CITRUS INDUSTRY ORGANIZATION ACT AMENDMENT BILL 1970

**Legislative Council 25 November 1970, page 3014**

Second reading

 obtained leave and introduced a Bill for an Act to amend the Citrus Industry Organization Act, 1965-1969. Read a first time.

The Hon. T. M. CASEY: I move:

*That this Bill be now read a second time.*

The Citrus Organization Committee of South Australia was formed to administer the Citrus Industry Organization Act, 1965, with the object of improving the economic stability of the citrus industry within South Australia. Pursuant to the Act, the Minister of Agriculture appointed the first committee in March, 1966. After its appointment, the committee proceeded with the development of the Citrus Organization Committee as an industry organization using the recommendations of the 1965 committee of inquiry report as a guide.

Subcommittees were established to consider such matters as quality control, packing, processing, crop estimation and production statistics, public relations, and finance. The committee considered a policy in relation to the marketing of fresh citrus fruit and concluded that this could be most effectively controlled by the establishment of a central marketing authority. There were two alternatives available to the committee (namely, marketing to be carried out by a division of the committee itself, or by delegation of certain of its powers under section 21 of the Act to a subsidiary marketing company). The latter course was adopted, South Australian Citrus Sales Proprietary Limited was formed, and the following powers and functions were delegated, enabling it to:

1. undertake or arrange for the marketing of citrus fruit;
2. regulate and control the delivery and sale of citrus fruit by growers to any licensee or other person nominated by the Citrus Organization Committee;
3. arrange for the export of citrus fruits from the State;
4. by means of advertising or other appropriate means, take steps the company thought fit to encourage the consumption of citrus fruit and to create a greater demand; and
5. make arrangements with any marketing authorities of citrus fruit (either within or without South Australia) for the transport, storing and handling of citrus fruit and for the sale or other disposal thereof.

The company assumed its delegated powers and functions on July 4, 1966. South Australian Citrus Sales Proprietary Limited has eight shares, seven of which are held by the Citrus Organization Committee and one of which is held by Murray Citrus Growers Co-operative Association (Australia) Limited. The original board of South Australian Citrus Sales Proprietary Limited comprised three members representing Murray Citrus Growers Co-operative Association (Australia) Limited, and two members representing the Citrus Organization Committee.

In June, 1967, South Australian Citrus Sales Proprietary Limited was re-organized, and it proceeded to undertake the marketing function in its own right. Membership of the board was changed, and it has since comprised all members of the Citrus Organization Committee together with one member representing Murray Citrus Growers Co-operative Association (Australia) Limited. The executive officer of the Citrus Organization Committee was, by virtue of his office, appointed General Manager of the company; the company’s office was transferred from Adelaide to Kent Town and the marketing staff formerly employed by Murray Citrus Growers Co-operative Association (Australia) Limited was taken over.

Prior to the introduction of the Citrus Organization Committee, marketing of South Australian fresh citrus fruit within Australia was chaotic. The 1965 committee of inquiry pointed out that increased direct selling by growers and packers, by-passing the terminal market in South Australia, caused prices to collapse. The more lucrative interstate markets in Melbourne and Sydney became unprofitable because they were over-supplied with lower quality fruit, particularly export over-run. However, export markets were serviced successfully under the voluntary supervision of Murray Citrus Growers Co-operative Association (Australia) Limited, which sold fruit under its “Riverland” trade mark.

Under the provisions of the Act, regulations and marketing orders, the Citrus Organization Committee adopted a policy that favoured the recognized principles of orderly marketing of citrus fruit. All growers are required to deliver fruit to licensed packers, and no grower is permitted to sell fruit to any person other than the Citrus Organization Committee. South Australian Citrus Sales Proprietary Limited, as agent of the Citrus Organization Committee, endeavours to place fruit to the best advantage through terminal markets in capital cities, whilst export is carried on by itself or by accredited agents. The “Riverland” trade mark is used in its marketing operations.

The effectiveness of South Australian Citrus Sales Proprietary Limited in the marketing field is hampered by section 92 of the Commonwealth Constitution, which provides that trade between the various States shall be free. The bulk of South Australian fresh citrus fruit production is sold on interstate and oversea markets; 10 per cent or less of total production is consumed within the State. The Act and regulations are effective only to control the disposal of fruit produced and sold within South Australia. There is no power to control the importation of either fruit from other States into South Australia or fruit from South Australia marketed in other States or overseas. To be effective, South Australian Citrus Sales Proprietary Limited must rely heavily upon voluntary support and co-operation from growers and packers to maintain orderly marketing on Australian and export markets.

South Australian Citrus Sales Proprietary Limited maintains a market manager to

co-ordinate supplies from producing areas to merchants in the Adelaide wholesale market. Supplies for country areas are arranged outside the wholesale market by Associated Citrus Distributors Proprietary Limited, a company formed for the purpose of distributing citrus in bulk form. All fruit is supplied to merchants and Associated Citrus Distributors Proprietary Limited against their orders. Merchants operate in the normal manner, making sales to retailers on a commission basis. Minimum wholesale selling prices are fixed by South Australian Citrus Sales Proprietary Limited, and the wholesale sellers are required to obtain these prices. The quantity of fruit handled by each wholesale seller is governed by his ability to sell at minimum prices or better.

The introduction of legislation to control marketing in South Australia was effective in the early stages. Hawking of inferior fruit was severely curtailed and supplies were directed through controlled terminal market outlets. Average prices and volume distributed increased in this period. However, the situation has deteriorated again due to the following factors:

1. a heavy increase in the volume of the crop;
2. the influx of interstate fruit, particularly from Mildura, in an endeavour to take advantage of the Adelaide market situation;
3. increases in the volume of fruit being sold through illegal channels outside the terminal markets; and
4. a claimed increase in “backyard” production in the metropolitan area. The export of citrus fruit to markets in other States has increased somewhat over the last few years but is subject to fluctuation in demand and consequently in prices.

The export of citrus fruit overseas has been expanded but is likely to be confronted with increasing difficulties due to increasing production in the recipient countries.

The foregoing gives a little idea of some of the problems with which a marketing organization is confronted. Unfortunately, the Citrus Organization Committee has not proved to be an effective marketing organization. Acute differences of opinion have arisen within the committee. It is clear that sectional and personal interests have been pursued at the expense of the best interests of the industry and of those people engaged in it. The stage has now been reached where uncertainty prevails in practically every area; growers and packers and other interests are confused and there is a serious lack of direction and confidence in the industry. It is an unfortunate fact that internecine strife in both the Citrus Organization Committee and the board of South Australian Citrus Sales Proprietary Limited has diverted effort from the functions for which both of these organizations were set up.

It is significant that, during the short lifetime of the Citrus Organization Committee and South Australian Citrus Sales Proprietary Limited, no fewer than 15 persons have served on the committee and the board, and only one of those persons has served continuously. As a consequence, action has not been taken to develop and institute marketing policies designed to cope with the substantially increased production which has occurred and which was forecast in 1965. Neither the Citrus Organization Committee nor the board of South Australian Citrus Sales Proprietary Limited seems to have realized that concepts of marketing have been changing and that policies have needed to be changed to meet this situation. If either the committee or the board has realized these facts, it is quite clear that it did not act in the manner, or with the vigour and initiative, that might have been expected.

From discussions with growers it is quite clear that there is great confusion among them regarding the organization of the Citrus Organization Committee and its association with South Australian Citrus Sales Proprietary Limited. It seems to be generally understood that South Australian Citrus Sales Proprietary Limited is a body quite separate from the Citrus Organization Committee, rather than a subsidiary marketing company controlled by the Citrus Organization Committee. South Australian Citrus Sales Proprietary Limited has become the dominant force in the organization, rather than acting in its intended role as a marketing subsidiary subject to policies determined by the Citrus Organization Committee.

Growers generally (at least those who have read the report) appear to believe that the recommendations of the 1965 committee of inquiry are still valid, and it is, perhaps, surprising to find that these are in the minority. In the circumstances, it is not unreasonable to suppose that the industry accepted the 1965 report and considered that this would be the answer to all its problems, not realizing that the mere passing of an Act and the setting up of a committee were only the beginning and that the utmost goodwill and effort by all sections was required for the successful operation of the scheme.

Although the Citrus Organization Committee has been established for only about 41 years, the divisions of opinion at committee level have brought about divisions within the industry. As a consequence, there are now several independent groups within the South Australian citrus industry which are indicating, or have indicated, that they intend independently to market citrus fruit, both within Australia and overseas. In the existing circumstances and policies, there appears to be little possibility of these groups being prepared once again to form part of an overall industry organization, and this fact must be accepted. It surely would have been reasonable for the Citrus Organization Committee and the board of South Australian Citrus Sales Proprietary Limited to appreciate that section 92 of the Commonwealth Constitution limited their legal control over the industry. It has always been clear that growers and packers could avoid statutory control by marketing in other States. Instead of accepting this position the Citrus Organization Committee and, more particularly, South Australian Citrus Sales Proprietary Limited has pursued, or endeavoured to pursue, legal means of control, knowing full well that these could not be sustained, rather than adopting flexible marketing policies, providing a high level of performance in marketing and seeking the co-operation of all sections of the industry.

There has been a tendency in some quarters to blame the staff of the Citrus Organization Committee and South Australian Citrus Sales Proprietary Limited for the situation that has developed. However, it must be accepted that the responsibility lies with the Citrus Organization Committee and the board of South Australian Citrus Sales Proprietary Limited, as they have not provided the leadership that the industry required, nor have they developed consistent and imaginative marketing policies for the staff to pursue.

The purpose of the present Bill is, therefore, to reconstitute the Citrus Organization Committee. The Government considers that the Citrus Organization Committee in its reconstituted form will be able to co-ordinate and control effectively interstate and oversea marketing of citrus and sales of fruit to processors for the benefit of the industry in general, and of growers in particular. However, I emphasize that the successful functioning of the committee and the fulfilment of its proper role in the marketing of citrus fruits depend entirely on the support it receives from the industry. The Government urges all growers to market their product through the statutory organization, the continuation of which the large majority of growers appear to favour. Expressed in simple terms, if the industry wants orderly marketing it must be prepared to support it and accept the obligations as well as the advantages of the system.

The provisions of the Bill are as follows: Clause 1 is formal. Clause 2 provides that the Act shall come into operation on a day to be fixed by proclamation. Clause 3 amends the definition of “representative member” and strikes out various definitions relating to zoning. Under the provisions of the Bill any election for representative members will be made by the whole body of registered growers. Clause 4 is the major provision of the principal Act. It strikes out the present provisions of section 9 relating to the constitution of the committee and provides that on the commencement of the amending Act the members of the committee then in office shall vacate their positions and the committee shall thereafter consist of five members appointed by the Governor, of whom one shall be a chairman appointed by the Governor; two shall be persons initially appointed by the Governor to represent the interests of growers, and after the expiry of the term of the initial members these shall be appointed by the Governor after election by registered growers; and two shall be persons who in the opinion of the Governor have extensive knowledge of and experience in marketing. Clause 5 repeals section 10 of the principal Act. This section related to the initial constitution of the Citrus Organization Committee. It has fulfilled its purpose and is now no longer necessary. Clause 6 amends section 11 of the principal Act. This section deals with the election of representative members. The amendment provides that the representative members appointed first after the commencement of the amending Act shall hold office for a term of two years. Thereafter, the representative members shall be elected by the whole body of registered growers. A provision is inserted allowing the Governor to cancel the nomination of any candidate for election as a representative member if, in the opinion of the Governor, that nominee has commercial interests that may prevent him from impartially representing the whole body of registered growers.

Clause 7 makes consequential amendments to section 13 of the principal Act. Clause 8 provides for elected representative members to hold office for terms of three years. Clause 9 amends section 15 of the principal Act. The amendment provides that the office of a representative member shall become vacant if he acquires commercial interests that may, in the opinion of the Governor, prevent him from impartially representing the whole body of registered growers. Clause 10 amends section 17 of the principal Act. In view of the reduction in the number of members of the committee, the number necessary to constitute a quorum is reduced from four to three. Clause 11 inserts new section 23a in the principal Act. This new section enables the committee to borrow moneys for the purposes of the Act on such security as the committee thinks fit. The Treasurer is empowered to guarantee the repayment of any moneys borrowed by the committee under the new section.

The Hon. C. R. STORY secured the adjournment of the debate.