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The citrus industry's failure to make ground domestically and internationally, and consequently, being in some years grossly under the cost of production seems to be counter intuitive. How can a industry which fail's to deliver adequate returns to growers to meet the costs of operating an orchard yet not be competitive in the world market? Is the problem in the supply chain? Is the problem to do with inefficient growing practices? Is the problem with 3rd party regulations and red tape from Government, industry and the marketplace? It's no secret the Citrus Industry in Australia is broken; the secret is where does our problem lie.

As a 33 year old, 3rd generation grower who has been raised in the industry, who has seen the industry from many faucets including growing, packing, domestic sales, exporting and interaction and involvement with many boards and committee's throughout this industry. I have been part of this industry in the best part since birth, performing simple tasks since I was a boy, I have grown up with the industry and feel it is a part of my identity. Currently, I own a citrus farm and manage two family-owned properties, I manage an export capable packing house and a committee member of the Griffith and District Citrus Growers Association. My push at the moment is developing niche citrus markets including limes and blood oranges for which I am one of Australia's largest producers and marketers of. Our company, Redbelly Citrus Pty Ltd, markets fresh blood oranges, blood orange juice and condiments through Australia, Asia and the USA. I declare that my purpose for this submission is to outlay my genuine thoughts and perhaps a wish list to make this industry I belong to, so intertwined with, to become resilient, transparent, professional and above all profitable.



I believe that profit is what is key, its sometimes seen as a dirty word in our circles, I'm not sure if this because at the growers hearts' passion is over profit, or that profit has so far been an unpredictable occurrence that the focus has been more or less on providing at least the costs of running an orchard as a maximum reward. I believe that if the industry was profitable, many of the issues faced on the growing front including pest control, water, water efficiency, minimising chemical use, integrated pest management, labour shortages and conditions, upgrading technologies, cultural practices and import market conditions could and would be addressed. But profit alone cannot be achieved without hard work and a fair go.

I will debate my view of the industry to a level which I think will be suitable for inclusion in your report. I apologise if this may take more effort than planned to dissect, I just hope some of the view I express will contribute to your decision-making.

### **Becoming a new member of the Citrus industry**

Have you ever wondered how many people decide to join the citrus industry with a previously zero investment base in the industry? And how does that compare to the citrus industry participants that join through succession and how does that compare with people who are exiting the industry? Without providing anecdotal evidence, answer's to these questions are this: The establishments of new orchards from new participants is virtually nil, growth of new orchards are from established participants and the general trend in both participant numbers and land mass planted to Citrus has reduced and will continue to reduce.

Why is this? Partly due to the long-term nature of entering the Citrus industry, to develop an orchard to a fruit bearing capacity can take up to 8 years, this is a huge bearing on the viability in participating in the industry, even if one wanted to enter the industry, the sheer costs in doing so is prohibitive. I am speaking on this from past experience. I can justify the costs of developing a greenfield site into a citrus orchard as I have recently undertook this, and due to support from my fathers existing citrus business I was able to fund the orchard's establishment.

There's a few messages I am trying to convey from this section:

Firstly, the continual growth of the industry is to be able to allow entrants into the industry to continue and enhance existing systems. Without succession, the industry will fail and fail immensely.

Secondly, as a new landholder, my design and development budgets for which I can share with you if you so desire shows that the costs of developing an orchard and designing the systems with the most minimal expense shows a negative outcome for our commodity lines of oranges that is, Navels and Juicing Oranges. Australia's system is not conducive to new developments of these types if not supported by other means. As noted above, our business route has been to develop market niches which currently offer a greater return, this is due to a few things including consumer acceptance, novel techniques



and differentiated marketing.

To solve these problems is an arduous task, how can this part of the industry be helped? Personally, I don't think the problem is that the costs are too high to enter the industry, the problem is on the other end. The profitability must be addressed.

I recommend that the Senate Committee investigates opportunities to help invigorate new members to the industry as well as opportunities to support new and emerging trends by supporting the development and export presence for the future of our industry.

### **DAFF Charges**

Unfortunately it seems to us farmers that the Government is intent on destroying our businesses, our livelihoods and Australia productive capacity to grow clean, safe food. The latest round of decisions made by government departments highlighted for you below, do not inspire us with confidence. To the contrary, it deflates hope and raises the spectre of total industry collapse.

#### **DAFF INDUSTRY ADVICE NOTICE 2012/25**

We recently received a notice from Ms Kylie Calhoun from DAFF regarding the fees we are required to pay to register our shed to pack oranges in for export. These are simple structures and not complex manufacturing facilities like laboratories for pharmaceuticals. Fruits come in get washed, waxed, packed and put onto a waiting truck for transport to an export inspection facility.

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).

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?

The excuse of cost recovery is a poor excuse with many people in our industry suffering from the effects of the high Australian dollar and the competition through cheap imports, Australia should be leading the way for market development not market hindrance. For every decision not to send fruit to markets such as China so as to cultivate their taste for fruits such as blood oranges, it gives our competitor countries an added advantage over and above the advantages they have with respect to low cost labour and lax chemical and OHS standards.



I recommend that the Senate Committee investigates ways to which Government sector efficiency and taxpayers money could be better spent to support exports that will deliver stronger export GDP's as well as a stronger citrus industry. I also recommend that in failing to improve export costs that the Committee will investigate ways for new entrants into the export arena be supported through a lower cost of entry.

### **Export Efficiency**

Australia's Citrus industry has been planted on export potential and with the high Australian dollar, amongst many things, is causing difficulty in maintaining and creating export opportunities for the Australian Citrus Industry.

All of the packing houses that export in my growing district, the Riverina, are family owned and operated small business's that have a pivotal role in accepting Citrus growers fruit and making the fruit acceptable for markets, this is usually in two steps: - the washing, cleaning, quality grading and packaging of the fruit; and, - selling the fruit into suitable markets.

One of the most difficult parts of doing business in international fresh fruit sales is the risks in dealing with a overseas buyer and the strain it places in finance for both the pack house and the grower. The risk in trade with overseas buyers is a real threat for business because, as mentioned above, pack houses are essentially small business with very limited resources especially in export vetting. Typically, most packing houses receive orders from many importers throughout the season depending on demand on citrus fruits, without being able to properly gauge an importers credentials, the pack house could open them selves up to a lot if risks including non payments of goods. On the other hand, some long-term clients have large lag times in payments due to voyage times and recoveries of payments from the importers clients. The combination of the two can and does make citrus exports a very challenging business with many exporters preferring to use existing importers and limit their exports to what they can physically afford for the season.



The opportunity I see that exists for the Government to work upon is the creation of a bridge between AusTrade and EFIC. I can see the opportunity consisting of this Government backed body to help exporters to go through a background check of importers, and once approved, allow the contract of sale to be insured and/or funds to be advanced to allow the opportunity to be utilised. The service should be fee for service but the advantages can be great including:

- Allow small export based companies to have the same level of intelligence as their must larger international rivals;
- Allows for competitive pricing, as there doesn't need to be a large risk assignment on quotation;
- Fund's can be released back to the grower quicker than previously allowed;
- Allows export-based companies to be proactive in sourcing new clients.

Of course, the model will need to have quality parameters built in which can be easily managed through current supply chain members. The only risk is that if an importer fails payment, this new body would be tasked for recovery, but with AusTrade in every continent around the world and working both under a fee for service and volume of service, this risk is known and exporters are far better off since the alternative we currently operate under is a far costlier exercise. The reason why this will work is because this structure will provide the resources that the majority of small business simply cannot afford.

I recommend that the Senate Committee investigate the opportunity of appointing a federal body charged with export facilitation and risk mitigation.

### **Market Access**

A topic closely related to Export Efficiency is that of market access arrangements. Historically, Australia has been both quite slow and ineffective in arranging access for produce into viable export markets. Australia has also proved to be slow in modernising access arrangements to move with the current technologies and standards. In comparison with South American countries, Australia has lacked the intensity in arranging these access systems, which has left us in a position of having only a few select markets that can be accessed with minimal adaption of current techniques.

Australia should focus more on developing systems that rate area's of low pest prevalence to minimise treatments as well as developing a long term architecture and synergies between all export market situations.

In Asia, the intended market for Australia's food bowl future, Australia's access arrangement has increased in complexity the further we develop each market. You can see this if you review the export figures from Australian Customs that the market volumes exported drop down as the list moves to more recent protocols established. This isn't because the marketplace isn't as deserving or accepting Australian Citrus, it is because the newer access arrangements are arduous and complex.



Take for example Japan, very little orchard management has to be undertaken to be accepted in Japan. Inversely, for China, the level of management and scrutiny is so rigorous that many farmers simply cannot implement the changes required to satisfy market conditions. This is very much true for smaller orchards as the cost of compliance is higher. Australia must learn from competitors on how their export systems work for each importing country and continually work towards simplifying access.

As mentioned in the introduction, our company, Redbelly Citrus is one of the largest producers and marketers of blood oranges and moving onto my current predicament, despite discussing the matters with many Government officials, Australia has no agreement with Japan under which blood oranges can be sent.

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 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. We are not allowed to send different types of Navel Oranges even though Washington Navel has been allowed, never the less Blood Oranges to Japan under cold dis-infestation.

Why this arrangement with such an important trading partner was allowed to be framed in this way is not known to me. However clearly, the Navel specific agreement is well out of date and needs reviewing urgently. The blood orange variety alone could inject many tens millions of dollars in terms of export dollars, into our balance of trade.

I recommend that the Senate Committee investigates why our 'export market establishment and maintenance' is slow, under resourced and not making full benefit of export opportunities for Australia's produce sector.

### **Promotion**

In 1998, Australian consumers spent over \$1.45 Billion dollars on health supplements. These supplements can, in most cases, be provided by a healthy diet in fruits and vegetables. It is increasingly important that fruit and vegetable growers help maintain consumption of their goods. The problem is with the ever increasing competition for the consumers dollar, the Citrus industry is being left behind in the promotions of the benefits of their natural vitamins and nutrients. I believe that Government has a part to play in increasing consumption of fresh fruits and vegetables as this could and most probably would lead to a healthier population, a healthier rural sector, and less cost in our health system.



On a separate note about promotions, under the Federal program Horticulture Australia Limited, Australian Orange producers pay a levy for the delivery of a national promotions program. This program is vital for our ability to survive the media age we live in whereby our processed and fast food competitors are outpacing our ability to capture the marketplace. An issue that I believe can be addressed to help our delivery of the program is to incorporate imported fresh orange and orange juice into paying this levy as the product is being sold in Australia and would receive the benefit that our hard earned Australian paid program delivers. The introduction of the imported products levy contribution will go along way to deliver a real program nationally and help increase the consumption of these products. Using these fund's, coupled with a possible introduction of funding through a healthy diet and lifestyle program, could steer Australia into a healthier, less medically dependent future.

I recommend that the Senate Committee investigate the ability to improve citizens' diet and lifestyle by the promotion of fresh, in season, fruits and vegetables.

### **Unfair Competition / Misuse of Market Powers**

You must be aware that the Australian market is flooded, literally with citrus juice and citrus juice concentrate that is sourced from overseas countries and mainly Brazil. In response to these pressures many growers pulled out their juicing varieties.

Many however persist with trying to provide Australians with the best quality citrus juices that meet Australia's exacting standards. Our standards with respect to the chemicals we can use and the residues that remain, are among the highest in the world I believe.

What concerns me is the fact that other imported juices do not appear to be judged by the same standards.

For instance, recently Brazillian orange juice was found to be contaminated with carbendazim. This is a fungicide that is banned in Australia due to its carcinogenic properties. Put simple, it's a poison that makes people sick.

The US response, whom I have always considered to have lower standards than ours, was to ban the import of such contaminated juice.

The Australian response was to let it in. To my knowledge it was not deemed at an "unsafe" level. If the levels found were not "unsafe" why was it banned? Would Australian fruit with such levels be deemed "safe".

It goes against logic to suggest that the two positions taken by Australian government authorities, can be reconciled.

In addition to the above, it is our view that the Australian customers who were offered the Juice that other nations including the USA and EU rejected, were offered the product at a discounted rate that should have attracted the operation of our anti-dumping provisions of the ACCC.





With respect to the ACCC and market power provisions we note that despite many similar enquiries there has yet to be any action with respect to the predatory pricing power that the supermarket duopoly wield in Australia.

So in addition to unlevel playing fields with respect to manner of manufacture, we face unfair competition where our regulators seem to be, once again, failing to enforce the laws of the land.

I recommend that the Senate Committee looks at anti-dumping and safe monitoring of imported products into Australia.

### **Labeling Laws**

Grocery product sales are a highly competitive environment in the Australian market place and it is increasingly important to deliver a point of difference for products to survive. The lack of progress, in improving Australia's labelling laws, identifying the country of origin **is the biggest issue facing Australian farmers.**

**Simply put – A change in label laws will allow Australian industries to lift their point of difference to the consumer hence giving the industry a way forward to profitability.**

Through recent years, particularly in respect of the milk wars and the closing of major Australian and overseas owned food processing facilities, the Australia consumer, more than ever WANTS to buy produce that is local and which supports the Australian farmers and local communities.

However when such consumers get into a supermarket or other store, the labeling laws do not facilitate the desire to purchase Australian food.

In the Citrus sector this would greatly assist shoppers when choosing juice and processed products.

Some examples which are confusing to the shopper would be:

- Made in Australia from Imported and Local Ingredients
- Made in Australia from Local and Imported Ingredients
- Packaged in Australia from Imported and Local Ingredients
- Packaged in Australia from Local and Imported Ingredients
- Made in Australia from Imported and Local ingredients when available
- Product of Australia

The position that Australia has adopted towards the labeling issues has allowed manufacturers to make the association between their product and local product when often the connection is tenuous at best.

Including the costs of business into the equation allows the claim for a higher percentage of Australian product, this does not reflect the true percentage of the actual consumable product which is contained in the package, when in real fact, the



product is constantly derives a significant portion of its contents from an imported source.

For example, the excerpt below illustrates that although the significant product purchased (ie Orange Juice) is imported, if the total costs of the saleable item is Australian (packaging, label etc) then the product is deemed to be **Made In Australia**.

Excerpts from the NSW Dept of Fair Trading regarding Country of Origin claims:  
[http://www.fairtrading.nsw.gov.au/Businesses/Acceptable\\_business\\_conduct/Country\\_of\\_origin\\_claims.html](http://www.fairtrading.nsw.gov.au/Businesses/Acceptable_business_conduct/Country_of_origin_claims.html)

*'Made in' claims*

*For your business to claim goods are 'made in' a particular country:*

- *the goods must be substantially transformed in that country*
- *50 per cent or more of the **cost** of producing or manufacturing the goods must be incurred in that country.*

A layperson's view of the standard would probably be that a bottle of juice would be at least 50% Australian to get the MADE IN AUSTRALIA label.

In reality, it is 50% of cost, not volume.

Take for example a bottle of orange juice that is made up of local juice and imported juice that is bottled in Australia.

If the imported juice costs the same as the local juice and there are processing costs the actual percentage of foreign juice can be over 50% by volume and still keep the label as the cost of the bottle and bottling plus the cost of the Australian juice is over 50% of the total costs. In reality the processing costs can be exaggerated and the cost of the imported juice is way below that of the Australian juice resulting in the opportunity for juice vendors to claim MADE IN AUSTRALIA when there may be only a small proportion of Australian juice by volume.

In our view the consumers are buying juice, not bottles and bottling services. If the MADE IN AUSTRALIA moniker remains, it needs to be reworked so that containers, water and trace ingredients used in processing are not used to mislead consumers that they are buying Australian.



The Australian Government can help by introducing 'Authenticity of Labeling' through the following:

- Rationalise the labels that can be used:
  - PRODUCT OF AUSTRALIA / MADE IN AUSTRALIA
    - The product contained within the container should be 100% made from Australian produce with only trace amounts of foreign ingredients (5% or less).
  - PACKAGED/PROCESSED IN AUSTRALIA FROM LOCAL AND IMPORTED INGREDIENTS
    - Countries should be named for the imported components
    - Proportions of foreign ingredients should be provided.

Other countries have implemented similar approaches to labeling which gives their consumers the ability to purchase fairly based on clear and concise information. The above mentioned benefits can and will revolutionise Australia's Juice sector and will have ramifications across the board to all fruit and vegetable growers who suffer from import substitution.

Product manufacturers may resist these methods as cost prohibitive for implementation; however, the difference both to the consumer looking for the product of choice as well as helping Australia's farming sectors by allowing their products to be authentically labeled will ultimately also benefit the manufacturer.

### **Quarantine and Import Threats**

Australia has traditionally been known for some of the strictest quarantine regulations and as an independent, isolated island nation it is rightfully so. A continual threat that is posed on many produce industries is the importation of foreign pest and diseases. One of the most problematic at this moment for the Citrus industry is Huanglongbing (Citrus Greening Disease) and its vector, the Asian Psyllid. The freedom from this pest and disease is vital to providing a safe and productive future for all citrus growers, including the community.

I recommend that the Senate Committee investigate improving border vigilance and regional surveillance, and preparing for incursions of serious threats such as Huanglongbing (citrus greening) given we currently import fresh oranges from Nations that are heavily infected with this disease and vectors.