

HORTICULTURE – EXPORTS VITAL FOR A SUSTAINABLE INDUSTRY

Horticulture is the most labour intensive industry in Australian agriculture; it creates more jobs in regional Australia than any other agricultural sector. However it is also the industry facing the most pressure from imports , both fresh and processed.

In 2010, total Australian horticultural imports including processed horticultural produce were valued at AUD \$ 1,513 million. This compares to total exports of fresh and processed horticultural produce for 2010 of AUD \$ 955 million[Source :ABS .]

So we have a trade deficit of AUD \$ 558 million in fresh , dried , frozen ,partly and wholly processed fruit, vegetables and nuts .

The average Australian would find this difficult to believe given the range of horticultural produce that can be grown across the full geographic spread of Australia . We normally don`t have shortfalls on the domestic market except in more recent times with bananas, due to the cyclones .

WHY SO MANY HORTICULTURAL IMPORTS

Why do we import so much ? It is this issue that sets horticulture apart from other Australian agricultural industries .

Well first of all, for some overseas countries there are counter seasonal opportunities in Australia for fresh fruit, nuts, and vegetables . Out-of-season, we import fresh cherries, table grapes , oranges and onions from the USA, kiwifruit from Italy , citrus from Spain , almonds and walnuts from the USA , cashews from Vietnam and India, and fresh asparagus from Peru and Thailand.

However another reason for the astonishing level of imports is the high labour costs in Australia that has meant that imports can be much cheaper , particularly processed products .

For this reason much of the apple juice consumed in Australia comes out of China and the orange juice concentrate is imported from Brazil.

In fact there are very few large scale fruit or vegetable processing operations remaining in Australia and this in itself creates enormous difficulties for growers.

Without outlets for the bottom 20 % of the out-graded produce that is unsuitable for fresh marketing and which is normally taken up for processing in one form or another , growers are then left in the position of maximising their returns on the remaining 80 % . This is not always easy to do in Australia because of the concentration of retail buying power in so few hands.

One strategy growers can employ to counter the retail power of the supermarkets and the high costs of shipping to the capital city wholesale markets is to be involved in export .

WHY AUSTRALIAN HORTICULTURAL EXPORTS CONTINUE TO FIND NICHE MARKETS

Australia is recognised overseas as a high cost producer of high quality produce which can have superior eating quality over our competitors in the southern hemisphere such as Chile, Argentina, South Africa and Brazil .

We cannot compete with these countries on price but we can extract a price premium from a number of markets in Asia in particular if the eating quality is superior .

If a grower exports and obtains a price premium for that produce this can partly make up for the bottom 20 % of poorer quality produce for which there are few outlets and may even have to be dumped.

So it is a delicate balance and export provides another outlet for growers as well as ensuring that we don't have shortfalls on the domestic market . Where an industry just grows sufficient for the local market they are more vulnerable to imports in years of short supply . This year we have once again heard calls for banana imports from the Philippines because of shortfalls in the local banana industry which does not export .

For any horticultural industry that sells BOTH locally and overseas and which has some processing outlets for the lower grade product, that industry can be financially viable . Take away one of those marketing options , in particular, export and it becomes more vulnerable to imports - fresh or processed.

AQIS MOVE TO FULL COST RECOVERY

It is against this background that industry, both growers and exporters question the wisdom of the recent drive by Government to recover all costs including head office costs associated with the AQIS horticultural export inspection programme within DAFF [Department of Agriculture Fisheries and Forestry]

Horticulture is spread around Australia at many out of the way locations . The product is often highly perishable and doesn't lend itself to assemblage at centralised facilities as we have in the grain or dairy industries or the meat industry at meat processors prior to export .

Horticulture likewise doesn't have the huge volumes to export like some other agricultural industries and so is unable to amortise the excessive AQIS inspection/ clearance costs against such volume.

HORTICULTURE IS UNIQUE

Horticulture is different, diverse, both in the product itself [and so the quarantine pests to be inspected for] and where it

is produced .Exports are made up of small shipments by air in passenger aircraft ,to markets like the Middle East and Asia where we can overnight satisfy a shortfall in the market, or in larger shipments in 40 foot reefer containers by sea.

The AQIS Horticultural Export programme is always going to be more expensive because of the size and number of shipments but that shouldn't mean export isn't worth doing. It creates all important regional employment around Australia to earn valuable export dollars and provides an increased tax revenue stream for the Government and a viable fruit and vegetable industry ensures food security and that Australians have the choice of purchasing fresh and processed produce grown here in Australia .

RETURN TO 100 % COST RECOVERY

On July 1st AQIS fees returned to a level that will recover the DAFF allocated full 100 % it may cost the service to inspect and clear horticultural exports .What it may cost in any one year is always the great unknown because industry cannot predict the weather and therefore the quantity available for export.

Historically the AQIS horticultural export programme has both over- recovered and under- recovered it's full operational and head office costs.

The hourly rate for AQIS inspections will now be AUD \$272.00, which includes significant AQIS allocated overheads.

INFLUENCE OF WEATHER

In the financial year 2010/2011 , the wettest year since 1974 in eastern Australia , horticultural exports have continued to fall after a disappointing year in 2010. Heat in late Spring of 2010 together with the ongoing drought affected volumes of fresh fruit available for export in late 2010 .

The value of fresh fruit and vegetable exports from Australia declined 25.1% in 2010 to \$ 519 million which is the lowest since 1997.

The wet weather together with the highly unfavourable exchange rate will conspire to drive down the value of fresh fruit and vegetable exports by a further AUD \$ 65 million in 2011.

GOVERNMENT INCREASES EXPORT INSPECTION COSTS BY 66%

Against this background of an industry with its back to the wall the Federal Government has gone ahead with the return to full cost recovery, which will increase Aqis inspection costs by 66 % overnight.

To achieve that aim AQIS have suggested in some of the models put forward to the Ministerial Task Force for Horticulture that

[1] Growers could pay a shed registration fee of between \$ 5,500 and \$ 12,300 per shed per season ;

[2] Exporters could pay a fee of \$ 2,000 per market that they ship to ;

[3] AQIS could inspect produce exported to non phytosanitary markets to check labelling requirements and so charge fees . Currently these non phytosanitary markets such as Hong Kong , Singapore , and Malaysia have not require any inspection for the past 30 years ;

[4] AQIS will allow individuals to be trained and appointed as AQIS APPROVED OFFICIERS [AAO`s] . This move is aimed at transferring AQIS costs to private industry . However AQIS will still need to sign off on any documentation electronically generated , and will regularly audit the AAO`s . The costs associated with auditing remain unclear.

AQIS claim that this AAO arrangement will give the industry more flexibility and save on fees. Industry has seen no evidence of net benefits and remain unconvinced and fearful that it may actually cost them more .

ACCEPTANCE OF THE AAO MODEL

Whether fruit fly free sensitive markets such as those of North Asia and North America will accept AAO`s inspecting produce has not been clarified by AQIS .

There is no country in Asia to our knowledge which employs non government inspectorial services to clear imports or exports .

If they don't accept this industry self inspection , then the possible savings due to the use of AAO's rather than AQIS inspectors is removed.

FAILURE OF AQIS REFORM PROCESS

The return to 100 % full cost recovery and AQIS fee and charges increases on 1 July, goes against the spirit of the bipartisan agreement between Government and industry which was dependent on the achievement of meaningful AQIS reforms. Such reforms should have resulted in savings of as much as 40 % of AQIS total costs.

At this point it is questionable as to whether AQIS have in fact identified any increased efficiencies and / or cost reductions as they were required to do when there was bipartisan agreement to full cost recovery. Instead AQIS are proposing one major Reform being AAO's which remains lacking in even basic details and is uncoded and with no cost/benefit analysis proposed by AQIS.

The Ministerial Task Force has not signed off on any of the Costing or Service delivery models put forward by AQIS at their FINAL meeting held on June 29th 2011 while the AQIS Reform Program has now ended without any concrete cost savings reforms agreed to with industry.

David Minnis OAM MANAGING DIRECTOR 888 EXPORTS
AUSTRALIAN HORTICULTURAL EXPORTERS ASSOCIATION