

SE **Business**

HD **Disconsolate farmers stare into an uncertain future as Abbott stands by 'defining' decision on SPC**

BY BY JARED LYNCH

WC 1,188 words

PD 8 February 2014

SN The Age

SC AGEE

ED First

PG 8

LA English

CY © 2014 Copyright John Fairfax Holdings Limited.

LP

Gary Godwill leans against the large rear wheel of his grey Fergie tractor and sinks his teeth into a freshly picked peach. His red heeler Roughie, called so "because he's as rough as guts" nuzzles up beside him and licks the drops of juice from his **chin**.

Mr Godwill's family has grown fruit for four generations and has farmed this orchard about 15 kilometres from Shepparton, for the past 80 years.

TD

Although he grows granny smith apples and pears "as good as anyone, anywhere in the world" his future, along with other fruit growers in the Goulburn Valley, is uncertain. So much so, Mr Godwill is contemplating levelling his 20-hectare orchard to grow fodder for cattle.

Prime Minister Tony Abbott said this week he wouldn't reconsider his refusal of Coca-Cola Amatil's request for \$25 **million** in financial assistance for its SPC Ardmona subsidiary. "The decision we made last week was a tough decision," Mr Abbott said. "But it was a necessary decision. I've got to say, it was a defining decision."

And, according to Mr Godwill, it's a decision that could decimate the Goulburn Valley. If SPC's canneries in Shepparton, Kyabram and Mooroopna close, about 50 per cent of the region's fruit growers would go out of **business**, he estimates.

Growers who remodelled their businesses to focus solely on the fresh fruit market could survive, agribusiness analysts say. But Mr Godwill said a glut is already forming in the fresh fruit market, describing it as a "bloodbath".

"So much of the fruit normally destined for the cannery is going to the fresh food market," he said. "We knew going into this year, straight after the cannery announcement, that this would be a very tough year."

"But this is nothing new. We have been through tough times. We have had reasonable times. It's never been bountiful in my living memory, and I'm 59."

SPC's earnings have eroded in the past few years, as it has battled a high Australian dollar and cheap imported fruit packaged as private brands.

The **company** launched anti-dumping action with the federal government last year. But the Productivity Commission found there was no need for protection action against cheap imports.

Rather, the commission said the industry had been hurt more by long-term reductions in domestic demand for processed fruit, reduced export volumes, rising costs of production due to declining economies of scale and supermarkets promoting their private label products.

In addition to the government cash, which would have been matched with \$25 million from the Victorian government, Coca-Cola Amatil would have tipped in more than \$90 million to upgrade its canning facilities.

It planned to move away from tins to plastic packaging, while fruit for ingredients, such as dried fruit for muesli bars, was identified as a potential area of expansion.

The company also believes fruit pastes, which are often a base product in processed foods such as pasta sauces, and puree for the aged-care market was another opportunity.

Mr Godwill said the proposal was "well thought out".

"The cannery realises that there is no future in being known as a cannery. People don't sit down much now as a family and have a main meal and then peaches and ice-cream.

"Most of the fruit now is being eaten on the run. People walk into a 7-Eleven ... pick up a little zip-top container and eat it walking down the street.

"That is where the market is. They [SPC] have identified the market, they showed a very good business plan and it was rejected with the pathetic excuse that 'oh no, you are paying your workers far too much money'."

Mr Abbott, Treasurer Joe Hockey and Employment Minister Eric Abetz suggested that SPC's financial woes stemmed from "overgenerous" workplace conditions brokered with unions.

Liberal MP Sharman Stone whose electorate covers the Goulburn Valley, said the Prime Minister was lying, saying such arguments were "just wrong".

SPC said allowances paid to production staff totalled only \$116,467 last year, less than 0.1 per cent of the total cost of goods, while a "wet allowance" referred to by Mr Abbott generated no payments in the year and loadings were in line with industry norms at 20 per cent for afternoon shifts and 30 per cent for evening shifts.

NAB agribusiness economist Vyanne Lai said the Australian government, unlike other Western countries, had only just recently started drafting policies around maintaining food production and security.

"They adhere to WTO fair trade agreements more strongly and don't have a very strong agenda for food security," Ms Lai said.

Meanwhile, fruit growers were angered by Victorian Agriculture Minister, and former SPC director, Peter Walsh's recent suggestion that orchardists could convert to other intensive farming industries, such as dairy farming.

But unlike milk production, many orchardists own significantly smaller parcels of land, while Mr Godwill said the conversion cost would be too expensive.

"You are going to spend \$1000 on a cow; you need a least 200 of them to make a dairy farm profitable. You need quite a few hundred acres of dairy, including a bit of dry land. If you are building a new dairy you need state-of-the-art rotary, and that's going to set you back a couple of hundred thousand, maybe more depending on the size.

"Then you have got to fence it ... It's a huge cost in converting to dairy."

What Mr Godwill fears is what he saw during the 13 years of drought, which began in the late '90s, breaking a few seasons ago.

"A lot of farmers sold their dairy cattle. They just sent them to slaughter. Some of them were nice young herds ... and a lot of blokes sold their water and just put a few beefies on or something like that.

"Some of those properties are still standing like that. They are full of thistles and they've got wild cats and foxes running in them.

"It's such a shame when they were such fertile and profitable dairy farmers prior to the drought. If you see that happen to the orchards in the Goulburn Valley, it would be a crying shame."

Mr Godwill said if it gets really tough he could try growing cattle fodder instead of fruit.

But he said not all fruit growers have that option and he doesn't even know if it will pay off for himself. "It's only 50 acres and it requires a water service charge of \$10,000 a year before we even start to use a drop of water. The water is on top of that and then there's the electricity, which has gone through the roof.

"So whatever I do on this property, it has to be fairly intense culture. I don't know if I can grow fodder for cattle economically or not. I'm going to try."

**RE** austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

**PUB** Fairfax Media Management Pty Limited

**AN** Document AGEE000020140207ea2800020