Vegetable Industry Export Market Development Strategy

Summary by

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McKINNA *et al*

Strategic Insight

Global Outlook

Horticulture Innovation Australia

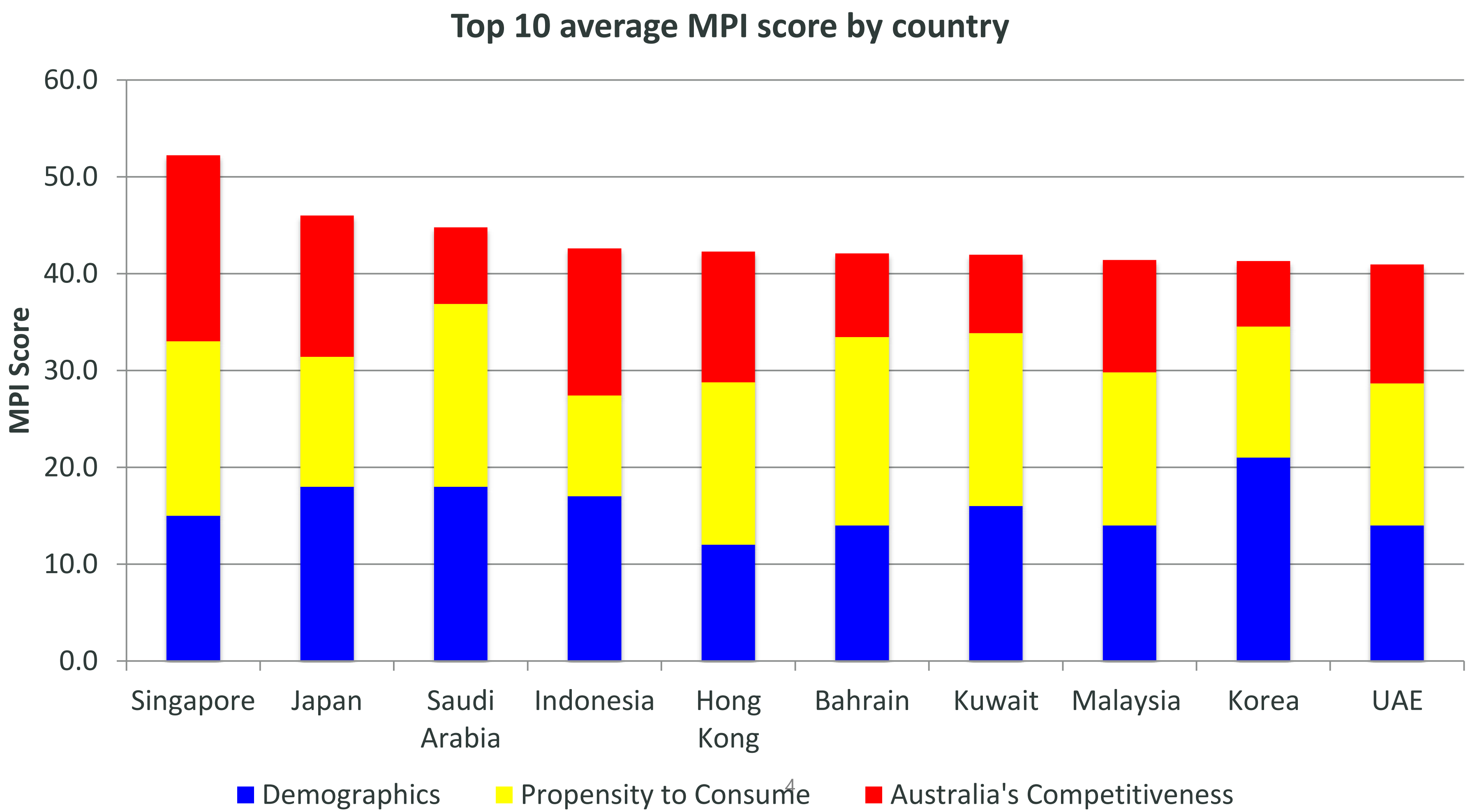
Vegetable Industry Export Market Development Strategy 2020

Project code VG15052

Approach to the strategy

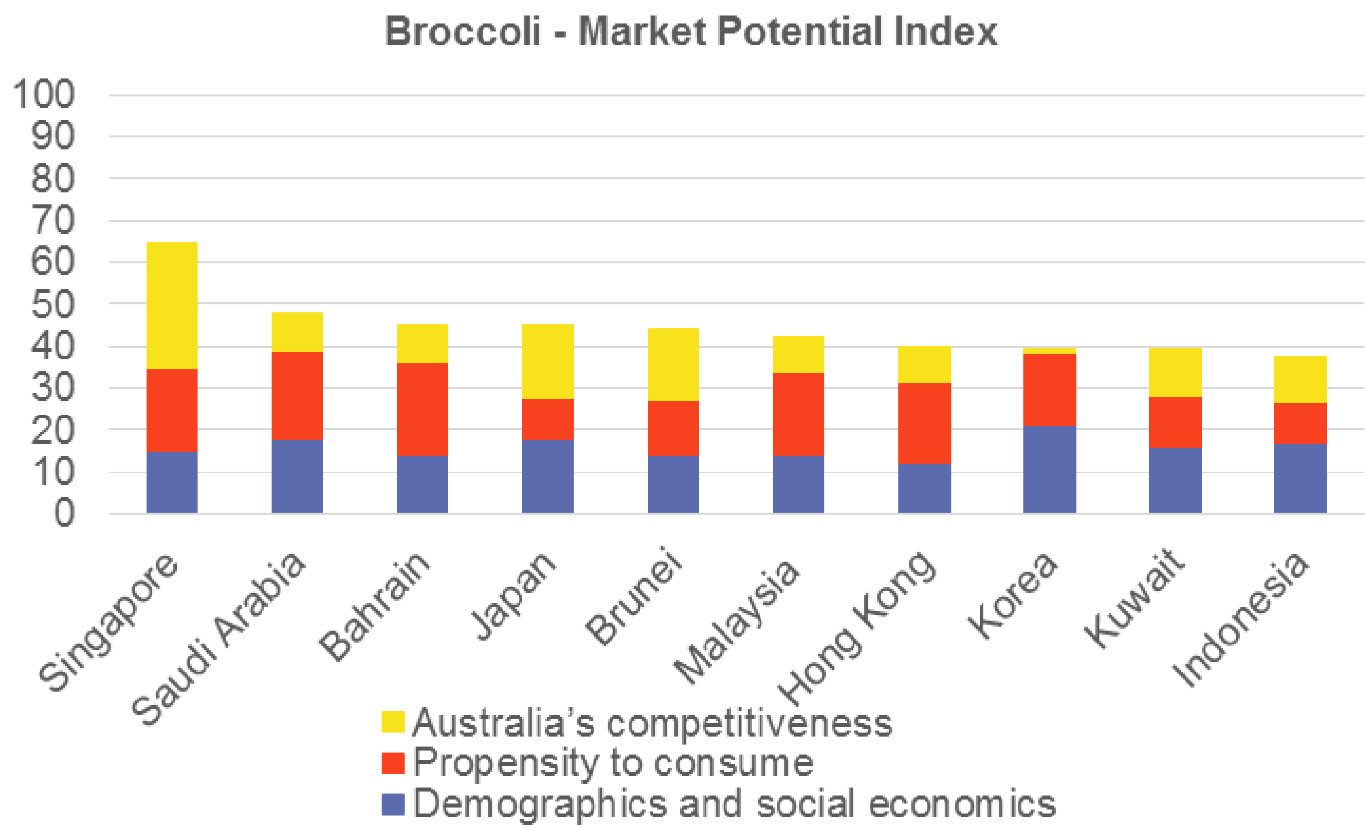
- Comprehensive market analysis:
  - *15 top prospect markets*
  - *18 categories*
- Extensive industry engagement
- Market potential scored and ranked for top 10 priority countries
- Detailed dashboards for the top 10 markets for each category
- Data from this research used to support business cases for market access for 6 priority markets/categories
- Draws on extensive export experience in red meat, dairy, horticulture, wine, seafood and packaged groceries, across the all prime prospect markets

The starting point was to undertake an overall ranking of all the priority markets for vegetables



SAMPLE MARKET POTENTIAL INDEX

The prospects for each commodity was then explored in detail

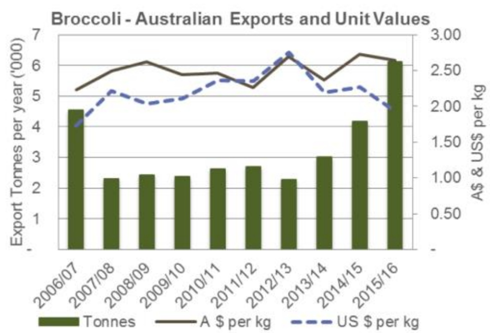


2. BROCCOLI

2.1 Broccoli - export overview

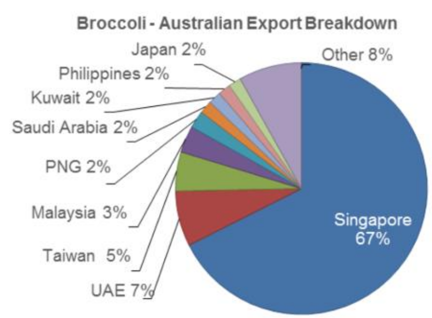
Australian broccoli exports and unit values

TOTAL EXPORT TONNES 2015	EXPORT % OF PRODUCTION	EXPORT TREND*	AVERAGE FOB PRICE PER KG
5,749	8.5	22.9%	$2.64



** Export trend = annual average growth over 5 years*

Source: Fresh Intelligence, 2016



Source: Fresh Intelligence, 2016

Exports of broccoli have grown steadily over the past three years, largely due to the depreciation of the $A and strong growth in the Japan market. Sales opportunities in Japan emerged following drought in the USA.

Historically, Singapore has been the dominant market for broccoli with the remainder of exports spread across a number of relatively small markets.

It should be noted that the data code for broccoli also includes cauliflower, but as exports of Australian cauliflower are currently negligible, it can be assumed that the information provided applies largely to broccoli.

2.2 Broccoli – Top 10 market profiles

Market profile 1: Singapore

MPI SCORE	MPI RANK
65	1

Total market size tonnes	Market growth trend	Per capita consumption kg	Reliance on imports	Price per kg US$
18,750	7.1%+	3.4	100%	$1.36

Total Australian exports	Australian market share	Australian avg price USD	Market Access	Tariff/quota
4,419t	22.1%	$2.03	Unregulated	Free

Source: Analysis by Fresh Intelligence from various sources, 2016

Singapore market overview

Singapore is by far the largest market for Australian broccoli accounting for 67% of all exports. Singapore is a relatively high per capita consumer of broccoli and the market is showing strong growth. Australia holds 22% market share of broccoli and enjoys a 50% price premium over China, which dominates the market. Most Australian product goes to high-end supermarkets and food service.

Singapore competitor dynamics

Key competitors:	China
Australia's price competitiveness:	**149%**
Australia's competitive advantage:	· Quality · Product integrity

SIZE OF OPPORTUNITY AVG P.A.	GROWTH POTENTIAL	INDICATIVE STRATEGY
7,000t	STRONG	GROW SHARE

Why do we need to have a strong and sustainable sector?

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A SUSTAINABLE EXPORT SECTOR COULD INCREASE NEGOTIATING POWER AND PUT UPWARD PRESSURE ON DOMESTIC PRICES

Exports will allow the vegetable industry to lift profitability

1. The domestic returns for many categories are at or below the cost of production
2. The vegetable industry has had a decade long deflationary trend
3. There are many serious exporters that are making returns far better than from domestic supermarket contracts
4. Exports reduce exposure to market volatility

Where/what is the opportunity?

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REALISTICALLY, AUSTRALIAN GROWERS COULD INCREASE VEGETABLE EXPORTS TO $315 MILLION WITHIN 4 YEARS

AND DOUBLE EXPORTS WITHIN TEN YEARS

Key opportunity drivers

1. The growing number of middle and upper middle class consumers in Asia and the Middle East.
2. The shift in shopping habits from the traditional trade to modern trade is driving demand for premium, packaged and convenient vegetable products.
3. The growing demand for safe, traceable food from a reliable and sustainable source.
4. Trend towards greater consumption of western style foods in higher-end food service outlets.

WE HAVE A ‘ONCE IN A GENERATION’ OPPORTUNITY TO BUILD A SUSTAINABLE AND PROFITABLE EXPORT SECTOR

Australia is well placed to take advantage of agrifood export opportunities

1. Reputation for quality, reliable product with integrity - underpinned by QA, compliance systems and processes.
2. Geographic spread provides extended seasonality that enable almost year round supply contracts in some categories.
3. Well located to growth markets in Asia and the Middle East with good air and sea freight connectivity.
4. Australia has some exclusive or advantageous seasonal supply windows.
5. In the mid-term, the Australian dollar is likely to stay in a range that allows growers to be more competitive.

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6. Australia’s strong empathy with Asia.
7. Large and sophisticated production businesses with the infrastructure and capability to service global supermarket/food service contracts.

What is stopping us from reaching our potential?

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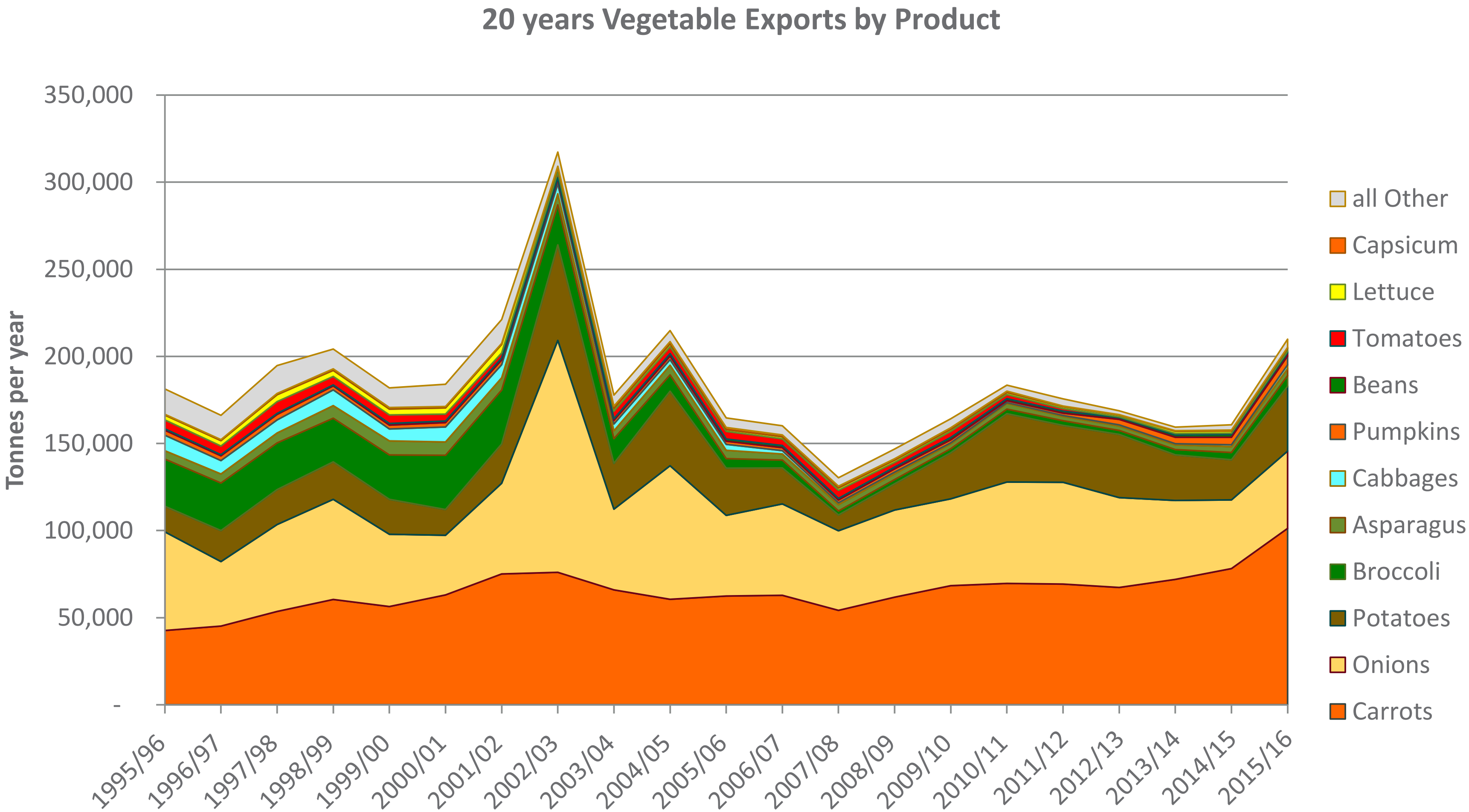
Vegetable exports have not shifted in 20 years



ABS data, Fresh Intelligence analysis, 2016

Blockers

1. Price competitiveness due to Australia’s high cost structure
2. The lack of an export culture or ‘export hunger’
3. The opportunistic approach to exports
4. Export readiness and scale
5. Product suitability for markets relative to the premium prices market niches (most exported product is overflow from the domestic market)
6. Commercial grade market intelligence and market insights
7. Lack of consistency in Australian branding
8. Fragmentation of industry resources

IN MOST CATEGORIES, AUSTRALIAN GROWERS ARE NOT PRICE COMPETITIVE SO MUST COMPETE ON NON-PRICE FACTORS

Products and supply chains need to be customised to deliver a customer value proposition specific to the market

1. Variety
2. Size
3. Trim level
4. Quality standard
5. Packaging
6. Branding
7. Supply chain
8. Service levels

AUSTRALIAN PRODUCERS CANNOT REST ON THEIR ‘CLEAN AND GREEN’ CREDENTIALS

What do we have to do?

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STRATEGIC DIRECTION

The Australian vegetable industry needs to make the cultural transition from being short term, opportunistic ***traders*** of commodities, to long term ***marketers*** of differentiated products customised to highly targeted market needs.

1. CREATE AN EXPORT CULTURE

Create a culture of export excellence across the industry

2. DRIVE PRODUCT DIFFERENTIATION

Develop products with a point of difference that will support premium pricing

3. DEVISE A COMPELLING BRAND PROPOSITION

Devise brand architecture that projects the premium value proposition of Australian vegetables

4. BUILD COLLABORATIVE PARTNERSHIPS

Improve effectiveness and efficiency of trade development though a more strategic and collaborative approach

5. LIFT SUPPLY CHAIN EFFICIENCY

Lift supply chain efficiency to improve both quality and landed cost

6. EXPLORE VALUE-ADDING OPPORTUNITIES

Develop more value-added products to open up new markets and improve competitiveness

7. TUNE IN TO OUR MARKETS

Ensure exporters have access to commercial market intelligence and insights

MISSION

To develop a financially sustainable vegetable export sector by equipping industry to produce differentiated products that are customised to the needs of targeted market segments

ASPIRATIONAL AIM

The Australian vegetable sector is recognised by the global industry as leading *marketers* of premium, quality, safe, reliable, branded products.

TARGETS

**To grow the value of vegetable exports by
40% to $315 million by 2020
and to
over $400 million by 2025**

1. CREATE AN EXPORT CULTURE
2. DRIVE PRODUCT DIFFERENTIATION
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PLATFORM 1: Create an export culture

Intent - Create a culture of export excellence across the industry

PROGRAMS		CHAMPION
1.1	Continue to deliver an export professional development program to support export-ready businesses (modify to tighten participation criteria and update content)	AUSVEG
1.2	Continue to deliver an introductory program to grow export readiness and skills (e.g. regional workshops & export symposium at annual conference)	AUSVEG
1.3	Continue to support a program of trade show participation and in-bound missions (but more targeted and with tighter participant selection)	AUSVEG
1.4	Run an annual program of country-specific trade workshops focusing on the cultural and business aspects of dealing in that market (one country per year)	AUSVEG
1.5	Create a virtual exporting community through delivery of a social media strategy that may include monthly E-Newsletter, on-line forum, pod casts, etc.	AUSVEG
1.6	Introduce annual exporter award category at industry conference	AUSVEG

KEY RESULT AREA: Create a community of export-oriented businesses

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PLATFORM 2: Drive product differentiation

Intent - Develop products with a point of difference that will support premium pricing

PROGRAMS		CHAMPION
2.1	Initiate a prioritised list of in-country market research projects to better understand market needs and identify opportunities for differentiated products in target market segments.	HORT INNOVATION
2.2	Fund a program of product development/packaging projects for specific categories to exploit opportunities identified in the research in Platform 2.1	HORT INNOVATION
2.3	Initiate an annual product development/packaging conference / think tank/ workshop for export products	AUSVEG
2.4	Fund grower study tours to the flagship global food product development/packaging shows (e.g. ANUGA) with suitably qualified food technologist and reporting on opportunities discovered	HORT INNOVATION
2.5	Include a ‘best new export product’ category in innovation awards at annual conference	AUSVEG
2.6	Partner with food innovation centres to identify and communicate new food and packaging technologies and opportunities	HORT INNOVATION
2.7	Initiate a program to identify and scientifically validate the research to support specific nutritional claims on key Australian vegetable crops	HORT INNOVATION

KEY RESULT AREA: An expanded range of differentiated products suitable for export

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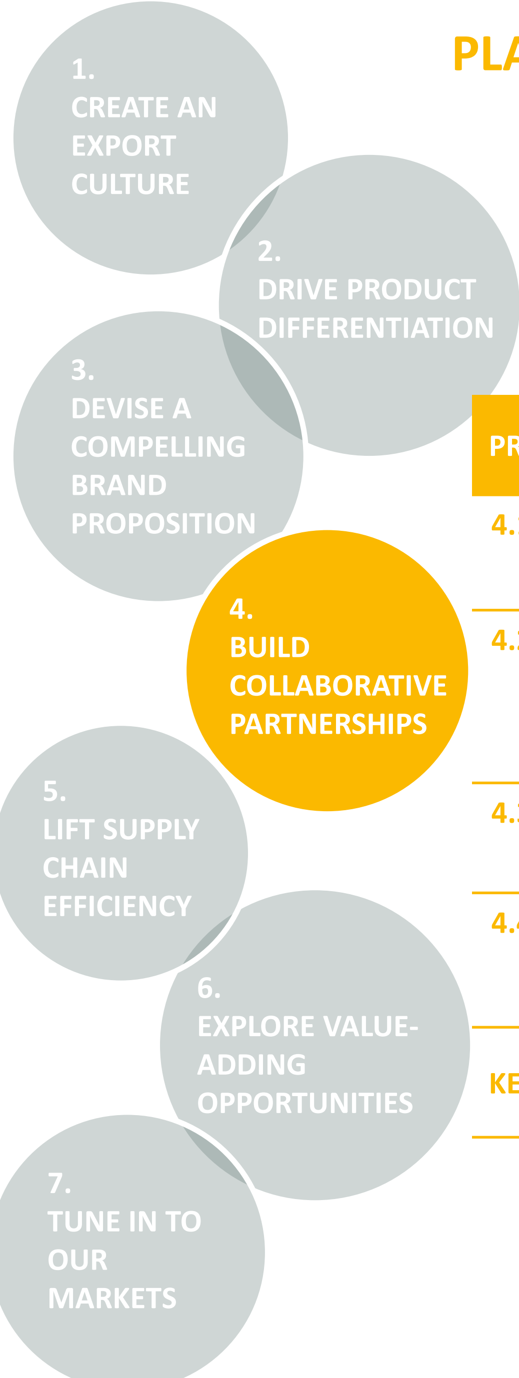
PLATFORM 3: Devise a compelling brand proposition

Intent - Devise brand architecture that projects the premium value proposition of Australian vegetables

PROGRAMS		CHAMPION
3.1	Take a proactive role in the export task force that has been formed to develop an 'Australia' umbrella positioning strategy (e.g. China project)	HORT INNOVATION
3.2	Conduct global market research to define the Australian horticulture brand proposition (Pool 2)	HORT INNOVATION
3.3	Develop a style manual that can be applied to vegetables to support the branding strategy	HORT INNOVATION
3.4	Run annual branding workshops involving specialists from the food industry to build awareness and capability with the major vegetable exporters with respect to their packaging and brand messages	HORT INNOVATION
3.5	Sponsor an export award for excellence at annual conference	HORT INNOVATION/ AUSVEG
3.6	Ensure Australian vegetable products meet our brand promise by developing industry best practice in relation to food safety and MRL monitoring and capability	AUSVEG

KEY RESULT AREA: improved consistency in the delivery of Australian brand messaging and product that matches the brand promise



PLATFORM 4: Build collaborative relationships

Intent - Improve effectiveness and efficiency of export development investment through a more strategic and collaborative approach

PROGRAMS		CHAMPION
4.1	Facilitate a process for greater collaboration across all levied vegetable industries that have an export component in their SIPs	HORT INNOVATION
4.2	Support one or two pilot projects with whole-of-supply chain cluster initiatives to use as case studies for successful export supply chain models. This could be run in cooperation with existing export cluster grants/programs offered by state governments and other industry bodies.	AUSVEG
4.3	Initiate a round table of key grower and exporter organisations to explore avenues for better coordination and understanding	AUSVEG
4.4	Initiate a formal process for leveraging the export expertise of other Agricultural RDCs to improve the efficiency and effectiveness of all export market development activities (see 7.1 also)	HORT INNOVATION

KEY RESULT AREA: Improved industry collaboration in export market development

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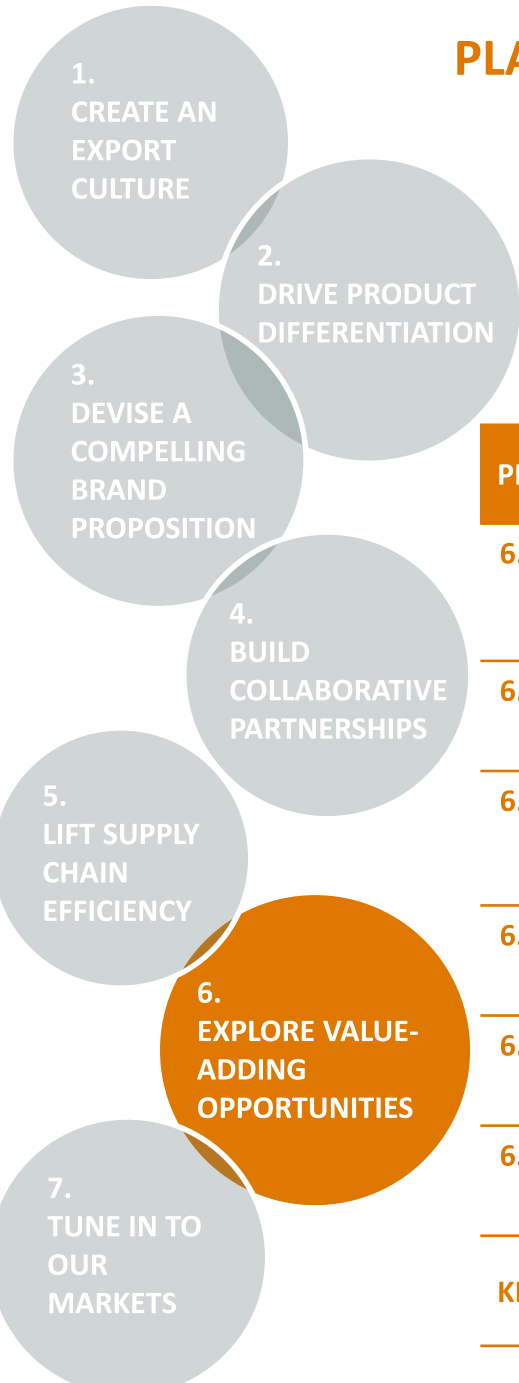
PLATFORM 5: Lift supply chain efficiency

Intent - Lift supply chain efficiency to improve both quality and landed cost

PROGRAMS		CHAMPION
5.1	Elevate grower understanding of export value chains and where their businesses fit within them then define projects to address critical points	AUSVEG
5.2	Add a supply chain component to export training materials that maps out the various route-to-market options available to growers, many of whom lack the confidence to export in their own right	AUSVEG
5.3	Initiate a series of projects to investigate global best practice supply chains in all key vegetables categories	AUSVEG
5.4	Assist industry to increase adoption of Global GAP or other export QA standard	AUSVEG
5.5	Industry supply chain panel to instigate project with input from freight forwarders, logistics companies, etc., to identify opportunities to improve vegetable export supply chain efficiency	AUSVEG

KEY RESULT AREA: Reduced supply chain cost and improved product quality

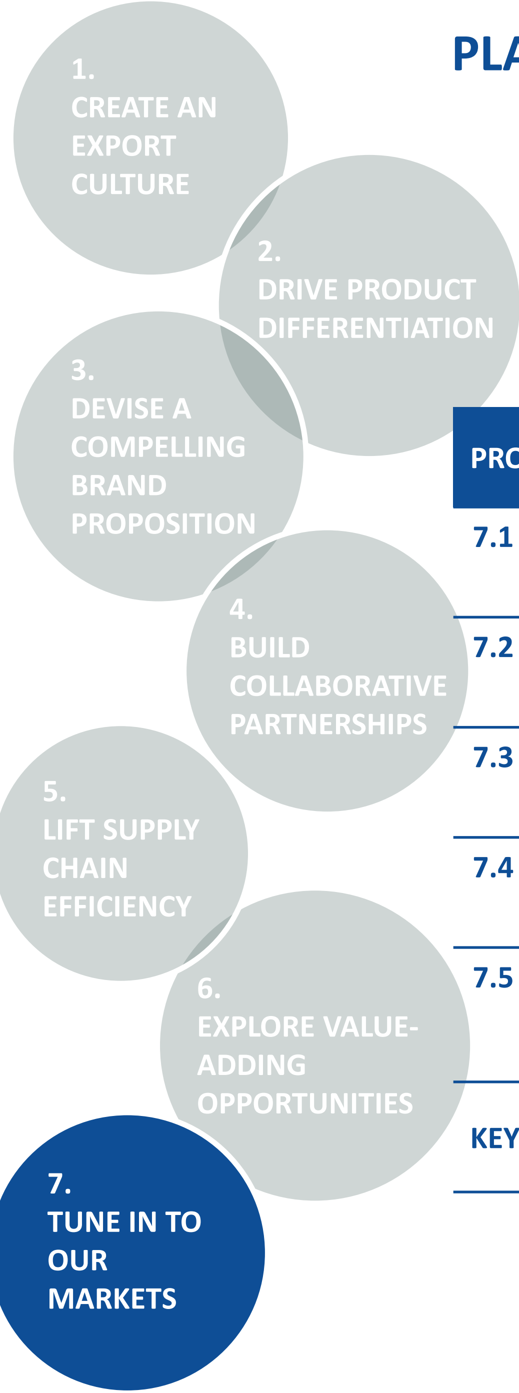


PLATFORM 6: Explore value-adding opportunities

Intent - Develop more value-added products to open up new markets and improve competitiveness

PROGRAMS		CHAMPION
6.1	Commission a project with food technologists to scope out value-added vegetable products across the main categories, working in collaboration with innovation organisations such as FIAL	AUSVEG
6.2	Appoint an expert panel to screen, filter and short list value-added products identified in 6.1	AUSVEG
6.3	Engage the food science community including plant breeders, packaging experts, food technology researchers, etc., in projects to identify and advance opportunities and pathways for new product development	HORT INNOVATION
6.4	Initiate annual grower workshops on product development idea generation and value-adding involving research organisations and suppliers	AUSVEG
6.5	Support pilot demonstration projects on value-added products	AUSVEG
6.6	Explore business model concepts and opportunities for off shore value-adding	HORT INNOVATION

KEY RESULT AREA: Launch of new value-added products suitable for export markets



PLATFORM 7: Tune in to our markets

Intent -Ensure exporters have access to commercial market intelligence and insights

PROGRAMS		CHAMPION
7.1	Introduce regular communication via social media to ensure exporters are updated on latest market information from an Australian perspective	AUSVEG
7.2	Conduct a series of targeted market research projects on usage, behaviour, attitude and preferences for key categories in the high prospect markets	HORT INNOVATION
7.3	Update the market mapping study (presented in Vol 2) on an annual basis in an interactive format	AUSVEG
7.4	Undertake scoping studies in emerging and frontier markets such as China, Myanmar, Vietnam and others	HORT INNOVATION
7.5	Evaluate the feasibility of establishing a whole-of-horticulture in-market presence in key markets including coordinating a network of existing resources	HORT INNOVATION

KEY RESULT AREA: Access to relevant, quality, timely market intelligence and insights

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What does this mean for individual businesses

1. DO NOT even think about exporting unless you are serious about a long term commitment to making exports a significant part of your business.
2. The product you supply to the domestic market probably wont be suitable for export - need to develop a customised value proposition for a particular market.
3. There are many routes to market - unless you are a large business with scale, you are better to collaborate and become part of a strategic supply chain.

THERE HAS NEVER BEEN A BETTER TIME FOR AUSTRALIA TO DEVELOP A STRONG AND SUSTAINABLE VEGETABLE EXPORT SECTOR

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