



## **Stone Fruit Industry Review – May 2007**

### **Executive Summary**

The Tasmanian Freight Logistics Council has recently undertaken a review of the stone fruit industry in Tasmania to determine if there will be any transport and logistics issues facing the industry in the next few years. Fruit Growers Tasmania Inc., the industry body representing around 250 fruit growers in Tasmania including apple, pear, cherry and other stone fruits estimates that, over the next five years, there is potential for the stone fruit industry to treble its production which in turn will have to be freighted to their markets. Consultation with Fruit Growers Tasmania Inc. and other people in the industry indicated that there are no perceived transport and logistics issues facing the industry in the future and that there is sufficient freight capacity available to move this increased production to market. Accordingly the Board of Management of the Tasmanian Freight Logistics Council agreed that no further action is required on this matter at present.

### **Background Information**

At its meeting in April 2006 the Council's Board considered that it wished to review the stone fruit industry in light of the major plantings being undertaken. The Board believed that the industry freight uplift volumes of product coming on stream in future years should be collated for use with the industry, Government and service providers.

At the March 2007 Board meeting, Graeme Morrisby advised that he believed there is an opportunity for the Council to look at the stone fruit industry as he believes there will be a significant transport shortage for the next stone fruit stone. It was agreed that Graeme Morrisby and the CEO should discuss this matter further and talk to the stone fruit peak body and come back to the Board with their findings.

### **Stone Fruit Industry in Tasmania**

Since European settlement 200 years ago, fruit production has been an important part of the Tasmanian economy. Over the past century the Tasmanian fruit industry rose to world dominance before declining again due to the influence of international forces beyond its control. Today, thanks to the dedication and commitment of many people over many years, we have a new, dynamic fruit industry that is more diversified with many new growers and high levels of new investment.

Two key horticulture industries in Tasmania (Tasmanian Stonefruit Association and the Tasmanian Apple and Pear Growers Association) were amalgamated in 2005 to create Fruit Growers Tasmania Inc.

According to its submission to the Productivity Commission in relation to the Tasmanian Freight Equalisation Scheme, Fruit Growers Tasmania Inc. is the industry body representing around 250 growers in the State including apple, pear, cherry and other stone fruits.

These industries produce a combined average farm gate value of around \$50 million with market value well in excess of \$100 million at present.

Export value of the industries is currently \$24 million which is expected to experience steady growth as new markets are developed.

Among agricultural industries the apple industry is one of the largest employers of casual labour. Current employment combined with stone fruit is 265 full time and 2,200 casual and contract employees.

Over the next five years there is the potential for the stone fruit industry to treble its production which will significantly increase employment levels.

In particular, the Tasmanian cherry industry production is currently increasing and has the potential to treble over the next five years.

Fresh fruit production and packaging is very labour intensive and so, as an employer, is of prime importance to the individual growing regions and Tasmania as a whole.

The geographical isolation of Tasmania, and in particular its island status, adds significant freight costs for northbound fresh fruit.

The fact that more than one mode of transport is required to deliver Tasmanian fresh fruit to mainland markets results in significantly higher costs for Tasmanian growers when compared to growers in mainland growing regions.

Tasmania is responsible for almost 65% of all Australian apple exports to overseas markets. These shipments to overseas markets have to be transhipped through Melbourne.

Fresh fruit is extremely vulnerable and highly perishable so must be kept cool to cold with full protection from the elements and makes the fruit one of the most sensitive commodities to transport across Bass Strait.

Shipping from southern Tasmania to the north and then sea freight across Bass Strait involves a number of handlings. This increases the difficulty in maintaining the fruit in peak condition ready for the market.

Next morning delivery into mainland wholesale markets is the preferred practice for fresh fruit. Whilst this is achievable from regional and metropolitan centres on the mainland, Fruit Growers Tasmania Inc. claims that this is impossible from Tasmania due to shipping schedules across Bass Strait.

## **Current Issues**

Fruit Growers Tasmania Inc. is holding its annual conference in May 2007. The aim of the conference is to address some of the issues the industry is currently facing. The focus of this year's conference is frost, frost protection options and frost protection planning. Other topics being addressed include early and late season fungicide options and strategies, fruit cracking and water retention, crop regulation and economic modelling and risk management.

It is interesting to note that there is no discussion at all on freight logistics issues. However, a number of different sources predict up to a trebling of fruit production in the next five years – which will have to be delivered to markets on the mainland. Consultation with Fruit Growers Tasmania Inc. and other people in the industry indicated that there are no perceived transport and logistics issues facing the industry in the future and that there is sufficient freight capacity available to move this increased production to market.

## **Additional Stone Fruit Information – DPIW Website**

The following additional information was found on the Department of Primary Industry and Water (DPIW) website:

### **Introduction**

The stone fruit industry sector covers the production of apricots, cherries, peaches/nectarines and European/Japanese plums. Production is focussed on the fresh fruit market and takes advantage of Tasmania's late season of production (latest production season in Australia) and natural quarantine advantages (e.g. area freedom from fruit fly).

The Tasmanian stone fruit industry has undergone considerable change in both production and structure since 1980. Before 1980 the industry had contracted from its peak prior to 1945, when the industry, predominantly growing apricots, supplied a major processor in the south of the State. The decline in production up to 1980 paralleled the decline in the processing industry. There is now no major processing industry in Tasmania.

Since 1980 the industry has restructured to supply fresh fruit to the fresh fruit market. As well as supplying local market demand, the industry also extends the availability of fresh produce to major mainland markets. In 2002/03 approximately 10% of the marketed sweet cherry crop was exported. Markets included Hong Kong, Taiwan, Thailand, Singapore, UK, Europe and USA. Trial shipments of apricots have also been exported to the UK.

All recent orchard plantings have been at high plant densities using varieties specific to the fresh fruit market. Much of the expansion has occurred through newcomers entering the industry, with only limited expansion undertaken by traditional growers. A recent trend has been the establishment of cherry orchards by traditional apple growers as an increasing trend towards diversification.

Although relatively small by mainland standards, the Tasmanian industry is significant in terms of the fresh fruits market and export potential.

### Stone Fruit Production by State (tonnes), 2002

	NSW	Vic	Qld	SA	WA	Tas	Total
*Peaches	12,723	67,334	3,358	3,357	1,877	2	88,651
Nectarines	6,472	13,442	3,413	2,644	2,850	2	28,823
*Apricots	686	5,843	117	5,198	422	88	12,355
Plums	8,883	7,565	2,095	2,735	4,194	N/A	25,485
Cherries	3,849	1,334	23	843	110	542	6,701
Totals	32,613	95,518	9,006	14,777	9,453	634	162,015

Note: \* The production of peaches and apricots includes processing.

Source: The Australian Horticulture Statistics Handbook, 2004

ABS based data shows that total stone fruit production in Tasmania was 634 tonnes in 2002. However, production estimates from industry surveys and DPIW statistics indicates production of around 1,500 tonnes. (Due to the manner in which ABS figures are derived, smaller producers and new developments are not included in the statistics.)

The growth in investment in stone fruits in Tasmania is highlighted by tree planting statistics, derived from 2003-04 ABS data.

### Tree Numbers

Cherry	390,666
Apricot	85,782
Plum	20,434
Peach	12,733
Nectarine	16,180

Source: ABS 2003-04.

The Tasmanian stone fruit production season commences early in December with early-maturing cherry varieties, and peaks during January and February with the bulk of the cherry and apricot harvest. Late peaches, nectarines and plums extend the season into March and early April.

The majority of producers in Tasmania have third party audited quality assurance schemes. Such schemes include; Fresh Care and SQF. In addition, producers exporting to Europe and the UK have the internationally accredited eco-label, EurepGAP.

### Industry Structure

#### Production Sector

Cherries and apricots are the main stone fruit crops grown in Tasmania. Except for apricots, stone fruits are grown commercially in most regions of the State including: Huon/Channel, south-east districts (including the Coal River Valley), Derwent Valley, Tamar Region, east coast and north-west coast. Apricot production is restricted to the south-east district and lower Derwent Valley region because of their particular climatic needs during flowering. Cherries are grown in all regions with the main production region occurring south of Hobart (Huon/Channel districts).

Significant plantings of cherries are occurring in the Derwent Valley to capitalise on that region's lower summer rainfall. Peaches, nectarines and plums are grown mainly in the Tamar Valley and Coal River Valley.

There are more than 100 orchardists (full-time or part-time) growing stone fruits. Although 70% of current growers have production units less than two hectares in size, several significant investments involving orchards in excess of 20 hectares have occurred during the past five years. These include: Tasmanian Cherry Company and Reid and Sons in the Derwent Valley; Hansen's Orchards and Tas Valley Orchards in the Huon; Red Night and Qew Orchards in the Coal River Valley.

### **Processing Sector**

There is no major processing outlet for stone fruits in Tasmania. Some on-farm processing is being done to produce jams, chutneys and fruit juices. Production of boutique products (jams, preserves, fruit ice-creams, sorbets, etc.) is providing an outlet for some second-grade stone fruit by companies such as Emma's Choice and Tasmanian Fine Ice-cream.

### **Markets**

Tasmania's season of production for cherries and apricots is the latest in Australia. The main competition for 'late' Tasmanian fruit comes from New Zealand and Chile. Late market opportunities on the mainland are being exploited by the Tasmanian industry and there is scope for further expansion to meet this market demand. In addition, Tasmania's unique position of having 'area freedom status' for fruit fly presents an opportunity to export stone fruits into South-East Asian and Northern Hemisphere markets. Currently about 90% of the fresh fruit produced in Tasmania is sold on the Australian domestic market. The remaining 10% is sold overseas (Taiwan, Thailand, UK, Europe, USA). Tasmania has recently gained access to the lucrative Japanese market for sweet cherries.

However, the situation with cherries and apricots is changing with production predicted to increase rapidly. Significant market opportunities for fresh Tasmanian cherries and apricots exist within Australia. Tasmania fruit is currently sold through the major supermarket chains as well as central markets in Melbourne, Sydney, Brisbane and Perth.

### **Estimate of direct sales of Tasmanian stone fruit sold in Australia, 2002**

<b>Seller</b>	<b>% of market</b>
Wholesalers	50
Retailers	30
Farm Gate Sales	20

## **Infrastructure**

The stone fruit industry is essentially self-regulating. In 1986 the industry formed a grower's organisation, the Tasmanian Stone Fruit Association (TSA). In 2005 the Tasmanian Stonefruit Association and Tasmanian Apple and Pear Growers Association amalgamated to form the single peak industry body, Fruit Growers Tasmania Inc. (FGT). The stone fruit sector is represented within this body by the Stone Fruit Council. This organisation is affiliated with two national industry bodies, Cherry Growers Australia and Summerfruits Australia Ltd. The Tasmanian Stone Fruit Council has a membership of about 80% of the State's stone fruit growers, and has developed a close working relationship with DPIW for delivering research, development and extension to growers.

The industry is a levy-paying industry with levies collected at the point-of-sale. Industry levies are matched by Commonwealth Government funds and contribute to a national research, development and extension and marketing program. In 1998 the Tasmanian industry began funding a half-time Industry Development Office (IDO). This position is now a full-time position funded through the Stone Fruit Council of FGT, Summerfruits Australia and Horticulture Australia Limited. DPIW provides office and administration support for this position at the Grove Research Station.

Stone fruits, and in particular cherries, are capital intensive industries with establishment costs per hectare ranging from \$40,000 to \$60,000 (trees, irrigation, land preparation, machinery). Additional costs for cherries include bird-proof netting (\$8,000 to \$35,000 per hectare for temporary versus permanent netting) and \$60,000 to \$100,000 per hectare for rain-protective covers. Packing sheds with grading and cool room facilities represent a further capital outlay varying from \$40,000 to \$500,000, depending on scale of operation.

Cooperatives for the sharing of facilities do not exist but many smaller-scale producers rely on larger growers/packers to grade, pack and market their fruit. Currently there are six larger 'sheds' that pack and market for smaller producers. Most produce sold interstate is freighted via sea-road refrigerated containers. Freight rates are reasonable and the service is now daily since the introduction of the twin ferries across Bass Strait. Fruit marketed overseas is normally sea-road transported to Tullamarine Airport.

## **Government Input and Involvement**

### **Regulation**

There are no specific Acts or Regulations that relate to this industry, though quarantine requirements apply to imports and exports, with exports also covered by the Commonwealth *Export Control Act 1982*.

### **Research, Development and Extension**

Between 1984 and 1992, the Tasmanian Government invested about \$1 million in the industry in a program designed to revitalise the industry and change its direction from a dependency on processing to a fresh fruit market base. The industry is currently served through the Horticulture Branch of DPIW, plus analytical and laboratory inputs, and cooperative research with the Tasmanian Institute of Agricultural Research.

Research, demonstrations, workshops and field days are conducted at the Grove Research Station and growers' properties, and are usually conducted as cooperative ventures by DPIW and the Tasmanian Stone Fruit Council through its IDO.

The Quarantine Branch of DPIW, acting on behalf of Australian Quarantine and Inspection Service, is responsible for ensuring that area freedom status for fruit fly is maintained, and in addition provides inspection and certification of pack houses for export purposes.

### Industry Value

The stone fruit industry, in particular cherries and apricots, has undergone considerable growth since the early 1980s. In 1980 there were five commercial cherry growers and about 15 commercial but small apricot producers. In 2003 there were more than 120 commercial cherry growers and four large commercial apricot producers. Many trees are young and yet to bear fruit and new trees are continuing to be planted.

	97/98	98/99	99/00	00/01	01/02	03/04	04/05
Production							
- Area (ha)*			325		325		350
- Number of operators					c.120	c.120	c.120
- Direct employment (no.)^					40		40
- Product Quantity (tonnes)*	453		1,200		900	1,786	2,500
- 'Farm gate' value (\$m)	2.5	2.3	5.75	7.8	5.75	12.039	20
Processing							
- Number of operators							
- Product value (\$m)							
- Direct employment (no.)							
Market (fresh) – local (%)							
Market – interstate (%)							
Market – export (%)							
International exports (\$m)							

Note: \* DPIW estimate

^ There is also a substantial seasonal labour requirement for picking fruit.

Source: ABS agricultural commodity data, DPIW industry surveys.

Further production of cherries and apricots is likely to rise quickly as young trees planted during the last five years come into production. The following table provides estimates of likely industry growth, based on current tree numbers. No provision is made for future tree planting trends.

## Expected industry growth, 1999/00 – 2010

	1999/00			2010		
	Area (ha)	Production (t)	Farm Gate Value (\$m)	Area (ha)	Production (t)	Farm Gate Value (\$m)
Cherries	200	600	4.5	400	3000	25
Apricots	100	500	1.0	250	3000	12
Other Stone Fruit	25	100	0.25	70	500	1.2
Total	325	1200	5.75	720	6500	38.2

### Opportunities

Many market opportunities exist for fresh Tasmanian stone fruits and are under-exploited. A considerable quantity of fruit still enters Tasmania that could be produced locally. Mainland markets (Melbourne, Sydney, Adelaide, Perth and Brisbane) are also well under-supplied with produce during Tasmania's peak period of production.

Cherries and apricots are the stone fruit crops with the greatest potential for development in Tasmania. Both crops have a clear, late season production advantage both within Australia and overseas.

The only other regions in the Southern Hemisphere with a production season similar to Tasmania's are the south island of New Zealand and, to a lesser extent, Chile. Tasmanian fruit competes effectively with New Zealand fruit on both domestic and overseas markets and Chilean fruit on overseas markets.

Tasmanian cherries are already being exported to markets in Asian, USA and Europe. Tasmanian cherries were exported to Japan for the first time in 2005/06.

A recent cherry orchard investment analysis identified an Internal Rate of Return for invested capital of 19% for a new four hectare development. Considerably higher rates of return may be achieved for orchard expansion. This opportunity underlies recent investment in capital-intensive orchard developments.

Apricots have undergone considerable development in the past five years. Significant market opportunities exist, both domestic and overseas, for Tasmanian apricots, especially in Europe, the UK and Middle East. Trial shipments of apricots have been well viewed in the UK to date.

DPIW and industry are working on programs to address the problem of weather vulnerability (variety evaluation, pre-harvest chemical treatments, orchard management systems, rain-protective covers). DPIW's advisory and information program is continuing to encourage the apple industry to diversify into stone fruit production (especially cherries).

## **Challenges**

As well as food safety and quality assurance guarantees, markets, especially European markets, are increasingly demanding assurances that food has been produced in a manner not detrimental to the environment, while also addressing issues related to worker health and safety and pollution control. To meet this requirement, a number of Tasmanian producers have undergone EurepGAP accreditation. Government will assist in keeping industry informed of market trends and provide assistance to producers seeking ecolabel accreditation.

Availability of seasonal labour for harvesting is becoming an issue and will become more urgent as production increases across a number of industry sectors (stone fruits, wine grapes, vegetables, olives, apples etc). Providing adequate facilities for seasonal labour will also be an issue.

Major weaknesses in the Tasmanian industry to be addressed are:

- Lack of centralised marketing;
- Relative size (volumes of supply and continuity of supply for export markets);
- Vulnerability to weather (large potential fruit losses in some seasons);
- Lack of a major processing industry to absorb lower grades of fruit; and
- Availability of airfreight space during the Christmas–New Year holiday period.