Australian Cherry Export Roadmap 2012-2017
# Table of Contents

- Foreword .......................................................................................................................................................... 2
- Global Cherry Trade ......................................................................................................................................... 4
- Industry Situation ........................................................................................................................................... 5
- Market Situation ............................................................................................................................................... 10
- SWOT Analysis ............................................................................................................................................... 17
- Industry Positioning ....................................................................................................................................... 21
- Product Positioning ......................................................................................................................................... 23
- Objectives ...................................................................................................................................................... 23
- Target Export Market .................................................................................................................................... 24
- Export Strategies ........................................................................................................................................... 26
- Timeline .......................................................................................................................................................... 32
FOREWORD

Australian cherry production is expected to reach its current maximum capacity of 15,000 tonnes by 2016-2017. The development and growth of the Australian cherry industry is dependent on the expansion of the Australian cherry market - to absorb increased supply at a favourable price and avoiding oversupply in the domestic market.

There is an opportunity to further expand the Australian cherry export market particularly due to the following:

1. An average of only 17% of the Australian cherry production is currently exported. There is room to increase exports particularly with the growing interest in exports among industry members. Note: Table grapes is the second largest fresh horticulture export for Australia and table grape exports are at an average of 38% of its production.
2. Most export markets for Australian cherries have shown positive growth in their cherry imports.
3. Australia’s competitive advantage over its major competitor, Chile:
   a. The industry can supply the Asian markets on demand through favourable airfreight costs and lead times.
   b. A niche market of premium quality cherries is untapped by major southern hemisphere competitors such as Chile.
4. There is growing interest in exports by other fresh horticulture industries. There is an opportunity to share in resources by collaborating with them in pursuing similar goals. Collaborative efforts will also result in higher impact on export markets.

Despite favourable circumstances, the cherry industry will move forward with significant challenges:

1. High export price due to high exchange rates and relatively high production costs
2. Limited supply of consistent export quality cherries
3. Limited export orientation and knowledge among industry members
4. Limited Pest Free Areas
5. Strong competitors in the southern hemisphere
6. Trend of non-protocol countries moving towards establishing protocols
Among the challenges in exports, the area of market access is a growing concern for the industry. The trend of non-protocol countries establishing protocols creates barriers within the national industry, between non-pest free areas (PFAs) and regions with PFA status.

Although exporting of cherries has become a very complex process which industry must be aware of, building exports will be key to avoiding an oversupply and an overdependence in the domestic market. It is critical that the whole of industry recognise the need to collaborate together in building export opportunities. In no way does this denote that all growers should shift to exports. The industry must rationalise production and distribution based on area capabilities:

1. Ability to produce export quality cherries based on climatic conditions and varieties
2. Pest / Fruit fly area situation
3. Commitment to export markets in supply and quality consistency

By building the export business, the whole of industry will benefit. The domestic market will deliver more positive results to the industry, risks are spread out and options increased. It is critical that all industry members support this goal, regardless of whether they supply domestic or export markets. Growth in cherry exports will equate to growth for the entire Australian cherry industry.

It is in this light that an export roadmap has been developed to guide the industry in developing the cherry export business. This roadmap will be reviewed periodically and adapted to any change in both external and internal circumstances.

Since this is a five-year strategic plan, the industry will likewise develop an annual export plan to outline more specific activities that will be carried out for the year.

Cherry Growers Australia commissioned Oliver & Doam to develop
**GLOBAL CHERRY TRADE**

Global cherry production in 2011/12 is forecast at 1.9 million metric tons down 7 percent from last year as Turkey’s output plunges 40 percent. Cold and excessively wet spring weather conditions in Turkey hindered the bloom, pollination, and growth. Turkey’s precipitous fall far exceeds gains in the United States and the European Union (EU) and is the driving force behind the forecast 10 percent decline in global consumption.

Global exports are forecast nearly unchanged at 223,000 metric tons (MT) and are mostly insulated from the reduced harvest because only about 10 percent of available supplies are exported. Reduced exports from Turkey are more than offset by increases from Chile, the EU, and the United States.

Chile’s exports continue to grow due to off-season demand in the United States and China. Russia remains the top global import market and is still growing as the EU fills the gap for reduced supply from Turkey.

---

1 Stone Fruit: World Markets and Trade, USDA – FAS September 20
**INDUSTRY SITUATION**

The Australian cherry industry is predicting production to be at 15,000 tonnes by 2016-2017. With the original goal of exporting up to 50% of total production, the industry will have to export 7,500 tonnes of cherries to the world.

In the last 3 years, 2008-2012, cherry exports averaged at 17% of total production at about 1,551 tonnes. Total exports will have to increase by 384% to 7,500 tonnes should production reach 15,000 tonnes.
The Australian cherry industry exported 1,207 tonnes in 2011-2012, an improved season from the previous year with production levels averaging at 10,000 vs. 2010-2011 which only produced 7,775 tonnes. As expected, most of the product was sourced from Tasmania but exports from this state decreased by 7%. A decrease in exports by 17% was also seen in South Australia. Paradoxically, states with no Pest Free Area status such as New South Wales, Victoria and Queensland significantly increased their exports by 86%, 76% and 1,690% (from a small base) respectively compared to the previous year, though not quite reaching export levels in 2008-2009. Victoria share of exports increased from 21% to 29% in 2011-2012 while NSW share of exports increased from 19% to 27%.²

² Source: GTIS - ABS
To determine the feasibility of reaching the industry target of exporting 50% of production in 2016-2017, two scenarios are presented:

### Exports 2008-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,149</td>
<td></td>
<td>1,884</td>
<td></td>
<td>939</td>
<td></td>
<td>1,207</td>
<td></td>
<td>1,545</td>
<td></td>
</tr>
<tr>
<td>TAS</td>
<td>847</td>
<td>39%</td>
<td>1,040</td>
<td>55%</td>
<td>546</td>
<td>58%</td>
<td>508</td>
<td>42%</td>
<td>735</td>
<td>48%</td>
</tr>
<tr>
<td>VIC</td>
<td>383</td>
<td>18%</td>
<td>333</td>
<td>18%</td>
<td>198</td>
<td>21%</td>
<td>348</td>
<td>29%</td>
<td>315</td>
<td>20%</td>
</tr>
<tr>
<td>NSW</td>
<td>746</td>
<td>35%</td>
<td>496</td>
<td>26%</td>
<td>175</td>
<td>19%</td>
<td>327</td>
<td>27%</td>
<td>436</td>
<td>28%</td>
</tr>
<tr>
<td>SA</td>
<td>35</td>
<td>2%</td>
<td>13</td>
<td>1%</td>
<td>19</td>
<td>2%</td>
<td>15</td>
<td>1%</td>
<td>21</td>
<td>1%</td>
</tr>
<tr>
<td>QLD</td>
<td>107</td>
<td>5%</td>
<td>2</td>
<td>1%</td>
<td>0.5</td>
<td>2%</td>
<td>9</td>
<td>1%</td>
<td>30</td>
<td>2%</td>
</tr>
<tr>
<td>WA</td>
<td>31</td>
<td>1%</td>
<td>0.2</td>
<td></td>
<td>0</td>
<td></td>
<td>8</td>
<td></td>
<td>8</td>
<td>1%</td>
</tr>
</tbody>
</table>

Note: No available data on state production per year

### Forecast Scenarios 2016-2017

<table>
<thead>
<tr>
<th>State</th>
<th>Production MT</th>
<th>Scenario 1 Export MT</th>
<th>% Share of Export</th>
<th>% of Prodn</th>
<th>Scenario 1 Export MT</th>
<th>% Share of Export</th>
<th>% of Prodn</th>
<th>Scenario 2 Export MT</th>
<th>% Share of Export</th>
<th>% of Prodn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15,000</td>
<td>7,500</td>
<td>100%</td>
<td>50%</td>
<td>7,500</td>
<td>100%</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAS</td>
<td>4,000</td>
<td>3,570</td>
<td>48%</td>
<td>89%</td>
<td>3,000</td>
<td>40%</td>
<td>75%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VIC</td>
<td>4,500</td>
<td>1,713</td>
<td>23%</td>
<td>38%</td>
<td>2,100</td>
<td>28%</td>
<td>47%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSW</td>
<td>4,400</td>
<td>2,117</td>
<td>28%</td>
<td>48%</td>
<td>2,100</td>
<td>28%</td>
<td>48%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SA</td>
<td>1,550</td>
<td>100</td>
<td>1%</td>
<td>6%</td>
<td>300</td>
<td>4%</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Queensland and WA have been omitted due to more favourable domestic market opportunities.

3 Allowance provided for rounding discrepancies.
4 % share of export for QLD & WA was moved to Victoria
Scenario 1: Average share of export based on 2008-2011 statistics
It is unlikely that Tasmania carry the burden of exporting 89% of their production as average pack-out rate for export quality cherries is 75% on a good year and 60% on a bad season. In addition, 30%-40% of all export quality cherries do not meet premium quality size standards, meeting stiff competition from Chile and other southern hemisphere competitors.

Scenario 2: Adjusted estimates
Assuming Tasmania is able to export 75% of their production, NSW and Victoria will be expected to carry their own weight by exporting levels that surpass current average Tasmanian exports. At the unlikely best that these two states are able to obtain pest free status or that large markets open their boarders to both states, the lead-times to build industry export capabilities are quite lengthy i.e. producing export quality fruit, building export market knowledge, establishing export market partnerships, etc.).

It is an unrealistic goal for industry to export 50% of their production in 5 years. A more attainable goal of increasing export share of production to 30% is demonstrated below:

<table>
<thead>
<tr>
<th>State</th>
<th>Forecast Production MT</th>
<th>Average 2008-2012</th>
<th>Forecast 2016-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Export MT</td>
<td>% Share of Export</td>
</tr>
<tr>
<td>Total</td>
<td>15,000</td>
<td>1,545</td>
<td>NA</td>
</tr>
<tr>
<td>Tasmania</td>
<td>4,000</td>
<td>735</td>
<td>48%</td>
</tr>
<tr>
<td>Victoria</td>
<td>4,500</td>
<td>315</td>
<td>20%</td>
</tr>
<tr>
<td>NSW</td>
<td>4,400</td>
<td>436</td>
<td>28%</td>
</tr>
<tr>
<td>SA</td>
<td>1,550</td>
<td>21</td>
<td>1%</td>
</tr>
</tbody>
</table>

*No available data on current state production.*
Distribution

Although the Australian cherry season is counter-seasonal to the northern hemisphere exporting countries, it has a very short window of opportunity to bypass major low-priced high-volume competition such as Chile.

A unique advantage of Australian cherries is its close proximity to major markets (Asia) and that it is able to airfreight at reasonable costs thus providing delivery on demand unlike Chile. Shipping of Australian cherries by sea is generally more profitable after the Chilean cherry season. While Chilean cherries, 28mm in size on average, dominate the markets (December to January), there is a niche market for premium quality cherries (size: 30mm or larger, firm, green stems, sweet) though quite limited in supply from Australia.

Area Restrictions

Tasmania and the Riverland are the only cherry growing regions recognised worldwide as a pest free area (PFA). This has opened up export markets to the Australian cherry industry. Riverina and Sunraysia recently lost their PFA status due to recent fruit fly outbreaks. Their PFA status is expected to be reinstated in 2013-2014. It is in the best interest of the entire cherry industry that the cherry growing PFAs maintain their area freedom status. Over 50% of cherries exported are sourced from Tasmania and Riverland. With good climate and area freedom...
status, there is great potential to further grow production of export quality cherries in these regions, thus increasing overall cherry industry exports. Restricting exports from these areas will result in a (further) glut in the domestic market, causing prices to dive.

MARKET SITUATION

COMPETITION

Among the top Australian cherry export markets, Chile and New Zealand are Australia’s main southern hemisphere competitors. Argentina and South Africa are likewise growing sources of cherries in Asia and particularly in Hong Kong. With the down turn in the EU and the US, southern hemisphere competitors are looking to Asia as the opportunity for export growth.

Chile is the largest producer and exporter of cherries in the southern hemisphere. Price and large supply is its competitive advantage as well as its access into markets where Australia has none or is limited.

New Zealand is a small producer and exporter of cherries but its competitive advantage over Australia is its foreign exchange rate and its pest free area status, which allows better access into markets. New Zealand cherries would have comparable quality standards to Australia.
### Average Annual Exports

**2008-2012 (’000 MT)**

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>New Zealand</th>
<th>Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Trade</strong></td>
<td>2,148,864</td>
<td>1,884,523</td>
<td>961,682</td>
</tr>
<tr>
<td>HK</td>
<td>731,071</td>
<td>701,153</td>
<td>211,410</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan</td>
<td>312,068</td>
<td>373,225</td>
<td>210,768</td>
</tr>
<tr>
<td>Thailand</td>
<td>278,669</td>
<td>248,584</td>
<td>161,696</td>
</tr>
<tr>
<td>Singapore</td>
<td>237,729</td>
<td>122,317</td>
<td>111,777</td>
</tr>
<tr>
<td>Vietnam</td>
<td>17,712</td>
<td>36,927</td>
<td>53,511</td>
</tr>
<tr>
<td>Middle East</td>
<td>111,131</td>
<td>71,870</td>
<td>81,564</td>
</tr>
<tr>
<td>Indonesia</td>
<td>24,547</td>
<td>26,937</td>
<td>53,487</td>
</tr>
<tr>
<td>Malaysia</td>
<td>75,621</td>
<td>57,189</td>
<td>61,752</td>
</tr>
<tr>
<td>Russia</td>
<td>20,716</td>
<td>39,206</td>
<td>16,724</td>
</tr>
<tr>
<td>S. Korea</td>
<td>-</td>
<td>5,526</td>
<td>25,155</td>
</tr>
<tr>
<td>Japan</td>
<td>28,938</td>
<td>36,114</td>
<td>14,031</td>
</tr>
<tr>
<td>India</td>
<td>14,961</td>
<td>12,695</td>
<td>15,105</td>
</tr>
<tr>
<td>Netherlands</td>
<td>64,463</td>
<td>29,040</td>
<td>14,976</td>
</tr>
</tbody>
</table>

* October 2011-February 2012

**Image:** Average Annual Exports

- **Australia**
- **NZ**
- **Chile**

**Legend:**
- Singapore
- Vietnam
- Middle East
- Indonesia
- Malaysia
- Russia
- S. Korea
- Japan
- India
- Netherlands
**EXPORT MARKETS**

Hong Kong (with re-exports to other countries like China), Taiwan, Thailand, Singapore and to some extent Vietnam (closely followed by the Middle East) have been the major destinations for Australian cherries during its season in 2011-2012. Although Australian cherry exports to these markets have improved this year compared to last, with the exception of Vietnam, current export trade levels have not quite matched its better years in 2008-2009 and 2009-2010. It is worth noting that 2008-2009 was a good year for all of horticulture exports due to an alignment of favourable factors such as a low exchange rate, excellent environmental / climatic conditions, poor seasonal condition of major competitors such as Chile.
In the last 4 years, Australian cherry export growth has generally been seen in Indonesia, Russia and South Korea. A free fall in Australian exports to the Netherlands is seen while Chile’s exports to this market have recovered to almost reaching 2008-2009 levels. Despite Australian cherry export fluctuation, most markets posted positive cherry import growth. The charts below show total cherry imports by market.
<table>
<thead>
<tr>
<th>Selected Markets</th>
<th>2011 Imports (MT)</th>
<th>Growth from 2009</th>
<th>Market Share</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia&lt;sup&gt;7&lt;/sup&gt;</td>
<td>73,796</td>
<td>111%</td>
<td>SH&lt;sup&gt;6&lt;/sup&gt;</td>
<td>6%</td>
</tr>
<tr>
<td>HK&lt;sup&gt;8&lt;/sup&gt;</td>
<td>31,859</td>
<td>74%</td>
<td>66%</td>
<td>1%</td>
</tr>
<tr>
<td>China&lt;sup&gt;9&lt;/sup&gt;</td>
<td>23,760</td>
<td>284%</td>
<td>80%</td>
<td>-</td>
</tr>
<tr>
<td>Japan&lt;sup&gt;10&lt;/sup&gt;</td>
<td>10,350</td>
<td>3%</td>
<td>13%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Taiwan&lt;sup&gt;11&lt;/sup&gt;</td>
<td>8,769</td>
<td>-13%</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>S. Korea&lt;sup&gt;12&lt;/sup&gt;</td>
<td>4,981</td>
<td>29%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Thailand&lt;sup&gt;13&lt;/sup&gt;</td>
<td>1,496</td>
<td>32%</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>Singapore&lt;sup&gt;14&lt;/sup&gt;</td>
<td>1,237</td>
<td>53%</td>
<td>23%</td>
<td>6%</td>
</tr>
<tr>
<td>Malaysia&lt;sup&gt;15&lt;/sup&gt;</td>
<td>463</td>
<td>62%</td>
<td>32%</td>
<td>15%</td>
</tr>
<tr>
<td>Vietnam&lt;sup&gt;16&lt;/sup&gt;</td>
<td>68</td>
<td>356%</td>
<td>46%</td>
<td>32%</td>
</tr>
<tr>
<td>India&lt;sup&gt;17&lt;/sup&gt;</td>
<td>38</td>
<td>1074%</td>
<td>47%</td>
<td>1%</td>
</tr>
<tr>
<td>Indonesia&lt;sup&gt;18&lt;/sup&gt;</td>
<td>5</td>
<td>87%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: Opportunity to grow southern hemisphere mkt share

<sup>6</sup> SH= Southern Hemisphere
<sup>7</sup> Gain Report Number RSATO11112, USDA/FAS, 21 Sept 2011
<sup>8</sup> GTIS, HK Census & Statistics Department
<sup>9</sup> GTIS, China Customs
<sup>10</sup> GTIS, Japan Customs
<sup>11</sup> GTIS, Taiwan Directorate General of Customs
<sup>12</sup> GTIS, Korean Customs Service
<sup>13</sup> GTIS, Thai Customs Department
<sup>14</sup> 2010 Imports, Growth % from 2008, Source: GTIS, International Enterprise Singapore
<sup>15</sup> Department of Statistics Malaysia
<sup>16</sup> GTIS
<sup>17</sup> GTIS, DGCI&S, Ministry of Commerce
<sup>18</sup> GTIS, Statistics Indonesia
Market Access

The cherry export industry is represented in the Office for Horticulture Market Access (OHMA). OHMA drives the delivery of market access outcomes for export industries via three pillars:

- Raising the profile of Australian horticulture by developing industry relationships in the target market to stimulate commercial market access drivers
- Strongly supporting and contributing to official negotiations; and
- Strongly supporting and guiding science inputs (R&D) into market access.\(^\text{19}\)

In addition, the CEO of Cherry Growers Australia, closely monitors issues and coordinates with OHMA, Biosecurity Australia and other related government agencies.

The following are among the current and relevant access issues for the industry:

**China**

Hong Kong is Australia’s largest market for fruit, including cherries. Hong Kong is classified as a separate administrative area from mainland China and it currently does not require any protocols for fruit into this area. China is expected to more than double its cherry imports in 2011-2012 to 28,000 metric tonnes from the previous year. Australia is currently conducting negotiations with China on a commercially favourable protocol. This is expected to be finalised by mid 2012.

**Taiwan**

Taiwan is the second largest market for Australia. Renewed access for mainland cherries is restrictive, requiring cold disinfestation treatment that restricts cherry exports from non fruit fly freedom areas. Tasmania and Riverland, SA are the only areas that can export to this market without cold treatment.

\(^{19}\)OHMA writeup found in http://www.horticulture.com.au
Thailand

Thailand, Australia’s third largest cherry export market, has imposed a ban, as of late 2011, on importing Australian stonefruit (including cherries) while import protocols are under review. New draft Thailand protocols are currently being negotiated for the Australian cherry industry.

Japan and South Korea

These markets only allow access for Tasmanian cherries. Cherries from non-pest free areas are hoping to gain access into South Korea in 2013-2014, once the protocol has been negotiated.

Current Protocol Countries and Other Countries Looking to Develop Protocols

The cherry industry faces a number of issues in gaining access into protocol countries.

1. Restrictions on areas with no pest free status are prohibitive and are not commercially viable. Most cherry growing regions do not have pest free area status.
2. The cherry industry needs to further collect scientific data to bring its case forward and gain more commercially viable protocols.
3. More countries are shifting their position to requiring trade protocols i.e. Taiwan (a few years ago) and Thailand. Others are expected to follow suit.

Irradiation test trials are currently being conducted as a solution to eradicating fruit fly or med fly from cherries - post harvest prior to shipment. This process is currently acceptable to the US market. Although it is worth noting that limited markets may accept this process, it is expected to open up more export opportunities for the industry.

Negotiations for commercially viable protocols with protocol countries should include:

• Priority to export cherries via airfreight
• Recognition of pest free areas and new areas that may receive similar status
• A 3°C / 14 day option for pre-shipment treatment in approved facilities or in-transit treatment
• An Irradiation option
• A commercially viable Methyl Bromide option
• Maintenance or Immediate start of access and more importantly trade from recognised pest free areas while negotiations are in place for protocols on all other cherry growing regions.

**SWOT Analysis**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Maximise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close proximity to Asian market</td>
<td>• Aggressively promote capabilities to ‘supply on demand’</td>
</tr>
<tr>
<td></td>
<td>• Focus access efforts into Asia</td>
</tr>
<tr>
<td></td>
<td>• Study Asian markets to maximise trade opportunities</td>
</tr>
<tr>
<td>Recognised Pest Free / Fruit Fly Free Areas:</td>
<td>• Production in these areas to focus on consistent export quality cherries</td>
</tr>
<tr>
<td>• Tasmania</td>
<td>• Increase pack out rate for export quality cherries</td>
</tr>
<tr>
<td>• Riverland, SA</td>
<td></td>
</tr>
<tr>
<td>Expected to regain status:</td>
<td></td>
</tr>
<tr>
<td>• Riverina</td>
<td></td>
</tr>
<tr>
<td>• Sunraysia</td>
<td></td>
</tr>
<tr>
<td>Capability to produce consistent, high quality cherries</td>
<td>• Increase production and pack out rate for HIGH export quality cherries in regions where possible</td>
</tr>
<tr>
<td></td>
<td>• Provide a vehicle to share industry knowledge/skills i.e. domestic study tours, publish information in industry materials, present information in industry conferences/functions</td>
</tr>
<tr>
<td></td>
<td>• Monitor trends to continuously improve on production quality</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>Improve on</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Most of mainland growing regions have no pest free area status            | • Negotiate for area freedom recognition where possible by:  
- Identifying areas that are pest or fruit fly free or candidates thereof  
- Providing a study to review the Tasmanian and Riverland model, identify & quantify benefits as well as demonstrate capabilities in maintaining status i.e. risk analysis, audit system, data monitoring, defense measures, financial viability, etc.  
• Commission studies for pest/fruit fly eradication i.e. irradiation studies  
• Prioritise areas for eradication i.e. where eradication and status maintenance is more feasible, high potential for production and production growth of export quality cherries  
• Collaborate with other relevant industries to share resources |
| Limited number of export players, lack of export market knowledge among most cherry growers, lack of commitment to export markets (opportunistic approach to price), limited supply of consistent export quality cherries | • Ramp up industry export capability through: export forums, export market study tours, market/trade intelligence reports, market studies  
• Communicate information through industry publications, conferences, industry website and other materials  
• Encourage cooperative/consolidating options that may be traded under specific brands |
| Limited access to export markets                                          | • Identify market priorities based on risk analysis and potential industry benefits  
• Develop and leverage relationships with in-market Agricultural Counselors, DAFF-TMAD, Biosecurity Australia and relevant foreign government officials  
• Actively participate in government discussions  
• Maintain OHMA membership and actively participate in it  
• Encourage trade in newly acquired markets, otherwise future access may be impaired. |
<p>| Fragmented Australian cherry industry in relation to exports              | • Regularly communicate the need to accept regional differences and work towards favourable agreements without the expense of restricting opportunities for any growing area. |</p>
<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Take advantage of</th>
</tr>
</thead>
</table>
| Existing Free Trade Agreement – ASEAN              | • Actively develop and maintain trade relationships through market visits, trade shows, trade briefings and other communication tools  
• Actively support trade through generic promotions i.e. merchandising, sampling, advertising/PR, etc.  
• Collaborate with other relevant industries to share resources |
| Free trade agreement negotiations with South Korea & India | • Actively participate in and monitor negotiations to ensure favourable terms for Australian cherries  
• Improve on market intelligence databank through: trade intelligence reports, market studies, study tours (may include trade shows)  
• Maintain OHMA membership and actively participate in it |
| Opportunity for growth in existing export markets | • Actively develop and maintain trade relationships through market visits, trade shows, trade briefings and other communication tools  
• Actively support trade through generic promotions i.e. merchandising, sampling, advertising/PR, etc.  
• Collaborate with other relevant industries to share resources |
<p>| New technologies to overcome fruit fly / pest issues | • Commission studies to explore and evaluate new options (i.e. new technologies &amp; international research findings) to address fruit fly issues. |
| Australia Fresh – Opportunity to collaborate with other industries in developing trade and promoting Australian product in export markets | • Participate in the Australia Fresh Program to maximise shared resources and gain a higher profile in export markets. |</p>
<table>
<thead>
<tr>
<th>Threats</th>
<th>Address or Avoid</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Australian dollar High production cost</td>
<td>• Leverage on higher quality cherries to justify higher price (in comparison with competition)</td>
</tr>
</tbody>
</table>
| Unfavourable climate Poor season | • Commission research on crop improvement / protection from climate variables  
• Communicate developments on a timely basis to export markets and further emphasize/forge partnerships |
| Growth of southern hemisphere competition in Asia | • Monitor competition activities  
• Actively support trade through generic promotions i.e. merchandising, sampling, advertising/PR, etc.  
• Leverage on higher quality cherries  
• Leverage on ‘supply on demand’ using air freight  
• Collaborate with other relevant industries to share resources |
| Protocol development trend among non-phytosanitary export markets  
New and unfavourable import protocols among existing export markets | • Closely monitor existing and potential market access issues, determine risks and provide timely initiatives and/or responses  
• Develop and leverage relationships with in-market Agricultural Counselors, DAFF-TMAD (Trade & Market Access Division), Biosecurity Australia and relevant foreign government officials |
| Loss of pest free / fruit fly free status among existing areas | • Develop and leverage relationships with Plant Biosecurity, AQIS, DPI, relevant local government officials  
• Actively participate in government-initiated review, planning and consultation sessions |
**INDUSTRY POSITIONING**

Australian cherry production is expected to reach its current maximum capacity of 15,000 tonnes by 2016-2017. The development and growth of the Australian cherry industry is dependent on the expansion of the Australian cherry market - to absorb increased supply at a favourable price and avoiding oversupply in the domestic market.

There is an opportunity to further expand the Australian cherry export market particularly due to the following:

5. An average of only 17% of the Australian cherry production is currently exported (2008-2012). There is room to increase exports particularly with the growing interest in exports among industry members. Note: Table grapes is the second largest fresh horticulture export for Australia and table grape exports are at an average of 38% of its production.

6. Most export markets for Australian cherries have shown positive growth in their cherry imports.

7. Australia’s competitive advantage over its major competitor, Chile:
   a. The industry can supply the Asian markets on demand through favourable airfreight costs and lead times.
   b. A niche market of premium quality cherries is untapped by major southern hemisphere competitors such as Chile.

8. There is growing interest in exports by other fresh horticulture industries. There is an opportunity to share in resources by collaborating with them in pursuing similar goals. Collaborative efforts will also result in higher impact on export markets.

Despite favourable circumstances, the cherry industry will move forward with significant challenges:

1. High export price due to high exchange rates and relatively high production costs
2. Limited supply of consistent export quality cherries
3. Limited export orientation and knowledge among industry members
4. Limited Pest Free Areas
5. Strong competitors in the southern hemisphere
6. Trend of non-protocol countries moving towards establishing protocols
Among the challenges in exports, the area of market access is a growing concern for the industry. The trend of non-protocol countries establishing protocols creates barriers within the national industry, between non pest free areas (PFAs) and regions with PFA status.

Although exporting of cherries has become a very complex process which industry must be aware of, building exports will be key to avoiding an oversupply and overdependence in the domestic market. It is critical that the whole of industry recognise the need to collaborate together in building export opportunities. In no way does this denote that all growers should shift to exports. The industry must rationalise production and distribution based on area capabilities:

- Ability to produce export quality cherries based on climatic conditions and varieties
- Pest / Fruit fly area situation
- Commitment to export markets in supply and quality consistency

By building the export business, the whole of industry will benefit. The domestic market will deliver more positive results to the industry, risks are spread out and options increased. It is critical that all industry members support this goal, regardless of whether they supply domestic or export markets. Growth in cherry exports will equate to growth for the entire Australian cherry industry.

To further maximise the potential of cherry exports, there is great opportunity to share resources and gain greater recognition and awareness in export markets by collaborating with other Australian horticulture industries sharing the same goal as well as sharing resources through the Australia Fresh program. It is in the best interest of the industry to leverage on this program and gain as much benefit as possible.
PRODUCT POSITIONING

Australia supplies high quality fresh cherries on demand.

Australian Grown, Airflown Fresh Cherries.

Australian Cherries – Supplying Freshness on Demand.

OBJECTIVES

1. Gain more favourable access to at least 5 markets (new or existing)
   
   China – Ongoing negotiations for more commercially recognised protocols
   Thailand – Ongoing negotiations for more commercially recognised protocols
   Taiwan – A review of existing protocols will be conducted to explore the potential to obtain more commercially viable protocols
   Japan & South Korea – Potential negotiations for more favourable protocols for non pest free areas.
   Existing non-protocol countries are expected to impose more restrictive protocols in future and standard negotiations will be in place.

2. Increase average exports from 17% of production to 30% based on 5 years from 2012-2013 to 2016-2017.
### Target Export Markets

<table>
<thead>
<tr>
<th>Market Category</th>
<th>Export Markets</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Markets</td>
<td>HK (Administrative Region of China)</td>
<td>Largest export market for Australia. Essential to maintain trade relations with this market due to the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tried &amp; tested trading relationships and infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Same trade players in China</td>
</tr>
<tr>
<td></td>
<td>Taiwan*</td>
<td>Second largest market for Australia. With 64% northern hemisphere market share, there is high potential to grow the counter seasonal market despite competition with Chile and New Zealand. Existing re-export trade to China.</td>
</tr>
<tr>
<td>Existing Markets</td>
<td>ASEAN Markets except Thailand</td>
<td>Access available to the whole Australian cherry industry. EU markets are currently down but should be closely monitored. UK, Netherlands, France were previously substantial markets for Australian Cherries. Indonesia is</td>
</tr>
<tr>
<td></td>
<td>Middle East</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others (incl EU)</td>
<td></td>
</tr>
<tr>
<td>Growth Markets</td>
<td>India</td>
<td>Exponential growth of cherry imports. FTA under negotiation.</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>Exponential growth of cherry imports. Other industries reported existence of premium niche mkt.</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>Substantial growth in total cherry imports. Good market for lower quality product but has potential issues on market access i.e. pending Jakarta port closure.</td>
</tr>
<tr>
<td></td>
<td>South Korea* (For TAS only)</td>
<td>FTA under negotiation. New access for Tasmania. With 96% northern hemisphere market share, there is extremely high potential to grow the counter seasonal market. Despite the Chile – Korea FTA, No Chile exports to this market as of 2010-2011. Chile movements must be closely monitored.</td>
</tr>
<tr>
<td></td>
<td>Japan* (For TAS only)</td>
<td>New access for Tasmania. With 99% northern hemisphere market share, there is extremely high potential to grow the counter seasonal market especially for premium quality cherries.</td>
</tr>
<tr>
<td>Market Category</td>
<td>Export Markets</td>
<td>Remarks</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Future Markets</td>
<td>China*</td>
<td>Access currently under negotiation. With increased demand for imported cherries in addition to substantial grey trade from other markets, it is believed that there is potential to grow Australian cherry exports with this market.</td>
</tr>
<tr>
<td></td>
<td>Thailand*</td>
<td>Third largest market for Australia. Although trade is on hold, it is important to closely participate in negotiations and maintain relationships with the trade and government officials until such time that access is reopened.</td>
</tr>
</tbody>
</table>

* Protocol Countries

With the current situation, it is recommended that all regions with no pest free area status, focus and further explore opportunities in non-protocol countries such as Singapore, Malaysia, Vietnam, India, Indonesia and the Middle East while even strengthening their position in Hong Kong.

It is worthwhile noting the following:

- Non-Protocol countries in the ASEAN region may start reviewing their trade policies and move towards protocol restrictions
- Significant cherry import growth of India and Vietnam
- On-going negotiations with India and South Korea for a Free Trade Agreement (FTA negotiations exclude sanitary and phytosanitary access-related issues)
## EXPORT STRATEGIES

### Objective

1. **To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level**

### Strategy

**Industry Export Capability**

To grow the cherry export trade, the industry must primarily build its capability to service export markets on a long-term basis.

### Program Options

#### Market / Trade Intelligence

Build a better understanding of export market requirements through the following Australia Fresh program activities:

- **Trade Intelligence Reports** – review existing reports to provide relevance and input for better planning and strategy.
- **Market Studies** – prioritising markets where a substantial investment will be made in gaining access or meeting market demand.
- **Market Feedback**.
- **Trade Exhibitions** – participation in these activities also provide insight to what the markets require.

#### Product Improvement Studies

Commission studies to:

- Improve crop protection from unfavourable climatic conditions.
- Reduce production quality variability.
- Identify variety characteristics (and its production requirements) that will consistently deliver higher export quality cherries.
- Improve on grading system to ensure delivery of consistent high export quality product.
- Conduct return-on-price studies to determine if increased grading/packing/production costs to supply higher quality cherries will deliver more higher profits vis-a-vis cheaper but lower quality cherries that directly compete with other southern hemisphere cherries.

---

20 *Objectives have been taken from the Cherry Industry Investment Plan*
### Educational Program
The industry has a wealth of experience and knowledge in supplying world-class cherries to export markets. The following activities will build on that experience and knowledge across existing and new export players within the industry:

- Cherry export forum
- Domestic study tours
- Industry conferences
- Feature articles in industry publications/website
- Domestic road shows
- Export Mentoring Program

In addition, it is essential that the cherry industry participate in the Australia Fresh Export Forum where there is an exchange of ideas & knowledge among other industries regarding similar concerns.

### Consolidation / Cooperative Options
To leverage on increased volume while maintaining consistent quality standards is beneficial for smaller exporters/growers. Consolidation and/or cooperative options may be considered. Possible model to study is Avocado Export Company. A white paper will be developed to provide an analysis and plan should there be interest in developing an export cooperative.

### Outcome
- Increased production of export quality cherries
- Increased pack out rate of (high) export quality cherries
- Improved quality consistency
- Improved export culture among industry members
**Objective**
1. To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level

**Strategy**
Biosecurity
The eradication of fruit flies and other pests in cherry growing regions is essential in improving access into export markets. Maintaining area freedom status is equally important.

**Program Options**
**Cherry Biosecurity Officer**
A Cherry Biosecurity Officer will focus on the following:
- Negotiate for area freedom recognition where possible by:
  - Identifying areas that are pest or fruit fly free or candidates thereof
  - Commissioning a study to demonstrate the viability of monitoring and maintaining area freedom status in these areas
- Recommend and project manage studies for pest/fruit fly eradication i.e. new technology, international research developments
- Recommend priority areas for eradication i.e. where eradication and status maintenance is more feasible, high potential for production and production growth of export quality cherries
- Collaborate with other relevant industries to share resources
- Develop and leverage relationships with Plant Biosecurity, AQIS, DPI, relevant local government officials
- Actively participate in government-initiated review, planning and consultation sessions

**Pest / Fruit Fly Eradication**
Commission studies to:
- Review new technology and closely monitor studies particularly in irradiation
- Monitor international research developments
- Review the Tasmanian and Riverland biosecurity system, identify & quantify benefits as well as demonstrate capabilities in maintaining status i.e. risk analysis, audit system, data monitoring, defense measures, financial viability, etc.
- Demonstrate the viability of monitoring and maintaining area freedom status in smaller cherry growing areas (example: Adelaide Hills)

**Outcome**
- Increased number of recognised pest / fruit fly freedom areas
- Improved biosecurity measures to maintain freedom area status
<table>
<thead>
<tr>
<th>Objective</th>
<th>1. To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level</th>
</tr>
</thead>
</table>
| Strategy | **Market Access**  
To ensure the long term development and growth of the cherry export business, the industry will pursue new markets where there will be substantial industry benefits. Maintaining and/or improving access into existing markets is equally important. |
| Program Options | **OHMA**  
Maintain membership/participation in OHMA. |
| Market Access Officer | - Identify market priorities based on risk analysis and potential industry benefits  
- Actively participate in and monitor negotiations to ensure favourable terms for Australian cherries  
- Closely monitor existing and potential market access issues, determine risks and provide timely initiatives and/or responses  
- Coordinate with cherry biosecurity officer and other relevant industry representatives in technical matters  
- Develop and leverage relationships with in-market Agricultural Counselors, DAFF-TMAD (Trade & Market Access Division), Biosecurity Australia and relevant foreign government officials  
- Improve on market intelligence databank through: trade intelligence reports, market studies, study tours (may include trade shows)  
- Encourage trade in newly acquired markets, otherwise future access may be impaired. |
| Outcome | - Improved access in existing markets  
- Access into new markets |
<table>
<thead>
<tr>
<th>Objective</th>
<th>2. To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply.</th>
</tr>
</thead>
</table>
| Strategy  | **Trade Development**  
To develop awareness and strengthen trade of Australian cherries in export markets (buyers, retailers, wholesalers) are essential. |
| Program Options | **Trade Briefings**  
International briefings will be conducted in selected markets each year through the Australia Fresh program. These briefings are a chance to further promote the industry to buyers and provide them with more specific information such as seasonality, varieties, growing regions, on-farm and post-harvest practices, season’s outlook as well as product usage, storage and handling guidelines.  
Additional buyer meetings may be organised by the industry to coincide with other activities whenever possible. |
| Program Options | **Trade Exhibitions**  
The cherry industry will participate in relevant trade exhibitions where there will be a concentration of buyers from relevant markets (please refer to target export market). |
| Program Options | **Trade Education**  
Educating buyers, wholesalers and retailers on Australian cherries (production standards, availability, usage, storage, etc.) builds relationships and provides a good understanding for the product, allowing for more effective selling. This activity may be done in collaboration with other horticulture industries. |
| Program Options | **Trade Advertising**  
Advertising in selected trade publications is essential in further building awareness of Australian cherries and its availability. |
| Program Options | **Trade Communication**  
Providing a vehicle to communicate with the trade on a regular basis reinforces awareness of Australian cherries. Communication vehicles include e-newsletters, industry website, export kits and other communication materials. |
| Outcome | • Improved awareness of Australian cherries among the trade  
• Improved relations with the trade |
<table>
<thead>
<tr>
<th>Objective</th>
<th>2. To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply.</th>
</tr>
</thead>
</table>
| **Strategy** | Market Promotions  
Building presence among consumers in each market is essential in generating demand for Australian cherries. |
| **Program Options** | Cherry Brand Identity  
To build presence in each market, consistency of message, look and feel is important. Substantial capital investment and time is needed to build a brand in any market. It would be more effective to leverage on an existing logo that has established recognition. Participating in the Australia Fresh program will provide such leverage.  
**Consumer Promotions**  
- Merchandising in retail and wholesale outlets using point of sale materials  
- Sampling in coordination with retailers/wholesalers and exporters  
- Other retail promotions  
Should there be limited budget in this area, merchandising is a priority. |
| **Outcome** | • Increased awareness of Australian cherries among consumers  
• Increased sales / demand for Australian cherries  
• Improved relations with retailers/buyers |
<table>
<thead>
<tr>
<th><strong>Program</strong></th>
<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade Intelligence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Product Improvement Studies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Educational Program</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidation / Cooperative Options</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cherry Biosecurity Officer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pest/Fruit Fly Eradication</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OHMA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market Access Officer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Briefings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority: Taiwan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other existing markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Exhibitions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority: AFL, China FVF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others: Middle East, Russia, FL Berlin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority: Taiwan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other mkts where there is across industry collaboration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Advertising</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority: Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trade Communication</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All markets especially Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cherry Brand ID</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>X</strong></td>
</tr>
<tr>
<td><strong>Consumer Promotions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority: Taiwan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other existing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other existing markets may be selected based on opportunities for across industry collaboration.

Export roadmap timelines should be linked to budgets and timelines developed in the Australian Cherry Industry Investment Plan 2012-2017.