



Competition Policy Review - Policy discussion paper

Introduction

This submission is from the Griffith and District Citrus Growers Association. The committee represents the citrus growers in the Griffith and District area (Riverina area) and has been in existence for over 20 years. The association comprises primarily of citrus farmers but also includes packers and exporters. The Riverina area consisting of over 430 farmers contributes significantly to one of the largest fresh fruit industries in Australia

Scale and structure of the industry;

- The area of citrus in the Riverina has increased from 8,317 hectares in 2004 to 8,480 hectares in 2008 then to 8,800 hectares in 2011.
- The overall change from 2003 to 2011 is a 6% increase in area planted (483 hectares) and an 8% increase in tree numbers (272,464 trees). Citrus is predominantly drip irrigated and grown on Trifoliata rootstock.
- The dominant Riverina Citrus variety grown is Valencia followed by Washington Navel, Late Lanes and Navelina. In the last few years the average property size has increased from 15.2 – 17.2 hectares.

In summary for Riverina Citrus:

- In 2011; 8,800 hectares of citrus (3,586,241 trees) across 513 citrus properties were mapped
- Riverina predominantly grows Valencia oranges
- The area of citrus increased from 8,317 hectares in 2003 to 8,480 hectares in 2008 and 8,800 hectares in 2011
- The number of citrus trees increased from 3,313,777 in 2003 to 3,456,661 in 2008 to 3,586,241 in 2011
- The number of citrus growers declined from 547 in 2003 to 509 in 2008 and increased to 513 in 2011; the average citrus area per property increased from 15.2 hectares in 2003 to 16.7 hectares in 2008 and 17.2 hectares in 2011
- Citrus in the Riverina is predominantly drip irrigated and grown on a Trifoliata rootstock.

For many years, citrus growers, with many of their fellow permanent plantings horticulturalists have raised issues in regards to Australia's labeling laws and policies towards providing clear and concise information to the consumer. Australian citrus growers believe that the value in protecting the integrity of those laws support not only local industry growth and security but also provide health and social protections to the consumer and communities alike.

GDCGA believes that food security will be one of the largest factors coming into this current century. The growing population and scarcity of resources continually place pressure to develop safe and wholesome foods, due to this, we see fringe problems in farming/food processing systems that can lead to chemical, pathological, ethical, social and environmental issues. Although these issues are restricted to certain geographical and/or national systems, nonetheless under the current Australian labeling laws, consumers cannot discern the value of these issues from the labels as we see today.

Above this, and in the direct interests to the local citrus economy, Australian citrus farmers understand the value of Australian brands and county of origin (CoO) to our Australian population. It is well noted that Australian see security, safety and assurance in buying products made in Australia as they note the rigorous and complex systems we have adopted in Australia to deliver the upmost quality as well as our solid ability to get behind Australia as part of national pride, particularly when it comes to the majority of fresh produce as we as an Island country duly recognise that if it is not local then it must have some age about the product and in relation to this, lower levels of nutritional quality.

Current law's allow a high degree of utilisation of brand Australia. Consumers notions about the underlining meaning of Made in Australia we feel is not in sync with what the law entails. We believe that the consumer recognises the statement as being a product whose significant ingredient in the case of orange juice being the juice to be in all intents and purposes, Australian in origin. The consumer would likely have an attitude that foreign goods could perhaps constitute the lesser ingredients. To contrast this with Product of Australia, we believe that many consumers fail to recognise the strictness of this statement, and for this, fail to differentiate the offerings regarding the two statements.

In the past and certainly into the future, growers will continue to try and promote Australian grown orange juice but we continually fracture the consumer when they walk up to the aisle to purchase this juice as they have to cut through so much blinding information to get to the truth, if the truth exists at all.

Competition Policy Review

We welcome the review of competition policy and note that during the period since last review, some 20+ years, industries have changed so much including the instances listed in your document. One of the main drivers for change in the citrus industry is globalisation. Globalisation has made a huge impact, being the more competitive access to international shipping and the closer ties to emerging markets. Globalisation is a strong tool for industry growth but without the correct framework, Australia is poised to take a number two role in comparison with our trading partners who see the importance of local industry to their countries foundations.

One thing to note about competition is that in globally competitive industries such as Agriculture, Government policy can have a strong influence on the competitive nature of national and international trade. Take for instance, over the last decade, policy changes have affected our input costs through higher Governmental regulatory charges, input charges through systems such as climate and energy regulations and so forth, our inputs in running our business's far outweigh the increases we strive to achieve in farm gate returns as well as keeping abreast to our competitors in developing key markets for Australian citrus.

As stated on page 1, 'Competition policy seeks to protect, enhance and extend competition.' In Australia, particularly in the citrus growing sector we represent, the 'protect' part of competition seems to be lacking safe guards, in particular with imported goods through globalisation as we will explain further below.

We see that there is recognition that globalisation will increasingly have an effect by your statement on page 2: 'Increasing globalisation will expose more parts of the economy to international competition, putting pressure on local firms to be more competitive. ' The issue is that competition may not be a fair balance in particular with some countries supplying goods that can be inferior and/or subsidised by external devices. This begs reason on how competition can deliver fairness in protecting competition.

Moving onwards from this is the statement on page 8:

1. 1.2 More competitive markets can lead to:
 - lower resource costs and overall prices;
 - better services and more choice for consumers and businesses;
 - stronger discipline on businesses to keep costs down;
 - faster innovation and deployment of new technology; and
 - better information, allowing more informed choices by consumers.

These are all ways in which the economy delivers more value added for every hour worked—in other words, higher productivity—and this is the source of sustainable rises in Australian living standards.
2. 1.3 Competitive markets are characterised by various forms of price and non-price competition between businesses seeking to provide what consumers want. Price competition occurs when businesses selling the same or very similar goods seek to increase sales by offering low prices.
3. 1.4 **Non-price competition involves businesses seeking to gain an advantage over rivals by differentiating the goods, services and terms they offer to make them more attractive to buyers—a key mechanism for small and medium-sized businesses to compete with large businesses.**

We understand that competition and competitive markets are to lead to the above points but as we face issues in global competition without adequate labelling, safety systems and enforcement, we as a sector are not sure on how to deliver fair and equitable competition.

We would like to note a particular problem our industry faced in December 2011. In 2011, the world citrus juice industry was rocked with a severe and complex problem whereby the USA USDA discovered Carbendazim in imported Orange Juice Concentrate (OJC). The USA along with many developed nations sought to protect their people as well as their local industries from the health issues and industry scares that can follow by banning the importation. This chemical which is banned for use in Australian Citrus systems and many other developed countries, is still being allowed into Australia through the importation of Brazilian OJC which was only banned in Australia for less than a week before being overturned. During this period, Australian citrus producers had to try and compete against the now abundance of OJC which did not have a home. Industry reports of processors being able to name their price circulated and pricing returned to citrus growers for OJC plummeted promptly. This shouldn't have happened if the above bold points under 1.2 were applied to citrus producers in Australia through tighter controls and fairer policing.

TRANSPARENT FOOD LABELLING

Grocery products 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 an ongoing concern. It is of paramount importance that the shopper is assisted in their choice of products through clear labelling into country of origin. In the Citrus sector this would greatly assist shoppers when choosing 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

The position that Australia has adopted towards the labelling issues has allowed manufacturers to take the easier adoption of labelling practice to confuse the shopper. For example including the packaging product plus the content to make the higher percentage which would show it be proportionally an Australian product, does not reflect the true percentage of the actual consumable product which is contained in the package fact, where 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 '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.
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Australian Citrus farmers think it's unfair that a product can be merely 50% to be allowed the 'Made In Australia' tag. We as Australia's are proud of the Australian name and don't believe that 51% content makes a product truly Australian. The consumer should have the freedom and the right to choose a product through clear and authentic labelling.

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

- Improve laws to clarify the origin of product to be defined (Name the source origin)
- Improve laws to clarify the actual percentage content of foreign juice
- Change the definition of using terms such as 'made in Australia' or sourced to be a minimum of 99% Australian content.
- Enforce a new term for manufacturing and processing called "Processed in Australia" and/or "Packaged in Australia"
- Change regulations to call any product (citrus juice) that has more than 75% of content as a strictly imported product.

Other countries have implemented similar approaches to labelling 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 labelled will ultimately also benefit the manufacturer.

In competition with foreign suppliers, we feel that there should be emphasis on promoting Brand Australia to consumers to fairly and equitably show the consumer which products are Australian and which are not.

FOOD SECURITY

Australia has had a strong and reputable history in food production. Our food security has been strong with food production having been competitive and profitable with many family farms needing only the cost of production to make the livelihood viable. The experience of poor citrus prices over the last few years, has seen farmers having to grapple with the costs of running businesses with no returns and being unable to input into capital or invest into new technologies.

We feel that this will lead to a point in time where the production of certain staples such as citrus may need to be imported to suffice local demands hence causing issues in food securities.

In our sector, one should easily look at the import data of frozen orange juice concentrate (FJOC). Over the last 20 years, the data suggests that we import approximately 3 times more juice equivalent than what is produced in all of Australia. The Carbendazim scare of 2011 almost led to the inability to supply the market with FJOC

products, this statement was made at the Senate Enquiry into the Citrus Industry 2013 by the representatives of the fruit juice processing sector.

FOOD TESTING TO AUSTRALIAN STANDARDS

Leading from the comment above, to explain more clearly, in 2011 the USA banned the importation of Brazilian FJOC because of the presence of Carbendazim, a known carcinogen.

Carbendazim has been banned for use in Australia for almost a decade because of its proven effects to humans, The USA, followed by many leading world nations, sought to ban the importation of the juice sighting the presence of this chemical. Australia raised a ban which lasted all but 4 days until it was overturned by lobbying.

The issue we face here in Australian growing conditions is that we send mixed signals. As growers, we understand the reasons for banning the use of chemicals with proven health effects but do not understand why:

- (a) Australia does not actively test the imports of food products into Australia for:
 - 1. A more comprehensive level of chemicals;
 - 2. A more comprehensive percentage of imports as to the same levels as some of our more prominent Asian countries strive.
- (b) Set the Maximum Residue Limits (MRL's) of foods in Australia to be next to Nil in respects to chemicals that are banned for use in Australia.

It only makes sense that if the chemical is not good enough to be used on Australian crops, why is it good enough to be consumed in imported goods.

Extra information relating to Questions posed in Policy Review Document

Pg 13: Are there import restrictions, bans, tariffs or similar measures that, on balance, are adversely affecting Australians?

We feel that without applying at least the same level of diligence on imported goods as we provide here in Australia provides an unbalanced situation. The Carbendazim issue listed above is only a small issue in relation to food for Australia. Producers in Australia abide by many structures including, licensing on the use of pesticides, annual audits on chemical use, regular MRL testing and strong policing and limits on chemical use. We wish the same could be said about our imported products. We feel that all food imports should be subject to full MRL testing for all pesticides that are restricted or banned for use in Australia and furthermore, all chemicals that have been removed for use in Australian industries should also have their MRL limits reduced to 0 to deliver a similar level playing field for producers while lifting the safety benefits to consumers.

Pg 15: Are there any restrictions on the export of goods from Australia which should be removed or altered in order to increase competition for exporters and producers, and choice for consumers?

AND

Pg 18: Are government-provided goods and services delivered in a manner conducive to competition, while meeting other policy objectives?

Australia has a very high cost in business, in particular, DAFF export fee's and charges. The structure not only makes it quite difficult for smaller exporters to be competitive nationally, but also adds in the cost of export which makes Australia continually cost un-competitive.

Pg 27: Are the current competition laws working effectively to promote competitive markets, given increasing globalisation, changing market and social structures, and technological change?

Generally it is working effectively except where systems for lodging and gaining information regarding to anti-competitive conduct from overseas industries. To date, citrus growers and industry have had problems having Government investigating claims of anti-competitive conduct and we would like to see more emphasis in allowing groups indirectly affected to be able to source information and seek anti-competitive investigations.

Pg 32: Do the provisions of the CCA on cartels, horizontal agreements and primary boycotts operate effectively and do they work to further the objectives of the CCA?

AND

Pg 38: How accessible is the collective bargaining process for small businesses, and can they use it without requiring substantial legal assistance or advice?

Farming producers should have the ability to increase co-operation to compete in a global marketplace. The co-operation should go further than what is available under collective bargaining to deliver a flexible and cost-effective arrangement to producers who are willing to co-operate.

Pg 43: Are there issues in key markets that raise competition concerns not addressed by existing anti-competitive conduct laws? If so, in which ways might they be addressed through competition-related policies?

In our citrus industry, we are continually compared to the Brazilian OJC pricing which is an entirely different industry structure than what we face in Australia. The Brazilian OJC is almost 75% of the orange juice market in Australia yet almost all labels of orange juice in Australia make the claim that the product is Made in Australia with local and imported product. Our concerns are that firstly, we believe Australian's do not generally consider the packaging and associated costs to be part of the formula on what makes the product considered Australian, and secondly, we cannot find a device, either through Government or institution that will allow the industry to police if a product is genuinely containing Australian orange juice. We feel that Australia should be developing a framework that only considers the consumable product in it's formulation of it's 'Made in' claims.