



Australia

Competitor Report

Horticultural Products

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Report Highlights: Australia is highly efficient producer of horticultural products, which competes to a high degree with U.S. horticultural products in Asia. U.S. and Australian products generally compete for the same high price, high quality market segment. Some of the areas of greatest competition are wine, macadamia nuts, and apples.

Country Overview – Australia

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well developed, economically diversified market with demand across the many sectors of a modern, export-oriented, consumer society. The per capita GDP is approximately US\$20,500, comparable to industrialized Western European countries. The economy is growing steadily, inflation and interest rates are low and investment terms are competitive. For the 1998 calendar year, real gross domestic product grew 4.7 percent and the government anticipates growth slowing to around 3 percent in 1999. The consumer price index increased only 1.6 percent in 1998, one of the lowest inflation rates of the OECD countries. The index was expected to increase 2 to 2.5 percent in 1999. The major concerns are a relatively high unemployment rate and a large trade deficit.

Australia is the most urbanized society in the industrialized world, even though its land mass is the size of the United States. More than 85 percent of its 19 million people live along the east and southeast coast in the large cities of Sydney, Melbourne, Adelaide and Brisbane (Perth is on the west coast) and in towns within 100 miles of the ocean. While the center of the continent is flat, dry, and mineral rich, its coastal areas are wet, mountainous, and densely forested. Its interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia who are making their cultural influence felt more vibrantly.

Australian Horticultural Competitive Position

The Australian horticultural industry has gone through many changes in recent years in order to achieve their position as a supplier of the highest quality horticultural products. In the absence of significant government support, it has been largely up to industry initiatives to bring about the positive development of their industry. There are several key issues that will make Australia an important competitor in the short and medium terms to the U.S. horticultural industry. These are its strength in the high quality market segment, a protected internal market, geographic proximity to Asia, and a favorable exchange rate.

The most important challenge that Australian horticultural exports present to the United States is the competition in the high quality and high price market segment that is the mainstay of both the United States and Australia. Industries in both countries are on the leading edge in terms of technological and marketing innovation. It is incumbent on the U.S. industry to stay at the

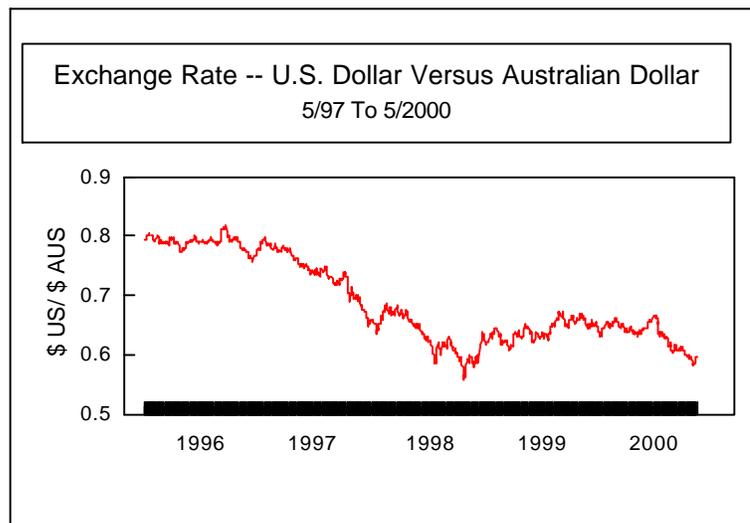
forefront of production and storage technology, transportation, and marketing so that competitors in this market category, such as Australia, cannot alter the consumer and retailer perception that U.S. producers consistently maintain the highest quality standards in the world.

Additionally, in Asia and elsewhere, Australia has the advantage of a very attractive, exotic consumer profile in high value and consumer ready products. Australian brands have been very successful in using imagery associated with the natural appeal of Australia, such as kangaroos or boomerangs. This added consumer appeal comes at no cost to the producers and is an effective marketing tool, with which U.S. exporters must contend.

Australian production of high value horticultural products is increasing in almost all product categories. As the following sections on specific product groups indicate, Australian production has grown at its most rapid rate in the past five to ten years. Many Australian farms have struggled through several years of low prices in the grain, livestock, and sugar business and have started to look at the horticultural sector as relief, because high quality can differentiate their product. One of the most notable examples is in the wine sector, which has grown rapidly in the last decade and continues to increase acreage at the expense of field and horticultural products. The re-evaluation of long term strategies among producers has led many to increase their activity in the horticultural sector and focus on increasing the quality of the products so that they compete in the highest levels of the international market.

The geographical proximity of Australia to key Asian markets and a very favorable exchange rate versus the U.S. dollar also helps to lower overall production and shipping costs compared with U.S. products. Australia's location and coastal production areas enable many exporters to save several days in transport and large distances in shipping their product to market. Additionally, in the past four years, the Australian dollar has lost almost 25 percent of its value versus the U.S. dollar. This devaluation has helped Australian export prices relative to the United States in recent years. This devaluation effect is very important in maintaining Australian competitiveness in many commodities that have recently faced oversupply and tumbling prices.

The Australian domestic market provides specific benefits in several of the major horticultural sectors. One is that many fresh fruit industries are shielded from outside competition by very stringent SPS import regulations. This allows Australian producers to gain monopoly profits in the domestic market by having no foreign competition in their production season (especially from low cost producer Chile) and no counter-seasonal producer to



displace lower quality fruit near the end or beginning of the Australian season. This has allowed Australian producers to ship the highest quality products to the international market, where the prices are higher than domestically, while selling somewhat lower quality product in the captive domestic market, because there is no alternative for retailers. These benefits, in combination with a low currency valuation, assist growers and exporters vis-a-vis U.S. commodities.

However, the limited size of some Australian production areas, water constraints, and the counter-seasonal growing period do limit the level at which Australia can compete with some U.S. fresh horticultural industries. In many cases, Australian exports only supplant U.S. exports on the margins by slowly expanding and taking a few market share points by servicing smaller customers or supplying niche markets. Although the Australian sector's overall size is small relative to the United States, it is expanding exports into all the key U.S. Asian customers. It is important to monitor Australia's production and exports in the key Asian markets to gauge their success and to assist U.S. exporters in retaining and building market share.

Product Specific Competitive Threats

Wine

Production of wine grapes and wine products is the area where Australia competes most vigorously and successfully with the United States. During the past decade, Australia has doubled its production of wine and has successfully positioned itself in the top ranks of the extremely competitive world wine market. The following outlines trends in wine and wine grape production and the Australian approach to the international market.

Production:

The Australian wine grape and wine industry grew significantly in the last decade and now comprises over 3,000 independent grape growers and around 1,000 wineries. While the majority of wineries are small, several large companies account for around 75 percent of production. The production of wine grapes has increased from 510,000 MT in 1985-86 to a record 1,070,000 MT during the 1998-99 year. Total production growth came to about 8 percent per year.

Production of premium wine grapes is also forecast to reach record levels. The 1998-99 season enjoyed a mixed season which included early frosts, hot and dry mid-season conditions, and a cool, wet end to the season. This resulted in lower than average yields in most regions. Premium red and white wine varieties are estimated to have increased by 32 and 8 percent, respectively, compared to the previous year. Production of multipurpose grapes for wine making is forecast by the

Wine Production	
(HL)	
1990/91	3,460
1991/92	4,220
1992/93	4,150
1993/94	5,310
1994/95	4,580
1995/96	6,060
1996/97	5,670
1997/98	6,950
1998/99	7,620

Australian Bureau of Agricultural and Resource Economics (ABARE) to have decreased by around two percent over the same period. Industry sources indicate that they believe the production of multipurpose grapes has actually increased due to timely rain, which resulted in some of the crop being transferred from drying to wine production.

The increased production of wine grapes has resulted in a rapid increase in exports from 111,000 hectoliters in 1986-87 to 1.9 million hectoliters in 1997-98, representing 25 percent of wine production. Exports of bottled wine now rival domestic sales of bottled wine. Australia's major export markets for wine in recent years have been the United Kingdom, the United

States, New Zealand, Canada, Japan, Sweden and Ireland. Wine imports comprised seven percent of total wine sales during 1997-98, with table wine and sparkling wine being the major import categories. This was up from four percent during 1996-97.

In 1996 the Australian wine industry launched a strategy which included a vision for annual sales of A\$4.5 billion in 2025. This will require the industry to increase productivity and plant an extra 40,000 ha of new vineyards by 2022. This suggests annual planting rates of 1,500 ha. To date this has been exceeded with plantings in 1996, 1997, and 1998 estimated at 8,000, 9,000 and 8,000 hectares respectively. Increased acreage will result in production increasing rapidly over the next five years. This should result in wine grape prices falling and will increase the amount of wine available for export.

There is no accurate measure of storage and processing capacity in the wine industry and, in recent years, there has been concern that the current expansionary phase in wine grape production

**PROJECTED WINE GRAPE PRODUCTION, BY VARIETY
(METRIC TONS)**

	Estimated 1997/98	1998/99	Projected production	
			1999/2000	2000/2001
Premium white varieties				
Chardonnay	158,000	168,000	180,000	187,000
Chenin blanc	16,000	15,000	16,000	16,000
Colombard	31,000	34,000	38,000	41,000
Muscadelle	5,000	3,000	3,000	3,000
Riesling	37,000	35,000	36,000	36,000
Sauvignon blanc	20,000	20,000	22,000	22,000
Semillon	57,000	72,000	78,000	78,000
Traminer	7,000	7,000	7,000	7,000
Verdelho	4,000	5,000	6,000	7,000
TOTAL	334,000	360,000	384,000	397,000
Non-premium white varieties				
Crouchen	4,000	2,000	2,000	2,000
Doradillo	13,000	11,000	11,000	12,000
Palomino	8,000	5,000	5,000	5,000
Trebbiano	14,000	14,000	17,000	18,000
TOTAL	39,000	33,000	36,000	37,000
Premium red varieties				
Cabernet franc	5,000	5,000	5,000	6,000
Cabernet sauvignon	76,000	101,000	124,000	145,000
Malbec	3,000	4,000	4,000	4,000
Merlot	9,000	20,000	31,000	38,000
Ruby Cabernet	13,000	15,000	18,000	21,000
Pinot noir	14,000	17,000	17,000	18,000
Shiraz	123,000	157,000	182,000	201,000
TOTAL	242,000	320,000	381,000	433,000
Non-premium red var.				
	41,000	35,000	36,000	37,000
Specialist wine grapes				
	656,000	748,000	837,000	904,000
Multipurpose varieties				
	204,000	199,000	193,000	190,000
Minor red & white var.				
	35,000	44,000	46,000	50,000
TOTAL WINE GRAPES	899,000	990,000	1,077,000	1,144,000

may lead to a shortage of processing and storage infrastructure. The larger wineries are reported to have been increasing processing and storage capacity at an annual average of 15-25 percent per year for the past five years. If infrastructure investment lags production then the downward pressure on wine prices may be more severe than currently expected, as more grapes would be processed into bulk wine rather than branded wine. Growers without winery contracts, who produce low quality grapes, are more likely to feel the effects of any shortage of infrastructure.

Trade:

Since the early 1980's, production of Australian wine has increased by nearly 50 percent. The increased production of premium wine grape varieties has helped increase exports from 11 million liters in 1986-87 to 192 million liters in 1996-97. Exports of bottled wine now rival sales of bottled wine on the domestic market.

Major export markets by volume for wine in recent years have been the United Kingdom (47 percent), the United States (16 percent), New Zealand (11 percent), Canada (four percent), Japan (three percent), Ireland (two percent), Sweden (two percent), and Germany (two percent). Similar to domestic sales, exports are being driven by sales of premium dry table wines, which have consistently represented 90 percent of export wine sales.

Exports of premium bottled wines have been increasing in recent years at the expense of cask and bulk wine. Australian wine export sales have in the past been dominated by white wine. However, in recent years, red wine sales have been increasing at a faster rate than white wine. In 1997-98 red wine exports accounted for 46 percent of total Australian table wine exports and around 50 percent of bottled exports.

As production of premium wine grapes increases in the future, the export of bulk wine may again increase in volume to clear the market; however, the industry will pursue the continued promotion of bottled premium wine on export markets.

The value of wine exports also continues to increase, reaching A\$873.7 million in 1997-98, 45 percent higher than the previous year. The average value of these exports increased from A\$3.91 in 1996-97 to A\$4.54 in 1997-98. This reflects the lower value of the Australian dollar and the fact that the industry continues to penetrate higher value markets as Australian wine's reputation grows in overseas markets.

Wine imports, which usually comprise less than five percent of the volume of domestic wine sales, increased to seven percent during 1997-98. The increase was mainly due to a large increase in low value table wine imports from Spain. This wine was used to blend with domestic wine in containers larger than one liter, i.e. mainly cask and bulk wines. Demand for this wine resulted from a surge in exports of table wine which resulted in a shortage in supply of low value table wine. This situation was exacerbated by domestic producers selling more bottled table wine on

**EXPORTS BY DESTINATION
(HL &A\$'000)**

	1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value
White Wine						
United Kingdom	389,500	124,890	406,860	152,056	500,320	213,715
United States	89,700	42,827	129,680	65,752	159,890	89,713
New Zealand	87,410	14,705	123,820	17,897	118,120	17,405
Canada	31,200	12,695	33,240	13,149	33,900	15,687
Sweden	29,770	8,056	20,420	5,803	22,260	6,938
Ireland	18,640	6,728	19,310	7,793	22,210	11,444
Germany	16,160	3,886	15,070	5,510	18,110	6,946
Japan	10,380	4,354	13,700	5,950	18,700	8,453
Netherlands	8,420	3,227	9,840	4,019	9,860	4,168
Norway	8,410	2,208	8,380	2,353	5,870	2,356
Denmark	7,490	2,315	7,960	2,947	9,080	3,601
Other	59,740	21,677	74,210	28,885	89,610	27,323
Total	756,820	247,568	862,490	312,114	985,720	407,749
Red Wine						
United Kingdom	287,150	106,463	327,510	139,932	379,180	206,504
United States	94,350	51,046	127,920	80,094	168,130	126,287
New Zealand	55,060	19,461	66,570	25,440	74,120	29,479
Canada	27,120	14,142	31,780	17,436	39,820	24,698
Sweden	16,780	6,770	13,030	5,279	11,770	4,633
Ireland	16,730	6,920	18,660	8,871	24,900	14,993
Norway	16,660	5,517	18,110	6,268	15,190	6,069
Denmark	14,350	5,145	13,470	5,927	16,240	7,410
Germany	11,540	5,474	18,480	8,599	25,950	12,967
Thailand	9,090	3,921	3,640	1,507	2,030	819
Netherlands	8,880	4,088	10,110	5,215	15,620	8,094
Other	59,790	28,215	98,140	51,757	123,090	67,394
Total	617,510	257,163	747,420	356,325	896,040	509,347
Total Rose Wine	4,590	1,397	4,730	1,589	5,910	2,140
Total Champagne	49,720	22,789	47,670	23,270	53,640	31,302
Total All Other	53,250	23,961	97,700	29,842	41,820	20,549
Total Wine Product Exports	1,481,890	552,878	1,707,610	721,551	1,977,220	971,087

the domestic market.

The countries where the United States and Australia compete most strongly are the United Kingdom, Canada, Japan, and the U.S. domestic market. The United Kingdom is the largest market for both countries. Between 1997 and 1999, both Australia and the United States increased exports to the United Kingdom. Australia is leading a group of New World wine producers in expanding exports to this market at the expense of the Old World wine producers. Australia became the second leading exporter in 1999 in the bottled wine category (tariff code 220421). Australia overtook Italy, gaining about 5 percent market share in 1999 alone, to take

over 16 percent of the import market. The United States is behind Italy and Spain, with a 6.5 percent market share. **Australian wines garnered an average of 3.4 per liter, while U.S. imports averaged 3.1 per liter.** A strong marketing effort and strong cultural ties have helped Australia gain a very strong position and build momentum in the U.K. wine market.

Another market that is important to both the United States and Australia is the Canadian market. As of 1999, the United States held the third largest market share, 15.9 percent, in bottled wine (tariff code 220421) and was first among New World wine producers. However, U.S. sales values stagnated between 1998 and 1999 and almost 1.5 percent market share was lost. Australia increased market share by more than 1.5 percent, to 8.6 percent, on sales value growth of 36 percent.

While Australian success in wine exports poses a competitive threat to U.S. exporters, it has also helped all New World wine producers in prompting customers to try new wines from outside of the traditional European sources.

Nuts:

The production of all major nut varieties is currently growing in Australia. The largest growth has been exhibited in macadamias, chestnuts, and almonds. While a small producer of most nut varieties, Australia surpassed the United States in macadamia nut production in 1997/98 to become the world's largest producer, raising production by 100 percent in the past five years.

Additionally, with the exception of pecans, Australia is a net exporter of all nut varieties, though the most serious competitive threat to U.S. nut exports comes in macadamias.

While U.S. exports of macadamias has remained relatively stable in the last few years, Australia has experienced rapid growth in both production and exports. Although domestic consumption of macadamias is very high, Australia's macadamia industry remains heavily export oriented due to the relatively small market. Thus, new Australian production has contributed into a general worldwide oversupply situation, depressing prices for all major producers and exporters.

Australian producers' willingness to increase production will continue to pressure prices and U.S. producers. The United States currently imports five times more macadamias than it exports. The United States is Australia's largest market and thus U.S. producers are facing stiff import competition in the domestic market. Therefore, Australia's commanding presence and influence on prices in the macadamia market will

Macadamia Nuts			
Year	Total Trees (1,000)	Production (MT)	Exports (MT)
1991	--	9,000	--
1992	--	12,000	--
1993	--	13,000	--
1994	--	18,000	--
1995	2,800	19,500	13,429
1996	3,100	25,400	15,141
1997	3,250	24,500	16,959
1998	3,250	34,000	18,000
1999	3,575	34,000	18,100
2000	3,940	39,100	21,100

continue to pose a serious threat to expanding U.S. exports.

Australia does not currently pose a very great threat to U.S. exports of other nuts, but their continued expansion does threaten the U.S. market share at the margins. Though

	Almonds	Pecans	Walnuts	Chestnuts
	Production	Production	Production	Production
Year	(MT)	(MT)	(MT, Not in Shell)	(MT)
1991	--	2,495	--	198
1992	--	2,455	--	360
1993	--	2,515	--	440
1994	--	2,750	--	416
1995	5,532	2,290	--	611
1996	5,100	3,050	110	687
1997	5,893	3,038	110	537
1998	7,500	--	120	--
1999	--	--	125	--
2000 f	8,000	3,000	135	775

the European Union is the premier market for most U.S. nut exports, Asian markets such as Japan, Hong Kong, Australia and Korea comprise a significant portion of the second-tier markets. Australia's strongest presence is in these markets and though the Australian export volumes are lower, they do displace U.S. exports in Australia and in Asian markets.

Deciduous Fruit (Fresh and Canned):

Deciduous fruit make up the largest fruit category in terms of volume and value of Australian horticultural production outside of wine grapes. Deciduous fruit production has stayed relatively stable for the past decade as fruit producers take advantage of the lucrative and protected domestic market. The Australian market has remained closed to most of the leading global competitors, including the United States, due to sanitary and phytosanitary (SPS) restrictions and afforded a protected source of revenue for producers. The protected market has allowed many producers to place significant resources into infrastructure that increases the quality of product for export and for very competitively priced canned products.

The apple industry has remained stable, while the pear industry has experienced consistent growth over the past decade. While pear production has shifted its focus to processing, apple production has turned its eye toward the export market. As with most other horticultural industries in Australia, the deciduous fruit industry has been stressing improving the quality of fruit available for export, enabling Australia to gradually increase its presence and market share in some of the South-East Asian countries that are of great importance to the United States.

Malaysia is good example of the changing face of apple competition in Asia. In 1997, the U.S. per volume market share was 45 percent, but declined to about 20 percent in 1999. **However, the change in Australian market share declined less markedly, from about 25 percent to about 29 percent, and Australia has a larger market share now than the United States posses.** Furthermore, China's market share rose from 10 percent to over 30 percent. Import price data shows that China is taking over the low price segment of the market, while the United States and Australia are the two largest suppliers and competitors in the high value market. The difference in the price between the United States and Australia, range from about 20-25 percent, roughly equivalent to the difference in the exchange rate.

Fresh Apples

This trend in competition is emblematic of Australian trade patterns in Asia. Overall, Australia's largest total markets also comprise 7 of the United States's 15 largest total markets. The markets where Australia is focusing their efforts are Malaysia, Singapore, Hong Kong, Taiwan, and also the United Kingdom. Australia's proximity, exchange rate advantage, and high quality product play a big role in allowing Australia to compete successfully against the United States in Southeast Asian markets. Australian producers are concentrating much of their effort on the larger market, while diminishing their presence in some smaller ones.

Year	Total Trees	Production	Exports
	(1,000)	(MT)	(MT)
1980	--	306,921	51,408
1981	--	294,476	32,662
1982	--	301,000	33,000
1983	--	281,000	14,000
1984	--	352,000	29,000
1985	--	291,000	25,800
1986	6,350	362,000	36,180
1987	6,686	309,000	22,154
1988	6,918	350,000	20,236
1989	7,023	330,000	26,621
1990	6,919	289,000	25,814
1991	7,391	324,000	35,742
1992	7,440	340,000	37,828
1993	7,710	307,000	28,637
1994	7,886	345,000	38,097
1995	8,015	280,220	21,007
1996	8,200	353,068	33,834
1997	8,200	308,856	28,682
1998	8,200	309,000	26,000
1999	8,610	330,000	29,000

The fresh stone fruit industry of Australia does not compete very directly with the United States due to the counter-cyclical nature of the production. In contrast to apples and pears, grapes, peaches, plums, and nectarines do not hold up well under cold storage or controlled atmosphere. However, the peach and nectarine industry have followed the path of the Australia pear industry in shifting the focus toward processing.

The Australian pear industry has experienced moderate growth in production over the past two decades and has changed its focus toward processing rather than the fresh export market. Again, the Australian domestic market is essentially closed to foreign fresh fruit due to SPS restrictions, which allows for a stable home market for fresh fruit. Australia is the largest producer of canned pears in the Southern Hemisphere and the largest exporter

Year	Fresh Pears		Canned Pears	
	Production (MT)	Exports (MT)	Production (MT, Net Weight)	Exports (MT, Net Weight)
1983	119,000	29,000	26,100	19,800
1984	139,000	31,000	44,600	24,700
1985	143,000	36,000	42,200	26,370
1986	146,000	36,474	39,900	28,877
1987	163,000	36,684	24,500	25,800
1988	147,000	21,118	33,000	22,345
1989	171,000	33,322	34,297	32,817
1990	160,000	26,260	33,888	41,466
1991	187,000	38,701	31,600	41,709
1992	171,000	32,000	34,600	32,191
1993	161,000	26,580	32,900	32,291
1994	155,215	22,228	32,500	26,783
1995	155,800	22,695	34,000	27,795
1996	148,599	23,573	34,000	32,662
1997	152,876	18,362	32,000	32,260
1998	178,900	15,000	40,000	25,000
1999	170,000	14,000	37,040	--

outside of the European Union. Total U.S. yearly exports hold steady at about 4,000 tons net weight, while Australia holds about 70 percent of the U.S. import market with average exports to the United States of 4,000 tons. The United States is only Australia's sixth largest market. Australia holds a dominant market presence over the United States in Canada and Japan, our largest export markets. Australia's aggressive pricing has been its key to success in gaining and keeping market share in the U.K., Japan, Germany, and Canada.

The competition with Australia is minimal in canned peaches due to Greece's dominant position in the world trade. However, the United States and Australia do compete very heavily in the Canadian and Japanese markets, the top export destinations for both countries.

Dried Fruit:

Australian production of dried fruit, mostly raisins, has been decreasing in recent years as low priced and low quality imports have come into the Australian domestic market. Australian production of raisins has decreased by more than half in the past decade. Grapes for raisins and table grapes have been decreasing in large part due to the returns relative to wine grapes. In the past decade, returns on wine grapes have surpassed other types of grapes, thus causing removal of other grape varieties or replanting with wine grapes.

The development of most concern to the U.S. dried fruit industry is the continual quality improvements being made by dried fruit producers. As with most sectors of the horticultural industry in Australia, the increased supplies of lower quality product from low cost producers have forced a quality drive. Therefore, Australia is more likely to compete with high quality producers like the United States than with lower quality and lower price producers such as Turkey.

Citrus:

The Australian citrus industry does not pose a great threat to the U.S. industry due to the seasonal growing differences. Most U.S. exports are finished in May, just as Australian production is starting. The only competition comes between the Australian Navels and the U.S. Valencia oranges. However, since the Valencia orange is considered inferior for direct consumption, direct competition is slight. The Korean market could have shown possibilities of exports of Valencias. However, when Australia gained access to this market, the prospects for U.S. exports of Valencias now seem dim.

Raisins

Year	Production	Exports
	(MT)	(MT)
1980	55,995	33,342
1981	88,885	55,345
1982	79,730	56,160
1983	81,740	59,410
1984	70,327	50,313
1985	93,736	53,101
1986	63,991	45,399
1987	74,029	50,681
1988	60,012	42,256
1989	59,154	42,256
1990	85,478	49,151
1991	95,807	46,574
1992	42,634	45,386
1993	44,783	16,515
1994	32,600	12,640
1995	58,200	23,398
1996	24,750	15,029
1997	38,500	14,465
1998	20,700	5,700
1999	32,500	10,000

Additionally, the competition from the Australian orange juice industry is minimal due to a continued decrease in production. This decrease in production is basically the result of the switch from domestically produced juice to imported FCOJ from Brazil. When the Australian market was opened to imported juice without a tariff, Australian producers could not compete against imports and the industry adjusted to produce mainly fresh juice for the domestic market. The market for Valencia oranges has been severely depressed for several years, helping to fuel the switch to navel oranges.

Fresh Oranges

Year	Total Trees (1,000)	Production (MT)	Exports (MT)
1980	5,531	426,000	26,000
1981	5,897	421,000	30,000
1982	6,397	392,000	21,000
1983	11,575	488,000	27,000
1984	6,775	489,000	32,000
1985	7,064	494,000	45,000
1986	7,014	475,000	47,000
1987	7,159	394,000	41,000
1988	7,391	544,000	32,000
1989	7,428	458,000	45,000
1990	7,803	485,000	71,000
1991	8,192	595,000	83,000
1992	8,349	553,000	75,000
1993	8,435	651,000	91,000
1994	8,547	416,000	80,000
1995	8,494	416,000	81,000
1996	8,435	543,000	105,000
1997	7,487	544,000	115,000
1998	7,600	515,000	110,000
1999	7,750	600,000	142,000

Australian Horticultural Export Facilitation and Assistance Programs

Direct Export Subsidies

Australia does not use direct export subsidies. No use of these subsidies have been notified to the WTO since the agreement on their elimination was implemented.

Key elements of the Existing Subsidy Programs

The overall rate of assistance to agriculture, as measured by the producer subsidy equivalent, was 9 percent in 1996. Milk had the highest level of assistance at 21 percent. As measured by budgetary assistance the level was \$A 1.95 billion in 1997/98. Australia has continued to liberalize much of the agricultural sector, and notified an aggregate measure of support of \$A 119.7 million in 1998/99, only about one-fourth of the allowable support of \$A 511 allowed for that period. All of the aggregate measure of support is in the dairy sector. Australia notified \$A 1,305.3 in 1998/99 green box supports, up from \$A1,255.9 in 1997/98. Most of that support goes for research, disease control, training, and infrastructure services.

Credits

Australia continues to provide export facilitation and marketing support to companies. Australia also provides credit and insurance through a statutory corporation, the Export Finance and Insurance Corporation (EFIC). Although EFIC is a self-funded, profit-making organization with

operating costs covered by client fees, premiums and interest on invested reserves, all financing by EFIC is guaranteed by the Commonwealth. In the 1999 annual report, EFIC indicated that it has never had to call upon this guarantee and has built up reserves to back up their operations. EFIC reported that total exports supported in 1998/99 increased 1.4 percent to \$A 7.6 billion. Exports of food and dairy products increased significantly in 1998/99. These products, along with beverages, made up about 25 percent of the insured portfolio, a significant increase from the 17 percent in 1997/98. After reporting a loss of \$A 9.5 million in 1997/98, EFIC reported a profit of \$A 26.3 million in 1998/99.

Australian Horticultural Corporation (AHC)

The Australian Horticultural Corporation was established under the provisions of the Australian Horticultural Corporation Act in 1987. It is funded by industries participating in the AHC through statutory levies and export charges imposed at the request of those industries. The Corporation administers export licensing under the Australian Horticultural Corporation (Export Control) Regulations. Government funding for the AHC was withdrawn in July 1997.

The Corporation's functions and responsibilities are:

- S to encourage, assist, facilitate, promote and coordinate the export of Australian horticultural products;
- S to improve the efficiency and competitiveness of Australian horticultural industries; the quality of Australian horticultural products; the production of horticultural products, whether by growing or harvesting, or processing Australian horticultural products; and, the handling, storage, transporting, processing or marketing of Australian horticultural products, particularly with the view of enhancing the exportability of Australian horticultural products.
- S To promote the consumption and sale, in Australia and overseas, of Australian horticultural products.
- S To encourage, assist, facilitate and promote the marketing in Australia of Australian horticultural products,
- S To cooperate with: representatives of Australian horticultural industries; and, Commonwealth, State and Territory authorities concerned with Australian horticultural industries or the export of Australian horticultural products.

Horticultural Marketing Services

'Australia Fresh' has been running since 1995 and identifies product as being Australian grown. **In April 1998 a new positioning statement. "Australia Fresh is Australia's Best and represents Australia's best quality produce and Australia's leading exporters."**

To strengthen the 'Australian link' in Australia Fresh point-of-sale material, advertising and

communications, a new visual image for the program was developed and launched at the beginning of 1998, featuring a koala and photographic images of real, fresh fruit and vegetables.

Australia Fresh News, a quarterly newsletter was introduced in April 1998. This provides an important communications link with Australia Fresh licensees, other Australian exporters, growers, Government bodies and support agencies.

Citrus

Australia Fresh was used as the umbrella brand for four industry-based promotions during 1997/98. A small promotional program was developed for the Australian citrus industry to support the 1997 navel and Valencia orange season. This program focused on retail-based promotions with use of point-of-sale material and targeted established markets such as Singapore, Malaysia, Indonesia and New Zealand as well as the new and developing markets of Hong Kong, Taiwan and Japan.

Stone Fruit

1997/98 was the first time the stone fruit industry had been involved in the program. The AHC coordinated the industry's first export promotional program, which ran in Taiwan in February 1988. This program included a trade function and limited retail promotional activities. The main focus was to establish relationships with key trade representatives and to commence building a profile for Australia Fresh stone fruit in this market.

Apples and Pears

The 1998 season export promotional programs for the Australian apple and pear industries were designed to build upon the profile established during 1997. The industry made strong efforts after the Asian economic crisis to demonstrate the commitment of Australian apple and pear exporters to these established markets, while working at developing relationships in revisited and emerging markets. Trade receptions were conducted to launch the apple and pear seasons and promotional support programs in Singapore, Malaysia, Hong Kong and Indonesia. These functions were attended by major importers, wholesalers, retailers and representatives from the Australian apple and pear industries. The promotional programs were designed for particular markets and included a mix of retail promotions, merchandising, point-of-sale material, advertising and public relations. In Malaysia and Singapore the retail promotions included both the wet markets and supermarkets.

Macadamias

Throughout 1997/98, preparations were made for the first major international promotion for Australian macadamias. An A\$400,000 marketing program commenced in June 1998 in Germany, where Australian macadamias are sold in a variety of retail packs. The program is aimed at assisting distributors to increase the sales of these products and therefore overall exports to Germany and other parts of Europe.

Australian Dried Fruits Board(ADFB)

Expenditure on advertising and promotion in overseas markets for 1997/98 was A\$246,770. The major expenditure was in Germany (A\$24,318), United Kingdom and France (A\$89,180), Canada (A\$53,122) and New Zealand (A\$44,976). These markets represent approximately 80 percent of total exports. The quality logo is the common theme used for promoting Australian dried fruits in all export markets. During 1997/98 the ADFB received A\$200,000 Export Market Development Grant from the Government.

During 1997/98 the Australian dried fruits industry reviewed its structure and operations due to the declining size of the industry. The Australian Dried Fruits Association, supported by producers, packers and exporters, decided to operate in a deregulated environment and seek the repeal of Statutory Equalization. It has been proposed to retain all other legislation and extend it to allow the ADFB to promote dried vine fruits in the domestic market.

Australian Wine and Brandy Corporation, AWBC

The Australian Wine and Brandy Corporation (AWBC) is established under the provisions of the Australian Wine and Brandy Corporation Act. The Corporation's functions relate to defined grape products which include wine, brandy, grape spirit and products derived in whole or in part from grapes which have been declared by the Regulations to be grape products.

The functions of the Corporation are:

- S to promote and control the export of grape products from Australia;
- S to encourage and promote the consumption and sale of grape products both in Australia and overseas;
- S to improve the production of grape products in Australia;
- S to conduct, arrange for, and assist in research relating to the marketing of grape products.

Australian Wine Export Council

The Australian wine industry's Vision 2025 strategic plan targets A\$2.5 billion in annual export wine sales by 2025, significantly up from the current level of A\$813 million. The vision emphasizes the growth of existing export markets such as the U.K. and United States, together with development of new markets, including Asia.

The vision sets an objective for the industry to increase the level of exports from the current 40 percent of production to 70 percent of production by 2025. The opportunity for growth of Australian wine in export markets is considered to lie primarily in branded wine products reflecting the diverse regional and varietal nature of the Australian wine industry. The generic marketing programs for wine in export target markets continue to form the backbone of the Australian wine industry's image building strategy. This strategy is characterized by promoting an image of Australia as a diverse source of quality wine at competitive world prices.

United Kingdom

The Corporation's Australian Wine Bureau in London undertakes promotional activity in the UK. The Australia Day tastings held in January 1998 were the largest ever in terms of exhibitor numbers and attendees. An Australian Wine Conference, held in conjunction with the London tasting, was open only to trade and media representatives and featured a number of key speaker presentations. In addition, consumer tastings aimed at placing Australian wines in front on wine drinkers who do not attend serious consumer wine exhibitions, were held through the U.K.

A fourth U.K. "wine flight" featuring prominent U.K. and Irish trade and media representatives visited Australia in February 1998. Australia also had a stand at the London Wine Trade Fair, held in May 1998.

Ireland

In Ireland the Australian Wine Bureau's part-time representative in Ireland worked with the trade, the media and consumers to educate them on Australian wine. Two participants in an independent retailer competition won visits to Australia. As well as trade and consumer tastings in Cork, various media and trade wine tastings were organized and educational presentations made on Australian wine. The Irish Ploughing Championships and the Irish Open Golf Championships were used as opportunities for over 2,000 consumers to taste a range of Australian wines. There was also a continuing program to arrange for suitable journalists to visit the Australia Day wine tastings in London or to travel to Australia.

Germany

The 1997/98 promotional activities for Australian wine in Germany were focused on the trade, with wine tastings in major cities such as Frankfurt, Stuttgart and Munich. The Australia Day tasting was held in Hamburg. Australian wines were presented at the ProWein '98 exhibition in Dusseldorf. In February 1998 a Germany "Wine Flight" comprising prominent wine industry personnel visited Australia on an extensive tour of wineries and wine regions.

Scandinavia

In 1997/98 seventeen trade and media representatives from Denmark, Sweden, Finland and Norway visited Australia on the Scandinavian "Wine Flight II". The Australia Day wine tastings were held in Stockholm and Copenhagen. A large promotion was held at the Wine and Cheese Fair in Orebro, Sweden.

United States

In 1997/98, membership in the Australian Wine Bureau's promotional campaign in the United States grew to include 44 companies representing 119 brands of Australian wine. The Wine Bureau's efforts that year enabled more than 17,000 American consumers to sample a range of these 119 Australian wine brands and provided 500 journalists and more than 2,000 members of the wine trade with insights into the Australian wine industry and educational materials about Australian wines. The increased revenue from the increased membership in the Australian Wine

Bureau's promotional campaign helped create a generic Australian wine brochure, supported a major promotion in 100 stores in Pennsylvania and send a dozen key retailers on a tour to Australia to visit the vineyards and wineries of the member companies. A regular schedule of communiques with wine writers was maintained as well as a series of seminars with hotel/restaurant programs in universities.

Canada

Promotional activities in Canada are conducted by the Eastern and Western Canada Importer Committees with administrative support from Austrade in Toronto and Vancouver. In Eastern Canada the highlight of the 1997/98 program was a 10 day "Aussie Road Show" with several wineries participating in a dozen wine tastings held in Ottawa, Montreal, Halifax and Toronto. Other promotional activities included participation in four major consumer wine shows and a tutored trade tasting in London, Ontario. Australia was the 'theme country' to feature Australian wines at the Ottawa Wine and Food Show. Three top hotels in Ottawa held a two-week promotion showcasing Australian Wines. In Western Canada, ten Australian companies participated in a promotion program consisting of in-store promotions in the top 50 liquor stores for wine sales in British Columbia. Twenty Australian wineries participated in the Western Canada 'Aussie Road Show' which covered Victoria, Vancouver, Calgary and Edmonton.

Japan

In April 1998 a new Australian Wine Bureau was established to conduct promotional activities in Japan. Prior to this, Austrade conducted promotional activities on behalf of the industry.

Food and Fibre Chains Program (Newest Export Promotion Program, Initiated in 1999)

The Australian Federal Government launched a new \$9.2 million funding program designed to help Australia's food and fiber businesses improve export competitiveness by building stronger and cooperative relationships from producers to consumers.

The primary objective of the Food and Fibre Chains Program is to help Australian food and fiber businesses build a growing and sustainable presence in export markets by:

- S** facilitating the development of competitive demand chains focused on meeting customer requirements; and
- S** improving the performance of existing demand chains

Eligible businesses will be part of a demand-driven chain, which could include primary producers, food or fiber manufacturers, packers, distributors, transport and logistics service providers, retailers and food service suppliers. Companies who have a proposal that involves at least two businesses at different levels in the chain and meet the program's eligibility criteria, are encouraged to apply for assistance under the program.

What the Program funds

The Program's principal funding aims to assist businesses implement export plans. However, some initial assistance is available to assist businesses develop an implementation plan for their export initiative. There are two tiers of funding:

Principal funding (generally on a matching basis up to A\$200,000) will be structured to enable an export initiative to be implemented against an agreed critical path. Activities could include:

- S implementing business and marketing plans;
- S closely defining each part of the chain, its added value and costs, to show shares of the final consumer dollar;
- S identifying superior competitive chain performance and how to match it;
- S further developing chain relationships to meet customer requirements;
- S funding research and development of practical relevance to the chain is not eligible under alternative funding; and

Initial assistance (up to A\$30,000, generally with appropriate applicant contribution) is available to help businesses to develop an implementation plan for their export initiative that may be considered for further funding under the Program. Activities could include:

- S a search conference involving chain participants;
- S scoping and initial feasibility studies to analyze current performance and chain problems;
- S network development between potential chain partners;
- S practical in-market research including customer identification;
- S strategic market planning;

The Program seeks to build sustainable trade results by improving the chain management skills of funded businesses.

Recommendations for the U.S. Exporters

- S Retain strong branding and product promotion efforts. Australia is very strong in promoting their products and the Australia image. Efforts to ensure that consumers acknowledge the high quality of U.S. products is essential in markets where direct competition is strong.
- S Continue efforts to open the Australian domestic market. SPS barriers are excessive for most deciduous fruit, which hurts U.S. producers in third country markets and bars competition in the Australian domestic market. The protected domestic market provides producers with a captive market, where they do not have to face competition. This allows both the efficient producers to become stronger domestically and internationally and the inefficient ones to continue to operate.
- S In products where seasonality is very influential, try draw out the season where fruit is

available. This would include planting varieties that extend the time frame when U.S. products are in the markets.

- S** Continue to develop and nurture close relationships in the trade. Australia has made progress in grabbing market share in small increments, small shipments and strong relationships with smaller buyers are important.

Reference Materials:

FAS Reports:

Citrus Annual AS0016, Dried Fruit Annual AS0015, Canned Deciduous Fruit Annual AS0010, Trade Policy Monitoring Annual AS0009, Tree Nuts Annual AS0005, Fresh Deciduous Fruit Annual AS0001, Exporter Guide AS9056, Wine Competition Annual AS9028

Australian Bureau of Agriculture and Resource Economics (ABARE) – [Commodity Statistical Bulletin](#)

Australian Bureau of Statistics (ABS)

Australia Horticultural Statistics Resource Guide

Australian Apple and Pear Growers Association

Australian Citrus Growers, Inc.

Australian Macadamia Society

Australian Pecan, Almond, and Pecan Associations