

Lychee Industry Export Market Development Strategy 2023

*A quick overview of international trade
opportunities and considerations*

STRATEGY SUMMARY

To review the opportunities to export Australian lychees, Hort Innovation has developed a comprehensive export market development strategy. The strategy has been produced using levies from the lychee industry and funds from the Australian Government.

The supporting data underpinning this strategy has been prepared by market analysts and researchers McKINNA et al using its Market Potential Index (MPI) which is a framework used to filter, rank and prioritise export markets. The strategy provides a valuable resource for growers and industry more broadly to identify any trade development investment opportunities.



WHERE ARE WE NOW?

For the year ending June 2017, Australia produced 2,419 tonnes of lychees with a value of \$26.7M. Exports comprised 17 per cent of production, at a value of \$5.6M.

It is estimated that more than 250 commercial lychee growing businesses operate in Australia. Lychee production occurs predominantly in Queensland. Major growing regions include Atherton, Rockhampton, Bundaberg and the Sunshine Coast in Queensland.

In terms of overseas trade, the lychee industry is more advanced on the export journey than other tropical fruit categories reviewed, however volumes traded are still relatively small. Recognising its limitations of scale, the lychee industry has already established at least two effective export business models, with one being a grower-owned, collaborative marketing group and the other a model being driven by one of the industry fresh fruit marketers under their own brand.

WHERE DO WE WANT TO BE?

The Lychee Strategic Investment Plan, which was developed with industry, identifies 'driving long-term domestic and export growth' as a priority. It also notes the need to boost capacity and productivity to meet growing international and domestic demand, and increase market access and export development to improve returns to growers.

WHAT ARE THE OPPORTUNITIES?

Research shows lychee exports have the potential to reach 630 tonnes by 2023, which would represent 23 per cent of current production.

The strategy identifies the best prospect markets for Australian lychee as:

- 1. New Zealand:** Australia is the dominant market leader for lychees in New Zealand, enjoying very high pricing at a time when domestic market prices are depressed. The market is showing impressive growth with plenty of opportunity for expansion through increased marketing efforts.
- 2. Hong Kong:** An open, unregulated and tariff free market with excellent direct air connections including weekly direct services from all Australian capital cities as well as Cairns.
- 3. USA:** A large market and potentially under-serviced.
- 4. Singapore:** For almost all horticultural commodities, Singapore is 100 per cent reliant on imports. Airfreight collectivity is excellent and freight prices are highly competitive.

Lychees, have two specific competitive advantages:

- The longest supply window in the world, from tropical to temperate zones between October to April.
- The ability to offer exclusive supply in the Lunar New Year window.

WHAT IS STOPPING US GETTING THERE?

Although the lychee industry is well-organised, many of the export sales are still speculative. A strong and sustainable export market requires on-going, programmed orders with established trading partners. A key challenge for the lychee industry is the small number of growers, the small volume of fruit produced and a declining grower base, resulting in the inability to achieve enough scale to put market development investment into exports.

A further challenge for this industry is its capability to supply if exports grow substantially. This is a particular issue for lychees because tree bearing takes seven years to reach capacity.

HOW ARE OUR COMPETITORS POSITIONED?

Due to the seasonal difference, Australia has no real competitors within its prime prospect export zone (New Zealand, Hong Kong, Singapore and the USA) other than South Africa which represents minimal competitive threat. Madagascar and Mauritius are also active in Australia's seasonal window presenting some competition and some activity is emerging from South America.

South Africa has a significant lychee industry, but its export programs are focused on Europe. South Africa has no current presence in the Asian and Middle Eastern zone and does not have Australia's freight advantage to these markets.

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WHAT ARE THE NEXT STEPS?

The Strategy makes the following findings:

- Current market access and opportunity in New Zealand, Hong Kong, USA, and Singapore should be exploited to continue building those markets.
- Supply chain efficiency, which is critical due to the acute temperature sensitivity and short shelf life, needs to be addressed. Supply chains need to be ultra-efficient to maximise the seasonality of supply along all of Australia's production zones.
- Collaboration is needed to maximise supply chain, marketing and treatments for export – addressing the long distances between production areas, treatment facilities and high costs of transporting to wholesale markets and airports. This will reduce significant costs to export supply chains.

Hort Innovation will work with industry for levy investment and roll-out of trade related research and development activities.

This summary feeds into an overarching Australian Tropical Fruit Export Strategy which aims to:

- Encourage collaboration in the tropical fruit sector to build new export business models and supply chains
- Develop new products to secure premium pricing, underpinned by strong branding
- Engage with markets to maximise immediate opportunities while also pursuing strategic market access for the longer term

For more information on the lychee industry, refer to the Horticulture Statistics Handbook and the industry's Strategic Investment Plan.

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