

vegenotes 47

2015

IN THIS ISSUE:

- Investigating the physical supply chain to improve transport efficiency.

HIA R&D project number: VG13084

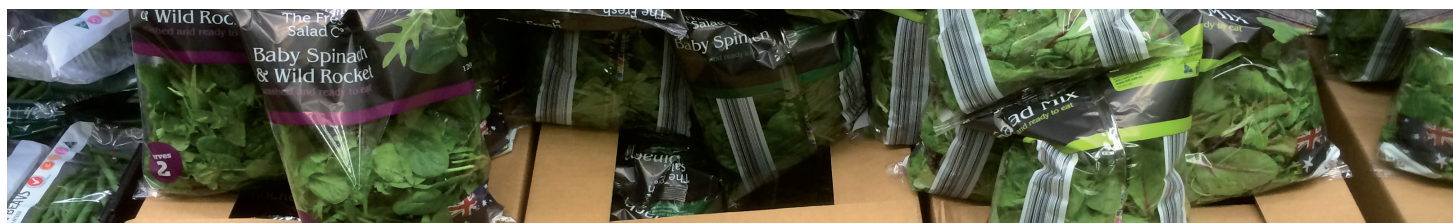
Project VG13084 undertook a food supply chain study to identify opportunities to improve transport efficiencies.

- Benchmarking Australian vegetable industry points of difference.

HIA R&D project number: VG13085

Project VG13085 conducted market research to identify the key areas of competitive edge or points of difference that set Australian vegetables apart from competitors.





Investigating the physical supply chain to improve transport efficiency.

Facilitators:

Project VG13084 was completed by project leader Tom Rafferty from Supply Chain STO P/L.

Introduction

In February 2014, Horticulture Innovation Australia Limited (HIA) engaged Supply Chain STO P/L to investigate possible transport efficiencies in vegetable supply chains.

The study, led by project leader Tom Rafferty, reviewed the regulatory environment, physical supply chain and current logistics infrastructure.

About the project

Project VG13084 was largely based on desktop research and secondary materials including stakeholder interviews, supply chain mapping, recent relevant national and international studies and other supporting literature.

During the course of the study, consultants held discussions with growers, merchants, transport companies, retailers, food service organisations and peak industry bodies in order to develop an overview of distribution.

“Earlier studies in other fields of horticulture demonstrate that regardless of commodity or geographical location, a number of common distribution channels exist,” Mr Rafferty said.

“While there will be some differences from enterprise to enterprise, we anticipated that the same general activities take place, frequently in the same order.”

“For instance, at the primary level, produce leaves the farm gate and is delivered to retail distribution centres, wholesale markets or to food processors. This accounts for the vast majority of produce.”

Main findings

Although road transport dominates vegetable and fruit distribution across Australia, transport to and from some regions is “less than optimal”, Mr Rafferty said.

“Access to specialised transport equipment can also be problematic - especially during summer - and the seasonal nature of

fresh produce can often exacerbate access,” he said.

“Unfortunately, on a large, hot continent like ours, this can be difficult to avoid, even with careful planning.”

“We found that this is likely to be compounded by Australia’s road transport regulations, which are likely to only get tougher.”

“Our truck drivers work some of the longest hours of any developed nations and our trucks are heavier and longer than those of most countries.”

“So road safety is a key priority to address, but at the same time regulations around fatigue management and chain of responsibility appear to be getting stricter, which may result in shorter driving hours, lower vehicle mass and increased costs.”

One issue highlighted in the research was the complex nature of vegetable supply chains.

Mr Rafferty said contrary to popular belief, more efficient supply chains did not necessarily translate into improved grower profits.

“We found that in most cases, vegetable growers have no control of their produce once it exits the farm gate, and in turn, have little or no control of the supply chain,” he said.

“Growers have no real influence over the effectiveness - or the efficiency - of the total supply chain and unless they vertically integrate into wholesale or retail roles, they will continue to have very little influence.”

“If growers want to capture more value from the supply chain, they will have to do something more than simply grow produce.”

Mr Rafferty said that while the vegetable industry had shown steady growth (in terms of gross value of production), grower numbers across all major commodities appeared to be declining.

“Further investigation revealed that the number of growers with an Estimated Value of Agricultural Operations (EVAO) below \$1 million per year had declined, but the number of growers with an EVAO greater than \$1 million per year had increased, slightly,” he said.

“Meanwhile, the increase in the number and acceptance of pre-packaged products, especially in supermarkets, is obvious.”

“With value-adding continuing to proliferate, it is becoming increasingly difficult to successfully launch branded products, especially fresh branded products, in the Australian supermarket channel.”

Another challenge for Australian growers is the rising trend of consolidation as seen in other developed economies.

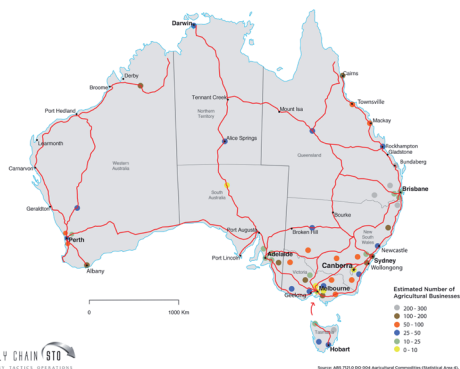
“Farms are getting bigger and growers are becoming fewer,” Mr Rafferty said.

Recommendations

Mr Rafferty said understanding the role of basic economics and how it influenced grower profitability was vital for long-term success.

“Extension material should be developed that addresses basic economics,” he said.

“Concepts such as supply and demand, economic utility and price elasticity are vital to understanding drivers of price and behaviour in the market for vegetables.”



“A misunderstanding of these concepts could prove to be financially harmful to individual growers and the wider industry.”

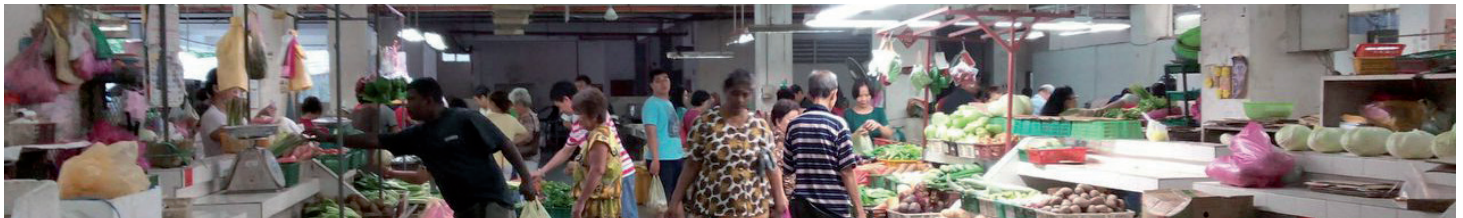
Other recommendations include the development of extension material that explains basic supply chain structures, data requirement statements, industry extension plans, training on transport regulations and an investigation of marketing costs.

THE BOTTOM LINE: VG13084

- In all likelihood, business conditions for growers will become more competitive with increasing costs and greater pressure on prices.
- If growers are to prosper it is recommended they will have to develop skills beyond growing and explore international markets.

Acknowledgements

This project is funded through HIA using the National Vegetable Levy and funds from the Australian Government.



Benchmarking Australian vegetable industry points of difference.

Facilitators:

Project VG13085 was completed by project leaders Umesh Madhavan, Ryan Tay and a team from Euromonitor International.

Introduction

The Australian vegetable industry has demonstrated an interest in exporting greater quantities of vegetables, especially to Asian and Middle Eastern markets.

But to do this, the industry needs to have a better understanding of what attributes are required to succeed and place Australian produce at an advantage in these export markets, according to Euromonitor International Business Development Manager Ben Dunsheath.

“An investigation was needed to look at what the export consumers’ preconceived perspective of Australian vegetable production systems and produce was, as well as what ‘values and attributes’ resonate best with the key export market consumers,” he said.

About the project

A benchmarking study was carried out by independent business intelligence company Euromonitor over 16 weeks from March to July 2014 with a focus on leviably fresh vegetable produce.

Throughout the course of the research, a comprehensive inquiry was conducted across five representative markets - China, Malaysia, Saudi Arabia, Singapore and the United Arab Emirates (UAE) - into local consumer behaviours and preferences via extensive consumer surveys and in-store interview exercises.

These were followed by trade interviews with major local industry stakeholders, including retailers, distributors, wholesalers, importers and local growers, to study an optimal route-to-market distribution strategy as well as import criteria of local importers and distributors.

Product placement and promotional activities were also studied through store audits conducted in pertinent retail channels.

Major findings

Through a top-line review of the regions’ self-sufficiency towards locally produced vegetables, the research team established that imports are still very much in demand due to limited or inadequate local supplies in most markets, with the exception of China.

“When it comes to the retailing of vegetables, modern trade dominates due to convenience in the more developed countries, while traditional wet/open markets still appeal to those living in developing markets,” Mr Dunsheath said.

“A more in-depth analysis through consumer surveys revealed that consumers are willing to pay up to 20 per cent more for quality vegetables.”

“They also prioritise freshness, nutritional value and packaging over price.”

Consistently across all markets, Australian imports attained a strong, positive brand image.

“Taste, packaging and pesticide-free were consistently cited as Australia’s strengths across all five research markets,” Mr Dunsheath said.

“Appearance and labelling were also attributes that left a good impression amongst consumers in four out of five researched markets.”

For this reason, Mr Dunsheath said Australia should leverage off the quality of specific produce while improving on price and freshness.

“Australian growers and exporters are encouraged to focus on branding their produce and providing added value to consumers,” he said.

“Tactical recommendations, such as enhancing packaging for modern trade retailers, ready-to-cook packages, in-store promotions and sampling, for instance, can create avenues for better penetration into these regions.”

“While consumers are turning to convenience, they are still seeking fresh, nutritional and safe vegetables for their families.”

Mr Dunsheath added that the project would be used to help identify the competitive edges and points of difference for Australian imports in the Asia Pacific and Middle East regions.

Recommendations

Summaries of findings drawn from final outcomes provide more clarity to Australian growers about the perceptions of their produce, as well as a deeper insight into consumer purchasing behaviours and preferences.

“When deciding on which strategies to employ for the five researched markets, Australian growers should first take into account the level of presence of Australian vegetables in a particular market,” Mr Dunsheath said.

“Efforts should be channelled towards using branding and marketing to differentiate themselves from the competition and retain their dominant position in those countries.”

“For instance, collaboration strategies should be used to maintain good relationships with importers and distributors overseas.”

“Another key tactic is enhancing the packaging of certain vegetables to appeal to the modern trade retail, such as making sure shoppers can easily inspect the produce and that the packaging only conveys the information vital to a consumer’s purchase decision.”

“In-store promotions, such as in-store displays and free sampling, can also be carried out through collaborations with retailers by promoting the desirable attributes of Australian vegetables.”



Branded country marketing.



THE BOTTOM LINE: VG13085

- Australian vegetable producers can market their produce for Middle Eastern and Asian customers who see Australian produce as high quality and safe to eat.
- The UAE, which is forced to not only import produce for their domestic market but also imports and re-exports produce to neighbouring countries, is a potentially lucrative market for Australian producers.
- It is difficult for Australia to compete with other supplying countries on price points – the country should instead focus on taste and high quality as selling points in export markets.

Acknowledgements

This project was funded through HIA using the National Vegetable Levy and funds from the Australian Government.

Photo credits:

VG13084 photos credit: Some photo provided by Tom Rafferty, some stock photos.

VG13085 photos credit: Photos provided by Ben Dunsheath.

*Please contact Shaun Lindhe at AUSVEG on 03 9882 0277 or email shaun.lindhe@ausveg.com.au to submit topics for potential inclusion in future editions of **vegenotes**.*

ISSN: 1449 - 1397

Copyright© AUSVEG Ltd & HIA 2015

No part of this publication can be copied or reproduced without the permission of the original authors.

vegenotes is produced by AUSVEG Ltd

PO Box 138, Camberwell, Vic, 3124

T: 03 9882 0277 | F: 03 9882 6722

This project has been funded by HIA using the National Vegetable Levy and funds from the Australian Government.

DISCLAIMER: Every attempt is made to ensure the accuracy of all statements and claims made in **vegenotes**, however, due to the nature of the industry, it is impossible for us to know your precise circumstances. Therefore, we disclaim any responsibility for any action you take as a result of reading **vegenotes**.