



Premium Australian Foods Cherry Export to China



Sweet, juicy Tasmanian cherries are in high demand in China for the short period of time in which they are in season. Indeed, as Chris Morley, Managing Director of Premium Australia Foods observes, eleven months of solid work throughout the year supports four weeks of frantic activity when the cherries are in season and they are on the way to consumers in China. Getting fresh Australian cherries to Chinese homes, hotels or restaurants is the culmination of a long supply chain journey that involves a series of stages and many players.

Premium Australia Foods exports a variety of Australian food products to China, including fresh apples and cherries. In addition, the company provides a range of related supply chain and logistics services for Australia food exporters. These include the provision of aggregated shipping by either container or by air freight, as well as consolidation of goods to be shipped in a one-stop depot. The company also arranges customs clearance and warehouse storage in China, quality assurance checks and packaging compliance once the goods arrive in China. Finally, Premium Australia Foods also provides product marketing and customer service support.

Premium Australian Foods has been exporting cherries since the summer of 2015-2016. Cherries have a short shelf life, there is a 14 day picking window and they need to be consumed within 14-20 days of picking.



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This is not the first time cherries have been exported to China from Tasmania. For instance, Tim Reid from Plenty, Tasmania is the biggest cherry farmer in the state (and perhaps Australia) and has pioneered cherry export to China. However, many other cherry farmers have not yet joined the export ranks, and these are the types of growers that are supported by Premium Australia Foods through their liaison with the Tasmanian Cherry Foundation. Growers can access information and advice regarding the process of exporting their cherries to China. Although cherries are grown in other states of Australia, Tasmanian cherries are the only ones that have market access into China because there is no fruit fly in Tasmania.

A number of process steps are involved in the export of Tasmanian cherries to China. The first step involves the certification of origin of the cherries in order to provide provenance and to ensure the traceability of this particular food product. A phytosanitary certificate from the Department of Agriculture, Fisheries and Forestry is then obtained. Clearance for transport is then obtained. In the case of fresh cherries, they are transported by a cold chain logistics provider on the Spirit of Tasmania ferry to Melbourne, and then transferred to the Melbourne airport and flown to Shanghai. On arrival in Shanghai, the produce is cleared and then transported to Premium Australia Foods' cold chain warehouse. At the cold chain warehouse, the cherries are packaged and labelled according to Chinese government requirements. The cherries are then ready to sell online, and Premium Australia Foods uses e-commerce provider Amazon to sell its products. As orders come through, the cherries are sent out for the 'final mile' distribution. The buyer pays a percentage up-front, and the balance when the order arrives. According to Chris Morley, this complex set of process steps is worth it for food exporters, as demand always exceeds supply, and demand always exceeds the risks associated with the export process.

When shipping by air freight, a one week lead time is required and flights are organised between Melbourne and Shanghai. Different export licenses are required for transport by air and transport by sea, so licensing is an important consideration. Additional licenses cover various food types for export. Premium Australia Foods hold seven different export licenses; these seven cover all food types that can be exported to China.

The export of cherries to China has a per kilo rate payable to CIQ, which includes registration; landing import costs; and taxes, including VAT and tariffs. Since the recent roll out of the Australia – China Free Trade Agreement, tax costs have come down from 14% to 7%, quite a considerable amount. Despite these cost reductions, Chris Morley points out that market access is much more of a concern to Australian food exporters than issues related to the new Free Trade Agreement. Costs of registration, import and taxes are reviewed each year and go up on January 1st each year, so this must be factored into pricing plans.

Although Premium Australia Foods have significant experience in export of Tasmanian apples to China, they had never been involved in cherry export until the 2016 harvest.



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The initial planning phase began in early 2015, when Premium Australian Foods began the process of looking for a cherry grower who was keen to test the waters and enter the export market to China. On the China side, Premium Australian Foods realized the importance of the supply chain to the success of food export to China. Chris and his team also went to Shanghai in early 2015, where they selected one particular company to work with as they seemed to do a better job on a consistent basis. This company looks after deliveries from their cold storage warehouse to destinations across the greater Shanghai region. For deliveries outside the Shanghai area, Premium Australian Foods chose another company to handle deliveries. Both of their chosen partners were relatively expensive when compared to other providers, but their performance was superior and they were both well established with a sound track record of satisfied clients.

In mid-2015 the orchard and pack house were registered by the Australian government agencies responsible for agricultural export. In order for fresh fruit to be exported to China, both the orchard and pack house have to be accredited. The audit by the Australian Quarantine and Inspection Service (AQIS) and the Department of Agriculture can cost up to \$8,000 per orchard, and a one-off accreditation is required for each consignment. A license to export is then issued. In December 2015 Premium Australian Foods commenced the price setting process. Generally, the price is set by the market, and factors such as crop yield and product quality are big factors in determining the price. The bigger the cherry the better (32mm+ is best, 30-32mm is the usual size for the cherries from Tasmania). This is in contrast to Australia's biggest cherry competitors, Chile, with cherries averaging around 28-30mm, and quality is not as good as that of the Australian product.

When asked to identify the major success factors relating to their first cherry export to China in 2016, Chris Morley points out that a whole year of planning was required to support the two weeks of frantic activity in January during which the cherries are picked, packed, transported and sold to consumers. Some other success factors include:

- Having a good grower with a reliable source of high quality produce is essential; growers who are willing to take a calculated risk and are keen to learn are well positioned to be successful in the export market to China.
- Smooth operations with regard to orchard audit and accreditation, customs and registration on the Australian side is essential.
- Good relationships with the right business partners in China ensure that paperwork, clearances, safe transport and distribution go as smoothly as possible.
- Having a trustworthy manager on the ground in China during crucial periods is well worth the investment of time and cost.
- Premium Australian Foods found that their preferred e-commerce provider, Amazon, provided a strong online presence supported by good web design and excellent product photos that were posted a few weeks before the cherries became available. The team at Premium Australian Foods found Amazon to be a trusted source of knowledge on marketing their products in China.



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- Good preparation and training for customer service representatives on the ground in China pays off. This includes briefings on the product and its provenance, availability and how to handle customer issues or complaints.
- Continuous learning should take place during the off season. For example, Premium Australia Foods monitors competitors from northern hemisphere locations such as Washington State in the USA, to check their pricing and product quality.

Premium Australia Foods is now gearing up for next year, seeking out new orchards and getting more small orchards to come on board in order to deliver a bigger overall consignment of cherries. There is a huge demand in China for high-end or 'luxury' fresh fruit products such as cherries, mangoes and grapes. Australian growers are well positioned to take advantage of the many opportunities offered by exporting their food products to China. The experience of the Premium Australia Foods team suggests that demand for Tasmanian cherries always exceeds supply, and this strong demand will also exceed the risk involved in getting the cherries to China. As Chris Morley says, "export to China is a great leveler; it doesn't matter how big or small you are. You can't buy or force your way in, but if your products are good enough, the export journey can be a resounding success."