

INQUIRY INTO THE BUSINESS EXPERIENCE IN UTILISING AUSTRALIA'S FREE TRADE AGREEMENTS

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Mr TAYLOR: My sense is, and I might be wrong about this, that at the moment these markets are not all that big. It would be interesting to see what sort of numbers they are. How big is the opportunity here if we get this right in vegetables? I am thinking of it from the point of view of a grower, where the primary focus historically has been the domestic market because everything changes as you get a big, fast-growing export market. Is there a chance we could see that very significant shift if we get this right?

Mr Razdan: I think there is. We do not really have numbers on potential profits.

Mr TAYLOR: Even revenue is fine. Do you have a sense of that?

Mr Razdan: I can take that on notice and find out. I could give you an approximate if you like. But there is huge opportunity. As I mentioned before, there is a lot of demand for our premium produce, which Australia really does have the benefit of exporting. Other countries know about it and they want to get it. With increased wealth in China and Asian countries, they tend to demand a wider range of vegetables and some that we can provide. They are willing to pay more for them. So I am happy to take that on notice.

AUSVEG RESPONSE

There are many variables that impact on future export revenue, such as market access to particular commodities and countries, the consequential demand from overseas countries, the capacity of Australian vegetable growers to supply overseas requests and economic factors such as exchange rates.

AUSVEG has analysed the potential return on investment (ROI) from market access programs, which finds that there could be a 75% ROI using a conservative scenario, up to a 782% ROI for an optimistic scenario.

As an example, China imports over \$3.5 billion (AUD) worth of vegetables annually, with Australia accounting for only a 0.07 per cent share, or \$2.5 million. Germany exports almost 10 times more than this figure to China. If Australia achieved market access for a range of vegetables to China for example, there is no reason why Australia couldn't export \$25 million worth of vegetables to China annually as opposed to \$2.5 million. Japan is currently Australia's largest vegetable market at \$46 million. This illustrates just how realistic \$25 million worth of exports to China would be, given China is a much larger market than Japan.

The increase in exports would naturally be incremental and take a number of years. As Mr Taylor correctly noted, export markets are not very big in Australia, valued at \$256 million. Currently, the Agriculture sector exports around 60% of production, whereas vegetables are at approximately 7%. If the vegetable industry exported 60% of production, exports would increase from \$256 million to over \$2 billion.

If market access is achieved and protocols are in place that are conducive to exporting, AUSVEG anticipates many more growers will realize the financial gains derived from overseas markets and therefore start exporting. As a result, vegetable exports can and should grow exponentially.