Enterprise Profile – Carrots

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The Tasmanian carrot industry

Tasmanian growers produce a 28 per cent share of the total Australian output of carrots. The gross value of carrot production in Tasmania was around $39 million in 2009-10, which is similar to the gross value of onions, about a third of the gross value of potatoes and around 2.6 per cent of the gross value of Tasmania's agricultural production.

Tasmanian Carrot Industry 2009-10

Area	790 ha
Production	63,000 t
Yield	80 t/ha
No. Farms	85

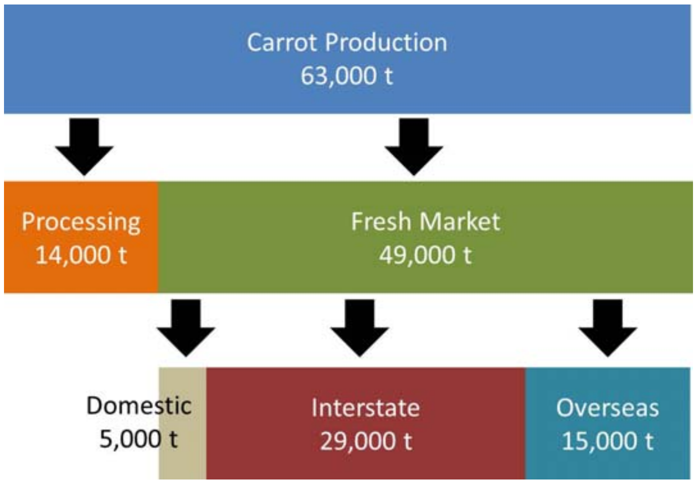
Source: ABS 7121.0

Current markets for Tasmanian produce

In Tasmania around 25 per cent of carrot production has traditionally been sold to vegetable processors. The Australian vegetable processing sector has been faced with increasing import competition in recent years due to higher relative costs of production and the high Australian dollar. McCain's decision to cease fresh vegetable operations in the state suggests that increased import competition may have further reduced the volume of carrots grown for the Tasmanian processing sector.

Tasmania's small population base and low rate of population growth mean that the local market for fresh vegetables, including carrots, is limited. The small local market for carrots initially led the industry to target export markets as a means of driving further expansion. More recently, industry growth has been on the back of mainland opportunities through supermarket chains. There are several major fresh vegetable packing firms operating on the north-west coast that supply local, interstate and international markets with carrots. Recently there has been a consolidation of carrot packing, with Harvest Moon taking over Field Fresh operations.

Figure 1: Production, Consumption and Export of Tasmanian Carrots



Source: Macquarie Franklin calculations, ABS, FAO Stat & industry estimates.

Tasmania supplies carrots to markets in Asia, Europe and the Middle East. Firms supplying these markets, particularly South East Asia, have faced strong competition in recent years due to the higher volume of carrot production coming out of China.

Trends in consumer behaviour

The domestic market for carrots is mature with a high level of consumer penetration. Carrots and potatoes are the only two vegetables to be purchased by 60 per cent or more of households on a weekly basis, indicating that they are staples in the average Australian home.

While future demand for carrots in the domestic market is most likely to be driven by population growth, Australian vegetable consumption is low by international standards. Currently Australians are estimated to consume 199 kg of vegetables per year, significantly lower than consumption rates in Italy, 298 kg, New Zealand, 250 kg, and the US, 246 kg.

In an attempt to increase demand, marketing campaigns such as Go For 2&5 have been developed to lift domestic consumption to two serves of fruit and five serves of vegetables a day. Any rise in domestic vegetable consumption as a result of this marketing will more than likely lift the demand for carrots.

Alternative markets for Tasmanian produce

The share of Australian vegetable growers' sales made directly to retails chains, as opposed to wholesalers, has been growing in recent years. Selling directly to supermarkets can be an attractive option for growers as value-adding activities (washing, sizing and packing) mean that a higher price is paid for the product.

Innovative value adding such as salad mixes and fresh cuts have been largely successful developments in the vegetable sector in recent years. While competition has seen the price of these products decline, further innovations in this area that target time-poor, convenience seeking consumers, with ready to eat products, may increase fresh vegetable revenues. As consumers have become increasingly health conscious, and reflect this in their purchasing patterns, organic vegetables are another area where further growth in demand may be achievable.

Increased competition from other low-cost producers, particularly China, will limit Australian expansion into new markets. Import tariffs also make it difficult to compete, particularly in Asian markets where horticultural imports were excluded from Australia-ASEAN free trade agreements (FTA). Bilateral FTAs such as the Australia-Thailand agreement will increase the competitiveness of carrot exporters.

Price trends and future market outlook

Carrots have reached very high penetration rates among Australian householders and demand growth is likely to continue in line with population growth. However, international comparisons suggest there is room for growth in the amount of vegetables that Australian's consume.

Tasmanian grown carrots are popular from December to May because of quality and shelf life advantages over mainland carrots. Fresh vegetable packing firms operating on the north-west coast have indicated an intention to expand production over the next five years. This will include a wide range of fresh vegetable crops but with carrots and onions likely to contribute a major share.

Given a relatively mature market and limited scope for exports, any significant increase in Tasmanian carrot production is likely to be at the expense of mainland production. High summer temperatures in northern Victoria impact on carrot quality. This is one area where Tasmania already has a competitive advantage and which may increase over time with climate change.

At around $110/t the price for processing carrots in Tasmania has been very stable over the last five years. Fresh market growers can achieve a higher price for grades that are in demand. The structure of the vegetable market in Tasmania differs from the mainland somewhat in that growers are much more accustomed to concentrating their efforts inside the farm-gate, with the responsibility for harvest and marketing activities mostly assumed by processing and packing firms. This trend is reflected in the lower farm-gate price paid for carrots in Tasmania relative to the mainland, where large scale growers are involved in wholesaling or contract direct to retailers.

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