

Fresh Fruit and Vegetable Trade

Overview and Market Trends

Wayne Prowse- Fresh Intelligence, August 2021

In 2019, the global production of fruit and vegetables stood at 2.87 billion tonnes¹ of which 70 per cent were vegetables and 30 per cent fruit. Australia produced around 7 million tonnes or 0.25 per cent of the global production.

Unlike other food products such as grains and meat, around 95 per cent of fruit and vegetables are consumed in domestic markets close to the production areas with 5 per cent traded across international borders.

The exceptions are products in high demand by markets where the product cannot be grown. For example, all bananas consumed in Europe and United States of America are imported from tropical production areas in Latin America and Western Africa. Similarly, and where Australia has an advantage, is the increasing year-round demand for temperate fruit in northern hemisphere markets that drives out of season trade from Southern Hemisphere suppliers.

Considering these drivers and despite the higher volumes of vegetable production, more fruit is traded than vegetables and 84 million tonnes of fresh fruit was exported to international markets in 2020, being 10 per cent of the global production compared to 56 million tonnes of fresh vegetables being 3 per cent of global production. Also, fruit tends to achieve higher unit values per kilogram than vegetables which also supports the higher costs for longer distance transportation. Australia is no exception.

Three major trade flows drive fresh fruit

- First the temperate fruit trade in the main northern hemisphere markets circulate mainly within regions accounts for 39 per cent of global fruit trade. For example, most apples produced in North America are consumed in North America with some trade between United States, Canada and Mexico and a decreasing small volume to Asia. Similarly European apples largely stay within the European market, and in Asia, China, the world's largest apple producer, exports mostly to Southeast Asian markets. Citrus, grapes, stone fruit and cherries all follow similar patterns.
- The North American, European and North Asian (China, Japan, South Korean) demand for tropical fruit (e.g., bananas, pineapples, mangoes, avocados) drives the volume from Central Latin American producers notably Mexico, Ecuador, Costa Rica and Colombia. These producers grow and export a much higher proportion of their total production and have developed fruit industries off the back of this demand from northern markets where the climate is not conducive to grow tropical fruits. Bananas alone account for 30

¹ FAOSTAT Food and Agriculture Organisation data

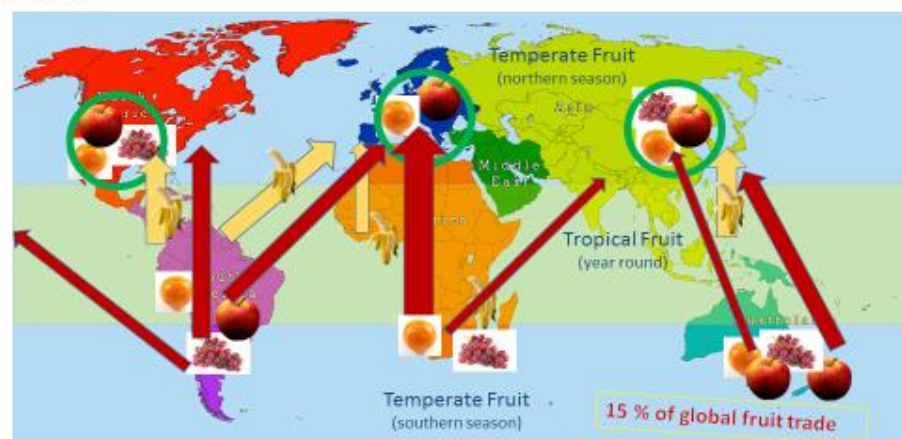
per cent of the world trade in fresh fruit and all trade from this area rises to 37 per cent with the other tropical fruit.

- The third major trade flow is driven by the northern market demand for counter season temperate fruit and is where Australia plays an important role. Overall, 15 per cent of global fresh fruit trade is in this area and is the fastest growing sector. Whereas consumers in past have accepted seasonal fruit in season only, the development of retail systems and longer supply chains have seen a trend for a year-round supply capability. Initially these were mostly direct north-south trade lanes such as Chile to North America, South Africa to Europe and Australia to Asia. More recently there have been increasing crisscross patterns with South American suppliers reaching into Europe and Asia, and South Africa supplying to Asia.

Global fruit trade leads to northern markets.

Northern temperate in season and tropical fruit traded year round.

Southern temperate fruit supplied to meet counter season demand in northern markets.



While these major trade flows are the key drivers trade the reality is that trade is disrupted by many factors including economic and political. Think China! Demand for counter seasonal fruit by North Asian markets alone should be massive and well beyond the supply capabilities of Australia and all southern hemisphere suppliers combined yet the technical market access issues to protect their sovereign biodiversity limit the trade that can take place. Also, production costs between other Southern Hemisphere suppliers place Australia as a high-cost producer. However, Australia has benefited from the Asian demand and lifted temperate fruit exports to Asian markets from 120,000 tonnes to 410,000 tonnes in 10 years.

Tasmania has a market access advantage being a recognised fruit fly pest free area however produces only two products that can be exported in any volume.

- Cherries are clearly in the niche for strong demand for high value counter seasonal fruit, albeit in competition with Chile and New Zealand. Tasmania accounted for 51 per cent of Australia's exported cherries in 2020/21 season and increased by 40 per cent year on year.

- Apples were once a highly exported fruit and have succumbed to other competition from New Zealand and Chile and long stored northern season fruit in China such that export trade is now scarcely 1 per cent of national production.

Citrus and grapes account for around 80 per cent of Australia's fresh fruit exports though are not produced in any significant volume in Tasmania. These industries have taken advantage of the counter seasonal trade opportunities have worked to secure trade flows that are internationally competitive. Both industries export more than 50 per cent of their marketable fresh fruit production, considerably higher than the global average of 10 per cent.

Vegetable supply chains are shorter

The supply chains for vegetables tend to be much shorter than with fruit and fewer vegetables are traded internationally. Potatoes, onions and tomatoes account for over 50 per cent of 56 million tonnes of fresh vegetables traded globally. While the three trade flow themes that dominate fruit are relevant for vegetables, the trade within the northern markets dominate particularly for green vegetables which are highly perishable. There is no "banana" type vegetable product in high demand that can only be produced in tropical markets and the counter seasonal demand for potatoes and onions, is not particularly strong due to the long-term storage capability of northern producers.

Nevertheless, it is counter seasonal demand that does drive exports of Australian onions and potatoes as Tasmanians have seen with the onion export trends. The sheer demand for onions in the northern spring is well beyond the supply capacity of Australian and New Zealand producers and many markets can meet year-round needs from local storage. If there is a shortage in northern markets, there can be a spike in demand from southern suppliers to top up supplies until the new northern summer growing season. This is what drives the volatile year to year nature of onion exports.

Most Australian potatoes are exported for use in food processing industries in Asia. Fortunately, Australia is one of a few countries, with the United States, that can grow varieties that are suitable for potato processing industries and tap into the rising demand for processed potato products.

Australian carrots have found a niche in the Middle East and are mostly supplied from Western Australia such that carrots account for the highest volume, almost 40 per cent of Australian vegetable exports. The distance from Western Australia to the Middle East makes this supply chain one of the longest in the world for carrots.

Export is not for everyone

Understanding the natural demand for fruit and vegetables globally is a classic exercise in understanding the theory of trade. When a country needs a product that it can obtain cheaper from somewhere else rather than either produce its own or cannot produce its own then trade is likely to occur. Australia is a large supplier of iron ore to China simply because we have the capability and China wants it. We supply large volumes of wheat and meat

because we have large areas of suitable land to produce more cost effectively than our customers and competitors.

Fruit and vegetable trade is no different. However, Australia does not have the geographic advantage of being close to major markets, nor have the cost advantage of producing and landing fruit and vegetables in large export markets cheaper than competitors. In some products we do have a quality advantage though this must be promoted and maintained. Tasmanian cherries are renowned and in demand otherwise no trade would occur given the competition from Chile. Australia is one of the few countries in the Southern Hemisphere that can supply onions in March to top up European shortfalls. And we have capabilities to supply citrus and grapes at competitive prices to Asia that are in counter seasonal demand.

Unfortunately, if there is no demand in export markets to meet these criteria, seeking export opportunities to clear surplus domestic stock will end in disappointment. The challenge is to find the markets where we can meet a particular demand effectively or manage our supply to meet our domestic needs without exporting. Exporting is not the answer to every industry's future.