

## REGIONAL IMPACT ASSESSMENT STATEMENT

### REVIEW AND REPLACEMENT OF THE *CITRUS INDUSTRY ACT 1991*

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#### **Issue**

The 2001 National Competition Policy review of the *Citrus Industry Act 1991*, revealed that the Act has a number of anti competitive elements and requires reform.

Originally it was intended to amend the *Citrus Industry Act 1991* by removing anti competitive marketing elements (associated with marketing, control of citrus sales through the supply chain, licensing of packers and wholesalers, and product specification) so that it was compliant with National Competition Policy, and ultimately sunset or repeal the Citrus Act in July 2005.

In March 2004, a draft Bill to make these amendments and sunset the Citrus Act was presented to industry for comment via a public consultation process. Overall, industry indicated that it wanted to retain some basic legislation and not repeal the Citrus Act.

In response to this feedback, a further review of the citrus industry's legislative requirements was undertaken. Through numerous industry consultation processes and meetings, a complete rewrite of the Act has occurred to produce a new draft Bill and Regulations.

To assist in reform of legislation, the Minister for Agriculture, Food and Fisheries established the *Citrus Industry Implementation Committee (CIIC)* in November 2003. The CIIC comprised representatives of all sectors of the SA Citrus Industry. The CIIC has guided the process to produce draft citrus industry legislation, and supporting documentation about the proposed changes for consideration and comment by industry and the general public.

#### **Regions**

The majority of SA's citrus is grown and packed along the River Murray in the Riverland and Murraylands regions. A significant proportion of citrus processing (principally for juice) occurs in the Riverland, although some processing businesses are located in suburban Adelaide. Only small amounts of citrus production occur in other regions (eg South East).

#### **Stakeholders**

The current *Citrus Industry Act 1991* and proposed replacement legislation impacts on citrus growers, packers, processors and wholesalers.

#### **Consulted**

A broad range of industry and community groups have been consulted during development of the draft legislation, and Business Plans for a new SA Citrus Industry Development Board.

This includes:

- Growers and grower associations
- Packers and Australian Citrus Packers Association
- Processors and Australian Fruit Juice Association
- Wholesalers and retailers
- Interstate citrus marketing organisations
- Government agencies (eg AQIS, Health)



- An article highlighting the Citrus legislation issue was loaded onto the PIRSA web site along with a detailed information package for downloading.

### Summary of Impacts

The proposed new citrus legislation moves the current industry legislation from a marketing focus to an industry development focus. Core functions of the proposed new citrus industry legislation are:

- **Assist Industry Development** through preparation of citrus industry strategic plans, maintenance of industry planting and membership databases, and forecasting future industry production trends.
- **Provide and/or facilitate delivery of a range of cost-effective industry services** to SA citrus industry participants and other stakeholders based on proven demand (this could include information products, product/industry promotions, market development, training and other services).
- **Provide capacity to establish, manage and administer a Citrus Industry Food Safety Scheme** on behalf of the industry. This would use the *Primary Produce (Food Safety Schemes) Act 2004*.
- **Ensure effective biosecurity risk management policies** are established and maintained in the interests of the South Australian Citrus Industry.

### The proposed new legislation will deliver:

- Repeal of the Citrus Industry Act 1991 and enable transition to new legislation.
- Establishment of the *South Australian Citrus Industry Development Board* (Citrus SA) to administer the new Act, with membership streamlined to 7 members to reduce costs. This “whole of industry” structure will foster a better understanding by each sector of the business conditions affecting the SA citrus supply chain.
- Mechanisms for collection and management of funds on behalf of industry to provide services.
- Management and input to whole of industry issues and industry development opportunities for the SA citrus industry
- Delivery of a range of cost-effective industry services to SA citrus industry participants and other stakeholders based on proven demand, (including information products, product promotion and training services).
- A new Biosecurity function empowering the Board to provide advice to the responsible Minister on the application and administration of the *Fruit and Plant Protection Act 1992* to the citrus industry.
- A Citrus Food Safety Scheme was proposed (but subsequently will not be implemented immediately) under the *Primary Produce (Food Safety Schemes) Act 2004*, to encompass current industry food safety / quality programs backed by audit and enhanced compliance arrangements.
- Establish through a “notification” process, a register of growers, packers, processors and wholesalers to facilitate information distribution and product traceability processes.
- In cooperation with national and interstate citrus bodies, collect, analyse and distribute information relating to the citrus industry and its future development.
- Influence of R&D, promotion and other industry development programs that are managed at a national level.
- A major review of the new Act in 6 years, and presentation of a report from this review to Parliament.

**What will be removed:**

- Marketing elements controlling the flow of product in the marketing chain.
- Grade standards and linkages to the Export Control Orders, enabling market forces to determine quality, size and other product specifications (as occurs with all other horticulture commodities).
- Registration conditions for packers, wholesalers that constrain access to the industry.
- Fund collection services where payment for citrus sold by wholesalers is collected by the Citrus Board of SA and forwarded to packers.

As a result of these changes, growers and packers have greater marketing flexibility and may choose to sell direct to retail outlets rather than go through a wholesaler as occurs with all other produce. In turn wholesalers will lose the protection of the majority of trade in citrus on the Adelaide market being forced to go through their businesses.

Packers will also need to arrange collection of their funds from Adelaide market wholesalers (as occurs with all other produce and citrus fruit sold interstate) rather than have the Citrus Board do this and provide a credit management service.

**Economic Factors**

The citrus industry is one of SA's major horticulture industries.

- SA's citrus industry has a farm gate value of over \$100 m
- Taking account of value adding products, the SA citrus industry is valued at \$247m (2003-04)
- Citrus represents 15% of the gross State revenue generated by horticulture industries.
- There are some 640 growers in the industry.
- The citrus industry has over 7,500 ha of plantings, all being located in the Riverland (Renmark, Berri, Loxton, Waikerie) and Lower Murray (Mypolonga).
- In recent years, there has been significant replanting of citrus orchards with the move from production of juice fruit to production of fruit for fresh sales. Approximately one third of the SA industry's citrus trees are not yet bearing (under 6 years of age).
- The industry produced approximately 130,000 t in 2003-04, down from 250,000 t in 2000-01. This is expected to increase to 160,000 t as new plantings come on stream.
- The SA citrus industry exports approximately \$52m (2003-04) of fruit and other citrus products to 39 countries. Of this, 43% is exported to the US, and 40% to Asia. Citrus represents over half of the total value of horticulture exports from SA.
- SA produces approximately 25% of the nation's citrus crop.

Changes to the Act relate principally to removal of compulsory marketing arrangements. This will create opportunity for greater trading flexibility. Changes to the Citrus Act will not influence supply and demand, the major drivers of industry activity and economic value.

Through streamlining of the Citrus Board operations, it is proposed to reduce the Board's overall budget from approximately \$750 k pa to approximately \$500 k pa, resulting in a reduction of grower levies from \$2.20 /t to approximately \$1.80 /t. There may be some minor short term increases in levy payments for packers. Overall, the minor changes to fee structures will have very minimal impact on income of growers, packers and processors.

**Social Factors**

Changes to Citrus legislation are not expected to influence short term employment in the citrus industry, and have impact on social factors. In the longer term, greater flexibility in trading arrangements will assist the SA industry to become more internationally competitive and better able to compete in world markets. Greater competitiveness and economic activity

in the citrus industry will contribute to greater security of employment and in turn will generate more employment for the Riverland. In similar circumstances, deregulation of the SA potato industry in 1987 assisted it to become a stronger, larger and more competitive industry.

Consultation with regional industry groups revealed no potential social implications of this proposed legislation.

### **Environmental Factors**

Proposed changes to the citrus legislation relate to marketing issues and will not have any impact on environmental factors, but may contribute to greater environmental awareness and actions by industry.

The Citrus Board of SA already has property and natural resource mapping and documentation as part of its grower registration process. The greater focus on industry development issues under the new legislation is likely to result in greater interest in environmental issues. The adoption of Environmental Management Systems (EMS), compliance for Eurepgap, and the use of EMS to access and promote marketing of product in some overseas countries is very likely to create additional awareness and action on environmental issues.

Changes to citrus legislation will not have any significant direct impact on efficiency of water or natural resource use.

### **Mitigation**

The public consultation process identified two significant issues that were addressed by changes to the draft Bill and Regulations. These relate to:

- Introduction of Food Safety regulations
- Provisions for wholesalers in the legislation

### **Introduction of Food Safety Regulations**

**Issue:** Citrus growers were concerned about the complexities of the proposed Food Safety Regulations and whether the cost of these was warranted in light of existing market forces requiring packing sheds and other businesses to have food safety schemes.

**Mitigation:** As a result a decision has been made to delay the introduction of Food Safety Regulations for 6-12 months until after establishment of the new citrus industry legislation. A review will be undertaken at this time to evaluate whether citrus industry Food Safety Regulations are required. Department of Health have subsequently requested that it be mandatory for packing sheds to have Food Safety arrangements when the new Citrus Bill is enacted. The process to enable this to occur is currently being negotiated with industry.

### **Provisions for wholesalers in the legislation**

**Issue:** Adelaide wholesalers identified that the original proposed changes to the Act created some significant inequalities for them. The current Act requires members of the citrus industry to market along the distribution chain in SA, and requires packers to market to wholesalers, wholesalers to retailers, etc. This requirement will be removed from the new Act (to comply with NCP), allowing growers and packers to market direct to provedores and retailers.

This meant that wholesalers would have been disadvantaged financially if packers and growers could sell direct to retailers, and not be required to register as wholesalers, and contribute financially.

**Mitigation:** To address the inequity identified by wholesalers, Regulations under the Act will require all businesses involved in marketing citrus to retailers to be considered as wholesalers.

### **Coordination**

Coordination occurred with several agencies where there were issues relating to their areas of activity.

- Health SA (Environmental Health – Food Surveillance) about Food Safety elements associated with drafting of the Citrus Food Safety Scheme under the *Primary Produce (Food Safety Schemes) Act 2004*. Ultimately industry expressed a preference to establish the new citrus legislation without a Food safety Scheme, and review if this separate regulation was required in 6-12 months.
- Australian Quarantine Inspection Service concerning Export Control Orders and associated size and quality standards.
- NCP Unit, Dept of Premier and Cabinet to ensure that the new legislation complies with National Competition Policy.
- Office of Regional Affairs (Dept Trade & Economic Development) concerning impact assessment issues.

### **Preferred Option**

The role of the Citrus Industry Implementation Committee has been to bring input from industry to the process of shaping the new legislation, what it contains, and how it could be delivered in a business sense by a new Citrus Board. This has involved considerable input from and negotiation with growing, packing, processing, wholesaling and retailing sectors to ensure initial drafts of the legislation closely meet industry requirements.

Subsequently the preferred option is acceptance of the draft citrus legislation as presented, being the *Citrus Industry Bill 2005*

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