



## 1.2 Disclaimer

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Although ACG has endeavoured to provide Interested Parties with all material information regarding the decision on how to vote on Stage 1 at the general meeting to be held on 14 October 2008, and on the decision whether or not to subscribe for membership of Citrus Australia, neither ACG, nor any of its directors, officers and advisers, make or give any representation, warranty or guarantee, whether express or implied, that the information contained in this Memorandum, or otherwise supplied to an Interested Party, is complete or accurate. This Memorandum is not necessarily a complete or accurate statement of the information which an Interested Party would require in order to determine how to vote on Stage 1 or whether to subscribe for membership of Citrus Australia. Each Interested Party must make their own assessment of those matters.

In preparing this Memorandum, the individual circumstances or needs of each particular Interested Party have not been taken into account.

In some areas, this Memorandum contains estimates and forecasts. All estimates and forecasts are subject to uncertainty and unexpected events, many of which cannot be anticipated or controlled by ACG or anyone else. Accordingly, actual results and outcomes are likely to differ from the estimates and forecasts contained in this Memorandum and the differences may be material. No representation, warranty or guarantee is made or given by ACG, or any of its directors, officers and advisers, that any estimate or forecast will be achieved.

This Memorandum will not form part of any agreement for subscription for membership of Citrus Australia.

This Memorandum is not a disclosure document for the purposes of the *Corporations Act 2001 (Commonwealth)*.

ACG and its directors, officers and advisers disclaim, to the fullest extent permitted by law, all liability, direct or indirect (and whether or not arising out of the negligence or fault of any of them), for any loss or damage suffered by any Interested Party, or other person, arising out of, or in connection with, any use of or reliance upon any information contained in this Memorandum.

By reading this Memorandum, in whole or in part, each Interested Party agrees that:

- the Interested Party shall not sue or hold liable ACG, or any of its directors, officers and advisers, for any loss or damage suffered by the Interested Party arising out of, or in connection with, any use of or reliance upon the information contained in this Memorandum, and the Interested Party waives any rights it may have to do so; and
- the Interested Party irrevocably releases ACG, and its directors, officers and advisers, from, and indemnifies them against, any claim, action, damage or loss suffered by the Interested Party, arising out of, or in connection with, any use of or reliance upon any information contained in this Memorandum.

The information contained in this Memorandum has not been audited and each Interested Party should rely on their own enquiries regarding its contents.

This Memorandum is dated 15 September 2008. There may have been material changes to the information contained in this Memorandum since that date.

### 1.3 Dictionary

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To assist in the readability and understanding of this Memorandum by Interested Parties, a number of defined terms are used throughout the document. They are as follows:

**ACG** – means Australian Citrus Growers Inc, incorporated under the *Associations Incorporation Act 1985 (SA)*, which is currently the peak body for the Australian citrus growing industry;

**Affiliate** – means an affiliate member of Citrus Australia;

**AGM** – means an annual general meeting of Citrus Australia;

**Associations Act** – means the *Associations Incorporations Act 1985 (SA)*;

**Board** – means the board of Directors of Citrus Australia;

**Citrus Australia** – means Citrus Australia Limited, a company limited by guarantee, proposed to be incorporated under the *Corporations Act 2001 (Commonwealth)* and to become the peak body for the Australian citrus growing industry;

**CEO** – means the chief executive officer of Citrus Australia;

**Chair** – means the chair of Directors of Citrus Australia;

**Constitution** – means the constitution of Citrus Australia;

**Deputy Chair** – means the deputy chair of Directors of Citrus Australia;

**Director** – means a director of Citrus Australia;

**Director Selection Committee** – means the committee appointed by the Board, from time to time, to make recommendations to Grower Members for the appointment of Directors;

**Effective Date** – means the date specified in the s.42 Order for the transfer of the undertaking of ACG to Citrus Australia, currently proposed to be 1 November 2008;

**Farm** – means a single parcel of land, upon which citrus trees are planted in order to harvest the fruit for commercial sale (whether or not they are yet bearing fruit);

**Financial Year** – means a year expiring on 30 June;

**General Meeting** – means a meeting of Members;

**Grower Bodies** means the nine grower organisations which are members of ACG, namely those listed in section 5.2;

**Grower Member** – means a natural person or body corporate that is admitted as a grower member of Citrus Australia, being eligible for admission if they own, lease or both occupy and manage a Farm of at least one hectare in size;

**Interested Party** – means a member of ACG or a grower of citrus fruit in Australia;

**Member** – means a natural person or body corporate, that is registered as a member of Citrus Australia (being a Grower Member or Affiliate);

**Memorandum** means this information memorandum dated 15 September 2008;

**OCBA** – means the Office of Consumer and Business Affairs (which incorporates the Corporate Affairs Commission) in the state of South Australia;

**s.42 Order** means the proposed order of OCBA, pursuant to section 42 of the Associations Act, that the undertaking of ACG be transferred to Citrus Australia;

**Stage 1** – means the transfer of the undertaking and operations of ACG to Citrus Australia; and

**Stage 2** – means the transfer of the undertaking and operations of the Grower Bodies and state statutory bodies to Citrus Australia or the making of other new arrangements with them.

## 2. Letter from the ACG President



Australian Citrus  
**Growers** Inc.

15 September 2008

Dear Grower,

On behalf of the ACG board and during this, our 60th anniversary year, I am pleased to propose the Citrus Australia model to you in this Information Memorandum.

Citrus Australia offers a fresh, more professional and commercial approach in representing our industry and maximising grower investment and returns.

For over three years, ACG and its member organisations have debated, consulted and conducted independent reviews on our structure. This Memorandum is the culmination of this tremendous effort.

Growers are now asked to join Citrus Australia direct and ensure appropriate professional skills are employed to represent them. The ACG board has initiated this process by instructing an inaugural Citrus Australia Director Selection Committee to recruit four grower Directors and three independent Directors, utilising a comprehensive and transparent selection procedure.

I commend to you the inaugural seven Directors of Citrus Australia who have the necessary skills and experience to build the Citrus Australia operations over a challenging transitional one to two year period to better represent the industry and maximise your investment.

Information on these new Directors can be found in section 9.3 and I encourage you to familiarise yourself with the individuals charged with taking our industry into a new era.

I urge you to read the attached Memorandum on our proposed new representative model, Citrus Australia, and take action.

Show your support for Citrus Australia by returning the membership application form attached so that the Australian citrus industry can move forward and deliver a better deal for growers.

Sincerely

**Mark Chown**  
**ACG President**

## 3. Executive Summary of Proposal

### 3.1 *The Case for Restructuring*

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Following three years of consultation with industry, the board of ACG is recommending the establishment of a new organisation 'Citrus Australia Ltd'.

Citrus Australia will present a fresh more commercial and accountable approach to the way the industry is represented as well as how grower returns can be maximised.

The new representative model will, over time, reform the industry structure from multiple industry groups to a single body to represent and further the interests of growers.

This will bring clear benefits including:

- The substantial saving of operating expenses by removing the duplication of functions that exist under the current structure with numerous entities;
- The saving associated with the replacement of an existing complex system of state levies with national levies, due to the passage of the national levies through fewer hands;
- The administrative saving of the replacement of numerous membership fees with one membership fee payable to Citrus Australia;
- The more efficient direction of levies and membership fees to industry programs because they pass through fewer hands on the way;
- The fact that growers have direct membership in the organisation and are therefore able to vote for Directors of the peak body;
- The inclusion of skilled "commercial" Directors on the Board; and
- The benefit in advocacy of having a single body representing the interests of growers on a regional, national and international front.

Citrus Australia will ensure a strong focus on increasing consumer demand, addressing industry competitiveness and improving industry communication and information.

It will take a lead role in facilitating market development and promotional initiatives to support domestic and export sales, assist in the coordination of citrus R&D and address industry issues such as marketing, export, biosecurity, climate change, water and sustainability.

### 3.2 *Transition and Restructuring Process*

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The ACG board is recommending that delegates vote to establish the new organisation "Citrus Australia Ltd" at a special general meeting being held on 14 October 2008.

Should the vote be successful and the s.42 Order be made, ACG will cease to exist and the new organisation, Citrus Australia Ltd, will begin operating in November 2008.

The transition to a new representative model will take place over two stages.

The first stage is that Citrus Australia will be established as the peak industry body representing citrus growers, which will seek subscriptions for membership.

The second stage will involve the implementation of the broader restructure objectives, including the new arrangements with, or voluntary dissolution of, the current Grower Bodies and the state statutory bodies. If a dissolution process is agreed upon, the intention is that each Grower Body would be wound up voluntarily by the members of that body, with any surplus assets upon winding up being transferred to Citrus Australia.

### **3.3 The New Structure**

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The Citrus Australia Board will be comprised of seven Directors, with a minimum of four Directors being Grower Members or their associates and a maximum of three Directors with commercial and/or supply chain experience.

The Board is likely to establish a number of committees. At a minimum there will be

- a Director Selection Committee
- an audit committee; and
- citrus industry issues and/or citrus fruit variety committees

Citrus Australia will maintain a regional presence throughout its transitional phase by 1) utilising existing ACG staff and office space in Mildura and 2) establishing regional advisory committees and accepting reasonable ongoing commitments (including staff and office space) where region/state citrus bodies willingly cease to operate.

Under this scenario, ACG believes that Citrus Australia will be financially viable.

### **3.4 Membership Subscription to Citrus Australia**

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There will be two classes of membership of Citrus Australia – Grower Members and Affiliates.

Growers can join their new peak national body, Citrus Australia, using the membership application form contained in this Memorandum or by downloading the form from the ACG website – [www.australiancitrusgrowers.com](http://www.australiancitrusgrowers.com)

The initial membership fee for 2008-09 for Grower Members stands at \$20 per hectare, with a minimum fee of \$100, per Financial Year.

A person will be eligible to become an Affiliate if they belong to any of the following categories:

- citrus industry bodies;
- marketers, distributors and retailers of citrus fruits or products of citrus fruit;
- suppliers of goods or services to citrus growers; and
- persons closely associated with the citrus industry.

Affiliates will pay an annual membership fee of \$250 initially.

There will be a number of transitional arrangements in 2008-09 to ensure growers who choose to join Citrus Australia directly are recognised for prior or current payments to ACG or for the benefit of ACG (made through various means including through their Grower Bodies, statutory bodies or packinghouse), relating to the 2008-09 Financial Year, and to ensure growers do not pay more in total than they currently are.

### **3.5 Timeline**

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Growers are encouraged to complete the membership application form for Citrus Australia and lodge the application at the Australian Citrus Industry Conference in Griffith in October or mail it to:

Citrus Australia Ltd  
Subscription Officer  
PO Box 5091  
MILDURA VIC 3502

There is likely to be a one to two year transitional period for the new national industry structure to take shape.

## 4. The Case for Restructuring

### 4.1 *Background and Context*

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In response to the direction given by ACG members, and three years of exhaustive industry consultation and independent research into the Australian citrus industry's strategic direction and structure, the board of ACG is recommending the establishment of a new organisation to be called 'Citrus Australia Ltd'.

While the current regional, state and national federated structure has served the interests of Australian citrus growers well over the past 60 years, markets and growers themselves have changed, and it is time for a fresh, more commercial approach to the way the industry is represented as well as how grower returns can be maximised.

The industry's strategic plan, Citrus 2015, has also recommended aligning the industry's organisational structure as a critical and positive step for the future of Australia's citrus industry. Citrus 2015 also recommends a focus on increasing consumer demand, addressing the industry's competitiveness and improving industry communication and information.

At ACG's annual general meeting in May this year, delegates directed the ACG board to proceed with the move to Citrus Australia, as well as to undertake further due diligence on the new representative model, on or before 14 October 2008.

This Memorandum summarises the results of that work. It covers:

- Stage 1, including the special resolution to be proposed at the general meeting of ACG delegates on 14 October 2008; and
- the work done on Stage 2 to date, which should now be taken over by Citrus Australia, which should continue to consult with Grower Bodies and Grower Members over the proposed one to two year transitional period.

Importantly, the model will include a new seven person Board of Directors, with a minimum of four Grower Member Directors and a maximum of three Directors with commercial and/or supply chain skills, to take the industry in a new direction of being consumer and commercially focused.

A number of committees will also be put in place to provide advice to the Board.

### 4.2 *Benefits of Restructuring*

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Some of the key benefits of restructuring the current multi-structure to Citrus Australia include:

- The substantial saving of administrative time and expense by removing the duplication of functions that exist under the current structure with numerous entities;
- The saving associated with the replacement of an existing complex system of state levies with increased national levies, due to the passage of the national levies through fewer hands;
- The administrative saving of the replacement of numerous membership fees with one membership fee payable to Citrus Australia;
- The more efficient direction of levies and membership fees to industry programs because they pass through fewer hands on the way;
- The fact that growers have direct membership in the organisation and are therefore able to vote for Directors on the peak body;
- The inclusion of skilled "commercial" Directors on the Board; and
- The benefit in advocacy of having a single body representing the interests of growers on a regional, national and international front.

In particular, Members of Citrus Australia will benefit from the new representative model through the activities it will undertake, including: taking a lead role in facilitating market development and promotional initiatives to support domestic and export sales; assisting in the coordination of citrus R&D to ensure it is targeted, relevant and aims to improve grower returns; addressing industry issues such as marketing, export, biosecurity, climate change, water and sustainability.

Citrus Australia Grower Members will have the opportunity to participate directly through membership/ voting rights, opportunities on committees and regional forums to address key issues as they arise. The new representative model will enable the more effective delivery of the industry plan, Citrus 2015.

For the first time, Australian citrus growers will “own” and direct their peak body.

## 5. What Will Happen

### 5.1 Restructuring Process

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The implementation of the proposed citrus industry restructure is expected to take place in two stages. The first stage will see Citrus Australia established as the peak national citrus industry body. The second stage will involve the implementation of the broader restructure objectives, including the new arrangements with or dissolution of the current Grower Bodies and state statutory bodies and the subsequent adjustment to national levies.

#### **(a) Stage 1: Citrus Australia as the Peak National Body**

A new company limited by guarantee called ‘Citrus Australia Limited’ will be incorporated under the *Corporations Act 2001 (Commonwealth)*. It is proposed that it acquire the undertaking of ACG and conduct operations as the peak body for Australian citrus growers.

The *Associations Incorporation Act 1985 (SA) (Associations Act)* provides the most simple and cost-effective method for the transfer of the property and rights and liabilities of ACG to Citrus Australia. Under section 42 of the Associations Act, if the Office of Consumer & Business Affairs (**OCBA**) is of the opinion that the operations or undertaking of ACG would more appropriately be carried on by another body corporate, it can issue a notice to this effect.

Within three months of the issue of that notice, ACG can formally request that its undertaking be transferred to Citrus Australia. Upon receipt of this request, OCBA may order that the undertaking be transferred accordingly (**the s.42 Order**) on a specified date (**the Effective Date**). Pursuant to the making of such an order, on the Effective Date:

- ACG is dissolved;
- the property of ACG becomes the property of Citrus Australia; and
- the rights and liabilities of ACG become the rights and liabilities of Citrus Australia.

OCBA issued a notice on 12 September 2008 in which it declared that it was of the opinion that the undertaking or operations of ACG would be more appropriately carried on by another entity. ACG delegates will be given the opportunity to carry the following special resolution at the general meeting to be held on 14 October 2008:

*“That the undertaking of Australian Citrus Growers Inc be transferred to Citrus Australia Ltd, pursuant to an order made under s.42 of the Associations Incorporation Act 1985 (SA), at the commencement of 1 November 2008.”*

If the special resolution is passed, a formal request for a s.42 Order will be made to OCBA. If OCBA agrees to grant the s.42 Order, ACG will undertake the necessary administrative processes to enable:

- ACG to be dissolved and its property, rights and liabilities to become those of Citrus Australia on the Effective Date; and
- Citrus Australia to commence operations as the peak national citrus industry body on the first following business day (3 November 2008) or thereabouts.

ACG members will not automatically become Members of Citrus Australia Ltd.

In conjunction with the dissolution of ACG and the transfer of its undertaking to Citrus Australia, Citrus Australia will seek subscriptions for membership. This process is discussed in more detail in sections 6 and 12, below.

**(b) Stage 2: Building the Citrus Australia Model**

Stage 2 of the restructuring process will involve new arrangements with, or the voluntary dissolution of, the current grower funded organisations. If they are dissolved, it is proposed that their undertakings and operations be transferred to Citrus Australia.

## 5.2 New arrangements with or Dissolution of Grower Bodies

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There are nine grower organisations which are members of ACG (**Grower Bodies**). In descending order of level of operations they are:

- Queensland Citrus Growers Inc (**QCG**);
- Citrus Growers of South Australia Inc (**CGSA**);
- Western Australian Fruit Growers' Association Inc (**WAFGA**);
- Sunraysia Citrus Growers Inc (**SCG**);
- Leeton Citrus Growers Inc (**LCG**);
- Griffith & District Citrus Growers Inc (**GDCG**);
- Mid-Murray Citrus Growers Inc (**MMCG**);
- NT Citrus Growers Association Inc (**NTCG**);
- Narromine Citrus Growers Association (**NCG**).

If, after consultation, it is decided that a Grower Body will be dissolved, the dissolution process will be regulated by the state legislation under which it is incorporated and its constitution (with the exception of an unincorporated body, which is not governed by state legislation and will therefore be wound up pursuant to common law principles if that association agrees).

It is proposed that each such Grower Body would be wound up voluntarily by the members of that body, with any surplus assets upon winding up, after satisfaction of all liabilities, being transferred to Citrus Australia. The intention is that, immediately prior to winding up, the Grower Body would enter into a transition contract with Citrus Australia, under which Citrus Australia would, on an 'effective date':

- take a distribution of the Grower Body's assets "in specie";
- assume some or all of the remaining liabilities of the Grower Body;
- assume responsibility for some or all of the contracts to which the Grower Body is party (with the consent of the counter-parties); and
- employ some or all of the Grower Body's employees.

Following the completion of the above steps, various administrative matters would be dealt with in order to complete the restructure.

WAFGA is an association which deals with various fruits in addition to citrus. Therefore, it is likely to remain in existence, but Citrus Australia proposes to discuss with WAFGA arrangements that would be in the best interests of citrus growers in that state.

### 5.3 *Change to State Statutory Bodies/Levy Structure*

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In WA there exists a statutory “fee for service” for citrus, pome and stone fruit which is administered by the WAFGA. Due to the multi-commodity nature of this arrangement and organisation, special arrangements are required. Citrus Australia will work with WAFGA to ensure two-way communication with and service delivery to citrus growers in WA.

WA citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider an immediate equivalent reduction in their state fee for service.

In SA, VIC and NSW there exist statutory levies for citrus growers which are administered by the relevant state statutory bodies in those states. Citrus Australia will work with the South Australian Citrus Industry Development Board, Murray Valley Citrus Board and Riverina Citrus and their state government representatives to ensure continued service delivery through the transition period. This will allow detailed arrangements to be agreed for the integration of priority functions into Citrus Australia.

SA and VIC/NSW (Murray Valley) citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider reductions or elimination of their state statutory levies as Citrus Australia builds its operations.

NSW (Riverina) citrus growers will be encouraged to:

- join Citrus Australia direct; and
- consider an immediate equivalent reduction in their state statutory levy.

A reduction or elimination of state statutory levies and/or voluntary contributions (i.e. Grower Body membership fees) will require an increase in the national R&D, marketing and plant health levies so that:

- industry services are maintained; and
- industry R&D resources actually increase through the federal government’s ‘matching dollar for dollar’ policy.

Rationalising the industry levy and fee structure in this way is proposed to ensure that:

- there is a more efficient flow of contributions from growers into programs and actions, rather than funds passing through a number of levels in the existing structure and being eroded at each level; and
- funding is contributed equitably, rather than relying heavily on the voluntary contributions of a few.

Citrus Australia will be required to conduct a separate consultation process with citrus levy payers under federal government guidelines in order to create new or amend existing national levies. This will be conducted as a separate but complementary process during the transitional period.

There is a substantial amount of work involved in Stage 2. There are also a number of operational and political challenges to be overcome. If all relevant parties were galvanised into action, it is estimated that the work could be completed in approximately one to two years. However, there is no certainty that this time-frame can be achieved.



































