

THE N.Z. ONION INDUSTRY — WHERE DO WE GO FROM HERE?

A.G. Wilcox

Commercial Grower, "Mauku", R.D. 3, Pukekohe

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INTRODUCTION

I think everybody connected with the onion industry is well aware that the last two years have been disastrous. The onion market has always been very volatile, and it would be a mistake to judge the present downturn as just another low, and believe that better times will eventually return.

The factors which allowed the onion industry to expand during the nineteen seventies have changed. We have now reached a time when we need to take stock of the situation and plan for the future. I believe this is necessary for the survival of the industry.

Before I discuss in detail some of the problems facing the industry I think we should put N.Z. onion production in perspective. In relationship to world production, New Zealand's production is very small and if we never exported another onion I do not think this would result in a world shortage. The following are some of the problems we face:

- 1) World production of onions has increased over the last few years.
- 2) Japan, New Zealand's largest overseas customer, has a policy of self sufficiency in onion production. They have produced longer keeping cultivars of onions to supply their market during the off season. New Zealand has been supplying the Japanese market during this off-season period.
- 3) The USA is probably our biggest competitor for imported onions on the Japanese market. They produce about 1.4 million tonnes annually. Only 5% to 6% of their annual crop is exported; the balance for domestic consumption. The Americans therefore are not so reliant on an export market as New Zealand. They also enjoy very low cost sea freights to Japan which are approximately one quarter of ours. This is due to surplus of shipping space available on the west coast of the States.

The problems that the onion industry face here in New Zealand are:

- 1) Increasing costs of production. At this time these show no sign of reducing.
- 2) The removal of Export Incentives. I do not want to discuss the pros and cons of subsidies but the facts remain that income for the onion export industry has been reduced by the removal of export incentives.
- 3) One of the shortcomings of the present industry in New Zealand is the reliance on one market, namely Japan and perhaps the reliance on one type of onion.
- 4) However, the most serious problem is the very poor quality of our onions. This quality problem has been with us over the last two or three years, and has resulted in losing our reputation as the best producers of quality onions in the world. Many theories have

been advanced as to why New Zealand onions are now having bad out-turn in overseas markets. If we do not improve quality we will not have an onion export industry.

These are just some of the problems facing the onion industry at the present time. It must be obvious that a concerted and co-ordinated approach will be needed by the industry to overcome obstacles. It would seem to me that present market strategies are based on the following philosophies:

- 1) If we ignore the problems maybe they will go away.
- 2) Other producers are losing money and they will soon stop production.
- 3) Maybe Japan will have a typhoon and their onion crop will be damaged or destroyed.
- 4) Onions must come right this year. After all we have had two bad years.

Quite frankly this approach is not good enough. I am convinced that an industry structure modelled on the Kiwifruit Authority is necessary to address the problems that the onion industry faces. By advocating an industry structure of this nature I am not suggesting that onions will ever have the same stature as Kiwifruit. I believe that a very modest organisation, at a very low cost, could be formed to achieve the results that the onion industry is looking for.

If the Horticulture Export Authority Bill is passed through Parliament, the onion industry then has the opportunity to develop a planned industry which would include the following:

- 1) Licencing of exporters.
- 2) Directives to licenced exporters and producers to develop a market strategy.
- 3) Provision for the review of licences if exporters deviate from the market strategy of the industry.
- 4) Negotiation of rates for sea freight on behalf of the industry.
- 5) Provision of funds for research.
- 6) Organisation and control of quality assurance programmes for export onions.
- 7) Investigation and implementation of advertising and promotion of onions and arrangements for representation at Trade and Food Fairs etc.
- 8) Surveying export markets in places other than Japan and assisting with initial shipments.

These are just some of the things the industry can consider. However, nothing will happen until the present Horticulture Export Authority Bill, which I believe is now in draft form, is brought to Parliament and passed. I believe the onion industry will need the assistance of this Bill if it is to have a chance of being of some value to the New Zealand economy.