

# **Productivity Commission**



**Australian Horticultural  
Exporters' Association Inc.**

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## **Citrus Growing and Processing**

### **Submission from the Australian Horticultural Exporters Association Inc.**

#### **About the AHEA**

The Australian Horticultural Exporters Association Inc., (AHEA), represents the interests of exporters of fruit and vegetables Australia wide. Membership is voluntary and based on turnover, ranges from \$1,000 to \$2,200 per annum, (inclusive of GST).

In addition to membership subscriptions, the AHEA obtains revenue from the management and coordination of the following programs, on behalf of all Australian exporters:

- Management of Japan MAFF inspectors for the “on shore” cold sterilisation of citrus to Japan.
- Management of Korean inspectors for the “on shore” cold sterilisation of citrus to South Korea.
- Management of inspection coordination with MAF New Zealand for table grape exports to NZ.

The AHEA employs a full time Executive Officer, part time Administrative Assistant and part time IT Support and operates out of modern offices in Knoxfield, Melbourne. The strategic direction of the AHEA is set by an executive committee of eight members, who meet by teleconference each month and in person in Melbourne each three months.

The AHEA operates an extensive website [www.ahea.com.au](http://www.ahea.com.au) and members obtain detailed weekly reports on market conditions and fruit and vegetable pricing for New Zealand, Indonesia, Singapore, Malaysia and Hong Kong.

AHEA membership is more extensive in the fruit than the export vegetable industry and our membership covers approximately 80% of the value of all fruit exports from Australia.

#### **AHEA Submission**

Under the broad terms of reference that embrace “the competitiveness of the Australian citrus industry”, the AHEA wishes to bring the following issues, regarding the export of fresh citrus, before the Productivity Commission.

##### **Shortcomings of the current horticultural market access process:**

Australia lags well behind our strongest competition in world citrus markets, (USA, South Africa, Chile, Argentina, Spain), with regard to market access under conditions that are a commercially realistic response to the quarantine risk to the agricultural industries of the importing country.

The current horticultural market access process is cumbersome, ineffective, lacking in objective criteria to assign commodity and market priority and most importantly, entirely lacking a sense of urgency. The AHEA welcomes the current review initiated by Horticulture Australia Ltd, (HAL) and hopes for a substantial reformation of the market access process in the very near future.

**Inadequate resourcing of Biosecurity Australia to facilitate horticultural exports:**

Even when the Horticultural Market Access Committee assigns priority to citrus above all other horticultural commodities for access negotiation to a particular country, the federal government applies such inadequate personnel and support resources to this process that successful access is delayed by years. Currently, Biosecurity Australia has only four staff covering both export and import market access issues for all agricultural commodities. China gained WTO status in November 2001, which will take effect from January 2002; but in part, because of inadequate Biosecurity staff resources, Australia is two to five years away from negotiated access for citrus....the joint No.1 Australian commodity, (with mangoes), for access to China. USA negotiated access for oranges to China early in 2001 and Spain successfully negotiated access in the past few months.

**Inadequate outcomes by Biosecurity, Dept. of Foreign Affairs and Trade in trade negotiations:**

In addition to long delays in the current system of arranging priority to citrus for market access in a market, Biosecurity and DFAT, through trade negotiations, often produce commercially inadequate market access terms and conditions, which make accessing certain markets by exporters often commercially risky at best. Examples include citrus for Japan and South Korea, where fruit fly area freedom for citrus, while recognised by the USA and New Zealand, are not accepted by Japan and South Korea. Industry is encumbered with substantial costs to cold treat citrus prior to shipment while supporting the on-shore services of quarantine inspectors from both countries. An initiative by industry for acceptance by Japan of Intransit Cold Disinfestation, a minor amendment to the existing protocol, has taken Biosecurity almost 2 years to gain approval, and conditional on industry flying an AQIS inspector to Japan to meet each shipment. This latter condition negotiated by Biosecurity makes the intransit cold treatment option commercially unsustainable.

**Importance of deregulation of supply arrangements to all world horticultural markets:**

The AHEA does not support regulatory arrangements that either limit the number of horticultural exporters that can supply a world market, or the number of importers in a given market that can trade with Australian horticultural exporters. The AHEA believes that Australia can best achieve a world competitive citrus export industry by allowing the supply and demand forces to freely operate and to not attempt to regulate or distort market signals. Citrus exporters are trading a perishable "commodity" in a market which is often adequately supplied / oversupplied with equivalent looking, cheaper citrus from other producing countries. Whilst theorists advocate a market driven export industry, the commercial reality is that the supply of and perishability of citrus dictates that exporters be production driven, as there is limited opportunity to delay harvesting or cold store fruit, without prejudicing shelf life and arrival quality.

**The availability and cost of credit and inherent vice insurance:**

Only two insurers provide credit insurance to Australian horticultural exporters.

The development of citrus trade in "medium to high payment risk" markets, (e.g. Indonesia, China, India), is made difficult by the reluctance of the credit insurer to provide cover until the exporter can demonstrate a reliable payment history with the buyer.

Inherent vice insurance covering the intransit deterioration in the appearance of packed citrus, (decay, pitting, skin breakdown), is provided by only two or three companies to Australian citrus exporters. Premiums often exceed A\$1.00 per carton and the excess that is applied to a claim is often more than five times the commission the exporter would hope to make on the sale.

After a difficult 1999 season, with poor outturns of Australian citrus in Japan, the cost of inherent vice cover for citrus exports in 2000 was commercially prohibitive. Only after exporters shipped "uninsured" in 2000, with satisfactory outturns, did the industry return to offer affordable cover for Japan shipments in 2001.

The high cost of inherent vice insurance, (premium plus excess), and the difficulty in passing the cost of fruit quality problems back to the packer and / or grower, discourage export to long transit markets and markets requiring "on shore" cold sterilisation, where there is a greater risk of inherent vice problems, (e.g. Europe, Middle East, Japan, Korea).

**Importance of world competitive shipping rates and services:**

Most of Australia's citrus exports are shipped by sea. The Australian citrus export industry needs a shipping industry offering refrigerated container freight services to all key markets with frequent sailings, fast transit times, reliable departure and arrival times, modern reefer plant and genuine competition between shipping lines for exporters' business resulting in world competitive freight rates.

**Government assistance for “established” exporters:**

“New” exporters may qualify for assistance through the Federal Government’s Export Market Development Grant scheme. Eligible exporters can receive grants each year for up to a maximum of seven years. Established Australian citrus exporters, (who have received the maximum seven years of EMDG assistance), are at a significant competitive disadvantage to citrus exporters from other countries who are provided with a wide range of financial support and benefits. The AHEA acknowledges the special needs of new exporters and commends the government for the support afforded to new exporters through the EMDG scheme but argues that rather than terminating eligibility after seven years of grant payments, the scheme should continue to support exporters at a rate that phases out progressively over the ten years following the seventh year of EMDG payment.

**Commercially realistic AQIS charges:**

Australian citrus exports, to phytosanitary markets in particular, incur AQIS charges to meet importing country requirements. Often these charges place Australian citrus exports at a competitive disadvantage to citrus from other country suppliers, (subject to similar phytosanitary constraints), bound for the same market. The AHEA contends that the AQIS charge often exceeds the real cost of service provision and is commercially unsustainable.

The AHEA welcomes the opportunity to expand further on these issues during the Productivity Commission public hearing process.

Russell Witcombe  
Chairman