Concern over Indonesian citrus imports

Australian citrus industry officials seek talks on Indonesia’s import quota system during trade delegation to Jakarta, following news that restrictions will be extended in 2016

Senior officials from the Australian citrus industry are taking part in the country’s largest ever trade and investment business delegation to Indonesia this week led by trade minister Andrew Robb.

High on their agenda will be the issue of Indonesia’s import quota system after news filtered through last week that restrictions on citrus imports will be extended in 2016.

Under the biannual system, Indonesia issues import quotas for two semesters – January to June and July to December. This year, the market was closed to all citrus imports apart from lemons from July to September after the Indonesian government issued no quotas for the three-month period.

Now, Australian government authorities have reportedly received verbal notice from their Indonesian counterparts that citrus import quotas for 2016 will only be issued for the months of February/March and September/October (with lemons again exempted).

The extension of restrictions, which would effectively mean the citrus import market is closed for eight months of the year, would come as a blow to Australia’s citrus industry. In addition to again missing its peak July-to-September export season with Honey Murcott mandarins and navel oranges next year, the industry would lose market access for the months of April, May and June, when it has traditionally done a steady trade in mandarins.

“We’ll be able to provide a bit of late-season fruit – Honey Murcotts and navels in September/October, but we’re really losing a big chunk of our season, which is a huge blow in this market,” said Andrew Harty, Citrus Australia’s market development manager.

Citrus Australia’s CEO Judith Damiani and chairperson Tania Chapman – together with key citrus export managers and growers – are taking part in this week’s Indonesia-Australia Business Week in Jakarta led by Robb. The trade mission includes 360 senior business people representing a range of industries.

Citrus Australia’s market access manager David Daniels said the industry was hoping the mission would provide an opportunity to address the issue. “We’ve also engaged our agriculture minister Barnaby Joyce and assistant agriculture minister Anne Ruston,” he said. “It’s still up in the air but hopefully things can be turned around between this season and next.”

While acknowledging the setback, Daniels said Australia’s citrus industry was far from dependent on the Indonesian market. “We lost access to Indonesia [for our peak season] this year, and we’ve had a record year for exports.”
tonnes worth A$230m in the first nine months of the year, and we’re on course to break the 200,000-tonne mark by the end of the year. Historically, Indonesia has taken around 10,000–15,000 tonnes, representing around 5 per cent of our total exports.”

**Queensland mandarins to bear brunt**

Daniels noted that impact would be felt most keenly by the Queensland mandarin industry, although he pointed out the sector was enjoying a very strong export year, after two seasons that were impacted by weather.

Neil Barker, managing director of BGP International, one of the Australian citrus exporters taking part in this week’s trade mission to Jakarta, said the extension of Indonesia’s import restrictions would have a serious impact on the Queensland industry.

“We shipped 70 container loads of Queensland mandarins worth A$3m into Indonesia with our grower-partner during May/June last year,” he said. “These are varieties grown especially for export to Indonesia, so it’s not easy to find replacement markets and some growers are heavily exposed from a financial perspective.”

Allen Jenkin of Queensland grower Ironbark Citrus, which works with BGP International, said the company had spent close to 20 years developing the market in Indonesia and its export programmes.

“We’re hoping the trade mission will help our delegates to get a better understanding of the quota system so we can make better plans for our businesses,” he said. “We need to get a better understanding because Indonesia is an important market for us and it had been growing fast over the past few years before the disruption from these import regulations occurred. The quotas have had a profound impact on our business and we want to know whether they’re more of a permanent or transient thing if they’re permanent we’ll have to find other markets.”

**Alternative markets?**

opened its market to all mandarin varieties from Queensland and Australia’s other non-pest free areas (PFAs) subject to cold treatment, whereas previously it only permitted the Honey Murcott and Ellendale varieties. Daniels said the move was timely, particularly as Australia’s free trade agreement with Thailand comes into full force this year, meaning there will be no tariff on Australian mandarin imports.

“There won’t be huge volumes shipped but it will give mid-season varieties another home,” said Daniels.

The Philippines is also rapidly emerging as a market for Australian citrus since a protocol allowing in-transit cold treatment was secured a few years ago, Daniels noted. “We’ll see it crack the 5,000 tonne-mark this year,” he noted.

Jenkin agreed that Thailand, the Philippines and Malaysia were all developing well for its mandarin exports, but he reiterated that losing Indonesia would be a major blow. “It’s our closest neighbour and it’d be a pity to undo all the good work we’ve put in over the past 20 years.”

**Wider impact**

Despite the local impact, Australia is a relatively small player in Indonesia’s mandarin market, which is heavily dominated by China.

Indonesia imported a total of 116,413 tonnes of mandarins in 2014, with China holding a 74 per cent market share, followed by Pakistan with 19,142 tonnes, Argentina (7,248 tonnes) and Australia (5,532 tonnes).

Indeed, Indonesia’s move to only allow citrus imports during the months of February/March and September/October looks likely to have a far-reaching impact, affecting a number of key global suppliers.

Southern Hemisphere exporting countries such as Argentina and South Africa will be impacted – mainly with mandarins and oranges respectively – as the market is closed during their peak export seasons.

South African citrus shipments to Indonesia dropped from 44,000 to 35,000 in 2013 to 1,500 to 2,000 this year.

Pakistan’s kinnow mandarin exports cannot commence until 1 December under government regulations, Barker noted. “With the shipping times, this means Pakistan would only have a week to get fruit away in order to get it cleared in Indonesia before the end of December,” he said.

Indonesia’s move to restrict citrus imports is ostensibly aimed at protecting and developing its domestic citrus industry, which produces tangerines with a bicolour green/orange skin. But Jenkin said he could not see the logic of excluding imports from high-cost Southern Hemisphere producing countries such as Australia. “We don’t compete directly with domestic production and our fruit sells for much higher prices,” he said. “If anything, our fruit demonstrates to domestic growers the better prices they could achieve with improvements in quality, grading and packing.”

If the Indonesian citrus import market does close for eight months of 2016, Barker
One potential alternative said the country's consumers would be hit with higher fruit prices and that inflation would also rise.