



## **Tasmania's Place in the Asian Century**

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### **What does Asia mean to the Tasmanian fruit industry?**

Typically the Asian culture give greater significance to fruit than in Western culture, with fruit traditionally offered as gifts during festivals and important events. Fruit has been the western equivalent of chocolates or wine and is often presented in elaborate gift packs and hampers. Furthermore, fruit is incorporated into the daily diet more significantly than in Western cultures, with countries such as Taiwan having the greatest consumption of fruit per capita in the world.

With fruit held in relative high esteem the market for fruit into Asia is very significant. In markets such as Japan, Hong Kong and Taiwan there is significant amounts of imported fruit from across the globe including Chile, USA, Canada, New Zealand and South Africa.

There are some potential opportunities which have not been fully explored or exploited and this relates to the inability of producers to market their product as a consumer item, particularly at the high end or niche markets. Lack of capital, skilled marketing knowledge, relevant consumer research and lack of cultural appreciation are barriers for producers to fully utilise this market opportunity. This segment is highly competitive with multinational companies such as Dole, Sunkist and others spending substantial amounts of money marketing into Asia.

Apples have become a commodity product due to the ability to store them for up to 12 months of the year and therefore any seasonal competitive advantages have been lost and demand is driven by price. Whilst Tasmania is highly regarded as a producer of quality product the price of Tasmanian product is too expensive – either against product of similar quality (i.e from New Zealand) or if against product of inferior quality the value proposition does not “stack up” i.e if the apples are 50% more expensive than the competitors fruit, is the quality 50% better?

Given the competitive nature of commodity fruits (those with long shelf life) it has been imperative that the Tasmanian industry find alternative fruit crops which are seasonal and optimise the climatic window of opportunity. Such fruits which fit into this window include cherries and berries however even given these competitive advantages the value proposition is still challenging, against such countries as Chile and New Zealand.

Obviously our higher costs of production (particularly labour) have always been a challenge to the Tasmanian fruit industry but in recent years the two most significant barriers to trade are due to the high rate of the Australian dollar and freight costs. Whilst cherry and berry growers can move their fruit into export markets quickly and reliably it does come at a cost. New fees and charges in relation to export compliance have also added another layer of costs into the export process.

Another fruit specific issue is that a majority for the fruit sold into Asia is done so through importers who operate in the wholesale market system rather than through supermarkets. The reason for this is largely due to volume and price as the supermarkets in Asia tend to stock average sized fruit and therefore Tasmania finds it very difficult to compete against a volume supplier such as Chile. The disadvantage of the market system with fresh produce is that you are typically a price taker and although fruit is exported with a set price agreed, once it hits the wholesale markets it is vulnerable to market forces. Given the perishable nature of the product, in what is often a 3<sup>rd</sup> world supply

chain system, the exporter has no option than to agree to the price cuts and move the fruit before quality issues arise.

In the shorter term the opportunities into Asia will not be capitalised on due to our inability to compete competitively and due to the reality that Chile and New Zealand are formidable competitors both based on price and quality. Tariffs and lack of free trade agreements are further challenges when trying to compete into similar markets.

Whilst tariffs and duties have been greatly reduced through the ASEAN free trade agreement they are still a significant disadvantage with some trading partners. However, the more substantial threat to trade is the continuing changes to import restrictions and requirements.

Revisions of import requirements, such as has occurred with Thailand and Taiwan, in recent years has either meant that Tasmanian growers either lost total access to the market or the import requirements imposed by the trading partner are too onerous or expensive to comply with. Many of our trading partners are reviewing import requirements and in most cases the outcomes are adding another layer of cost and compliance.

However some of those markets which are relatively lucrative are only being held by a very tenuous link which could break at any time. The single biggest risk facing Tasmania's export success in Asia is Queensland Fruit Fly which is only endemic in Australia and feared by all of our major trading partners in Asia. With no phytosanitary treatments of fruit fly commercially viable or feasible if an outbreak of Queensland fruit fly was to occur it would have substantial ramifications for the fruit industry. This continual risk lies like a sleeping monster within the Tasmanian fruit industry and if a fruit fly outbreak was to occur the industry would lose immediate access to Taiwan, Japan, South Korea and China.

In the longer term the opportunities could be more optimistic however there are many factors affecting the potential including the value of the Australian dollar, production costs, market access and competitive freight routes.

In conclusion, for all the positive rhetoric, the ability to gain markets and market share in Asia is exceptionally challenging. However Tasmanian product is perceived favourably by importers and consumers in most Asian markets however we fail to offer the product at a competitive price. If Tasmania were to compete on a relatively level playing field in relation to production and transport costs then based on product quality and integrity Tasmanian produce could gain substantial market share. With increasing socio economic circumstances occurring in both China and India the capacity for high-end product is increasing.

Whilst the Tasmanian product is aimed at niche markets and more discerning consumers there is still substantial competition in that quality range and claims of "clean and green" are not solely attributable to Tasmania: one only needs to look at some of the consumer programs coming out of Argentina (Patagonia) and New Zealand.

Tasmania produces a world class product and is recognised as coming from a unique and beautiful environment but we are expensive. It ultimately gets back to the value proposition and justifying our case for the high prices we require to remain solvent is becoming increasingly difficult.