

**SUNRAYSIA
CITRUS GROWERS INC.**

A.B.N. 47 972 404 275 REG. No. A 0038040K



HEAD OFFICE ADDRESS: 58 PINE AVENUE, MILDURA, VICTORIA, AUSTRALIA **POSTAL:** PO BOX 420
MILDURA 3502 AUSTRALIA
TELEPHONE: (03) 5023 8205 MILDURA **FACSIMILE:** (03) 5021
1905
EMAIL: scg@mvcitrus.org.au

SUBMISSION TO

A JOINT STUDY OF

THE ADMINISTRATION OF

AUSTRALIA'S ANTI DUMPING SYSTEM

Submitted by:

**Sunraysia Citrus Growers Inc.
30 March 2006**

JOINT STUDY OF THE ADMINISTRATION REVIEW OF AUSTRALIAS ANTI-DUMPING REGIME

SCG 1 March 2006

Sunraysia Citrus Growers Inc (SCG) is an Agri Political body, which represents citrus growers from the South Australian border to Boundary Bend in Victoria. Most of our growers are located within 70 km of the Mildura Post Office. SCG is funded by voluntary, grower production-based subscription.

Seven biannually elected Directors representing growers from specific sections of the growing area, form a Board to manage current and long-term issues of interest to growers.

SCG is not involved in marketing or associated issues on a day-to-day basis. However, SCG does have policies regarding market development, particularly in export markets. These policies deal essentially with macro issues of access and service structure.

SCG considers that one of its roles is to represent the Sunraysia clients of the Murray Valley Citrus Board.

INTRODUCTION

SCG has been advocating for some time that Australia's Anti Dumping and Counter Veiling Duties (AD/CVD) do not serve the citrus industry in an effective manner. SCG has lobbied for change recently and welcomes this opportunity to comment. The viability of the Australian citrus industry is linked to the world FCOJ price, which is subject to cyclic variation with catastrophic downward spikes. Which industry sector initiates. AD and CVD is also an issue as at present this initiation is with the processing sector, not the growing sector which suffers the harm. The onus of proof is also an issue.

World FCOJ

FCOJ prices are driven by supply and demand, principally supply, which comes from Florida and Brazil. Appendix 1 shows the FCOJ cycle, which features sharp downturns in 2001 and 2004/5. These spikes have caused the orange producers considerable harm, so much so that in 2000/01 the citrus industry was referred to the Productivity Commission. The width or time base of these spikes is short and thus by the time industry works through the 20 days (minimum) pre AD or CVD action and the 155 days (minimum) for action, the harm has already been done.

Like Product (*Issues for consideration Point 3 dot point 1*)

Under Australian interpretation of WTO guidelines the link between oranges and FCOJ as like product has to be established. The two are related and this issue must be resolved. The link can be explained as simply as this "If an overseas customer declines to purchase Australian fresh citrus and there is no other fresh market, then the Australian grower must send the fruit to a processor or dump the fruit for stock feed. Therefore all our fresh customers really have to pay is the FCOJ price or worse, the cost of dumping, plus the market chain costs to secure the fruit. Sharp downturns in the FCOJ price have always led to large losses in the Australian citrus industry.

Who Initiates AD/CVD Action? (*Issues for Consideration Point 1*)

In Australia the processing industry is a group that must initiate action. This group is also the major user of FCOJ and thus have a conflict of interest as low FCOJ prices mean higher profits. The responsibility for initiation of AD/CVD should be with those who are subject to the harm – growers.

Preparation Of An Application For AD/CVD (*Issues for Consideration Point 1*)

The time and resources required to prepare an application is an issue with the citrus industry. The growing sector contends that it is Government's role to monitor FCOJ and initiate action when pre determined thresholds in FCOJ are triggered. To avoid conflict within the customer profile it is considered appropriate that such a role should be in either the Agriculture or Trade portfolios.

The preferred industry model would be for a permanent AD/CVD case to be in place at the 60 day milestone, ready for triggering as soon as world FCOJ prices dip below the dumping threshold which has been pre determined and is regularly updated.

Onus Of Proof (*Issues for Consideration Point 1*)

In Australia, the responsibility to determine the cost of production for FCOJ is with the initiator of the action. It is extremely difficult for the Australian citrus industry to collect this information. Either the Australian Government should undertake the task or Australia should monitor and use US information where it appears the onus is on the FCOJ producer to supply the information to defend against a claim. It could be argued that the US citrus industry has economic similarity to Australia.

OTHER

CONCLUSION

If Australia is hoping to be a free trader then we also need to be a smart trader and involved in fair trade. Because the citrus industry has little other protection compared to those we seek to trade with or compete with, we are vulnerable. When FCOJ prices spike downwards causing an economic failure, it takes several years to recover from. Our smart competitors do not subject their industry to the full extent of these downturns and thus they recover from the downturns quicker than Australian growers. Over time this has had a debilitating effect on our industry. By the time the rest of the world adopts free trade the Australian citrus industry may have disappeared, not because we are not skilled or competitive but because we have been poorly macro managed.

RECOMMENDATIONS

1. That AD and CVD action be able to be initiated by growers
2. That "normal value" (domestic price) monitoring for FCOJ is undertaken by Government.
3. That FCOJ and oranges be recognised as like product.
4. That a generic case be held at the 60 day threshold or most appropriate place to allow for rapid imposition of AD or CVD in the event of a rapid fall in FCOJ prices.



Peter Crisp
Chair
Sunraysia Citrus Growers Inc.

APPENDIX 1

FCOJ Report

Feb 06

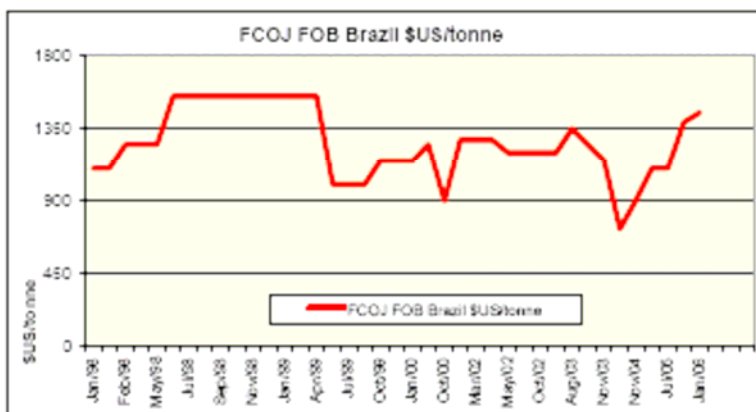


• International FCOJ pricing

World FCOJ prices

Current quotes for Imported FCOJ are around \$US1,450 - \$US1,550 / Tonne FOB ex Brazil.
There has been a rapid price increase over the last 2 months with predictions of further price increases.

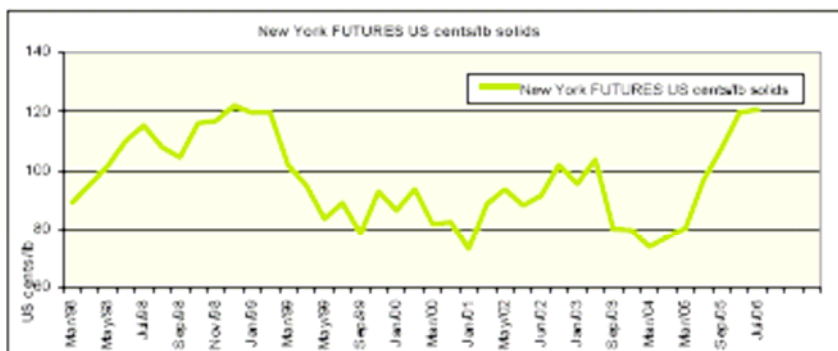
On a world parity price this equates to around \$A90 - \$A110 / Tonne equivalent fresh fruit pricing (based on a number of assumptions)



As reported in juicemarket.co.uk:

'The world orange concentrate market remains bullish as authorities begin to assess the damage that hurricane Wilma inflicted on Florida's citrus groves in October (2005). The industry estimates that the 190 million box forecast was too high even before the the hurricane and the damage estimate from Wilma is around 20 million boxes. This would bring actual production somewhere between 160-170 million boxes. Both mature and green fruit continues to drop in Florida due to the hurricane and canker and greening disease remain the key issues with new finds making the newspapers there on a regular basis.

Brazil is having a 'low production' year and there is not enough fruit elsewhere to make up for the losses in Florida. On the back of the short global supply, Brazilian operators have hiked their (concentrate) prices once again this month.'



On the FCOJ futures market the spot January month closed at \$US1.26/lb solids.

Analysts expect the market to continue trading at high levels with prices between \$US1.10 - 1.30/lb for at least the next 12 months.



While world FCOJ concentrate prices have continued to rise, so has the Aus/US exchange rate, which has a significant impact on the price of FCOJ imported into Australia.

APPENDIX 2

Attachment 2 Diagram of a dumping investigation

Process for Considering an Application for the Imposition of Anti-Dumping Measures

