

Horticulture Innovation Australia

Final Report

Improving Market Access to China for Australian Summerfruit

John Moore
Summerfruit Australia Limited

Project Number: SF14000

SF14000

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

Horticulture Innovation Australia Limited (Hort Innovation) and Summerfruit Australia Limited make no representations and expressly disclaim all warranties (to the extent permitted by law) about the accuracy, completeness, or currency of information in *Improving Market Access to China for Australian Summerfruit*.

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 *Improving market Access to China for Australian Summerfruit* or from reliance on information contained in the material or that Hort Innovation provides to you by any other means.

ISBN 0 7341 3846 6

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

1	Summary.....	4
2	Keywords	6
3	Introduction.....	7
4	Methodology	8
5	Outputs.....	9
6	Outcomes	22
7	Evaluation and Discussion	24
8	Recommendations.....	24
9	Acknowledgements	25
10	Appendices.....	26

1 SUMMARY

Market Access is the highest priority for the Australian Summerfruit Industry with China being the highest priority country. Summerfruit was one of the three fruits being worked on concurrently by both Australia and China for market access. The summerfruit industry has been conducting activities to develop new and deepen existing relations with relevant Chinese government agencies, key Chinese local industry players and the Chinese trade. The strategies that the industry has been undertaking are:

1. To work continuously and consistently at developing and building relationships with relevant in-market government agencies, local industries and the trade.
2. To work closely with the Australian government in providing technical advice and providing a consistent message to all China contacts
3. To obtain evidence-based arguments for commercially viable protocol requirements
4. To provide reciprocal benefits through training of local industry counterparts on best farming practices
5. To initially prepare market entry through building awareness and demand for quality Australian fruit among key trade players in-market.

The ultimate goal is to achieve Summerfruit market access into China. The implementation of this project has successfully delivered new market access for Australian nectarines into China. This follows the agreement of new import protocols signed by both countries on 20 May 2016. The nectarine producers of Australia now have the opportunity to take advantage of the second largest consumer market in the world.

Australia has also achieved for the first time, China's recognition of fruit fly pest free areas in mainland Australia. The agreed protocol provides commercially viable export conditions with a range of treatment options.

The implementation of the China-Australia Free Trade Agreement (ChAFTA) on 20 December 2015 means that Australian nectarines currently have a 6 per cent tariff applied, down from 10 per cent prior to entry into force of the agreement. Under ChAFTA, from 1 January 2017 Australian nectarines will have a tariff of only 4 per cent applied. Further tariff reductions will follow in January 2018, with all tariffs on Australian nectarines eliminated from 1 January 2019.

The following activities that have led to this milestone achievement for the industry have been undertaken in this project following the strategies indicated above:

Activity	14/15	15/16	Outcomes
Market Access Technical & Government Relations Activities			
Trial Shipments of Nectarines and Plums	✓		<ul style="list-style-type: none">Trial shipments were aborted as AQSIQ was unable to submit a draft of the Stone Fruit IRA or Stone Fruit work plan as agreed.
China FVF	✓	✓	<ul style="list-style-type: none">Recognition of the industry’s commitment and goodwill with the Chinese government and local industry.
Shaanxi & Shanxi Mission		✓	<ul style="list-style-type: none">Reinforced messaging on the industry’s commitment to the Chinese market through information sharing with the local Chinese industry, as part of the Australia-China reciprocal agreement.
DFAT China Mission		✓	<ul style="list-style-type: none">Continued expansion and maintenance of in-market trade & government relationsIncreased market understandingProvided Australian department ministers with a better understanding of the industry’s market access needs
DoAWR China, Korea, Japan Mission		✓	
Bilateral Meetings in China		✓	<ul style="list-style-type: none">Progress with market access negotiation through assisting Australian government representatives with technical advise
AQSIQ Visit to Australia		✓	<ul style="list-style-type: none">Showcased excellent Australian farming and export facility standards to further emphasise the quality of products that will be available to Chinese consumers.
Market Entry Preparation: Trade Education, Market Intelligence & Trade Networking			
Asiafruit Market Insight	✓		<ul style="list-style-type: none">Increased understanding of market trends and opportunities in the region.Increased new contacts in China and the regionReinforce existing trade relationships
China Fruit Industry Congress	✓		
Asiafruit Congress	✓		
Asiafruit Logistica	✓	✓	<ul style="list-style-type: none">Expansion of the Summerfruit Industry contacts within Hong Kong and mainland China and other key regional markets for use by the members of the Australian Summerfruit Industry and supply chain. 160 new quality contacts were obtained and cascaded to both growers and exporters.Increased awareness by foreign buyers of Australian summerfruit in the Asian region i.e. availability, reassurance on quality aspects, increased confidence on the supply of quality fruitContinued reinforcement of existing trade relationships established from previous years.
iFresh	✓	✓	
China Market Access Achieved For Australian Nectarines			

2 KEYWORDS

ACACA	Australia-China Agriculture Cooperation Agreement
AQSIQ	Administration of Quality Supervision Inspection and Quarantine
Bilateral	Between two country governments
ChAFTA	China-Australia Free Trade Agreement
CIQA	China Entry-Exit Inspection and Quarantine Association
CSIQ	Chinese Society of Inspection and Quarantine
DoAWR	Department of Agriculture and Water Resources (former DAFF or DoA)
DoA	Department of Agriculture
DAFF	Department of Agriculture Fishery and Forestry
DFAT	Department of Foreign Affairs and Trade
ITCT	In Transit Cold Treatment
Market Access	Entry of products into an export market with commercially viable conditions set by the importing country
OHMA	Office of Horticulture Market Access (no longer existing)
Protocol	Non-tariff conditions set by the importing country that particularly focus on sanitary and phytosanitary measures and other technical barriers to trade
SAL	Summerfruit Australia Limited

3 INTRODUCTION

Within the Summerfruit Industry Strategic Plan there are two relevant Industry Objectives:-

- 1) Summerfruit Australia work towards opening/reopening markets in Taiwan, China, New Zealand, USA, and
- 2) Summerfruit Australia will utilise appropriate strategies to grow exports to off shore markets.

A continual focus is needed to demonstrate the quality aspects of traditional Summerfruit from Australia that this sector of Asia is accustomed are by intense communication activity with traders from the Hong Kong market. Pleasing export results from the 2012/13 season need to be reinforced and that Summerfruit Australia's largest export market is Hong Kong and gateway to the southern mainland ports of China and therefore of primary importance to attend the Asia Fruit Logistica, September 3rd - 5th, 2013. Additionally, Shanghai and Beijing will become a vital market access points and therefore it is imperative to keep the momentum on traders to apply internal pressures. Great interest from mainland China traders and other regional traders is evident at Fruit Logistica- HK and a Summerfruit presence adds further strength to generate internal pressures on authorities to grant official market access. Without a strong export process the domestic market would suffer from an oversupply and result in market failure at a very great level. It is essential in going forward that the Summerfruit Industry has a strong domestic market, a strong export market and adequate value-adding opportunities. If any one of these three segments is weak then the total industry is vulnerable.

As a result Market Access is one of the highest priorities for Summerfruit Australia and China is the highest priority country. With Summerfruit being counter seasonal and a very large and increasing affluent population China offers Australia a very important market.

While Summerfruit are one of the three remaining fruits seeking market access to China in a concurrent program managed by the Australian and Chinese Governments, Summerfruit are often seen as the lesser of the three.

A high profile Summerfruit Delegation visited China in early June 2010. Through this visit the delegation made many contacts at industry, research, regional development and government levels throughout the Shaanxi and Shanghai growing regions of China. As part of the recent Melbourne workshop 19th - 20th April 2011 and the earlier growing region showcase orchard inspection, 16th -17th April, the Australian Summerfruit Industry was invited to return to China by Mr. Duan, Deputy secretary General, China Inspection and Quarantine Service (CIQA) and participate in both technical meetings relating to progressing Summerfruit Market Access and also participate in the China Fruit and Vegetable Fair being sponsored by CIQA in November 2011, 2012, & 2013. Subsequently the ACACA award could have been attributed to this activity. The pending OHMA /AQSIQ, the 4th Horticultural workshop to be announced in Beijing 2013 will be an integral part of this continued series of market access meetings and forums. Summerfruit Australia have been developing the process of participating in these events with strategies

learnt at previous trade fairs, sponsored by CIQA, which are helpful in amassing networking and key industry contacts to fast track market access aspirations and be of assistance to Biosecurity negotiators and Australian Government embassy staff based in China.

Of more recent time other industries through HAL have also shown interest in these Fair's and the associated Forums. Summerfruit sees all of these events as important in building on the past relationships, gaining a further understanding of the impediments to market access and developing a plan going forward for the Industry that would result in early access for the Summerfruit Industry.

The high level visit in June 2010 and similar recent representations in Shanghai 2010, Nanning 2011, ACACA –July 2012, Beijing 2012 and Beijing 2013 have been important learning opportunities for the Summerfruit Industry and has become the basis from which our Strategic and Operational Plans for the above two industry objectives will be revisited, revised and implemented.

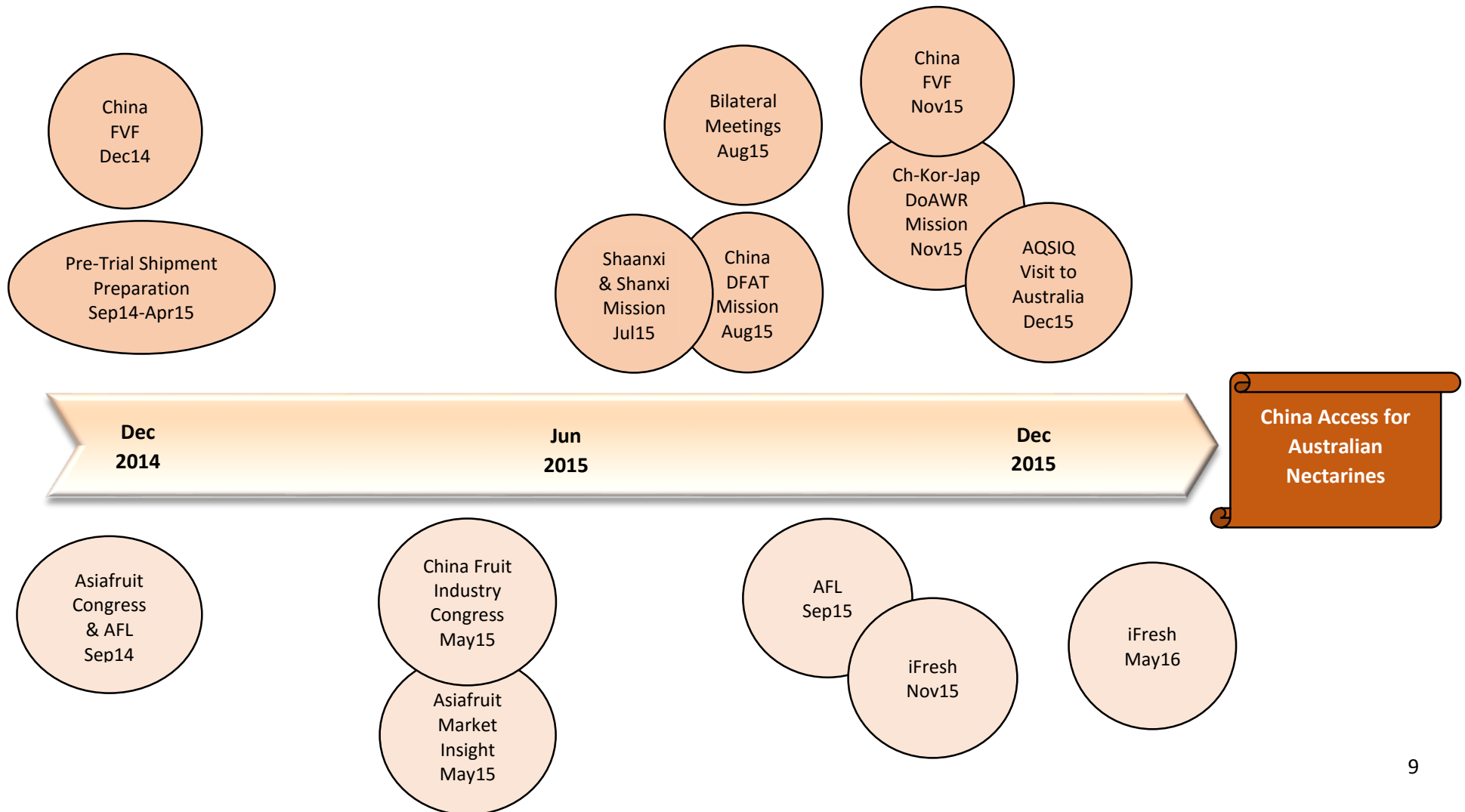
4 METHODOLOGY

The Methodology used as part of this project will include:-

- 1) Register to participate in the technical sharing, market access and business opportunity forum and Fruit and Vegetable Fair in Beijing, the Fruit and Vegetable Expo in Shanghai-both mainland China and Asia Fruit Logistica & Conference forum – Hong Kong.
- 2) Prepare appropriate technical information on the Australian Summerfruit Industry in a form that can be displayed in mainland China and Hong Kong
- 3) As facilitated by OHMA, organise the travel and accommodation for the Summerfruit delegates. Anticipate 2-3 delegates Beijing, 2-3 delegates Shanghai; and independently liaise with HAL to position 2 delegates for Hong Kong
- 4) Register the participation of the Summerfruit Industry in the technical and forum/meeting(s) with Office of Horticultural Market Access, National Director/ Horticulture Australia Limited, Austrade Hong Kong and regional Austrade offices in Guangzhou, Shanghai and Beijing and the Australian Embassy - Beijing
- 5) Liaise with our Chinese network, established as part of June 2010 visit and more recent visitations, to gather additional information that might be required as part of the technical presentations and discussions
- 6) Gather technical information on the Market Access application and collate in a format that can be tabled at the Technical meetings
- 7) Liaise with representatives of DAFF, Biosecurity Australia and DFAT to offer any technical assistance.
- 8) Follow up on the Summerfruit grower study tour planned for July, 2014 to the Northwest University –Shaanxi Province

5 OUTPUTS

The following is a summary of all relevant activities conducted by the Australian summerfruit industry leading towards the achievement of access into China for Australian nectarines in May 2016.



The following are detailed outputs as summarised in the timeline above:

5.1 TRIAL SHIPMENTS OF NECTARINES AND PLUMS TO PR CHINA

5.1.1 Rationale

On 24th September 2014 high level discussions regarding Australian Summerfruit access to PR China were held in Beijing. In attendance were representatives from the general Administration of Quality Supervision Inspection and Quarantine (AQSIQ), the Australian Department of Agriculture (DoA) and Victorian Government Minister for Agriculture, Food and Water Security the Hon. Peter Walsh.

An outcome of the meeting was the suggestion for a trial shipment of 10 containers of Australian summerfruit. The idea followed the precedent set by the Australian canola industry where China allowed trial shipments of the commodity with very sound outcomes for the industry.

The Summerfruit delegation accompanying Minister Walsh and DoA representatives welcomed this suggestion as a positive step towards gaining official access.

However, in the months following this announcement, Chinese authorities appeared uneasy on commencing trade with Australian nectarines as to date no other foreign-trading partner had been granted nectarine access.

5.1.2 Planning and Preparation

In preparation for the trial shipment the Summerfruit industry canvassed the foundation orchards for participation and supply of fruit for this important first phase, mindful of a strategic view of building a solid base of supply and sustainable quality. Victoria produces over 65 % of Australian summer stonefruit with the Sunraysia and Cobram regions accounting for over 75% of exports.

Given the international focus on the AQSIQ proposal and the need for industry to pioneer the pathway and secure a solid reputation, four of the larger export packing sheds were selected, three from Swan Hill /Woorinen and one from Cobram.

In mid-December 2014, DoA 'made the call', announcing farm audits would need to be conducted. As the project leader for SF14000, I welcomed the willingness of DoA to work closely with industry and plan for contingencies given the proximity of Australian national holidays and our approaching festive season.

As with other industries that have achieved access to PR China, the Chinese requested a manual that clearly demonstrated the operational procedures of a stone fruit orchard be produced. This manual set out industry best practice incorporating: pruning, pest and disease monitoring, chemical spray regimes, manual handling, pack house operations, quality control monitoring, cool storage, and dispatch handling. It also listed key domestic pest and disease of concerns and the registered chemicals approved for Australian production of stone fruit.

Summerfruit Australia understands that the manual and other pertinent data sets were passed to AQSIQ at some time in September 2014 to allow a greater insight of Australian stone fruit production.

The initial list of Pests and disease of concern to PR China had 42 entries. DoA is to be congratulated for their negotiations with AQSIQ technical staff which reduced this list to 11. More recently DoA successfully negotiated one of these diseases, *Monilinia fructicola* (brown rot), be documented as a non-actionable item in the final protocol, when finalised.

5.1.3 Industry Engagement in Readiness for Trial Shipments

By December DoA had not received a draft Stone fruit IRA or Stone fruit work plan from AQSIQ.

Orchards participating in the trial had implemented, to the best of their ability, the 2013 Cherry work plan from early July.

DoA audits took place in early December when the orchards were in the peak of production for the season. The outcomes were not a good reflection of industry's preparedness. In-field monitoring was identified as less than desirable on the whole, and there was confusion about domestic pest and disease monitoring and the pest and disease of concerns identified on the draft Chinese list that required monitoring to be conducted.

The less than satisfactory outcome was not a deterrent for planning trial shipments as one orchard was able to demonstrate a routine had been followed and this was authenticated by third party records. A modest volume of fruit could have been available for export from this orchard if expectations of the trial proceeding were to come to fruition. However no shipments were scheduled.

It is estimated three containers could have been shipped which would have paved the way for the 2015/16 season.

5.2 CHINA FVF 2014 & 2015

DECEMBER 2014 & SEPTEMBER 2015

China World Fruit and Vegetable Trade Fair (China FVF), a major fresh produce trade show in China, is endorsed by and closely linked with China Entry & Exit Inspection, and Quarantine Association (CIQA) and Administration of Quality Supervision, Inspection and Quarantine - People's Republic of China (AQSIQ).

The summerfruit industry has been participating in this show for six years and participated under the Australia Fresh banner in the last 5 years. Other industries participating on a regular basis were table grapes, citrus, apple & pear, cherries and Fruit Growers Tasmania. Almonds, Ausveg and Lychees have participated at least once in this show.

Industry participation has been important at this annual event. Unlike other trade shows, China FVF has always been an opportunity to foster good relations with AQSIQ and CIQA. This far outweighs any direct commercial/transactional benefits the show may bring. The summerfruit industry together with other Australia Fresh industry members have been recognised as a staunch supporter of this event compared to other country groups. As a result Australia Fresh members have been able to access relevant AQSIQ and CIQA officials concurrent with the show and relationships have been forged through meetings and the annual Australia Fresh Friendship Banquets with AQSIQ and CIQA.



John Moore, SAL CEO, has been representing the industry in this show each year. He has conducted several presentations at forums held during the show. In 2015, John also presented at the technical workshop organised by HIA and CIQA. Other industries likewise presented in this workshop. Other presenters were representatives from HIA, AQSIQ, CIQA and CAWA.

Concurrent to China FVF 2015 was the signing of the Memorandum of Understanding (MOU) between HIA and CIQA to further trade-related collaboration between both countries and peak industry bodies of each country. Co-signatories to this MOU were Australian industries: Citrus, Table Grapes, Cherries, Summerfruit, and Apples & Pears. The signing was followed by a reception at the Australian embassy. In attendance was Mr. Wu Hao, Director of AQSIQ and other AQSIQ and CIQA officials.

5.3 SHAANXI & SHANXI MISSION

25 JUL – 1 AUG 2015

Following the audit of Chinese nectarine orchards conducted by the Australian Department of Agriculture, CIQA organised field visits to these same orchards for representatives of the Australian Summerfruit industry. The Australian delegation included: John Moore (CEO for SAL - Summerfruit Australia) and Ian McAlister (grower exporter). The delegation was accompanied by CIQA Chairman Mr. Feng Chunguang and Mr. Bin Lu, Senior Market Access Manager - Greater China at State Government of Victoria, Australia.

The visit included:

- Field trips to orchards and packinghouses in Chang'an district, Xi'an, Shaanxi and Yuncheng, Shanxi



- Training Workshops in Shaanxi and Shanxi conducted by Ian McAlister to discuss Australian best practices i.e. packing lines, sprays, fertigation, irrigation, pruning, canopy, etc.



- Visit with the Northwest Agriculture and Forestry University in Yangling to have discussions with Professor Han, a leading stone fruit specialist in China and an inspection of their experimental orchard.
- Meeting with representatives of Shaanxi CIQ, Fruit Bureau, and industries located in the Shaanxi production area



- Meeting with 30 representatives of Shanxi CIQ, Fruit Bureau, and industries located at Shanxi production area

5.4 BILATERAL MEETINGS

12-14 AUG 2015

Bilateral meetings between the Australian and Chinese governments on Australian summerfruit access into China were held in Beijing. The DoAWR requested for summerfruit industry representatives to be on call to provide technical and commercial advice. John Moore, CEO of Summerfruit Australia and Ian McAlister, Chair, Summerfruit Export Development Alliance (SEDA) were tasked to represent the industry¹. Industry representatives prepared a 4 x 4 proposal for concurrent reciprocal trade with China:

1. Negotiate entry for all four summerfruits (nectarines, peaches, plums and apricots) into China and the same Chinese fruits into Australia where Chinese apricots from Xinjiang (fruit fly free area) will be allowed entry. This is a similar agreement as that of Chinese table grape access into Australia.
2. In-Transit cold treatment (ITCT) for nectarines and plums should ideally be at 3 degrees for 14 days. Should the China require 2.1 degrees at 21 days, an agreement is needed to work towards the ideal ITCT protocol following the planned Memorandum of Understanding – Fruit Fly Technical Workshop.
3. Peaches and apricots will be airfreighted using low dose methyl bromide (LDMBR). Early season nectarines and plums will also be airfreighted using LDMBR.

¹ SEDA is an industry committee setup in 2015 to provide guidance in export development and market access for Australian summerfruit, working closely with John Moore, CEO of Summerfruit Australia and collaboratively with DoAWR and HIA. This committee is recognized by the Australian government. Membership is voluntary and limited to summerfruit growers. SEDA is funded through membership fees.

Note: The Department of Agriculture and Water Resources (DoAWR) and the Australian summerfruit industry will share full data sets from the relevant research conducted by Queensland DPI (SF12016) on nectarines and peaches.

4. Horticulture Innovation Australia (HIA) to fund the efficacy trials in early September 2015 as an across industry project for summerfruit, cherries, citrus, table grapes, avocados, apples and pears. As fruit becomes available, each industry is to send an AV container to China (if required) for AQSIQ to undertake collaborative counter seasonal efficacy trials for China's Spotted Wing Drosophila Suzuki. Peter Leach, senior research scientist for Queensland DPI, will be made available for the initial setup experiments within China.

Note: This proposal 4 did not take place.

A positive negotiation outcome would benefit South Australia, Victoria and New South Wales. With these requests, at least 90% of Australian summer stone fruit production could be exported to China. There will be a flow on effect in increasing revenue streams not just throughout the supply chain but also for Plant Exports where there will be increased registered pack houses and supply chain clearances. Regional economies will be the main beneficiary to a positive outcome.

Although this bilateral meeting did not produce any significant outcomes for Australia, the succeeding China visit of Minister Barnaby Joyce (DoAWR Minister) was instrumental in softening the Chinese position resulting in a more positive approach to negotiations with Australia.

5.5 MISSION TO SHANGHAI & BEIJING WITH ANDREW ROB

25-28 AUG 2015

The Australian summerfruit industry was represented by John Moore, SAL CEO in a mission led by Andrew Rob (DFAT Minister) to Beijing and Shanghai. This was organised by the Ministry of Trade and Investment. The mission organised meetings with the Australian-Chinese Chamber of Commerce, of which Summerfruit Australia is a member of and JD.com, a Nasdaq-listed company with a market capitalisation of \$US46 billion (A\$60 billion). JD.com is China's second biggest online retailer. China-Australia FTA forums were likewise held to explore opportunities under this agreement.

More importantly, John Moore was able to have a short but private audience with Minister Rob regarding Australian summerfruit access into China. This prompted the minister to include summerfruit in his discussion with the Chinese Trade Minister resulting in some positive responses by AQSIQ to DoAWR.



5.6 DoAWR MISSION TO CHINA, KOREA AND JAPAN

11-17 Nov 2015

The summerfruit industry participated in a mission led by Minister Barnaby Joyce to China, Korea and Japan. John Moore, SAL CEO represented the industry in this mission. The Australian Chamber of Commerce in Beijing hosted a function where the minister spoke about Australia as an excellent supplier of quality goods to China - emphasising the strong, mutually beneficial trade links between China and Australia, as G20 countries with a free-trade agreement.

Briefings were held by the respective embassy and Austrade offices in each country. Functions were also attended to promote the free trade agreements with Japan and Korea. In addition to various meetings, the delegation visited retail stores where Australian promotions were being conducted.

Similar to the mission led by Andrew Rob, John Moore was able to secure a short but private audience with Minister Joyce regarding the industry's access into China. Minister Joyce included summerfruit in his discussions with the Chinese government, resulting in more positive responses from AQSIQ to DoAWR. This prompted the Chinese to accept Australia's invitation to visit summerfruit orchards, observe fruit fly road blocks and listen to presentations on trappings for Queensland and Mediterranean fruit fly.



5.7 AQSIQ VISIT TO AUSTRALIA

15-22 Dec 2015

As a result of an invitation given by Minister Joyce to the Chinese government, AQSIQ representatives visited four summerfruit orchards in Cobram, Swan Hill and Renmark. The industry showcased existing fruit fly road blocks and made presentations on trappings for Queensland fruit fly (Qfly) and Mediterranean fruit fly (Medfly) to further emphasize the east-west principle: Medfly does not exist in the Eastern states while Qfly cannot be found in the West. Using this principle, testing for Medfly in fruits from Victoria would not be relevant, an item that is being negotiated with China.

The summerfruit industry is currently awaiting the final AQSIQ recommendation with industry expectation that AQSIQ feedback will be received by DoAWR in February, 2016.

5.8 ASIAFRUIT CONGRESS 2014

Asiafruit Congress took place the day before Asia Fruit Logistica on the 2nd of September, 2014, at Asia-World Expo in Hong Kong.

In recent years the congress has run concurrently with the trade show; however these last two years marked the return to its original high-impact format which featured a high-powered programme comprising three general sessions and four breakout sessions.

Some 400 delegates from 40 different countries took part in the region's premier conference event.

Conference highlights included a high-powered panel discussion on the role of brands in Asia's fresh produce business. After a keynote presentation from James Sinclair, managing partner of InterChina, a panel featuring CEO and president of Dole Asia David DeLorenzo, Zespri's China corporate relations manager Matt Crawford, Mahindra Shubhlabh Services CEO Vikram Puri, and Liu Zijie, chairman of Chinese fruit trader Goodfarmer, discussed the bright future for producer brands in the Asian markets, with a particular focus on the opportunity to build consumer brands.



In another general session looking at how Latin America can strengthen its role as a supplier to Asia, Juan Carlos of Peru's InterCorp Group and Christian Carvajal of the Chilean Exporters Association (Asoex) underlined the importance of further market penetration in China, and the need to collaborate with regional distributors looking to make the leap into direct importing.

Breakout sessions homed in on specific topics, including: Asia's surging demand for safe food; the trends in the region's vegetable business; the rise of the Indonesian market; and the opportunity for pear marketing in Asia.

All presentations from the congress have been made available through the Asiafruit congress website: <http://www.asiafruitcongress.com/conference-info/programme/speakers2014>.

5.9 ASIA FRUIT LOGISTICA 2014 & 2015

Asia Fruit Logistica is Asia's leading trade show for the international fresh fruit and vegetable business. It is the only trade exhibition in Asia to focus exclusively on the fresh produce sector and related value chain for the whole Asian region. The trade exhibition is strictly open to trade professionals.

5.9.1 Stand Exhibition

Summerfruit Australia always takes a 9 square metre booth at the Australia Fresh Pavillion. As a member of Australia Fresh, the industry has been given preferential rates and location at the Australian national stand. 2015 is the industry's 6th year of participation. The Australia Fresh pavilion's prime position (next to hall entrance), together with the network reception held almost every year has always delivered quality commercial leads to the industry.

AFL 2014



AFL 2015



5.9.2 Networking Reception

2014

A networking reception was organised by Australia Fresh on the 4th of September in Ikon Seaview Restaurant, Asia-World Expo from 5pm (at show closing time) to 7:30pm (to allow guests to attend other functions in the same night).

Australia Fresh sought participation from various organisations in keeping with the Team Australia approach to export markets. Participating organisations provided funding contributions and were provided opportunities to promote themselves through:

Summerfruit was promoted at the reception night:

- Logo on the reception invitations
- Distribution of brochures in Give-Away Bags
- Introductions of John Moore, CEO of SAL, during the programme

Collaborative partners that contributed to funding this function were:

- Department of Primary Industries Victoria
- Trade and Investment Queensland
- Horticulture WA
- Brisbane Markets
- Australian Horticulture Exporters Association
- Australia Fresh industry members:
 - Apple and Pear Australia
 - Australian Table Grape Association
 - Avocados Australia
 - Cherry Growers Australia
 - Summerfruit Australia
- Horticulture Australia



A short programme was emceed by Agnes Barnard, Australia Fresh Programme Director. She introduced all industry members and collaborative partners for the reception. Short speeches were given by: David Cliffe, HAL Board Member and David Landers, General Manager - East Asian Growth Markets, Australian Trade Commission. Summerfruit Australia Limited Chief Executive Officer, John Moore was also given a chance to briefly speak in front of the crowd.

	2011	2012	2014
Total Foreign Attendance	75	78	106
Total Australian Attendance	94	78	117
Ratio on Foreign:Australia	24:56	50:50	48:52
Total Attendance	169	156	225

2015

The Australia Fresh pavilion's prime position (next to hall entrance), together with the network reception held at the stand, attracted large crowds of visitors making it one of the most visited stand in the trade show. John Moore, SAL CEO represented the industry in this show. Australian summerfruit exporters such as Hannay Douglas, Cutri Fruit, Siciliano's VFS and Costa Produce also had a presence at the stand to meet new and existing buyers. John Moore had meetings with the various Austrade Business Development Managers around Asia to discuss opportunities in the region. He also had meetings with importers from Malaysia,



Singapore, Thailand, Indonesia and the UAE. There were at least 12 positive leads from this show and these contacts were referred to relevant exporters.

5.10 ASIAFRUIT MARKET INSIGHT

20-22 MAY 2015

Similar to Asiafruit Congress in Hong Kong, Asiafruit held a two-day conference in Shanghai, the world's largest port city and China's commercial capital. Asiafruit Market Insight focused on the regional trade landscape and national issues for China's fresh produce business. Growth opportunities in second- and third-tier cities were discussed as well as new import products and sourcing opportunities for Chinese buyers and the competitive effect of imports on domestic production.

John Moore, CEO of Summerfruit Australia attended the conference sessions, study tours and networking activities to have a better understanding of the China market and local trends as well as to further network with key players in the China fruit trade.

China Market Information

The China retail market is primarily on consumers with household incomes above US\$9,000 annually.

In China's top 13 wealthiest cities, 5% of households earned US\$35,000 or more in 2010 and this number is expected to reach 16% of households by 2020. A further 24% earned between US\$15,000 and US\$35,000 annually and are expected to grow to 71% of households by 2020.

In China's next 80 wealthiest cities only 2% of households earned US\$35,000 or more in 2010, however this number is expected to grow to 7% by 2020. 5% of households in these cities earned between US\$15,000 and US\$35,000 annually and are expected to represent 67% of households by 2020.

China's middle class and upper middle class consumers will account for almost ¾ of the urban population by 2020. By 2020 there will be more than 340 million families earning more than US\$9,000 annually in China. By 2020 three-fourths of middle class consumers will be in Tier 2 or Tier 3 cities, not in Tier 1 cities. There are more than 150 cities in China with populations over one million and government continues to encourage urbanization: 60% by 2020.

Seven million are expected to graduate this year compared to less than one million in 1999. This is 250% that of US graduates. The corruption crackdown is accelerating spending away from mass-luxury brands towards lifestyle purchases including fresh fruit, imported foods and health supplements. Food safety is top of mind for consumers. 80% are willing to pay a 20-30% premium for ingestible products, especially if used by their children. Branding and brand origins are important, but so are retail channels. There is a growing understanding of 'nutrition' but concept awareness is still in early stages. Although 'Organic' is only ~2%, growth is 4-5 times that of regular food retail. Consumers are transitioning to high-end grocers, but 2nd/3rd tier demand is outstripping supply.

China is the largest e-commerce market in the world. E-Commerce is quickly supplanting brick and mortar retail. E-Commerce now accounts for 10.6% of all retail sales up from only 4.4% in 2011. Use of mobile devices is increasingly important with over 40% of consumers shopping online either browsing or purchasing via mobile device. As consumers are more comfortable with more professional vendors like Tmall (largest online B2C platform), JD.com and secure payment systems like Alipay has grown, so has willingness to buy higher-value items as well as groceries. Consumers in their 20s are native online shoppers – they like convenience and selection. Pollution concerns have encouraged consumers to shop from home more. Shopping at brick and mortar stores is still a top leisure activity but consumers are taking fewer trips and spending more time per trip. Proliferation of e-commerce produce sales is now at about US\$200 million in 2014.

Most of future income growth in China is going to come from 2nd and 3rd tier cities. Retail channel development in these cities is lagging development in Tier 1, however demand and spending power are already there. In the short term online vendors will fill the void, and consumers are willing to pay a premium for convenience and access. Education is still needed in growing processes and fruit varieties but the interest is there.

For fresh produce companies, the opportunities lay in value-added products. Exporters and suppliers need a point of differentiation in order to successfully launch a product in China and capture a slice of the emerging markets, where consumers are increasingly turning away from wet markets to specialty retailers.

5.11 6TH CHINA FRUIT INDUSTRY CONGRESS

26-29 MAY 2015

The China Fruit Industry Congress was organised by iFresh and held in Shanghai and Chengdu. The Shanghai Congress had 44 speakers and an audience of as much as 1,018 trade participants and trade show visitors with over 80% from China.



The Australian summerfruit industry was featured in the Chengdu Congress to an audience of over 250 buyers from 30 Chinese purchasing groups. John Moore, SAL CEO was one among seven guest speakers in this Congress and presented market access and collaborative trade between Australia and China. Being the only international guest speaker in this congress, John Moore held the attention of this select group of Chinese buyers. It was a good opportunity to develop strong interest

in Australian summerfruit in anticipation of the industry's expected access into the market.

5.12 IFRESH CHINA FRUIT & VEGETABLE EXPO

19-21 Nov 2015

The iFresh China Fruit & Vegetable Expo is a professional B2B exhibition held in mainland China for the producers, distributors, service providers and retailers of fresh fruit and vegetables worldwide. Running on its 7th year, the trade show covered 12,000 sqm in the Shanghai International Exhibition Center. There were 350 exhibitors and over 15,000 trade visitors.

The Summerfruit industry has been participating in this trade show for 6 years. With the anticipated entry into China, participating in trade exhibitions such as iFresh has proven to be instrumental in developing awareness and building interest on Australian summer stone fruit leading up to its eventual entry into this market. The organisers provided a complimentary booth space for Summerfruit Australia and organised an interview for John Moore with CCTV (China Central Television – a major media broadcast agency in China).



The 3rd Reverse Purchase Meeting was concurrently held with over 400 buyers in attendance. The iFresh Fruit Industry Congress was also held on the 20th of November 2015. This congress was of significant importance as key AQSIQ officials participated and attended. Mr. Wu Hao, Director of the Department for Supervision on Animal and Plant Quarantine of AQSIQ presented "Policy Analysis and Latest Developments on Fruit Importing and Exporting." Angus Street, Relationship Manager of Horticulture Innovation Australia gave a presentation on "The Supply Chain Cooperation between Australia and China."

5.13 IFRESH 2016 HELD IN SHANGHAI 16 – 17TH MAY, YANGSHAN PORT DISTRICT- 18TH MAY, HUIZHAN MARKET –19TH MAY 2016

Summerfruit was a recognised sponsor in this event. As a sponsor the industry logo was displayed on the main auditorium advertisement banner and on a booth within the main hall where all of the conference activities were held. iFresh organisers elevated the Summerfruit industry to sponsorship status worth A\$10,000 at no cost to the industry. This was in recognition for the industry's regular participation in this event for the last 6 years. iFresh has become a must-attend event in mainland China by fresh fruit producers and marketers and is well attended by over 7,000 prospective importers, retailers, and supply chain operatives. The conference features key note speakers from Chinese authorities, this year by Ms Liu Zhuohui, Executive Vice President of Chinese Society of Inspection & Quarantine (CSIQ). SAL had a meeting with Ms Liu to discuss the latest positioning of the nectarine protocol. In this meeting, the industry reiterated its urgent request for Australian plums, peaches and apricots to receive AQSIQ access approval soon after Australian nectarine access is granted. This message was transmitted by Ms Liu to her AQSIQ colleagues upon her return to Beijing. SAL was once again warmly welcomed by CSIQ, to attend iFresh.

During the 2 days over 300 brochures were handed out and as a result received very solid contacts for pending nectarine importation. Particularly of importance was the connection with Northern China importers to the Dalian region, the northern most port of China. Other strong interests were from the Shanxi Province, North Central China.

Shanghai importers were active and cool chain operatives were identified by retailers. E-Commerce connections were again seeking partnership opportunities and these contacts will be cascaded to Australian exporters. However, with the amount of e-commerce operatives, many of which have been unsuccessful in effectively penetrating the Chinese consumer market, caution will need to be taken by Australian exporters in dealing with this market segment. Fruitday.com would be a preferred platform to be engaged given the past demonstrated performances and they have two network data bases; Shanghai and Beijing with over 3.5 million fresh fruit consumers.



The SAL delegation of 3, the SAL CEO: John Moore and 2 grower exporters, visited the Huizhan Market. They met with the Huizhan Market management and was given the opportunity to observe receive and despatch operations as well as the CIQ inspection facilities for imported containers. This market receives in excess of 20,000 x40ft containers annually. In addition to the Huizhan market inspection area, CIQ conducts inspections at the Yangshan port district where, 15,000 ships berth annually. The district has a Duty Free Zone, which is particularly active for e-commerce companies who



store imported cargo with stocks drawn out following online consumer purchase orders. It is in this facility that containers received into the Shanghai port can be treated by CIQ with Methyl Bromide fumigation if pest and disease of concern to China are detected during inspections. Treatment of up to 46 containers can be conducted at any one time. Two other locations have also been identified by CIQ where fumigation treatment may be undertaken. Otherwise, goods are either returned to the supplier or destroyed.

A retail visit was conducted to observe local stone fruit. Yellow nectarines were more popular than white flesh nectarines. The group visited a Walmart store and noticed its lack of a cool display/storage at the consumer traffic area.

6 OUTCOMES

Australian summerfruit industry has finally obtained access into the China market for nectarines. This follows the agreement of new import protocols signed by both countries on 20 May 2016. The nectarine producers of Australia now have the opportunity to take advantage of the second largest consumer market in the world.

Australia has also achieved for the first time, China's recognition of fruit fly pest free areas in mainland Australia. The agreed protocol provides commercially viable export conditions with a range of treatment options.

Please see Appendix A for details of the agreed protocol.

The implementation of the China-Australia Free Trade Agreement (ChAFTA) on 20 December 2015 means that Australian nectarines currently have a 6 per cent tariff applied, down from 10 per cent prior to entry into force of the agreement. Under ChAFTA, from 1 January 2017 Australian nectarines will have a tariff of only 4 per cent applied. Further tariff reductions will follow in January 2018, with all tariffs on Australian nectarines eliminated from 1 January 2019.

The following is a summary of the activities undertaken under this project, which led to achieving access for Australian nectarines.

Activity	14/15	15/16	Outcomes
Market Access Technical & Government Relations Activities			
Trial Shipments of Nectarines and Plums	✓		<ul style="list-style-type: none">Trial shipments were aborted as AQSIQ was unable to submit a draft of the Stone Fruit IRA or Stone Fruit work plan as agreed.
China FVF	✓	✓	<ul style="list-style-type: none">Recognition of the industry’s commitment and goodwill with the Chinese government and local industry.
Shaanxi & Shanxi Mission		✓	<ul style="list-style-type: none">Reinforced messaging on the industry’s commitment to the Chinese market through information sharing with the local Chinese industry, as part of the Australia-China reciprocal agreement.
DFAT China Mission		✓	<ul style="list-style-type: none">Continued expansion and maintenance of in-market trade & government relationsIncreased market understandingProvided Australian department ministers with a better understanding of the industry’s market access needs
DoAWR China, Korea, Japan Mission		✓	
Bilateral Meetings in China		✓	<ul style="list-style-type: none">Progress with market access negotiation through assisting Australian government representatives with technical advise
AQSIQ Visit to Australia		✓	<ul style="list-style-type: none">Showcased excellent Australian farming and export facility standards to further emphasise the quality of products that will be available to Chinese consumers.
Market Entry Preparation: Trade Education, Market Intelligence & Trade Networking			
Asiafruit Market Insight	✓		<ul style="list-style-type: none">Increased understanding of market trends and opportunities in the region.Increased new contacts in China and the regionReinforce existing trade relationships
China Fruit Industry Congress	✓		
Asiafruit Congress	✓		
Asiafruit Logistica	✓	✓	<ul style="list-style-type: none">Expansion of the Summerfruit Industry contacts within Hong Kong and mainland China and other key regional markets for use by the members of the Australian Summerfruit Industry and supply chain. 160 new quality contacts were obtained and cascaded to both growers and exporters.Increased awareness by foreign buyers of Australian summerfruit in the Asian region i.e. availability, reassurance on quality aspects, increased confidence on the supply of quality fruitContinued reinforcement of existing trade relationships established from previous years.
iFresh	✓	✓	
China Market Access Achieved For Australian Nectarines			

7 EVALUATION AND DISCUSSION

The summerfruit industry has been successful in achieving their original goal of obtaining market access into China. As a first step, Australian nectarines can now be exported to China under commercially viable protocol conditions. The essential strategies adopted by the industry which have led to this positive outcome are as follows:

1. To work continuously and consistently at developing and building relationships with relevant in-market government agencies, local industries and the trade.
2. To work closely with the Australian government in providing technical advice and providing a consistent message to all China contacts
3. To obtain evidence-based arguments for commercially viable protocol requirements
4. To provide reciprocal benefits through training of local industry counterparts on best farming practices
5. To initially prepare market entry through building awareness and demand for quality Australian fruit among key trade players in-market.

Australia's Department of Agriculture and Water Resources First Assistant Secretary, Louise Van Meurs, said successful development of the new protocols reflected strong collaboration between the department, the summerfruit industry and government officials in nectarine producing states such as Victoria and South Australia:

"<This positive outcome>... is an excellent example of what can be achieved when governments and industry work together to secure access to priority markets."

8 RECOMMENDATIONS

New market access of Australian nectarines into China is a great achievement and has proven to be a worthwhile investment through this project and other related projects. But this achievement is only the first milestone in building a successful Australian summerfruit trade with China.

The industry needs to consider the following recommendations in maximising the achievements of this project:

1. Full adoption of protocol understanding and compliance by industry growers and exporters
2. Develop and implement comprehensive market entry strategy and action plan
3. Vigilance in maintaining and improving nectarine protocols into China through
 - a. Continued expansion and deepening of relations with in-market contacts: government, local industry and trade
 - b. Building evidence-based cases in improving protocols
 - c. Working closely with the Australian government on industry needs
 - d. Full protocol compliance of all nectarine exports to China

The industry should not lose momentum in their established gains into China, other next steps include:

4. Obtain access for Australian peaches, plums and apricots
5. Improve protocol requirements on existing access to other markets using China as a case study
6. Obtain Australian summerfruit access into new markets

9 ACKNOWLEDGEMENTS

SAL Board & the previously SAL Industry Advisory Committee

The SAL Board and previously the SAL Industry Advisory Committee have supported this project and its activities described in this report. The unceasing support and encouragement provided by Andrew Finlay, Mark Wilkinson, Adrian Conti, Rowan Little, Bruce Tomkins, Ian McAlister and Michael Trautwein is particularly noted.

Department of Agriculture and Water Resources

The assistance and support of the Department of Agriculture and Water Resources through Biosecurity Australia is deeply appreciated especially. Special thanks goes to Dr Vanessa Finlay and her team and of recent months David Heinrich and Matthew Smyth.

Victorian Department of Economic Development, Jobs Trade and Resources

The Victorian Department of Economic Development, Jobs, Trade and Resources represented by Minister Walsh, Minister Pulford, officers Bryan Balmer and Brendan Larkin and their colleagues, have consistently provided strong support and investment for the growth of the Summerfruit industry through exports.

Horticulture Innovation Australia Ltd and the Commonwealth of Australia

Without the investment of Horticulture Innovation Australia Ltd and the Commonwealth of Australia in this project, access into China would not have been achieved.

10 APPENDICES

Appendix A – Protocol of Phytosanitary Requirements for the Export of Nectarines from Australia to China (FAQ)

20 May 2016

What is the purpose of this protocol?

The protocol allows the export of Australian nectarines to China.

Australian producers and exporters can now export Australian nectarines to China under mutually agreed conditions.

What horticulture commodity does the protocol cover?

The protocol covers all Australian nectarine (*Prunus persica* var. *nectarina*) cultivars – no other species have been approved yet.

What is the importance of the protocol?

The protocol is important because it allows Australia to supply the Chinese market with nectarines for the first time.

The conditions in the protocol provide commercially viable export conditions and a range of treatment options, and for the first time include China's recognition of fruit fly pest free areas in mainland Australia.

The nectarine producers of Australia now have the opportunity to take advantage of the second largest consumer market in the world.

When does the protocol come into effect?

The protocol came into effect immediately after it was initialled by Australian and Chinese Government Officials in China on Friday 20 May 2016.

What is covered by a protocol?

Countries with protocol agreements with Australia have specific requirements for importing Australian commodities. The protocols identify specific quarantine pests of concern to the importing country and the phytosanitary measures or treatments that will be accepted to address these pests to allow trade to occur.

What will growers and exporters be required to do to export nectarines to China?

Orchards, packinghouses and treatment facilities will need to be registered with the department in order to trade under the protocol.

In addition, growers will need to monitor and manage a range of pests of quarantine concern to China.

Australian nectarines can be exported to China under the protocol sourced from fruit fly pest free areas for Mediterranean, Queensland and lesser Queensland fruit flies. Should there be an outbreak of these

fruit fly species in a fruit fly pest free area, growers must comply with reporting and monitoring for detections and outbreaks in cooperation with the department.

Australian nectarines sourced from outside recognised fruit fly pest free areas are required to undergo a treatment to mitigate against fruit fly.

Which areas are recognised by China as free from fruit fly?

The specific areas recognised by China as being free from all fruit flies of quarantine concern are Tasmania and the Riverland region of South Australia.

Under the protocol China recognises Western Australia as being free from Queensland fruit fly and lesser Queensland fruit fly.

China recognises that Mediterranean fruit fly is present in Western Australia only and is not known to occur in the rest of Australia.

The Sunraysia region of Victoria and NSW, the Riverina region of NSW, and the Cobram region of Victoria are recognised by China as being free from all fruit flies of quarantine concern except for Queensland fruit fly.

What treatment options are there?

No fruit fly treatment is required for nectarines sourced from Tasmania and Riverland.

Nectarines sourced from Western Australia, where Mediterranean fruit fly is present, must undergo cold treatment at 2.1 °C or below for at least 21 days, or combination methyl bromide fumigation followed by a shorter cold treatment at higher temperature than a stand-alone cold treatment.

Nectarines sourced from areas of eastern Australia where Queensland fruit fly or Lesser Queensland fruit fly is present must undergo either cold treatment at 3 °C or below for at least 18 days or methyl bromide fumigation or the combination treatment (cold and fumigation) noted above.

How does the China-Australia Free Trade Agreement benefit nectarine exports?

The implementation of the China-Australia Free Trade Agreement (ChAFTA) on 20 December 2015 means that Australian nectarines currently have a 6 per cent tariff applied, down from 10 per cent prior to entry into force of the agreement.

Under ChAFTA, from 1 January 2017 Australian nectarines will have a tariff of only 4 per cent applied.

Further tariff reductions will follow in January 2018, with all tariffs on Australian nectarines eliminated from 1 January 2019.

If I need more information who should I talk to?

Members of the public and industry can contact us through our general enquiry contact information

Phone: 1800 900 090

Media outlets can contact the department's media team in the following ways:

Email form: Media

Phone: 02 6272 3232

International phone: +61 2 6272 3232