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WITNESSES

**BAKER, Mr John, Managing Director, Australian Horticultural Corporation, Level
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**OFFNER, Mr Neil, Export Development Manager, Australian Horticultural
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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES, RESOURCES AND RURAL
AND REGIONAL AFFAIRS

Benefits of agricultural trade reform

CANBERRA

Wednesday, 26 November 1997

Mrs Bailey (Chair)
Mr AdamsMr Hawker
Mr AndrenMr Nairn
Mr CausleyMr O'Connor
Mr CobbMrs Stone
Mr FitzgibbonMr Wakelin
Mrs Gash

The committee met at 10.02 a.m.

Mrs Bailey took the chair.

CHAIR—I declare open the second public hearing of the inquiry by the Standing Committee on Primary Industries, Resources and Rural and Regional Affairs into the benefits of agricultural trade reform. We began our series of public hearings by taking evidence from the National Farmers Federation. Today, we will be hearing from the Australian Horticultural Corporation, one of the statutory marketing authorities.

Before proceeding, I advise the witnesses that committee public hearings are recognised as proceedings of the parliament and warrant the same respect that proceedings in the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence they give before the committee. Witnesses will not be asked to take an oath or to make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament.

The committee prefers that all evidence be given in public but should witnesses, at any stage, wish to give evidence in private, they may ask to do so and the committee will give consideration to the request.

BAKER, Mr John, Managing Director, Australian Horticultural Corporation, Level 14, 100 William Street, Sydney, New South Wales

OFFNER, Mr Neil, Export Development Manager, Australian Horticultural Corporation, Level 14, 100 William Street, Sydney, New South Wales

CHAIR—Welcome. I invite you to make a brief opening statement to the committee.

Mr Baker—Thank you, Madam Chair and committee members. Neil and I are certainly delighted to be able to have the opportunity to share with you our experiences of Australian horticulture. As a brief opening, I would like to present a brief overview and cover some of the current operating environmental concerns that the industry has and then, if I can hand over to Neil, he will give you a brief trade and trade liberalisation perspective. At the same time I think it will address some of the issues that have been raised in the correspondence that we have had with your committee.

Firstly, an overview—and I am pleased that you have been out to look at horticulture, amongst the other sectors of agriculture, as a committee. Horticulture is the fruit, the vegetable, the nut and the ornamental industry, fundamentally, with a farm gate value of around \$4 billion. The AHC's role is primarily with the fresh industry, so we work with the apple, the pear and the citrus industries, the nut industry—the macadamia industry in particular—and also the nursery industry. That is the area we would like to concentrate on today because of the expertise we have in that area.

The Australian Horticultural Corporation provides domestic and international marketing support programs for our participating industries, but there are industry-wide programs, such as market access, that we also undertake. So there is a continuum, really, from market or competitor research, information on what is happening on the domestic market, all the way through to market access and market development strategies, and working all the time with industry on trade and consumer promotion activities as well.

It is fair to say—and it has probably been reinforced by your visits to the different regions of Australia—that most of the industry is fundamentally domestically focused. There are some variations to that, like the macadamia industry and, to a certain extent, the pear industry, or even geographic locations, like the northern Tasmanian area that you visited recently.

Exports of fresh fruits, vegetables and nuts in 1996-97 totalled almost \$600 million. That is the ninth year in a row where the value of exports has increased. One of the features for Australia is that we have a range of fruits and vegetables to a range of markets, but primarily to Asia. Given that, though, there are 12—the top five fruits, the top five vegetables, and macadamias and almonds—that would constitute about three-quarters of the exports.

The other thing that is important to stress is that around 80 per cent of our exports go to Asia. While for agriculture the ramifications of what is happening in Asia have not sunk in too much until recently, with the developments in Korea and Japan, for horticul-

ture our key markets are more in South-East Asia so the impact since mid-August of the currency crisis and the smoke haze has certainly been a big impact for the industry.

Our top four markets are Singapore, Malaysia, Indonesia and Hong Kong. They would represent almost half of the total fresh horticultural exports from Australia. So you can see that with the developments that have occurred there since August, horticulture is certainly being impacted on severely in some instances. You might even see that in the retail prices that you are paying here domestically because of the circumstances that the industry is in. Export markets have declined, in some cases up to 70 or 80 per cent, so more production has to go onto the domestic market. That is why I would like to lead in briefly to some of the issues that the horticultural industry is currently facing.

In summary, it is a very difficult time, whether it is the Queensland vegetable industry up around Bowen, Bundaberg and those areas, or even the areas that you visited not so long ago in central western New South Wales. You have heard a lot about the citrus industry but, in some ways, as I was saying earlier, that has masked the message from the rest of horticulture, because the apple industry has had a very difficult season. Also, we are going to have some major challenges in the season ahead for stone fruit as the new season crops come in. That is because of the Asian currency crisis and the smoke haze. As I mentioned earlier, there will be a slowdown in exports and it will impact on the domestic market.

Another thing is the increasing level of competition around the world. South Africa is becoming a bigger player in Asia, and they have got more production to come on stream. South America, Chile, Argentina, Uruguay and Brazil are very significant in the fresh market these days. A lot of that information we gain through our membership of a Southern Hemisphere exporters group where there is a sharing of information that we can tap into.

In Europe there are major changes also that will impact on the Australian industry, and not beneficially. What they are doing, in effect, is changing the method of support within the EU away from paying people to destroy product to actually giving them positive marketing support. When I talk about positive marketing support I mean that within four or five years that will equate to about \$A800 million a year for programs like new pack houses, quality programs, promotional programs, and market support programs generally. And given that they are going to have this increased product available because they are not destroying it, they will have to find new markets.

Europe is basically a full market, although there are some developments in eastern Europe. Their concentration is in Asia, like the rest of us, and while it is counter-seasonal, it will have an impact. For the first time this year we are seeing Italian apples in Malaysia. France has already got a bigger market share of the apple market in Singapore than we have, and partly because of the support that they get. They have really challenged us there.

Australia is an attractive market. There are 18 million relatively affluent people here that they are looking to supply in a counter-seasonal sense. So there are trade ramifications even on our domestic market. Certainly, and I think you would have seen it during your visits to regional Australia, there is increasing production in certain crops, even in

Australia.

Overall, we believe that there are probably three questions that the industry needs to ask regarding export markets. Firstly, in our major markets of South East Asia, how can we get back to being a competitive supplier? That is where we need innovation. The Australia fresh promotion and retail support program is one example. Innovations in packaging and innovations in transport where the major cost centres are is what is required.

Another thing in terms of those markets, as we have noted in the background information that we provided to you, is that countries like Indonesia have still got relatively high tariff rates, even though they are coming down. For all of us, things like reductions in tariffs are very critical.

The second question is: what can we do in other markets where we may not have tapped our full potential? For example, we do have access for some products to Japan. Have we maximised the benefits of the access there? Is there more that we can do in Europe? Is there more that we can do in the United States? Is there more we can do in the Middle East where we have been active in the past? I suppose, given hindsight, we should have stayed active there, whereas the focus has been more and more into Asia.

The third question is: what do we do in terms of opening up closed or restricted markets such as China, Korea, or even the liberalisation of the Taiwan market? Trade and trade liberalisation are certainly critical issues for the horticultural industry.

I do not want to paint a completely doom and gloom picture because there are some outstanding examples of success. I will give you one example, which is the US navel program out of southern Australia. That market was opened to us in 1992 and this year we will have exported over one million cartons or 20,000 tonnes. It is the most profitable market for the citrus industry.

Rather than just get access in a straight commercial sense, the industry said, 'How can we maximise getting access into that market?' There are specific market development strategies that the industry has developed. Those million cartons this year will put back into the Riverland, the Sunraysia and the Riverina something like \$20 million. More importantly, from the figures that the industry has given us, that market alone has generated the equivalent of 300 full-time jobs in the pack houses and in the orchards for harvesting, just to service that US market.

There are some success stories and it emphasises the importance of horticulture to Australia's regional development and employment. It also highlights the importance of trade and trade liberalisation. I will now ask Neil Offner to give you a brief picture of the trade situation.

Mr Offner—Market access, as we define it in terms of our role, is addressing government restrictions, both quarantine restrictions and non-quarantine restrictions. Market access is a very high priority for many sectors of our fresh horticultural industry.

The Australian Horticultural Corporation manages the National Horticultural Industry Market Access Committee. John Baker chairs that committee and my role is secretary of that committee. The key objective of the national market access committee is to set national industry priorities which feed into the government processes. Those national priorities are used as key reference points by the Australian Quarantine and Inspection Service. They are used as a reference point for the Horticultural Research and Development Corporation when they are funding projects, particularly disinfestation research projects, and they are used by the Department of Foreign Affairs and Trade in the non-quarantine area in terms of WTO negotiations and the various bilateral negotiations that are going on.

We are very proud of the committee. It comprises a very wide cross-section of industry representatives across both fruit and vegetable industries, and service providers such as the Australian Quarantine and Inspection Service, Austrade, and the Department of Foreign Affairs and Trade. In addition, the crops division within the Department of Primary Industries and Energy, and the Horticultural Research and Development Corporation are on the committee.

This issue is a very large issue and, speaking very broadly, in terms of major current and what we term our targeted markets, it is probably a fair generalisation to say that quarantine barriers have more importance in north Asia and the USA—with north Asia I am referring to Japan, Korea and China. Non-quarantine barriers, such as trade restrictions and high tariffs, are actually apparent in different forms throughout the world and throughout Asia. Countries that come to our mind in terms of being important in the non-quarantine area would include Thailand, Taiwan, Korea, China and India. I have just come from a meeting with the Department of Foreign Affairs and Trade on India where there has been a positive development in very recent times.

Mr FITZGIBBON—For quarantine issues, you said north Asia and the USA?

Mr Offner—The USA is a market where, if we do have issues, they would be of a quarantine nature in the main, yes. There have been successes in the market access area, but it is correct to acknowledge that it is a slow process. We have had successes in gaining access in citrus to Thailand and the USA—which John has already mentioned—and Japan has been open for more than 10 years for Australian citrus. We have had more recent success in gaining access for mainland fruit to the Philippines. We have had success within the last three years in gaining access for mangoes to Japan. I think that within the last week there has been an announcement about Tasmanian apples—we now see access to China. We have had success through the Department of Foreign Affairs and Trade process in negotiating quota arrangements in Taiwan in the last 12 months for citrus, plums and peaches. As time goes on, I am sure we will tease out a lot of issues in my opening statement.

In conclusion, there still remain many market access challenges in both the quarantine and the non-quarantine areas. Improved market access and better trade liberalisation are ways of addressing the many challenges that John has alluded to. The more markets we have at our disposal as a horticultural industry, the better off the industry is in a climate of rapidly increasing competition and international production in many commodity

areas. We have had successes. We are continuing to work in the quarantine area and the non-quarantine area but, as I alluded to earlier, there are many challenges remaining in both the non-quarantine and quarantine side of market access.

CHAIR—Thank you for those opening comments. You have raised a number of issues. We have got a very good representation of committee members today, so we will be teasing out a lot of those issues. Firstly, John, you have identified that this is approximately a \$4 billion industry. You have spoken about the industry being divided into fruit, vegetables, nuts, flowers et cetera. Can you explain to this committee whether you believe that the lack of a peak industry body is actually acting as an impediment to the industry, especially in looking at market access and at issues such as chemical residue and pest management?

Mr Baker—In response, there certainly are benefits in having a better structure. There are a myriad organisations. Even within the citrus industry, there are something like 40-odd organisations. They have difficulties even communicating within themselves, and to communicate out and for us to communicate back is a challenge. That is just a sample of the challenges that occur. There has been a lot of effort put in over the last three or four years to try to get a better structure. As I mentioned, there is a meeting over the next two days in Victoria to try to see—

CHAIR—In the magnificent electorate of McEwen, I hasten to add. What do you hope to get out of this meeting?

Mr Baker—Well, I suppose it is what the industry is hoping to get out of it; it recognises that there is a lack of cohesion. As I said earlier, I think the message about the concerns that are out there in horticulture are not getting through to Canberra, not because you are not hearing but because the message is not coming in the first place. There is not the cohesion that could provide you with the feedback that you are probably getting from other industries that have better cohesion.

CHAIR—It is a lot more than simply a lack of cohesion. You have got major issues, some of which both you and Neil have already identified, especially in terms of market access. If the industry doesn't restructure itself to have a peak body that is dealing with these issues, isn't this going to be a further impediment to future development?

Mr Baker—As Neil outlined with the structure of the market access committee, the area of market access is probably one of the few areas where there is cohesion.

CHAIR—So it is not a major problem.

Mr Baker—No, but it is a major problem overall. We have picked up things from Europe in the last couple of months and there has been Bill Clinton's initiative in the US—for instance, using technical barriers to trade. I mean, the Europeans are on about genetically modified organisms and Clinton has come out with this program in relation to food safety, which everyone else believes is a dressed-up version of protecting the US domestic market. Those are major issues for us and you raised the point about chemical residues, residue monitoring, the need to develop integrated pest management programs

and so on. Those are the sorts of messages that are almost impossible to get down to the grassroots level because there is no structure, or very inefficient structures, to be able to do that.

Mrs STONE—In terms of the industry organisation and the industry's ability to decide on parameters and benchmarking and so on, one of the biggest problems is quality control in export. So we are constantly shooting ourselves in the foot because we have got rubbish out there. We have had inquiries to which we have basically said, 'Look, we will not go for the idea of single desk selling and we cannot peel away the rights that certain packing sheds already have to export anything.' So what is your answer to that in terms of exports? How do you sit in the AHC and see this problem of how to get a consistent line of product like New Zealand has, for example, through the New Zealand various single desk selling agencies?

Mr Baker—That is a good question because there are pros and cons of the New Zealand model. I mean that 10 years ago everyone was holding up New Zealand as a model for the way to market. If you were to talk to a New Zealand apple grower right now, I think they would take anything other than the New Zealand Apple and Pear Board because they have had major problems over the last few years. So single desk selling in Australian circumstances is not the way to go anyway. Certainly, the models coming out of New Zealand and the restructuring in the South African industry are probably lessons for all of us.

But, in answer to your question, one of the things that the AHC has done in working with the industry is set up the Australia fresh program, which is a quality based export program. While we only have 33 licensees, and there are probably 200 exporters in Australia, those 33 licensees would represent about 70 per cent of the apple, pear and citrus exports out of this country. One of the issues in the review that we have just undertaken is that they are saying that they want the bar raised when it comes to quality.

I think that is the best news I have heard in a long time because those people want to take responsibility for their own destiny and they want to be recognised apart from the other 170 exporters out there. We will have more licensees in due course. The stone fruit industry is interested. Sections of the mango industry are interested in participating as well. They know what the rules of membership are and they are keen to be part of that.

Mrs STONE—So do you hope that the other 30 per cent currently not licensed will eventually come on board? There is no other way you can constrain people who put product out that gives our licensed exporters a bad name.

Mr Baker—Because the focus is in Asia that has a downside with the circumstances that exist in the market at the moment. But at least we can concentrate our energies with things such as the Australia fresh program. It is not just about promotion programs in the wet markets or in the supermarkets; it is a lot about establishing below the line relationships. This is a key challenge for us where we are working in with dairy and meat, for example, in providing retail training programs to the new supermarket chains that are coming in.

I am delighted that we have had retailers in Malaysia, Singapore and I think even in Indonesia who, through Austrade, have said, 'We want some support from Australia in retail training and merchandising and so on.' They did not go to the Americans or New Zealanders or the South Africans. I think that is a symptom of the relationship that we are building under the banner of Australia fresh. What we want to do is assist those licensees get their products on the shelves and keep them on the shelves during their season and then, in effect, hand them over to the next product that is in line that is coming from Australia and, ultimately, build a preference and a premium for those licensees who have a quality base product in the marketplace.

Mr ADAMS—What is happening with the quality control systems and certifications? What processes are going on there?

Mr Baker—I think there will be two things. The first is the regulatory side of it. Domestically, with the Australian and New Zealand Food Authority, it is likely that there will be minimum regulatory requirements with this HACCP—hazard analysis at critical control points—based quality system. The second is the commercial side of it. Companies such as Woolworths and Coles recognise it as being good business for them with due diligence and all the other issues that they have to cover.

So what we are talking to industry about, within the Australia fresh program, is a HACCP based program that includes such features as a trace-back system, spray diaries, and so on, because the chemical issue is certainly an important one. We believe that is applicable in export markets, and certainly the feedback we are getting from Europe and North America, and starting in Asia, is that that is what they are looking for. I do not think regulation per se is the answer.

Mr ADAMS—So what do you say the market is looking for?

Mr Baker—They want two things: one is that they want to be assured that the product is safe and wholesome. That is the fundamental and increasingly—

Mr ADAMS—So what goes on the box to say that?

Mr Baker—That is where the role of the Australia fresh program becomes even more important because people know that that stands for product that meets certain criteria. The other reason that exporters are asking for the bar to be raised is that they are looking for at least some product specifications that say, 'Below this, we do not want to send it.' So you have the product and the management system as well.

Mr ADAMS—And those that have already got their markets and do not need the Australian fresh sticker?

Mr Baker—It is interesting, it is those that have had markets for some time—

Mr ADAMS—Are happy to have them.

Mr Baker—Yes, and they are most of our licensees—the Geoffrey Thompsons, who

do the pears out of Victoria, the Vitors, the Kangaras with the citrus in South Australia and so on.

Mr CAUSLEY—And, if you breach the standard, you lose the right to use it?

Mr Baker—You can, yes.

Mr HAWKER—Have you taken that right to use it from anyone?

Mr Baker—No, we have only been going two years. The good thing is that, without exception, the people are saying, ‘Raise the bar.’ I think some of them recognise they might fall under it from time to time but there will be disciplines that will go with that.

CHAIR—How are you getting this information out to the grassroots at the grower level? As we have been travelling around the different areas, the one thing that is coming through to us from growers is that there is a lack of information. That lack of information might be about how to gain access to niche markets, about value adding, or about the standards and the quality required for an export market. How do you get information on all those different levels out to the grassroots level?

Mr Baker—It is almost ‘Mission Impossible’. I would hate to give up. We have not given up, but it is very difficult.

CHAIR—Just to link it in, it is one of the reasons that I am particularly interested in the structure and the lack of a peak industry body as well.

Mr Baker—Use apples as an example. The apple industry is a participant in the AHC. So we have an industry manager who is dedicated to that industry. One of his specific roles is to develop a communication program with the Apple and Pear Growers Association; and so they jointly, for example, are going out and visiting all the major apple regions at least once a year. That is not just to provide information but also to get feedback from producers.

I was involved in that myself about five or six years ago. There are probably about 14 major apple regions around Australia, and between us and the Apple and Pear Growers Association, we covered all of those in the space of about three weeks. At the end of it, though, we got 300 out of the 2,500 apple growers in Australia to attend those meetings. We had it structured so that it fitted in. The locals organised the meetings, and so on. There are people who just do not want to come to meetings, do not want to read the industry newsletters and who do not even listen. We use the *Country Hour* to get messages across, and all sorts of things, as well as regional television.

CHAIR—Did the 300 whom you got to attend tell you how they wanted to get this information? Are they satisfied with the method of obtaining information now? What suggestions did they make?

Mr ADAMS—Could I add to that? What follow-up took place with the 300? Can you broaden that out for us?

Mr Baker—There were a number of things. It is a good question, because one of the things that came out the first year was that they also wanted to hear from the research and development corporation. So, the next year, they were added to the program. We got feedback from them about their industry newsletters. A good example is with the Apple and Pear Growers with their newsletter, which is quite a glossy 12- to 16-page newsletter that goes out 10 times a year. They said to us, 'Give us more information in the winter, and less in the summer.' They are flat out in the summer time and they have got more time to read in the winter—good logical stuff, when you think about it. That was the sort of practical information that we were getting from the 300 who were interested in getting more information.

Mr ADAMS—That is really worth getting on the record. So you thought there were about 2,500 growers, and you have 300?

Mr Baker—Yes.

Mr ADAMS—That is less than one-third.

Mr Baker—Less than 20 per cent.

Mr ADAMS—There is a great deal of apathy.

Mr Baker—There is. The other thing, if I can just add, is that certainly it filters out. The best communication is from farmer to farmer, and I am sure that, from that 300, there would have gone out at least a significant number of the messages that were presented either by us or by the other people who were there.

Mr CAUSLEY—That would be typical of most agricultural industries.

Mr Baker—Exactly. In your area, Ian, I would think that when they get together on Friday night in Maclean or somewhere it is probably as effective as a district agronomist going out and talking to them.

Mr CAUSLEY—The only time they all turn up to a meeting is when they are disappointed with the president, or something like that, and want to have a go at them.

Mr O'CONNOR—John, I am interested in how we are using new technologies in this diffusion of information on quality standards and the marketplace. I was in the Northern Territory and spent some time specifically with the mango growers from the horticultural association up there. They seem to be using sophisticated technology to give them instant feedback from the marketplace. It is a perishable product that is prone to go bad quickly and, as soon the truck arrives in the big southern marketplaces, they have people who go and photograph the actual product. It is all done digitally. It is transmitted back within two hours. The field officer can be back on the farm to talk to the mango grower—not beating with him a stick—about where the process might have gone wrong.

What they have found is that all the growers in the network have started to take a very active interest in all of this because, in raising the quality in the marketplace, the

prices that come back to the ordinary growers have improved, as have the prices that come back to the bigger growers who are suffering because of the poor loads being dumped in the marketplaces down south. There are enormous opportunities for using new technologies to the advantage of producers. Gradually, once you have cracked the nut, the hopeless ones come on board or they get out of the market.

Mr Baker—The example you use is an excellent one. There are two others that we will see in the pipeline in the next 12 months at the latest. Firstly, one of the things we have developed with the industry is product description languages, complete with colour charts. The general manager of the Mildura Fruit Company gave me a good example of the success of one of those. He told me that he had the Sainsburys people in his pack house in July and they saw the product description manual. He said that there was no way in the world that he was going to hang on to that because they wanted to take it back, so that when they were communicating they were communicating in a common language and, out of that, they could identify what it was they wanted to purchase. Secondly, we are now working with the Horticultural Research and Development Corporation and looking to put that on the Internet so that, again, there is an alternative source of communication.

Gavan, building on the example that you used of the still digitised shots, Intel in Australia is developing video cameras for computers that are likely to cost about \$500 rather than the \$5,000 or \$6,000 that they currently cost. They can operate on the normal telephone system rather than ISDN. Once that comes in—again, it is one of the Australia fresh program things—we are looking at saying to our licensees, ‘Think not only about getting one in your office so that you can talk to your importer in Singapore, Jakarta or Kuala Lumpur but also about supplying him with the terminal at the other end.’ Again, it is building this relationship. There are all sorts of things we can do with technology. Unfortunately, it is the 2,000 growers that did not come to the meetings that are not going to pick up that sort of technology.

Mr O’CONNOR—What role do you see for government in these sorts of processes? You talked about marketing support as being very important; that other governments around the world in areas of growth—South Africa, South America and even in Europe—are playing a more active role. From your perspective, do you see a role for government?

Mr Baker—I do not know whether you are all aware that, until June this year, the previous government and this government had provided some funding for industry wide programs. We were able to develop the Australia fresh program to the point where it was and to get the market access committee to be as effective as it is because they are industry wide programs.

The thing that we are finding difficult, for example, is having to live a hand to mouth existence now in getting the critical mass for those sorts of programs. We will be meeting with John Anderson and the two parliamentary secretaries that are directly and indirectly involved later today because it is a concern that we are starting to lose the momentum and the relationships in some of those markets. For a small outlay, whether it is through the AHC or some other vehicle, we need to build and maintain those relationships with the market place in Asia. I would hate what we have done with the HEROs, the cold storages and the NTUCs, the supermarket chains in South-East Asia, to

be lost, given the relationships we have established. If there is a role for government, it is in that sort of area of assisting to build relationships, not any closer to the commercial sector.

Mr O'CONNOR—I am not suggesting that.

Mr Baker—Or even piloting the sorts of technology that we are talking about.

Mr ADAMS—Building packing houses?

Mr NAIRN—What is the break-up in the horticultural industry of domestic as opposed to export—I do not know whether you can tell me roughly off the top of your head—in a volume sense and in a dollar sense? What has that done over the last five years?

Mr Baker—My mind tells me that our total production of fruits and vegetables is around two million tonnes. The volume of exports is around 400,000 tonnes. So you are looking at 25 per cent. That would be a maximum. Certainly, the volume is around 400,000 tonnes. The two million could be 2½ million. I just have not got the collated figures for total production here in front of me.

Mr NAIRN—In percentage terms, it is significantly lower than a lot of the other primary industries, is it not?

Mr Baker—Yes. The other difficulty that the industry has experienced is that the domestic market is just big enough to be a nuisance. New Zealand, with three million people, has had to export. South Africa, with about six million people who could afford to buy most fruits and vegetables, had to export. The same is the case in South America. With 18 million people in Australia it is not a bad market and that is where most people are focused.

There are two unfortunate things about this. One is the issue of communication and market signals. There has been a strong reliance on wholesale markets as a form of distribution. If you look around the world in more sophisticated markets, the wholesale markets are used to sell the product that the supermarkets do not want. We are going that way and I think there is a better communication bridge forming, but there are big implications for that.

If you take Shepparton, for example, there is an over capacity in small pack houses. If you took the Riverland there are 53 pack houses—if it were Florida, you would have two. Then you could afford the technology of colour vision systems and labelling machines and all the rest of it.

Mr NAIRN—This is really part of your problem of the 300 and the 2,500. Realistically, the difference between the 300 and the 2,500 is that they are not really thinking beyond providing that box of apples or whatever to the local wholesale and that is all they want to know.

CHAIR—Is this going to be one of your priorities? In looking at your restructuring, are you actually going to be setting a priority for getting this information and making these producers much better informed?

Mr Baker—The thing that we can contribute is working a lot more closely, say, in the domestic market with the domestic retailers and actually pulling the products through and providing the information back to the industry. To a certain extent that can occur with the exports as well. Although, as Sharman has alluded to, there are 50 years of politics in the apple and pear industry, for example, and there are people who have said to us, ‘Whatever you do, don’t change anything.’

Mrs STONE—They say, ‘It cost us a fortune. Do not take our licences away.’

Mr Baker—Yes.

Mrs GASH—I want to talk about cut flowers. I have a lot of people in my electorate who do that. Do we have enough growers to meet the export demand? Who would be our greatest competitors?

Mr Baker—We are not as close to the flower industry as we are, say, to the fruit and vegetable industry. The observations are that a lot of the flower exports that we do are really feral. That word is putting too rough a point on it, but people hop in their utes and go out in the bush in Western Australia in spring and then put the flowers on a plane to Japan or somewhere else. It is changing. A lot of it used to be field grown out in the open. If you look at the developments that are occurring, particularly around Sydney and Melbourne, a lot more of it is now greenhouse or protected cultivation. So the quality of Australian flowers that you see generally, and that is more the cultivated ones—

CHAIR—Do you mean in the consistency of supply?

Mr Baker—Exactly. It is getting better and certainly that is reflected in how the flower exports to some of our markets are increasing, but from a very low base. If you look at the average price that we are getting, and from what I have seen of figures coming back from, say, Japan, the New Zealanders get more per stem for most of the flowers than we do, which is partly quality related but partly because we see it as a spot market. We are not committed to supplying the market for the totality of our season. If the domestic market jumps all of sudden, then that is the end of the exports.

Mrs GASH—So who is still our biggest competitor—New Zealand?

Mr Baker—New Zealanders, to a certain extent, the Dutch and the Israelis.

CHAIR—Neil, you wanted to add something there, I think.

Mr Offner—I just wanted to make a point about the positioning of the Australian Horticultural Corporation. In all these questions about the industry and export marketing developments and the domestic industry, our major information base, and our strength in terms of communication with industry, is limited to a small number of products. We do

have programs that overlap all of industry—market access, product description, quality, those sorts of areas—but in terms of marketing support programs and day-to-day communication with sectors of the industry, that is limited to our participating industries which are apples and pears, oranges, stone fruit, macadamias, nursery and avocado.

Therefore, many of these challenges, as I am sure John would agree, are very difficult to meet when we really do not have an organisation, or resources, to address the list of so many products. Whilst they are the significant industries in terms of production and value, they are six out of this list.

We do have the infrastructure and the contact to do work with other industries. John made the point earlier that with no government support to work in those areas, it is very much on a project basis, on a commercial arrangement basis, to do work with other sectors of the industry.

Mr ADAMS—Concerning wildflowers, is there anything happening in that area?

Mr Baker—In terms of wildflowers, a lot of this is the Geraldton wax and the other things that they harvest from the desert, basically, in Western Australia. There are research and development programs going on that are producing better strains that you can cultivate under different conditions. Again, it is fair to say the Israelis got the jump on us. They took the raw materials and improved them before we did.

Mr CAUSLEY—I want to shift direction, I want to talk about the non-tariff barriers and the supports from other countries. The latest world trade agreement included agriculture in the agreement. What you are saying, from what I can gather, is that maybe the disciplines that are in that agreement are not very strong and that people are managing to ignore or to get around them. Is that what you are saying?

Mr Baker—They are strong in a certain area but what governments are now doing is looking at how they can get around the commitments they have made in the sanitary and the phytosanitary area.

Mr CAUSLEY—It does not surprise us, does it?

Mr Baker—No, I do not suppose so. For example, with this Clinton initiative that came out in early October, and I have the information here, when we met as a Southern Hemisphere group just after that was announced, people saw it is a technical barrier to trade. The issue of chemical residues is another one. The issue of genetic engineering and the way the Europeans want to take that so far down the track so that they are almost breeding any new variety could be a problem. To get around the existing quarantine and trade agreements that were negotiated in the Uruguay Round they are now looking for more sophisticated means of protecting their industries.

Mr CAUSLEY—Wouldn't the support that you were talking about in Europe be captured under the Uruguay Round because that would be considered to be a non-tariff support?

Mr Baker—In some ways it is no different to what the AHC does for its industries, except that the industry funds it. Even in the United States with their marketing promotion program, they put \$US100 million in to support Sunkist and the Washington Apple Commission and so on. So it is a redirection. I think it would be WTO consistent, or most of it would be.

Mr CAUSLEY—It would be?

Mr Baker—Yes.

Mr ADAMS—You said \$100 million?

Mr Baker—The US did, yes.

Mr CAUSLEY—I remember very clearly US politicians questioning me very closely when I was a minister in New South Wales about what support we might give agriculture. They were trying to include drought relief in that. They are a little bit inconsistent when it comes to some of those things.

Having said that, you did mention the fact that markets have opened up and we have been able to take some advantage of those. Realistically, we could not expect the US, the EC, Japan and Korea to wipe out their tariff barriers overnight, so what sort of percentage do you see as a break down that gives us an opportunity to get our product in there, that would be realistically beneficial to Australia?

Mr Baker—I will get Neil to answer because of the work that he is doing with the horticultural exporters association.

Mr Offner—Just on your question of specifically what are the tariff levels that you wanted us to come down to—

Mr CAUSLEY—Yes. I am saying that realistically they are not going to wipe them out. What levels could they come down to that would give us access and be beneficial to our industries?

CHAIR—The opportunity.

Mr Offner—It is very hard to generalise. With regard to Japan—just for the record—the tariff levels in Japan in fact are pretty good. They are in the order of 10 to 20 per cent, which is quite livable as far as business is concerned. In Japan the issue is quarantine. In Korea, that is a very good example because—

Mr CAUSLEY—Quarantine with—what?—say, fruit fly and things like that?

Mr Offner—Yes. In the main, their main pest of concern would be fruit fly. They do have other issues, but that would be the big one.

Mr CAUSLEY—Fruit fly would never survive a northern winter, would it?

Mr Offner—They think it does.

Mr CAUSLEY—Yes, I know.

Mr Offner—What I was going to lead on to is Korea because we have been doing a lot of work leading up to, we hope, getting access for Australian citrus fruit to Korea. We have been in the market doing in-market commercial evaluations with the industry; we have met all the importers; we feel we understand the market.

When we achieve access, and if we were able to be optimistic and think 1998, but it could be 1999—they have a quota system—the tariff rate within the quota in year 1 will be 50 per cent. The tariff rate in year 1 out of quota—which is probably where we will be operating for marketing reasons and distribution reasons—will be around 80 per cent.

At the end of their trade liberalisation period, the in-quota tariff will remain at 50 per cent and the out of quota rate will come down to 50 per cent as well. That is in the year 2004, so that is at the end of the trade liberalisation period. That all sounds gloomy. In our work over the last 12 months the industry still felt there was a market there, even at the higher duty. That is because in Korea the market is used to paying high prices because it is a protected industry. It is a bit ironical really. Even at the high duty there was still a market. But you have other countries where, really, to add impetus to business, to Australia's export, it clearly would be better if the tariffs came down. An example is Thailand.

Mr CAUSLEY—So, really, what you are saying is that in some instances even a small—say five per cent—reduction could be an opportunity for Australia to get in.

Mr Offner—Sure. I think it is very risky to generalise. For every different

country, for different products, the scenarios are different. With citrus in Thailand, we are currently operating under a 54 per cent duty. If we are able to reduce that through bilateral negotiations down to, say, 30 per cent the view is that that would have a significant benefit to the Australian citrus industry. The reason for that is that at the moment the high duty is encouraging a whole lot of illegal trade moving up through Malaysia, which makes it very difficult to develop a structured market.

Mr Baker—I think Thailand with apples is a good example too, where they had a tariff level of 70 per cent and they reduced it to 10 per cent because of pressure from the United States. In the first month that it was at 10 per cent they imported more apples than all the previous year; so you can see that sort of impact.

Even in Malaysia, where the Malaysians two or three years ago reduced the tariff on oranges from 30 per cent to about 20 per cent, I think, two things happened: one is that the export volume from Australia and elsewhere went up, but also, the other thing that happened was that they were after bigger fruit. People could afford to buy more and they were looking for bigger fruit. Now, with the downturn, people are looking at going back to smaller fruit and lower quality fruit. Certainly any change positively in terms of tariffs

will have a beneficial impact.

Mr CAUSLEY—You mentioned the fact that you have managed to develop access into the US for navels. I suppose I could be cynical and say that that is probably because it is off-season fruit. The US and the EC—what have been the developments? Have we been able to get into those markets, or are they still being fairly protective? You mentioned earlier about the innovative ways they are trying to get around it, but are those two markets still fairly protective?

Mr Baker—The US, from a quarantine point of view, is not too bad. Most of the products that are on our priority list for the US we have got in. In Europe, quarantine normally is not a big problem, and it is certainly still not a problem for Australia. But, again, with the ‘no internal borders’ that they have just recently developed, once you get the product in it can move freely anywhere. What the Italians and the Spanish have done, with their big citrus crops, is that they are concerned about a couple of pests and diseases. As a result, that has effectively precluded Uruguay and large areas of Argentina from exporting to the EU. So you are having those sorts of problems.

The other problem with the EU, from our perspective, is fairly high tariff rates. For citrus, for example, after the middle of October the tariff goes up from six to 20 per cent, which creates a lot of problems for our late navel crop. That is effectively why we market very little, if any, citrus.

Mr CAUSLEY—Is that a seasonal thing they have?

Mr Baker—Yes, to protect the Spanish.

Mr CAUSLEY—So, in other words, the EU have not reduced their tariffs at all?

Mr Baker—Marginally. If there is another message we would like to leave with you today, and a critical one that we are certainly conveying to government, it is that we need to start preparing for the next round of the WTO and put a lot of emphasis on the tariff side of it this time.

Mr FITZGIBBON—Ian just asked my question, which is fine, but I still do not think we got to exactly what the tariff is on oranges into the US. Did you say?

Mr Baker—Tariffs is not an issue; I think it is about two per cent. It was overcoming the quarantine barriers, and it took probably 15 years of negotiations, like it has taken 30 years and we are still not in Japan with Tasmanian apples, although we are getting close.

Mr FITZGIBBON—Most members will remember a trip to the Riverland. Michael Cobb will remember it very well because he was interested in the vineyard crop. We had a grower there ripping citrus trees out and replacing them with—

CHAIR—Taking valencias out.

Mr FITZGIBBON—Taking valencias out and replacing them with grapes. He was making some very solid charges about tariff barriers in the US. Obviously he was wrong.

CHAIR—That actually just raises the question, doesn't it, of the information that you are getting out to the growers? Are they the sorts of arguments and answers that you are giving to growers? You would be aware, as everyone around this table is aware, that Australian growers perceive that we have been lowering the tariffs on our products and the countries that we are competing with have not been lowering theirs at a commensurate rate. The example that Joel gave was a very accurate example, and we all remember it well, where that grower was actually quoting totally incorrect information.

Mr Baker—What Neil is going to leave you is a market access and development supplement that we produced two years ago and that was circulated with the major rural publication for horticulture in Australia—it had a circulation of about 15,000—specifically to address the sorts of issues that you are raising. Again, it is not getting to everyone.

What Joel has raised is another critical issue. We are getting back to the citrus industry because while the citrus is doing a lot of things, they are not providing leadership and direction for the industry. The issue there is: why are they taking the valencias out? Sure, they are not being paid too much for their juice product at the moment. But is that the right decision in the longer term? It may be, but a lot of it is looking over the fence and seeing what the neighbour is doing, just as, when I was in the Riverina in the early 1980s, they were looking over the fence and planting the valencias.

But you have raised another issue: they are taking the valencias out, and what are they planting? If they are planting citrus they are planting late navels, which is exactly what the South Africans are doing. So in another five or 10 years time we will have mark 2.

Mr COBB—Still on this market access for exports et cetera, you say that most of your success has come about with quarantine protocols, rather than lowering of barriers et cetera. Can you expand on that a little and give us a couple of good examples?

Mr Offner—In my opening remarks I mentioned we had had successes in quarantine barriers. We have been talking about citrus to the US. That was a quarantine barrier. When we achieved access 10 years ago for Australian citrus to Japan, which was then only oranges, that was a quarantine barrier. When we achieved access for mangoes to Japan, that was a quarantine issue. When we achieved access for citrus to Thailand, that was a quarantine issue, but we still have a non-quarantine impediment there, we still have a high duty.

Mr COBB—On these quarantine barriers, are you implying that they were not fair dinkum ones, that they were non-tariff barriers?

Mr Offner—When I use the word 'barrier', I am not implying necessarily that they are unjustified barriers. There is a point to be made that the quarantine process in some countries does take a very long time. But again, having personally visited many of the offices of quarantine authorities in some of these countries, they are also very under-

resourced. In some cases it may be that there is an underlying agenda not to have a quick process, but in other cases their resources are such that they are being bombarded at the moment by submissions from a number of overseas authorities which they are having to handle, just as our AQIS is having to handle the same sort of scenario.

Mr COBB—Just to summarise where we are up to at the moment: the future access overseas will come about; we are still pursuing quarantine, tariff or a combination of everything, or what?

Mr Offner—That is correct. We still have a number of products for which we are trying to gain entry to overseas markets where the main issue is quarantine. But there is still the wider agenda in some markets of high tariffs. They are still a significant impediment. If you look at a country like Taiwan, which is not a member of WTO, at the moment Taiwan has straight-out trade restrictions for countries other than the USA on a range of products. It is a straight-out trade barrier.

Mr COBB—Where the breakthroughs come, who is usually the main instigator of that? Is it the horticultural corporation, the government or a combination?

Mr Offner—Our role through the market access committee is to determine the priorities. It is really the government agencies who use those priorities as their reference points. But at the end of the day the negotiators in the quarantine area would be AQIS, the Australian Quarantine and Inspection Service. In the non-quarantine area it is the Department of Foreign Affairs and Trade. They are the people who are out there negotiating across the table.

Mr COBB—How important is it to get China into the WTO?

Mr Offner—Extremely important.

Mr COBB—To what degree would you—

Mr Offner—It is important for two reasons. China is a country which is an example of where they do have high tariffs. There is a lot of product in fact going into China, including Australian product, through Hong Kong. But again you have this dilemma. It is very difficult to develop a market in a strategic way when you have illegal trade going on. That is the issue with China. The second issue with China is that we are given to believe that, not long after China is accepted into the World Trade Organisation, Taiwan will follow very quickly. That is very significant, because there is a lot of potential for trade in Taiwan.

Mr COBB—What about China's product coming back the other way? We keep hearing stories about all these apple trees that are being planted, for example.

Mr Baker—There are two issues there, Michael. One is that they have a submission in with AQIS now that is getting close to finality one way or the other for the Chinese to export their ya pears to Australia. That will create an interesting scenario for us. There is another issue that comes into that which I will address in a minute. The other thing is that

they are now producing 16 million tonnes of apples. To put that in perspective, our total production is 300,000 tonnes. That has grown from about two million tonnes 10 or 12 years ago and it will be 20 million tonnes by the turn of the century. While it is counter-seasonal—because it is Northern Hemisphere—they are producing good fuji apples cheaply, and that has really knocked the Americans out of the market in January, February and March. So the Americans have to store their fruit for longer and then they are marketing it in the Southern Hemisphere season. So it does have a knock-on effect, and you saw that with cheaper apples in Australia this year because our markets are down.

The other thing is another issue that we certainly want to raise with you. You asked the question about where we get success. We have an interim quota in Taiwan for peaches, plums and citrus that was achieved last October. That came as a result at the end of the day of John Anderson's visit there, but the Taiwanese were looking for something in return. I think at that particular time they were looking for friends. Nonetheless, there is an expectation in Asia that it is tit for tat. I think we are not using that to maximum

advantage. If we are going to let the ya pears into Australia from China, we should be pushing for something in return. The bureaucrats can say that is inconsistent with our obligations, but the rest of the world does it.

Mr CAUSLEY—South Korea wants that, too.

Mr Baker—They want to get their nashi pear in here, and we want to get our oranges in. There has got to be some reciprocity somewhere or other.

Mr ANDREN—Particularly if they are not in a WTO agreement, they cannot play it both ways.

Mr Baker—Exactly. It is the case even with the Philippines. I think that we are close, if not finally successful, in getting mainland product accepted into the Philippines. But, it was quite obvious, even when the Secretary for Agriculture was out here in August, that ours was being delayed because we were not letting their mangoes in here. We have got to be a bit more adult, rather than naive, in how we approach international trade.

CHAIR—It has been raised on previous occasions that perhaps there is the need for a high-level negotiator, that the negotiator be above any peak industry body and the position could be associated with the Department of Foreign Affairs and Trade, or with government or semi-government agencies. What do you think about that idea?

Mr Baker—It sounds pretty good. The issue is that it is wider than horticulture and even wider than agriculture.

CHAIR—Absolutely.

Mr Baker—It might be Australian oranges into Taiwan in return for car parts, or something—who knows? I think that is where you need the bigger picture as to what is in Australia's best interests to negotiate, rather than just—

CHAIR—I do not want to cut across my colleagues, but we have not mentioned Austrade. What has been your experience with Austrade with your industry?

Mr Baker—We use Austrade extensively. For the Australia Fresh activities, for example, in Singapore, Austrade is our on-the-ground representative. It comes down to the people. We are looking for the best people in each of our markets. In the case of Singapore, in the Austrade marketing office the local person, who has been around for probably 10 or 15 years, is outstanding. She has developed a great relationship with the trade—that is, the importers, the wholesalers and the retailers. That certainly helps us with the programs. In other markets we would not use Austrade because there are better people who have got the skills we need to support our programs. In terms of the market access committee, they make a good contribution to the process because they have got people on the ground that we can utilise. Neil might want to talk about the Austrade role in India, for example, that we are looking at right now because there is a good relationship there.

Mr Offner—Before I mention India, I have done work with the citrus industry in evaluation of potential new markets over the last 18 months. Those markets have been the Philippines, Korea and Taiwan. We have also done some more work in Thailand. In each of those markets we have certainly used Austrade to help develop the programs. Maybe the Philippines was the exception because we had the contacts anyway. The need becomes less as you get to know who the people are and you do not need to use Austrade in some situations.

There was a good example this morning. I met with the Department of Foreign Affairs and Trade people who are responsible for the Indian region because of the announcement of the Indian trade liberalisation, and I was just wanting to get some detail on that. There was an Austrade representative there, as well. I feel very confident that out of that meeting today will come a very close working relationship in what is a new market, in a sense, for horticulture for Austrade and potential market for Australia. I feel confident that we will have a good working relationship because they need to understand India from a horticultural perspective. We certainly do, and there will be a working together in that area.

Mr ANDREN—It seems in talking to TOWAC growers in Orange with their apples, that one of their major problems is critical mass and getting enough together, and then they find that they can be gazumped by the prospect of the Chinese invasion of the fuji. They say that it costs \$4,000 to ship a 40-foot refrigerated container to Malaysia from the west coast of the USA, or a 20-foot refrigerated container from Sydney—double the cost virtually for the same amount of product. How effective is our transport system? How would you improve it in terms of both air and sea? What major reforms are needed?

Mr Baker—From a horticultural perspective a good thing is that the trade from Australia has moved very quickly from 20-foot containers to 40-foot containers. That has certainly made a significant cost difference for us. Only four or five years ago ANL and others were still building 20-foot refrigerated containers. There has certainly been a big swing across to 40-footers, which is good news.

The other thing that has happened in Victoria, in particular, and even in Tasmania,

where getting the containers to the port has been a real problem, is that they are marginally overweight for road transport. What has happened in Tasmania to get them from the Huon Valley up to northern Tasmania where the ships leave is that there has been, in effect, a dispensation. That has produced a significant saving for the industry. In Shepparton, a new rail facility has been built so that they can load 40 footers in Shepparton and get them straight on to the docks. There are all those sorts of things.

We know that, just in the last month, because the Americans are doing no business at all in Asia, the shipping lines are also suffering and they have reduced their freight costs by \$US1.20 a carton. That equates to almost \$A2,000 for a 40-foot container, and that is where the difference is. Prior to that, we were in around the same ballpark for shipping rates.

With the airlines, one of the things that Australia does extremely well, and I suppose it is one of the few benefits of having wholesale markets, is that you have actually got an orchard in the wholesale markets. So for those mixed consignments that go by air, we can do it better than anyone else in the world. People in Singapore or Hong Kong can fax through at 2 o'clock in the morning and it is up there that night.

The big challenge is that, with Qantas, Singapore Airlines and Cathay, which are the big three movers, their business is moving freight at \$4 or \$5 a kilogram rather than fruits and vegetables at 80c a kilogram. So I do not think the care and attention is given to fruits and vegetables that they need. There needs to be a better relationship and an understanding between the airlines, particularly their freight centres. They have got coolrooms, but the product does not go in there or it goes into the freezer rather than at 5 degrees—all these basic things that we are not getting right. However, if you talk to the people who are committed to an airline, like Antico at Flemington markets or Holmans in Melbourne, they do not have too many problems because they have been able to develop a relationship with Cathay or Qantas.

Mr COBB—What percentage goes by ship and what goes by air, roughly?

Mr Baker—It really is a rough guess, Michael. I would think that the airfreight in volume would probably be 10 per cent, if that.

Mr COBB—What are the price differences?

Mr Baker—Very significant. As I say, to Singapore, Malaysia or Indonesia, you are probably looking at about 80c or 90c a kilogram airfreight. Normally, you would not send a product like apples, but say it is a 20 kilogram carton of apples, you are talking about \$17 or \$18, whereas with sea freight, you are probably talking about \$7 or \$8.

Mr CAUSLEY—I was quoted \$1 a kilogram the other day.

Mr O'CONNOR—Just picking up that issue of transport, is the problem the access rights at the other end in these major markets where you have freighter aircraft running dead legs from Australia to Japan, for instance, in a triangle—United States, Australia and Japan? If we are talking about getting airfreight cargoes down to around \$1 or \$2 a

kilogram, as opposed to what the big three you mentioned are charging, then obviously something has to be done to address that particular problem, because if horticultural producers had access to those sorts of freight rates and space, then it would drive considerable export opportunity and development.

Mr Baker—I am not too sure whether our future is in terms of growth in airfreight exports. It is a niche market to supply the food service sector, which is a significant food service sector. The next step that we need to look at is again using technology. There is technology around that you can now fit to most containers which is really controlled atmosphere technology. For products like mangoes or melons, which in a conventional container you would not be able to ship to Hong Kong or Japan, with controlled atmosphere technology you can do that. So, in effect, there could be more products that currently have to go by air, like the mangoes from North Queensland to Japan, that could, in the near future, be sent by sea. Mexican asparagus that comes into Australia has been shipped by sea. That is one of the most perishable products that there is, but they are using technology to get it here.

Mr COBB—Do we send any horticultural products out on dedicated airfreighters, as opposed to passenger craft?

Mr Baker—Very rarely. A few years ago there was a table grape program that was an outstanding success where every week 100 tonnes were being airfreighted by Anticos into Hong Kong. But even that is no longer occurring to the level it was. They are fundamentally relying on passenger planes—the bellies of passenger planes—to get the product up there.

Mr COBB—Not competitive.

Mr Baker—No.

Mr NAIRN—Earlier you talked about some of the European fruits competing in Asia. What is the difference season-wise? I would have thought there were some opportunities there, from a European point of view, because of different seasons.

Mr Baker—The Europeans have got bigger challenges than we have because of having to compete with the Chinese and the Americans, but again it can have a knock-on effect. The other thing is that people will only spend, like we do, \$20 or \$30 a week on fruits and vegetables. So they are making the choice between Italian royal gala apples and Australian plums or peaches. So it is not apples versus apples, but certainly it is apples versus products in our season.

Mr Offner—With some products where you have quite a long shelf life through storage—

Mr NAIRN—I guess technology is prolonging the season.

Mr Offner—Yes, exactly. With apples, pears and, say, table grapes, you could store them through normal cold storage for longer than other products. But, yes, with new

technology the seasons are getting longer.

Mr CAUSLEY—Could I ask a question a little bit from the left field? It is to do with dealing with Asian countries, in particular, which have different legal systems to ours. Do you have any problems with contract law in those countries, and payment?

Mr Baker—Normally not, and we are one step removed from it, so even if there were problems we normally would not hear about it because they are commercial dealings between buyer and seller. We know of one example from some people who approached us just in the last two weeks, where they had a contract, basically with a letter of credit from a bank in Korea, and the bank would not honour the letter of credit. I think this is the sort of issue that is coming up at APEC and other forums about the banking system generally in those countries and, from our point of view, their commitment to contracts is a classic example. If you are dealing with Europe or North America, a confirmed letter of credit is just that, but for the Korean bank it certainly was not.

We were lucky the devaluations in Indonesia and Malaysia in particular occurred at the time they did, because if there is a quieter time for Australia it is late winter and early spring. The people who are still in trouble are the citrus industry. Their late navels had actually been shipped and then there was the sudden drop in the prices. Negotiations are still going on as to what they will be paid for that product. They might have negotiated an FOB in Australian or US dollars, but they doubt whether they will be paid the equivalent of that rate because now it is over 30 per cent devaluation.

CHAIR—I would like to ask you a couple of questions about AQIS. In our travels we have had a number of producers complain to us about the costs that AQIS charges and that their cost recovery has actually been implemented, many feel, before they have achieved their operating expenses. Is this a complaint that you hear from your producers, and do you believe that the producers are actually getting the best practice out of AQIS?

Mr Baker—Neil might be able to answer in more detail. It is more an issue where, for example, the Australian Horticultural Exporters Association—with whom we have a good relationship—negotiates with AQIS on concerns about the cost of the export inspection service and so on. There is a particular issue that has only cropped up in the last couple of days where AQIS had done their sums on a certain volume or number of shipments a year but, with the downturn in exports, that is declining, and they are now going back to the industry wanting to renegotiate up the inspection charges. There are going to be some interesting times ahead, I think. We do not get involved, but you certainly pick that up.

CHAIR—Yes, you are hearing that.

Mr Offner—I would add that when I attend meetings AQIS do tend to get beaten around the ears when it comes to operational matters and costs. They also get criticism for what is perceived as a boots approach and a lack of flexibility in interpreting the requirements of other countries. The question is whether we are any different from any other country when it comes to certification. I do not know that I understand that fully and I have worked in AQIS.

The two areas that I certainly get feedback on are the costs and the role of the inspector when inspecting a consignment of product, finds an insect. The inspector then has to interpret and make a decision about that. The letter of the law—his guidelines—says, ‘Find an insect: you shall reject.’ The question is whether there is scope for some flexibility with insects. I am sure the exporter would be very happy for there to be flexibility. But, if there is a problem at the other end, who will get blamed? It will not be the exporter, he will blame AQIS again. That is a difficult area.

Having worked within AQIS, and now having worked outside of AQIS, I believe that that is an area that could be given more attention. We need to look at the commercial reality of the business, and look at how some of the inspections relate to that commercial reality. Perhaps, country by country, we should ask how, based on a best understanding, they would react if they were to find this type of insect, which is normally a non-quarantine insect. It is not a significant pest but it is an insect and, according to the letter of the law, if they find one live insect of any sort, they cannot sign the phytosanitary certificate. There is a real issue there and I know it is not an easy one for AQIS. In terms of management, if they were to start to demonstrate flexibility and start to loosen up, it could go the other way. Then you do lose control and the certification loses credibility. It is not an easy one.

CHAIR—What is the industry’s expectation of the Supermarket to Asia initiative?

Mr Baker—The feedback we get from the horticultural industry, despite the 30-odd regional and country workshops that they had, is about the lack of information, and that is not a criticism of STA necessarily. It is just that the people out in regional Australia are not aware of what Supermarket to Asia is trying to achieve. The other concern of the exporters that we talk to through the exporters association is that—and this is from experience that they have had in the past—all this will do is stimulate new exporters to come on the scene. That might be fine in a way but we need more growers concentrating on what they do best, and that is growing or packing.

I think there are some good things, and that includes the working groups that they have set up. Two of our staff from the AHC are involved on different working groups to do with market access and communication. With the resources that they have got behind them, we could achieve more. I was on the market access one. One of the things that struck me about the model that Neil has outlined, in terms of the horticultural market access committee, is that it could have had a lot of relevance to the Australian seafood industry because of the fragmented nature and the issues that they have got.

CHAIR—There are many similarities between them. Our first inquiry was actually into the fishing industry and one of our recommendations and criticisms was the lack of a peak industry body.

Mr Baker—They are rugged individuals, as in horticulture. It was a good committee while it lasted but it is now finished. Again, I think it is being driven more from the Canberra perspective rather than from trying to get feedback from the people who were around the table, and there was a good cross-section—the Australian Food Council, NFF, ourselves, dairy, meat and so on. They were saying, ‘Okay, where do we go from here?’ I

think a lot more could be achieved. There is a lot being achieved but communication is probably the key thing that they really need to crank up.

Mr ANDREN—Are ‘clean and green’ and Australia Fresh of definite marketing advantage? On a level playing field, would Australia’s product be a premium one, or is it just a warm and fuzzy feeling we will have about it?

Mr Baker—The concept of clean and green is fine, but it helps if we can use ‘fresh’ and ‘wholesome’ or other words. I am talking about the feedback. I will never forget that Neil and I were with a couple of Japanese retail buyers a few years ago, were sitting outside having lunch on a Saturday somewhere down near Circular Quay. The thing that they were talking about reinforced that in two areas. One was just the taste in Australian product, whether that was the fruits, the vegetables, the seafood, and so on—it was a pretty nice day. It is that image of Australia—

Mr ANDREN—Good chardonnay?

Mr Baker—That was not bad, either.

CHAIR—From the Yarra Valley.

Mr Baker—There is an advantage, in that because we are close to Asia they believe we can supply a fresher product, and they are impressed with the taste of Australian product. Related to this image of wide open spaces is the image of wholesomeness or whatever you want to call it. Everything else being equal, when you look at the pollution, pressure and congestion in Taipei and Seoul, it is almost an escape that through Australia Fresh you can give them a bit of entertainment and an alternative.

Mr O’CONNOR—What a marketing angle!

Mr Baker—It is.

Mr Offner—It is a real strength. In work that I have recently done in Korea and Taiwan, it does come up as something that we should be really taking the opportunity of, building on the perception that is already there of Australia being a good environment, a country with a clean environment.

CHAIR—So how do we capitalise on it even further?

Mr Baker—I am glad you asked that question. There is a model that the New Zealanders have just developed and that I think we could really learn from—the New Zealand Way. Everything that they are doing, whether it is Air New Zealand or the Apple and Pear Board or the Dairy Corporation, everything is badged under the New Zealand Way, which is creating their clean and green or ‘fresh’ image. Australia, for instance, has got restrictions in terms of resources and budgets and so on, but if we could add that to what the Australian Tourist Commission is doing and have a synergy in the overall image that we want to generate for Australia, we would be on a winner.

CHAIR—We are just about out of time. Does any committee member have a final question?

Mr ADAMS—I just want to raise the matter of packing sheds being subsidised in Europe, to put that on the record. You made a statement earlier. Would you like to revisit that?

Mr Baker—Certainly. There are a number of areas where the EU will be directing their support for horticulture in the future, and that is one. They have recognised about 2,600 of what they call producer organisations. They are the ones that will have access to the funds that will be made available. One of the areas they can use them for is for infrastructure, including pack houses.

The interesting thing in Europe anyway is that there is more of a cooperation approach. If you go to northern Italy, for example, you can go to pack houses where they are packing a million tonnes of fruit. I was just looking at the figures. We do two million tonnes of vegetables and 2½ million tonnes of fruit, so it is 4½ million tonnes, but 400,000 tonnes of exports. So it is under 10 per cent in volume. But they have got a critical mass. In the Riverland there are 53 small pack houses. We are going to need to build bigger pack houses and get bigger throughput to be able to use the new technology that is around.

CHAIR—That does not contravene any WTO requirements?

Mr Baker—I am not sure in that particular area, but certainly they do not believe it does.

Mr ADAMS—So that is in Europe. You also said that the Americans are putting money into marketing.

Mr Baker—Mostly in promotion—or even the government support going into the USDA. I do not know what we have got in Beijing, for example, for horticulture market access. The US has got four people in Beijing dedicated to pursuing access for horticultural products.

CHAIR—Thank you very much indeed. If there is a topic that we have not covered in our questions today, is there anything that you want to raise with us very briefly before I close the proceedings?

Mr Baker—I would just reiterate two issues. Certainly there is a lot of pain out there in the horticulture industry at the moment, and we need to look at what we can do together and what the industry needs to do. The other thing, as part of that, is that we really need to be focusing particularly on the non-quarantine side and be getting ourselves organised for the millennium round of the WTO. All our Southern Hemisphere colleagues are members of the Cairns Group, so there is an opportunity to work on horticulture at the Cairns Group and then take it up to the WTO. I think we should be organising now rather than waiting till the batting opens.

CHAIR—As a final point, with your meetings that are coming up, if there is any dramatic change in your restructuring, we would really like to hear about that.

Mr Offner—If your committee would find it useful, I do have a number of copies of a document—it is over 12 months old—which gives a perspective on market access, describes the market access committee and lists the current priorities. It is good to be able to say that some of these have been addressed, as in the case of, say, Tasmanian apples to China and Taiwan in the last 12 months.

CHAIR—Thank you, I am sure members would find that most useful.

Resolved (on motion by Mr Nairn):

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 11.31 a.m.