



# **Business Experience in Utilising Australia's Free Trade Agreements**

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**Submission by Reid Fruits**

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## **Business Experience in Utilising Australia's Free Trade Agreements**

S D Reid Holdings Pty Ltd (trading as Reid Fruits) has been exporting cherries from Tasmania, Australia to multiple global markets for over a decade. Key markets included Taiwan, Hong Kong and in recent years China (due to market access for Tasmanian cherries in late 2012). In the 2014-2015 season Reid Fruits traded over A\$11 million in fresh cherries, of which 85% can be attributed to overseas exports.

Tasmania has been in an enviable position nationally as it has market access to several markets such as Taiwan, China, Japan and South Korea due to area freedom from Queensland and Mediterranean fruit fly, unlike mainland cherry producers.

Whilst Reid Fruits have been able to develop good commercial trade volumes with Taiwan and China there has been minimal growth in South Korea and Japan. Whilst the barriers to developing the markets in Japan and Korea vary our lack of competitiveness was a significant factor.

From 2010, when Tasmania first gained access to South Korea, Reid Fruits struggled to export between 5-10T annually into the market. With the introduction of the Free Trade Agreement in late 2014, Reid Fruits were able to increase exports to over 180T in the first season. However Reid Fruits persistence in developing trade relationships prior to the introduction of the FTA meant that we were in the ideal position when the FTA came into effect which was further complimented by favourable exchange rates. Also to our advantage was the fact that our biggest competitor in South Korea, New Zealand, at the time did not have a FTA however by the commencement of the 2015-2016 season it is expected that the FTA between New Zealand and South Korea will come into effect. It is hard to predict whether the gains made in our export volume last season will be maintained.

Whilst the Japanese FTA came into effect during the cherry season Reid Fruits were not able to see any immediate benefits. This was due to various factors including a poor exchange rate and the long lead times for supply arrangements into Japanese retailers were made prior to the FTA become effective. It is predicted that the 2015-2016 season will enable the benefits of the FTA to become realised. Once again though, trade relationships developed over many years in Japan, will provide the platform to increase exports.

It is expected that the FTA with China will assist in maintaining export volumes into that country but is not likely to make a huge difference due to the operating conditions for fresh cherries into China.

As can be seen from the previous examples the impact of FTA's within the fresh cherry sector varies due to a number of factors. Reid Fruits have identified though that future FTA's with India, Indonesia and potentially Taiwan will be of significance to our operation.

In summary the benefits of a Free Trade Agreement have made a positive impact on the export operations of Reid Fruits. However the full benefits of an FTA cannot be fully optimised unless:

- 1) Favourable exchange rates exist and enhance competitiveness
- 2) Market access under a commercially viable biosecurity protocol is available(horticulture)
- 3) Trade relationships are formed prior to FTA so that trade can commence in the short term
- 4) Export Document Hub (DOA) become commercially effective and allow exports to happen 24hrs a day, 7 days a week (not the limited operating hours that they currently operate under).

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