

Horticulture Innovation Australia

Final Report

Driving citrus exports through improved market access

Judith Damiani
Citrus Australia Limited

Project Number: CT12005

CT12005

This project has been funded by Horticulture Innovation Australia Limited using the citrus industry levy and funds from the Australian Government.

Horticulture Innovation Australia Limited (Hort Innovation) makes no representations and expressly disclaims all warranties (to the extent permitted by law) about the accuracy, completeness, or currency of information in *Driving citrus exports through improved market access*.

Reliance on any information provided by Hort Innovation is entirely at your own risk. Hort Innovation is not responsible for, and will not be liable for, any loss, damage, claim, expense, cost (including legal costs) or other liability arising in any way (including from Hort Innovation or any other person's negligence or otherwise) from your use or non-use of *Driving citrus exports through improved market access*, or from reliance on information contained in the material or that Hort Innovation provides to you by any other means.

ISBN 0 7341 3750 8

Published and distributed by:
Horticulture Innovation Australia Limited
Level 8, 1 Chifley Square
Sydney NSW 2000
Tel: (02) 8295 2300
Fax: (02) 8295 2399

© Copyright 2016

Contents

Summary	3
Keywords	4
Introduction	5
Methodology	7
Outputs	10
Outcomes	17
Evaluation and Discussion	20
Recommendations	22

Summary

Project CT12005, driving citrus exports through improved market access, commenced in December 2012 with a view to gaining, maintaining and improving market access conditions for the Australian citrus industry. A full-time Market Access Manager was appointed with the necessary knowledge of government processes, production practices and commercial knowledge. The underlying objective was to provide technical advice to government negotiators and regulators to support market access maintenance and improvement.

During the life of the project, access was maintained into all but one key market and several market access improvements were achieved. We made use of modern technology by developing an industry-based regulatory framework which has created efficiencies, reduced administrative burden, reduced cost and expedited the export registration process. The framework included an online training package and a system for electronic lodgment of export registrations. Ultimately the framework expedited the registration process and extended the citrus marketing window by six weeks.

Through direct engagement with government and industry we developed a strong export culture by assisting the value-chain in understanding and fulfilling regulatory requirements. As a result, there has been a marked improvement in the level of regulatory compliance which has led to cost-savings in the form of reduced monitoring and oversight by government.

The Market Access Manager assisted exporters throughout each season, acting as a conduit between industry and government when issues arose (e.g. distressed cargo, certification, labelling, treatment requirements). Through regular advice to industry, issues have become less frequent.

We have continued to guide the market access research efforts to ensure maximum return on industry investment. A number of projects, initiated through CT12005 are still underway which if successful, will open new opportunities for Australian citrus producers.

Citrus exports have continued to grow over the last three years with an increase of 38 per cent between 2014 and 2015. Importantly, there is a stronger focus on high-value yet more difficult export markets. While we cannot claim full credit for that success, it is unlikely that such success would have been realised without the activities undertaken under CT12005.

On the basis that an independent review by Horticulture Innovation Australia indicated strong support for CT12005, we recommend that the project continue for a further three years.

Keywords

Citrus industry; market development; market access; market intelligence; trade development; industry communications; industry consultation; exporter groups; citrus research coordination; agrichemicals; agrichemical residue monitoring; biosecurity; capacity building.

Introduction

The Australian Citrus Strategic R&D Plan 210-2017 (Horticulture Australia Ltd, Citrus Australia Ltd 2011) identified four Objectives & Key Strategy Areas.

Objective 1: Develop and Maintain Market Opportunities

Objective 2: Increase Product Value

Objective 3: Improve Efficiency and Sustainability

Objective 4: Provide a Supportive Operating Environment

While this project inevitably delivered (to some degree) upon all four objectives, it was specifically designed to address objective 1.

The United States was once the leading market for Australian citrus exports, peaking at around \$A60 million in 2007. However, the United States market has declined since that time due to increased competition from other southern hemisphere suppliers (primarily Chile and South Africa) and a strong Australian dollar. As a result of the challenges in the United States, the export sector has developed a stronger focus on Asia with its close proximity and expanding middle-class. However, as Asian markets have become more sophisticated, the level of regulatory complexity (including phytosanitary compliance, food safety and other technical specifications) has also increased. The increased level of regulatory complexity and increased commercial risk represent major challenges for the export sector. Key challenges include:

- difficult (and trade-restrictive) phytosanitary measures
- continual changes to importing country phytosanitary legislation
- slow progress in achieving market access improvements with overseas governments against a backdrop of competition for government resources from other horticultural commodity groups
- inefficiencies in phytosanitary inspection and certification services
- lack of regulatory transparency and good governance in importing countries
- continual amendments to importing country food safety legislation
- the application of high tariffs by some trading partners
- an absence of clear and concise information on export requirements
- inconsistent policy interpretation by regulators.

While the export trade in Australian citrus has long been established, there is strong competition from other low-cost southern hemisphere suppliers and significant seasonal overlap with northern hemisphere exports. Strong competition and the increasing costs associated with regulatory

compliance represent major threats to the industry's profitability and international competitiveness.

With a view to seeking improvements to trade conditions and developing greater efficiencies in meeting existing requirements, the citrus industry determined that a dedicated resource was required to assist it in overcoming market access challenges.

The export sector had identified significant growth opportunities in a number of Asian markets, (most notably China, South Korea, Indonesia and Thailand). However, there was a strong view that it was either too difficult or too expensive to achieve importing country requirements. For example, prior to 2013, trade volumes into mainland China were negligible despite formal access being granted in 2006. The industry expressed strong frustration that major commercial opportunities were not being realised due to an unworkable phytosanitary protocol. Despite the lower returns, exporters opted to export to non-regulated markets (e.g. Hong Kong, Singapore and the Middle East). A major focus of this project was to assist industry in capitalising on opportunities in high-value Asian markets and transition the sector away from low-returning, non-regulated markets.

Methodology

A full-time Market Access Manager was appointed in December 2012. The position description included:

- engaging with industry to determine key market access challenges and the setting of priorities
- engaging with the Australian government to progress the industry's market access agenda
- providing technical and commercial advice to government to support bilateral discussions with overseas trading partners
- develop business cases to support prioritisation of citrus industry market access cases with the Office of Horticultural Market Access (OHMA)
- engaging with government to improve efficiencies in grower/packer registration, auditing, inspection and certification for exports
- developing research projects to improve market access conditions and work with research agencies to conduct such trials
- remaining abreast of market access developments and disseminate such information to industry in a timely manner
- assisting exporters with market access queries and act as a trouble-shooter for distressed cargo
- assisting growers, packers and exporters in understanding and fulfilling phytosanitary requirements
- assisting growers, packers and exporters in understanding and fulfilling food safety (including Maximum Residue Limits) requirements
- coordinating and promoting the benefits of the Australian Citrus Pesticide Residue Monitoring Program
- maintaining a watching brief on tariffs and quotas affecting key markets
- providing technical and commercial advice to the Australian government to support free trade agreement negotiations.

Here we describe the activities undertaken by the Market Access Manager to assist the industry in becoming more internationally competitive.

Industry engagement and priority setting

Government requires that all industry market access proposals be prioritised and based upon supporting scientific evidence, likely return on investment, and the likelihood of success. The Market Access Manager maintained close engagement with the entire value-chain and government negotiators to inform the industry's market access priorities.

At the commencement of the project the Market Access Manager developed a citrus industry priorities report. The report was developed in consultation with the citrus industry Export Market Committee and the Department of Agriculture, Fisheries and Forestry (DAFF) (Plant Division). Development of the document was also informed through face-to-face meetings with growers, packers and exporters, crop monitor training sessions and direct engagement at Citrus Australia forums. The priorities document was updated annually and subsequently expanded into a more detailed Export Market Development Strategy which focusses on six key export markets.

In 2014, the Market Access Manager worked with an independent consultant (Jim Fitzgerald and

Associates) to develop a formal Citrus Industry Export Strategy Plan. The plan was developed with financial assistance from the Australian government and now forms the basis of future government investment in its market access program. In summary, the citrus industry market access priorities were determined to be:

- improved phytosanitary conditions for access to China including recognition of the Riverland Pest Free Area, improved cold disinfestation conditions, improved conditions for Fuller's rose weevil and improved conditions for light brown apple moth
- access to Thailand for all additional mandarin varieties under cold disinfestation procedures
- access for all citrus production areas to the United States
- streamlined certification procedures and expanded access for additional mandarin varieties to Japan.

Government engagement to progress the citrus industry market access agenda

The Market Access Manager held formal meetings (dedicated to citrus) with Australian government trade negotiators twice annually in Canberra. The Market Access Manager also sat on the Horticulture Industry Export Industry Advisory Committee (HEICC) as well as the Hort Innovation's Office of Horticultural Market Access. We also met regularly with state department representatives to provide advice on industry priorities and ensure a cohesive effort between state governments.

Advice to government and technical support to trade negotiations

The Market Access Manager worked closely with the Australian government to provide technical submissions and supporting documentation to gain, maintain and improve market access conditions. We provided strong comment and contributions to the development of new importing country protocols and work plans. With a view to presenting the Australian citrus industry in the best possible light, we assisted the Australian government in coordinating technical visits and audits by the overseas authorities. For example, assisting with re-gaining access to the Vietnam market including participating in the Vietnam quarantine audit in May 2015. Vietnam re-opened for citrus in July 2015.

Business/technical cases to the Office of Horticultural Market Access

During the life of the project, the Market Access Manager presented two formal cases to OHMA seeking improvements to the phytosanitary protocols for China and Japan. Through biennial face-to-face meetings and regular teleconferences with the OHMA, we provided commercial and technical advice to support government negotiations in Vietnam, the Philippines, Indonesia, South Korea, Thailand, and the United States.

Government engagement to improve efficiencies in regulatory compliance

At the commencement of the project, regulatory compliance along the value-chain was identified as being challenging and inefficient. The Market Access Manager worked directly with the department's Horticulture Export Program to streamline crop monitor training, export registration and inspection processes.

Research projects to improve market access conditions

During the life of the project the Market Access Manager initiated two market access research trials including a research trial to support access for additional mandarin varieties to Japan and a cooperative trial with Korea's quarantine agency to support recognition of the novel fumigant Vapormate® for control of Fuller's rose weevil.

Timely dissemination of information to industry on market access developments

The Market Access Manager developed and maintained a number of databases to facilitate timely supply of information to value-chain participants.

Assisting exporters with market access queries and solve issues with distressed cargo

Understanding and fulfilling overseas import requirements has remained challenging even for the most experienced operators. Distressed cargo in overseas ports has been common. Prior to and throughout each export season, the Market Access Manager fielded a large number of enquiries on export legislation and distressed consignments in overseas markets.

Assisting the value-chain in understanding and fulfilling phytosanitary requirements

The Market Access Manager has remained abreast of importing country requirements through regular contact with the department, by monitoring Industry Advice Notices (IAN), monitoring Sanitary and Phytosanitary (SPS) notifications (issued by the World Trade Organization) and monitoring Technical Barriers to Trade (TBT) notifications (issued by the Department of Foreign Affairs and Trade). In 2013 we developed an export manual which provides instructions on how to prepare and export citrus to Korea, China and Thailand in an 'industry friendly' language. We developed an online training course for growers and crop monitors with a specific emphasis on Korea, China and Thailand. In 2015, we rolled out an online export registration system for growers, packers, crop monitors and exporters.

Assisting the value-chain in understanding and fulfilling food safety requirements

Overseas food safety legislation is in a constant state of change. The Market Access Manager remained abreast of changes to importing country food safety legislation and Maximum Residue Limits by monitoring IANs, TBT notifications, SPS notifications, constant review of MRL tables (published by AKC Consulting) and close contact with the NRS program in Canberra.

The Market Access Manager was also involved with official food safety verification visits by USA and Indonesia as well as technical meetings with Japan's Ministry of Health Labour and Welfare.

The Australian Citrus Pesticide Residue Monitoring Program

With a view to ensuring compliance with overseas Maximum Residue Limits, the Market Access Manager worked closely with the NRS team in Canberra and industry to coordinate and promote participation in the Australian Citrus Pesticide Residue Monitoring Program

Maintaining a watching brief on tariffs and quotas affecting key markets

The Market Access Manager maintained a close watch on global free trade agreement developments for Australia as well as developments for Australia's competitors.

Advice to the Australian government to support free trade agreement negotiations

Throughout the life of the project, The Market Access Manager maintained close contact with the Department of Foreign Affairs and Trade (DFAT) to provide technical and commercial advice in support of free trade agreement negotiations with South Korea, China, Japan, Indonesia, India and the European Union.

Outputs

Industry engagement

Export Market Committee

Biannual meetings were held with the citrus industry Export Market Committee. The Export Market Committee captured around 95% of the citrus export volume and was the primary vehicle in the setting of market access priorities. Outputs included:

- Export Market Committee - meeting minutes 27 March 2013
- Export Market Committee - meeting minutes 2 October 2013
- Export Market Committee - meeting minutes 10 March 2014
- Export Market Committee - meeting minutes 13 October 2014
- Export Market Committee - meeting minutes 28 April 2015
- Export Market Committee - meeting minutes 10 November 2015
- Citrus industry market access priorities document March 2013
- Citrus industry market access priorities document update March 2014
- Citrus industry market access priorities document update April 2015
- Australian Citrus Export Market Development Strategy 2013
- Australian Citrus Export Market Development Strategy update 2014
- Australian Citrus Export Market Development Strategy 2014 (Jim Fitzgerald and Associates)

Outputs from the Fuller's rose weevil working group

The group, made up of industry, researchers and regulators, was assembled in 2102 with a view to overcoming the quarantine challenges associated with Fuller's rose weevil for access to South Korea, China and Thailand. Ultimately, the group informed the subsequent development of the Korea, China, Thailand export manual, the online training program for crop monitors, as well as the online export registration system. Outputs included:

- record of meeting 13 December 2012
- record of meeting 4 September 2013

Presentation at Citrus Australia's regional forums

The Market Access Manager attended and presented at Citrus Australia's annual regional forums. Dates were:

- Western Australia: 19 February 2013
- South Australia: 18 March 2013
- Victoria: 20 March 2013
- New South Wales: 22 March 2013
- Queensland: 13 February 2014
- New South Wales: 7-8 April 2014
- Victoria: 10 April 2014
- South Australia: 14 April 2014
- Queensland: 24-25 February 2015

- South Australia: 8 April 2015
- New South Wales: 15 April 2015
- Victoria: 17 April 2015
- Western Australia: 7-8 May 2015

Presentation at Citrus Australia's Market Outlook Forum

The Market Access Manager attended and presented at Citrus Australia's biennial Market Outlook Forum. Dates were:

- 11-12 March 2014

Presentation at Citrus Australia's National Issues Forum

The Market Access Manager attended and presented at Citrus Australia's biennial National Issues Forums. Dates were:

- 28-29 October 2013
- 11-12 November 2015

Presentation at Citrus Australia's Technical Forum

The Market Access Manager attended and presented at Citrus Australia's Inaugural Technical Forum. In addition to the forum there were a number of technical workshops in the margins. Dates were:

- 16-17 March 2015

Crop monitor training

Prior to the roll-out of online training for Registered Crop Monitors, the Market Access Manager was responsible for conducting training in the tri-state region with the assistance of the New South Wales Department of Primary Industries (NSW DPI). The training sessions provided the opportunity to meet face-to-face with pest control experts involved in the citrus export program. Dates were:

- 11-13 March 2013 – Riverland, Riverina, Sunraysia
- 6 - 7 November 2013 – Riverland, Riverina, Sunraysia

Face-to-face meetings with export packing houses

The Market Development Team met with packers prior to the commencement of each export season to assist with export registration, regulatory compliance and for two-way dialogue on emerging export issues. Dates were:

- Tri-state region: 22-25 January 2013
- Western Australia: 20-24 January 2014
- Tri-state region: 19-23 January 2014
- Tri-state region: 24-26 February 2015
- Tri-state region: 7-10 December 2015

Exporter training workshops

With financial assistance from the Australian Trade Commission (Austrade), the Market Development Team delivered a series of exporter workshops with a specific emphasis on China. The package also included a trade mission to China with 26 Australian citrus growers, packers and exporters. Dates were:

- Riverina: 15-17 October 2013
- Melbourne: 24 February 2014
- Mildura: 26 February 2014
- Trade mission to China: 25 November - 7 December 2013

Australian government engagement

The Market Access Manager provided advice to government through two formal government committees – the Horticulture Export Industry Consultative Committee (HEICC) and the Office of Horticultural Market Access (OHMA). We also met formally with government officials on a regular basis. Dates and outputs were:

- Record of meeting with Department of Agriculture Canberra, 18-19 December 2012
- Record of meeting with Department of Foreign Affairs and Trade, Canberra, 16 January 2013
- Record of meeting with Department of Agriculture Canberra, 22 April 2013
- Record of meeting with Department of Foreign Affairs and Trade, Canberra, 30 April 2013
- Meeting with First Assistant Secretary, Department of Agriculture Canberra, briefing note - Riverina citrus exports to the United States, 15 March 2013
- Meeting with HAL - review of FFWG Priorities, 7 March 2013
- Record of meeting with Agriculture Counsellors Canberra, 12 June 2013
- OHMA meeting - 2 July 2013
- Record of meeting with Department of Agriculture Canberra, 28 August 2013
- Meeting with Department of Agriculture Canberra, 28 August 2013 – record of meeting
- Record of meeting- Citrus exporters end-of-season meeting, 12 December 2013
- Record of meeting with Department of Foreign Affairs and Trade, Canberra, 13 December 2013
- HEICC meeting – 11 March 2014
- China Agricultural Roundtable: Melbourne, 3 April 2014,
- Record of meeting with Department of Agriculture Canberra, 4 April 2014
- HEICC meeting – 9 May 2014
- OHMA meeting - 12 August 2014
- HEICC meeting – 24 September 2014
- HEICC meeting – 27 November 2014
- Record of meeting with Horticulture Exports Program Melbourne, 29 October 2014
- Record of meeting- Citrus exporters end-of-season meeting, 11 December 2014
- Meeting with Horticulture Exports Program Melbourne, 19 February 2015 – record of meeting
- HEICC meeting – 27 April 2015
- Workshop to progress market access for temperate fruits, Government of Victoria, 9 June 2015
- HEICC meeting – 10 June 2015
- Record of food safety roundtable with Department of Agriculture Canberra, 19 June 2015
- OHMA meeting - 9 July 2015
- Record of meeting with Department of Agriculture Canberra, 18 August 2015
- Record of meeting with Department of Foreign Affairs and Trade, Canberra, 18 August 2015

- CRC workshop on improved postharvest market access treatments for horticultural commodities, 16 September 2015
- HEICC meeting – 17 November 2015
- Meeting with NSW Trade and Investment Commissioners, Sydney, 26 November 2015.
- Record of meeting- Citrus exporters end-of-season meeting, 4 December 2015

Technical and commercial advice to Australian government

- Discussion paper - Riverina Fruit Fly Pest Free Area, changes to funding arrangements, 30 January 2013
- Discussion paper on the potential for pre-clearance programs for Thailand and Korea, 7 February 2013
- Discussion paper - Riverina Fruit Fly Pest Free Area (update), changes to funding arrangements, 12 May 2013
- Submission to OHMA – seeking protocol improvements for market access to China, 16 October 2013
- Proposal for alternative management options for Fuller's rose weevil (*Asynonychus cervinus*) October 2013
- Discussion paper on the potential to adopt Fruit Fly Pest Free Places of Production to support international trade in citrus, December 2013.
- Advice to Japan's Ministry of Health Labour and Welfare (MHLW) on pesticide residue breaches, December 2013
- Advice to industry on pesticide residue breaches in Japan, December 2013
- Supplementary information to support Australia's market access request for citrus from inland New South Wales, Western Australia, and selected production areas of Queensland to the United States, May 2014
- Submission to OHMA – additional mandarin cultivars to Japan, May 2014
- Discussion paper on future research and development to support market access for additional citrus cultivars into Japan, May 2014
- Supplementary information to support Australia's market access request for additional mandarin varieties to Thailand – July 2014
- Supplementary information to support market access for blood oranges to South Korea, July 2014
- Discussion paper on the potential to develop a Fruit Fly Pest Free Area in the Hilston district New South Wales, August 2014
- Information on orchard and packing house measures to ensure that citrus fruit for export is free from physical damage, November 2014.
- Discussion paper on improving Market Access for Australian Citrus Exports to China, March 2015
- Presentation to Hort Innovation, Driving citrus exports through improved market access, 6 May 2015
- Presentation to ASEAN delegation – In-transit cold disinfestation, 26 May 2015
- Presentation to Hort Innovation, Citrus industry market development and market access, 10 July 2015
- Briefing to government – Australia's fresh produce food safety systems, June 2015
- Discussion paper - Fresh Produce Food Safety in Australia, September 2015

Engagement with overseas importing authorities

- Attendance at Australia-Indonesia Australia - Indonesia Working Group on Agriculture, Food and Forestry Cooperation, 5-7 December 2012
- Technical meeting with Indonesia's Ministry of Agriculture, 22 April 2013
- Technical meeting with the Bureau of Plant Industry (BPI), Department of Agriculture, Republic of the Philippines, Manilla, 20 June 2013
- Coordination of pre-season audit by Japan's Ministry of Agriculture Forestry and Fisheries, 10-14 June 2013.
- Attendance at the Thailand-Australia Joint Working Group, Brisbane, July 2013
- Attendance at the Malaysia-Australia agricultural bilateral meetings Canberra 11-12 November 2013
- Coordination of verification audit by China's AQSIQ, 26 July – 4 August 2013.
- Technical meeting with Japan's Ministry of Agriculture Forestry and Fisheries, Tokyo, 22 August 2013.
- Attendance at cooperative forum with China's Inspection and Quarantine Association, Beijing, 28 November 2013
- Coordination of pre-season audit by Japan's Ministry of Agriculture Forestry and Fisheries, 18-27 March 2014.
- Technical meeting with China's Inspection and Quarantine Service (CIQ), Shanghai, 17 July 2014
- Technical meeting with Japan's Ministry of Health Labour and Welfare (MHLW), Tokyo, 22 July 2014
- Attendance at the Thailand-Australia Joint Working Group, Canberra, 5 August 2014
- Coordination of verification visit by the United States Food and Drug Administration (FDA), 15 – 18 September 2014.
- Technical meeting with China's Inspection and Quarantine Service (CIQ), Shanghai, 18 November 2014
- Technical meeting with ASEAN nations, Mildura, 26 May 2015
- Coordination of verification visit by Vietnam's Ministry of Agriculture and Rural Development, 26 May 2015
- Coordination of pre-season audit by Japan's Ministry of Agriculture Forestry and Fisheries, 6-11 July 2015.
- Technical meeting with the Bureau of Plant Industry (BPI), Department of Agriculture, Republic of the Philippines, Manilla, 27 July 2015
- Coordination of Australian citrus to South Korea pre-clearance program, 8 June -14 August 2015.
- Meeting with China's Food and Drug Administration, Sydney, 16 October 2015

Framework for export compliance

- Australian citrus to Korea, China and Thailand Integrated Pest Management and packing house controls export manual - 2014
- Australian citrus to Korea, China and Thailand Integrated Pest Management and packing house controls export manual revision 2015

- Online training for Registered Crop Monitors (in collaboration with NSW DPI) 2014
- Online training for Registered Crop Monitors revision 2015
- Online orchard registration system for Australian citrus exports 2014
- Online packing house registration system for Australian citrus exports 2015
- Guidelines for hygiene and cleanliness in citrus packing houses, July 2015
- Guidelines for product traceability in citrus packing houses, July 2015
- Guidelines for rodent control for citrus packing houses, July 2015
- Guidelines for waste disposal in citrus packing houses, July 2015

National Residue Survey Citrus Pesticide Residue Monitoring Program

Since the beginning of CT12005, the Market Access Manager has taken the lead role in coordinating and promoting the Citrus Pesticide Residue Monitoring Program with industry participants. Outputs were:

- capture of historic data on agrichemical use patterns in citrus businesses
- capture of historic data on Australian and overseas MRL requirements
- program brochure, updated annually, produced in six Asian languages (Japanese, Chinese, Bahasa Indonesia, Korean, Bahasa Malaysia, Thai) and English.

Market access research and development

- Development of experimental protocol for expanded mandarin access to Japan.
- Coordination of disinfestation trial against Fuller's rose weevil and red scale with Vapormate®

Communications

During the life of CT12005, the Market Access Manager developed a number of databases for timely dissemination of information by email and phone. Databases include:

- Citrus exporter database – 51 participants
- Citrus export packing houses – 55 participants
- Exporting citrus growers – 431 participants
- Crop monitors and IPM specialists – 64 participants
- Australian shipping lines – 16 participants

The Market Access Manager also provided regular input into Citrus eNews (fortnightly e-newsletter) and Australian Citrus News (the Premier citrus tabloid published quarterly).

Export development

While not a strong focus of the project, the Market Access Manager assisted export development and promoting Australia's reputation as a safe and reliable supplier through:

- development of an export brochure which promotes Australia's production systems and reputation for food safety and innovation
- attendance at China Fruit and Vegetable Fair, Beijing in 2013 and 2014

- participation in trade mission to China including 26 Australian citrus business in November/December 2013.
- participation in trade mission to the Philippines with Victorian state department in June 2013
- participation in high-level trade mission to Indonesia with the Hon. Minister Barnaby Joyce in October 2015
- contribution to export development program (coordinated by the Victorian state department and Austrade) in Manila 2014 and 2015.
- contribution to export development program (coordinated by the Victorian state department and Austrade) in Shanghai 2014.

Outcomes

The Australian citrus industry has entered a buoyant phase and since the initiation of CT12005, trade volumes have been impressive. Despite strong competition from other southern hemisphere suppliers, 2015 has been a record year with trade values up by 38 per cent on the previous season to a value of \$A275 million. It is also worth noting that 2014 was also a record year. Mandarin exports have increased by 65 per cent on the previous year. There has been a strong focus on more complex and more lucrative markets (e.g. China and Korea) whereas previously, exporters opted for less problematic markets (e.g. Hong Kong, Middle East and Singapore) with lower market returns.

The ultimate goal of this project was to develop and maintain market opportunities. Trade has been maintained into all but one overseas markets (Indonesia). New opportunities have been realised in China, the Philippines and Thailand. In a short space of time, the trade into China has gone from negligible to an annual value of \$A60 million. Similarly, the market in the Philippines has grown from no trade at all (2011) to an annual value of \$A6 million. Thailand has expanded its access conditions to include all mandarin cultivars opening up new opportunities for early and mid-season mandarins - representing a timely opportunity as the FTA with Thailand takes full effect in 2016.

At the time of writing, progress is being made on expanded access for blood oranges to South Korea and additional mandarin varieties to Japan. The United States has indicated it has finalised its risk assessment for additional production areas which will ultimately lead to new opportunities for Queensland mandarin producers. As a direct result of research that we initiated, negotiations on the use of an end-point treatment to control Fuller's rose weevil and red scale using the novel fumigant Vapormate® are currently underway.

Indonesia has continued to be problematic with ever-changing regulations with respect to both food safety and phytosanitary conditions. Further, Indonesia has implemented a quota-based system which does not allow for any certainty of trade. While Indonesia's measures appear to be inconsistent with international rules of trade, we have little control over Indonesian domestic policy. However, at the time of writing, processes are in place to open access for "juice-grade" fruit which could provide a significant opportunity for Australian citrus producers.

Free trade agreements have been ratified with South Korea, China and Japan and throughout the negotiation phase we provided strong advice to government to ensure maximum benefit to the Australian citrus industry. At the commencement of the project, these FTAs appeared to be a distant dream but our strong efforts ensured that they remained high on the government agenda. The immediate tariff reduction into Korea (approx. 25 per cent) has already had a dramatic affect with an increase in trade volumes of over 600 per cent in 2015. We are confident that there will be increasing trade volumes as further tariff reductions are realised.

Trade has been maintained into all but one overseas market (Indonesia). While the industry is generally not seeking access into new markets, maintain access into existing markets and optimising that trade has proven to be a constant challenge. Compliance issues have threatened the trade into Japan, Korea, Thailand, China, Indonesia, the United States and Taiwan. In all instance we have provided the overseas authorities with sufficient confidence to allow the trade to continue. As an example, in 2013, trade into Japan (valued at close to \$A40 million) was threatened as a result of a series of MRL breaches. The

Japanese authorities allowed the trade to continue on the basis of information provided by the Market Access Manager and a range of additional measures that Citrus Australia put in place.

Through our work with government we have developed an efficient and effective framework for regulatory compliance. Prior to the development of that framework, the Australian government struggled to meet its obligations in time for the export season and the industry was being denied significant commercial opportunities. Our regulatory framework has extended the export season to South Korea, China, Japan, Taiwan and Thailand by six weeks; and this is reflected in the 2015 export figures. Of equal importance, our framework has reduced cost to government and industry.

In late 2015, the Australian government advised that the overseas authorities had agreed to the use of industry-based inspectors (Authorised Officers) to conduct phytosanitary inspections. Over the life of the project we have provided strong input into the Authorised Officer Program and we are of the view that there is no other single government activity that could reduce such cost to industry. Subsequent to the government's advice, the Market Access Manager negotiated and helped coordinate an accelerated training program for Authorised Officers in the citrus industry. The citrus industry is well positioned to capitalise on the Authorised Officer program in 2016.

We have seen exponential growth of exports into China since the project commenced. In 2011, trade volumes were limited at around 500 tonnes. At the time of writing, export volumes of citrus into China were reported to be 29 000 tonnes, with December volumes still to be accounted for – making China now the number one market for Australian citrus (by value). The framework for regulatory compliance developed under CT12005 has most definitely assisted in realising the industry's ambitions to capitalise on the opportunities in China. The Korea, China, Thailand export manual has assisted growers, packers and exporters in understanding and fulfilling importing country requirements. The online crop monitor training program for has enabled sufficient numbers of crop monitors to be trained and registered with the Australian government, enabling orchards to be surveyed in time for the export season. The online system for grower and packer registration developed under this project has expedited the registration and approval process allowing fruit to be shipped as soon as the season commences. Put simply, the previous (paper-based) system implemented by the Australian government would not have coped with current trade volumes. We have seen a strong improvement in compliance by the industry and this has led to further cost savings in the form of a reduced level of auditing by the Australian government. Most importantly, the high level of compliance has allowed trade to continue.

Exports to Japan have remained strong despite challenging phytosanitary conditions. At the commencement of the CT12005, treatment failures and rejections were common. There were lengthy delays in having export documents processed which ultimately led to high expense for exporters. Importers had become frustrated and indicated that they may source fruit from other southern hemisphere suppliers if the issues continued. In 2015, there were only two rejections and the administrative procedures appear to be working. Through our work with the Australian government, we feel that we have had significant impact in reducing the number of failures and rejections and protecting Australia's reputation as a reliable supplier.

One of the key purposes of CT12005 was to develop a strong working relationship with government and provide the necessary technical and commercial advice to optimise the citrus export trade. While it hasn't always been smooth sailing, our working relationship is currently at an all-time high and we are appreciative of the efforts and skills of some key government personnel – particularly the division that provides export certification. There appears to be a genuine effort to improve administrative processes,

reduce costs and further develop the export trade. We have made our most significant gains by working with the Horticulture Exports Program. We have some degree of disappointment that negotiations to improve our access conditions into some markets have been stalled but this is largely a result of the prioritisation process. We are optimistic that new process being put in place by Hort Innovation will place the industry in a better position.

Evaluation and Discussion

Formal evaluation of the project was undertaken by Hort Innovation in July 2015. Key findings indicated that there was strong support from industry stakeholders. Moreover, indications from the Australian government are that the work we have undertaken has been critical in not only supporting the citrus trade but also serving as a model for other horticultural industries. The online crop monitor training program we rolled out in 2014 has served as a model for a number of other industries, with the Commonwealth providing funding to develop identical systems using the same service provider (Tocal College). Similarly, our online registration system has been so successful that other industries are being urged to develop identical systems. We have had constant approaches from other horticultural industries to assist in the development of export instructional material. We are of the strong view that this provides a testimony of our success.

We have seen significant increases in export volumes throughout the life of the project but this should not be taken for granted. Importing country regulations are in a constant state of change. As the industry transitions away from a reliance on unregulated markets (e.g. Hong Kong, Singapore, Middle East) into higher returning markets, the level of regulatory risk will increase. Further, as trade volumes continue to grow, the level of risk will also increase proportionally. Risks include failure to meet phytosanitary, food safety and other technical requirements.

To highlight some specific examples, the large successes in both China and Japan could have both favourable and unfavorable consequences. The export sector has become heavily reliant upon these two markets but disruption in either market could be catastrophic. These are not hypothetical risks. In 2013, trade into Japan was momentarily suspended due to a series of MRL breaches. That same year, a labeling error in Japan undermined Japan's confidence in Australia's certification systems, resulting in a firm warning. In 2014, a phytosanitary breach in China earned a stern response from the Chinese authorities. In 2015, another phytosanitary breach in China led to a second stern warning. We have seen a number of overseas competitors (e.g. USA citrus and apples) suspended from the China market in recent years due to what we consider, minor breaches. It is unlikely that Australian government negotiators will have the necessary technical and commercial skills to resolve such issues in the future. A dedicated resource with a sound understanding of production, commercial and regulatory systems will become increasingly important for the citrus export sector.

With a strong focus on Asia, regulatory transparency (or lack thereof) will continue to present challenges. To provide a specific example, Australia negotiated a new protocol with Vietnam in July 2015. However, import permits issued by the Vietnamese authorities after the protocol was ratified do not reflect the agreed conditions. At the time of writing the issues have not been resolved. Ambiguity in trade policy and changing policy interpretations have also been identified as trade barriers. Such issues will undoubtedly continue to plague the export trade and will require significant input from industry to resolve.

Trade data show that Australian citrus is traded into over 50 international markets. The industry is not seeking access to new markets. Rather, it is seeking to maintain, improve and optimise its existing access conditions. Over the last 20 years, Australian technical trade negotiators have 'picked the low-hanging fruit'. Improvements to existing conditions are likely to be even more complex and difficult than

earlier market access achievements. The issue for the industry is three-pronged: 1) robust technical cases will be required to convince the overseas authorities to make policy changes, 2) the Australian government will require sound business cases that justify the return on investment if it is to invest its resources, 3) the industry will face strong competition from other horticultural industries in the prioritisation process.

Costs (water, energy, freight, production, wages) for the Australian citrus industry will continue to rise and will threaten its international competitiveness against a backdrop of competition from lower-cost southern hemisphere suppliers. While some factors are beyond our control, it is imperative that we attack cost in the supply-chain from every angle, including the costs associated with regulatory compliance. We have demonstrated that there is strong opportunity to do so.

There appears to be a growing trend for government to become less directly involved in regulatory controls. There is a strong opportunity to further develop our industry-based regulatory framework while at the same time providing the Australian government with sufficient confidence to issue phytosanitary certification.

Engagement with overseas authorities, the coordination of audits and verification visits, and coordination of the citrus to Korea pre-clearance program have been of major importance.

In addition to the regulatory challenges from overseas importing authorities, it is likely that there will be increasing technical demands made by the retail sector in overseas markets, particularly in the area of food safety and MRL compliance. There is a high likelihood that these challenges will be significant for large businesses that supply multiple overseas customers.

Recommendations

Recommendation 1

With a lack of technical support from government, the citrus industry requires a resource dedicated to market access to assist the value-chain in understanding and fulfilling regulatory (and retailer) requirements. The resource must have a fundamental understanding of production, commercial and regulatory systems.

Recommendation 2

The resource should remain abreast of developments in phytosanitary regulation, food safety regulation and other technical requirements in export markets.

Recommendation 3

With the growing trend towards less government involvement we recommend that our work in developing an industry-based framework for regulatory compliance should continue.

Recommendation 4

We should continue to address cost along the supply-chain from every angle which includes in-field activities, activities in the packing house, and the activities associated with phytosanitary inspection and certification.

Recommendation 5

With food safety and MRL compliance identified as an issue, these areas should be a strong focus of future work. The NRS program must continue and we must explore more ways of increasing participation and sampling rates.

Recommendation 6

The outputs detailed above indicate a large number of meetings throughout the life of the project, some of which yielded no net benefit to the citrus industry. We should be more selective of the activities we undertake and question the value of some of that engagement.

Recommendation 7

We should continue to guide the R&D efforts to ensure maximum return on investment for the industry. The R&D effort should include input from government negotiators and take into consideration the likelihood of research results being accepted by overseas authorities if successful.

Recommendation 8

On the basis that CT12005 had strong support from industry stakeholders, government, and Hort Innovation, we recommend that the project continue. Any future work being undertaken should be guided by industry stakeholders with the necessary understanding of the citrus export trade.