



Agricultural Competitiveness Taskforce
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PO Box 6500
CANBERRA ACT 2600

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Submission by:

Citrus Australia Ltd

115 Lime Avenue

MILDURA VIC 3500

PO Box 10336

MILDURA VIC 3502

T 03 5023 6333

E judith.damiani@citrusaustralia.com.au

Citrus Australia Ltd

Citrus Australia is the national peak industry body for the Australian citrus growing industry. There are approximately 1,800 citrus growers based in every mainland state and the Northern Territory, but concentrated in the Murray Darling Basin regions of SA, VIC, and NSW; and in the Central Burnett/Emerald region of QLD.

The Australian citrus industry is one of the largest fresh fruit industries in Australia, and certainly the largest fresh fruit exporter. In 2013 the Australian citrus industry exported 164,785 tonnes valued at \$192.5 million. Citrus is also one of the largest fresh import categories in Australia, with annual volume of around 23,000 tonnes valued at \$33 million. The Australian citrus industry produces only around 1% of global citrus production and competes directly in export markets with lower cost southern hemisphere citrus exporting countries such as South Africa, Chile and Peru.

A decade of reviews and change

There is an extensive and detailed library of information on the factors affecting the structure, profitability and competitiveness of the food sector and the citrus industry including:

- Productivity Commission Citrus Growing and Processing report April 2002
- Cost structures in the supply chain for citrus fruits Nov 2002
- Citrus industry representative structure review: KPMG review 2005, Industry strategic plan 2006, Green Paper 2007, Deloitte Business Case 2008, White Paper 2008, formation of Citrus Australia 2008.
- ACCC Grocery inquiry 2008
- One Biosecurity: the independent review of Australia's quarantine and biosecurity arrangements 2008
- Citrus industry development needs assessment and recommendations 2009
- Riverland citrus industry value chain analysis July 2011
- Labelling Logic: review of food labelling law and policy 2011
- Horticulture export certification reforms
- National Food Plan consultation

- Horticulture export efficiency powers review 2012
- Citrus R&D Plan 2012-2017
- Senate report: Review of the citrus industry in Australia, December 2013

It is worth noting that in the last decade the Australian citrus industry has also experienced:

- Major biosecurity incursion (citrus canker)
- Drought and severe water restrictions
- Unprecedented floods (e.g. Griffith 2012, Gayndah/Bundaberg 2013)
- Increased southern hemisphere competition in its main export market (USA)
- Changed horticulture export regulations and certification reforms
- Changing varietal mix from Valencia oranges to navel oranges and mandarins
- Historically high Australian dollar
- Continued consolidation in the supply base and supply chain
- Increased input and compliance costs

The next decade of opportunities

Citrus Australia commends the Australian Government for the development of the Agriculture White Paper and its focus on Asian engagement. It is important that the government demonstrate leadership and long-term vision for a more collaborative, commercial and integrated approach to agriculture and food related policies and programs, particularly as we move into the Asian century.

It is essential that these plans and policies are finalised and implemented effectively and with a sense of urgency, as many of the initiatives will benefit the Australian citrus industry. These areas are:

- Seizing new market opportunities
- Enhanced Asian engagement
- Robust food supply chain relationships

- Increasing R&D
- Ensuring a competitive industry
- Clearer country of origin labelling both domestically and internationally
- Sustainable and safe production systems

The industry itself has reformed its representative structure, and continues to adapt to changing market, economic and climatic conditions.

Industry and Government will need to work closer, more collaboratively in genuine partnership to capture the opportunities - and address the challenges - ahead.

Scale and structure of the industry

The Australian citrus industry is one of the largest fresh fruit industries in Australia. The 28,000 hectares of citrus planted on some 1,800 properties represent capital investment of about \$700m (excluding land costs) and additional supply chain investments in packing houses, cool stores and transport are significant. The industry produces around 600,000 tonnes annually, with a farm gate value of \$450m and retail value approaching \$1b annually. Citrus is also Australia's largest fresh fruit export, with around 165,000 tonnes annually shipped to over 30 export destinations. Important markets include Japan, USA, Hong Kong, Malaysia, the Middle East, New Zealand and Indonesia. A more recent focus has been placed on the developing markets of China, Korea and Thailand. The industry has fully embraced the Asian Century initiative, and is investing heavily in developing new markets and trading relationships in the region.

The industry is a significant employment provider in regional Australia, with major production regions in South Australia, Victoria, New South Wales and Queensland. There are also plantings in Western Australia and the Northern Territory.

Navel orange plantings make up a substantial portion of the Australian citrus industry – 12,000 hectares out of a total of 28,000 hectares – and are the largest fresh citrus product. Valencia oranges are the next biggest variety, and form the basis of a domestic fresh orange juice sector.

Lemons, limes and grapefruit make a lesser but important contribution to the citrus domestic market offer. But recent plantings are mainly mandarins, a trend that is predicted to continue in line with consumer preferences. The industry invests heavily in variety improvement, with an eye on better meeting future consumer demands.

In 1997, 30% of growers accounted for almost 90% of the production of citrus, while 50% of growers accounted for only 2% of the industry's production¹.

Between 2003 and 2011 over 410 growers (18%) exited the industry with only a relatively insignificant decrease in the number of trees. This resulted in the average citrus area per property increasing from 13.1 hectares to 15.1 hectares².

It is estimated now that 20% of growers would account for almost 90% of the production of citrus.

The industry's peak body is Citrus Australia, which was established in 2008 following a decision by growers across the country to create a new modern more accountable industry body.

Citrus Australia is today supported by over 250 growers and affiliate members as well as an active and focused team that provides vital services to the industry. It has recently established regional advisory committees in its major growing areas including South Australia, the Riverina, Sunraysia and Queensland.

Further advisory committees cover the key issue of export marketing, domestic marketing and variety development. These committees form a strong consultation network, linking the peak body to all sectors of the industry.

Citrus Australia is recognised by the Australian government as the national peak industry body for citrus levy payers. Citrus Australia, as the recognised national peak industry body, is also a member of HAL and Plant Health Australia Ltd.

The ways in which Government can help address scale and structure issues facing the citrus industry include:

- Ensure robust value chain relationships.
- Seizing new market opportunities; and reduce trade barriers.
- Boost support for research and development: new products, new practices and continual innovation are crucial to the future of Australian citrus. This includes facilitating and supporting the consultation and voting process for setting or varying levy rates; continuing to support the matching dollar for R&D investment; and developing specific programs and grants addressing strategic or business innovation needs of the industry.

¹ Productivity Commission Citrus Growing and Processing report 2002, pg XXIII

² National Citrus Plantings Database, 2011, SunRISE21 Inc

- Support peak industry bodies such as Citrus Australia: we are not a big industry (on a world scale) and we need to be united to make progress.

Opportunities and inhibitors for growth of the Australian citrus industry

Export market access and development

In order to achieve improved profitability, the Australian citrus industry must find increased markets for its produce. Unlike most horticultural industries in Australia, the citrus industry is highly geared to export trade, with around 60% of all navel oranges shipped overseas, comprising nearly 30% of the entire Australian citrus crop. This means that increasing our share of existing markets and finding new ones is critical.

Citrus Australia is driving the development of increased exports to Asia, with increased market share in China, South Korea and Thailand. The industry recently gained access to the Philippines, which is expected to become an important market.

Even if the Australian dollar weakens, we can still expect serious competition from our main competitors South Africa, Chile and Peru. Unless we can get better quarantine access and tariff conditions to China, South Korea and more markets in other Asian countries, we are going to be under a lot of pressure in the foreseeable future.

Along with improved access and trade conditions, horticultural export inspection and certification reforms are essential in order to streamline processes and reduce costs for both industry and government.

We would like to say from the outset that at many levels of government we have experienced an outstanding level of service as we have met the challenges in exporting citrus. The National Residue Survey has proven to be a true asset as we have worked together to develop a residue monitoring program. We commend the Department of Foreign Affairs and Trade in its engagement with Citrus Australia and success in finalising Free Trade Agreement negotiations with South Korea and Japan. The Department of Agriculture's (DoA) Trade and Market Access Division has also provided exceptional service through its network of Agriculture Counsellors particularly in South Korea, China, Japan and Indonesia. The individuals in these organisations that we have worked with have demonstrated a strong business focus, high levels of professionalism, competence and a genuine passion and enthusiasm towards assisting the Australian citrus industry.

If Australia is to realise the true opportunities in Asia, the dedication shown by these individuals is required across all levels of government. We are therefore disappointed that we have not always experienced that same level of urgency and business-focussed engagement from the DoA team which oversees market access negotiations. As outlined below, we believe this is largely due to a flawed model adopted by this team in setting their market access priorities. Our industry has funded a full-time market access manager to expedite new and improved phytosanitary protocols with key export markets, but the DoA market access team has not fully engaged with us in this process. Given the current budgetary pressures on the Australian Public Service, we feel that DoA is missing a valuable opportunity to utilise the skills within our industry to achieve market access outcomes - with less impact on government resources.

Australian citrus is currently traded into over thirty overseas markets. Consequently, the industry has an extensive list of priorities for trade improvement and has invested heavily in research and development (with matching Commonwealth funding) to support and improve its market access position. The businesses within the sector have also invested heavily in developing their export trade. Disappointingly, we are failing to capitalise on much of that investment due to extensive delays in having our cases considered by DoA and the overseas authorities. While we recognise that DoA has a large number of horticulture industries to please, we assert that its current process for reviewing and prioritising market access requests is inequitable and not based on return-on-investment.

Citrus is Australia's largest fresh fruit exporter, with a well-established production base, a proven supply chain and very strong market demand, particularly in Asia. During the 2013 season, Australian citrus exports were valued at around \$A200 million. While this is an impressive result, it has not necessarily delivered high returns to Australian growers or to rural communities. The cost of quarantine compliance has continued to hamper trade and reduce the profitability of the sector. Key challenges for Australian citrus exporters include trade-restrictive phytosanitary conditions (that are not always technically justified), high tariffs, excessive inspection and certification costs, and in recent years a strong Australian dollar.

Market access and improvements to conditions of trade

In 2011, Citrus Australia and Horticulture Australia developed a five-year strategic plan for the citrus industry after extensive consultation with the industry. That strategic plan identified market access as the number-one priority. Improvements to phytosanitary conditions and reduced compliance costs continue to be a key theme in all discussions with our stakeholders.

The Office of Horticulture Market Access (OHMA) is an industry-based committee made up of volunteer representatives from ten horticultural groups established to advise government on horticulture market access priorities. The Australian citrus industry has a single representative on that committee. While we respect the skills, knowledge and experience of committee members, we do not feel that OHMA provides an effective mechanism for informing the government's market access agenda. Moreover, the mechanism does not achieve valuable or timely outcomes for the horticulture sector.

We feel that the current mechanism (whereby OHMA sets DoA's market access agenda) largely overlooks the business case for each market access request. We feel that to date, DoA has far too readily accepted OHMA's advice without due consideration of supply, demand, competitors, level of previous investment by industry, available R&D, economies of scale, technical support or logistics. As a result the level of investment by DoA is often disproportionate to the genuine commercial opportunities that exist. In a large number of cases, DoA has heavily invested its resources over many years into pursuing market access outcomes from which little (if any) meaningful trade ever eventuates.

Our industry's frustration with this process is illustrated by our attempts to achieve an improved phytosanitary conditions into China. Some context: the citrus phytosanitary protocol negotiated with China in 2005 places technically challenging demands on the citrus supply chain. However, following extensive R&D input from industry and the Australian government, a suite of orchard practices and registration procedures has been developed which allows compliance. Under this expensive and labour-intensive system, the export trade to China has grown from a base of 277 tonnes in 2010 to 13,757 tonnes in 2013, with an FOB value of \$22 million. We estimate that this trade will double in 2014 due to phenomenal demand for our oranges and mandarins from China. Our industry thus has a powerful business case

for requesting priority placing with DoA to negotiate an improved phytosanitary protocol. We have put forward strong business cases through the OHMA system for improvements to be considered – improvements which would unleash a vast additional volume of Australian citrus exports, with significant savings and risk reduction for growers.

However, under the currently accepted OHMA model, we are unable to even gain a mention in official bilateral negotiations between DoA and their Chinese government counterparts. Under the OHMA model, we are relegated to a dubious position in a queue of minor industries with no proven export track record, with no guarantee that we will see any market improvement for many years. This is simply not a satisfactory way for Australia's largest fresh fruit export industry to manage its business – we are missing out on opportunities to other southern hemisphere competitors. We have met with the DoA market access unit on many occasions to find some way forward, but they are not prepared to budge from the OHMA model of priority setting.

We acknowledge that DoA has recently allocated funding to horticulture industries to develop export plans and Citrus Australia is pleased that this process has been initiated. This is undoubtedly a step in the right direction. We have a strong expectation that each export plan will be closely scrutinised by appropriately skilled staff within DoA; and that those export plans will inform DoA's future market access agenda. We recognise the depth of expertise within DoA's Market Access Coordination and Strategy team but we feel that thus far, that expertise has been largely under-utilised. In our view, DoA has the depth of knowledge to determine its own priorities.

Recommendations

- DoA develops its own internal process to prioritise market access requests by utilising the skills within its Market Access Coordination and Strategy team. The Market Access Coordination and Strategy team would be required to make determinations based on the business case for each request, taking into consideration previous and future investment by industry and government. While DoA's determinations would not always be popular, the currently process is certainly not delivering a high level of stakeholder satisfaction.

- horticulture industries take greater ownership of the technical inputs to support market access. As a corollary, we recommend that DoA be more engaging with horticulture industries to take greater advantage of the skills and experience within those industries.
- DoA create a team of "special negotiators" of the calibre of the individuals from other government departments that we highlighted above.
- DoA conduct an assessment of the government costs associated with achieving market access; and that the outcomes from that assessment be made available to horticultural industries.
- (at least) part of DoA's costs in negotiating market access be cost-recovered. Co-investment by industries will assist DoA in determining where true commercial opportunities exist, and allow industries that are serious exporters to capitalise on those opportunities without having to wait behind other smaller contenders.

Excessive compliance and certification costs

For the Australian horticulture sector to succeed in the Asian Century, regulatory reform is urgently required. In July 2011, DoA's Horticulture Exports Program returned to full cost-recovery. The recommendation to return to full-cost recovery was made by Beale³ as part of a review of Australia's biosecurity arrangements. However, Beale also recommended that the return to full cost-recovery should be accompanied by "*greater use of co-regulatory arrangements, such as compliance agreements, to reduce the cost of the regulatory service wherever possible*".

While DoA has pursued the return to full cost-recovery with relentless enthusiasm, to date we have not experienced any cost savings for regulatory services. In contrast, the Australian citrus industry has experienced significant cost increases in the form of establishment registration charges, inspection charges, and an increased level of auditing. We feel that DoA has shown little commitment to work with the Australian horticulture sector to deliver genuine reforms to export certification. To put the issue into perspective, it currently costs nearly as much to certify a container of citrus for export to Japan than it does to harvest the fruit.

Australian exporters face a multitude of obstacles including trade-restrictive phytosanitary conditions, high tariffs, packaging and labelling requirements, import

³ Beale R (2008) One Biosecurity: a working partnership. The Independent Review of Australia's Quarantine and Biosecurity Arrangements. Report to the Australian Government.

licensing arrangements and inefficient certification systems. In addition, DoA superimposes a range of additional requirements on the basis that they are importing country requirements. In many cases, DoA's loose and over-zealous interpretation of importing country requirements has led to unnecessary costs to industry and in the worse cases, prevented trade from taking place. The industry has a strong expectation that citrus export programs will be properly administered to ensure that there are no unnecessary administrative burdens placed on exports.

A key feature of the export reforms is the use of industry based inspectors (Authorised Officers). A significant number of individuals within the citrus industry have been trained and assessed as Authorised Officers to conduct phytosanitary inspections. Disappointingly, government and industry have failed to capitalise on the Authorised Officer program as there are few instances where the overseas importing authorities have accepted the concept of industry-based inspectors. Where Authorised Officers have been accepted (e.g Thailand and the Philippines) job functions have not yet been developed. To the best of our knowledge, acceptance of the Authorised Officer program has not been the subject of bilateral discussions, and updates from DoA through the Horticulture Export Industry Consultative Committee have been limited at best. Irrespective of the limited importing country acceptance, we still firmly believe that the Authorised Officer program has merit, and that it should be broadened to include a greater range of job functions.

In recent years the citrus industry has experienced an increased level of auditing by DoA. We feel that this recent policy shift by DoA is contrary to the Australian Government's broader agenda to "cut through red tape". The increased auditing has created an unnecessary financial burden on both industry and government but more importantly, created significant delays in the start of the citrus export season. It has become evident that DoA is unable to meet its own self-imposed audit requirements in time for the citrus export season at the start of May. At the time of writing, orchards are still being audited. As a result, businesses are failing to capitalise on the early season opportunities and strong returns in export markets, particularly in China. While we recognise that the Australian Government has international obligations to fulfil, we feel that DoA has failed to explore co-regulatory arrangements as recommended as part of the Beale review. Given that additional auditing is not an importing country requirement, we consider this to be unnecessary. In our view there are a range of options to reduce the level of involvement by DoA that do not restrict the industry's ability to capitalise on its investment.

Many Australian citrus packing houses are large, professionally managed businesses with robust systems in place and strong records of quarantine compliance. Many of those businesses already have Authorised Officers trained and assessed to the same standards as DoA inspectors. We feel that the use of Authorised Officers and compliance agreements with packing houses would provide an ideal opportunity for government and industry to reduce compliance costs without compromising the integrity of Australia's biosecurity system in any way. It is therefore disappointing that DoA continues to implement inefficient systems without exploring more effective approaches towards quarantine compliance. This is despite a strong record of compliance in inspections on arrival in export destinations – in China, for example, there were no quarantine contraventions on arrival for any of the 625 containers of citrus shipped there in 2013.

More broadly, we feel that the current export inspection and certification service can be made more efficient and effective. While DoA maintains a monopoly we are doubtful that improved efficiencies will ever be realised. We are of the strong view that export inspection and certification services should operate like a business and until such time that there is competition in the market, the inherent inefficiencies in the system will continue to restrict horticultural trade.

Recommendations:

- DoA places greater emphasis on engaging with the overseas authorities to promote the concept of Authorised Officers.
- DoA broadens the range of job functions for Authorised Officers.
- We recommend that DoA makes a genuine effort to move towards co-regulatory arrangements and compliance agreements (to potentially include Authorised Officers) to reduce the regulatory burden (for government and industry) associated with auditing.
- DoA align its export procedures with importing country requirements so as not to impose any additional and unnecessary requirements on the citrus export industry.
- The Australian Government take steps towards commercialising phytosanitary inspection and certification services. In the first instance, these services should be provided by a statutory authority.

Other ways in which the Government can help facilitate export trade include:

- Improve and fast-track phytosanitary (quarantine) and non-phytosanitary (tariff and quota) market access into key countries such as China, Republic of Korea, Japan, Thailand, Indonesia and USA.
- Increase resources particularly with agricultural and commercial expertise available to DFAT and DoA, including overseas postings.
- Commit to export fee reforms with government assistance while new efficiencies are rolled out or approved by protocol markets.
- Recognise the importance of horticultural trade in bilateral and multilateral trade negotiations and FTA's. Commit to finalising the FTA with China.
- Support industry capacity building and promotions programs in export markets.
- Continue to support a 2 year transition from horticultural export regulations.

Biosecurity and Quarantine

Australia faces serious biosecurity risks that could cause significant damage to the industry. Managing these risks is increasingly falling on growers, who are already struggling with increased production costs. As well as exotic incursions, a worsening pest situation, such as fruit fly, is seriously affecting profitability.

Citrus Australia is a member of Plant Health Australia; is a signatory to the Emergency Plant Pest Response Deed, and supports high R&D investment into biosecurity related projects.

The industry's national budwood and seed scheme is administered through Auscitrus, which ensures the highest health status of all citrus nursery trees in Australia.

The ways in which the Government can help manage biosecurity risks and costs include:

- Improve border vigilance and regional surveillance, and working with industry in preparing for incursions of serious threats such as Huanglongbing (citrus greening) and citrus canker.
- Tackling fruit fly, horticulture's biggest pest and trade restriction issue, by supporting the National Fruit Fly Strategy and providing investment into critical infrastructure such as an effective sterile insect factory for Queensland fruit fly. State government funding for fruit fly control in NSW and Victoria has reduced significantly since July 2013.
- Develop world class government quarantine facilities and capabilities for the importation of plant propagation material.
- Support improvements to the national citrus budwood scheme such as national registration and accreditation for citrus nurseries and movement requirements pre and post border.
- Provide more clarity around owner reimbursement costs for biosecurity incursions.
- Support information and analysis obtained from pre-border, border and post-border biosecurity activities be made available for use by state and territory governments, industry and research organisations.
- Enhance government funding for activities which support biosecurity-related technical market access.

Agrichemical Issues/Food Safety

A growing number of agrichemicals used by the citrus industry are being reviewed and suspended. Citrus growers are mindful of minimising chemical usage but require a variety of chemicals to combat pest pressure.

Citrus Australia is proactively reviewing a list of citrus agrichemicals and working with industry and the AVPMA in identifying priority products and R&D required to maintain registration or in finding alternate products.

Citrus Australia has recently developed, in conjunction with the major citrus exporters and the National Residue Survey, an export food safety program which supports the 'clean and green' image of our citrus exports.

The ways in which the Government can help manage pesticide suspension include:

- Support the protection of essential chemicals for use in the citrus industry
- Streamline the agrichemical registration process so that new, safer chemicals can be registered more rapidly and efficiently.

Health, nutrition and labelling

It is important for Governments to encourage increased consumption of fruit and vegetables in order to address an ageing society and increasing obesity issues. Clearer policies around health claims can also assist food industries in promoting their products.

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 labeling 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 remains concerned 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.

The ways in which the Government can help address health, nutrition and labelling include:

- Encourage increased consumption of fruit and vegetables.
- Assist industry with health claims and country of origin labelling on packaged products.

- A 90% benchmark in relation to processed products be instituted – meaning that in order to make the claim “Made in Australia” a product must contain 90% or more Australian ingredients by total weight excluding water.
- Food labelling laws be more effectively enforced.

Water

Recognise citrus as a permanent long-lead crop requiring high security irrigation water all year round, and the importance of the industry to the national economy and well-being.

The ways in which the Government can help address water issues include:

- Commitment to current funding for infrastructure upgrades; consider new dam options.
- Ensure adequate funding and resources for the implementation of the Murray Darling Basin Plan which will improve the water security of our growers and give them the confidence to invest in the future.
- Increase funding for water-use efficiency programs in growing regions outside the Murray Darling Basin.

Production costs

Recognise that growers are facing unprecedented increases in the cost of production including labour, transport, power, pests, and natural disasters (droughts/floods).

The ways in which the Government can help address increasing production costs:

- Assist with pest management costs such as fruit fly.
- Remove the carbon tax.
- Address freight and transport inefficiencies.
- Reduce costs of inter-state movement of citrus products by standardising and streamlining the quarantine regulations of each state and territory.

- Increase access and flexibility of natural disaster recovery programs.
- Ensure success of the working holiday visa program and seasonal worker program.

Citrus Australia is trying to improve domestic consumption of citrus through promotional programs, and through the expansion and adoption of the Australian Citrus Quality Standards, which will improve consumer perception and repeat purchase of fresh citrus.

Competition issues in the Australian market

The ACCC conducted an inquiry into the competitiveness of retail prices for standard groceries in 2008. The ACCC concluded that grocery retailing is workably competitive and did not identify anything that is fundamentally wrong with the grocery supply chain. Despite this conclusion the ACCC has recently successfully sought supplier information leading to the possible identification of anti-competitive conduct by the major supermarkets in Australia.

The grocery inquiry in 2008 also made a number of recommendations in relation to improving the effectiveness of the Horticulture Code.

The Horticulture Code of Conduct 2007 is a mandatory code administered by the ACCC to improve the clarity and transparency of transactions between horticultural growers and wholesalers.

In 2009 a Code review committee was formed and made further recommendations to improve the effectiveness of the Code. There have been further attempts to reach agreement between the various horticultural sectors, without success.

The ways in which the Government can help combat competition issues facing Australian citrus include:

- Finalise the Agriculture White Paper and resource its implementation.
- Increase consumer awareness of country of origin – Australian produced/grown.
- Encourage support and compliance with the voluntary fruit juice industry code of practice.

- Increase effectiveness of the mandatory Horticulture Code, or review its place in the new policy environment.

Adequacy and efficiency of supply chains in the Australian market

There have been a number of studies into citrus supply chains over the past decade.

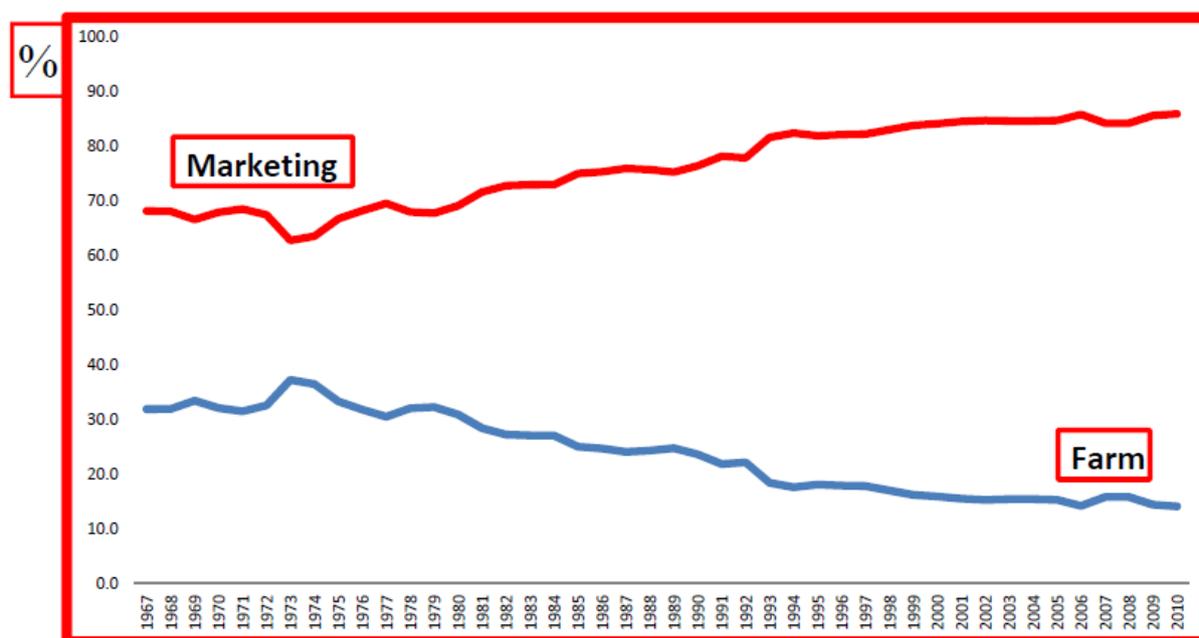
The areas identified as key priorities include:

- Improve information flows
- Define and implement a set of national quality standards
- Make managing trading relationships a part of doing business
- Focus on product attributes valued by the consumer

Consolidation continues in citrus supply chains.

Though Australian data is not available for trends in farm gate price we are confident it reflects the trend in USA data – see Figure A.

Figure A: Share of Food Dollar, USA, 2011



Source: USDA. ERS Food Dollar Series. Updated 7/2012

Attempts to address this trend include: increasing size of property; supply chain integration; business structure/strategy; cost reduction; varietal change; product/service differentiation; streamlining representative structure and cost.

Unfortunately competitiveness remains an issue in Australia due to the high cost of labour; infrastructure and freight issues; increasing compliance costs; carbon tax; impact of the high exchange rate and market dynamics.

The citrus industry's main production regions are remote from capital cities and export ports – the increasing cost of freight to these destinations is a serious supply chain inhibitor.

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).

Certification of export consignments here is also expensive compared to that of our competitors – the current reforms require extra urgency and effort.

The ways in which the Government can help improve the supply chain issues facing Australian citrus include:

- Address inefficiencies and cost of freight.
- Infrastructure investment.
- Reduce taxes on fuel and electricity, such as removing the carbon tax.
- Simplify workplace relations and immigration regulations and policy. Support and enhance seasonal worker programs.
- Streamline the certification of export consignments to help make our export sector more competitive.
- Facilitate better communication and understanding through supply chains.
- Support national industry programs such as the Australian Citrus Quality Standards.