 'the previous body needed personnel changes rather than structural changes to bring the Citrus Industry leadership up to world standards'.<sup>40</sup>

2.37 In addition to raising concerns about regional representation, a number of submitters also criticised what they saw as CAL's focus on matters which had little relevance to local growers and their concerns.<sup>41</sup>

2.38 It was argued, for example, that while CAL had been preoccupied with the winding up of state-based grower organisations it had been ignoring vital issues

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39 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 79.

40 Mr Frank Battistel, *Submission 2*, p. 1.

41 See, for example, Mr Frank Battistel, *Submission 2*, p. 1, Mr Phillip Blacker, *Submission 10*, [p. 3] and LD Lloyd and Sons Pty Ltd, *Submission 14*, p. 2.

effecting citrus growers – such as matters concerning truth in labelling, and the promotion of both fresh navels and valencia juice.<sup>42</sup>

2.39 At the committee's hearing in Mildura, Mr Michael Keenan indicated that he had read CAL's submission and was supportive of the need for a corporate structure which would result in the best people sitting on CAL's board. At the same time, however, Mr Keenan expressed concerns about CAL's actions following its establishment as the peak body:

What I have a strong exception to is that they moved toward the decimation of the regional and state organisations to build the empire. I think that has been detrimental. There have been a lot of regional contributions to the development of the industry, its improvement and its help to growers and the wider community. I think that has been to their detriment. In my opinion, they have a failed model and are not making good use of the resources which have been established. With new personnel, leadership is vital. So I am critical of Citrus Australia in their second phase, not their first phase.<sup>43</sup>

2.40 Sunraysia Citrus Growers (SCG) also expressed disappointment in what it described as a 'significant fracturing of organisations within the Southern Australian Citrus Industry'.<sup>44</sup> SCG told the committee that:

In particular we are disappointed at the vendetta against State Based Boards undertaken by Citrus Australia. The State Boards have the ability to collect funds in an equitable manner for industry development. As an example, this has been critical for managing recent QFF outbreaks and gives the industry credence when negotiating with Government on such issues.<sup>45</sup>

2.41 Using the example of water allocation, Mr Phillip Blacker noted that all regions (even within states) can have very different perspectives on the same issue. He told the committee that whilst CAL perform well in relation to national issues, they perform very poorly on state and regional issues, and argued that:

We need a federal body but we also need effective regional representation to deal with local issues. In the Riverina we lost that. We are now faced with full time farmers becoming part time administrators to try and manage local industry issues through multiple grower groups.<sup>46</sup>

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42 See, for example, Mr Frank Battistel, *Submission 2*, [p. 1] and Mr Bart Brighenti, *Submission 30*, p. 3.

43 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 13.

44 Sunraysia Citrus Growers, *Submission 20*, p. 1.

45 Sunraysia Citrus Growers, *Submission 20*, p. 1.

46 Mr Phillip Blacker, *Submission 10*, [p. 5]

2.42 Mr Blacker suggested that CAL should have regional field representatives to liaise with growers and act as a point of contact. Mr Blacker also argued that 'to be a peak body for all growers they have to be more accessible'.<sup>47</sup>

2.43 The Chair of CAL's Board, Ms Tania Chapman, disagreed with suggestions that the organisation has a limited understanding of regional issues and that it lacks a connection to grassroots growers:

When you say we have no connection back to the grassroots, with our regional advisory committees, our export committee, our domestic committee and our varieties committee we actually have 79 industry people feeding back through to us. So I think we do have a fairly good grasp of what is happening in each of those regions. As well, there are the number of visits we pay to each and every region each year.<sup>48</sup>

#### *Establishment of Regional Advisory Committees*

2.44 In recent years, CAL has moved to establish Regional Advisory Committees (RACs) to replace existing state bodies. The committee was told that this process was undertaken in stages and that each region's advisory committee had come about a little differently. The first RAC set up by the CAL Board was in Queensland – because it was the first state to wind up its state organisation.<sup>49</sup> Ms Chapman described the formation of the other RACs in the following way:

In South Australia, as you know, the process was quite different, with the minister going through the whole process and then a working group came up with exactly how it would work and who would be on that committee. It was all done through an application process. Those applications were assessed on skill and industry involvement. The South Australian committee was done like that.

Over in Riverina, if we are talking about fragmented structures, the people on Griffith growers would not talk to the people on Leeton growers. So there was no way we could go with either one of those bodies to be our advisory committee. What we had to do was draw a chair from both of those committees together. We had an application process. Those two chairs and I put the call out for nominations, outlining skills and industry involvement. We three came up with who would be on that regional advisory committee.

Then it came to the Murray Valley. As you say, there already was Sunraysia Citrus Growers. But what we then got from our members was, 'Every other region has a say in the priorities of Citrus Australia. As your members, we want a regional advisory committee here in the Murray Valley as well because Sunraysia Citrus Growers is a voluntary organisation and there is a large number of disgruntled people who do not

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47 Mr Phillip Blacker, *Submission 10*, [p. 6]

48 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

49 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, pp 74–75.

wish to pay a levy to the Murray Valley Citrus Board but it is a state statutory levy and so they have to pay it.' We were told that given they were already paying us a membership fee they felt they should have the right to have their say in how the priorities were dealt with within Citrus Australia.<sup>50</sup>

2.45 A number of submitters argued that the formation of RACs has been an unnecessary replication of existing bodies. For example, the Murray Valley Citrus Board (MVCB) indicated that:

Our Board has always been keen to work with the national peak body Citrus Australia Ltd (CAL) and it's fair to say that we have been very disappointed with some of the decisions they have made. For example we question the need for the formation of [a] Regional Advisory Committee in our region. This committee has been established to advise CAL on regionally specific R&D issues. We believe that this capability already exists with our regionally based groups namely the MVCB and Sunraysia Citrus Growers (SCG) and is duplicating the capability already present. We also question why membership of CAL is a requirement to be considered for a place on these committees in the NSW Riverina and the Murray Valley regions, whilst in South Australia all growers may nominate for a position on the committee.<sup>51</sup>

2.46 Ms Chapman, responded to growers' criticism regarding regional representation, and the peak body's role in the removal of state bodies in the following way:

I know that over the past two days you have heard a lot of negatives and a lot of issues not just about our industry but also about Citrus Australia. Some disgruntled industry members cannot move past that old state federated structure, maybe because they were a part of those organisations, maybe they even helped form them. But to lay the blame for their demise at the fee of Citrus Australia is simply incorrect. Citrus Australia did not and still does not have to power to wind up those state-based bodies. That lies within the grower base of those regions, as was the case in Riverina, where more growers than had ever turned up to any previous meeting for anything to do with the industry turned up and voted them out.<sup>52</sup>

### ***Affiliate membership***

2.47 The issue of 'affiliate membership' of CAL was also raised by a number of submitters. Evidence provided to the committee indicated that there is considerable confusion about the rules governing affiliate membership of the peak body – particularly in relation to eligibility criteria.

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50 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

51 Murray Valley Citrus Board, Submission 9, pp. 1–2.

52 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 64.

2.48 The committee was told that in voting for the introduction of CAL, growers were under the impression that state-based boards and grower groups would continue to be involved in the industry as affiliate members of the new peak body. In his submission, Mr Bart Brighenti argued that:

I currently feel I have no true national body representing citrus growers. Citrus Australia (CA) claims to be the current national peak body representing citrus growers following a meeting of the former peak body Australian Citrus Growers Assoc. of which I was a voting delegate. Delegates understood that in voting for Citrus Australia, one of the most important aspects in the formation of CA would be the inclusion of the State Boards and Grower groups as affiliate members to ensure all growers have adequate representation.

Once formed, CA Directors have deliberately followed an agenda to remove the state boards and dismiss the grower groups by rejecting their attempts to be affiliate members and have actively been involved in removing the State boards.<sup>53</sup>

2.49 Citrus grower Louis Sartor also argued that there had been an expectation that, following the transition from ACG to CAL, the existing state-based bodies and grower groups would continue to exist. Mr Sartor told the committee that it was his understanding that:

It worked in two ways. It enabled the peak body, Citrus Australia, to have these smaller, regional groups to disseminate information, so it was going to be a flow from the peak body down to the region and its growers; and in terms of information and other mechanisms like information transfer and direction. So it was important that, under the constitution, it enabled that affiliation and membership to happen. But when I was with the Griffith citrus growers we submitted our application to Citrus Australia and it was rejected – not because of any constitutional reason but because it appeared the board had said that, at that stage, they were not going to take our membership. They were quite happy to take membership from Costa and every other organisation that paid big dollars, but they did not take membership from the growing sector. That was a real slap in the face, given that Citrus Australia is meant to be there for the growing sector.<sup>54</sup>

2.50 During the committee's public hearing in Mildura, representatives of CAL were given an opportunity to answer criticism regarding the regional representation issue. Specifically, the committee asked whether, when the original model was put up, there was an 'affiliate membership' category available to state-based boards and grower groups.

**Senator Ruston:** ... Yesterday we heard from one of the organisations from Griffith – I think that it was Riverina Citrus, but it might have been the Griffith Citrus Growers – said that when they applied to become

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53 Mr Bart Brighenti, *Submission 30*, p. 2.

54 Mr Louis Sartor, *Committee Hansard*, 3 July 2013, p. 18.

members of Citrus Australia their money was sent back and they were told that they were not allowed to be members.

**Ms Chapman:** I was not a part of the consultation process that the Australian Citrus Growers went through. But, as I stated earlier, when we as a board look at each and every membership application we determine whether that membership would be for the good of the company. The other thing that we discuss – and we lost several board meetings on this – is that growers are paying membership to local organisations such as the Sunraysia Citrus Growers. They have a statutory levy collected through the Murray Valley Board. They have a national levy paid to Horticulture Australia. If they are then a member of Citrus Australia they pay membership. They have that direct link back to Citrus Australia if they are a member.

We did not think it was a good use of further grower funds for that local organisation to be a member of ours, and they are going to get the same information. Our whole thing is that every decision we make has to have a benefit back to the grower. We have a saying that the tree pays for everything, and the tree is really starting to sag. We think those funds that they would have been paying to us are of much better value in doing something else that will give the grower a better return. We can already relate to and work directly with the grower; we do not need the organisation to do that as well.

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**Senator Madigan:** But you just said that you made a decision as to who can and cannot belong to a representative body that they may choose to belong to. It does not make sense to me.

**Ms Damiani:** As any not-for-profit member-based organisation knows, you have to provide benefits to your members. At that time, in the early days, we had to show that we wanted to encourage growers to be direct members of Citrus Australia – individual and accountable, and not through the state or their local organisation. That is why the board made the decision at that time; we had to foster individual grower memberships, not a \$275 annual fee that encompassed 180 growers. We could not function if every 180 growers were grouped under a \$285 membership fee. We had to encourage individual membership based on \$20 a hectare.<sup>55</sup>

2.51 On the issue of affiliate membership, representatives of the Griffith and District Citrus Growers Association (GDCG) were asked whether their organisation was a member of CAL. Mr Vito Mancini responded by saying:

... In previous sessions of the Griffith and District Citrus Growers Association we have applied to become members. I think we have applied at least two times, and, as I understand it, at those times we were knocked back because they were not looking at grower groups as being the types to be defined as affiliate members. They were looking at affiliate members as

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55 Ms Judith Damiani and Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 74.

being businesses that operate within the citrus industry, such as a retail chain, grower support services and things like that. They did not see grower groups such as the Griffith and District Growers Association as being part of that.<sup>56</sup>

### ***Relationship between Citrus Australia and the Citrus Industry Advisory Committee***

2.52 As outlined earlier in this chapter, the citrus industry has in place an Industry Advisory Committee (IAC) which was established early in the inception of Horticulture Australia Ltd (HAL). The committee received evidence from numerous submitters who raised concerns about CAL's domination of the membership of the Citrus IAC. Submitters also raised concerns about funding decisions and the allocation of levy funds not being appropriately transparent.<sup>57</sup>

2.53 The views expressed by Sunraysia Citrus Growers (SCG) in its submission are typical of those expressed by a number of individual growers and grower organisations. SCG told the committee:

We have significant concerns relating to decision making around the allocation of the National R&D Levy. SCG believes that high standards of governance are mandatory particularly as half of the funds come from general taxpayers.

Current practises on the IAC do not meet this expectation.

Members of Citrus Australia dominate the recommendation process. Citrus Australia is the principal recipient of the R&D funding and the approved projects are the principal source of income for Citrus Australia. This is a blatant conflict of interest.

SCG believes the IAC must be able to function with anyone perceived as being associated with Citrus Australia 'out of the room' with a declared Conflict of Interest whenever an application from Citrus Australia is being considered. The current membership of the IAC does not allow this. This also raises issues as to the selection process for the current IAC members.

A consequence of current funds principally going to Citrus Australia is that applications from other entities can be sidelined by the dominant CAL membership of the IAC with the consequence that the only available funds then go to CAL applications.<sup>58</sup>

2.54 Mr Michael Keenan, a former member of the Horticultural Research Development Corporation (HRDC) suggested that the allocation of limited R&D

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56 Mr Vito Mancini, Griffith and District Growers Association, *Committee Hansard*, 3 July 2013, p. 2.

57 See, for example, Mr Frank Battistel, *Submission 2*, p. 2, Mrs Patricia Barkley, *Submission 4*, p. 7, Mr Phillip Blacker, *Submission 10*, [p. 5] and Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 12.

58 Sunraysia Citrus Growers, *Submission 20*, p. 7.

funds by the CAL-dominated Citrus IAC and HAL has been very much distorted.<sup>59</sup> Mr Keenan was also critical of what he described as CAL being both 'player and umpire' and argued that:

Sadly, they have taken the advantage, and some of these allocations of funds to Citrus Australia have not come through on proper submissions, which we are all familiar with. There is a proper submission format to follow for any external funding, government grant or industry funding. That has not always been the case in the allocation of funds, and it has been to the benefit of Citrus Australia. I stand [to be] corrected: on not one occasion has an application from Citrus Australia for funding been rejected, whereas the submissions from the department of primary industries, researchers and so on, which go before a review panel, applying for the limited funds which are in R&D have a very high failure rate.<sup>60</sup>

2.55 Mr Alan Whyte, a SCG Board Member expressed a similar view when he argued that, as the situation currently stands, CAL is both the principal proponent, and the principal recipient of projects – projects which are its largest source of income. Mr Whyte also told the committee that:

... we have Citrus Australia directors, Citrus Australia members and Citrus Australia staff all through the process. If that does not ring alarm bells about conflict of interest I do not know what does. You literally can have a situation where an application is compiled in the Citrus Australia office by staff, most of whom are on R&D funded projects, and the assessment process includes those people involved, and their members are on the IAC. If that does not ring alarm bells in a governance sense I do not know what would. It raises a very serious issue as to why the board of Horticulture Australia tolerates that, because if you look at the chain of responsibility it is the directors of the board of Horticulture Australia who are directly responsible for that.<sup>61</sup>

2.56 In his submission, Mr Bart Brighenti also raised questions about the transparency of the Citrus IAC's decision-making process, particularly given that the Citrus IAC has been 'made up of a majority of CAL directors and members even though 87% of growers are not members of CA'<sup>62</sup>. Mr Brighenti told the committee:

I want my levies used for the best interests of my industry and I want the people administering it to make impartial decisions and the process they follow enforce good governance principles.

Citrus Australia has been the greatest recipient of project money from the national levy, I can only be left feeling that they have been passing their own projects through, what in my view is, a biased IAC. [T]his is

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59 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 11.

60 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 16.

61 Mr Alan Whyte, Sunraysia Citrus Growers, *Committee Hansard*, 4 July 2013, p. 55.

62 Mr Bart Brighenti, *Submission 30*, p. 3.



heightened by the fact the vast majority of CA income comes from levies rather than membership.

I can have no faith in such a system especially when there is supposed to be an independent chair of the IAC, but this is clearly not in place, as the current chair is a founding member of CA.<sup>63</sup>

2.57 CAL's Chair, Tania Chapman, responded to concerns about the Citrus IAC's decision making process – particularly in relation to its transparency. Ms Chapman told the committee that HAL is required to hold a meeting of levy payers annually and argued that, by definition, it is a meeting that all levy payers are entitled to attend:

They [levy payers] are able to question the projects, how the money was spent and absolutely everything about it. I think last year there were about 10 to 15 people who turned up in the Riverina. So, as I said before, you can give them all the information in the world but you cannot make them come along until they want to beat the drum about something. That mechanism is there each and every year. I am not sure how we jump across that big divide and get them to come to the appropriate forums to voice their questions.<sup>64</sup>

2.58 CAL's Chief Executive Officer, Ms Judith Damiani asked that it be 'put on the record that levy payers do have a mechanism to have a say on how their levy is spent'<sup>65</sup>. At the same time, however, Ms Damiani acknowledged that there is considerable confusion about the national horticulture levy system:

What I have heard spoken about over this day and yesterday is that there is a lot of confusion about the national horticulture levy system and what happens with the peak industry bodies and their membership and what happens at a state level with state levies. It is a very confusing and complex set-up. We are trying to simplify it. We have to work together in simplifying the system. It is very complex.<sup>66</sup>

2.59 Ms Damiani asked to correct the record regarding CAL's investment plan for citrus R&D levies, and told the committee:

I also heard it said that there is no R&D plan. That is totally incorrect. There is a five-year strategic investment plan for national citrus R&D levies. There was one before and there is one now that was put in place last year for the next five years. It took us 18 months with an independent facilitator working around the regions with regional workshops, individual consultations and submissions to put that in place. That is how they have a say on how their levy is spent over the five years. It is quite detailed and it goes through by priority and areas of expenditure.<sup>67</sup>

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63 Mr Bart Brighenti, *Submission 30*, p. 3.

64 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

65 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

66 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 76.

67 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 77.

2.60 As outlined previously in this chapter, a number of submitters raised the question of the Citrus IAC being dominated by CAL board members.<sup>68</sup> This was also one of the issues dealt with in DAFF's investigation of HAL's Citrus IAC, and which is outlined in the following section.

### **DAFF's investigation of HAL's Citrus IAC**

2.61 In early 2012, a number of the abovementioned issues were raised with the former Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig. On 4 January 2012, Minister Ludwig received a representation from within the citrus industry claiming that poor governance was affecting the operation of HAL's Citrus IAC. The claims made by the industry were outlined as follows:

- CAL had increasingly become a provider of development and extension services to the citrus industry, funded with industry levies and matching government funds through HAL, excluding other potential service providers;
- at the time the Citrus IAC advised HAL to allocate project funding to CAL, the Citrus IAC was largely composed of the Board members of CAL, as permitted by HAL's Constitution, thus creating a potential conflict-of-interest in the advice offered to HAL (on the allocation of citrus industry research and development funds);
- the advice offered by the Citrus IAC to HAL was influenced by industry agri-politics;
- the Citrus IAC lacked members with adequate scientific or board directorship skills, and
- as a result, the Citrus IAC was poorly positioned to advise HAL on the allocation of funding.<sup>69</sup>

2.62 Minister Ludwig directed the industry's claims to DAFF for investigation. The Department then contacted the citrus industry complainants to better understand the claims made in their representations. DAFF also agreed on an approach to the investigation with both the HAL Board and senior management.<sup>70</sup>

2.63 HAL investigated the claims about the operation of the Citrus IAC and reported its findings to DAFF on 5 April 2012. HAL's report confirmed that:

- of the Citrus IAC's nine members, seven were board members of CAL while two were independent members;

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68 See, for example, Mr Frank Battistel, *Submission 2*, p. 2, Mrs Patricia Barkley, *Submission 4*, p. 7, Mr Phillip Blacker, *Submission 10*, [p. 5] and Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 12.

69 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

70 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

- on the advice of the Citrus IAC, HAL awarded CAL \$1.371 million of \$1.657 million of available levy funds (83 per cent) in 2010-11 and \$272,000 of \$602,000 (45 per cent) in 2011-12; and
- a non-contestable process was used to allocate project funding to CAL.<sup>71</sup>

2.64 On 11 February 2013, HAL provided DAFF with the final 2011–12 citrus program expenditure figures. The data showed that in 2011–12, CAL received \$1.475 million of HAL's \$2.921 million Citrus Levy Investment Program (50.5 per cent). In addition, HAL reported poor record-keeping practices by the Citrus IAC secretariat, which had impeded HAL's analysis of the IAC's actions and decisions.<sup>72</sup>

2.65 In May 2012, HAL advised DAFF of a number of preliminary actions it would take to address the findings of the investigation. These actions included:

- reconstituting the citrus IACs to comprise a majority of members that are not directors, executive officers or employees of CAL;
- facilitating a meeting of key citrus industry stakeholders to discuss the IAC's operations;
- an increased level of reporting to levy payers at the next annual citrus industry levy payers meeting; and
- Ms Pat Barkley<sup>73</sup> would remain on the IAC as the technical advisor on the R&D program.<sup>74</sup>

2.66 On 2 July 2012, Minister Ludwig wrote to the citrus industry complainants, summarising the findings of the investigation and advising that HAL would be the agency responsible for implementing the agreed actions (to improve the governance of the Citrus IAC).<sup>75</sup>

2.67 The new membership of the Citrus IAC was announced in August 2012. The IAC is now made up of nine members – six of whom are not directors, executive officers or employees of CAL. DAFF was advised by HAL that the new Citrus IAC 'was selected following a thorough and open selection process'<sup>76</sup> which involved advertising for expressions of interest in the press in major citrus growing regions. All applications were then provided to an independent recruitment agency for review

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71 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 11.

72 Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp. 11–12.

73 DAFF's submission notes that Ms Barkley resigned from CAL on 11 September 2012 and therefore, from that date, she also ceased her role as an ex-officio technical adviser to the Citrus IAC.

74 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

75 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

76 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

before being considered by a three person selection panel which included representatives from the HAL Board, HAL management and CAL.<sup>77</sup>

2.68 On 28 November 2012, HAL gave DAFF notice that it was proposing to appoint independent governance advisers to its IACs. The role of these advisers would be to assist with governance, manage the implementation of procurement guidelines and improve risk management. On 6 February 2013, HAL confirmed that an independent governance adviser had been appointed to five IACs – including the Citrus IAC.

2.69 On 16 February 2013, HAL advised DAFF that it had recommended the introduction of procurement guidelines to its members. DAFF was also advised that implementation guides for HAL's procurement guidelines would be finalised by HAL during 2013, taking into account feedback from the independent governance advisors and other stakeholders. Any additional improvements to HAL's governance arrangements that are agreed between the government and HAL will also apply to the Citrus IAC.

2.70 DAFF also indicated that 'discussions are continuing between the department and HAL on improved governance arrangements for all of HAL's IACs, to avoid possible or perceived conflicts of interest'.<sup>78</sup> DAFF also advised that:

There are a range of initiatives being discussed which aim to ensure greater contestability in the allocation of funding and improved arrangements for the composition and function of IACs. HAL is engaging with its members to resolve the complaints and strengthen IAC governance arrangements.<sup>79</sup>

## **HAL – review of structure and performance**

2.71 On 25 July 2013, HAL announced its intention to commission a review of the model under which it currently works, 'in order to maximise the return from Australian horticulture's investment in marketing and research and development'.<sup>80</sup>

2.72 HAL indicated that the review will be conducted by an independent organisation and assisted by a steering committee. The proposed membership of the committee – which will be appointed by HAL and chaired by an independent person – includes:

- HAL members;
- levy payers;

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77 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

78 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

79 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 12.

80 Horticulture Australia Limited, Media Release, *HAL to review structure in bid for stronger sector*, 25 July 2013.

- DAFF; and
- experts from both HAL and the Rural Research and Development Corporation.

2.73 In announcing the review, HAL noted that during the past 12 years, the value of the horticulture industry has tripled – to approximately \$9 billion. HAL also acknowledged that HAL's membership has doubled and that this growth has led to a structure it described as 'complex'.

2.74 HAL indicated that its Statutory Funding Agreement with the Commonwealth requires that a review of the organisation's performance be completed six months prior to its expiry, by May 2014.

2.75 It is proposed that the terms of reference for the review will be broad, however the performance review will include an examination of:

- the HAL service delivery model (against the benchmark of good governance practice);
- HAL's membership structure;
- the nature and transparency of funding arrangements;
- HAL's ability to deliver services;
- HAL's ability to meet the future demands of the horticulture industry;
- the efficiency of the existing levy structures; and
- the process by which levies are conceived, implemented, collected and expensed.<sup>81</sup>

### **Committee view**

2.76 The committee notes that industry stakeholders (including individual growers) are generally supportive of the idea of a national peak body for citrus. The committee also notes that a large section of the industry was initially supportive of CAL, and voted in favour of the new organisation replacing ACG as the industry's peak body.

2.77 It is clear, however, that following the establishment of CAL, growers began to express serious concerns about its performance as the industry's peak body. Growers raised concerns about the structure of the industry, the industry's leadership and the lack of regional representation at the national level. Growers also expressed concerns about the way in which the new organisation has failed to engage with growers, the role it plays in the allocation of research and development (R&D) funding, and the lack of transparency in the funding process itself.

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81 Horticulture Australia Limited, Media Release, *HAL to review structure in bid for stronger sector*, 25 July 2013.

2.78 The committee acknowledges the strongly held views of those industry bodies and individual growers who argued that CAL is not representing their interests effectively. The committee also acknowledges the argument presented by a number of industry stakeholders; that there is a lack of transparency in relation to the allocation of R&D funding and in relation to the membership of both the IAC and CAL. The committee notes the frustration expressed by stakeholders who told the committee that the concerns they have raised have not been heard or responded to. As a result, relations between growers and their peak industry body have, over recent years, deteriorated to a point where there is now a distinct lack of trust between CAL and those it was appointed to represent.

2.79 However, the committee also notes that CAL does have support from several parts of the citrus industry. This clearly demonstrates the degree to which the citrus industry is splintered and the fact that the various sectors are finding it difficult to work cooperatively. The committee notes that it has become difficult for an observer to identify facts from fiction, and it is starting to become a matter of 'he said' and 'she said', which is neither helpful, nor conducive to building working relationships.

2.80 The committee is aware of the difficulties that CAL has faced in taking over from ACG and attempting to provide leadership to an industry sector that has become fragmented and is frequently in conflict. Nonetheless, the committee is of the view that as the national representative body for the entire citrus industry, it is incumbent on CAL to listen to growers' concerns (regardless of whether they are members), give due consideration to the issues raised, and work with growers to find pathways forward. The committee is also of the view that it is CAL's responsibility to forge formal and constructive relationships with, and between, individual growers (again, regardless of whether they are members), state and regional bodies and government agencies.

2.81 The committee acknowledges the background and the complexity of the issues surrounding the establishment of RACs. The committee is of the view, however, that appointment to, and membership of, these advisory committees should be consistent across all states. The committee is also of the view that CAL should adopt a more democratic selection process to appoint representatives from the regions, and allow these representatives to inform policy development from a regional perspective.

2.82 It is obvious that the current structure, particularly in relation to regional representation, is not delivering on the needs of the industry. The committee notes, for example, that stakeholder groups – particularly regional organisations – are having problems accessing up-to-date, accurate information about the growers they represent, a situation which is both unhelpful and unjustifiable.

2.83 It is the committee's view that the industry needs to develop a central database which provides a register of growers and contains sufficient data to extract specific details such the location of citrus growers, the varieties of citrus being grown and the amount of citrus being grown. The committee believes that the maintenance of this

type of basic data would be to the industry's advantage in terms of policy development and planning. The committee further considers that such a database be in the custody of a body independent from the current representative bodies (such as DAFF) until such time as issues of equitable national and regional representation are resolved. In conjunction with DAFF and the Levies Revenue Service (LRS), the industry should consider working towards a compulsory registration system for all commercial citrus producers in order to facilitate this process, particularly with regard to facilitating communication with growers in biosecurity emergencies.

2.84 The committee believes that DAFF, as the legislated levy collector should furnish HAL with a comprehensive list identifying levy payers in order to enable effective communication with them. This list/database would also establish the means by which HAL could receive feedback from levy payers regarding the administration of levies, as well as allowing levy payers an opportunity to provide feedback on issues such as industry representation, changes to the levy amount and changes to the way levies are collected and distributed.

2.85 The committee is also very concerned however that, given the current lack of up-to-date information, contacting individual growers in the event of a biosecurity emergency would be complicated, slow and very likely not to be comprehensive in scope.

2.86 The committee notes that in the 12 months since DAFF's investigation of HAL's Citrus IAC, efforts are being made by stakeholders to improve governance arrangements for all IACs and to avoid possible or perceived conflicts of interest. It is important that these efforts continue. Many of the findings of the investigation go to the heart of the committee's concerns, and it encourages the swift implementation – and monitoring – of the reforms outlined in the final sections of this chapter. In the context of CAL being the principle recipient of HAL funding for citrus projects, the committee notes the continued presence of CAL directors and/or employees on the Citrus IAC and the IAC's Technical Reference Committee, and the inclusion of a CAL representative on the selection panel for the current IAC.

2.87 The committee believes the current review of HAL's performance is timely. It also welcomes the broad terms of reference that have been put forward – particularly in relation to membership structure, the nature and transparency of funding arrangements, the efficiency of the existing levy structures and the process by which levies are conceived, implemented, collected and expensed. While the committee looks forward to the results of the review, it considers the review could also usefully address:

- HAL's capacity to effectively and efficiently direct industry and government funds to critical national, whole-of-industry issues;
- appropriate mechanisms for greater and more transparent stakeholder and levy payer participation in the strategic direction of research and development and marketing funded through levy payers;

- the possibility of rationalising the membership structure to improve efficiency and better address critical national, whole-of-industry issues; and
- the possibility of a membership structure which removes potential conflicts of interest in the allocation of funds to research projects.

### **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 in the selection of regional advisory bodies.

### **Recommendation 2**

**2.89** The committee recommends that the industry work with DAFF and the LRS towards a compulsory registration system for growers to develop a central database of growers – with data including their location, 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 time as issues of equitable national and regional representation are resolved.

### **Recommendation 3**

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

### **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.



## Chapter 3

### Issues facing the Australian citrus industry

3.1 In addition to the concerns raised regarding the current industry structure, regional representation, and the allocation of levy funds, the committee received evidence in relation to a number of other issues of concern – both to individual citrus growers and the citrus industry more generally.

3.2 The following chapter outlines some of the issues currently facing the Australian citrus industry. These issues include the increasing costs of production and the impact of export fees and charges and imported juice concentrate on the viability of Australian producers. Also discussed is the intransigent problem of Australia's food labelling laws – specifically in relation to orange juice and juice products.

3.3 This chapter also outlines the problems raised by growers in relation to Australia's export markets. In particular, it discusses the extent to which Australia is encouraging and facilitating exports (and the development of new export markets) and what can be done to remove any impediments to Australian producers growing overseas markets.

#### **Production costs/competition from lower-cost offshore producers**

3.4 Over the past 30 years, the price per tonne of juice fruit has varied considerably. Recently, citrus growers had become hopeful that at some point the floor price of the industry would increase as Brazil planted more sugar cane, and both Brazil and Florida experienced problems with citrus disease.<sup>1</sup> However, this has not proved to be the case, and in the last season growers received an average return from the United States of \$215 per tonne. This scenario is problematic as 'growers need \$250 per tonne (based on 40 tonne per ha) just to cover costs.'<sup>2</sup>

3.5 Australian producers – particularly small producers – have been finding it increasingly difficult to compete with large, commercial organisations. Over recent years, additional competition – particularly from large juice importers – has increased the strain on small producers.

3.6 The committee was told that in order to compete with international imports, Australian growers have started to target their efforts more toward premium markets, which in turn has resulted in increased production costs.<sup>3</sup>

3.7 Over recent years, there have been general increases to costs such as chemicals, packaging, fuel and freight. However, it has been significant increases to the cost of labour, electricity (particularly for irrigation) and water which have been having a major impact on growers' ability to compete.

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1 Mr Ron Gray, *Submission 12*, p. 1.

2 Murray Valley Citrus Board, *Submission 9*, p. 2.

3 South Australian Murray Irrigators, *Submission 33*, p. 2.

### **Labour costs**

3.8 The committee heard that because it is difficult to automate the production and processing of citrus to market, labour is the single largest business cost for citrus growers. It was also noted that market variability is one of the 'realities of farming' and that, at times, with market prices of \$100 per tonne, there is little or no incentive for producers to grow or harvest a crop.<sup>4</sup>

3.9 The committee was told that labour costs – and more specifically recent changes to employment conditions – are major reasons why the cost of production is currently higher than returns. Sunraysia Citrus Growers (SCG) argued, for example, that changes to employment conditions are reducing the ability of growers to cope with irregular working hours:

SCG is disappointed that recent and proposed changes to award conditions are limiting that flexibility. Examples include increases in penalty rates and restrictions on working hours. Packing sheds will often operate two shifts to manage fruit volumes during the peak of the season. These shifts may be outside the permissible normal hours or fall on a Public Holiday, thus attracting significantly higher rates under the Horticulture Award. These higher costs result in lower returns to growers.

The growers we represent have no ability to pass these costs onto anyone else and in recent years, a casual fruit picker would be receiving greater payment than the owner of the business.<sup>5</sup>

3.10 This view was shared by the Costa Group (trading as AgriExchange). It was explained that citrus is harvested manually and, due to the ripening process and market demands, it must be picked seven days a week. It was argued that, for these reasons, the sector needs to have flexible workplace relations arrangements. It was also argued that:

As a seller in the domestic and international markets an increase in labour and production costs would diminish the competitiveness of AgriExchange in both of these markets.

AgriExchange is competing against low wage producing countries, a threat that would be further compounded by reduced labour market flexibility and increased costs.

This operating environment requires a spread of hours and shift work arrangements that enable the horticulture sector to maintain a level of flexibility and responsiveness in order to satisfy the unique seasonal operational needs of the sector and to avoid the incursion of a substantial increase in production costs.

This includes the retention of piecework arrangements which provide for greater flexibility and productivity, as they are well suited to the unique nature of the sector.

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4 South Australian Murray Irrigators, *Submission 33*, p. 2.

5 Sunraysia Citrus Growers Inc., *Submission 20*, p. 3.

The attraction of piecework to productive pickers (and employers) is that they can work at their own pace and earn significantly higher rates than any minimum wage rate. The absence of this productivity incentive would see many pickers either leave the industry or simply not be as productive as they previously have been.<sup>6</sup>

3.11 In evidence, Griffith grower, Mr Frank Battistel indicated that whilst he had no issue with the money pickers were being paid, it needed to be acknowledged that, comparatively, Australian production costs are very high. Mr Battistel told the committee that, for example:

We [Australia] pay \$30 a bin; in South Africa, they pay \$3. Even in America, which is supposed to be a developed country or is a developed country, they pay about \$8 a bin. In South America, again, it is probably about \$3 or \$4. So you can see the difference. Then we have to go and compete in Asia and the rest of the world with those sorts of price differences.<sup>7</sup>

3.12 Mr Louis Sartor told the committee that high cost is relative, and can also be viewed as a proportion of what growers receive:

If we are paying \$90 or \$100 a tonne to have our fruit harvested and we are only receiving \$120 a tonne, it equates to 90 per cent of our total return. What we are not trying to do is reduce the cost as a percentage of our return. We are trying to increase our return so that we can go out there and pay fair market price for labour.<sup>8</sup>

### ***Electricity and water costs***

3.13 The costs associated with both electricity and water were described by a number of growers as being an ever-increasing burden.<sup>9</sup> Mr Robert Smyth told the committee that his family citrus business currently collaboratively irrigates with 'approximately thirty other irrigators, with technology which allows us all to irrigate our trees to the trees requirement, to the extent we can pulse irrigate (several times a day)'. Mr Smyth indicated that with the cost of electricity for the pumping of water at today's prices, some growers are questioning whether they should have invested \$6 million in the irrigation system approximately fifteen years ago.<sup>10</sup>

3.14 Griffith grower, Mr Peter Taprell argued that increasingly, farmers are finding it more difficult to cover basic farm input costs such as rates, water charges and

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6 Costa Group, *Submission 13*, pp 9–10.

7 Mr Frank Battistel, *Committee Hansard*, 3 July 2013, p. 14.

8 Mr Louis Sartor, *Committee Hansard*, 3 July 2013, p. 15.

9 See, for example, Mr Phillip Blacker, *Submission 10*, Sunraysia Citrus Growers Inc., *Submission 20*, Griffith City Council and Leeton Shire Council, *Submission 21*, Pinnacle Accounting Partners, *Submission 28* and Mr Graham Eipper, *Submission 40*.

10 Mr Rob Smyth, *Submission 6*, pp 2–3.

electricity, and as a result they have 'been forced to obtain off farm employment to survive and provide food for their families'.<sup>11</sup>

3.15 Representative body CAL submitted that, in terms of production costs:

Our packing sheds and irrigation pumps are heavy users of electricity – huge power cost increases are a drain on production and processing (electricity costs have risen by 25 per cent due to the introduction of the carbon tax alone).<sup>12</sup>

3.16 Fruit West's submission also noted that irrigation pumps are particularly heavy users of electricity, and argued that running costs have risen by as much as 25 per cent 'without the capacity or market mechanism to pass on these costs through the supply chain'. Fruit West also argued that due to the impact of rising input costs, the long term financial sustainability of the industry is at crisis point.<sup>13</sup>

#### *Water security*

3.17 In addition to the cost of water, submitters also raised concerns about water security and water trading. The committee was told that uncertain water supply and the complications associated with water trading can cause significant problems for producers. The committee was also told that the efficient management of water resources is essential to ensuring the long term sustainability of the citrus industry – particularly in the Riverland.

3.18 The Costa Group noted, for example, that the drought that has impacted South Australia and the Murray Darling Basin over recent years has resulted in a considerable number of citrus orchards being removed. It was also noted due to high replacement costs and uncertain market conditions, many producers have chosen not to replant citrus crops.<sup>14</sup>

3.19 The Costa Group argued that targeted public investment in infrastructure (including irrigation schemes, urban diversion, water delivery and storage systems) should be a priority and recommended investment in the following project areas:

- the reduction of wasteful evaporative losses from inadequate storage and transmission systems (including mandatory lining and covering or piping of all canal diversions from the river systems across the Murray Darling Basin);
- the elimination of all shallow or wasteful storage;
- the measurement of water use within crops using available technology;

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11 Mr Peter Taprell, *Submission 11*, [p. 1].

12 Citrus Australia Limited, *Submission 15*, p. 23.

13 Fruit West, *Submission 36*, p. 3.

14 Costa Group, *Submission 13*, p. 6.

- the delivery of water through recommended water irrigation system(s) that are appropriate for the crop being grown, and the soil type it is being grown in;
- the use of composts and mulch to reduce water evaporation and improve the water retention capacity of soils; and
- technology to identify/map soils that are best suited to certain irrigation systems.<sup>15</sup>

3.20 The Costa Group also argued that, in developing the business rules of water resource sharing, the Commonwealth Government should give recognition to the states (in particular South Australia). It was further argued the Commonwealth should recognise those communities reliant on the Murray Darling Basin – for example the Riverland and citrus industry – that have historically made sacrifices by capping irrigation diversions, rationalising water delivery systems and adopting water conservation technologies in their own irrigation practices.<sup>16</sup>

3.21 SCG also raised concerns in relation to water security, arguing that interruptions to water supply can lead to crop failure or long term crop loss and that uncertain water security can limit the potential for growth and have a negative impact on investment decisions.<sup>17</sup> SCG told the committee that:

Citrus growers are now highly reliant on water trade, many having sold down water licences for financial survival. Water trade continues to be complicated with varying state costs, carryover provisions and season closure dates. The greatest risk in the water trade market is the lack of licensing requirement for water brokers and no legal obligation for them to operate trust accounts. The Government must act immediately to fix this issue before growers suffer severe financial loss.<sup>18</sup>

3.22 SCG also told the committee that the Murray Darling Basin Plan had 'done little to provide our industry with the water security and reliability required for citrus production', and argued that the operation and integrity of high security, reliable water licences should be guaranteed by the Government.<sup>19</sup>

### **Export and export growth**

3.23 Submitters noted that opening up priority markets was essential so that products could be marketed internationally in an affordable and achievable manner. For example, Redbelly Citrus raised concerns at the absence of a trade agreement between Australia and Japan for citrus fruits, for example blood oranges, resulting in

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15 Costa Group, *Submission 13*, p. 7.

16 Costa Group, *Submission 13*, p. 7.

17 Sunraysia Citrus Growers Inc., *Submission 20*, p. 3.

18 Sunraysia Citrus Growers Inc., *Submission 20*, p. 3.

19 Sunraysia Citrus Growers Inc., *Submission 20*, p. 3.

complex arrangements for citrus imports, driving up costs and reducing competitiveness.<sup>20</sup>

3.24 CAL argued that improvements to trade relationships can only be achieved by building an atmosphere of mutual respect and creating equal opportunities with competitors, particularly in relation to Asian markets. CAL told the committee that the Commonwealth government could assist the development of relationships and improved trade agreements by increasing Australia's level of participation in, and organisation of, trade visits (and other forums for discussion).<sup>21</sup>

### **Background - export markets<sup>22</sup>**

3.25 Over the last three years, citrus has been Australia's highest value fresh horticulture export product and accounted for 31 per cent of the total value of fresh fruit and vegetable exports (or A\$162 million) per annum. Although export markets are important to the Australian industry, the United States, South Africa, and more recently Chile and China, supply the bulk of citrus to international markets.

3.26 Australian citrus currently competes with citrus from South Africa, Chile and Peru during the southern hemisphere season (which is between June and November) and the United States which has a significant impact in the early part of the season.

3.27 Oranges account for approximately 80 per cent of Australian citrus exports, mandarins 19 per cent, and the balance of Australia's citrus exports are small volumes of lemons and grapefruit. In 2012, Hong Kong and Japan were the major export destinations for Australian oranges (Hong Kong 22.9 per cent of exports, 30,900 tonnes and Japan 22.1 per cent of exports, 29,800 tonnes). Significant volumes of Australian oranges were exported to Malaysia (8.6 per cent, or 11,600 tonnes), the United States of America (8.3 per cent or 11,200 tonnes) and Singapore (7.8 per cent, or 10,400 tonnes) with the remainder of Australia's oranges exported to smaller markets throughout the world.

3.28 Australia is one of Japan's major suppliers of oranges, particularly during the southern hemisphere export season. In 2012, Australia accounted for 21 per cent of all orange exports to the Japanese market and was the second largest supplier of mandarins (accounting for 10 per cent of all exports to the Japanese market). A growth in exports – particularly mandarins – into the Japanese market is a major priority for the Australian citrus industry.

3.29 There has been a significant decline in the export of Australian oranges to the United States market over recent years. Currently, the majority of oranges exported to the United States are navels, which are primarily exported between May and September (the non-producing months in the United States).

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20 Redbelly Citrus, *Submission 37*, [p. 6].

21 Citrus Australia Ltd, *Submission 15*, p. 24.

22 This section is based on information provided in Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp 7–9.

3.30 In the 1990s, Australia dominated the market for imported out-of-season oranges in the United States. The United States' imports of Australian navel oranges peaked at around 30,000 tonnes in 2007. By 2011, Australia's share of the US market had declined to 8,000 tonnes, due largely to competition from South Africa and, more recently, Chile.

3.31 The change over time in the value of the Australian dollar has also had an impact on the export of Australian citrus. Between June 1990 and June 2001, the depreciation in the real exchange rate of the Australian dollar, contributed significantly to the growth of exports in Australian citrus. However, the ten years from 2001 to 2011, saw the Australian dollar appreciate by 53 per cent against a number of international currencies. As consequence of this appreciation, the average unit export returns for Australian oranges declined by 38 per cent during this period, despite international prices rising in 2006, 2007 and 2010.

### ***Export market access***<sup>23</sup>

3.32 Gaining access to export markets with strict phytosanitary conditions, such as Japan, China, the USA and Korea, can only be gained through bilateral government to government negotiations. DAFF undertakes the negotiations through which protocols are established and has responsibility for ensuring that exports of Australian products satisfy the mandated conditions imposed by the importing country.

3.33 Protocol conditions for entry into markets such as Japan, China, the USA and Korea tend to be stringent due to the trading partners' concerns about the risks posed by the introduction of pests and diseases. For example, most of Australia's trading partners have serious concerns regarding the risks associated with fruit flies, particularly the Queensland fruit fly (*Bactrocera tryoni*), which is endemic to eastern Australia and is considered to be one of the world's worst horticultural pests.

3.34 Different varieties of citrus have differing susceptibilities to fruit fly, which in turn influences the mandated conditions for trade. Protocol markets will typically impose mandatory risk mitigation measures to be implemented against fruit fly and other quarantine pests and diseases of concern before citrus is allowed to access the market.

3.35 The type of import conditions imposed by protocol markets may include some, or all, of the following requirements (which add to the complexity of access):

- mandatory registration of orchards by industry and/or government;
- mandatory integrated pest management, and the associated keeping of records;
- specifications for shipping containers in terms of their construction and the technical specifications of its integrated temperature sensors and recorder;

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23 This section is based on information provided in Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp 13–14.

- calibration of temperature sensors to record cold treatment temperatures by a suitably qualified technician;
- supervision of the placement of temperature sensors by a government official;
- verification of the cold treatment records performed by a government official;
- government registration of facilities involved in the export pathway; and
- government oversight of integrated pest management for pests of concern to importing country.<sup>24</sup>

3.36 Other markets, such as Vietnam, Indonesia and the United Arab Emirates have essentially functioned as open markets with few requirements beyond a phytosanitary (ie. plant health) inspection by Australian authorities to ensure freedom from pests, soil, weed, seeds and other extraneous material. However, a number of markets (eg. Thailand and Vietnam) are currently transitioning to a far more rigorous system of quarantine management, which will involve the negotiation of new protocols (if Australia is to maintain access to these markets).

3.37 Australian citrus exports are currently split between protocol and non-protocol markets. In 2012, 65 per cent of Australian citrus exports were shipped to protocol markets, and 35 per cent were shipped to non-protocol markets.

#### *The role of Citrus Australia and the Australian Government*

3.38 Industry representatives argued that the opening up of markets – particularly priority markets – is essential if Australia is to successfully market its product internationally (in an affordable and achievable manner).

3.39 When the issue of market access was raised with representatives of CAL, Ms Judith Damiani indicated that the market access plan was on foot and included areas such as market maintenance, market improvement, market development and quarantine and non-quarantine issues. Ms Damiani also indicated that CAL was currently targeting the Asian markets – particularly China, Korea and Thailand.<sup>25</sup>

3.40 CAL's Chairman, Tania Chapman indicated that the peak body's focus is currently on China. Ms Chapman told the committee that, three years ago Australia exported approximately five containers to China (some via Hong Kong). Last year that figure increased to one hundred containers and this year it is likely to be somewhere between 300 and 400 containers – which represents a huge growth for the Australian industry.<sup>26</sup>

3.41 Ms Chapman also indicated that export protocols required to be met by growers represented one of the key barriers to doing more trade in China:

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24 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 13.

25 Ms Judith Damiani, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 79.

26 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 80.



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As a grower, it costs me about 2½ thousand dollars more per hectare to be able to prepare my orchard to send to somewhere like China, Korea or Thailand. So having to get past those stringent protocols is one of our biggest barriers, and they are the things we really need to work on.<sup>27</sup>

3.42 The SCG submission agreed that the export markets of China, Korea and Thailand do represent the best opportunity for future export growth. SCG noted that these markets 'have been developed over the past few seasons and will continue to grow with careful management'. SCG also noted, however, that these emerging export markets are also relatively costly to supply due to more stringent market access and protocol arrangements.<sup>28</sup>

3.43 SCG noted that there are currently impediments both at a production level and a regulatory compliance level. It was suggested that revised protocol arrangements – similar to those with many of our existing export markets – would allow more rapid growth in the emerging markets. Further, SCG argued that Australia is currently at a disadvantage because it does not enjoy similar protocol arrangements to those of many of its competitors, and called for government assistance to negotiate more favourable and less costly trading arrangements and revised protocols.<sup>29</sup>

3.44 RedBelly Citrus, one of Australia's largest producers and marketers of blood oranges, told the committee that Australia currently has no agreement with Japan under which blood oranges can be exported. It was argued that way in which the current arrangements are framed is very complex and causes considerable problems for exporters:

In a brief example on how different access arrangements can be: In markets like the USA, it is accepted that cold dis-infestation procedures will work on all types of 'Orange' so no matter on what type of orange variety, such as in my case, Blood Orange, the access arrangement will allow for it. For the case of Japan, the arrangement is vastly different, the acceptance of cold dis-infestation is per variety.<sup>30</sup>

3.45 It was argued that there are a number of things the Australian Government could do to improve relationships with importing countries and to create a more level playing field (particularly with Australia's competitors in Asian markets). CAL recommended, for example, that in addition to increased participation in trade visits and devoting additional resources to trade negotiations, the Government:

- devote additional resources to opening up, or improving, priority markets;
- assist in developing export protocols that are uniform and which will improve our access to Asian markets;

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27 Ms Tania Chapman, Citrus Australia Limited, *Committee Hansard*, 4 July 2013, p. 80.

28 Sunraysia Citrus Growers Inc., *Submission 20*, p. 5.

29 Sunraysia Citrus Growers Inc., *Submission 20*, p. 5.

30 Redbelly Citrus, *Submission 37*, [p. 6].

- partner with industry to find novel solutions to market access obstacles;
- progress trade between countries through building relationships with the appropriate officials and industry sectors in corresponding countries;
- progress Free Trade Agreements;
- reduce the cost of quarantine inspection services; and
- continue to support a two year transition from export regulations.<sup>31</sup>

3.46 DAFF indicated that there are limitations to what can be done in terms of improving market access, and told the committee that despite the availability of high quality data, reliable treatment options, and efficient export certification systems 'in the end, under the international phytosanitary rules, the resolution of market access and market improvement requests is ultimately determined by the importing country, and not the country initiating the request.'<sup>32</sup>

3.47 However, DAFF also indicated that it was undertaking a number of projects under the Export Certification Reform Implementation agenda which 'will deliver more efficient export certification and inspection services'.<sup>33</sup> The Department noted that as part of its work in this area, a horticulture exports industry consultative committee was to be established. It is proposed that the committee (which includes representation from the citrus industry) will consult widely with industry stakeholders and provide advice on ways to improve both the export certification process and service delivery.<sup>34</sup>

3.48 In terms of future improvements, DAFF argued that:

These changes provide a strong foundation for Australia's exporters, securing and improving market access and positioning Australia's inspection and certification processes and the forefront of export industries worldwide.<sup>35</sup>

### ***Inhibitors to export and export growth***

#### ***Export fees and charges***

3.49 The issue of export certification fees and charges has been covered extensively by the committee in several previous inquiries.<sup>36</sup> For the purposes of this

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31 Citrus Australia Ltd, *Submission 15*, pp 20 and 24.

32 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 14.

33 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 19.

34 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 19.

35 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 19.

36 See, for example, Rural and Regional Affairs and Transport References Committee, *The removal of rebate for AQIS export certification functions*, September 2009; Rural Affairs and Transport References Committee, *Biosecurity and quarantine arrangements, Interim report: the management of the removal of the fee rebate for AQIS export certification functions*, December 2011, and Rural and Regional Affairs and Transport References Committee, *Australia's biosecurity and quarantine arrangements*, April 2012.

report however, it is relevant to note that DAFF has operated some forms of cost recovery for export certification since 1979. Under various Federal Government policy decisions since then, the costs for most activities have been recovered from users. Cost recovery in relation to export fees began in 1979, with 50 per cent cost-recovery; 60 per cent from 1 July 1988 and 100 per cent cost recovery (for recoverable programs) from 1 January 1991.

3.50 DAFF operated under a full cost-recovery arrangement until 1 November 2001, when the government implemented a temporary rebate on export certification to the value of 40 per cent of the invoiced costs. The citrus industry (among others) returned to a full cost recovery system in 2011, although the impact of that has been offset by a fee rebate, diminishing over time and set to vanish completely in 2014.<sup>37</sup>

3.51 The submission provided by Redbelly Citrus put a compelling case about the impact of increased fees which it recounted that 'under the new cost structure, certification for a Category 3 country which includes the vast majority of our Asian and North American trading partners increases from \$550 per annum to \$8,530 (with a transitional period where the fee is increased to \$6,730)'.<sup>38</sup>

3.52 Redbelly Citrus told the committee that:

This is a tenfold increase in fees which to a newly established business, in the current business and export environment, represents a huge barrier to contemplating an export program. How many other businesses such as ours, that were going to register to test overseas markets will not do so now? How many export dollars are being kept out of the country because of this decision?<sup>38</sup>

3.53 DAFF indicated that there were numerous reasons behind the decision to remove the fee rebate and move to full cost recovery in relation to export fees and charges. The committee was told:

Increasingly, Australia's trading partners are seeking to protect their phytosanitary status by imposing more stringent import conditions. Accompanying these reforms, Australia is experiencing a significant increase in the demands from our export markets to justify Australia's claims regarding its pest status and the competence (efficacy) of the treatments we offer to manage pests of concern, particularly Queensland fruit fly.

In the face of these pressures, DAFF has expended significantly more effort to maintain existing market access and to protect the commercial viability of the Australian citrus industry. The maintenance of market access in the face of changes by a foreign government has been a priority for the department.

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37 For further detail on the history of the fee structure, and rebates provided, see Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp 17–19.

38 Redbelly Citrus, *Submission 37*, [p. 3].

Given the large number of horticultural commodities exported from Australia, the department's market access responsibilities extend to delivering outcomes for the broader horticultural community. There is a high degree of competition for access to the department's resources to pursue and improve market access.<sup>39</sup>

3.54 The Murray Valley Citrus Board (MVCB) noted that approximately 50 per cent of the fruit grown in the Murray Valley region is exported. It was argued, therefore, that export market access is 'absolutely vital to citrus growers in the Murray Valley'<sup>40</sup>. It was also noted that whilst they have access to a number of markets, the protocols which they are currently required to meet are onerous and costly to implement – both on-farm and post-harvest.

3.55 MVCB argued for improved protocols and additional market access to enable the industry to be more competitive with other southern hemisphere producers and exporters. It was also noted that, in terms of expenditure:

The cost of compliance through government charges such as those imposed by AQIS are stifling export opportunity. With recent moves to full cost recovery by AQIS, growers are now less inclined to send product to an export destination, and this at a time when Australia needs more export income not less. Export licence fees have also recently risen.<sup>41</sup>

3.56 SCG also raised concerns about export charges, and argued that, to date, the industry has seen very little benefit in return for the fee increases:

Despite huge increases in AQIS fees to export establishments, industry has not received improved or more efficient service. Due to the nature of our industry, late orders and logistics delays are often inevitable. AQIS operations are often not flexible enough to work concurrently with our industry needs. Whilst there have been some improvements, such as the registration of in-house inspectors, more measures are needed to achieve optimum efficiency.<sup>42</sup>

3.57 DAFF told the committee that the new cost recovery arrangements were based on an option put forward by the Department (and which had the support of some industry sectors). DAFF submitted that this particular option was implemented on the basis that it:

- represented the most equitable distribution of costs across all horticulture exporters;
- is financially stable and will be able to respond to changes in the demand for services; and

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39 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 14.

40 Murray Valley Citrus Board, *Submission 9*, [p. 3].

41 Murray Valley Citrus Board, *Submission 9*, [p. 4].

42 Sunraysia Citrus Growers Inc., *Submission 20*, p. 6.

- complies with the requirements of the Government's Cost Recovery Guidelines.<sup>43</sup>

3.58 DAFF argued that the new fees and charges which were implemented on 1 July 2012 'corrects significant under-collection in previous years and addresses complaints from export certification users about the previous service delivery arrangements'.<sup>44</sup> DAFF also argued that the new arrangements provide more streamlined export certification arrangements which, in time, will reduce the cost of export certification.<sup>45</sup>

3.59 At the same time, however, DAFF acknowledged that not all benefits of the new system would be available immediately. It was noted that, to offset registration charges, \$6.5 million in transitional funding had been made available to horticulture exporters until 2014. DAFF argued that this funding would assist the industry to move to the new fee structure, give exporters the opportunity to get used to the new arrangements and, if necessary, make adjustments to the way they do business.<sup>46</sup>

3.60 The committee was told that the transitional funding is being provided through a \$6 million fee rebate over three years (\$2.7 million for 2011–12, \$2.2 million for 2012–13 and \$1.1 million for 2013–14). The department also indicated that:

For the transitional funds in 2011–12, approximately \$1.7 million was used to erase the operating deficit of the Horticulture Export Program, with the remaining \$1 million being applied as a retrospective rebate to all fees and charges collected in 2011-12.

The \$2.2 million for 2012–13 will offset the establishment registration charges for all three tiers to a common base level of \$1800, with the \$1.1 million to further offset registration charges in 2013–14. This means an exporter who may face a tier three \$8530 annual registration charge will receive a rebate of \$6730, reducing their fee to \$1800.<sup>47</sup>

### **Australia's food regulation system and food labelling**

3.61 The issues associated with food labelling have been of particular concern to the Australian citrus industry for a number of years. At the same time, industry has raised concerns about the problems associated with the regulation of imported OJC, quality testing and possible chemical contamination.

#### ***Background***

3.62 DAFF and the Department of Health and Ageing (DoHA) work collaboratively with New Zealand and Australian state and territory governments,

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43 Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp 18 and 19.

44 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 18.

45 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 18.

46 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 19.

47 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 19.

through the COAG Legislative and Governance Forum on Food Regulation (the forum), to develop food regulation policy. Food Standards Australia New Zealand (FSANZ) is responsible for developing agreed national food standards, having regard to policy guidance from the forum. State and territory governments develop and administer food legislation, which gives legal force to the requirements of the Australia New Zealand Food Standards Code (the Code). State and territory governments, together with local governments, are responsible for monitoring compliance of food (with legal requirements within their jurisdiction) and responding to food safety incidents.<sup>48</sup>

3.63 DAFF is responsible for the administration of the relevant legislation (the *Quarantine Act 1908* and the *Imported Food Control Act 1992* (IFC Act)) at the border. All imported food must meet Australian biosecurity requirements first, before then being subject to the requirements of the IFC Act. The Imported Food Inspection Scheme (IFIS), administered by DAFF under the IFC Act, is a risk-based inspection scheme that aims to ensure that imported foods comply with the code. If unsafe or non-compliant imported food is identified, it is re-exported or destroyed or, in some cases, treated in order to bring it into compliance.<sup>49</sup>

3.64 Country of origin requirements in the Code have been designed to impose a positive, mandatory obligation on food suppliers to label (with the country of origin) most food products for retail sale in Australia. This requirement applies equally to both domestically produced and imported foods. The standard requires a country of origin statement on most packaged food and on unpackaged fresh and processed fruit, vegetables, nuts, fish, fresh pork and preserved pork products. From July 2013, country of origin labelling is also required on unpackaged beef, sheep and chicken meat. Country of origin labelling is enforced by the states and territories, and by DAFF, for imported foods at the border.

3.65 Under the *Competition and Consumer Act 2010* (CCA), a good (including food) must pass the following tests to use a 'Made in' claim:

- the good must have been 'substantially transformed' in the claimed country; and
- at least 50 per cent of the cost to produce the product must have been incurred in that country.<sup>50</sup>

3.66 In accordance with the CCA, goods are 'substantially transformed' in a country if they undergo a fundamental change in that country in form, appearance or nature such that the goods existing after the change are new and different goods from those existing before the change. The ACCC is of the view that the reconstitution of imported concentrated fruit juice into fruit juice for sale—whether or not Australian

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48 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 20.

49 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 20.

50 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 20.

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water, sugar preservatives and packaging is used, may not constitute substantial transformation.<sup>51</sup>

### ***Health, nutrition and labelling***

3.67 CAL argued that as the problems associated with poor nutrition and obesity continue to grow, Governments have a role to play in encouraging the increased consumption of fruit and vegetables. CAL pointed to an opportunity for Governments to take advantage of the health benefits of citrus fruit in particular. It was argued that clearer policies around health claims would also assist food industries in promoting the consumption of their products.<sup>52</sup>

3.68 CAL argued that consumers have a 'fundamental right to know where their food comes from', and expressed disappointment that there had been a lack of support shown for a new 'country of origin framework' as recommended by the 2011 review of food labelling law and policy (the Blewett review).<sup>53</sup>

3.69 It was further argued that:

Unfortunately, as country of origin information on whole oranges (and other fruits) has improved, labelling on packaged and bottled foods has not. A company can get around the Food Standards Code by calling itself "Australian-owned", but it could be making its products offshore. It may also be stating something is "Made in Australia", when it is made from mainly imported foods and then packaged here.<sup>54</sup>

3.70 CAL told the committee that the opportunity exists for governments to work with industry to create less confusing and misleading labelling (particularly on fruit juices). The opportunity also exists for governments to assist industry with health claims and country of origin labelling on packaged products and encourage the increased consumption of fruit and vegetables.<sup>55</sup>

### ***Domestic consumption of citrus***

3.71 CAL told the committee that it has been using promotional programs in an effort to increase the domestic consumption of citrus. It was argued that targeted promotional programs, coupled with the expansion and adoption of the Australian Citrus Quality Standards, are positive steps toward improving consumer perception and repeat purchase of fresh fruit.<sup>56</sup>

3.72 The Costa Group indicated that it was supportive of CAL's efforts to increase the domestic consumption of citrus – including its use of various promotional

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51 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 21.

52 Citrus Australia Limited, *Submission 15*, p. 18.

53 Citrus Australia Limited, *Submission 15*, p. 18 and 19.

54 Citrus Australia Limited, *Submission 15*, p. 19.

55 Citrus Australia Limited, *Submission 15*, p. 19.

56 Citrus Australia Limited, *Submission 15*, p. 20.

programs and the adoption of the Australian Citrus Industry Standards. In addition, the Costa Group argued that:

- the various 'Australian Made' and 'Buy Australian' campaigns have been effective in promoting consumer awareness of domestically grown and made products;
- 'country of origin' labelling has helped consumers identify and differentiate between domestic produce and that which is imported;
- promoting the health benefits of citrus consumption is a key way to increase consumer awareness of Australian grown citrus; and
- the National Preventative Health Agency should work closely with the food production sector to develop public health campaigns and promote healthy eating (to counter preventable illnesses such as diabetes, heart disease and certain types of cancer) – citrus fruit can, and should, play a major role in such programs.<sup>57</sup>

### ***Country of origin labelling framework***

3.73 As noted previously in this chapter, the issue of food labelling has been an area of some concern to the citrus industry for some time. Whilst the issue has been considered in some detail by various organisations, government departments and parliamentary committees over recent years,<sup>58</sup> issues surrounding country-of-origin labelling are complex and have yet to be resolved.

3.74 DAFF's submission to the inquiry outlined the current position in relation to food labelling:

Mandatory country of origin labelling statements required by the code must be consistent with the general prohibitions on false and misleading claims in the Competition and Consumer Act 2010 (CCA). If a food supplier chooses to make a 'Made in', 'Grown in' or 'Product of' claim, the claim must be consistent with the country of origin representation safe harbour provisions of the CCA.

The Australian Consumer Law, which forms Schedule 2 of the CCA, contains prohibitions against misleading or deceptive conduct and against false or misleading representations, including in relation to the place of origin of goods.

The CCA specifies that, where goods satisfy certain requirements, it is permissible to make specific origin claims in relation to those goods

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57 Costa Group, *Submission 13*, p. 5 and 6.

58 See, for example, Senate Economics Legislation Committee, *Food Standards Amendment (Truth in Labelling Laws) Bill 2009*, November 2009, *Labelling Logic: Review of Food Labelling Law and Policy (2011)*, Department of Health and Ageing, January 2011, Senate Select Committee on Australia's Food Processing Sector, *Inquiry into Australia's food processing sector*, August 2012 and Senate Rural and Regional Affairs and Transport Legislation Committee, *The Competition and Consumer Amendment (Australian Food Labelling Bill 2012)*, No. 2, March 2013.



without contravening the law. Claims in relation to which requirements have been specified include 'Product of', 'Grown in', and the general origin claim (usually referred to as the 'Made in' claim). The CCA is enforced by the Australian Consumer and Competition Commission (ACCC).<sup>59</sup>

3.75 During this inquiry, the committee took specific interest in labelling of orange juice and juice products, and in particular the extent to which consumers could be misled by the name of a product, notwithstanding that its country of origin labelling, though inconspicuous, may be clear and accurate.

3.76 Griffith citrus grower, Mr Frank Battistel indicated that labelling has been an issue of ongoing concern for the industry. Mr Battistel referred to the Blewett Review<sup>60</sup> – a review of food labelling law and policy completed in January 2011 – and noted that very few, if any, of the review's 61 recommendations had been implemented. Mr Battistel argued that processors were still being allowed to blend imported products with Australian products and call it 'made in Australia' and that current labelling laws continue to mislead consumers into thinking they are buying an Australian product when that is not the case.<sup>61</sup>

3.77 The MVCB also suggested that Australia's labelling laws 'urgently need overhauling' and argued that:

... Currently labelling laws provide manufacturers with the opportunity to state that their product is 'manufactured in Australia with local and imported product'. There is no requirement to provide consumers with more information about how much of it is imported and how much is Australian grown.<sup>62</sup>

3.78 Griffith and District Citrus Growers (GDCC) told the committee that because the Australian market for grocery products is highly competitive, it is increasingly important for producers to 'deliver a point of difference to survive'. GDCC also argued that the lack of progress in improving Australia's labelling laws – particularly in relation to identifying the country of origin – is an ongoing concern.<sup>63</sup>

3.79 CAL argued that, in relation to the issue of food labelling, consumers 'have a fundamental right to know where their food comes from',<sup>64</sup> and pointed to a number of the current problems associated with food labelling:

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59 Department of Agriculture, Fisheries and Forestry, *Submission 35*, pp 20–21.

60 On 23 October 2009, the Ministerial Council announced that former Australian Health Minister, Dr Neal Blewett, AC, would head up a panel which would undertake a comprehensive examination of food labelling law and policy. The panel's report, titled *Labelling Logic: Review of Food Labelling Law and Policy (2011)* was publicly released on 28 January 2011.

61 Mr Frank Battistel, *Submission 2*, [p. 2].

62 Murray Valley Citrus Board, *Submission 9*, [p. 2].

63 Griffith and District Citrus Growers Inc., *Submission 41*, [p. 4].

64 Citrus Australia Ltd, *Submission 15*, p. 18.

Unfortunately, as country of origin information on whole oranges (and other fruits) has improved, labelling on packaged and bottled foods has not. A company can get around the Food Standards Code by calling itself "Australian-owned", but it could be making its products offshore. It may also be stating something is "Made in Australia", when it is made from mainly imported foods that are then packaged here.

The industry is increasingly alarmed at how confusing and misleading labelling on fruit juices can be for consumers. We are renewing our calls for simpler and more accurate product information.<sup>65</sup>

3.80 CAL expressed support for a new 'country of origin' framework – as recommended in the Blewett Review – and suggested that government support and assistance should be provided to assist industry with health claims and country of origin labelling on packaged products.<sup>66</sup>

#### ***Local content/minimum content***

3.81 The citrus industry continues to debate these issues and has been giving consideration to several systems designed to strike an appropriate balance between providing consumers with sufficient information to make informed purchasing decisions; meeting Australia's international obligations and minimising adverse impacts on compliant food producers and traders.

3.82 The GDCC told the committee that Australia's current position in relation to labelling has been allowing manufacturers to 'take the easier adoption of labelling practice to confuse the shopper'. It was argued that including the packaging (as well as the product it contains) to prove a product to be proportionally an Australian product, does not reflect the true percentage of the actual, consumable product which is contained in the package. The practice of including the packaging was described as very misleading – particularly when the product derives a significant proportion of its contents from an imported source.<sup>67</sup>

3.83 The MVCB noted that in the past, and prior to free trade agreements, the citrus industry had benefited from local content laws which required that any juice sold in Australia had to contain a certain amount of Australian grown product. It was argued that:

A return to this local content requirement would provide a significant outlet for citrus fruit that has not met the high standards required for the fresh fruit market. Currently much of this fruit is dumped for stock feed with no financial return to the grower.<sup>68</sup>

3.84 The committee was told that consumers continue to raise concerns about the ambiguity of orange juice labelling. SCG argued for a clear standard to be imposed:

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65 Citrus Australia Ltd, *Submission 15*, p. 18. See also Mr Frank Battistel, *Submission 2*, [p. 2].

66 Citrus Australia Ltd, *Submission 15*, p. 18.

67 Griffith and District Citrus Growers Inc., *Submission 41*, [p. 5].

68 Murray Valley Citrus Board, *Submission 9*, [p. 3].

which highlights the actual quantity of fresh or concentrate juice in a product, and the countries in which the fruit was grown, by proportion. SCG also suggested that:

A guaranteed minimum Australian juice content of 25% would give consumers confidence in the product. A minimum content would also underpin our industry by providing an economic outlet for lower grade fruit thus reducing pressure on domestic fresh markets.<sup>69</sup>

### ***Impact of imported fruit juice concentrate***

3.85 Industry representatives also expressed concerns about the impact the importation of cheap orange juice concentrate (OJC) – particularly from Brazil – is having on the industry.<sup>70</sup>

3.86 The committee was told that the Australian fruit juice industry requires approximately 500,000 metric tonnes of citrus annually, and that currently Australia's citrus industry can only supply approximately 250,000 metric tonnes of valencias. To cover the annual shortfall, Australia imports OJC from a range of countries, including Mexico, the United States, Israel and the Netherlands. However, the Australian Beverages Council indicated that Brazil is currently the largest exporter of OJC and noted, for example, that in 2010, imports from Brazil consisted of 89.6 per cent of the total OJC imports for that year.<sup>71</sup>

3.87 The committee was told that Brazil's competitive advantage over Australia in the production of OJC is largely due to lower input costs – particularly in relation to labour and transport. Brazil also enjoys better growing conditions and larger-scale growing operations with lower unit production costs.

3.88 The MVCB indicated that it had major concerns about the levels of OJC currently being imported into Australia and argued that:

- a significant amount of OJC is currently entering Australia at lower than cost in order to move stock from these countries which produce it; and
- the onus should be on the country exporting OJC into Australia to provide that they are not selling it at less than the cost of production.<sup>72</sup>

3.89 Submitters expressed concerns about Brazil's labour practices, Brazilian processors' 'cartel behaviour', and questioned how Brazil is able to sell concentrated juice so cheaply. Mr Frank Battistel argued, for example:

Only recently a Brazilian judge has ordered four of the major processors in Brazil to pay \$227 million in compensation for a decade of illegal labour

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69 Sunraysia Citrus Growers Inc., *Submission 20*, p. 4.

70 See, for example, Mr Frank Battistel, *Submission 2*, [p. 3], Murray Valley Citrus Board, *Submission 9*, [p. 2], Griffith City Council and Leeton Shire Council, *Submission 21*, [p. 11], Pinnacle Accounting Partners, *Submission 28*, p. 1 and Redbelly Citrus, *Submission 37*, [p. 7].

71 Australian Beverages Council, *Submission 8*, p. 6 and Mr Geoff Parker, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 35.

72 Murray Valley Citrus Board, *Submission 9*, [p. 2].

practices. In the 90's Brazilian major processors also took part in a cartel formation and price fixing to their suppliers for fruit and on this occasion paid \$100 million to their government to prevent further investigations, and agreed to stop anti-competitive behaviour of price fixing. The investigation appropriately named (Operation Fanta) while all this was taking place we the Australian Citrus farmers were asked to compete with cheap imported concentrate ...<sup>73</sup>

3.90 Similar comments were also made by Mr Bart Brighenti who noted that the same Brazilian companies involved in cartel behaviour have also been found to have been in breach of their own country's labour laws. Mr Brighenti suggested that Australian citrus growers should be compensated for having to compete with imported OJC from Brazil, and questioned the cost of Brazilian concentrate:

There is also enough evidence supplied to show the cost of growing Brazilian oranges to be around AUD\$190/ton [sic], so it is beyond me how it can be delivered here as concentrated juice for such low prices without dumping.<sup>74</sup>

3.91 Citrus Growers Graham and Barbara Eipper summarised the views of a number of industry representatives when they argued that:

The competition for Australian juice is always shadowed by the importation of Brazilian concentrate – not only is this an insult to our industry it is bitter as reflected in the taste of the re-constituted drinks for sale to the public. Coupled with this importation there is always the fear more juice factories in Australia will close doors leaving no option but to bulldoze trees which have taken 20 years of care to reach their prime.<sup>75</sup>

### ***Chemical contamination***

3.92 A number of submitters also raised concerns about the amount of a particular chemical found in imported juice concentrate. The committee was told that in 2012, cheap imported OJC was being dumped on the Australian market because it was found to have to contain traces of a chemical called carbendazim. In his submission to the inquiry, citrus producer Mr Frank Battistel argued that both the 'USA and Europe had rejected this concentrate, but it was below the Maximum Residue Level (MRL) set by Australia'.<sup>76</sup> Mr Battistel also argued that because the orange concentrate was being offered at a cost below the cost of production, an anti-dumping case should have been investigated.<sup>77</sup>

3.93 At the committee's hearing in Griffith, Mr Battistel restated his opinion that there should have been an investigation into dumping – particularly in 2012 when

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73 Mr Frank Battistel, *Submission 2*, [p. 3].

74 Mr Bart Brighenti, *Submission 30*, p. 8.

75 Mr Graham and Ms Barbara Eipper, *Submission 40*, [p. 2].

76 Mr Frank Battistel, *Submission 2*, [p. 3].

77 Mr Frank Battistel, *Submission 2*, [p. 3].

there had been 'Brazilian concentrate basically being offered to processors only for refrigeration costs and transport'.<sup>78</sup>

3.94 The committee asked Mr Battistel whether he had any knowledge of the cost of the concentrate and whether he was aware of CAL being involved in dumping cases – or cases against Brazilian OJC. Mr Battistel responded by saying that because he was not interested in purchasing the OJC, he did not actually ask about the price. However, he went on to argue that:

As to the other part of the question, I was going to say that it is a typical example of our peak body asleep at the wheel. Who else should be putting a dumping case in: us as an individual farmer or the peak body who represents everyone? I know the majority of their big levy payers – their members – do not grow valencias, and maybe that is the issue, but last year we dumped a hell of a lot of fruit on the ground for no other reason than that the stuff coming in was cheaper to use.. There was fruit being dumped left, right and centre. We had no access to use it whatsoever. ... Why didn't we investigate a dumping case? It was a perfect opportunity last year. I think we could have won the case.<sup>79</sup>

3.95 SCG also felt very strongly about overseas competitors which 'often operate under less stringent regulatory arrangements'. SCG raised the issue of what it described as a 'double standard' – particularly regarding permits and residue limits in relation to specific chemicals. It was submitted that, for example, there is currently a zero tolerance for the use of carbendazim within Australia.<sup>80</sup> However this same chemical appears to have been allowed in imported juice:

A case in point involved the chemical Carbendazim last year. This chemical has been banned from use in Australia for a number of years with a zero tolerance. Last season, Carbendazim was found in Brazilian Orange Juice concentrate imported into Australia by a large multinational beverage company. Use of this contaminated product had been banned in the United States but was allowed in Australia.

This double standard is not acceptable. There is a serious credibility and integrity issue around the decision. It is a blight on our chemical registration system and a fraud on Australian consumers.<sup>81</sup>

3.96 Following the hearings, the committee sought clarification from FSANZ about the process that preceded the decisions and/or recommendations regarding the removal of a maximum residue level (MRL) for carbendazim in imported OJC.

3.97 FSANZ indicated that whilst it is the organisation responsible for developing standards for all food sold in Australia (whether imported or produced domestically) it

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78 Mr Frank Battistel, *Committee Hansard*, 3 July 2013, p. 19.

79 Mr Frank Battistel, *Committee Hansard*, 3 July 2013, pp 19 and 20.

80 Sunraysia Citrus Growers Inc., *Submission 20*, p. 4.

81 Sunraysia Citrus Growers Inc., *Submission 20*, p. 4.

had not at any time, recommended the removal of an MRL for carbendazim, specifically for imported OJC.<sup>82</sup>

3.98 FSANZ told the committee that the 'questions might be directed to a proposal that was made, in November 2011, by the Australian Pesticides and Veterinary Medicines Authority (APVMA) to amend the relevant food standard to remove MRLs for carbendazim for some foods'. FSANZ also advised the committee that:

- the APVMA has had a limited statutory power to amend the MRL Standard in the Food Standards Code (if it is considering an application or variation in relation to a chemical product and considers that it is likely that an amendment of the MRL in the Food Standards Code will be required) since 1 March 2011;
- on 8 November 2011 the APVMA sought public comment on its proposal to amend Schedule 1 of Standard 1.4.2 of the Food Standards Code to remove some maximum residue limits for carbendazim, including the maximum residue limit for citrus fruits, and to include a maximum residue limit for onions;
- the APVMA proposal followed a review by the APVMA of the use of carbendazim (the APVMA had previously varied the relevant MRLs in the APVMA's MRL Standard);
- in early 2012, the fruit juice industry advised FSANZ that removal of the MRL in the Food Standards Code for carbendazim for citrus fruits could adversely affect the importation of frozen OJC to Australia and threaten supply of orange juice and orange juice products to the domestic market; and
- given the limitation on APVMA's statutory powers when amending the Food Standards Code, including a limitation on its power to consider trade issues or the desirability of an efficient and internationally competitive food industry (matters that FSANZ is required to consider), FSANZ and the APVMA agreed that the APVMA would discontinue its proposal to amend the Food Standards Code and that FSANZ would prepare a proposal to consider the variations.<sup>83</sup>

3.99 FSANZ acknowledged that officers met with citrus juice industry representatives to discuss their concerns regarding 'the APVMA proposal to remove the carbendazim maximum residue limit for citrus fruits'.<sup>84</sup> Subsequently, the Australian Beverages Council wrote to FSANZ and provided a technical report, which

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82 Food Standards Australia New Zealand, Responses to Written Questions on Notice (following public hearings held 3 and 4 July 2013), p. 1.

83 Food Standards Australia New Zealand, Responses to Written Questions on Notice (following public hearings held 3 and 4 July 2013), p. 1.

84 Food Standards Australia New Zealand, Responses to Written Questions on Notice (following public hearings held 3 and 4 July 2013), p. 2.

FSANZ took into consideration when assessing information provided as part of Proposal M1008.<sup>85</sup> It was also noted that:

During 2012 FSANZ developed a draft variation of the Code that included certain MRLs for carbendazim (Proposal M1008). The draft variation was, in accordance with procedures established in the *Food Standards Australia New Zealand Act 1991*, sent to the Council of Australian Governments Legislative and Governance Forum on Food Regulation convening as the Australia and New Zealand Food Regulation Ministerial Council (Forum) on 6 November 2012. FSANZ was advised on 3 January 2013 that the Forum had agreed not to seek a review in relation to Proposal M1008 and, accordingly, the variation was gazetted on 18 January 2013.

The effect of the variation in relation to most citrus fruits was to reduce the MRL from 10 milligrams per kilogram of food to 0.2 milligrams per kilo of food.<sup>86</sup>

3.100 A panel of Griffith citrus growers were also asked about the issue of carbendazim and the Government's policy in relation to this chemical:

**Senator XENOPHON:** ... if the government had followed through its ban on carbendazim, which it overturned last year because of the lobbying from some of the multinational processors, what difference would that have made to your industry? In other words, if there were a level playing field and you could not bring in concentrate with carbendazim, what would that have done to your industry locally?

**Mr Mancini:** About a year before this whole carbendazim issue, valencia growers were getting up to \$550 a tonne. There was a severe shortage of valencias at that time. That price became eroded basically overnight once that whole issue of carbendazim came around. It had a significant impact.

...

**Mr Battistel:** Last year we dumped, for just this reason, about 20,000 to 25,000 tonnes of basically navels and some old season valencias. Previous to that, we dumped very little. We actually sold it. We did not get much for it. I think we used to get about \$50 a tonne, which was about half the picking cost, but it was always used. The processors always used that 'You've got to compete with the Brazilians and this is the figure you need to be at,' but they bought it. Last year, they did not even buy it. They did not want it for nothing. So we basically dumped it. That is the difference the carbendazim made. They did not want it for \$0 last year. In other years, they wanted it but they wanted it for nothing. But last year they did not want it at all. Like I said, it was even cheaper than getting the oranges for

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85 Food Standards Australia New Zealand, Responses to Written Questions on Notice (following public hearings held 3 and 4 July 2013), p. 2.

86 Food Standards Australia New Zealand, Responses to Written Questions on Notice (following public hearings held 3 and 4 July 2013), p. 2.

free, because the processing costs were more than what they were buying the concentrate for.<sup>87</sup>

3.101 Ms Judith Damiani indicated that, as peak industry body, CAL had raised concerns regarding the importation of OJC containing carbendazim residue:

... When we found out that the United States had banned imports while they were testing for this product that was coming in from Brazil, we went out to the media and asked for the testing to be increased at the Australian border. We called that because we recently had carbendazim, the fungicide, banned for use in Australia – which is fine. The inequity of it is to still allow the imports to come in.<sup>88</sup>

3.102 Ms Damiani also indicated that CAL had raised the issue of carbendazim with the then Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig (and the previous Minister) and had been told that the issue 'is between APVMA<sup>89</sup>, which looks after the chemical registrations in Australia, and FSANZ<sup>90</sup>, which looks at keeping importer trade going'.<sup>91</sup>

3.103 Ms Damiani went on to tell the committee that when discussing the issue with FSANZ, she had been told that:

... their main priority – unlike APVMA, that do their registrations in Australia – is to not disrupt trade. So they had to work around it to make sure the imports were still coming in because that particular juice services a particular segment of the market.<sup>92</sup>

3.104 Mr Geoff Parker, Chief Executive Officer, Australian Beverages Council acknowledged that the Council had lobbied for the maintenance of the MRL in relation to carbendazim. Mr Parker argued that had carbendazim been decreased to a zero MRL, 'within a very short period of time the ambient juice in the supermarket aisle – there is chilled juice or ambient, shelf-stable juice – would have disappeared quite literally overnight'.<sup>93</sup>

3.105 Mr Parker told the committee that because of the Australian juice industry's reliance on imports, there would be a very swift decline in the supply of ambient juice. Mr Parker added that the reason the industry is so reliant on imported OJC is:

Because there are not enough valencia oranges. We do unfortunately hear a lot from citrus growers and Citrus Australia, and we see on current affairs programs trees being bulldozed or fruit being left on the tree. Unfortunately the vast majority of that, to our knowledge, is navel oranges which cannot

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87 Mr Vito Mancini and Mr Frank Battistel, *Committee Hansard*, 3 July 2013, pp 20 and 21.

88 Ms Judith Damiani, Citrus Australia Ltd, *Committee Hansard*, 4 July 2013, p. 66.

89 Australian Pesticides and Veterinary Medicines Authority.

90 Food Standards Australia New Zealand.

91 Ms Judith Damiani, Citrus Australia Ltd, *Committee Hansard*, 4 July 2013, p. 67.

92 Ms Judith Damiani, Citrus Australia Ltd, *Committee Hansard*, 4 July 2013, p. 67.

93 Mr Geoff Parker, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 36.



be used in juice. Only a very small amount of navel orange juice can be used in a juice blend because it is too bitter. So the supply of valencia oranges is not enough to meet the demand ...<sup>94</sup>

3.106 Mr Parker indicated that it was the Council's understanding that the citrus industry's peak body had made recommendations to growers to move from planting valencias to navel oranges. The committee then questioned the CEO further in relation to the Council's position on aseptic juice:<sup>95</sup>

**Senator RUSTON:** What is your organisation's position on aseptic juice or Australian concentrate? Would you consider it to be something positive to be marketed in the marketplace if you could get the consistency of product that you need with aseptic juice or concentrated Australian juice? Would you actively support that on behalf of the growers?

**Mr Parker:** Absolutely. For the senators' information, we are trying to move away from the term 'aseptic juice' because, again, it has a negative connotation. We are moving to 'cold stored juice', which has a slightly more positive spin. We have tried to commence discussions with Citrus Australia around what we term to be a 'commitment to crop' – and that is a commitment to the local crop. We have got very large processors and very small processors. We need to have that dialogue with the citrus growers, which, up until now, has been significantly lacking.<sup>96</sup>

### Opportunities for growth

3.107 CAL submitted that there are a number of opportunities for growing the Australian citrus industry, and a number of ways state and federal governments could assist in the process.

#### *Developing new, high-value export markets*

3.108 The Queensland Department of Agriculture, Fisheries and Forestry (QDAFF) noted that the high Australian dollar, increasing cost of production, recent natural disasters and competition from low cost economies have been major impediments to export. The committee was also told, however, that over recent years the Queensland citrus industry has continued to pursue export opportunities and new markets – particularly in relation to high value citrus. QDAFF also indicated that businesses have been encouraged to take 'a whole-of-value chain approach and focus on understanding and meeting consumer needs.'<sup>97</sup>

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94 Mr Geoff Parker, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 36.

95 Aseptic processing is the process by which a sterile (aseptic) product (in this case fruit juice) is packaged in a sterile container in a way that maintains sterility.

96 Mr Geoff Parker, Australian Beverages Council, *Committee Hansard*, 3 July 2013, p. 40.

97 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, pp 2 and 3.

3.109 Whilst industry fragmentation and past biosecurity incursions<sup>98</sup> had reduced the capacity of the industry to export, there are currently export opportunities for high value, high quality mandarin product in both Asia and the Middle East. The Queensland citrus industry is also focused on building export markets for mandarins in Thailand and exploring the economic viability of the European market. It was argued that, in addition to securing export markets, consistency in supply and quality of product are crucial to meet market requirements. QDAFF also stressed the importance of research and development:

The development of new varieties tailored to the export market is required to move the industry forward. The limited shelf life of mandarins and inconsistencies in flesh quality are issues that need to be addressed. Effective breeding programs and research facilitated by government are paramount to addressing these issues.<sup>99</sup>

#### *Export trade*

3.110 The committee was told that unlike most Australian horticultural industries, the citrus industry is geared to export trade – with around 45 percent of all fresh product shipped overseas. CAL argued that owing to the importance of increasing the industry's share of existing markets (and finding new ones), it is currently working toward the development of increased exports to Asia and increasing market share in China, South Korea and Thailand.<sup>100</sup>

3.111 Whilst it is seen as a positive sign that the industry recently gained access to the Philippines' market, CAL argued that there is a need for reform in the area of export certification and inspection and that the Government should work toward improving market access into other key export destinations such as China, Korea, Japan, Thailand, Indonesia and the United States. CAL also suggested that the Government should commit to export fee reforms with government assistance while new efficiencies are rolled out or approved by protocol markets.

#### **Committee comment**

3.112 The committee notes the concerns of a number of individual growers and industry representatives regarding the high costs of production. The committee acknowledges that in comparison to their overseas competitors, Australian growers face greater costs in relation to electricity, water, regulation and labour. The committee acknowledges that for some years growers have also faced the additional problem of a high Australian dollar.

3.113 The committee is aware that, in addition to the high cost of water, growers have concerns about both water security and water trading, and recognises that an

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98 For example, the 2004 outbreak of citrus canker which resulted in approximately 490,000 citrus trees being destroyed by the National Citrus Canker Eradication Program (NCCEP) in an area of around 3,000 square kilometres centred around the town of Emerald. The NCCEP also destroyed 175,000 native citrus or citrus glauca which are hosts to citrus canker.

99 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 3.

100 Citrus Australia Limited, *Submission 15*, p. 16.

uncertain water supply and complications associated with water trading are causing problems for some producers.

3.114 The committee notes the views expressed by growers and industry groups in relation to inhibitors to export and export growth. It is clear to the committee that the export protocols producers are currently required to meet can be onerous, financially costly, and time consuming. The committee also acknowledges that a number of producers are finding the increased export certification fees and charges a considerable burden. Given the importance of export to the Australian industry, the committee shares the concerns of producers and notes that, to date, the industry has seen very little benefit in return for the increased fees.

3.115 The committee recognises that the issues associated with food regulation and labelling have been of particular concern to the citrus industry for some time. The committee is also aware that these issues have been considered in some detail by various organisations, government departments and parliamentary committees (including this committee) over recent years. Unfortunately, the issues surrounding food regulation and country-of-origin labelling are complex, and have yet to be resolved.

3.116 The committee also shares the concerns of growers about the impact the importation of cheap fruit juice concentrate – particularly from Brazil – has had on the Australian citrus industry. It is clear that, due to lower regulation, labour and transport costs, Brazil has a competitive advantage over Australia in the production of juice concentrate. The committee also notes the evidence which points to some Brazilian companies being involved in cartel behaviour and in breach of their own labour laws.

3.117 The committee is also concerned about the importation, in 2012, of cheap orange juice concentrate which was found to contain traces of the chemical carbendazim. The committee notes concerns raised by producers who argued that overseas competitors operating under less stringent regulatory arrangements have an unfair advantage – particularly when there is currently a zero tolerance for the use of carbendazim within Australia.

3.118 The committee is pleased to note that there are new opportunities for export growth in the Asian markets. The committee supports the increased efforts being made by the industry in relation to market access planning, market improvement, and market development – particularly in relation to China, Korea and Thailand.

3.119 The committee supports the industry's recommendation that Australia increase its participation in trade visits and trade negotiations. The committee also supports the industry's call for additional resources to be devoted to trade negotiations, to opening up and improving access to priority markets and to finalising free trade agreements with Australia's Asian trading partners.

## **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.**

**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.**

**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.**

**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.**

# Chapter 4

## Biosecurity issues and the role of research and development

4.1 This chapter 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 into the future.

### Background

#### *Emergency Plant Pest Response Deed*

4.2 The eradication of emergency plant pest incursions which pose a potential threat to Australia's agricultural industry is conducted in accordance with the National Emergency Preparedness and Response Plan (the response plan). The response plan specifies the procedures for handling emergency plant pest incursions at the national, state, territory and district levels.

4.3 Following the detection of an emergency plant pest and declaration of an outbreak, the Consultative Committee on Emergency Plant Pests (CCEPP) meets to determine the feasibility of eradication. The CCEPP is Australia's key technical body for co-ordinating national responses to emergency pest incursions and assessing the technical feasibility for their eradication. The CCEPP makes recommendations to the National Management Group (NMG), the decision making body that determines whether to proceed with an eradication campaign and, if so, approves the national cost sharing arrangements to fund the campaign. The NMG is made up of the following representatives:

- Secretary of DAFF (Chair);
- CEOs of the affected state and territory government departments;
- President/Chairman of each of the affected industry parties; and
- Plant Health Australia (PHA) (as an observer).<sup>1</sup>

4.4 Funding for eradication campaigns is allocated under the Emergency Plant Pest Response Deed (EPPRD), a formal cost sharing agreement covering industry and government funding arrangements for the eradication of emergency plant pests. The current EPPRD, which was ratified on 26 October 2005, is an agreement between PHA, the Commonwealth government, all state and territory governments and plant industries, including Citrus Australia.

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1 Plant Health Australia, *Emergency Plant Pest Response Deed (EPPRD), Questions and Answers*, February 2011, p. 8.

4.5 Under the EPPRD, Emergency Plant Pests (EPPs) are determined to be in one of four 'Categories'. It is these 'Categories' which determine the cost sharing split between affected government and industry parties, based on the relative private and public benefits of eradication of the pest (see Table 2 below).

**Table 2 – EPPRD cost sharing categories<sup>2</sup>**

<b>Category of disease</b>	<b>Cost share</b>
<b>Category 1:</b> Large impact on the environment, human health or amenity flora values and relatively little impact on commercial crops	100% public funding
<b>Category 2:</b> Significant impact on amenity flora and/or environmental values and/or effects on households, or very severe regional and national economic impacts	80% public funding 20 % private funding
<b>Category 3:</b> Minor adverse impact on public amenities, households or the environment, and/or moderate trade implications and/or national and regional economic implications	50% public funding 50% private funding
<b>Category 4:</b> Primarily affects commercial cropping industries, with minor or no economic, trade or environmental impacts	20% public funding 80% private funding

4.6 If a national emergency response is agreed under the EPPRD, the Commonwealth pays 50 per cent of the government share in all instances, with the balance of the government share divided between the relevant states and territories.

4.7 Under the EPPRD, the Commonwealth has agreed to initially meet an industry party's cost-sharing obligation where that industry party is unable to do so. The Commonwealth's payment is made on the basis that the industry party will repay the Commonwealth within a reasonable period of time (generally no longer than ten years) using a pre-agreed funding mechanism, such as an EPP Response Levy.<sup>3</sup>

4.8 Parties to the EPPRD can establish an EPP Response Levy to meet financial liabilities for responses under the EPPRD. While this is not the only option, many industries have chosen this approach, as it provides the greatest flexibility in relation to adjusting levy rates to suit particular needs. Other options available include using

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2 Plant Health Australia, *Emergency Plant Pest Response Deed (EPPRD), Questions and Answers*, February 2011, p. 6.

3 Plant Health Australia, *Emergency Plant Pest Response Deed (EPPRD), Questions and Answers*, February 2011, p. 9.

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funds held by the industry in trust accounts, voluntary levies or funds raised by other means.<sup>4</sup>

## **Biosecurity issues**

### ***Citrus Industry Biosecurity Plan (IBP)***

4.9 The Citrus Industry Biosecurity Plan (IBP), the second version of which was released in 2009, provides the framework for the Australian government, the Australian citrus industry and other relevant stakeholders to assess the citrus industry's current biosecurity practices and future biosecurity needs, including:

- the identification of high risk pests and diseases;
- risk mitigation practices and surveillance activities; and
- contingency plans to deal with an exotic pest or disease.

4.10 All Australian governments, PHA and the Australian citrus industry worked collaboratively to develop the IBP, which has been endorsed by the Plant Health Committee and the citrus industry through Citrus Australia Limited (CAL), which has responsibility for the plan.<sup>5</sup>

### ***Fruit fly***

4.11 The committee received a number of submissions from individual growers and industry bodies which stressed the importance of controlling fruit fly. The committee was told, for example, that the additional cost of complying with fruit fly regulations can be quite high and that it is one more significant overhead that growers are required to deal with. Mr Greg McMahon, Managing Director of Seven Fields, noted that there are a number of export markets which require growers to place their fruit in cold storage (for up to 15 days) to ensure it is free of fruit fly.<sup>6</sup>

4.12 The committee was told that each state and territory jurisdiction funds its own fruit fly control or eradication program. For this reason, the management policies and practices in relation to fruit fly vary significantly across the country – both in terms of funding levels and administrative practices.

4.13 Griffith and District Citrus Growers Association (GDCGA) member, Mr Vito Mancini, noted that Queensland fruit fly is a significant pest restriction for the export of citrus (and for a number of other commodity crops grown in Australia). Mr Mancini told the committee that whilst there are tri-state organisations and other associations which share data, each state controls their own pests individually.<sup>7</sup>

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4 Plant Health Australia, *Emergency Plant Pest Response Deed (EPPRD), Questions and Answers*, February 2011, p. 9.

5 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 23.

6 Mr Greg McMahon, Seven Fields, *Committee Hansard*, 4 July 2013, p. 40

7 Mr Vito Mancini, Griffith and District Citrus Growers Association, *Committee Hansard*, 3 July 2013, p. 4.

### *National or regional approach*

4.14 Submitters and witnesses were divided in their view as to whether a national or a regional approach was required to manage fruit fly. For example, Mr Mancini argued that as fruit fly is a pest of 'national significance', a national response is warranted:

I would also like to add to that that fruit fly is a national pest of significance. It affects not only New South Wales but also the other exporting states. It would probably be an easier approach having it federally instead of each state doing their own little separate program. If federally they adopt a program, I think you will see a more unified approach to the way fruit fly is combatted, especially on the ground here and chased up in export markets with the way protocols are formed.<sup>8</sup>

4.15 It was also submitted, however, that whilst a national approach to dealing with fruit fly is necessary, it is also important for regional interests to be represented. At the committee's Mildura hearing, Mr Michael Keenan (former member of the HRDC) explained that:

For example, if you had a national policy on fruit fly, it would be very difficult to apply that locally. The regional area has been dealing with fruit fly because it is not endemic. They have been supplying free material to growers in the core areas of fruit fly outbreaks. You could not possibly do that nationally, because Queensland would be wanting free material which the organisation could not afford.

...

There are national issues about fruit fly research, market access and in-transit treatment for fruit fly control. Those issues are national, and I strongly support them. I commend Citrus Australia for the action they have been taking in those directions. But my point is that in our original issues, which are dealing with control, eradication and so on to minimise those costs—eradication is a big saving in our costs, particularly as we are on a very low bottom line where we are now—there is a role to play for both. I strongly support both very good national and very good regional organisation.<sup>9</sup>

4.16 Representatives of GDCGA agreed that, in addition to a national approach to fruit fly control, programs tailored to particular regions (and specific situations) are sometimes required. The GDCGA acknowledged that management methods may need to be tailored to respond to specific fruit fly infestations – particularly given that a fruit fly infestation in Griffith and an infestation on the coast of Queensland may respond differently to the same chemicals.<sup>10</sup>

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8 Mr Vito Mancini, Griffith and District Citrus Growers Association, *Committee Hansard*, 3 July 2013, p. 4.

9 Mr Michael Keenan, *Committee Hansard*, 4 July 2013, p. 14.

10 Mrs Carmel La Rocca, Griffith and District Citrus Growers Association, *Committee Hansard*, 3 July 2013, p. 10



4.17 It was also suggested that personal incentives for managing fruit fly can vary depending on whether or not the citrus is being grown for export. Mr Frank Battistel, a naval orange producer argued, for example, that a farmer who grows Valencia oranges for juicing – which do not need to meet export requirements – may not have quite the same incentive to manage fruit fly:

The problem was that navel producers like me and Bart, who rely on export, will try to do everything, because we need to export this product. However, it is different for a valencia producer, who is only using oranges for juice—for which it does not matter because it does not have to meet export requirements—or a backyarder who probably rents the property and did not even want the tree there in the first place. I am trying not to generalise, because there are a hell of a lot of backyarders and producers that do not export that did the right thing, but there are a hell of a lot of people that did not care. So that was always difficult, because realistically, if everyone did the right thing, we would have no fruit fly in the area, but there was always the problem of trying to get everyone to actually do the right thing.<sup>11</sup>

4.18 The costs of managing fruit fly – and the funding governments are prepared to provide to control the pest – also vary considerably across state jurisdictions.

4.19 Mr Vito Mancini observed, for example, that in terms of New South Wales (NSW), the funds allocated by the state government to manage fruit fly have decreased significantly in the past decade – to the point where they have become almost insignificant.<sup>12</sup>

4.20 At the committee's Mildura hearing, Mr Colin Nankivell, a citrus grower, indicated that whilst fruit fly is not endemic to his particular region, there are a range of factors which are creating a greater risk of 'periodic infestation'.<sup>13</sup> Mr Nankivell also raised the issue of funding for fruit fly control:

... governments are withdrawing support for both interception and eradication. So I guess we are looking at having to fund full cost recovery for a problem that is not necessarily of our making.<sup>14</sup>

#### *State government involvement*

4.21 The committee was told that recent changes to funding arrangements in Victoria and NSW have meant that growers in these states have had to shoulder an extra financial burden. Mr John Tesoriero, Chairman of the MVCB advised the committee that:

Changes in state government policy re the management of fruit fly have place[d] a significant burden on our local citrus producers in the Murray

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11 Mr Frank Battistel, *Committee Hansard*, 3 July 2013, p. 16.

12 Mr Vito Mancini, Griffith and District Citrus Growers Association, *Committee Hansard*, 3 July 2013, p. 3.

13 Mr Colin Nankivell, *Committee Hansard*, 4 July 2013, p. 12.

14 Mr Colin Nankivell, *Committee Hansard*, 4 July 2013, p. 12.

Valley, where 70 per cent of the cost of maintaining the pest-free area of Sunraysia is now borne by the grower, and 30 per cent by the governments of New South Wales and Victoria. Admittedly, we were able to get Horticulture Australia funding and also some of the national levies to offset some of those costs, but it is still a significant burden on our industry.<sup>15</sup>

4.22 Riverina citrus grower, Mr Bart Brighenti also told the committee that the cost of controlling fruit fly is a major impost on his business. Mr Brighenti noted that although the fruit fly problem is industry-wide, there are 'acute differences in how it can be controlled and methods of market access'.<sup>16</sup>

4.23 The committee was also informed that since the cessation of the Riverina's regional board, the New South Wales Department of Primary Industries (NSWDPI) controls funding for fruit fly management in the Riverina area. Mr Brighenti noted that the Sunraysia and Riverland areas have either achieved 'area freedom'<sup>17</sup> or look to have it reinstated because of support from their state departments – and argued that these regions have a \$3-a-carton export advantage over the Riverina.<sup>18</sup>

4.24 Mr Frank Battistel told the committee that in the Riverina alone, the citrus industry spends over \$50 million on farm inputs annually which in turn generates jobs in the community. He argued that, in the current economic climate, it is not appropriate to pass on further costs to growers. However, Mr Battistel also noted that the NSW government has withdrawn support for maintaining trapping grids and a fruit fly control and eradication program within the residential area of the Fruit Fly Exclusion Zone (FFEZ).<sup>19</sup>

4.25 Mr Battistel argued that:

The NSW Government want the growers to wear the total cost of this, however it is a community benefit if we have a citrus industry that is profitable and exporting citrus. The community should be assisting in funding this through tax dollars.<sup>20</sup>

4.26 Mr Battistel also made the following suggestion in relation to fruit fly management:

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15 Mr John Tesoriero, Chairman, Murray Valley Citrus Board, *Committee Hansard*, 4 July 2013, p. 56.

16 Mr Bart Brighenti, *Committee Hansard*, 3 July 2013, p. 12.

17 Fruit fly area freedom is vital for market access. Since 1990 it has been managed through codes of practice under national and international agreements. The standard practice is based on the deployment of static trapping grids covering orchards, towns and urban areas. The grids are relatively effective when numbers are high, but are an ineffective strategy to detect early fruit fly incursions and are becoming increasingly expensive to deploy and maintain due to the prescribed fixed distances between traps.

18 Mr Bart Brighenti, *Committee Hansard*, 3 July 2013, p. 12.

19 Mr Frank Battistel, *Submission 2*, p. 3.

20 Mr Frank Battistel, *Submission 2*, pp 3–4.

If we were able to achieve fruit fly free status during winter (winter window) when most of the exporting is done and not require cold disinfestation we could direct the saving back in to fruit fly control currently done by the state government. This is a time when the industry needs the support of State and Federal Government to see it through and maintain a citrus industry in Australia. Approximately \$3 million is spent by growers in cold disinfestation and \$2 million by State government on fruit fly measures in the Riverina.<sup>21</sup>

4.27 The NSW Farmers' Association pointed to the reform of the biosecurity system currently being undertaken in NSW. It was noted that these reforms are creating uncertainty for NSW citrus growers and that the biosecurity strategy currently being developed by the NSW government will ultimately have an impact on the cost sharing arrangements between citrus growers and state government for the delivery of biosecurity services.<sup>22</sup> NSW Farmers submitted that:

The uncertainty can be seen with the current withdrawal of government funds that support the maintenance of trapping grids and fruit fly control and eradication programs in the Fruit Fly Exclusion Zone (FFEZ) and protected areas.<sup>23</sup>

4.28 For these reasons, NSW Farmers expressed strong support for the development of clear guidelines around cost sharing arrangements between government and growers.<sup>24</sup>

#### *Fruit fly – area freedom*

4.29 Mr Bart Brighenti also expressed concerns about the withdrawal of NSW DPI control measures. Mr Brighenti argued that the withdrawal of the control measures means that the Riverina has no ability to achieve 'area freedom' – because only NSW DPI has the ability to implement control measures in towns and villages. Mr Brighenti argued therefore that:

The Riverina has only one real option available and that is farm freedom, or place of pest-free production. This will hand over control and reward growers or groups of growers that invest in fruit fly control measures at their own initiative and cost, and it will also insulate them from the impact of outbreaks from growers and backyard gardeners who refuse efforts to control the pest. Place of pest-free production is receiving no interest. While desperately needed and demanded by packers and growers in the Riverina as recently as last week, Citrus Australia's market access coordinator, David Daniels, was interviewed on ABC radio saying he did not support this.<sup>25</sup>

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21 Mr Frank Battistel, *Submission 2*, p. 4.

22 NSW Farmers' Association, *Submission 26*, p. 9.

23 NSW Farmers' Association, *Submission 26*, p. 9.

24 NSW Farmers' Association, *Submission 26*, p. 9.

25 Mr Bart Brighenti, *Committee Hansard*, 3 July 2013, p. 12.

4.30 The Murray Valley Citrus Board (MVCB) acknowledged that Queensland fruit fly (QFF) has been a major problem for growers in the Murray Valley region (and other areas) over the past two seasons. It was noted that as QFF is considered by all export markets to be a serious pest risk, growers have been 'required to spend a large amount of money in treating properties in outbreak areas as well as their fruit both pre and post harvest'.<sup>26</sup>

4.31 The MVCB submitted that the Victorian and NSW governments 'are to be applauded for their very substantial financial support to eradicate QFF outbreak'.<sup>27</sup> It was also submitted, however, that:

Regrettably this support is now being reduced and industry is charged with the responsibility of funding the shortfall required. It is absolutely critical that the Sunraysia Pest Free Area (PFA) regain freedom from QFF. Without acceptance of this freedom by export markets, growers will be required to spend large amounts of money for additional treatment on fruit. This additional cost coupled with high exchange rates will render most export markets uneconomic.<sup>28</sup>

4.32 The Costa Group noted that one competitive advantage the Riverland region currently has is the ability to export citrus without the need for cold disinfestation treatment (to combat fruit fly). The committee was told that not only 'does this present significant production cost savings, it also allows citrus growers to supply high quality fruit to export markets'.<sup>29</sup>

4.33 The committee heard that the outbreak of fruit fly in other states significantly increases the risk to the South Australian citrus industry, therefore, it is imperative that the South Australian government continue to provide funding toward the operation of the fruit fly checkpoint at Yamba on the South Australia/Victoria border. The Costa Group suggested that the absence of this checkpoint will increase the potential for the outbreak of fruit fly and expose the South Australian citrus industry to serious risk. It was also argued that an outbreak of fruit fly in the Riverland would have an adverse impact on future investment in the citrus industry and the region generally.<sup>30</sup>

#### *Cost sharing with other horticultural industries*

4.34 Sunraysia Citrus Growers (SCG) noted that the citrus industry is not the only horticultural industry impacted by fruit fly. SCG also suggested that QFF is the largest regionally-sourced cost penalty imposed on the southern Australian citrus industry. It was argued that the direct cost to growers is in the order of approximately \$50 per

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26 Murray Valley Citrus Board, *Submission 9*, [p. 4].

27 Murray Valley Citrus Board, *Submission 9*, [p. 4].

28 Murray Valley Citrus Board, *Submission 9*, [p. 4].

29 Costa Group, *Submission 13*, p. 12.

30 Costa Group, *Submission 13*, p. 12.

tonne of fruit picked – a total of approximately \$6 million of direct costs in the Sunraysia region.<sup>31</sup>

4.35 SCG submitted that additional costs are incurred in regionally based control measures and there are also indirect costs 'associated with marketing fruit which is perceived as being of lesser value due to the requirement for cold treatment'.<sup>32</sup>

4.36 It was noted that the citrus industry in the Sunraysia region has a long track record of contributing financially to fruit fly control – particularly through the activities of the Murray Valley Citrus Board (MVCB). The committee was also told that, unfortunately – due to an absence of appropriate structures for raising industry funds – other fruit industries have not made a financial contribution to the management of fruit fly in the region.<sup>33</sup>

4.37 At the committee's hearing in Mildura, SCG Chairman, Mr Vince Demaria called for the Commonwealth government to introduce a national fruit fly management levy on all host produce:

We believe the introduction by government of a national fruit fly management levy on all host produce would provide necessary and equitable funds for the management and eradication of and research into Queensland fruit fly. Such a levy would be welcome[d] by other industries, as they also suffer significant economic losses due to Queensland fruit fly.<sup>34</sup>

### ***Import conditions for citrus products***

4.38 The committee was told that because of Australia's geographic isolation and quarantine systems, it has remained relatively free of many of the pests that cause substantial issues for citrus production overseas. Significant economic pests and diseases of citrus that pose a risk to Australian industry are:

- citrus canker;
- Mal Secco (a fungal disease of citrus); and
- citrus greening (also known as Huanglongbing, or HLB) and its vector, the Asian citrus psyllid.<sup>35</sup>

4.39 DAFF also told the committee that sound management and effective risk mitigation had prevented these pests and diseases from establishing in Australia, and that current (and any future trade in citrus) was underpinned by the department's:

... rigorous, science-based analyses of the potential risks of the importation of citrus products; the establishment of import conditions (where necessary to mitigate risks to achieve Australia's appropriate level of protection); and

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31 Sunraysia Citrus Growers Inc., *Submission 20*, p. 2.

32 Sunraysia Citrus Growers Inc., *Submission 20*, p. 2.

33 Sunraysia Citrus Growers Inc., *Submission 20*, p. 2.

34 Mr Vince Demaria, Sunraysia Citrus Growers Inc., *Committee Hansard*, 4 July 2013, p. 54.

35 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 23.

verification of the capacity of exporting countries to meet Australia's import requirements through the use of offshore inspection, audit (particularly for new commodities/production regions) and other operational systems implemented by DAFF, including inspection and compliance checks at ports and mail exchanges. Imports are permitted on an individual application basis which culminates in the issuance of an import permit.<sup>36</sup>

### ***Disease threats***

4.40 Whilst the statement made by DAFF reflects the department's confidence in Australia's biosecurity system, the committee was concerned to hear from a number of witnesses who argued that both citrus canker and the citrus greening disease (known as Huanglongbing (HLB)) do pose a serious and imminent threat to Australia's citrus industry.<sup>37</sup>

4.41 The committee heard from a number of witnesses that preventing the entry into Australia of both citrus canker and HLB needs to be a biosecurity priority, particularly as there is 'no cure for trees infected with HLB and the fruit produced by infected trees is not suitable for the fresh produce market or juice processing'.<sup>38</sup> Griffith producer Mr Frank Battistel went as far as to say that if HLB were to enter Australia, growers would not be able to meet the costs associated with managing the disease and it would spell the end of the citrus industry.<sup>39</sup>

### ***Citrus canker***

4.42 In her submission Mrs Patricia Barkley, a citrus pathologist and former Principal Research Scientist with NSW DPI, told the committee that since the first major infestation of citrus canker – which occurred in Emerald in 2004 – the Canker Contingency Plan has not been brought up to date for use in future incursions:

No revision has occurred. Staff with knowledge and experience of citrus canker in all state departments and DAFF are retiring or being made redundant. Information gained from the Emerald incursion should not be lost and an up-to-date Plan, incorporating the Final Emerald Response Plan (a confidential document), QDPI Canker Work Plans and new scientific data on strains, host susceptibility etc should be drafted.<sup>40</sup>

4.43 Mrs Barkley referred to the Interim Inspector General of Biosecurity's 2011 review of the systems DAFF has in place to manage biosecurity risks along entry pathways. Ms Barkley noted that the review had identified the following potential pathways for the entry of citrus canker to Australia:

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36 Department of Agriculture, Fisheries and Forestry, *Submission 35*, p. 23.

37 See, for example, Mr Frank Battistel, *Submission 2*, Mrs Patricia Barkley, *Submission 4*, Costa Group, *Submission 13*, Sunraysia Citrus Growers Inc., *Submission 20*, NSW Farmers' Association, *Submission 26* and Fruit West, *Submission 36*.

38 Costa Group, *Submission 13*, p. 12.

39 Mr Frank Battistel, *Submission 2*, p. 4.

40 Mrs Patricia Barkley, *Submission 4*, p. 2.

- propagative material,
- citrus fruit (commercial or in passenger luggage);
- leaves;
- fruit peel; and
- tourism.<sup>41</sup>

4.44 Bearing in mind the potential pathways, Mrs Barkley expressed concerns regarding the amount of citrus material intercepted. Mrs Barkley noted that at Melbourne International Airport, from January 2010 to April 2011, quarantine officers had seized 4892 citrus items (or approximately 81 per week) and passengers had not declared 1162 of these items.

4.45 Mrs Barkley also expressed concern that despite the high level of citrus material confiscated, it would appear that limited testing is conducted. She noted, for example, that in June 2012, 142 kilograms of kaffir lime leaves with citrus canker were seized in Melbourne. Unfortunately, the relevant reports did not indicate if the leaves were fresh, if they had been dried or steamed, or whether they contained live canker bacteria.<sup>42</sup>

#### *Huanglongbing (HLP) and Asian Citrus Psyllid (ACP)*

4.46 Huanglongbing (HLP) and its vector the Asian Citrus Psyllid (ACP) represent a major threat to the Australian citrus and nursery industries. Mrs Barkley suggested that whilst it is likely that HLB is already present in Australia (possibly introduced on an illegally imported Asian citrus variety) the disease cannot be spread without its vector (ACP).<sup>43</sup>

4.47 Mrs Barkley indicated, however, that there is a high probability that a private citizen, tourist or immigrant will introduce the HLB-associated bacterium and/or ACP into Australia through the inadvertent movement of plant material (including budwood, fruit and kaffir lime or curry leaves) from their homeland or areas visited, to their backyard in a residential area.<sup>44</sup>

4.48 The committee was informed that last year, three adult ACP were found on curry leaf leaflets intercepted at Melbourne Airport. Other potential pathways are illegal introductions of budwood from South Africa, Brazil, Asia and Florida, air movements (cyclonic and jet streams) carrying infected psyllids from areas in which HLB and ACP occur (for example the Indonesian archipelago and Papua New Guinea), military planes from Guam, Hawaii, American Samoa and Asia.<sup>45</sup>

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41 Mrs Patricia Barkley, *Submission 4*, p. 2.

42 Mrs Patricia Barkley, *Submission 4*, p. 2.

43 Mrs Patricia Barkley, *Submission 4*, p. 4.

44 Mrs Patricia Barkley, *Submission 4*, p. 4.

45 Mrs Patricia Barkley, *Submission 4*, p. 4.

4.49 Mrs Barkley's submission outlined the severe impact ACP and HLB have had on Florida's citrus industry – with reports that up to 90 per cent of Florida's citrus groves have some level of infection. Californian and Texan citrus industries have also been threatened as ACP moves across the United States and up from Mexico. It was also reported that, in Brazil, the number of plants with HLB symptoms has increased from 3.8 per cent in 2011 to almost 7 per cent in 2012.<sup>46</sup>

4.50 Whilst Mrs Barkley told the committee that 'ACP and HLB in tandem present an entirely new threat and potential significant economic loss to the Australian citrus and nursery industries', she also argued that:

... keeping these pests out of Australia could provide one of the greatest economic benefits to our industry given the effects on juice production in Florida and Brazil and the impending situation faced by California.<sup>47</sup>

4.51 Professor George Beattie, an international authority on HLB and its vectors, described HLB as 'the most serious disease of citrus'.<sup>48</sup> He told the committee that the impacts of the pathogen that causes the Asiatic form of the disease are devastating when it is transmitted efficiently, as it is by the Asiatic citrus psyllid in Asia and the Americas. Insecticides slow, but do not prevent, the spread of the disease which can have severe impacts on national economies and food security.<sup>49</sup>

4.52 Professor Beattie told the committee that he is deeply concerned about what he believes is a 'lack of preparedness and capacity of the citrus and nursery industries to deal with incursions of exotic pests and diseases – particularly HLB and its vectors'.<sup>50</sup> He also expressed concerns that:

The pest specific contingency plan for the citrus and nursery and garden industries for Huanglongbing and its vectors (Beattie & Barkley 2009) is now out of date. A substantial revision requiring at least 6 months full-time work is required. No adequate arrangements have been made for this to be done.<sup>51</sup>

4.53 Professor Beattie questioned whether PHA and DAFF personnel have the level of expertise required to undertake this work, and noted that the 'authors of the current contingency plan have not been requested to undertake or participate in the review, despite their expertise and current awareness'.<sup>52</sup>

4.54 Professor Beattie also expressed concern that diagnostic protocols for HLB which should have been finalised several years ago have not yet been completed. He

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46 Mrs Patricia Barkley, *Submission 4*, p. 3.

47 Mrs Patricia Barkley, *Submission 4*, pp 3–4.

48 Professor George Beattie, *Submission 42*, [p. 3].

49 Professor George Beattie, *Submission 42*, [p. 3].

50 Professor George Beattie, *Submission 42*, [p. 2].

51 Professor George Beattie, *Submission 42*, [p. 4].

52 Professor George Beattie, *Submission 42*, [p. 4].



also argued that cost-sharing agreements between the Australian citrus industry and the Commonwealth government in relation to HLB and its vectors need to be reviewed. It was noted, for example, that the current Cost Sharing Deed lists '*Ca. Liberibacter asiaticus*' as Category 2, for which 80 per cent funding for managing an incursion is provided by the government and 20 per cent by the industry.

4.55 Professor Beattie noted that the Asiatic citrus psyllid is listed as Category 3 (50 per cent government: 50 per cent industry) and argued that it should be listed as Category 2.<sup>53</sup> Dr Beattie submitted that:

It is the vector of a serious disease. It should (must) not be categorised in the same way that an insect or mite that does not transmit a disease is categorised. Some states (e.g., New South Wales where some 40% of citrus in Australia is produced) seem to be reluctant to categorise it as a category 2 on the basis of the potential cost of an eradication program.<sup>54</sup>

4.56 Representatives from the Queensland Department of Agriculture, Fisheries and Forestry (Qld DAFF) also described HLB as 'an extremely serious threat to the Australian citrus industry'.<sup>55</sup> The department told the committee that:

The rapid spread and massive economic impact of the HLB disease in the United States, and its emergence in Papua New Guinea and other near neighbours of northern Australia, is concerning for the Queensland citrus industry. Given Queensland's proximity to countries with HLB to the immediate north, the risk of natural introduction, as well as incidental introduction, of the Asian citrus psyllid (*Diaphorina citri* – the vector for the spread of HLB) and HLB is greatly increased.<sup>56</sup>

4.57 It was also noted that, based on the risk described above, the Queensland government is supportive of industry moves to develop a dedicated biosecurity project including surveillance, education and response plans for HLB. Most importantly however, Qld DAFF also insisted that 'any such biosecurity measures must treat HLB and the psyllid with equal levels of concern and threat to the industry'.<sup>57</sup>

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53 Professor George Beattie, *Submission 42*, pp 3 and 4 and Professor George Beattie, *Committee Hansard*, 3 July 2013, pp 26 and 27.

54 Professor George Beattie, *Submission 42*, [p. 4].

55 Dr Michael Kennedy, Queensland Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 3 July 2013, p. 51.

56 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 1.

57 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 1.

*Nursery/breeding stock*

4.58 The Australian Citrus Propagation Association Incorporated (Auscitrus)<sup>58</sup> told the committee that a 'clean nursery stock programme is the foundation of a robust fruit production industry'. Auscitrus indicated that, since its inception in 1927, the budwood and seed scheme:

... has been at the forefront of addressing a number of biosecurity threats to the citrus industry: grapefruit stem pitting in the 1930's, root rot in the 1940's, exocortis in the 1950's, psorosis virus etc.<sup>59</sup>

4.59 Auscitrus also noted, however, that whilst previous pest and disease threats were overcome by the supply of resistant or tolerant rootstocks and the provision of pathogen-free budwood; these diseases 'pale into insignificance compared with the threat of huanglongbing (citrus greening)'.<sup>60</sup>

4.60 Auscitrus told the committee that, having seen the devastation caused by HLB in Florida and Asia, the organisation held a risk analysis workshop (and a follow-up meeting) to determine how the citrus budwood scheme should address the HLB threat. It was resolved that that organisation would work toward:

- maintenance of budwood sources in insect-proof screenhouses;
- a legally mandated certification or accreditation scheme for use of pathogen-tested citrus budwood; and
- registration of all nurseries.<sup>61</sup>

4.61 The Australian Nurserymen's Fruit Improvement Company (ANFIC)<sup>62</sup> submitted that all sectors of the industry must take responsibility for protecting Australia's citrus industry from disease outbreaks.<sup>63</sup> It stressed that the 'National Citrus Budwood Scheme is critical as the last line of defence against any of the severe diseases which could be introduced from outside Australia's borders and rapid recovery for the industry'. ANFIC also raised concerns about the use of plant material not sourced from the national scheme:

It is well known that several variety managers in Australia are commercialising new citrus varieties and NOT using clean citrus budwood from the scheme. This not only places the industry at risk but also places

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58 Auscitrus is the trading name of the Australian Citrus Propagation Association Incorporated, a national 'not for profit' industry organisation, comprising citrus growers and nursery operators from each state. Auscitrus is responsible for supply of citrus budwood and seed in Australia, from its own facilities at Dareton (NSW), as well as operating under a Deed of Licence with the NSW Department of Primary Industries at research institutes at Dareton and Camden.

59 Australian Citrus Propagation Association Incorporated, *Submission 25*, p. 1.

60 Australian Citrus Propagation Association Incorporated, *Submission 25*, p. 1.

61 Australian Citrus Propagation Association Incorporated, *Submission 25*, p. 1.

62 ANFIC is one of Australia's largest Intellectual Property (IP) management companies specialising in fruit variety commercialisation for the Australian fruit industries.

63 Australian Nurserymen's Fruit Improvement Company, *Submission 5*, p. 2.

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compliant variety managers at a significant commercial disadvantage. Any divergence from this National Citrus Budwood Scheme could leave the citrus industry wide open to serious disease outbreaks.<sup>64</sup>

4.62 Mrs Patricia Barkley was in favour of a nursery registration process supported by legislation. She argued that a registration process would ensure that those involved in the nursery industry (particularly those growing citrus and citrus relatives, particularly *Murraya* (orange jasmine) and *Berbera* (curry leaf) are identified and address details are current – this must include producers and sellers at 'flea market' retail outlets.<sup>65</sup>

4.63 Mrs Barkley also expressed her support for a mandatory budwood certification scheme supported by legislation that ensures that all nurserymen use budwood from a pathogen tested source.<sup>66</sup>

### **Research and development**

4.64 Citrus growers and industry representatives noted, with some concern, that there has been a significant decline in research and development funding for the citrus industry over recent years. It was suggested that there are a number of areas in which governments could assist with the allocation of research funding. These include rural biosecurity and development projects, pest and disease control options and improved citrus varieties.<sup>67</sup>

#### ***Improved citrus varieties***

4.65 The Costa Group, supported need for increased research and development funding and, in particular, stressed the importance of governments investing in 'innovation':

An example of such innovation is the introduction of improved mandarin varieties. Such improved varieties will serve to better address issues relating to the value chain and customer demand however this innovation (and risk taking) requires the expenditure of capital, including the planting of new trees and also the reworking of existing trees. This can only properly occur through investment in research and development that is adequately supported by government policy, including appropriate tax breaks for research and development investment.<sup>68</sup>

4.66 SCG suggested that 'varietal change is an integral part of any horticultural industry' and noted that 'easy peel seedless mandarins' currently provide the greatest

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64 Australian Nurserymen's Fruit Improvement Company, *Submission 5*, p. 2.

65 Mrs Patricia Barkley, *Submission 4*, p. 6.

66 Mrs Patricia Barkley, *Submission 4*, p. 6.

67 See for example, Australian Nurserymen's Fruit Improvement Company, *Submission 5*, p. 3, Costa Group, *Submission 13*, p. 9, Queensland Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 3 July 2013, pp 51–59 and Professor George Beattie, *Submission 42*, [p. 2].

68 Costa Group, *Submission 13*, p. 9.

opportunity for growth in the citrus industry. SCG acknowledged, however, that major structural change is very costly, and often involves a long lead time. Growers also run the risk that some varieties (often heavily marketed by private owners) may not be suited to Australian growing or market conditions.<sup>69</sup>

4.67 SCG argued, therefore, that it 'is crucial that independent research by government agencies is maintained to evaluate the many new varieties and facilitate informed investment'.<sup>70</sup>

4.68 Dr Michael Kennedy, Qld DAFF, told the committee that, in relation to research and development, there are 'great opportunities out there waiting to be exploited for breeding to further improve the opportunities for the citrus industry to export'.<sup>71</sup>

4.69 Qld DAFF's submission noted that citrus industry profitability is increasingly being driven by exports. It was argued that quality, low-seed, easy-to-peel citrus products are what consumers want, so breeding mandarin varieties that appeal to the consumer in terms of colour, sweetness, shape and juiciness (and which meet both Australian and international expectations) is vital to the growth of the industry.<sup>72</sup>

4.70 Qld DAFF referred to Agri-Science Queensland's sub-tropical breeding program which is conducting research into improving the eating quality of mandarins. Research scientists are also investigating how to reduce Murcott mandarins' susceptibility to wind rub damage, and it was noted that a successful breeding outcome would reduce the quantity of downgraded product each season and improve financial returns to growers.

4.71 Qld DAFF further submitted that the opportunity exists to breed new citrus varieties which maintain their quality during transport and storage. It was also argued that the development of new mandarin varieties (which close the seasonal gap) will provide Queensland growers with a competitive market edge into the future. It was argued, however, that:

Existing research and development needs of the citrus industry far exceed the available resources. Citrus Australia supports, where possible, a number of specialised projects in accordance with their strategic plan. Levies collected on behalf of the industry are distributed between the states and have previously had a greater focus on orange based commodities. A greater level of investment is required if the industry is to remain competitive into the future.<sup>73</sup>

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69 Sunraysia Citrus Growers Inc., *Submission 20*, p. 2.

70 Sunraysia Citrus Growers Inc., *Submission 20*, p. 2.

71 Dr Michael Kennedy, Queensland Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 3 July 2013, p. 52.

72 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 3.

73 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 4.

4.72 CAL's Chairman, Ms Tania Chapman, told the committee that the peak body has introduced a number of new national programs. These include new national quality standards which focus on improving the 'eating experience', which have a clear focus on growing exports to Asia. Ms Chapman acknowledged that it is a challenge for the citrus industry to rethink its varietal mix and told the committee that not everyone will be pleased or happy with the change – nor will change be easy. Ms Chapman argued, however, that the industry is changing, and in fact 'many growers are positive about the future':<sup>74</sup>

They are investing in new varieties, new packing technologies and marketing capabilities, not just in one region but in every region: in Western Australia; here in Mildura, the Seven Fields new facility will open this weekend; in South Australia; in New South Wales; the Estens and Grove Juice in Queensland. We estimate \$50 million to \$70 million is being invested now – and that is just the equipment; that is not even mentioning the dollars that growers are investing in changing over to new varieties.<sup>75</sup>

### ***Decline in research and expertise***

4.73 Professor George Beattie told the committee that he is 'gravely concerned' about what he described as a national decline in research and extension expertise related to the citrus and nursery industries. Professor Beattie also expressed concerns about a lack of 'impartial funding of citrus research CAL and Horticulture Australia Limited (HAL)'.<sup>76</sup>

4.74 Professor Beattie also raised concerns about what appears to be increasing reliance by PHA, DAFF and CAL on expertise in the United States rather than on equivalent or superior expertise in Australia.<sup>77</sup> He also argued that:

Support for research and extension is hindered by the current economic circumstances of the citrus industry, diversion of research and development funds by Citrus Australia for activities not related to research and development, and a levy that is not adequate for supporting sound, long-term research and development.<sup>78</sup>

4.75 It was also argued that, since the 1970's, there has been a steady decline in state and federally funded positions servicing pure and applied research needs for the citrus and nursery industries – to the point where few positions remain. Professor Beattie noted that:

Some 50% to 100% of full-time citrus pathology and entomology positions have been lost. Loss of this expertise will have serious consequences for the

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74 Ms Tania Chapman, Citrus Australia Ltd., *Committee Hansard*, 4 July 2013, p. 64.

75 Ms Tania Chapman, Citrus Australia Ltd., *Committee Hansard*, 4 July 2013, p. 65.

76 Professor George Beattie, *Submission 42*, [p. 2].

77 Professor George Beattie, *Submission 42*, [p. 3].

78 Professor George Beattie, *Submission 42*, [p. 2].

long-term viability of the industry in relation to biosecurity, export market access and pre- and postharvest pest and disease management.<sup>79</sup>

4.76 Ms Tania Chapman, told the committee that there have been positive signs of increased investment in equipment and technology across the industry. Ms Chapman argued, however, that the citrus industry also needs to be prepared to invest in itself – more specifically, in research and development.<sup>80</sup>

4.77 Ms Chapman then raised the issue of the citrus industry's current research and development levy and noted that, in terms of funding:

Our R&D levy has remained stagnant: \$2.75 for the last 20 years. So, as all of the costs of production and all of our costs of doing R&D have skyrocketed, we are still at that very small, outdated rate.

Each year, we go into the regions and our growers give us their wish list: 'This is what we need to make a difference in our industry, to make a difference to our bottom line.' But, quite simply, there is not enough money to do all of that work.<sup>81</sup>

4.78 Ms Chapman also argued that, unfortunately, it is sometimes difficult to raise additional funding to provide the types of services that growers have come to expect. Ms Chapman told the committee that:

There are a lot of growers out there who no longer pay state based levies at all and now think that 'That \$2.75, \$3, whether it be \$5.50 here in the Murray Valley, I don't need to pay that anymore. I can keep that in my pocket.' But they will be the first ones to put their hand up and say 'Why didn't something get done about HLB or why isn't something done about promotions? So many of them are not prepared to put their money where their mouths are.'<sup>82</sup>

4.79 In an article dated 30 October 2013, CAL indicated that it has 'broad support for an increase to the levy growers pay for research and development'.<sup>83</sup> Growers currently pay a levy of \$2 per tonne of fruit sold, and it is likely that would be increased by an additional \$1.50 – \$2.00 per tonne to fund new research projects,

4.80 Ms Judith Damiani, argued that more money is needed to help the Australian citrus industry move forward – particularly as the research and development levy has not changed in 20 years.<sup>84</sup>

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79 Professor George Beattie, *Submission 42*, p. 2.

80 Ms Tania Chapman, Citrus Australia Ltd., *Committee Hansard*, 4 July 2013, p. 65.

81 Ms Tania Chapman, Citrus Australia Ltd., *Committee Hansard*, 4 July 2013, p. 65.

82 Ms Tania Chapman, Citrus Australia Ltd., *Committee Hansard*, 4 July 2013, p. 70.

83 ABC Rural, Media Release, *Citrus Growers asked for more research money*, 30 October 2013, p. 1.

84 ABC Rural, Media Release, *Citrus Growers asked for more research money*, 30 October 2013, p. 1.

4.81 Ms Damiani indicated that the major priority for the citrus industry is gaining market access and looking to reduce tariffs through free trade agreements. CAL is also committed to making sure that Australia's pest status remains as it is – 'very clean and green' – making biosecurity the second biggest priority for the citrus industry.

4.82 Ms Damiani argued, however, that while there is grower support for the research levy, more debate is needed on broadening and increasing the industry levy to marketing programs:

There is a marketing, or promotion, levy. At the moment, it's 75 cents a tonne on oranges only.

It doesn't raise a lot of money, so it's a very difficult thing for us to do in terms of promoting Australian oranges, particularly when we've got so many markets.<sup>85</sup>

4.83 Ms Damiani indicated that there needs to be further consultation with growers about increasing the levy to fund marketing of Australian oranges and mandarins. Ms Damiani acknowledged that this consultation that may provoke 'a bit more of a challenging discussion'.<sup>86</sup>

### ***Management of pests and diseases***

4.84 The committee was told that research and development and the sharing of information play an important part in the management of various pests and diseases, particularly those which can have a major economic impact, such as fruit fly, citrus canker and HLB.

4.85 For example, Qld DAFF stressed the importance of breeding new varieties of citrus in the fight against disease:

Disease pressure in commercial mandarin orchards has increased dramatically in the last decade, and breeding is now recognised as the only economic solution to this problem. It also represents a solution that has market, consumer and environmental credibility.<sup>87</sup>

4.86 Representatives of Qld DAFF also emphasised the need for states to share information in relation to pest control. For example, the department told the committee that the area-wide management program for fruit fly control in the central Burnett area has been 'quite a success story' and argued that there is opportunity for expanding the program and introducing it into other areas:

It does require a fair bit of R&D in order to get that to work, but we really commend that approach for the management of fruit fly. It is not for the eradication of fruit fly but the management of it, and it can have very

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85 ABC Rural, Media Release, *Citrus Growers asked for more research money*, 30 October 2013, p. 2.

86 ABC Rural, Media Release, *Citrus Growers asked for more research money*, 30 October 2013, p. 2.

87 Queensland Department of Agriculture, Fisheries and Forestry, *Submission 1*, p. 3.

significant improvements for the economics of the operation of the industry.<sup>88</sup>

### *National Fruit Fly Strategy*

4.87 In March 2006, the NSW, South Australian and Victorian governments approached PHA. PHA was requested to develop a strategy with a national focus in relation to fruit fly species, but which took into account the impact of fruit fly on the community and on interstate and international trade.<sup>89</sup> The National Fruit Fly Strategy (NFFS) was developed through a collaborative effort involving Australia's horticultural industries, state and territory governments and various research institutions.

4.88 The strategy, released in March 2008, made a series of recommendations in relation to market access, communication, surveillance systems and management tools. The strategy also made a number of recommendations regarding research and development, acknowledging that:

Research and development activities underpin all elements of fruit fly management, providing technically justifiable approaches and innovative solutions to meet the requirements of market access and biosecurity, operations and legislation and regulation. The identification and prioritisation of current and future research and development is essential to maintaining horticultural production and market access advantages in Australia.<sup>90</sup>

4.89 In 2009, a new, expert-based Fruit Fly Strategy Implementation Committee examined the HAL Horticulture Market Access R&D Strategic Plan (2009/10 to 2013/14) and reviewed and prioritised the initiatives contained in the draft NFFS. The Committee (which was made up of industry and government experts) used these resources to develop the National Fruit Fly Strategy Implementation Action Plan.

4.90 Following broad public consultation, the Implementation Committee finalised a three-year plan, which was released in April 2010. The plan set out fifteen key initiatives and projects to 'facilitate an enhanced and sustainable national approach to the management of fruit flies in Australia over the next three years (2010 to 2013)'.<sup>91</sup> In addition, a new governance mechanism was proposed that was designed to 'guide the implementation of these projects and provide ongoing coordination and support for industry and governments from a national perspective'.<sup>92</sup>

4.91 The NFFS Action Plan was designed specifically to:

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88 Dr Michael Kennedy, Queensland Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 3 July 2013, p. 52.

89 Plant Health Australia, *Draft National Fruit Fly Strategy*, March 2008, p. 4.

90 Plant Health Australia, *Draft National Fruit Fly Strategy*, March 2008, p. 6.

91 National Fruit Fly Strategy Implementation Committee, Plant Health Australia, *National Fruit Fly Implementation Action Plan*, October 2009, p. 5.

92 National Fruit Fly Strategy Implementation Committee, Plant Health Australia, *National Fruit Fly Implementation Action Plan*, October 2009, p. 3.



- enable government, industry and community investment to be carefully prioritised and targeted towards maintaining, protecting and enhancing critical domestic and international market access;
- reduce overlap of effort and duplication of resources across regions, jurisdictions and industries;
- ensure financial investment in maintaining market access brings optimum returns for industry and government stakeholders;
- provide significant support for local industry management of fruit flies in both endemic and pest free areas;
- improve coordination of operational responses to fruit flies in all production areas; and
- facilitate the sustainable and long-term management of fruit flies, with support for industry and government stakeholders provided by a national governance mechanism.<sup>93</sup>

4.92 CAL noted that from July 2013, it is proposed that state government funding for fruit fly control in NSW and Victoria will be further reduced. The peak industry body argued, however, that in order to tackle fruit fly (horticulture's biggest pest and trade restriction) industry and governments need to continue to support the NFSS and provide 'investment into critical infrastructure such as an effective sterile insect factory for Queensland fruit fly'.<sup>94</sup>

4.93 The Costa Group expressed its strong support for the National Fruit Fly Strategy which it described as a 'viable, cost-effective and sustainable national approach to fruit fly management which will place Australia in the forefront of international biosecurity'.<sup>95</sup>

4.94 Strong support for the NFSS was also expressed by a number of submitters who argued that one way governments can help manage biosecurity risks and costs is to continue to fund and support the implementation of the NFSS.<sup>96</sup>

4.95 Citrus and avocado grower, Mr Keith Richards, indicated that the funding provided by the Victorian government over recent years has been both recognised and appreciated. It was noted, however, that the high level of state government support will no longer be provided – leaving growers to bear approximately 70 per cent of the ongoing costs of the administration and maintenance of the Pest Free Area. Mr Richards argued that in terms of funding:

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93 National Fruit Fly Strategy Implementation Committee, Plant Health Australia, *National Fruit Fly Implementation Action Plan*, October 2009, pp 3–4.

94 Citrus Australia Limited, *Submission 15*, p. 8.

95 Costa Group, *Submission 13*, p. 11.

96 See, for example, NSW Farmers' Association, *Submission 26*, pp 9–10 and Fruit West, *Submission 36*, p. 6.

As it is a problem which emanates predominantly from urban areas, and impacts on export potential and viability, I would respectfully submit that there is a national interest involved (if there is to be more than lipservice paid to the catch cry of Australia being the food bowl of Asia) and that Commonwealth funding ought to be provided in that area.<sup>97</sup>

## **Committee comment**

### ***Fruit fly***

4.96 The committee acknowledges the concerns raised by both individual growers and industry bodies about the importance of controlling fruit fly. The committee notes that the additional costs associated with fruit fly management and complying with fruit fly regulations can be a significant expense for growers – particularly those growing citrus for export to countries which require cold storage treatment prior to shipment.

4.97 The committee notes that recent changes to funding arrangements – particularly in Victoria and NSW – have meant that growers in these states have had to shoulder an extra financial burden. The committee agrees that the current situation whereby states and territories fund their own fruit fly control or eradication programs is problematic. The lack of consistency in terms of funding levels and administrative practices is also making it difficult for industry stakeholders to respond effectively to the management of pests – particularly fruit fly.

4.98 The committee recognises that producers and stakeholder groups are divided in their view as to whether a national or a regional approach is required to manage fruit fly. Having reviewed the evidence, however, the committee believes that there is a need for both levels of involvement. A national approach is necessary, for example, to co-ordinate research efforts, negotiate trade and market access and provide a co-ordinated response to outbreaks.

4.99 On a practical level, the committee acknowledges that programs tailored to particular regions and specific situations are also required. The committee therefore supports the continuation of state and regional management and responses to fruit fly control. The committee is concerned, therefore that state governments are withdrawing funding for this important pest management task – meaning that the financial burden is increasingly falling on growers.

4.100 The committee notes that the citrus industry has long been committed to the management of fruit fly and has a history of contributing financially to the management of fruit fly. The committee recognises that other horticultural industries experience similar economic losses in relation to fruit fly, however because the appropriate structures for raising industry funds do not exist, other fruit industries have not made a financial contribution to the management of fruit fly.

4.101 The committee believes that some thought should be given to the introduction of a national fruit fly management levy, payable on all host produce. This would be

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97 Mr Keith Richards, Palinyewah Producers, *Submission 23*, p. 5.

more fair and equitable and will provide the necessary funds for management activities and much needed research in relation to this destructive and costly pest.

4.102 The committee also notes that there is industry support for the continuation of the NFFS and continued investment in critical 'fruit fly' infrastructure.

### ***Biosecurity risks***

4.103 The committee has always taken an active interest in Australia's biosecurity, and is very concerned about the evidence provided during the inquiry in relation to the types of biosecurity risks currently facing the Australian citrus industry. The committee agrees that preventing the entry into Australia of both citrus canker and HLB (and its vectors) should be being treated as a major biosecurity priority. In reviewing the evidence presented, however, the committee seriously questions whether the citrus industry is adequately prepared to deal with an incursion of diseases such as citrus canker and HLB.

4.104 The committee notes the evidence provided by several well-respected scientific experts about diseases such as citrus canker and HLB and shares their concerns in relation to diagnostic processes and contingency plans not having been reviewed and brought up to date.

4.105 The committee also shares the concerns of those who submitted that the current cost sharing arrangements – particularly in relation to HLB and its vectors – are currently in need of review. The committee notes, for example, the suggestion that the Cost Sharing Deed's current listing of *Ca Liberibacter asiaticus* as a Category 2 should be amended to Category 3 and agrees that this issue is worthy of review.

### ***Budwood and seed scheme***

4.106 The committee agrees with those who argue that all sectors of the industry must take responsibility for protecting Australia's citrus industry from disease outbreaks. The committee is aware, however, that in the event of a disease incursion, resistant or tolerant rootstocks and pathogen-free budwood will be required to rebuild the citrus industry.

4.107 The committee notes that, since the late 1920's, Australia has been fortunate that the budwood and seed scheme administered by Auscitrus has been available to provide disease-free replacement stock. The committee also notes that Auscitrus is aware of the devastation diseases such as HLB can cause, and has been proactive in determining how the budwood and seed scheme can best address the HLB threat.

4.108 The committee notes that the courses of action recommended by Auscitrus, including: the maintenance of budwood sources in insect-proof screenhouses, a legally mandated certification or accreditation scheme for use of pathogen-tested citrus budwood and the registration of all nurseries are supported by various sectors of the industry.

4.109 The committee notes the concerns raised about the use of any plant material not sourced from the national scheme, an action which leaves the citrus industry open to serious disease outbreaks and places those who use the scheme at a commercial disadvantage. The committee notes that there is general support for a mandatory

budwood certification scheme supported by legislation – scheme that ensures that all nurserymen use budwood from a pathogen tested source.

4.110 The committee notes that there is also support for a nursery registration process supported by legislation. It is vital that, in the event of a disease outbreak, those involved in the nursery industry able to be identified and located this should include all producers and sellers – including those selling at small markets.

### ***Research and development***

4.111 The committee recognises the importance of funding research and development, particularly in relation to improved citrus varieties and the management of pests and diseases.

4.112 The committee is concerned by the evidence about the recent decline in research and development expertise in relation to the citrus and nursery industries. The committee also notes the concerns raised by people such as Professor Beattie about the lack of impartial funding for citrus research in Australia. The committee is disappointed that, a lack of Australian research and development means that there appears to be an increasing reliance on overseas expertise – particularly in the United States – rather than on Australian-based expertise.

4.113 A number of citrus growers and industry representatives argued that additional investment in research and development will allow the Australian citrus industry to move forward. Whilst the committee acknowledges this argument, it also acknowledges the comments made by the peak industry body (and others) regarding the difficulties associated with raising additional funds for research and development activities – particularly in relation to market access, biosecurity and disease management.

4.114 The committee notes CAL's announcement that it will be seeking to increase the research and development levy paid by growers and seek growers' views on broadening and increasing the levy to fund marketing programs. CAL stated that, whilst there is general support for an increase to the research levy, more consultation is required with growers regarding broadening the levy to include marketing.

4.115 The committee is in general agreement that there should be an increase in the research and development levy. However, in light of the concerns expressed about CAL's handling of research funding, the committee suggests that considerable consultation with growers is required – both in relation to funding for research and development and for marketing. The committee is of the view that in seeking additional funding, CAL needs to consult levy payers on the level of the increase, and the focus of future research projects. Levy payers need to trust that their funding dollars are being expended effectively and that funding processes are transparent.

### **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.**

**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.

**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.

**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.

**Senator Glenn Sterle**  
**Chair**



## **Additional Comments by Senator Nick Xenophon**

1.1 There is no doubt that Australia's citrus industry is world class. Our producers pride themselves on their quality products and it comes as no surprise that demand for Australian citrus is expanding throughout Asia, the Americas and Europe. However, the industry is on shaky ground. Increasing input costs, the power of our supermarket duopoly, woeful food labelling laws, barriers to export and cheap orange juice concentrate being dumped on our market have all contributed to a reduction in the size of this citrus industry.

### **Export Issues**

#### ***Access to export markets***

1.2 It was clear from submissions to this inquiry that access to export markets needs to be improved. As the committee noted, citrus has been Australia's highest value fresh horticulture export for the past three years, accounting for 31 percent of exports with a value of \$162 million per annum. In the Murray Valley approximately 50 per cent of all citrus produced is exported. As the Riverina Citrus Growers explained:

Australia has a reputation of producing some of the best citrus (especially Navel oranges) for the fresh fruit market. We are known for our “clean and green” image and export markets are willing to pay a premium for it.<sup>1</sup>

1.3 I agree with recommendation 6 made by the committee that the Federal Government must allocate more resources into finalising trade agreements with export destinations. In particular, attention must be paid to drafting trading terms which are more beneficial to our citrus exporters:

(China, Korea and Thailand) are relatively costly to supply due to more stringent market access and protocol arrangements. These impediments are both at a production level and at a regulatory compliance level. Revised protocol arrangements similar to those with many of our existing export markets would allow more rapid growth in the emerging markets. Unfortunately, we do not enjoy similar protocol arrangements to those of many of our competitors. This places us at a distinct disadvantage. Government assistance in negotiating more favourable trading arrangements would be highly beneficial to the industry.<sup>2</sup>

#### ***Export fees***

1.4 Following the massive increase in export fees, many producers were forced to consider whether it was economically viable for them to export. Mr Michael Punturiero, who runs a citrus orchard in South Australia's Riverland told the committee that he was unable to afford to pay the new export fees which rose from \$550 to \$8,530 per annum, even if a rebate was available. It was not practical for Mr

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1 Riverina Citrus Growers, *Submission 43*, p 7.

2 Sunraysia Citrus Growers Inc., *Submission 20*, p 5.

Punturiero to have such a large sum of money withdrawn from his cash flow.<sup>3</sup> Furthermore, it was not clear to Mr Punturiero what additional benefits he was receiving as a consequence of this massive fee hike:

**Senator XENOPHON:** Basically, you have got the same packing shed, which is accredited, but the fees for accreditation have just skyrocketed. Your packing shed has not changed—you are export accredited.

**Mr Punturiero:** Nothing has changed. It is only two-hour service we are talking about—two hours is \$450 and now they are wanting \$8,530 for the same two hours for registration on my shed.

**Senator GALLACHER:** Can we just put on record what the \$8,000 actually means? What do you see for the \$8,000?

**Mr Punturiero:** I have asked that question and they cannot give me an answer. They are just saying it is policy. It is the new cost recovery.

**Senator GALLACHER:** What was costing you \$450, there is no difference in attendance, inspection or—

**Mr Punturiero:** It is exactly the same.

**Senator GALLACHER:** You get the same certificate.

**Mr Punturiero:** The same surface, same certificate, same everything; no change.

**Senator GALLACHER:** But now it costs you \$8,500.

**Mr Punturiero:** For exactly the same thing.<sup>4</sup>

1.5 The committee's recommendation on export charges goes nowhere near far enough. It is intolerable that small and emerging exporters have such disincentives and obstacles placed in their path. At the very least there should be a sliding scale of fees and charges based on volume. The user pays approach is a failure when it comes to small exporters, and is in fact counterproductive in terms of Australia's long term export income.

**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.**

## **Domestic Market Issues**

### *Local market conditions*

1.6 A large focus of this inquiry was the effects of export issues on Australia's citrus industry. Spiralling electricity, transport, storage and labour costs are pressures faced by all citrus growers. As a result, growers are concerned that Australia is a competitive disadvantage in comparison with other citrus producing countries like Brazil and the United States. The Committee was told:

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3 Mr Michael Punturiero, *Committee Hansard*, 4 July 2013, p 3.

4 Mr Michael Punturiero, *Committee Hansard*, 4 July 2013, p 4.



Employment and on costs contribute to approximately 60% of the businesses costs. This is higher than many other crops and puts the grower at a competitive disadvantage to international business who have lower labour costs.<sup>5</sup>

### ***Supermarket duopoly***

1.7 We cannot overlook the home grown challenges facing citrus growers, not only in terms of input costs but also access to the domestic market. The South Australian Murray Irrigators Inc. told the committee:

Concern was raised here with respect to access to markets and this differed depending on the scale of the business. The emergence of citrus production in South America and South Africa, and the domestic squeeze created by two distributors, (Coles and Woolworths) holding 80% of market access. The competition to supply to the other 20% is fierce and many have missed out being unable to supply their fruit to any market at all. These businesses have lost out financially. Fruit was not harvested at all as the cost of production (i.e. labour to harvest) is higher than the price received.<sup>6</sup>

1.8 The bargaining power market imbalance between growers and the two major retailers cannot be underestimated and places growers in serious financial hardship:

Farmers enter contracts with juice processors for supply for up to 3 years. These contracts are not negotiated as a group of suppliers, but are given to growers individually to sign. Growers can feel intimidated by this process and feel as though if they voice concerns that their contract simply won't be accepted.

Citrus like all crops can have yield variations between seasons, in an "on" year growers with excess to their contract are at the mercy of a spot price, which can be 1/3 of the contract price. It seems unfair that the grower gets such a low price when the majority of excess fruit still ends up in the same bottle and the same shelf at the same price as contracted fruit. There needs to be some sort of contract class for over contract fruit that correlates to its final retail use.<sup>7</sup>

1.9 It is clear Australian growers will continue to be at the mercy of our major retailers until the Federal Government is equipped with divestiture powers to break up this duopoly where there is evidence of anti-competitive conduct.

**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.**

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5 South Australian Murray Irrigators Inc, *Submission 33*, p 3.

6 South Australian Murray Irrigators Inc, *Submission 33*, p 2.

7 Riverina Citrus Growers, *Submission 43*, p 10.

## Food Labelling

1.10 One of the biggest threats to the ongoing viability of Australia's food production and manufacturing businesses is our manifestly inadequate food labelling system. There are serious concerns about our current labelling regime and the extent to which it allows foreign imports to be classified as 'Made in Australia'. Currently the test for a product to achieve this classification is that it must either be 'substantially transformed' in Australia or 50 percent of the total cost of producing or manufacturing the good is attributable to processes that took place in Australia. We now have a situation where imported orange juice concentrate is being passed off as 'Made in Australia' after it is mixed with water and packaged in Australia, despite the concentrate originating overseas.

1.11 Citrus Australia Ltd summarised the shortcomings of our labelling laws:

Consumers also have a fundamental right to know where their food comes from.

It was disappointing to see the government's lack of support for a new country of origin framework, as recommended in *Labelling Logic: a review of food labelling law and policy 2011*. Unfortunately, as country of origin information on whole oranges (and other fruits) has improved, labelling on packaged and bottled foods has not. A company can get around the Food Standards Code by calling itself "Australian-owned", but it could be making its products offshore. It may also be stating something is "Made in Australia", when it is made from mainly imported foods that are then packaged here.

The industry is increasingly alarmed at how confusing and misleading labelling on fruit juices can be for consumers. We are renewing our calls for simpler and more accurate product information.<sup>8</sup>

**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.**

## Importation of Orange Juice Concentrate

1.12 The importation of cheap orange juice concentrate ('OJC') being passed off as 'Made in Australia' has been the source of much anxiety for many citrus growers in Australia. Furthermore, the Murray Valley Citrus Board also raised concerns with the committee that OJC was entering Australia at lower than cost price. I share their belief the onus needs to be on the country exporting OJC to Australia to prove that they are not selling it at less than the cost of production.<sup>9</sup>

**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.**

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8 Citrus Australia Limited, *Submission 15*, pp. 18 and 19.

9 Murray Valley Citrus Board, *Submission 9*, p 2.

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### ***Carbendazim***

1.13 In 2012, OJC containing the chemical carbendazim was dumped on the Australian market. As explained by Sunraysia Citrus Growers Inc:

This chemical had been banned from use in Australia for a number of years with a zero tolerance. Last season carbendazim was found in Brazilian Orange Juice Concentrate imported into Australia by a large multinational beverage company. Use of this contaminated product had been banned in the United States but was allowed in Australia. This double standard is not acceptable. There is a serious credibility and integrity issue around the decision. It is a blight on our chemical registration system and a fraud on Australian consumers.<sup>10</sup>

1.14 The former Government's haphazard response to concerns about carbendazim is symptomatic of the lack of understanding about the threat to the industry and human health posed by the chemical. The Coalition Government should seize the opportunity to correct the errors made by the previous Government and ban the importation of OJC which contains carbendazim.

**Recommendation 5: That imported juice of concentrate containing any level of carbendazim be banned.**

### **Conclusion**

1.15 I welcome and support the recommendations of the committee in relation to this inquiry. As a nation I believe it is not too late to address the issues facing our citrus industry, however action must be taken as a matter of urgency. With Australia's manufacturing industry already in crisis we must act now to ensure our food production industry does not face a similar fate.

**Senator Nick Xenophon**  
**Independent Senator for South Australia**

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10 Sunraysia Citrus Growers Inc., *Submission 20*, p 5.



# Appendix 1

## Submissions received

<b>Submission Number</b>	<b>Submitter</b>
1	Department of Agriculture, Fisheries and Forestry Queensland
2	Mr Frank Battistel
3	Vitonga Pty Ltd
4	Mrs Patricia Barkley
5	ANFIC Ltd
6	Mr Rob Smyth
7	Mr Brian Mills
8	Australian Beverages Council
9	Murray Valley Citrus Board
10	Mr Phillip Blacker
11	Mr Peter Taprell
12	Mr Ron Gray
13	Costa Group
14	LD Lloyd and Sons Pty Ltd
15	Citrus Australia Ltd
16	Seven Fields
17	Murrumbidgee Irrigation
18	Mr Michael and Tanya Punturiero
19	Citrus Australia - SA Region
20	Sunraysia Citrus Growers Inc
21	Griffith City Council and Leeton Shire Council
22	Mr Gerard McEvelly
23	Palinyewah Producers
24	Mr Mark Doecke
25	Australian Citrus Propagation Association Incorporated
26	NSW Farmers' Association
27	Mr David Arnold
28	Pinnacle Accounting Partners
29	Mildura Fruit Company
30	Mr Bart Brighenti
31	Community and Development Council of Griffith
32	Adelaide Produce Market
33	South Australian Murray Irrigators
34	Mr Tim Whetstone MP
35	Department of Agriculture, Fisheries and Forestry
36	Fruit Wes
37	Redbelly Citrus Pty Ltd
38	Griffith Business Chamber

- 39 Australian Horticultural Exporters' Association
- 40 Mr Graham Eipper
- 41 Griffith and District Citrus Growers
- 42 Dr George Beattie
- 43 Riverina Citrus Growers Inc

### **Additional information received**

- Received on 15 July 2013, from Food Standards Australia and New Zealand (FSANZ). Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 15 July 2013, from Citrus Australia – South Australia Region. Answers to Questions taken on Notice on 4 July 2013.
- Received on 16 July 2013, from the Griffith and District Citrus Growers Association (GDCG). Answers to Questions taken on Notice on 3 July 2013.
- Received on 16 July 2013, from the Griffith and District Citrus Growers Association (GDCG). Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 16 July 2013, from Mr Frank Battistel. Answers to Questions taken on Notice on 3 July 2013.
- Received on 16 July 2013, from Mr Frank Battistel. Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 16 July 2013, from the Griffith City Council and Leeton Shire Council. Answers to Questions taken on Notice on 3 July 2013.
- Received on 16 July 2013, from the Riverina Biosecurity Committee (RBC). Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 17 July 2013, from the Department of Agriculture, Fisheries and Forestry (DAFF). Answers to Questions taken on Notice on 4 July 2013.
- Received on 17 July 2013, from the Department of Agriculture, Fisheries and Forestry (DAFF). Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 23 July 2013, from Citrus Australia. Answers to Questions taken on Notice on 4 July 2013.
- Received on 23 July 2013, from Citrus Australia. Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 23 July 2013, from Horticulture Australia (HAL) and the Citrus Industry Advisory Committee (Citrus IAC). Answers to written Questions taken on Notice on 3 and 4 July 2013.
- Received on 6 August 2013, from the Department of Agriculture, Fisheries and Forestry Queensland (QDAFF). Answers to Questions taken on Notice on 3 July 2013.

## **TABLED DOCUMENTS**

### **3 July 2013, Griffith, NSW**

- Tabled by Mr Vito Mancini, Committee Member, Griffith and District Citrus Growers Association.
  - Letter to Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry from Mr Vito Mancini, Director, Redbelly Citrus Pty Ltd, dated 13 July 2012.
  - Letter to Mr Vito Mancini, Director, Redbelly Citrus Pty Ltd, from Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, dated 4 September 2012.
  - Letter to Mr Michael McCormack, MP from Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, dated 12 September 2012.

### **4 July 2013, Mildura, VIC**

- Tabled by Mr Peter Walker.
  - Document titled "Key Issues Related to the Deed of Agreement between HAL and the Commonwealth"
  - Document titled "Investigation of claims of a conflict of interest affecting the advice offered to Horticulture Australia Limited by its Citrus and Avocado Industry Advisory Committees"
- Tabled by Mr Michael Punturiero, Mystere Orchards. Letter to the Commonwealth Ombudsman





## **Appendix 2**

### **Public hearings and witnesses**

#### **3 July 2013, Griffith, NSW**

- BATTISTEL, Mr Frank,  
Private capacity
- BEATTIE, Professor George,  
Private capacity
- BLACKER, Mr Phillip,  
Private capacity
- BRIGHENTI, Mr Bartholomew,  
Private capacity
- BROADLEY, Mr Roger, Science Leader, Horticulture and Forestry Science,  
Queensland Department of Agriculture, Fisheries and Forestry
- JAMES, Ms Nicola, Economic Development Coordinator,  
Griffith City Council and Leeton Shire Council
- KENNEDY, Dr Michael, General Manager, Horticulture and Forestry Science,  
Queensland Department of Agriculture, Fisheries and Forestry
- LA ROCCA, Mrs Carmel, Secretary,  
Griffith and District Citrus Growers Association
- MANCINI, Mr Vito, Committee Member,  
Griffith and District Citrus Growers Association
- MANCINI, Mr Vito,  
Private capacity
- McEVILLY, Mr Gerard, Principal,  
Horticulture Supply Chain Services
- MILLS, Mr Arthur Brian,  
Private capacity
- PARKER, Mr Geoff, Chief Executive Officer,  
Australian Beverages Council
- SARTOR, Mr Louis,  
Private capacity

#### **4 July 2013, Mildura, VIC**

- ALDRED, Mr Tom, First Assistant Secretary, Biosecurity Plant Division,  
Department of Agriculture, Fisheries and Forestry
- BARBOUR, Mr Darryl, Director, Australian Chief Plant Protection Office,  
Department of Agriculture, Fisheries and Forestry

- CALHOUN, Mrs Kylie, Assistant Secretary, Plant Export Operations, Biosecurity Plant Division, Department of Agriculture, Fisheries and Forestry
- CHAPMAN, Ms Tania, Chair, Citrus Australia Ltd
- DAMIANI, Ms Judith, Chief Executive Officer, Citrus Australia Ltd
- DEMARIA, Mr Vince, Chairman, Sunraysia Citrus Growers Inc.
- FLETT, Mr Hugh, Chief Executive Officer, Murray Valley Citrus Board
- GRAY, Mr Ron, Private capacity
- GUIHOT, Ms Amy, Acting Assistant Secretary, Trade and Market Access Division, Department of Agriculture, Fisheries and Forestry
- HILL, Mr Perry, General Manager, Mildura Fruit Company
- KEENAN, Mr Michael, Private capacity
- KOVAL, Mr Matthew, First Assistant Secretary, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry
- MAYNE, Mr Andre, Director, Market Access Coordination, Japan, Thailand, Middle East and Africa, Department of Agriculture, Fisheries and Forestry
- McMAHON, Mr Greg, Managing Director, Seven Fields
- NANKIVELL, Mr Colin, Private capacity
- OTTESEN, Mr Peter, Assistant Secretary, Crops, Horticulture and Wine Branch, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry
- POULOS, Mr Con, Chairman, South Australia Region, Citrus Australia
- PUNTURIERO, Mr Michael, Mystere Orchards
- SMYTH, Mr Robert Michael, Private capacity
- TESORIERO, Mr John, Chairman, Murray Valley Citrus Board
- WALKER, Mr Peter, Private capacity
- WHYTE, Mr Alan, Board Member, Sunraysia Citrus Growers Inc.