Benchmarking Australian Vegetable Industry Points of Difference

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Euromonitor International Ltd

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Purpose of Report:
The purpose of this final report is to communicate the successful delivery of project 4.23 MVCD.

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1. MEDIA SUMMARY

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

A benchmarking study was carried out by the independent company Euromonitor International over the course of 16 weeks, from 28 March, 2014 to 21 July, 2014. 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 behaviour and preferences via extensive consumer surveys and in-store interview exercises. These were followed by trade interviews with major local industry stakeholders 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.

Through a top-line review of the regions' self-sufficiency towards locally produced vegetables, imports are still demanded 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. A deeper dive via the consumer surveys revealed that consumers are willing to pay up to 20% more for quality vegetables, and prioritise freshness, nutritional value and packaging over price. Consistently across all researched markets, Australian imports attained a strong, positive brand image, and the country should leverage on 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. Tactical recommendations such as enhancing packaging for modern trade retailers, in-store promotions and sampling, ready-to-cook packages, etc. can create avenues for better penetration into these regions, as consumers turn to convenience while still seeking fresh, nutritional and safe vegetables for their families.

2. INTRODUCTION, INCLUDING REVIEW OF LITERATURE

2.1 BACKGROUND

For the Australian vegetable industry to succeed in supplying the export markets, it is essential to clearly identify where and what Australia has – and does not have – as a competitive edge in the vegetable export market. To date, much of this information has been anecdotal rather than defined on the basis of robust research. Thus, an investigation was needed into what the export consumer's preconceived perspective of Australian vegetable production systems and produce are as well as what 'values and attributes' resonate best with the key export market consumers.

It was in light of the above that Horticulture Australia (HAL) commissioned Euromonitor International to undertake market research to identify in which areas Australia has a competitive edge in the Asia Pacific and Middle East regions and where it suffers from disadvantages.

2.2 OBJECTIVES

Euromonitor undertook this project to fulfil the following research objectives:

- To identify the key areas of competitive edge or points of difference according to export market consumers that set Australian vegetables apart from competitors in export markets, specifically the Asia Pacific and Middle East markets
- To identify and clearly recommend how these points of difference can be best leveraged and supported
- To identify what other points of difference should be developed to increase Australian vegetables' competitiveness in the export markets
- To identify the competitors Australia should be monitoring in the export markets, as well as their competitive advantages

2.3 KEY STUDY AREAS

- **Geographical:** China, Malaysia, Saudi Arabia, Singapore and the United Arab Emirates
- **Product category:** Fresh vegetables

2.4 REVIEW OF LITERATURE AND OTHER RELATED RESEARCH

A review of the discussion papers 'Australian Vegetable Export Opportunities 2013', VG12042 'Domestic and Export Market Access and Trade Viability Issues – A Strategy to Address' and VG12093 'Exporting to China – A Symposium for Vegetable Growers' was conducted for Euromonitor International to align with the latest findings to date by HAL and AUSVEG.

Various government sources and statistics agencies were incorporated within this report. Online articles and locally sourced publications and trade press were also used during the analysis of findings.

Other related sources encompass comprehensive market findings derived from separate consumer surveys carried out in each of the research markets in June 2014. Trade interviews with major industry stakeholders (including government officials, trade associations, local growers, importers, wholesalers and retailers) coupled with extensive store audits were also factored in to better understand the route-to-market of both local produce and imports, contributing significantly to the development of final strategic recommendations.

2.5 IMPLICATIONS FOR THE INDUSTRY AND LIKELY IMPACT OF THE RESULTS

The research findings will help identify the competitive edges and points of difference for Australian imports in the Asia Pacific and Middle East regions.

Summaries of findings drawn from the final outcome serve to provide more clarity to Australian growers about the perceptions of their produce, as well as a deeper insight into consumer purchasing behaviour and preferences, thereby guiding stakeholders in understanding which country is a strong threat to Australia and how best to differentiate itself through its branding.

3. MATERIALS AND METHODS

Through a multi-pronged research approach including desk research, store checks, surveys with consumers and trade interviews with key players, all aspects of attitudes, perceptions and preferences of vegetables, with a focus on Australian imports, were covered. Research was undertaken by in-country analysts, allowing Euromonitor International to generate a robust set of findings and recommendations for opportunities beneficial to HAL and Australian growers.

The following methodology was undertaken to accomplish the research objectives set out for the study.

3.1 DESK RESEARCH

Euromonitor conducted a review of all published information to build preliminary background and insights for each country market, accessing published and online sources, in English and local languages:

- Import, export and production data
- Previously published HAL reports
- Euromonitor-published information on fresh food markets
- Health and wellness trends as well as other relevant information
- Assess published commentary on Australian and competing countries' vegetables
- Identify competing countries with strong positioning in a country's vegetable market
- Review local published sources such as trade press, association reports, government reports, importer websites, etc.

3.2 STORE CHECKS

Euromonitor analysts visited stores in one or two major cities within each of the five researched countries: China (Beijing and Shanghai), Malaysia (Kuala Lumpur and Penang), Saudi Arabia (Jeddah), Singapore and the UAE (Dubai) to familiarise themselves with vegetable products (imported and domestic) on offer and to identify any products/ brands/ countries with unique positioning:

- Product presence, pricing and packaging
- Unique branding from competing countries

In-store discussions were also conducted with retail staff/ managers at visited outlets to highlight consumer needs and preferences (that may give rise to insights on points of difference), as well as initial insights on key success factors of the leading source countries.

Store checks were carried out across leading retail channels in each country. As produce is seasonal, store checks were meant to provide background insights that inform trade interviews and analysis.

3.3 CONSUMER SURVEYS

Euromonitor International conducted consumer surveys involving 1,151 respondents from five countries – China, Malaysia, Saudi Arabia, Singapore and the UAE – whose responses were analysed to identify the purchasing behaviour and attitudes of local consumers towards imported vegetables, thereby benchmarking Australian vegetables with local produce and produce from other origins.

The survey was structured as follows:

- Online and mostly closed-ended questions
- 15 minutes in length; conducted in the local language
- 200 total completes (per country)

- Sample from general population aged 18 and up, main purchaser of household groceries. No further sub-quotas were sought.
- Screener questions:
    - Have you purchased imported vegetables during the last three months?
    - Are you the one responsible for buying vegetables for your family?

3.4 TRADE INTERVIEWS

Euromonitor conducted semi-structured trade interviews to generate thoughts, opinions and insights from existing and identified contacts across the vegetable supply chain in each target country. These responses are collected to build consensus answers around questions of competitive advantage and points of difference among importing countries.

Trade interviews were conducted with identified contacts to gain up-to-date and accurate insights in order to create Euromonitor International's analysis addressing HAL's objectives:

- Retailers
- Distributors and wholesalers
- Importers
- Local growers
- Other industry observers and relevant contacts

3.5 ANALYSIS

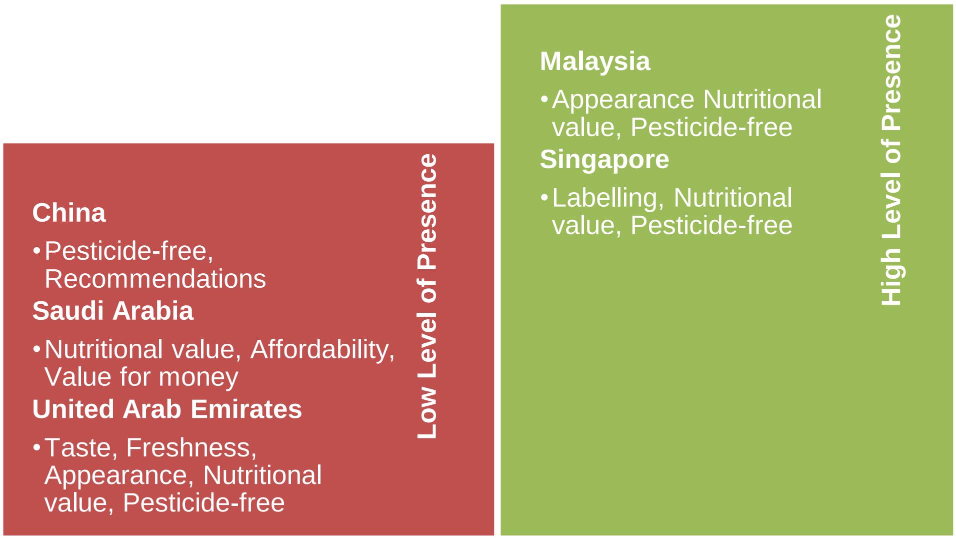
Euromonitor cross-checked all sources and interpretations and performed an in-depth analysis of all fieldwork output to ensure that its deliverables addressed HAL's immediate objectives and set the stage for longer-term objectives.

4. RESULTS

The primary focus of the benchmarking exercise is to identify the attributes for which the Australian vegetable industry could leverage on in order to boost or maintain their positions in the researched markets. Leviable fresh vegetable produce was the focus of this study and insights were consolidated largely for these vegetables.

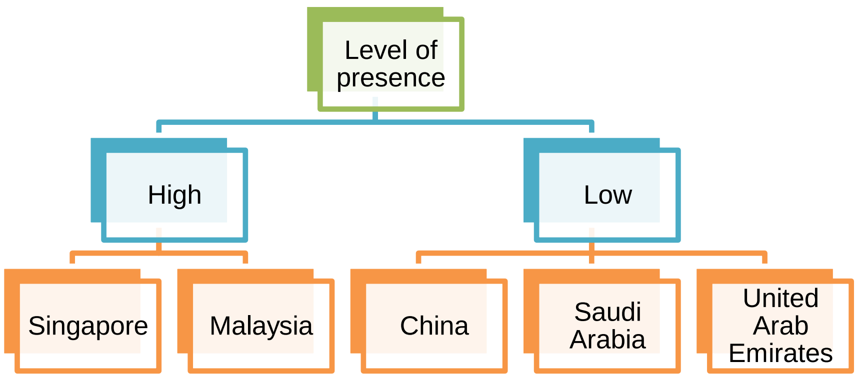
Australian vegetables had mixed levels of performance in the five countries based on the level of presence and the relative standing of attributes.

- Clear points of differences (PODs) were found for countries that had a high level of presence of Australian vegetables. These are attributes for which Australia were ranked first.
- Countries with a low level of presence of Australian vegetables, however, did not have any PODs, although people who have consumed Australian vegetables generally noted it for its quality in many attributes.



4.1 DISTINGUISHING BETWEEN COUNTRIES WITH HIGH AND LOW LEVELS OF PRESENCE

Singapore and Malaysia had a higher level of presence of Australian vegetables as a larger proportion of consumers purchased Australian vegetables out of their total vegetable purchases. **China, Saudi Arabia, and United Arab Emirates, however, saw poorer presence** of Australian vegetables as most consumers tended to buy little or no Australian vegetables out of their entire vegetable purchase. This was in part due to a tendency to purchase locally produced vegetables instead.



4.2 IDENTIFYING ATTRIBUTES FOR WHICH AUSTRALIAN VEGETABLES ARE KNOWN

Taste, Packaging and Pesticide-free were consistently cited as Australia's strengths across all five researched markets. **Appearance and Labelling** were also attributes that left a good impression amongst consumers in four out of five of the researched markets.

Australian vegetables were found to be particularly strong in Singapore and Malaysia, with 5 and 7 attributes, respectively, emerging as the most highly ranked amongst all countries. These PODs had a large overlap, with Taste, Packaging, Labelling, Nutritional Value, Pesticide-free being common in both countries. In China, Saudi Arabia and United Arab Emirates, however, Australia did not emerge the top for any attributes. However, the good perceptions of Australian vegetables among consumers who have tried should not be disregarded as Australia could further develop these attributes in these markets. The top 6 attributes of Australian vegetables were therefore selected for each of these countries for further evaluation.

Table 1 Attributes for which Australia has a POD or strength in

Attributes	Australia's vegetables in				
	Singapore	Malaysia	China	Saudi Arabia	United Arab Emirates
Taste	★	★	✓	✓	✓
Variety	○	○	○	○	○
Freshness	○	○	○	✓	✓
Appearance	○	★	✓	✓	✓
Packaging	★	★	✓	✓	✓
Labelling	★	★	✓	✓	○
Nutritional value	★	★	○	○	✓
Pesticide-free	★	★	✓	✓	✓
Affordability	○	○	○	○	○
Value for money	○	○	○	○	○
Discounts	○	○	○	○	○
Recommendations from friends and family	○	○	✓	○	○

Legend

★ POD	Attributes that were ranked first place amongst all countries
✓	Australia's top attributes, although it is important to note that these attributes are not PODs as these attributes did not emerge the top amongst all countries
○	Attributes that are neither PODs nor strengths of Australia's vegetables

4.3 IDENTIFYING ATTRIBUTES THAT MATTER TO CONSUMERS

Having identified attributes for which Australian vegetables are known and sought after, Australian growers have to also consider attributes which are important to consumers, in order to execute strategies to target specific segments in the markets. Over 1,000 consumers from all the five countries have expressed their thoughts on what attributes are important when it comes to purchasing imported vegetables. The importance levels are tabulated in Table 2 below.

Freshness, **Nutritional value** and **Pesticide-free** are consistently flagged by consumers from all five countries as important attributes when purchasing imported vegetables. Since these vegetables overseas are imported, consumers in destination markets are generally more concerned about freshness of the produce by the time they are sold and product-safety primarily.

Table 2 Relative importance of various attributes when purchasing imported vegetables

	Attributes			
Country	**Important**		**Unimportant**	
China	• Taste • Variety • **Freshness** • **Nutritional value**	• **Pesticide-free** • Value for money • Recommendations	• Appearance • Packaging • Labelling	• Affordability • Discounts
Malaysia	• **Freshness** • Appearance • **Nutritional value** • **Pesticide-free**	• Affordability • Discounts • Recommendations	• Taste • Variety • Packaging	• Labelling • Value for money
Saudi Arabia	• Taste • **Freshness** • Appearance • **Nutritional value**	• **Pesticide-free** • Affordability • Value for money	• Variety • Packaging • Labelling	• Discounts • Recommendations
Singapore	• **Freshness** • Appearance • Labelling • **Nutritional value**	• **Pesticide-free** • Affordability • Value for money	• Taste • Variety • Packaging	• Discounts • Recommendations
United Arab Emirates	• Taste • **Freshness** • Appearance	• **Nutritional value** • **Pesticide-free** • Discounts	• Variety • Packaging • Labelling	• Affordability • Value for money • Recommendations

Note: ‘Recommendations’ refers to from Recommendations friends and family

Source: Euromonitor International online consumer survey, June 2014

Other important attributes such as Taste, Appearance, Affordability, Value for money, Variety, Recommendations from friend and family, Labelling and Discounts are specific to certain markets only. As such, depending on the destination, Australian growers have to tailor their strategy to the attributes which are more important to the consumers in the particular market.

4.4 STRATEGIC FOCUS FOR MARKETING EFFORTS

In order to ascertain the attributes crucial in Australia's branding and marketing efforts, it is important to consider: (1) Australia's presence in each country, and (2) where Australia's strengths lie (or does not lie) and attributes that consumers are looking out for when purchasing vegetables. Attributes which were considered important to consumers (Table 1) were mapped onto attributes in which Australia has a POD or strength (Table 2). The result is Importance-Performance Matrix in Table 3, which weighs the relative importance of each attribute and maps out the general direction that should be undertaken.

Strategic directions should first consider the level of presence of Australian vegetables to those countries, and can thus be categorized into two scenarios:

Countries with A LOW LEVEL OF AVAILABILITY

- Supply of Australian vegetables to the destination markets should be a focal point for these countries.
- Marketing efforts to increase demand for Australian vegetables should work in tandem with increasing supply.

Countries with A HIGH LEVEL OF AVAILABILITY

- Supply is less of a concern.
- Branding and marketing efforts should be the priority for these markets in order to retain competitiveness.

In both scenarios, the attributes under 'Reinforce performance' and 'Improve priorities' should be incorporated into the branding and marketing strategies of Australian growers, while resources should be diverted away from promoting attributes found under 'Reduce emphasis during marketing efforts'.

Table 3 Strategies for Australia's vegetables based on Importance-Performance Matrix

Importance		Attribute Important	Attribute Important	Attribute Unimportant
Performance		**Australia's POD (★)**	**Australia's top attributes (✓)**	**Remaining attributes**
Country	**Level of Presence**	**Reinforce Performance**	**Improve Priorities**	**Reduce emphasis on marketing efforts**
China	Low	• Pesticide-free • Recommendations	• Taste • Variety • Freshness • Nutritional value • Value for money	• Appearance • Packaging • Labelling • Affordability • Discounts
Malaysia	High	• Appearance • Nutritional value • Pesticide-free	• Freshness • Affordability • Discounts • Recommendations	• Taste • Variety • Packaging • Labelling • Value for money
Saudi Arabia	Low	• Taste • Freshness • Appearance • Pesticide-free •	• Nutritional value • Affordability • Value for money	• Variety • Packaging • Labelling • Discounts • Recommendations
Singapore	High	• Labelling • Nutritional value • Pesticide-free	• Freshness • Appearance • Affordability • Value for money	• Taste • Variety • Packaging • Discounts • Recommendations
United Arab Emirates	Low	• Taste • Freshness • Appearance • Nutritional value • Pesticide-free	• Discounts	• Variety • Packaging • Labelling • Affordability • Value for money • Recommendations

Nutritional value and Pesticide-free are notably common across most countries and are attributes that Australia should continue to reinforce performance in going forward. Freshness, although an attribute valued by consumers in most countries, is not conveyed to consumers in most markets, especially those in the Asia-Pacific region. Australia should thus channel more resources into promoting this attribute for these countries.

The following diagram outlines the key priority areas for Australian growers when targeting selected markets or the region as a whole:

Reinforcing nutritional value and pesticide-free properties

- While Taste is a competitive edge for Australian vegetables, the attribute is considered to be unimportant in some of the researched countries.
- On the other hand, the attributes of Nutritional value and Pesticide-free are well positioned, and thus the message of Australian vegetables having these attribiutes should be reinforced via marketing activites.
- ***Relevant for: Singapore and Malaysia***

Improving on freshness of produce

- Freshness is ranked the most important attribute across all countries, yet Australia's vegetables are not perceived to be fresh in comparison to produce from some of the other countries. Growers can improve the route-to-market activities so that the produce can reach consumers quicker, or to ensure that the importers/retailers take adequate care in storing the produce.
- ***Relevant for: all five research countries***

Packaging and labelling products clearly and distinctly

- These attributes are considered to be unimportant to consumers in the purchase of vegetables, but growers should retain and enhance the packaging and labelling of Australian's produce. Packaging helps to differentiate the Australian brand from other countries', and effective labelling allows growers to convey important information to consumers.
- ***Relevant for: all five research countries***

Increasing word-of-mouth recommendations

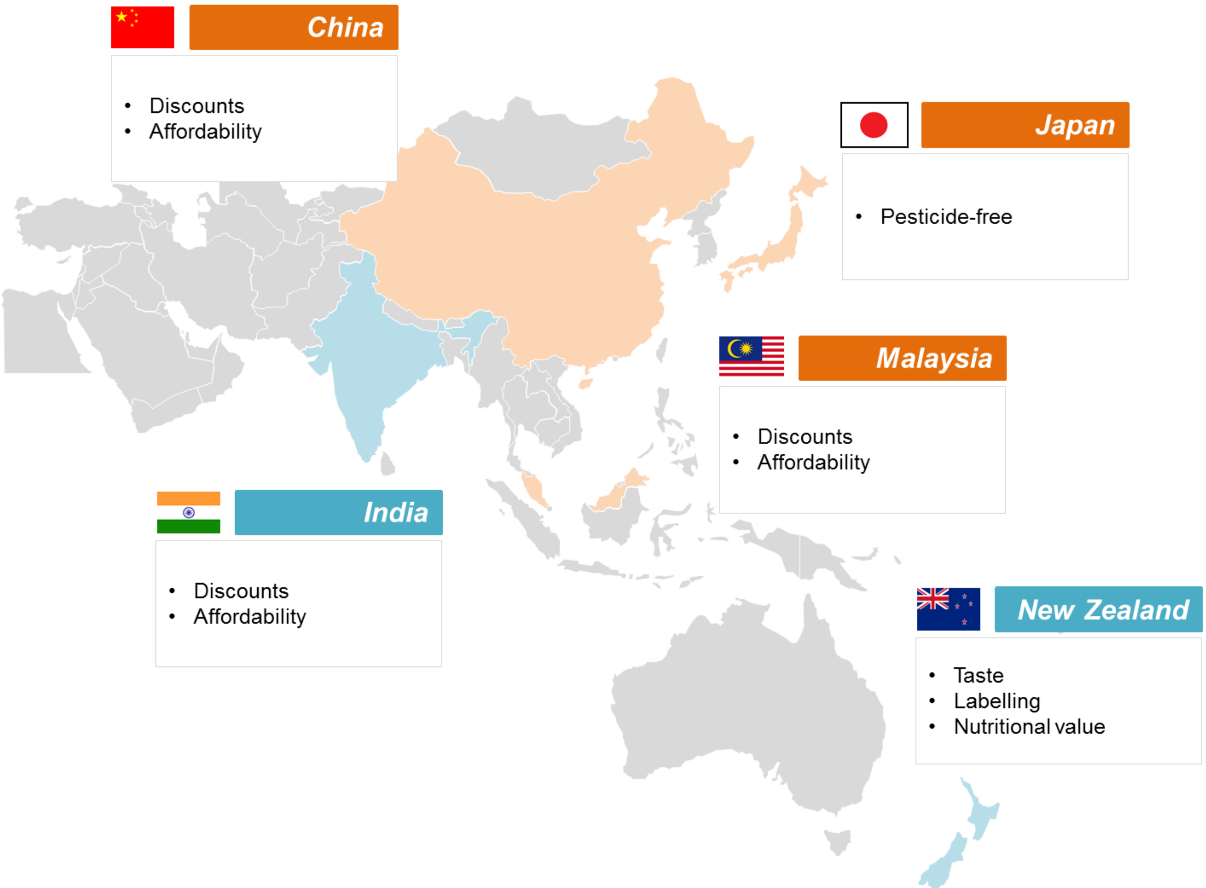
- Recommendations from friends and family can potentially increase willingness to trial for Australia's vegetables, in both Malaysia and China.
- ***Relevant for: China, Malaysia***

Enhancing taste to continually appeal

- Taste is particularly important to consumers in both Saudi Arabia and the UAE.
- The tastier nature of Australian produce should be a key brand message targeted at Middle Eastern consumers.
- ***Relevant for: Saudi Arabia, United Arab Emirates, China***

4.5 POTENTIAL COMPETITION TO AUSTRALIAN VEGETABLE EXPORTS

While leveraging on competitive edge and improving on the points of difference, Australia should also be aware of the threats posed by other supplying countries. From the survey, respondents from the researched countries have provided their perspectives of other vegetable supplying countries and the performance of vegetables from these countries are measured against Australia in the following section.



China and Malaysia, the two powerhouses for the production of vegetables, are the biggest threats to Australia. Due to the geographical proximity of both countries in the region, **consumers perceived vegetables sourced from China and Malaysia to be fresher and more varied, and are more willing to recommend them to their friends and family**.

These three attributes are the key selling points of Chinese and Malaysian vegetables, and prices are a lot more affordable compared to Australia's produce. With the alignment of freshness being the attribute which consumers are most actively seeking out for, these two supplying countries have rooted themselves well enough in the region to compete head-on with Australia.

Freshness

Variety

Recommendations from friends and family

New Zealand is the only country which appeared as one of the top five preferred supplying countries for most of the research markets, yet it is noted that consumers did not have very concrete reasons in their preference for this supplier. Similarities can be drawn between the perceptions of both Australia and New Zealand, as consumers perceived that both countries share very similar traits and qualities when it comes to their produce.

India and Japan, on the other hand, are preferred by consumers from specific regions:

- There is a huge South Asian population that resides in Saudi Arabia and United Arab Emirates and consumers from these two Middle Eastern markets perceived India's vegetables to be nutritious, cheap and value for money.
- On the other hand, consumers from China, Malaysia and Singapore seek Japanese vegetables for its freshness, nutritional value, discounts and are usually recommended by friends and family.

Table 4 Key threats to Australia, and the competitive edge of produce from competing countries

	China		Malaysia		Saudi Arabia		Singapore		United Arab Emirates
1	**China** • Affordability • Discounts • Freshness	1	**Malaysia** • Affordability • Discounts • Freshness	1	**Saudi Arabia** • Affordability • Discounts • Pesticide-free	1	**Malaysia** • Affordability • Discounts • Value for money	1	**United Arab Emirates** • Pesticide-free • Discounts • Labelling
2	**New Zealand** • Taste • Nutritional Value • Labelling	2	**China** • Discounts • Affordability • Value for money	2	**Egypt** • Affordability • Discounts • Variety	2	**China** • Discounts • Affordability • Variety	2	**India** • Affordability • Discounts • Value for money
3	**Vietnam** • Affordability • Recommendations • Discounts	3	**New Zealand** • Taste • Nutritional value • Recommendations	3	**India** • Affordability • Discounts • Appearance	3	**Singapore** • Pesticide-free • Labelling • Recommendations	3	**Jordan** • Value for money • Affordability • Appearance
4	**Malaysia** • Freshness • Discounts • Value for money	4	**Japan** • Pesticide-free • Nutritional value • Recommendations	4	**USA** • Appearance • Packaging • Recommendations	4	**New Zealand** • Packaging • Labelling • Nutritional value • Appearance	4	**New Zealand** • Freshness • Labelling • Packaging
5	**Netherlands** • Taste • Pesticide-free • Labelling	5	**Thailand** • Discounts • Affordability • Value for money	5	**Pakistan** • Affordability • Discounts	5	**Japan** • Pesticide-free • Packaging • Freshness • Recommendations	5	**Egypt** • Variety • Nutritional value • Affordability

Source: Euromonitor International online consumer survey, June 2014

5. DISCUSSIONS

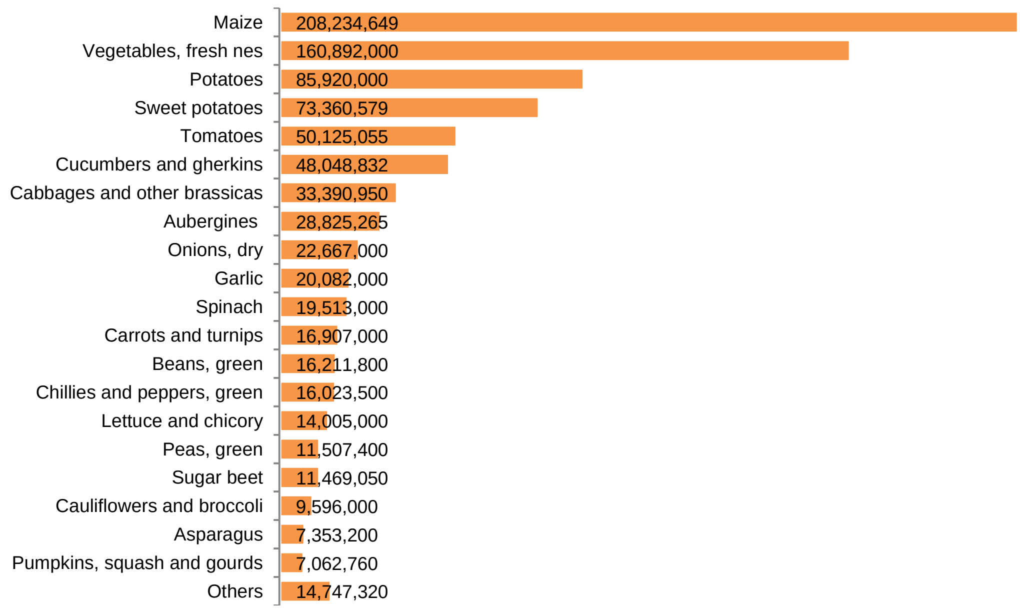
5.1 AUSTRALIAN VEGETABLES IN CHINA

5.1.1 Local Production and Trade Position

Historically an agricultural country with vast vegetable demand and supply
China is the largest vegetable producer and consumer market in the world. From 1990 to 2011, agricultural acreage continually increased from 9.5 billion acres to 29.5 billion acres, while production capacity increased from 19.5 billion tonnes to 67.9 billion tonnes. With its abundant agricultural resources and advanced planting techniques, China now enjoys a more than 95% level of self-sufficiency in vegetables. Consumption per capita also jumped in the last decade, largely driven by urbanisation and increasing disposable income.

A high level of self-sufficiency currently exists and will remain so in the future
Since the adoption of the 'Vegetable Basket Plan' in the 1980s, China has been mostly self-sufficient with local produce. With the country's vast arable lands, evolving planting technology and continually improving productivity, vegetables represent an important sector of the local economy. Leafy greens, potatoes and tomatoes are the country's major outputs. According to responses from the consumer survey conducted in June 2014, tomatoes, broccoli and cabbage are the vegetables most frequently consumed by urban households.

Chart 1 China: Local Vegetable Production (Tonnes), 2012



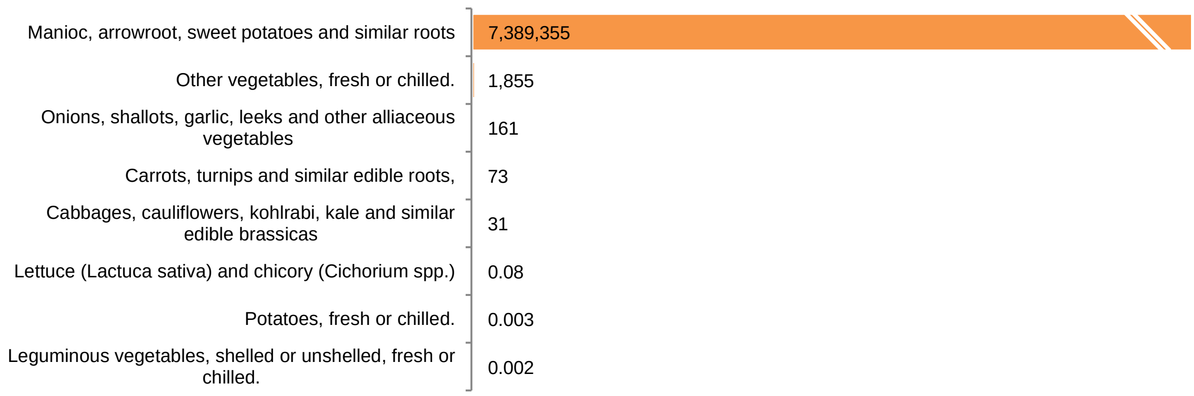
Source: Euromonitor International estimates from Food and Agriculture Organization of the United Nations (FAOSTAT)

World's largest vegetable exporter reaps huge benefits from globalisation
Since China's accession to the World Trade Organization (WTO) in 2001, its vegetable exports have reaped huge benefits from globalisation. Export values soared from USD1.3 billion in 1993 to more than USD11.58 billion in 2013. In 2010, China overtook the Netherlands and Spain to become the world's largest vegetable exporter. Japan, South Korea and the United States are China's top three export destinations.

Limited imports but seeing growth opportunities

Compared with its huge export volumes, China is much less known for fresh vegetable imports, making it a net exporter. Processed vegetable and root imports, however, have seen sharp growth in recent years. In 2012, the value of China's vegetable imports increased 35.9% to reach USD28.4 million. In particular, import volumes for processed and dry vegetables witnessed rapid development, with growth rates of 33.4% and 100.9%, respectively. The value of fresh vegetable imports is still quite small and only saw moderate growth over the past few years.

Chart 2 China: Vegetable Imports (Tonnes), 2013

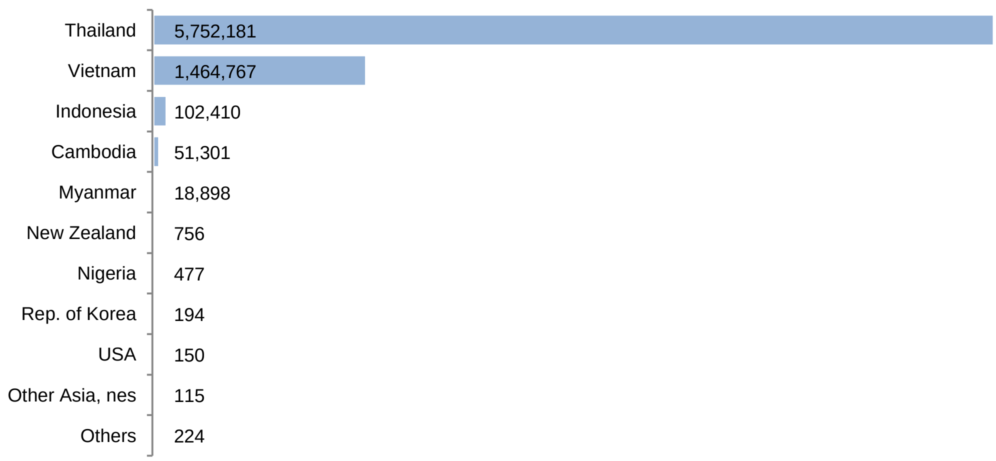


Source: Euromonitor International estimates from United Nations Commodity Trade Statistics Database (UN COMTRADE)

Southeast Asian countries identified as China's major trading partners

Southeast Asian countries, especially Thailand and Vietnam, are the major countries importing to China. The leading two countries account for more than 95% of total vegetable trade. The shorter transit distances (compared to Western countries) as well as cheaper prices (compared to Japan) hold the key to these countries' competitive advantages. New Zealand and the United States ranked at the top amongst Western countries, due to their large supplies and wide selection of varieties as well as strong trade term negotiations on a governmental level.

Chart 3 China: Vegetable Trade Partners (Tonnes), 2012



Source: Euromonitor International from UN COMTRADE

5.1.2 Supply Chain and Retail Landscape

Supply chain covered mostly by traditional distribution system, but becoming flatter
A rough estimation reveals that 80% of local produce is distributed through traditional routes, from planters to wholesalers and then retailers, while some wholesalers also serve as partial retailers. Some local producers sell to distributors, who then sell to institutional buyers such as hotels, restaurants and corporate entities. However, a flattening supply chain has become a new trend. For example, producers decide to partner with retailers and skip the distributor/ wholesaler. This is very common for scaled producers and chained retailers; for instance, Carrefour partners with Hongyang and Ole partners with Shangreen and a few other green vegetable planters.

On the other hand, vegetable imports usually enter via importers. The importers typically have networks with high-end supermarkets and imported food stores, and they negotiate the entrance and placement of imported vegetables.

Variety, price and quality are the key selection criteria for intermediaries when procuring vegetables. The distribution process as well as preservation and circulation costs are mentioned as the major challenges for intermediaries, as they determine the quality and price of imports.

Table 5 China: Summary of Key Players

Company name	Type	Website
Organic Shanghai	Local producer	http://organic-shanghai.com/
Hengfu Market	Local producer	http://www.yipei365.com/
Tony’s Farm	Local producer	http://www.tonysfarm.com
Shanghai Jiangqiao Vegetable Wholesale Market	Wholesale market	http://www.jqpfsc.com
Shanghai Qibao Vegetable Wholesale Market	Wholesale market	N/A
Ole	Retailer	http://www.crvole.com.cn/
City Shop	Retailer	http://www.cityshop.com.cn

Source: Euromonitor International from trade sources

Modern and traditional retailers coexisting amidst growth in new consumption channels
Local produce retailers represent the coexistence of wet/ open markets and supermarkets/ hypermarkets. While the former still function as the major retail channel in almost all parts of China, the latter channel has become very established in urban areas. Packaged vegetables have increasing presence in modern channels. Brand and quality are also key selection criteria for modern retail channels when choosing commodities, whereas variety and price are the key selection criteria for all retailers. Retailers typically demand low prices to ensure their own profit margin targets as well as timely delivery and some specifications with regard to brands and packaging. The supplier relationship is also valued by certain retailers, but marketing support isn’t mentioned.

The flattening of supply chains is an evident trend. Faced with the challenges of fluctuating prices for agricultural produce, high distribution costs (due mostly to transportation and labour), as well as the high profit margins demanded by supermarkets/ hypermarkets, producers have a growing incentive to eliminate intermediaries and directly sell to retailers or even consumers. As a result, many producers have been forced to transform from single producers to the role of composite players. Producers such as Tony’s Farm even seek to cover the whole supply chain with their innovative business model and progressive strategy ‘from farm to fork’. The distribution and selling channels for vegetables have exhibited strong dynamics in major cities, especially in organic shops and restaurants, home delivery, online retailing, farmer’s markets, CSA farms, etc.

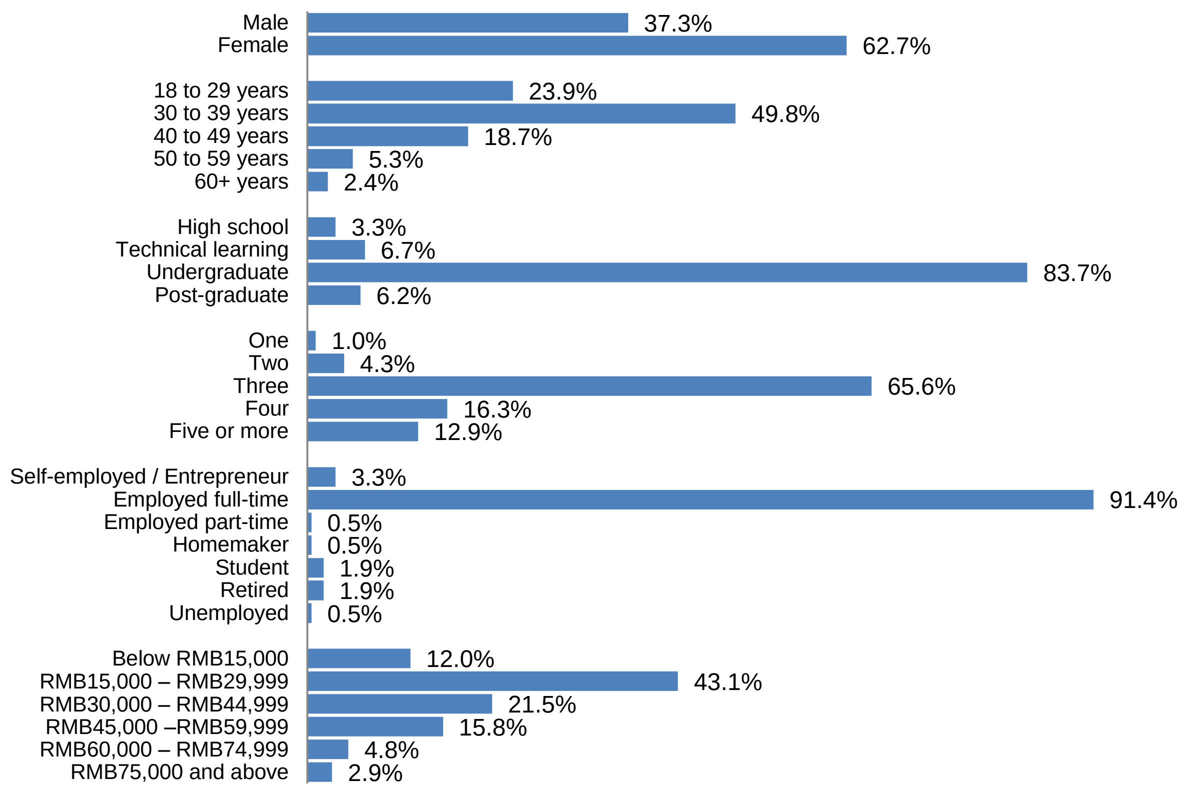
5.1.3 About the Survey Respondents

A consumer survey was conducted in China in June 2014, with a quota of n=200 with no sub-quotas applied for this research and a total of n=209 people who completed the survey. This section outlines the profiles of respondents.

Profiles of n=209 respondents

- A total of 209 respondents took part in the survey.
- The survey involved about twice as many female respondents as male, as women are usually more familiar with vegetable purchasing and consumption.
- Nearly half of the group was aged between 30 and 39 years old.
- More than 80% of the survey group had achieved an undergraduate degree, and more than 90% held a full-time job.
- A typical respondent lived in a household with three or more family members and had monthly household income of RMB15,000-RMB29,999 or more.
- Based on their background information, we concluded that the participant pool represented the middle-aged middle class in China's most developed cities, who might also be the prioritised target consumers of Australian vegetables.

Chart 4 China: Profile of Survey Respondents



Q3. Please select your gender.
Q4. What is your age?
Q5. What is the highest degree or level of education you have completed?
Q6. Including yourself, how many members are there in your household?
Q7. Which of the following best describes your employment status?
Q8. Please indicate your approximate monthly household income before taxes?

Base: All respondents (n=209); total may not equal 100% due to rounding.

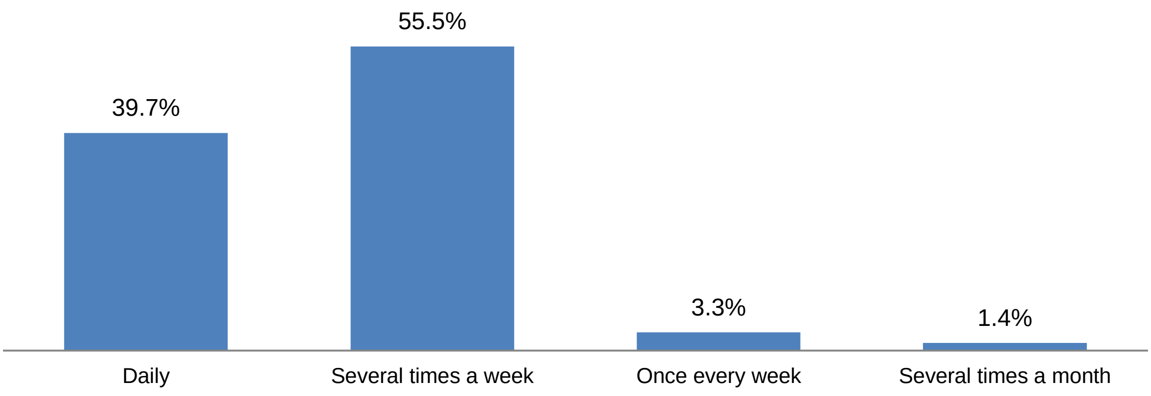
Source: Euromonitor International online consumer survey, June 2014

5.1.4 Consumer Purchasing Behaviour

Frequent purchases of vegetables and tentative purchases of imports seen

More than half of survey respondents reported purchasing vegetables several times a week, and nearly 40% purchase them on a daily basis. Combined, 98.6% of respondents said they purchase vegetables at least once a week. Chinese families mostly rely on family cooking versus dining out in restaurants, which explains the reported high frequency of vegetable purchasing and consumption.

Chart 5 China: Frequency of Vegetable Purchases



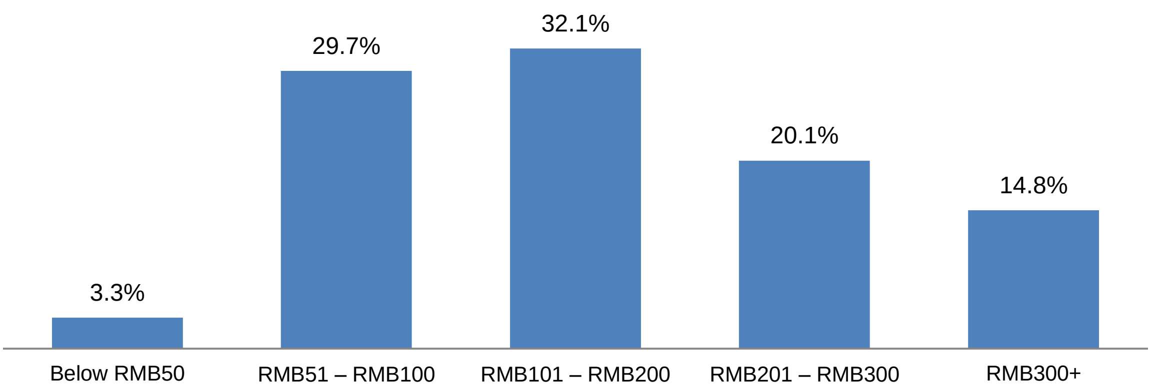
Q9. How often do you purchase vegetables? (Please select one.)

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Weekly household expenditure on vegetables shows a relatively normal distribution of less than RMB50 to more than RMB300. The majority – more than 60% of respondents – claimed expenditure of RMB51-RMB200, while a remaining 35% of respondents spend more than RMB200 weekly on vegetables. This indicates that a significant portion of families/ individuals have a limited ability to spend on imported vegetables, but there is also a smaller group that spends more on vegetables.

Chart 6 China: Weekly Household Expenditure on Vegetables



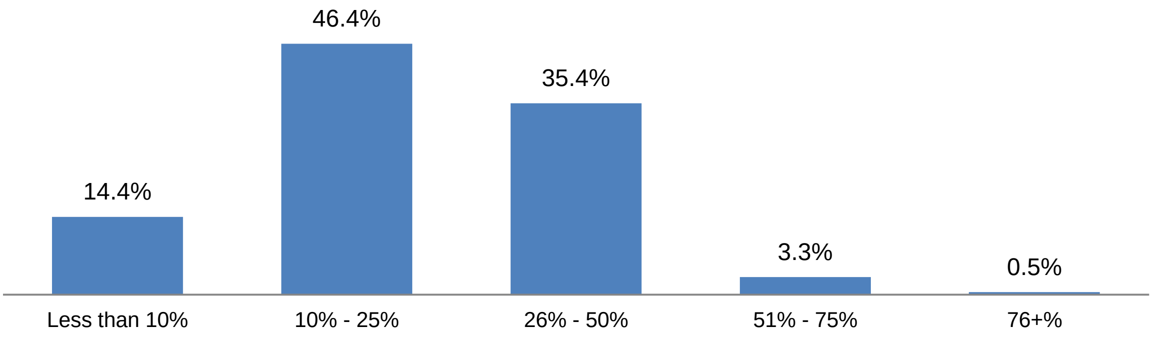
Q10. How much does your family spend on vegetable purchases per week? (Please select one.)

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Only 14.4% of survey respondents spent less than 10% of their weekly household expenditure on imported vegetables, indicating that the remaining 85.6% consumed at least some imported vegetables in a given period. Almost half of the respondents reported spending 10%-25%, and nearly 40% of the rest spent even more. The result, however, might be subject to consumers' mistaken impressions on purchasing imports. As certain local producers use English labels and certain packaging designs on less common vegetables, such as baby leaves and basil, consumers might have recognised them as imported vegetables. Thus, the proportion spent on imports could be possibly less than the result from these responses.

Chart 7 China: Proportion of Weekly Household Expenditure on Imported Vegetables



Q11. On average, what is the proportion of your weekly expenditure on imported vegetables? (Please select one.)

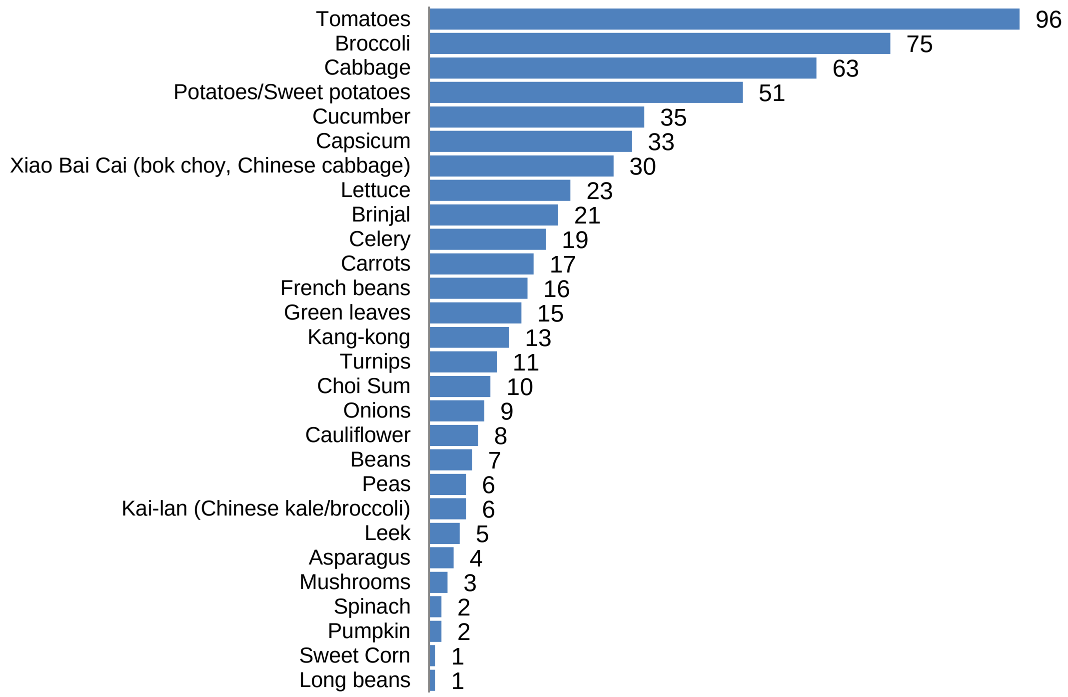
Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

A wide range of vegetables are purchased by Chinese consumers

Tomatoes, broccoli and cabbage are the most frequently purchased of all vegetables, as mentioned by more than 30% of the 209 respondents. Sweet potatoes/ potatoes and celery ranked fourth and 10th, respectively, with both seen as common vegetables consumed at home. Only two respondents mentioned pumpkins, while nobody mentioned taro. The two vegetables display stronger seasonality than most others, as they mostly mature and are consumed in autumn and winter and would have been less likely to be purchased in the past three months (during spring and summer).

Chart 8 China: Most Frequently Purchased Vegetables



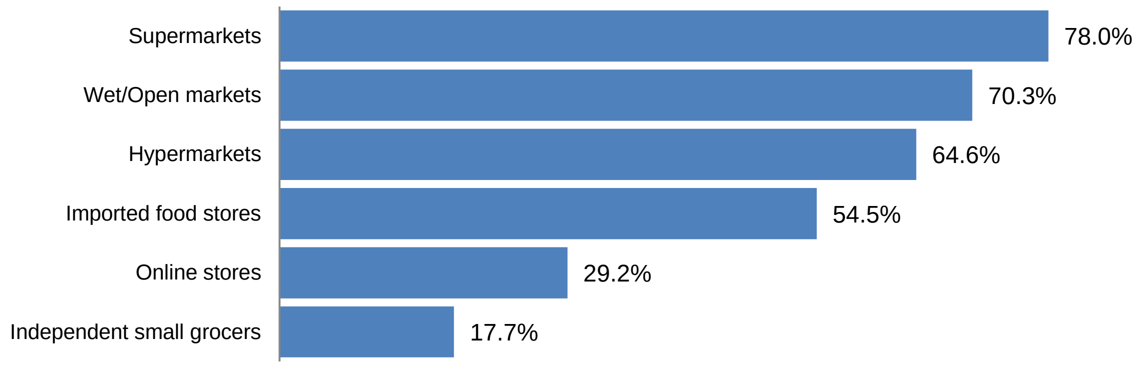
Q12. List the three vegetables which you most frequently purchased during the last three months.

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Diverse consumption channels seen, with both modern and traditional retailers playing roles
Survey respondents said that supermarkets are the most common channel for purchasing vegetables, followed by wet/ open markets and hypermarkets, both of which are also recognised as strong channels. More than half of the respondents reported that in the past three months they had visited imported food stores, which offer mostly imported processed food, while most vegetables there are still local produce. Apart from the major channels, online stores and independent small grocers also received some level of attention from customers.

Chart 9 China: Preferred Retail Channel



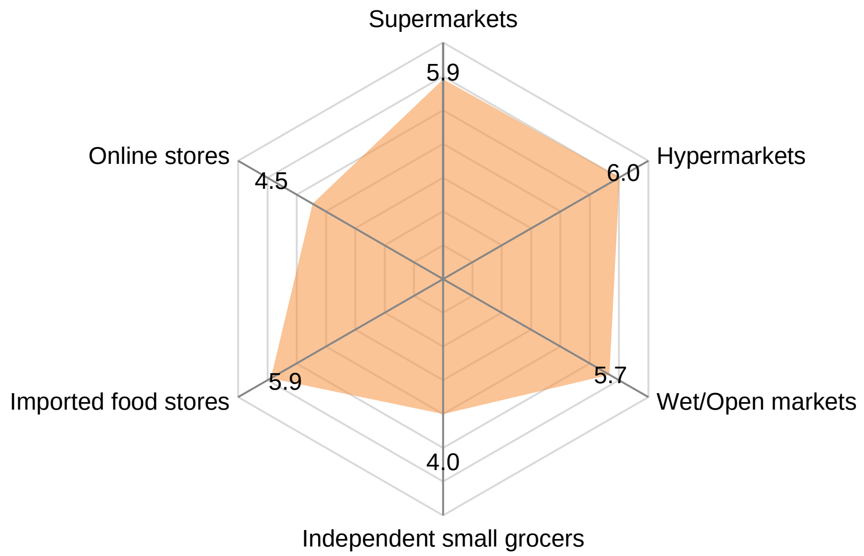
Q13. Where did you purchase vegetables during the LAST THREE MONTHS? (Please indicate as many as apply.)

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Hypermarkets represent the most preferred channel with the highest rating of 6.0, even though it is the third most-visited channel. Supermarkets and imported food stores are the second most-preferred channels, mostly due to clean atmosphere, clear labelling and categorising, which lead to a better shopping experience. Wet/ open markets also receive preferential high marks, mostly due to their competitive pricing and convenience. All of the above channels offer fresh vegetables with good accessibility. While online stores are less preferred than other channels due to the intangibility of the products for sale, as a channel they have still shown high growth potential in recent years.

Chart 10 China: Preferred Retail Channel



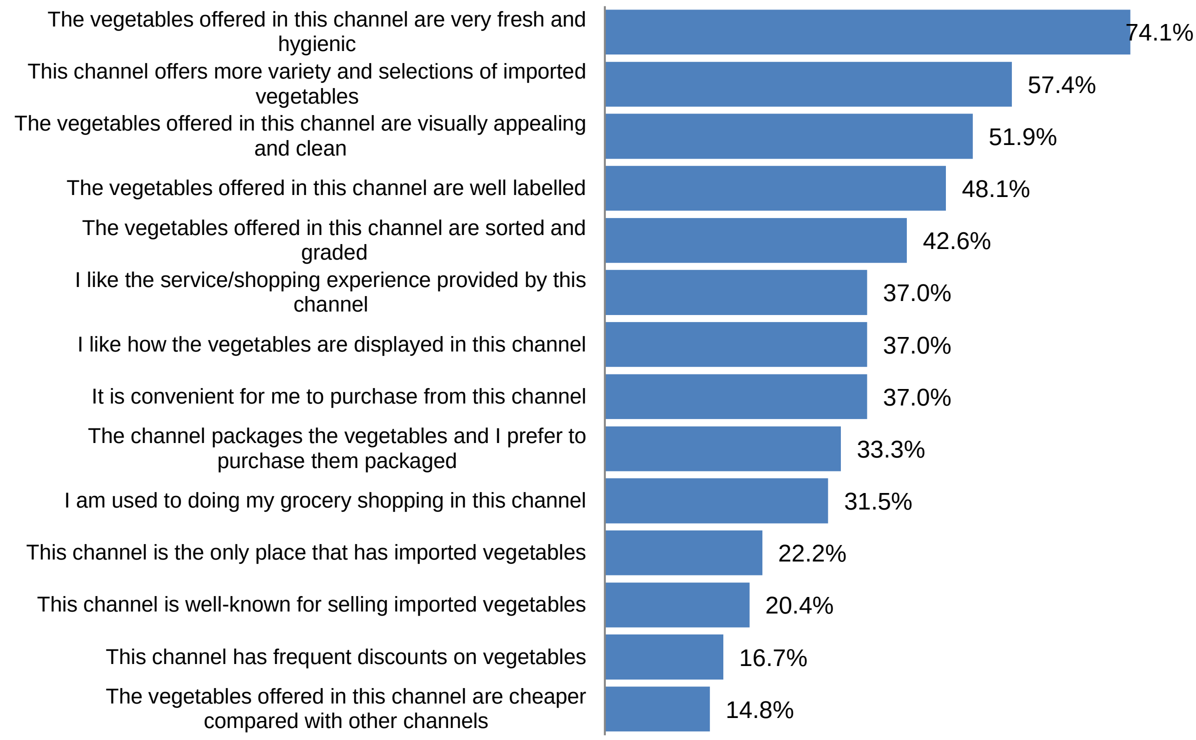
Q14. Of the list of store types you selected in the previous question, please rank them in order of your preference when purchasing vegetables.

Base: All respondents (n=209), n=163 supermarkets, n=147 hypermarkets, n=135 wet/ open markets, n=37 independent small grocers, n=114 imported food stores, n=61 online stores.

Source: Euromonitor International online consumer survey, June 2014

Product-related criteria mean the most to typical consumers, topped by freshness and hygiene, and followed by variety and selection as well as visual appeal and cleanliness. More than half of survey respondents noted these three criteria when describing their most preferred channel. Meanwhile, labelling and packaging, displays and categorisation, as well as various other issues were also mentioned as important aspects of the shopping experience.

Chart 11 China: Reasons for Most Preferred Retail Channel Type



Q15. Select the statements below that best describe why you purchase vegetables in <selection that is ranked #1 from Q14>. (Please indicate as many as apply.)

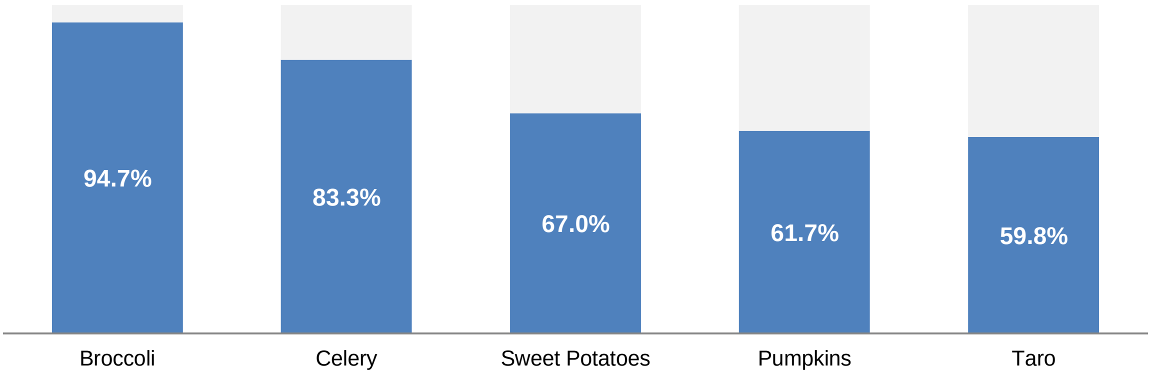
Base: Respondents who ranked hypermarkets as the most preferred channel of purchase (n=54)

Source: Euromonitor International online consumer survey, June 2014

Broccoli earns highest purchasing frequency, while seasonal produce lags behind

As suggested in earlier sections, broccoli is one of the top vegetables most frequently purchased. As a result, 94.7% of survey respondents bought it during the past three months. Sweet potatoes ranked higher than celery in general purchasing, but more consumers reported purchasing celery than sweet potatoes in the past three months. As seasonal produce, pumpkins and taro saw lower consumption.

Chart 12 China: Vegetables Commonly Purchased



Q21. Of the list of five vegetables below, which have you purchased over the LAST THREE MONTHS?

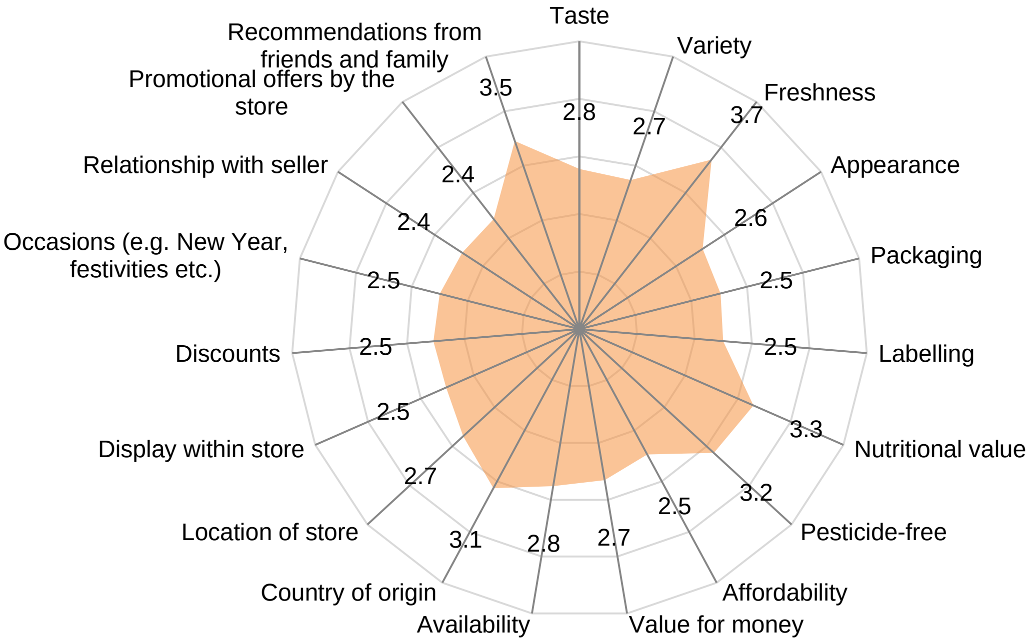
Base: All respondents (n=209)

Source: Euromonitor International online consumer survey, June 2014

Product-related features much more important selection criteria

Most attributes for purchasing imported vegetables received relatively average ratings. Freshness, again, was rated highest. Recommendations from friends and family ranked second, indicating a potential word-of-mouth marketing pattern for imported vegetables. Nutritional value and pesticide-free were also considered to be important, while country of origin ranked fifth. In general, product-related features were more important criteria than availability, promotions and buying habits.

Chart 13 China: The Most Important Attributes for Purchasing Imported Vegetables



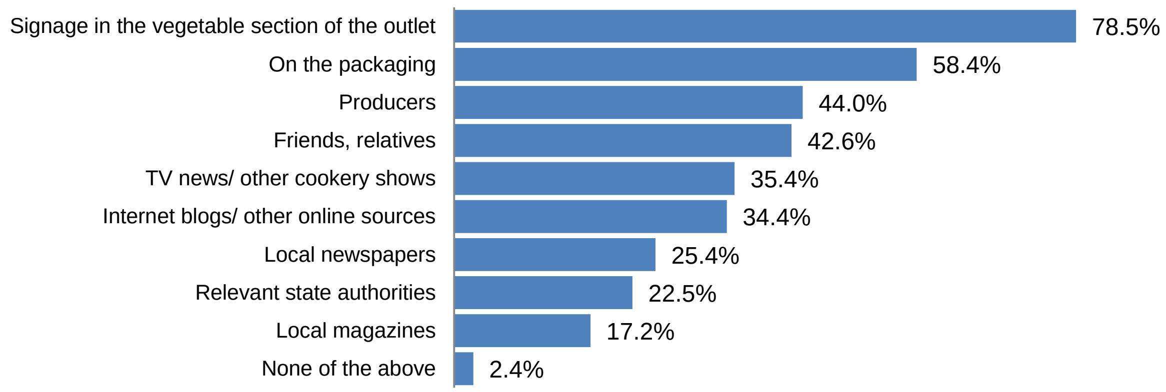
Q16. Of the list of factors below, please rank the TOP FIVE FACTORS which are most important to you when purchasing imported vegetables.

Base: All respondents (n=209)

Source: Euromonitor International online consumer survey, June 2014

Packaging and signage are important sources of information while media is less important
Consumers mostly refer to signage in the vegetable section and look for information on product packaging. Brand loyalty and the recommendations of family and friends are also effective in influencing purchases. Media advertising is less effective, according to survey respondents.

Chart 14 China: Sources of Information for Vegetable Purchases



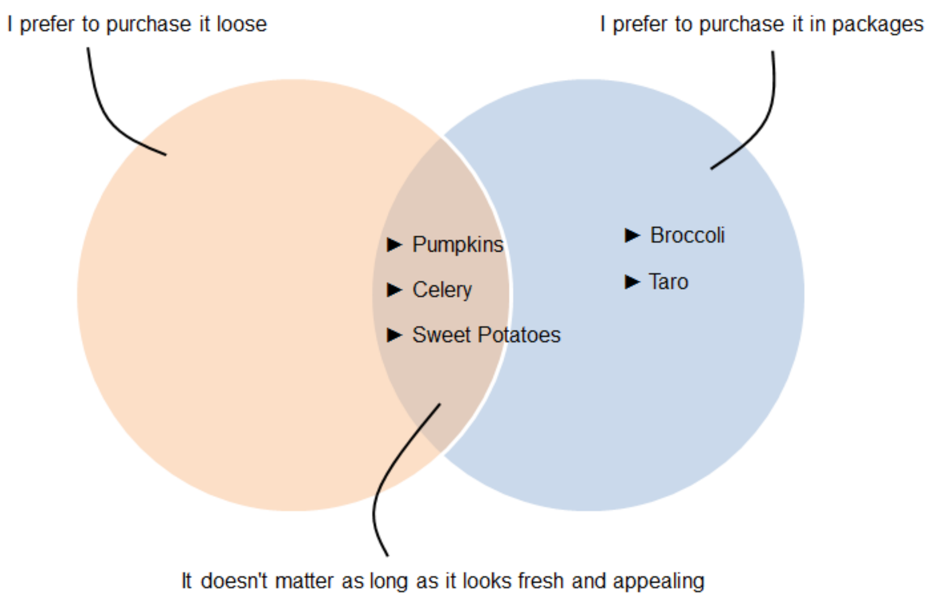
Q18. Which of these sources of information do you use when it comes to the purchase of vegetables? (Please indicate as many as apply.)

Base: All respondents (n=209)

Source: Euromonitor International online consumer Survey, June 2014

Conflicting views about packaged vegetables
Consumers would prefer that broccoli and taro are sold in packages, while most are indifferent about whether pumpkins, celery and sweet potatoes are offered in packages, as long as the products are kept clean and fresh.

Chart 15 China: Preferred Format of Vegetables



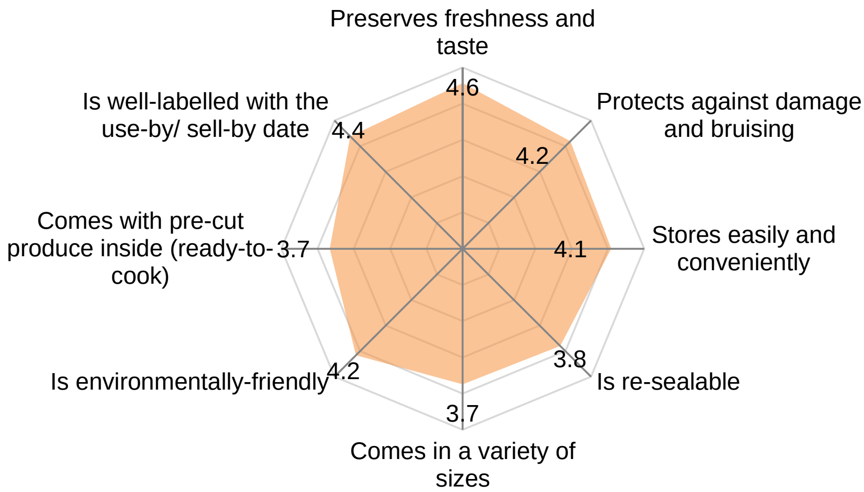
Q25. Please select the one statement that best describes your preference when it comes to the packaging of these vegetables.

Base: All respondents (n=209), n=198 broccoli, n=174 celery, n=140 sweet potatoes, n=125 taro, n=129 pumpkins

Source: Euromonitor International online consumer survey, June 2014

Regarding packaged vegetables, consumers consider the preservation of freshness and taste as the top advantages, yet again emphasising freshness. Clear labelling with manufacturing date and shelf-life is rated as second most-important. Respondents also perceived packaged vegetables more positively, relating them to environmental friendliness, better storage and less damage.

Chart 16 China: Importance of Factors for Buying Packaged Vegetables



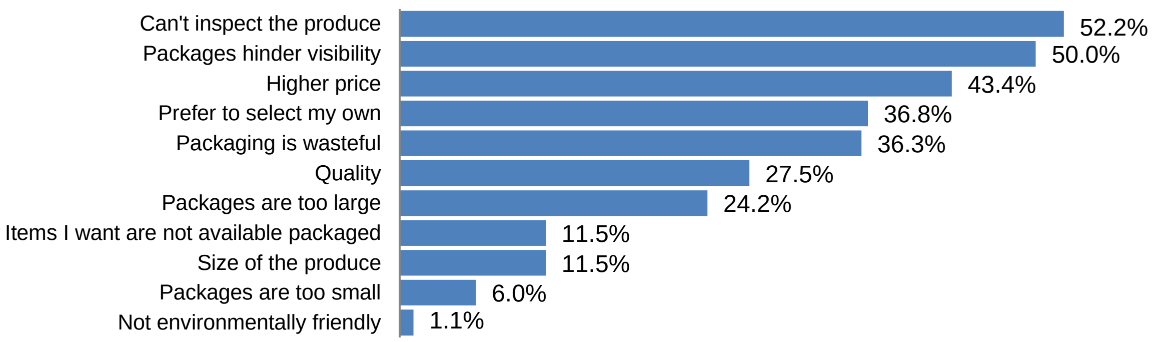
Q26. On a scale of 1 to 5 with 1 being extremely unimportant and 5 being extremely important, please rate how important the following factors are in your decision to purchase packaged vegetables.

Base: Respondents who prefer to purchase vegetables in packages or have no preference as long as the vegetables looks fresh and appealing (n=187)

Source: Euromonitor International online consumer survey, June 2014

However, Chinese consumers also have relevant concerns regarding packaged vegetables. The biggest concern is not being able to directly inspect the produce, followed by the reduced visibility of the product's appearance. More than half of survey respondents expressed the above two concerns. Other top concerns included higher prices on packaged vegetables, loss of choices and reduced selection, as well as wasteful packaging materials. Notice that 27.5% of respondents raised concerns about the quality of packaged vegetables, even though many respondents relate packaged foods with higher quality. There seem to be conflicting views about packaged vegetables.

Chart 17 China: Reasons for Not Buying Packaged Vegetables



Q27. What keeps you from purchasing more packaged vegetables? (Please indicate as many as apply.)

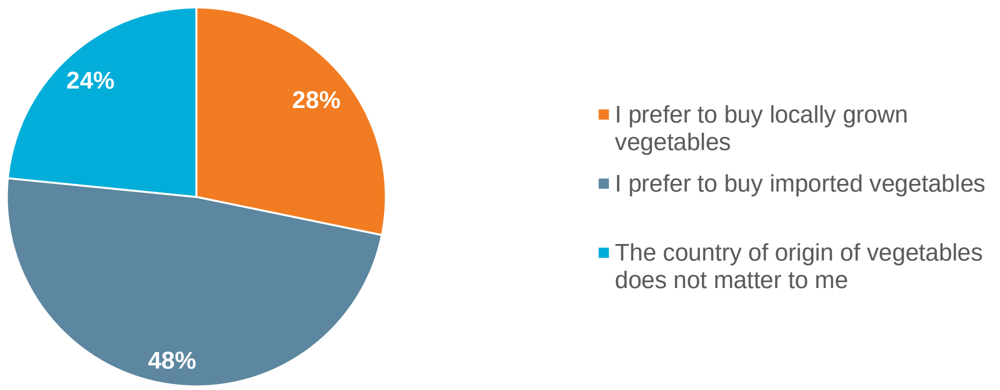
Base: Respondents who prefer to purchase vegetables loose or have no preference as long as the vegetables look fresh and appealing (n=182)

Source: Euromonitor International online consumer survey, June 2014

5.1.5 Acceptance of Vegetable Imports

Consumers are generally attracted to imports and willing to pay moderately extra
Almost half of survey respondents (48%) suggested that they would prefer to buy imported vegetables, given the right price and product. The rest were divided between having a preference for locally grown produce and being indifferent towards country of origin. Imported vegetables still appeal to a good proportion of consumers.

Chart 18 China: Preference of Origin of Vegetables



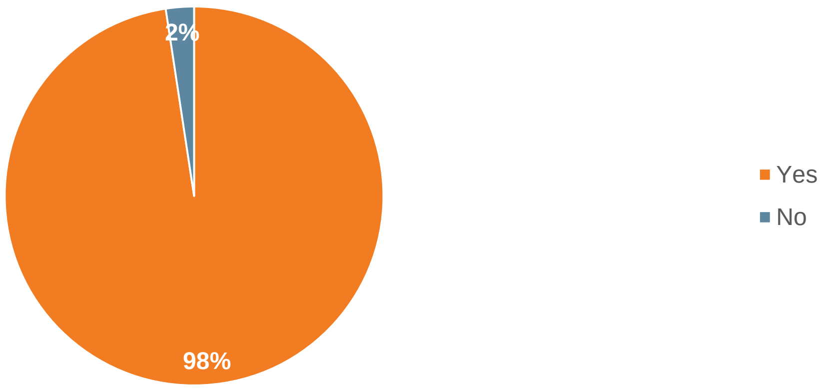
Q17. What is your preference when it comes to the country of origin of vegetables?

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Consumers are all aware of the higher pricing of imported vegetables, and 98% gave positive feedback on paying a premium.

Chart 19 China: Willingness to Pay a Premium for Imported Vegetables



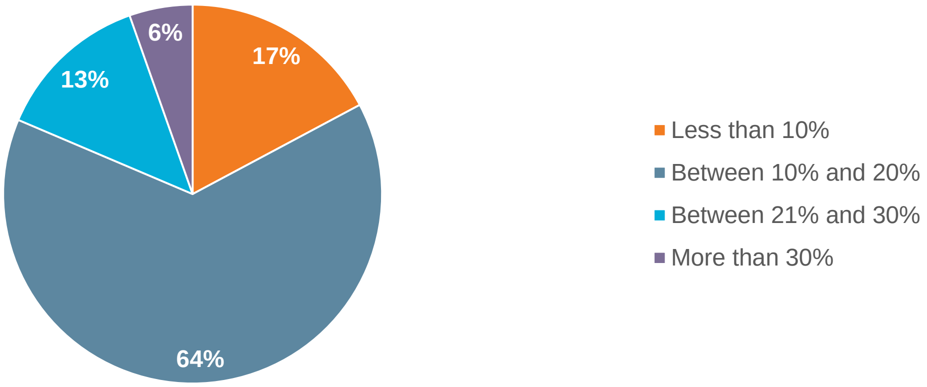
Q19. Are you willing to pay a premium for imported vegetables assuming that they are of better quality?

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Nevertheless, only 6% were willing to pay a premium of more than 30% for imported vegetables. Most respondents (77%) would pay between 10% and 30%, and another 17% wouldn't go beyond 10% extra. Given the fact that imported vegetables currently selling on the Chinese market are usually priced two or three times higher than local produce, price should remain the major challenge for imports.

Chart 20 China: Premium Willing to Pay for Imported Vegetables



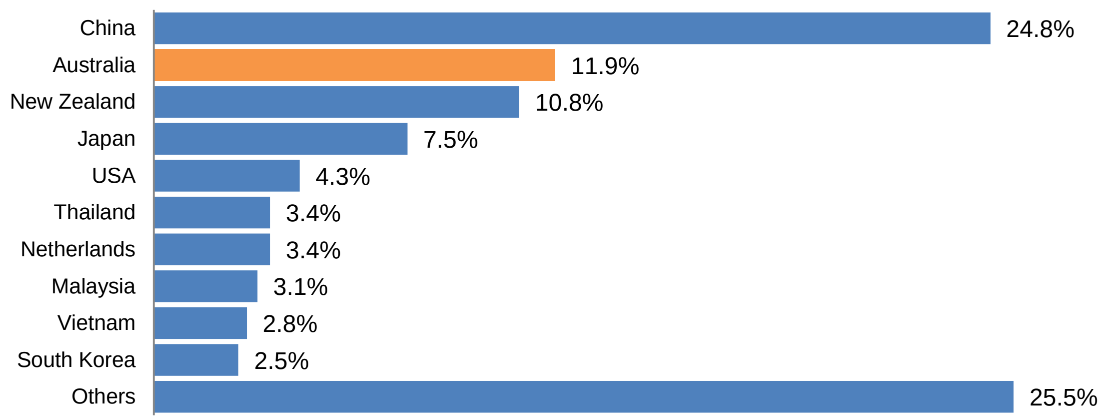
Q20. How much more are you willing to pay for imported vegetables?

Base: Respondents who are willing to pay a premium for imported vegetables (n=204); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Apart from China, survey respondents had purchased vegetable imports from a number of countries. More than 10% selected Australia even though Australian imports are very rare. This is a possible reflection of the lack of interest amongst Chinese in understanding the country of origin of their purchases, despite it being the fifth most-important factor in purchasing. New Zealand was the next top country selected, followed by Japan and the United States. This is in accordance with interview results. The three top countries might be most successful in brand-building, even though they are not the biggest vegetable trading partners.

Chart 21 China: Most Common Origins of Imported Vegetables



Q22. From the list provided below, select up to four countries from which you have purchased vegetables most frequently.

Base: All respondents (n=209)
Responses are summarised based on five key commodities – broccoli, celery, sweet potatoes, pumpkins and taro.
'Others' includes countries such as Cambodia, Singapore, Canada, Indonesia, India, Myanmar, Philippines, Bangladesh, Pakistan, Sri Lanka, Saudi Arabia, and Iran.

Source: Euromonitor International online consumer survey, June 2014

5.1.6 Competitiveness of Australian Vegetable Imports

Positive image of Australian imports exists but alongside concerns about their high pricing
Survey respondents mostly perceived Australian produce as clean, safe and free from pollution. The word 'fresh' had the highest number of un-cued mentions by respondents. This would be a good starting point for future image-building.

Chart 22 China: Most Common Associations with Australian Vegetables

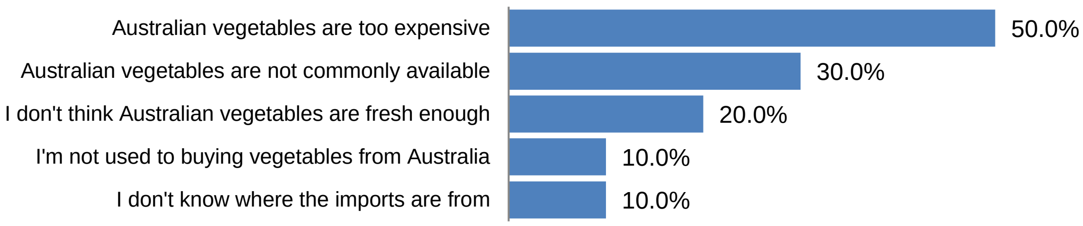
Q23. What comes to your mind when you think about vegetables imported from Australia?

Base: All respondents (n=209)

Source: Euromonitor International online consumer survey, June 2014

Among the 10 respondents who did not consider purchasing Australian vegetables, five of them were concerned with price, and another three believed that Australian produce was largely unavailable on the market. The remainder were unfamiliar with Australian produce or held doubts about it, and therefore wouldn't consider buying it.

Chart 23 China: Reasons for Not Purchasing Australian Imports



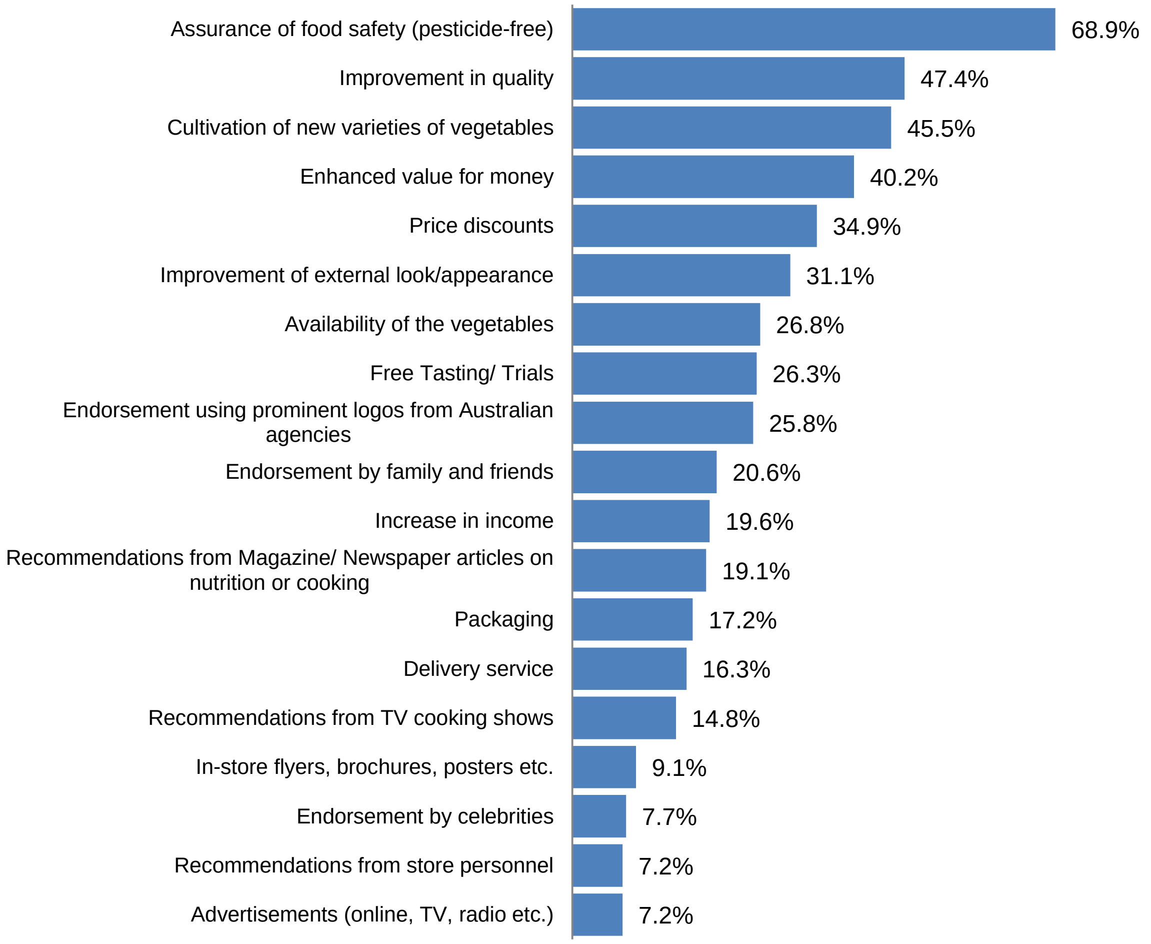
Q32. Why have you not purchased vegetables imported from Australia?

Base: All respondents (n=10)

Source: Euromonitor International online consumer survey, June 2014

Almost 70% of survey respondents stated that assurance of food safety is among the biggest motivations to buy Australian imports. More than 40% were attracted to their high quality, new varieties and enhanced values. Promotional activities such as discounts, free tastings and logo displays also help to motivate buying. Media marketing and in-store promotional materials were the least effective at reaching consumers.

Chart 24 China: Motivations and Incentives to Purchase Australian Imports



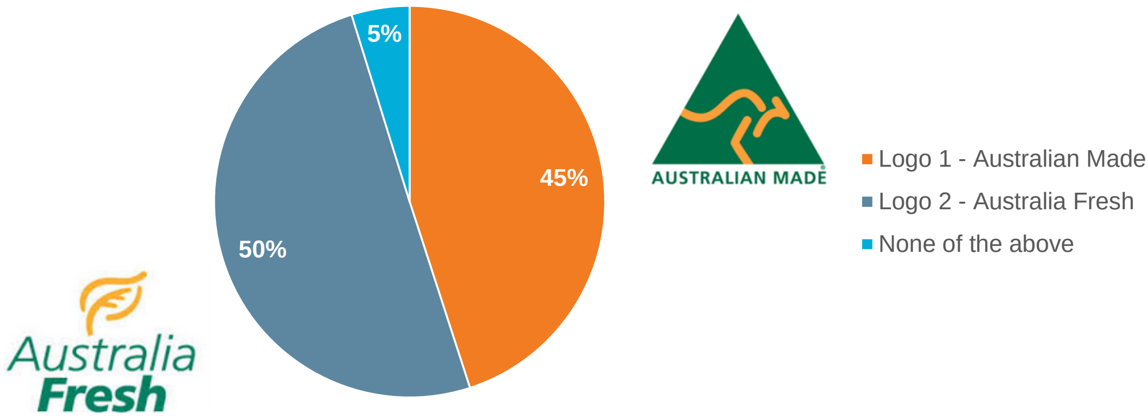
Q33. Choose the statement(s) below which would motivate or incentivise you to purchase Australian vegetables. (Please indicate as many as apply.)

Base: All respondents (n=209)

Source: Euromonitor International online consumer survey, June 2014

Half of survey respondents chose Australia Fresh as the most attractive logo, because of its emphasis on 'freshness'. Another 45% chose Australian Made, as the kangaroo represents Australia and stands out from the rest.

Chart 25 China: Presence of Logos on Product Packaging



Q34. Which of these logos on the packaging of vegetables would increase your willingness to try Australian imported vegetables?

Base: All respondents (n=209); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Analysis of findings (from Chart 26):

Locally produced vegetables have a very strong lead in China
China led all the countries by at least a 50% higher score for all attributes, reflecting the local consumers' preference for locally produced vegetables. Locally produced vegetables are generally to be a lot more affordable, are considered to be value for money and retailers are a lot more generous and regular with discounts. Freshness and variety are also highly rated, given the short route to market and strong agricultural sector in the country. With a high number of respondents being familiar with and having purchased vegetables produced locally in China, the country outperformed its competitors.

Well-packaged and labelled Australian vegetables reassured consumers of food safety
Respondents particularly scored Australian vegetables highly on appearance, packaging, labelling and pesticide-free attributes. With the ongoing food scandals in China, consumers are very cautious when purchasing food. Clear labelling on very well packaged vegetables has been adopted by many growers from Australia, which effectively establishes the perception amongst consumers that Australian produce is of good premium quality. Australian growers closely adhere to the food safety standards set by Food Standards Australia New Zealand (FSANZ), which is well-recognised globally for its stringent regulations.

Australia ranked a far second due to low consumption
Australia is the next overall best scoring country after China, however, scoring below 50% that of the leading country. This is largely due to the high price point Australian vegetables are offered at. Earlier in the analysis of survey findings, respondents have indicated that high price point is a strong barrier to consumption. As such, while those respondents who have purchased Australian vegetables rated the supplying country relatively well, the lack of presence and trial has pulled down the overall scores.

Australia and New Zealand have similar perceptions to Chinese consumers
Respondents viewed Australia and New Zealand in the same light, given the geographical proximity between both supplying countries. Even though, the scorings are more pronounced (across a wider range) for Australia, the results are mapped in a very similar fashion. Price-related attributes for both

countries still scored lower than the product-related attributes with consumers in China being very price-sensitive.

Summary of results for Australian vegetables:

- **There are no points of difference for Australia in China**, due to the following reasons:

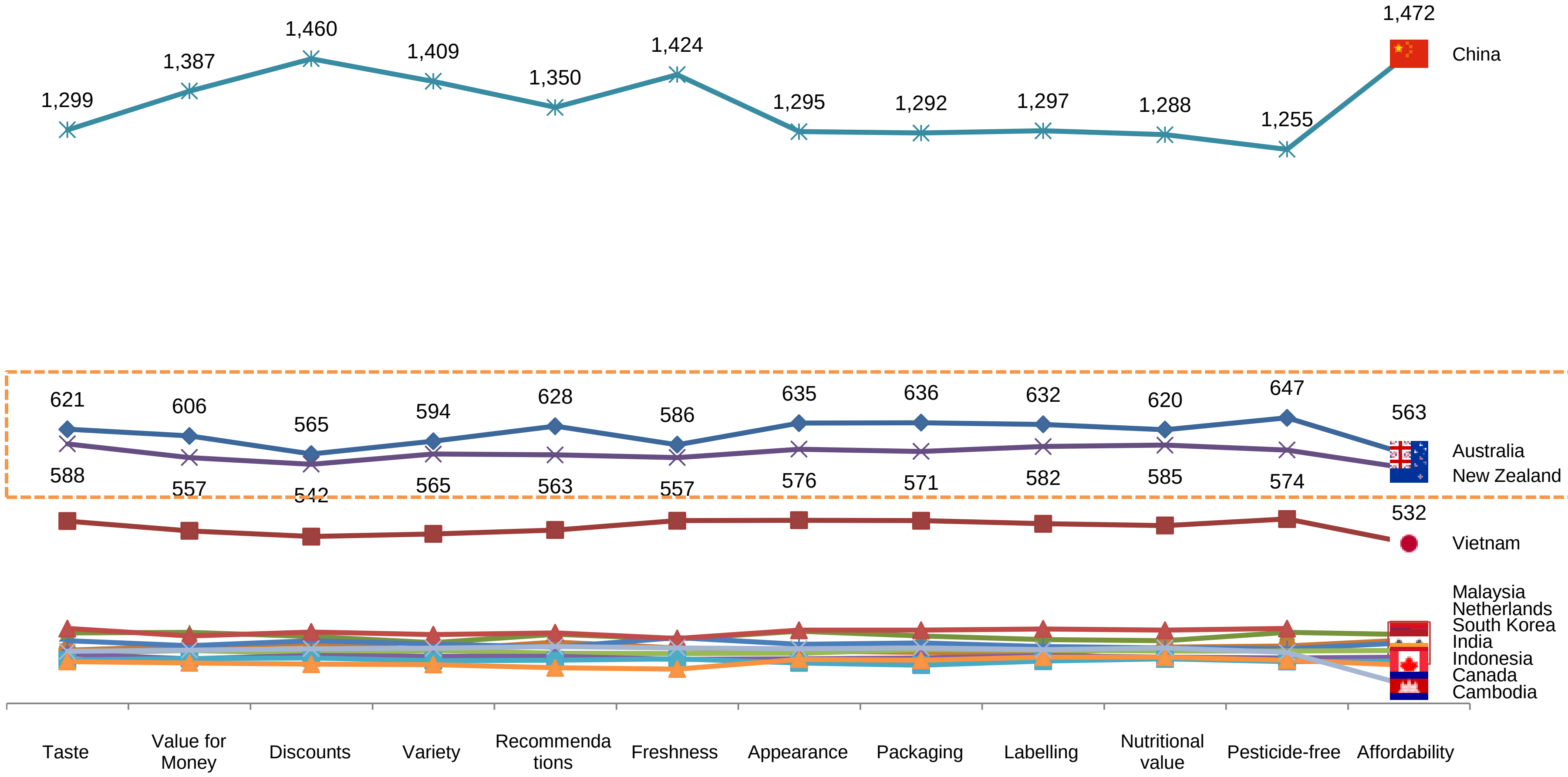
    1. Awareness and presence of Australian vegetables is not strong in China, i.e, the number of respondents (n) who selected Australia as one of the four supplying countries of vegetables in the UAE is very low (20 to 74 of 209 respondents). In contrast, local vegetables (from China) have very strong presence in the country (63 to 97 of 209 respondents), hence, a much higher score for the leading country.

    2. It is difficult for Australia to compete with other supplying countries on price– the country scored the lowest on affordability, value for money and discounts, across all 12 attributes.

    3. On the other hand, vegetables from China cater better towards the Chinese consumers. At the same time, certain product qualities such as freshness and variety are highly rated too.

- The current presence and rate of purchase for Australian vegetables are very low and need to be focused on.

Chart 26 China: Benchmarking of Australian Vegetables



Q24. Considering all your purchases of <vegetable> in the LAST THREE MONTHS from the (pipe in number of countries selected in Q22) selected countries of origin from the previous question, please rank the countries for each factor below, with 1 being the most preferred country and 4 being the fourth most-preferred country.

Base: All respondents (n=209)

Note: Cumulative totals based on the number of respondents who chose the country and ranked the relevant criteria

Source: Euromonitor International online consumer survey, June 2014

5.2 SWOT ANALYSIS

5.2.1 Strengths of Australian Imports in China

- Clean soil and water ensure food safety and quality, and Australia is known for its natural beauty and great environment. Chinese consumers are familiar with Australian seafood, beef and dairy, which represent superior quality. Likewise, Australian growers can focus on their clean and safe growing environment to market the unpolluted, natural, and green quality of Australian vegetables in China.
- Relative proximity to Asia would extend shelf life and reduce costs. Compared to European countries and the United States, Australia is relatively closer to China in distance. This would likely reduce costs associated with transportation and logistics, and enhance product preservation.
- Seasonal complementation fills a niche in the vegetable market. Located in the Southern Hemisphere, Australia enjoys the unique advantage of seasonal complementation in vegetable offerings. Spain and Mexico have succeeded in supplying tomatoes year-round to certain countries. Likewise, Australia can find its niche in China's market to supply seasonal commodities of good consumption and limited supply during the off-season.
- In contrast to the labour-intensive vegetable market of China, Australia has advanced technology-oriented planting techniques and farming concepts. To share some of this with China would be a good starting point for building a long-term trade relationship, which would benefit future vegetable exports into China.

5.2.2 Weaknesses of Australian Imports in China

- High input costs and limited investment capital weigh heavily on importing potential. Chinese consumers – even the middle classes – are still generally price-sensitive. Most survey respondents would pay no more than a 30% premium for imports. However, high labour, marketing and operational costs in Australia, as well as long-distance distribution and preservation requirements, would result in high import prices, and therefore may negatively affect consumers' purchasing decisions.
- It is estimated that only 4% of Australian growers sell vegetables for export. The general lack of export knowledge, experience and networking is a major barrier for Australian vegetables to thrive in overseas markets. The absence of local agents in export destinations especially hinders Australia's understanding of consumer insights and preferences, slowing its progress in establishing trading partners.
- Australia's strong currency influences its competitiveness as an export country. The exchange rate of Australian dollars has been high in recent years, which has had a certain impact on its export competitiveness.

5.2.3 Opportunities FOR Australian Imports in China

- Factors such as growth in disposable income, rapid urbanisation and increasing concerns regarding food safety are changing consumer perceptions and selection criteria for vegetables, as well as opening up opportunities for foreign producers and receptiveness to the pricing of imports. Australia can leverage its fresh and clean image to thrive.
- Currently, broccoli has a high level of consumption in urban areas due to its high nutritional value and cancer-combating properties. China is currently self-sufficient in its broccoli supply, but as demand grows from lower-tier cities, it might run short of supply in the future. Therefore, broccoli imports are promising for major global producers like Australia. Pumpkins are perceived as seasonal produce and are consumed as such, but are still quite popular in all parts of China. The output level for pumpkins is not as big and might represent another potential opportunity for imports, especially as seasonally complementary produce in year-round purchases, thus expanding their market size.

- Australia can better leverage China as a source of academic resources, R&D and general innovation through enhanced cross-border collaboration. China primarily requires global technology, innovation and management experience, rather than just foreign capital. With the right policy setting, this should provide ongoing opportunities for Australian expertise.

5.2.4 Threats TO Australian Imports in China

- Local produce competes against imported vegetables in the potato, celery, pea and bean categories. These commodities have been locally produced in recent years, with imports falling sharply since 2001. Potatoes and celery are not recommended for Australian imports, especially celery, which has a shorter shelf life than the other three commodities mentioned.
- Local consumers are still very price-sensitive with regard to vegetable purchases. Despite their willingness to pay extra for imports, it might not be enough to support the constant consumption of imports. This might be due to lack of status/ identity in paying extra for vegetables versus buying luxury goods or dining out in restaurants. Thus, the consumption of vegetable imports still wouldn't see much growth in purchasing frequency or repetitive consumption.
- Distribution and preservation prove to be the biggest challenges for vegetable imports. Greater transit distances, shifting transportation tools, complicated routing, frequent handling by different parties, as well as storage and preservation concerns all present challenges for new exporters. If not handled appropriately, consumers might raise doubts over freshness and quality issues. Prices might rise along with costs, weakening the competitiveness of imports.
- The Chinese government still imposes some trade barriers on Australian vegetables. With 17% tariffs and stringent accreditation and claiming processes, Australian producers might be discouraged and frustrated in their export dealings with China. New Zealand, on the other hand, signed free trade agreement (FTA) treaties with the Chinese government to export its vegetables mostly tariff-free until 2019, which has spurred New Zealand vegetable imports to China.
- Competing countries such as Thailand, Japan, the United States and New Zealand pose threats to Australian vegetables. Competitors either have distance advantages (Thailand and Japan), thus minimising logistics and preservation risks, or are shielded by free trade treaties (the United States and New Zealand). It is important for Australia to leverage its competitive advantages and find a niche opportunity for market entrance.

5.3 AUSTRALIAN VEGETABLES IN MALAYSIA

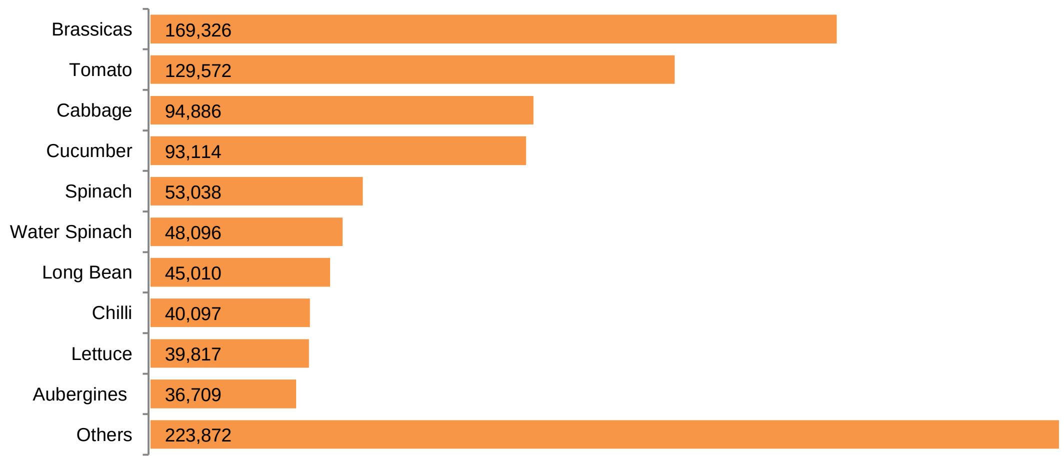
5.3.1 Local Production and Trade Position

Overview of Malaysia's agricultural activities
Agriculture contributed 11.9% to Malaysia's gross domestic product (GDP) in 2012, providing rural employment and ensuring national food security. Palm oil, cocoa and rubber represent the main agricultural commercial crops designated for export. In addition to these, Malaysian farmers also produce high-quality fruits and vegetables for domestic consumption. However, in order to satisfy the local demand for vegetables, Malaysia has spent a considerable amount importing fresh vegetables – a sum that reached more than USD679 million in 2013.

Current vegetable production in Malaysia
A decline in agricultural activities has been witnessed in Malaysia due to labour shortages in the agricultural sector. As a result, Malaysia is not entirely self-sufficient in the production of rice, fruits and vegetables. The country's vegetable outputs in 2012 stood at 973,500 tonnes but this volume was still insufficient to fulfil the local requirements for about 1.06 million tonnes annually.

Key vegetable outputs in Malaysia include various types of brassicas, tomatoes and cabbages.

Chart 27 Malaysia: Local Vegetable Production (Tonnes), 2012

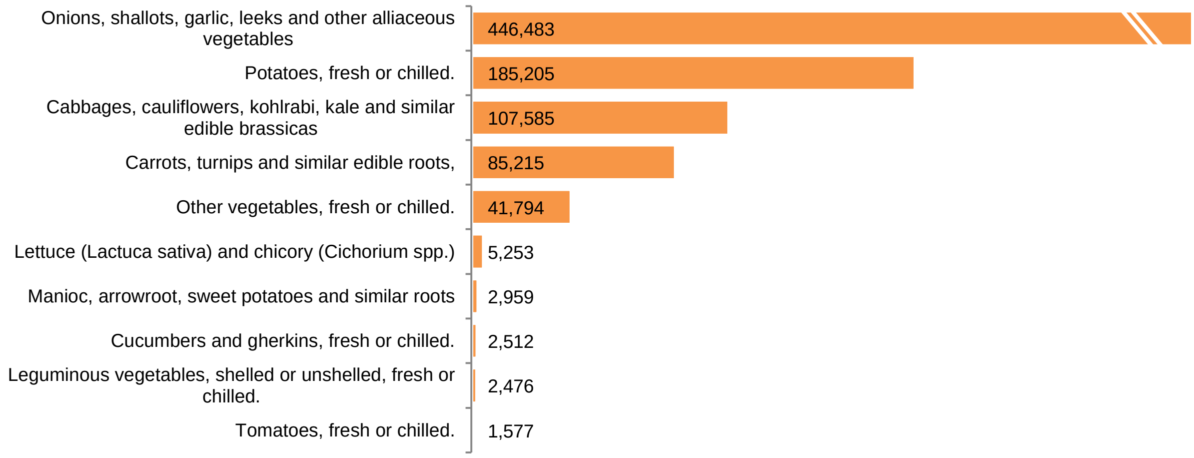


Source: Euromonitor International estimates from FAOSTAT

Only one-fifth of local production is exported
In 2013, the volume of vegetable exports was about 21% of local production, with export volume registering 202,000 tonnes. Most exports were cash crops such as maize, tapioca, taro and sweet potatoes.

Imports are required to make up for the shortfall in local production
In Malaysia, consumers demand imports such as carrots, cauliflower and mushrooms. Due to the generally humid tropical climate with only wet and dry seasons, production of these vegetables is restricted. Furthermore, vegetables such as broccoli and celery are not available locally. Due to the constraints faced, Malaysia must rely on vegetable imports, which have grown over the past few years to make Malaysia a net vegetable-importing country in order to meet its local requirements.

Chart 28 Malaysia: Vegetable Imports (Tonnes), 2013

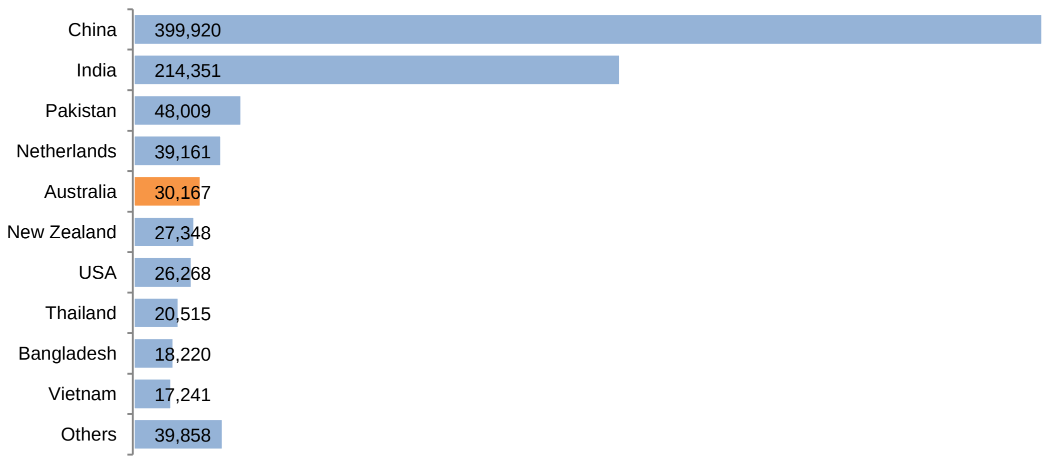


Source: Euromonitor International estimates from UN COMTRADE

Key vegetable exporters to Malaysia

Malaysia's top three foreign trading partners are China, India and Pakistan, while Australia also represents one of Malaysia's important trading partners, falling into the top five. The reason Australian vegetables are widely accepted by local consumers is because they submit to the governance of Food Standards Australia New Zealand. This strengthened the image of Australia and New Zealand as source countries of origin for vegetables, with consumers viewing Australian vegetables as better-quality and premium products when compared to produce from other countries.

Chart 29 Malaysia: Vegetable Exporters, 2013



Source: Euromonitor International from UN COMTRADE

5.3.2 Supply Chain and Retail Landscape

Overview of vegetable supply chain in Malaysia

The distribution chain for locally grown vegetables in Malaysia is primarily dominated by wholesalers which obtain most vegetables directly from farmers before distributing them to retailers and hypermarkets. The same goes for imports, with distributors playing the role of importers that bring vegetables into Malaysia directly from overseas producers before distributing them to local retailers.

The main criteria in focus during the procurement of vegetables are their quality and price. Nevertheless, branding is also considered an important factor, as good branding provides an assurance of quality in vegetables, which ultimately helps to achieve brand loyalty amongst consumers.

The key players involved in the vegetable supply chain include Malaysia Agrifood Corporation, Livewell Sdn Bhd and Grace Cup Sdn Bhd.

Table 6 Malaysia: Summary of Key Players

Company name	Type	Website
Malaysian Agrifood Corporation	Distributor	http://www.mafc.com.my/
Livewell Sdn Bhd	Producer/ Distributor	http://www.champfungi.com/
Euro-Atlantic Sdn Bhd	Importer/ Distributor	http://www.euro-atlantic.com.my/
Grace cup Sdn Bhd	Producer/ Distributor	http://www.gracecup.com.my/
Veg-express Sdn Bhd	Producer/ Distributor	http://www.champfungi.com/
Monoluxury Sdn Bhd	Producer/ Distributor	http://www.gentinggarden.com.my/
Cold Storage (Supermarket)	Retailer	http://www.coldstorage.com.my/
AEON BIG	Retailer	http://www.aeonbig.com.my/node/26

Source: Euromonitor International from trade sources

Trends in vegetable retailing

One of the key trends in vegetable retailing is the emergence of modern retail stores such as supermarkets and hypermarkets in fresh market sectors. These modern retail stores showed relatively high demand for fresh vegetables from local producers. Supermarkets and hypermarkets are considered the major retail distribution channels due to their availability and strategic store locations, which have the ability to reach a wide range of consumers. However, local producers have demonstrated an inability to meet demand, which indicates that production sectors have not been able to keep up with recent market changes.

The increase in stock demand from modern retail stores is directly influenced by consumer demand. In recent years, Malaysian consumption patterns have changed, primarily reflecting a higher level of health consciousness than previously seen.

5.3.3 About the Survey Respondents

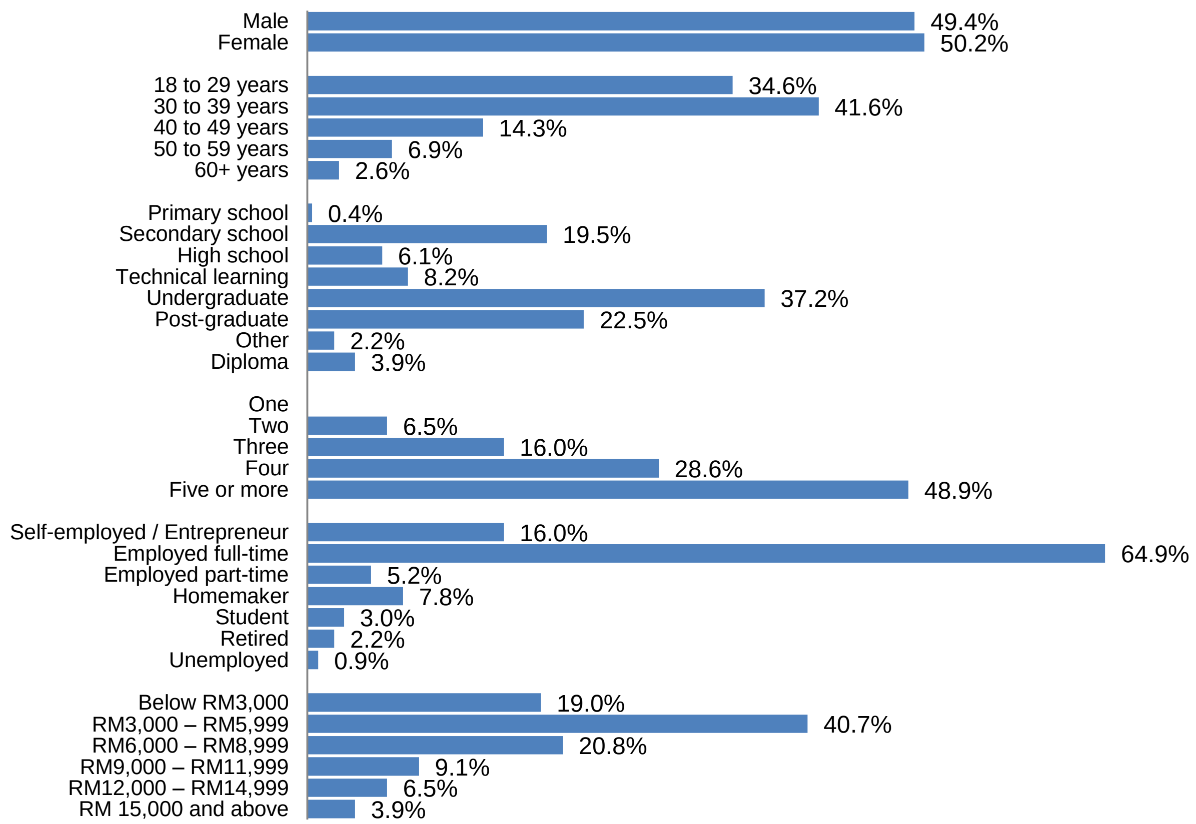
A consumer survey was conducted in Malaysia, with a quota of n=200. No sub-quota was applied for this research and a total of n=231 people completed the survey. This section outlines the profiles of respondents.

Profile of n=231 respondents

- 231 respondents answered the survey, with an even split between males and females.
- More than 75% of respondents were under the age of 39, and those aged 40 and over made up the remainder.
- About 60% of respondents had achieved tertiary education, with 22.5% of respondents holding a post-graduate qualification, thus indicating a sample made up of more highly educated consumers.
- The household size of these respondents was fairly large in general, with more than 75% of respondents sharing housing in which four or more people live under the same roof.

- About 80% of respondents were currently employed, with 16% of people working on a self-employed basis, a fact reflecting the higher education qualifications of the sample.
- 40% of respondents have an average monthly household income of approximately RM3,000-RM5,999, which represents the largest group within the sample and provides a fair indication of the significant presence of a middle-class segment of consumers.

Chart 30 Malaysia: Profile of Survey Respondents



Q3. Please select your gender.
Q4. What is your age?
Q5. What is the highest degree or level of education you have completed?
Q6. Including yourself, how many members are there in your household?
Q7. Which of the following best describes your employment status?
Q8. Please indicate your approximate monthly household income before taxes?

Base: All respondents (n=231); total may not equal 100% due to rounding.

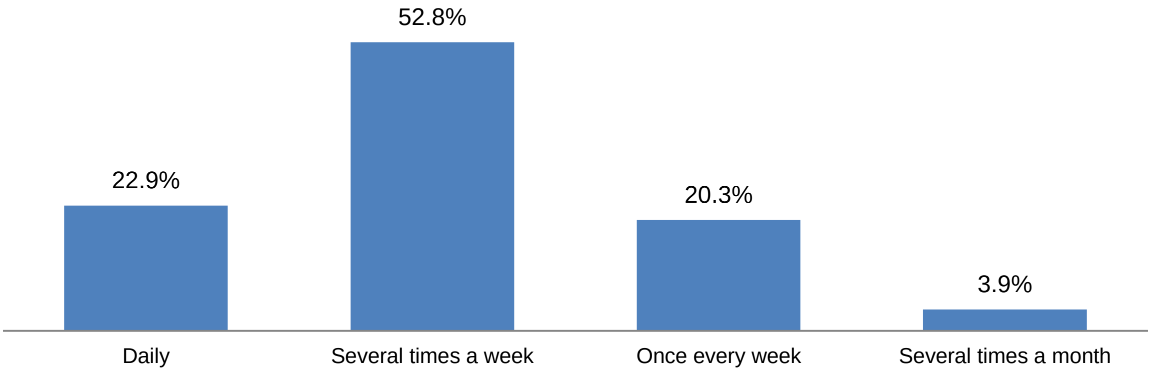
Source: Euromonitor International online consumer survey, June 2014[Q:Euromonitor normally uses the standard currency abbreviations – MYR for Malaysian ringgit. Change in pdf'd chart above under income section]

5.3.4 Consumer Purchasing Behaviour

Demand and level of spending on vegetables

More than 96% of respondents purchased vegetables on at least a weekly basis, with the majority (53%) purchasing vegetables several times a week. Only a mere 4% of respondents stocked up on vegetables a few times per month.

Chart 31 Malaysia: Frequency of Vegetable Purchases



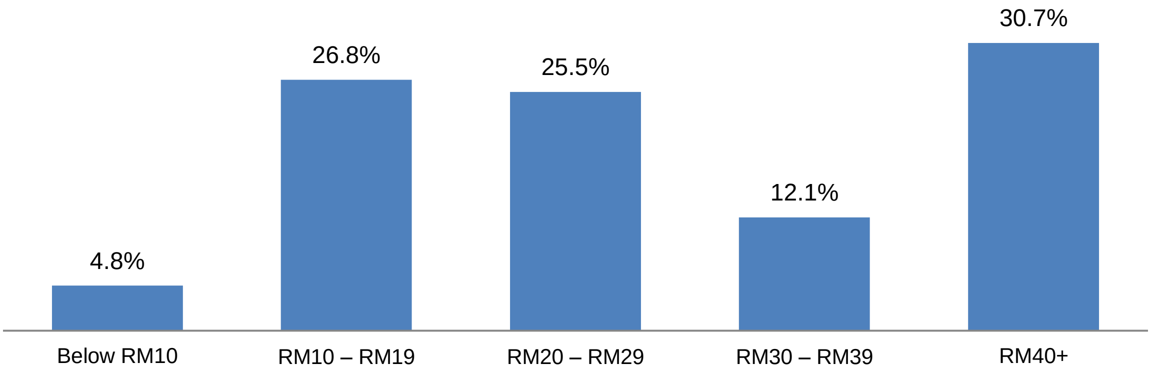
Q9. How often do you purchase vegetables? (Please select one.)

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

The weekly spend on vegetables exceeds RM10 for more than 95% of respondents. Specifically, 30% spend more than RM40 on a weekly basis, which correlates to the large household size of these respondents.

Chart 32 Malaysia: Weekly Household Expenditure on Vegetables



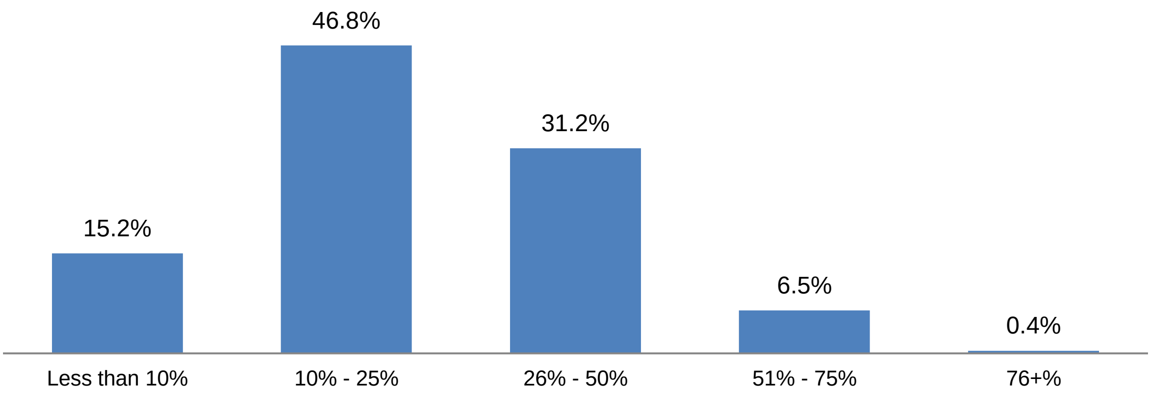
Q10. How much does your family spend on vegetable purchases per week? (Please select one.)

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

More than three-quarters of survey respondents shared that their spending on imported vegetables amounts to between 10% and 50% of their total weekly expenditure. While the majority of their purchases were still locally produced vegetables, they also spend a significant amount of money on imports when they can be deemed of better quality.

Chart 33 Malaysia: Proportion of Weekly Household Expenditure on Imported Vegetables



Q11. On average, what proportion of your weekly expenditure is on imported vegetables? (Please select one.)

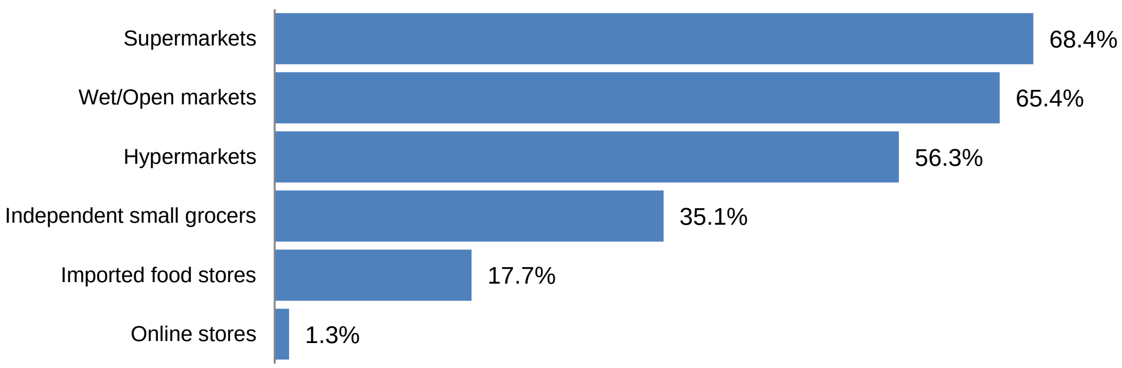
Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Main distribution channels for vegetables

Among those surveyed, the top three channels for vegetable purchases were supermarkets, wet/ open markets and hypermarkets. Only a small percentage of consumers purchase their vegetables from online stores (1.3%). While consumers were still very accustomed to buying vegetables through traditional wet/ open markets, it is evident that they are turning more often to modern trade retail channels for the convenience and wider assortment of choices.

Chart 34 Malaysia: Retail Channels for Vegetable Purchases



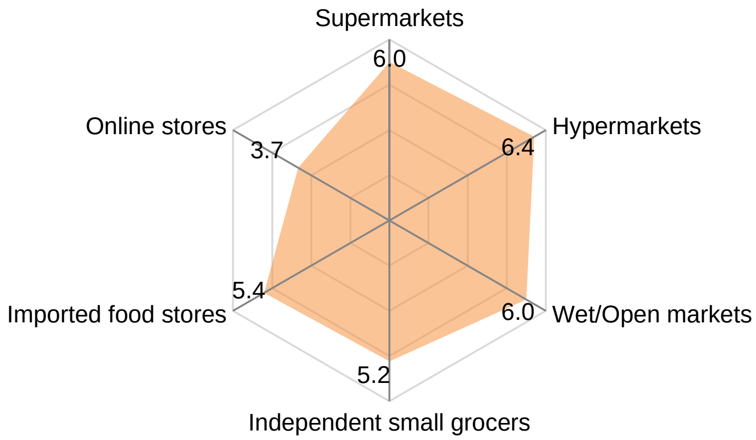
Q13. Where did you purchase vegetables during the LAST THREE MONTHS? (Please indicate as many as apply.)

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Despite that supermarkets were the most-visited retail channel, the most preferred channel for purchasing vegetables is hypermarkets. Most respondents ranked hypermarkets as the first channel of choice, followed by supermarkets and wet/ open markets.

Chart 35 Malaysia: Preferred Retail Channel



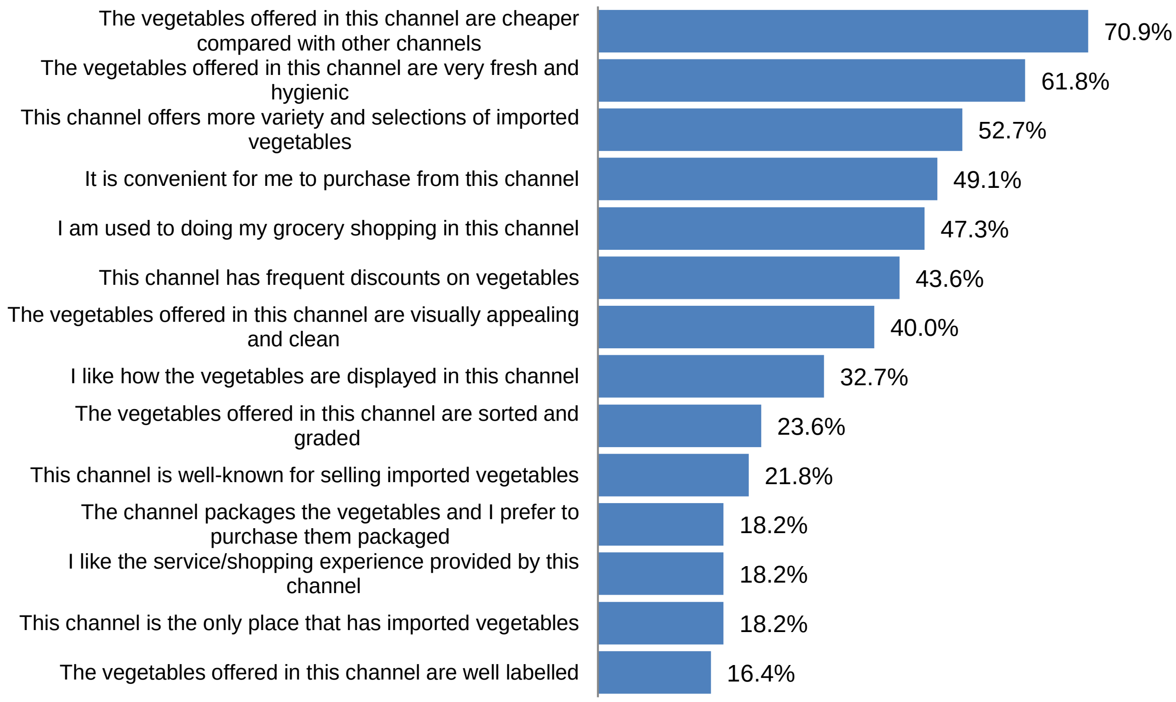
Q14. Of the list of store types you selected in the previous question, please rank them in order of your preference when purchasing vegetables.

Base: All respondents (n=231), n=158 supermarkets, n=130 hypermarkets, n=150 wet/ open markets, n=81 independent small grocers, n=41 imported food stores, n=3 online stores, n=1 others.

Source: Euromonitor International online consumer survey, June 2014

Survey respondents' topmost reason for purchasing vegetables from supermarkets was the very fresh and hygienic nature of the vegetables offered, which indicates that vegetable freshness is the main factor that attracts consumers.

Chart 36 Malaysia: Reasons for Most Preferred Retail Channel Type – Supermarkets



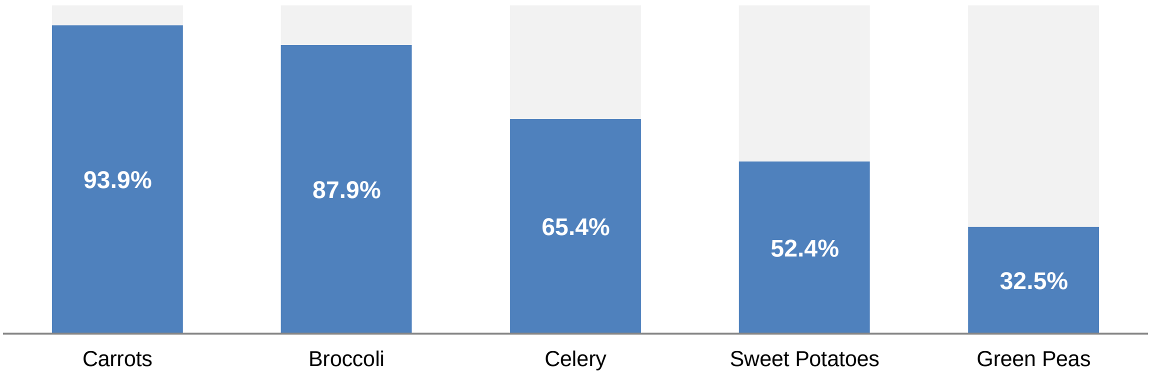
Q15. Select the statements below that best describe why you purchase vegetables in <selection that is ranked #1 from Q14>? (Please indicate as many as apply.)

Base: Respondents who ranked supermarkets as the most preferred channel of purchase (n=158)

Source: Euromonitor International online consumer survey, June 2014

Carrots and broccoli are most popular vegetables amongst consumers
Carrots and broccoli were frequently purchased by survey respondents, with more than 93% and 87% purchasing these vegetables, respectively, over the last three months, while only 32% purchased green peas during the same period. The high percentage of consumers who purchase carrots and broccoli indicates that these form mainstays in the Malaysian diet and high demand exists for them. It is essential to make sure that supplies can meet this demand.

Chart 37 Malaysia: Vegetables Commonly Purchased



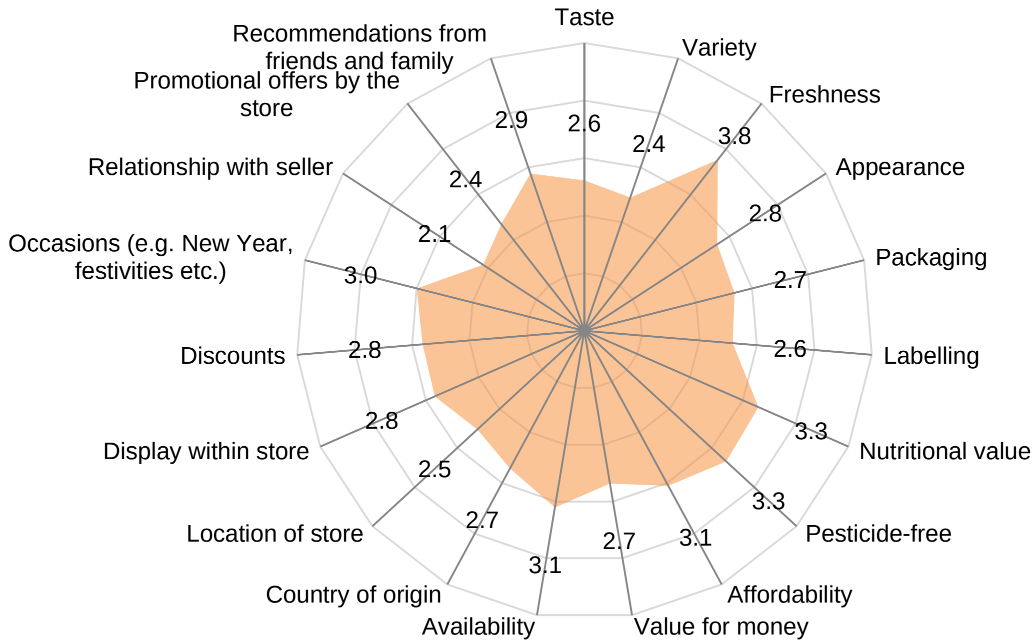
Q21. Of the list of five vegetables below, which have you purchased over the LAST THREE MONTHS?

Base: All respondents (n=231)

Source: Euromonitor International online consumer survey, June 2014

Main factors in determining the purchase of imported vegetables
When survey respondents were asked for the top factors most important to them when purchasing imported vegetables, the freshness of vegetables (3.8), nutritional value (3.3) and pesticide-free nature (3.3) were considered important while price was not a main determining factor. This shows that consumers nowadays appear to have a higher level of health awareness.

Chart 38 Malaysia: The Most Important Attributes for Purchasing Imported Vegetables



Q16. Of the list of factors below, please rank the TOP FIVE FACTORS which are most important to you when purchasing imported vegetables.

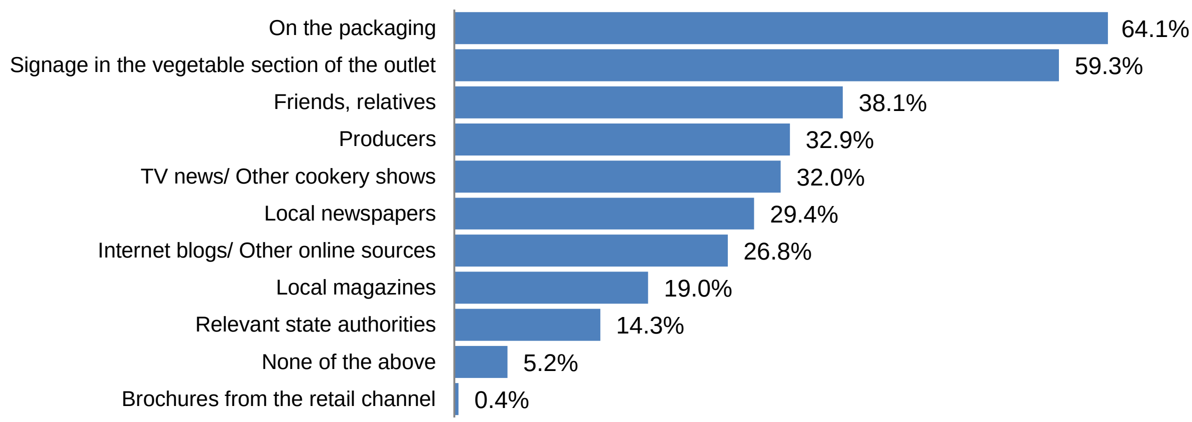
Base: All respondents (n=231)

Source: Euromonitor International online consumer survey, June 2014

Main information sources can help influence consumers' purchasing behaviour

The majority of survey respondents do not go far to find information on the vegetables they buy as the top two sources of information are found on the packaging itself and signage in the vegetable section of the outlet. This indicates that in-store labelling plays an important role for consumers in obtaining essential information for their vegetable purchases. Nevertheless, respondents also considered friends and relatives (38.1%) an important resource for obtaining information.

Chart 39 Malaysia: Sources of Information for Vegetable Purchases



Q18. Which of these sources of information do you use when it comes to the purchase of vegetables? (Please indicate as many as apply

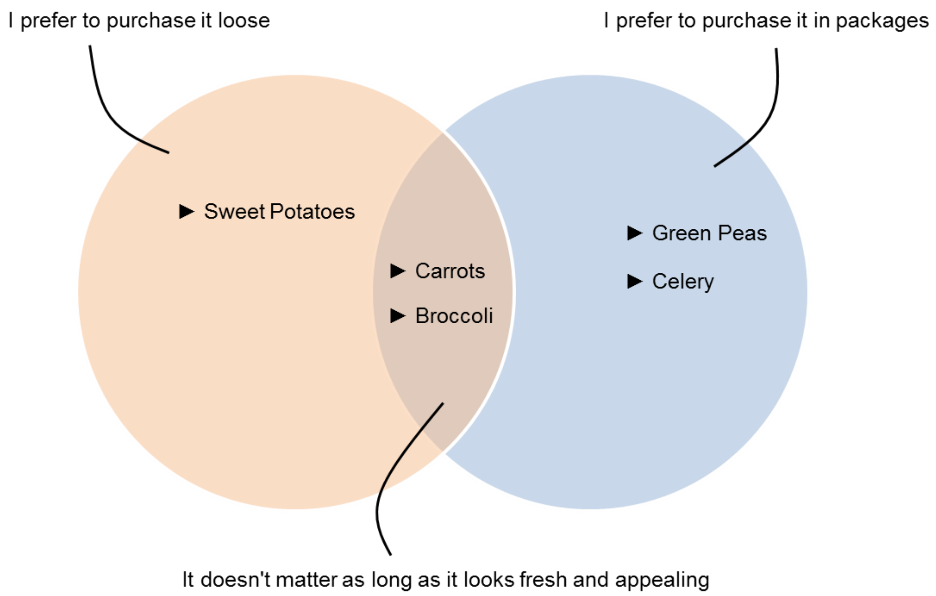
Base: All respondents (n=231)

Source: Euromonitor International online consumer survey, June 2014

Packaging formats for vegetables and consumer preferences

In general, when consumers are asked about their preferences with regard to packaging for vegetables, there is high demand for packaged vegetables such as green peas and celery. In contrast, consumers prefer to purchase certain vegetables such as sweet potatoes in loose format so that they can make sure the vegetables they choose are in the best condition. Nevertheless, there is also another important consumer group which is not concerned about the packaging format of vegetables – as with the case of carrots and broccoli. Instead, they are more concerned about the freshness of vegetables. This shows that vegetable quality is one of the more important factors that need to be taken into account.

Chart 40 Malaysia: Preferred Format of Vegetables



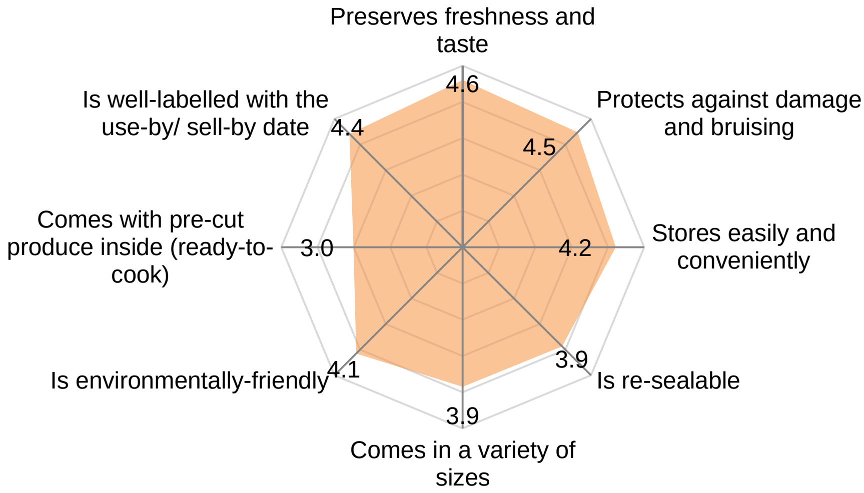
Q25. Please select the one statement that best describes your preference when it comes to the packaging of these vegetables

Base: All respondents (n=231), n=217 carrots, n=203 broccoli, n=151 celery, n=121 sweet potatoes, n=75 green peas

Source: Euromonitor International online consumer survey, June 2014

The important factors for survey respondents in purchasing packaged vegetables were preservation of freshness and taste (4.6). Besides that, they also believe that packaged vegetables can protect produce against damage and bruising (4.5). Again, this shows that consumers' main concerns when purchasing vegetables are freshness and quality. In addition, consumers appreciate packaged vegetables with proper labelling (4.4) so that they can easily refer to the labelling for production/ expiry dates, which provide assurance that the vegetables are in good condition and fresh.

Chart 41 Malaysia: Importance of Factors for Buying Packaged Vegetables



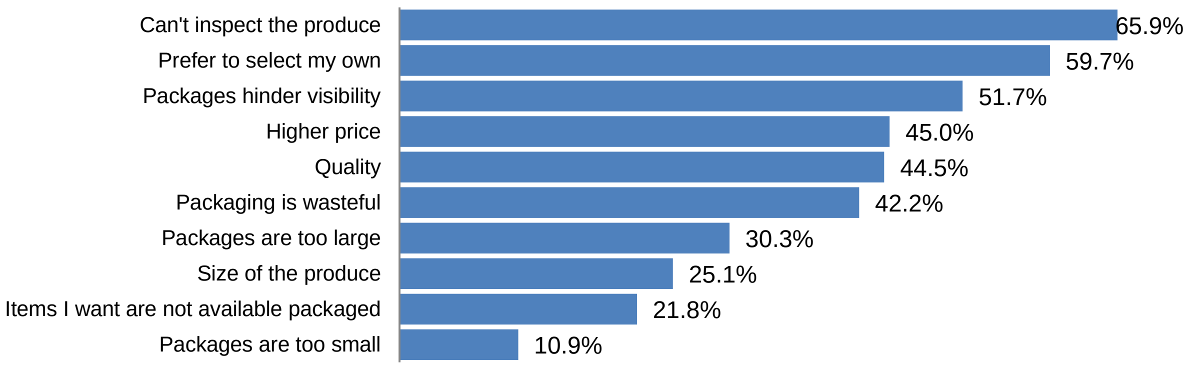
Q26. On a scale of 1 to 5 with 1 being extremely unimportant and 5 being extremely important, please rate how important the following factors are in your decision to purchase packaged vegetables

Base: Respondents who prefer to purchase vegetables in packages or have no preference as long as the vegetables look fresh and appealing (n=208)

Source: Euromonitor International online consumer survey, June 2014

The inability to physically inspect vegetables is the biggest barrier preventing consumers from purchasing packaged vegetables as they believe that packaging hinders their visibility and might lead them to purchase inferior products. The majority of survey respondents still prefer to purchase vegetables in loose format so they can select the best-quality produce. In order to overcome problems with visibility, product packaging can be designed in such a way that transparent plastic bags enable consumers to inspect the vegetables so that their condition can be determined easily.

Chart 42 Malaysia: Reasons for Not Buying Packaged Vegetables



Q27. What keeps you from purchasing more packaged vegetables? (Please indicate as many as apply.)

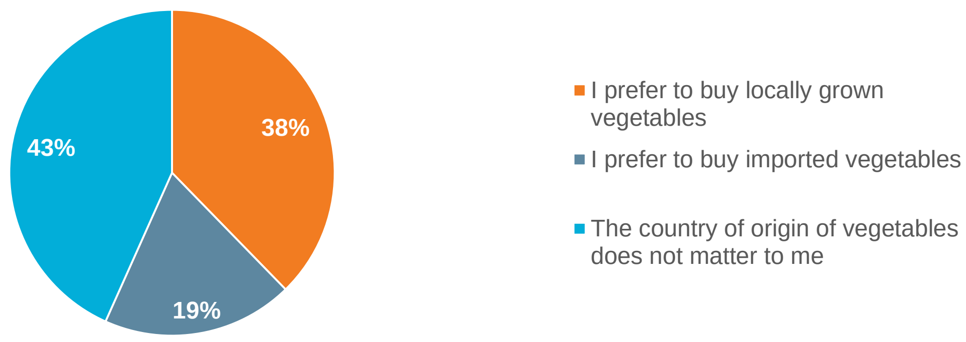
Base: Respondents who prefer to purchase vegetables loose or have no preference as long as the vegetables look fresh and appealing (n=211)

Source: Euromonitor International online consumer survey, June 2014

5.3.5 Acceptance of Vegetable Imports

Australian vegetables are a top choice amongst consumers
Consumers show higher interest in purchasing locally grown vegetables than imported vegetables. This trend may be due at least in part to the facts that imported vegetables are more expensive to purchase and local vegetables are more readily available than imported vegetables. In addition, more than 40% of survey respondents commented that the origin of vegetables does not factor into their considerations when purchasing vegetables, mainly because vegetables are not routinely labelled with the country of origin, and thus consumers are comfortable not knowing the country of origin as long as the vegetables are fresh. Hence, efforts could be made to increase consumer awareness about the origin of vegetables generally and to inform them about the higher quality of Australian vegetables so that they may develop a preference for Australian vegetables.

Chart 43 Malaysia: Preference of Origin of Vegetables



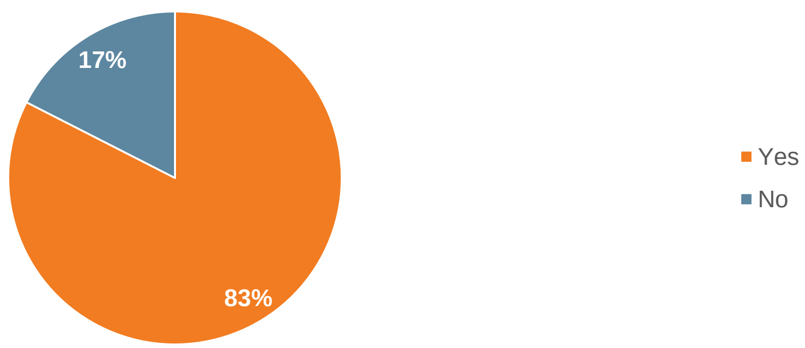
Q17. What is your preference when it comes to the country of origin of vegetables?

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

More than 80% of survey respondents are willing to pay a premium in order to acquire better-quality imported vegetables. This shows that consumers nowadays are more concerned about their heath and want to obtain higher-quality vegetables with a greater nutritional value, even if the price of those vegetables is relatively higher than local vegetables.

Chart 44 Malaysia: Willingness to Pay a Premium for Imported Vegetables



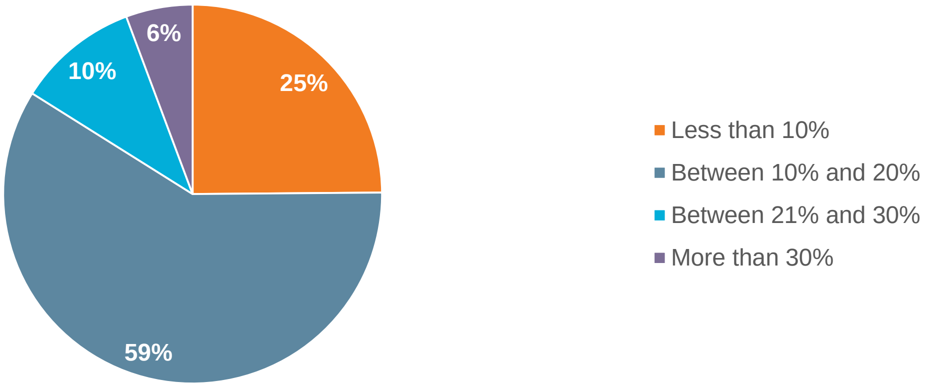
Q19. Are you willing to pay a premium for imported vegetables assuming that they are of better quality?

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

More than 80% of survey respondents were willing to pay up to 20% extra when purchasing imported vegetables, thus indicating some willingness to pay for good quality.

Chart 45 Malaysia: Premium Willing to Pay for Imported Vegetables



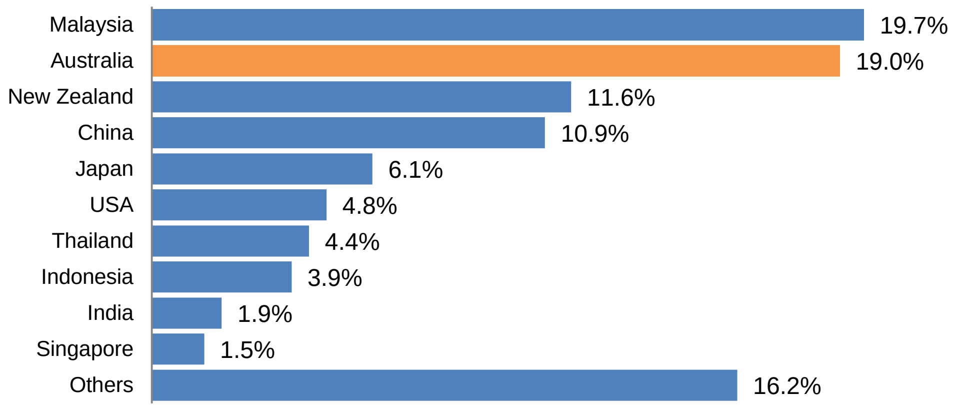
Q20. How much more are you willing to pay for imported vegetables?

Base: Respondents who are willing to pay a premium for imported vegetables (n=193); total may not equal 100% due to rounding.

Source: Euromonitor International Online Consumer Survey, June 2014

Generally, survey respondents seemed able to identify Australian vegetables when purchasing vegetables. For all five commodities scrutinised (carrots, broccoli, celery, sweet potatoes and green peas), consumers chose Australian vegetables as among the top three countries of origin. This indicates that Australian vegetables have built a good foundation amongst consumers and they are widely accepted by Malaysians. However, a small percentage of consumers (16.2%) remain unaware of the country of origin when they purchase vegetables. Hence, to capture this consumer group, a campaign or better advertising efforts could be conducted in order to increase awareness about Australian vegetables.

Chart 46 Malaysia: Most Common Origins of Vegetables



Q22. From the list provided below, select up to four countries from which you have purchased vegetables most frequently.

Base: All respondents (n=231)
Responses are summarised based on five key commodities: carrots, broccoli, cabbage lettuce (head lettuce), lettuce and pumpkins

'Others' includes countries such as Canada, South Korea, Cambodia, the Netherlands, Vietnam, Turkey, Saudi Arabia, Bangladesh, Pakistan, Myanmar, Sri Lanka, the United Arab Emirates, the Philippines, Iran, Syria, Jordan, Peru, Yemen and Egypt.

Source: Euromonitor International online consumer survey, June 2014

5.3.6 Competitiveness of Australian Vegetable Imports

Perception of consumers towards Australian vegetables

When asked about their perception towards Australian vegetables, the main factors that came to consumers' minds were freshness and good quality. This indicates that Australian vegetables have established a good reputation on the basis of their quality and this should be upheld in the future. However, despite the good image of Australian vegetables, criticism included that they are too expensive by comparison with locally produced vegetables. This should be reviewed to see whether there is any possibility to offer better discounts for Australian vegetables in order to make them more affordable for consumers.

Chart 47 Malaysia: Most Common Associations with Australian Vegetables

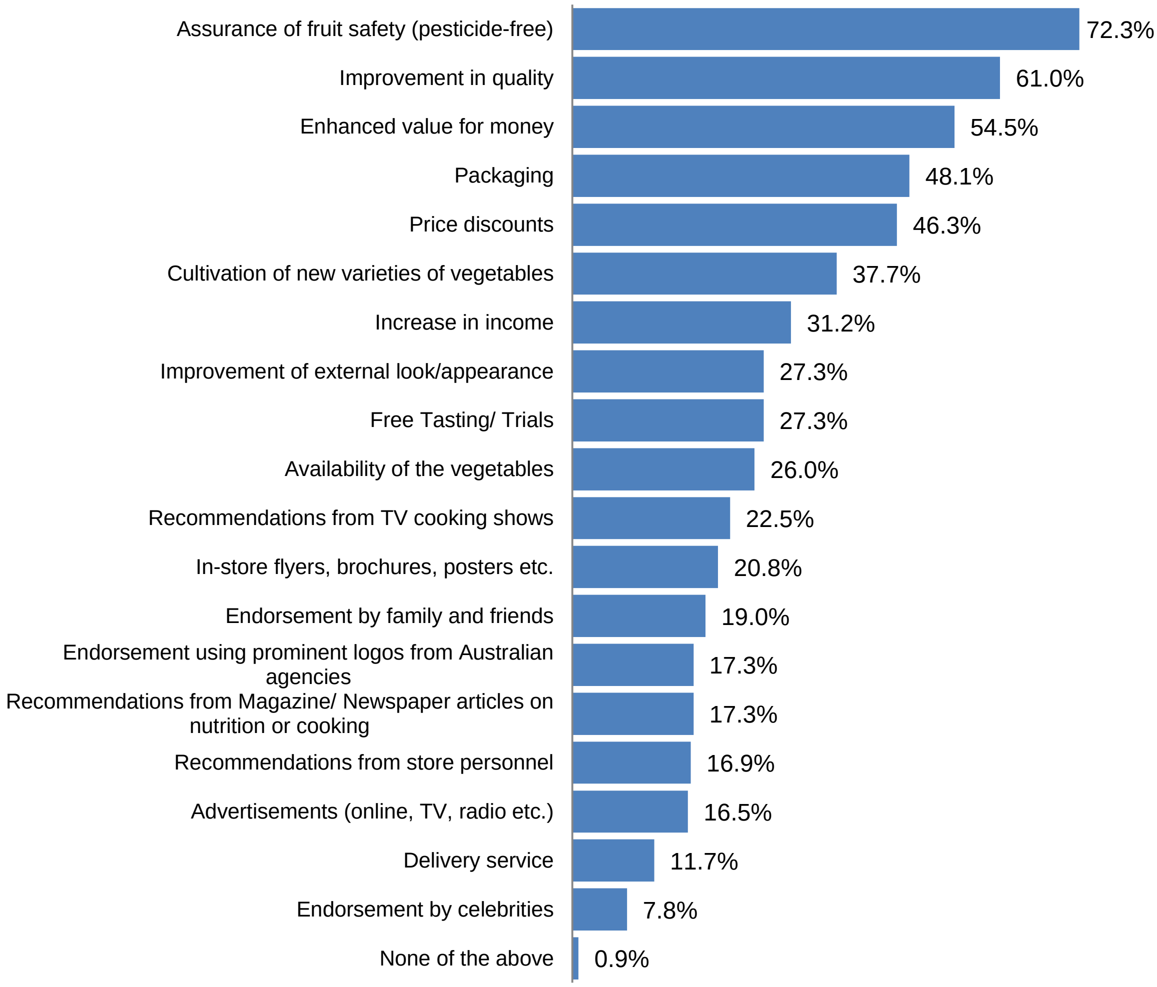
Q23. What comes to your mind when you think about vegetables imported from Australia?

Base: All respondents (n=231)

Source: Euromonitor International online consumer survey, June 2014

Efforts to motivate consumers to purchase Australian vegetables should focus on improving the overall quality of the vegetables and ensuring that they are grown organically. In tandem with consumers' higher level of health awareness nowadays, survey respondents ranked these two criteria as the most important in determining their enthusiasm to buy Australian vegetables. Improved quality would increase the willingness of consumers to purchase Australian vegetables.

Chart 48 Malaysia: Motivations and Incentives to Purchase Australian Imports



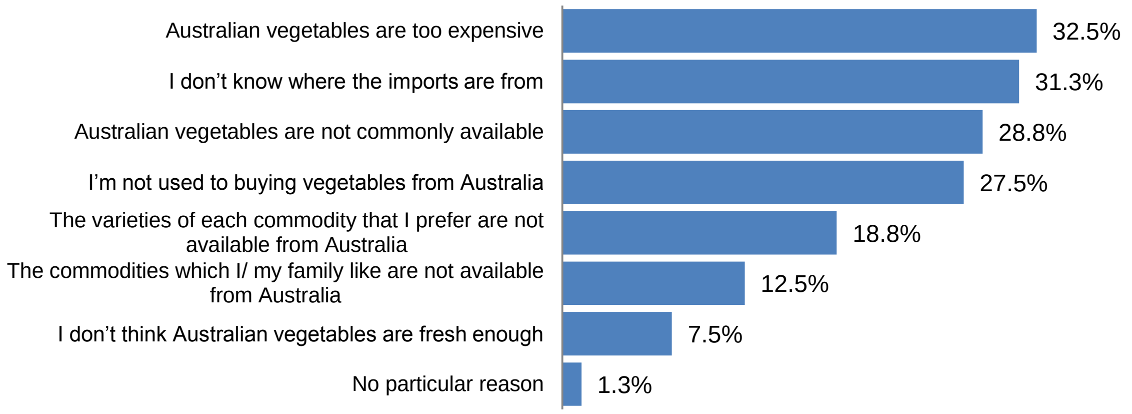
Q33. Choose the statement(s) below which will motivate or incentivise you to purchase Australian vegetables. (Please indicate as many as apply.)

Base: Respondents who have never purchased vegetables from Australia (n=80)

Source: Euromonitor International online consumer survey, June 2014

The top reason given by respondents for not purchasing Australian vegetables was that they are too expensive. Nevertheless, other reasons provided included a lack of awareness about vegetables' country of origin, which suggests that more effort should be made with labelling to ensure that consumers are well informed about the origin of vegetables. In addition, some respondents stated that Australian vegetables are not commonly available in all distribution channels, another factor limiting consumer purchases. Thus, Australian vegetables can try to diversify their distribution channels to reach a wider range of consumers rather than only supplying to modern retail stores such as hypermarkets and supermarkets. Traditional wet and open markets should also be involved in the distribution of Australian vegetables, which would further encourage consumer purchases of Australian vegetables by making the produce more available and convenient to buy.

Chart 49 Malaysia: Reasons for Not Purchasing Australian Imports



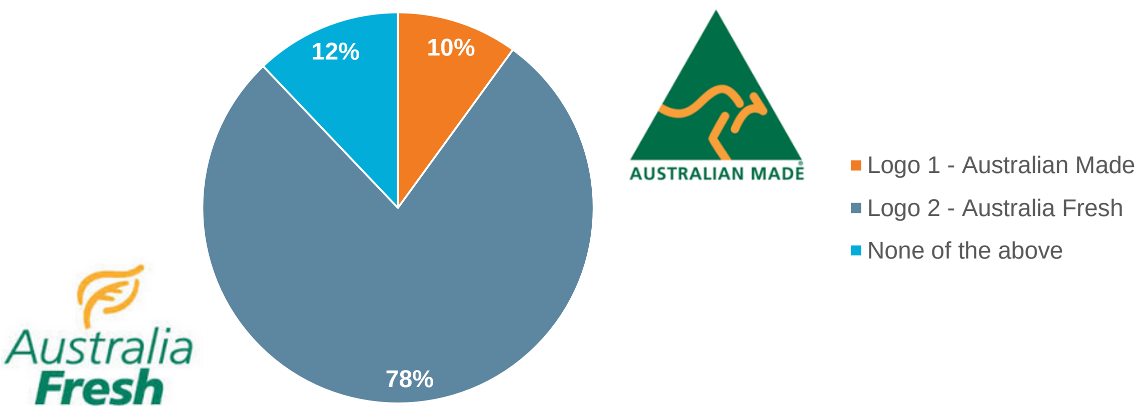
Q32. Why have you not purchased vegetables imported from Australia? (Please indicate as many as apply.)

Base: Respondents who have never purchased vegetables from Australia (n=80)

Source: Euromonitor International online consumer survey, June 2014

More than three-fourths of survey respondents indicated that an Australia Fresh logo would increase their willingness to try Australian imported vegetables. This is largely due to the fact that Malaysian consumers put a higher emphasis on the freshness of vegetables than their country of origin. Hence, an Australia Fresh logo can create a positive perception in consumers' minds that Australian vegetables are fresh and of good quality.

Chart 50 Malaysia: Presence of Logos on Product Packaging



Q34. Which of these logos on the packaging of vegetables would increase your willingness to try Australian imported vegetables?

Base: All respondents (n=231); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

<u>Analysis of findings (from Chart 51):</u>

Strong market presence for Australian vegetables reflected in the high incidence of purchase

The first important research finding to note is the strong presence of Australian vegetables in Malaysia, as revealed by the significant number of consumer survey respondents in Malaysia who chose Australia as a supplier of vegetables to the country. Of 231 respondents, 25 to 114 respondents have purchased various types of Australian vegetables – a figure comparable to the 24 to 105 respondents recorded for Malaysian vegetables.

Malaysia and Australia compete closely on variety, recommendations and freshness
The scores are relatively close for all attributes between Malaysia and Australia, especially for variety, recommendations and freshness. Malaysia is a strong performer and is the closest competitor to monitor, given that vegetables from Malaysia are almost as, if not more, highly regarded as Australia's vegetables on some attributes. Word-of-mouth recommendations and freshness are points of parity that should be better developed in the next three to five years to better improve Australia's positioning in the country. In the earlier analysis, variety is perceived to be of little importance to Malaysian consumers; hence, it should not be placed as a priority.

Australia's strengths lie in product-related attributes
While Malaysia took the lead for pricing-related attributes, i.e. value for money, discounts and affordability, Australian vegetables are well ahead of their competition in terms of product-related ones such as taste, appearance, packaging, labelling, nutritional value and pesticide-free. Australian vegetables are perceived to have high nutritional value, which is very important as consumers nowadays have a high level of health awareness. Clear labelling has been adopted by the growers from Australia, which effectively establishes the perception amongst consumers that Australian produce have high nutritional value. Australian growers closely adhere to the food safety standards set by Food Standards Australia New Zealand (FSANZ), which is a lot more stringent than that of the local authorities, suggesting another important reason why they are widely accepted by Malaysians.

Playing up on Australia's strengths than focus on lowering price points
One of the main weaknesses of Australian vegetables is that they are too expensive in the eyes of consumers compared with produce from competitors such as China and Malaysia. However, the target segment for Australian vegetables are generally the mid- to high-income households, thus rather than to lower the price points, growers can consider to improve on other attributes to attract and retain consumers from this targeted segment.

Summary of results for Australian vegetables:

- Australia's strengths currently lie in product-related attributes, while lack competitiveness when it comes to affordability, value for money and discounts.

- **There are six points of difference for Australia in Malaysia**, namely:

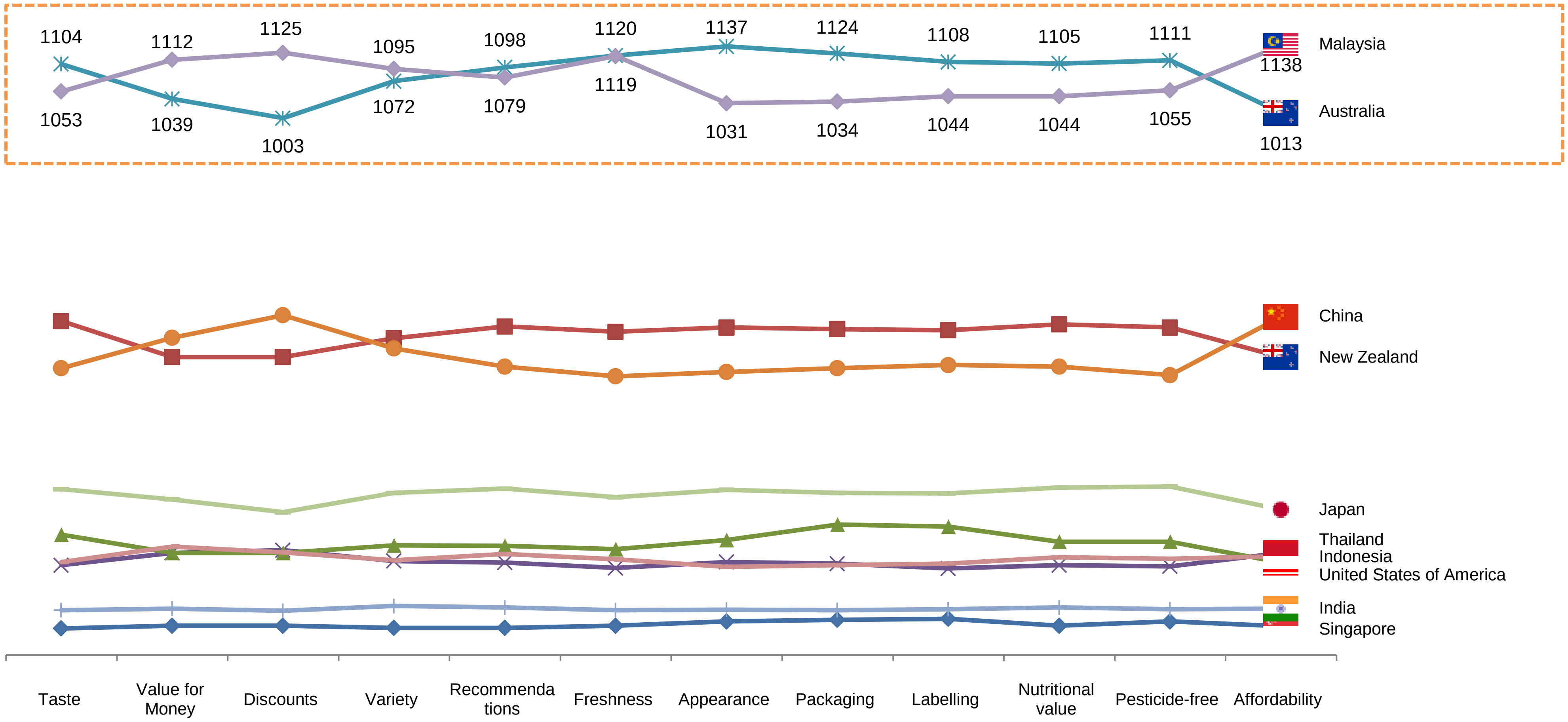
  1. Taste
  2. Appearance (Competitive Edge)
  3. Packaging (Competitive Edge)
  4. Labelling
  5. Nutritional value
  6. Pesticide-free

  Appearance and packaging can be deemed as the competitive edge for Australian vegetables in the country, given that both attributes are taking a relatively significant lead in the scores, ahead of Malaysia and other competitors. The remaining four attributes can be better improved to strengthen its lead from Malaysian vegetables.

- Australia has to improve its points of parity, especially on recommendations and freshness (variety is perceived to be of little importance to consumers), and turn them into points of difference.

- Malaysia, as a supplier of vegetables, is the closest competitor and the country to monitor.

Chart 51 Malaysia: Benchmarking of Australian Vegetables



Q24. Considering all your purchases of <vegetable> in the LAST THREE MONTHS from the (pipe in number of countries selected in Q22) selected countries of origin from the previous question, please rank the countries for each factor below, with 1 being the most preferred country and 4 being the fourth most-preferred country.

Base: All respondents (n=231)

Note: Cumulative totals based on the number of respondents who chose the country and ranked the relevant criteria

Source: Euromonitor International online consumer survey, June 2014

5.4 SWOT ANALYSIS

5.4.1 Strengths of Australian Imports in MALAYSIA

- One of the main strengths of Australian vegetables is their quality; they are perceived by Malaysian consumers to be premium products of high quality.
- Australian vegetables are perceived to have high nutritional value, which is very important as consumers nowadays have a high level of health awareness.
- Clear and useful package labelling has been done, which effectively establishes the perception amongst consumers that Australian vegetables have high nutritional value.
- Australian vegetables closely adhere to the food safety standards set by Food Standards Australia New Zealand (FSANZ), another main reason they are widely accepted by Malaysians.

5.4.2 Weaknesses of Australian Imports in MALAYSIA

- One of the main weaknesses of Australian vegetables is that they are too expensive in the eyes of consumers compared with produce from competitors such as China and Malaysia.
- Australian vegetables are not commonly available in all distribution channels such as wet/ open markets and independent grocers, as discovered during store checks.
- The variety of Australian vegetables offered in Malaysia is not great and did not satisfy the preferences of some consumers as well as other competitors did

5.4.3 Opportunities for Australian Imports in Malaysia

- Malaysia is not self-sufficient in its vegetable production and is a net importer of vegetables. This is due to a shortage of cheap and skilled labour in Malaysia which puts adverse effects on the local production of vegetables and quality. Malaysia relies heavily on imports to meet the local demand for vegetables.
- In particular, huge opportunities exist in Malaysia for Australian vegetables such as carrots, broccoli and cauliflower due to the country's tropical climate, which inhibits the production of those vegetables. These three vegetables see particularly strong demand from local consumers.

5.4.4 Threats to Australian Imports in Malaysia

- Competitors such as Malaysia and China offer a wider variety of vegetables that appeal to local consumer tastes.
- Consumers perceived that the vegetables offered by China are fresher than Australian vegetables, possibly due to their shorter time in transit during importing.
- Survey respondents gave Australian vegetables the highest score for affordability, but it may not reflect the actuality. Store checks revealed that Australian vegetables tend to be more expensive than those of competitors such as China, Thailand and Malaysia. This may pose a threat to Australian vegetables, which might be regarded as suitable for high-income Malaysians but not within reach for lower-income consumers.

5.5 AUSTRALIAN VEGETABLES IN SAUDI ARABIA

5.5.1 Local production and trade position

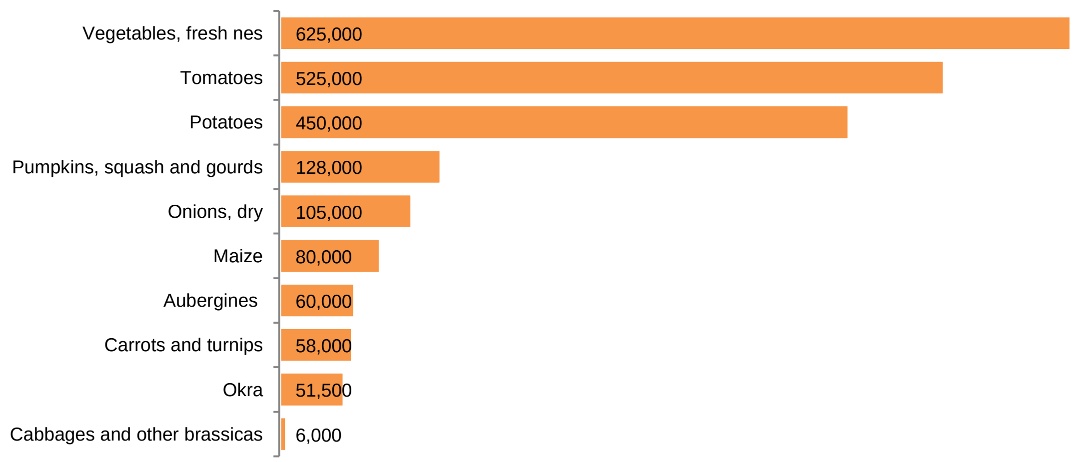
Local production increasing due new technologies
According to the Ministry of Agriculture (MoA), the total cultivable land to grow vegetables in Saudi Arabia is approximately 107,000 hectares, with more than 57% of the total cultivated area located within the Central Riyadh and Qassim regions. Of the total cultivable land, approximately 20,000 hectares is utilized for green house facilities, with the volume of vegetables grown in such facilities increasing at approximately 10% annually.

Trade sources have indicated that current local production of fresh vegetables satisfies 50% of local market demand. In order to increase self-sufficiency, various Governments have been establishing free zone farms in North African countries such as Sudan and Djibouti. For example, the Sudanese government agreed to provide two million acres for cultivation and the Saudi government invested US$ 800 million in agriculture and livestock production in Africa through the Saudi Company for Agricultural Investment & Animal Production (SCAIAP).

Other drivers of rising vegetable consumption include a growing population (3.5% increase in birth rates in 2013), an expanding base of expatriates (currently 9 million expatriates live in Saudi Arabia), religious tourism (exceeding 2 million each year) and growth within the HORECA channel due to increase within the number of food service outlets in Saudi Arabia.

Local production is largely centred on potatoes and tomatoes
Shortage of water and arable land makes Saudi Arabia highly dependent on imports and lacking in variety in terms of domestic produce. Fresh vegetables also form an integral part of the diet of Saudi consumers and a staple utilized in many of their traditional dishes. Therefore increased private and government efforts have been focusing on diversifying local production to ensure constant supply of fresh and affordable vegetables to local consumers. The most common vegetables grown locally include potatoes, tomatoes and cucumber. Other significant vegetables which are produced locally include spinach, cabbage, lettuce and okra.

Chart 52 Saudi Arabia: Local vegetable production (tonnes), 2012



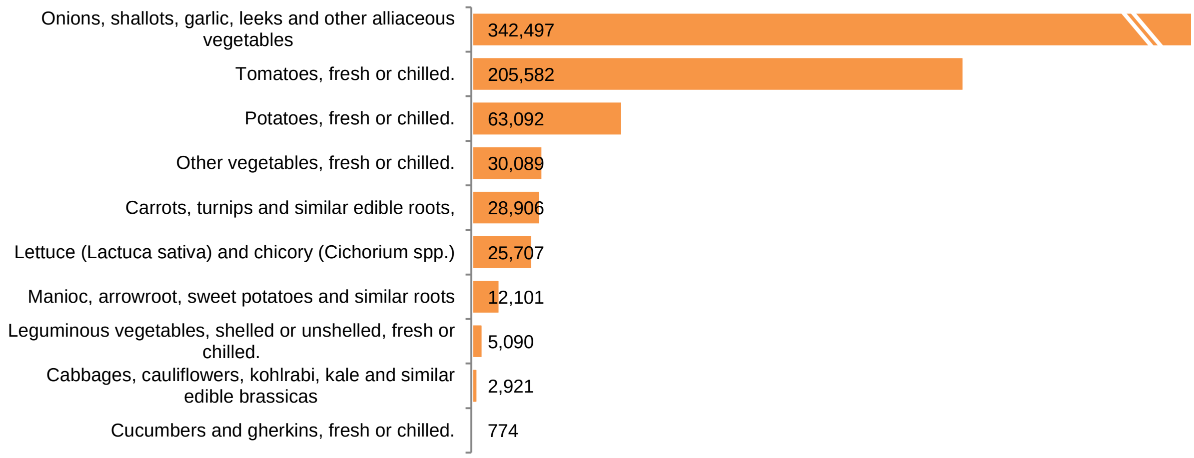
Source: Euromonitor International estimates from FAOSTAT

Exports are largely centred on potatoes and tomatoes to neighbouring countries
The two main locally produced vegetables which are exported from Saudi Arabia are potatoes and tomatoes (occasionally cucumber and spinach), with these mostly exported to neighbouring countries in the Middle East due to geographical proximity and lower shipping costs, which ensure that these

commodities reach their destination markets in fresh condition. Smaller amounts of these commodities are exported to Eastern European as well. Exports from Saudi Arabia are predominant in winter (December-January) due to favourable weather conditions for local production.

Growth in foodservice driving growth for high end local produce and imports
Vegetables such as onions, peas, and leek have seen growth in their imports due to the lack of local production and their increasing use by the foodservice sector, which demand fresh produce on a daily basis. The increase in the expatriate population has also driven the demand for a larger variety of commodities such as leek, which are typically not used as often by local Saudi consumers within their daily food stables.

Chart 53 Saudi Arabia: Vegetable imports (tonnes), 2012



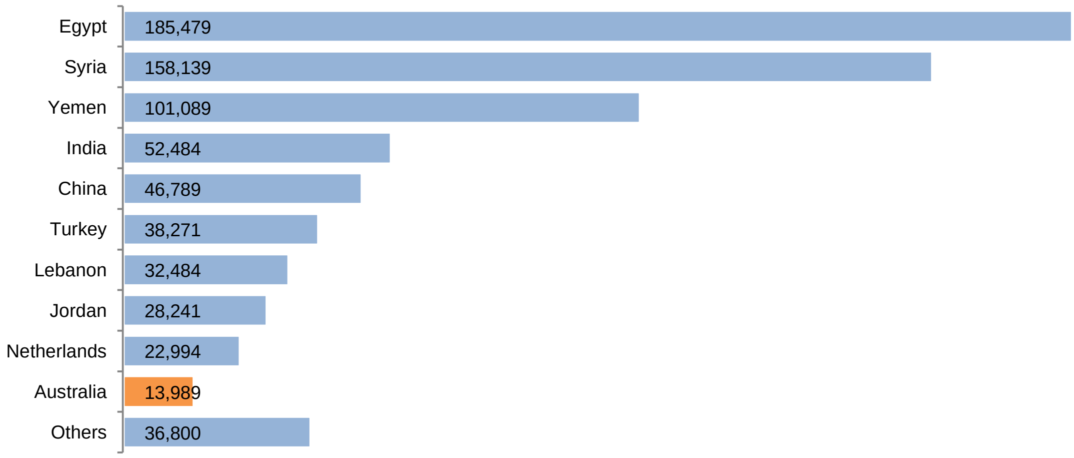
Source: Euromonitor International estimates from UN COMTRADE

Major trading partners of Saudi Arabia are Asian and North African countries
Saudi Arabia imports form a host of countries such as Syria, Yemen, China, Jordan, Egypt, India, Pakistan, Bangladesh, Sudan, and Ethiopia. These countries constitute the most frequent suppliers of vegetables to Saudi Arabia due to geographical proximity, the availability of direct shipping routes, and the abundance of supply at affordable prices. These countries also boast a large variety of vegetables due to their favourable weather conditions throughout the year, and hence they are typically of medium to high quality, making them a value for money proposition with the consumer's mind-set.

Other exporting partners include USA, Holland and Australia, which are known for their very high quality produce. The USA is particularly favoured for importing berries as opposed to vegetables, for which Holland is a key supplier especially with its supplies of leafy green vegetables such as Broccoli, lettuce, cauliflower and Brussel sprouts. That said, imports from a number of these markets are less favoured due to the distance the commodities need to travel before reaching their destination, which compromises the level of freshness and hence the consumer appeal. Long haul shipping also contributes to a higher price which in turn decreases demand among the value-for-money conscious average Saudi consumers.

Australia is one of the major exporters for dairy products, meat and poultry, wheat and other grains. However, it is one of the smaller exporting nations to Saudi Arabia in terms of vegetables. The most commonly available Australian vegetable is carrot, and Australia is considered by trade sources as a market leader within this commodity.

Chart 54 Saudi Arabia: Vegetable trade partners (tonnes), 2012



Source: Euromonitor International from UN COMTRADE

5.5.2 Supply Chain and Retail Landscape

Equal split between domestic and imported produce

The sources for fresh vegetables in Saudi Arabia include both local production and imports, both of which have approximately an equal share of overall consumption. Almost 60% of end consumer demand is met through retailers and also through the wet market. While most locally produced products are sold through wet markets, imported vegetable are usually delivered to hypermarkets and supermarkets, and offer end-consumers a larger variety of fresh vegetables. Wet markets focus on sourcing local produce on a daily basis, and lower prices, but do not offer the same level of product variety or quality in comparison to some of the countries from which vegetables are imported.

To import vegetables in Saudi Arabia, the importer must possess a valid license to import vegetables. That said in terms of manpower, getting work permits and visas for blue collar workers has become increasingly difficult which has resulted in the closure of a large amount of small scale grocers and supermarkets over the past two years.

Few import license holders run full-fledged distribution and delivery operations such as custom clearance, storage in their cold storage and distribution through refrigerated trucks. Large retailers such as Lulu, Danube, Carrefour, Geant and HyperPanda purchase locally produced as well as imported vegetables. These retailers usually have their own logistics arrangements, once the vegetable is cleared from the port.

The key terms that retailers consider when procuring vegetables are terms of contract, reimbursement on vegetables which are unsold and have rotten, margins/mark ups provided, shelf life and freshness of the produce, durability to supply regularly over extended periods of time.
The key areas for retailers include – terms of contract, reimbursement on vegetable which are unsold and now have rotten, margins/mark ups provided, shelf life and freshness of the produce, durability to supply over extended periods of time.

Table 7 Saudi Arabia: Summary of Key Players

Company name	Type	Website
Lulu Hyper market	Retailer	http://saudi.luluhypermarket.com/
Danube Hypermarket	Retailer	http://www.danubeco.com/
Tamimi Supermarkets	Retailer	http://www.tamimimarkets.com/en/

Geant Hypermarket	Retailer	http://www.tamimimarkets.com/en/
Carrefour Hypermarket	Retailer	http://www.carrefourSaudi Arabia.com/
Monoluxury Sdn Bhd	Producer/ Distributor	http://www.gentinggarden.com.my/
Cold Storage (Supermarket)	Retailer	http://www.coldstorage.com.my/
AEON BIG	Retailer	http://www.aeonbig.com.my/node/26

Source: Euromonitor International from trade sources

Retail channels account for approximately 60% of total vegetable sales
For the sales of vegetables in Saudi Arabia, retail channels accounted for 60% of the sales with foodservice accounting for the remaining 40%.

While there is a good spread of sales between the various types of retail channels at the time of writing the report, looking ahead, large scale retailers such as hypermarkets and supermarket chains are forecasted to increase their share of sales at the expense of small independent grocers. This is due to various reasons such as an increasing number of physical outlets, distribution leverage with importers and suppliers which ensures competitive pricing, and the continuous availability of vegetables in these outlets. These outlets attract strong footfall as they are a one stop shopping experience for all consumer's needs. Therefore, many consumers would visit these establishments for non-grocery product needs, but would replenish their vegetable stocks due to availability within the same physical location.

Small independent grocers remain competitive due to a fair level of product variety and low pricing points, but cannot complete with large scale retailers in terms of product variety, as majority of these grocers source local products to avoid shipping costs.

Leading retailers ensure constant supply of vegetables via the Dammam and Jeddah sea ports and Jeddah and Riyadh airports. By road, vegetable are imported through the border of Jordan, Syria and the UAE. Vegetables are directly taken from the port to the wholesale market or to hypermarkets and supermarkets.

Distribution of vegetables typically becomes challenging between the summer months of June to September, as there are limited cold storage facilities in most cities to stock large amounts of produce. Only authorized license holders can import vegetable. According to a retailer, there are an estimated 30 companies which account for 80% of imports of fruits and vegetable.

Retailing is dominated by hypermarkets and tier 1 supermarkets
In 2013, there were approximately 41,000 retail outlets of all sizes. Hypermarkets were first launched in 2000 and have since then grown to approximately 90 across the country by 2013. Hypermarkets are one of the leading players of vegetables sales and sales are led by players such as HyperPanda, Danube, Geant, Lulu and Carrefour. These players offer an unparalleled level of product variety which caters to both the local and expatriates. These outlets are also available as standalone establishments and within major shopping malls, hence ensure maximum visibility to different consumer segments.

Tier 1 supermarkets follow closely in terms of total market share for the sales of vegetables. These establishments have approximately 1,000 square meters of space and there were an estimated 450 such outlets in the country by the end of 2013. Leading players such as Tamimi Supermarkets focus on geographical coverage and being available in different commercial and suburban areas. This ensures the ability to cater to both weekly shoppers and consumers seeking to replenish daily vegetable needs.

Tier 2 supermarkets have approximately 500 square meters of space, and in 2013, the total number of Tier 2 supermarkets across Saudi Arabia were approximately 400. This channel typically sells long shelf life commodities such as such as potatoes and onion due to the absence of refrigeration facilities in stores. A prominent example of such establishments includes Al Fahad Supplies.

Convenience stores (includes specialist vegetable retailers are found across all neighbourhoods in Saudi Arabia. The ones near residential areas also store vegetable such as tomatoes, lettuce, cabbage, cauliflower, onion and potatoes. These stores were estimated to be approximately 38,000 to 40,000 stores across Saudi Arabia. These stores are steadily losing share to hypermarkets and supermarket chains as a result of competitive pricing and deeper product assortment.

Wet Market/ Souks are usually large areas in the city, which see both wholesale and retail sale of vegetables. Many retailers at these wet markets package vegetables in smaller volumes and sell it to the end consumer. This format alone mainly caters to local consumers or expatriates seeking products at a low price point. These wet markets also host B2B transactions between suppliers and mainly small independent grocers.

Majority of importers and distributors choose their respective retail channel based on the following considerations:

- Extent of geographical reach and coverage
- Grocery vs. non grocery products supplied within the establishment
- Terms of contract and pricing mark ups
- Support with promotion
- Cold storage and distribution facilities

Majority of retailers chose to partner with a certain importer/distributor/wholesaler for the following reasons:

- Mark-ups (20%-40%)
- Quality of the produce which is supplied
- The vegetable should be free of pesticides and other chemical residues
- Reimbursement for rotten vegetable and other wastage
- At least twice weekly shipments of fresh vegetable
- Provision of marketing support

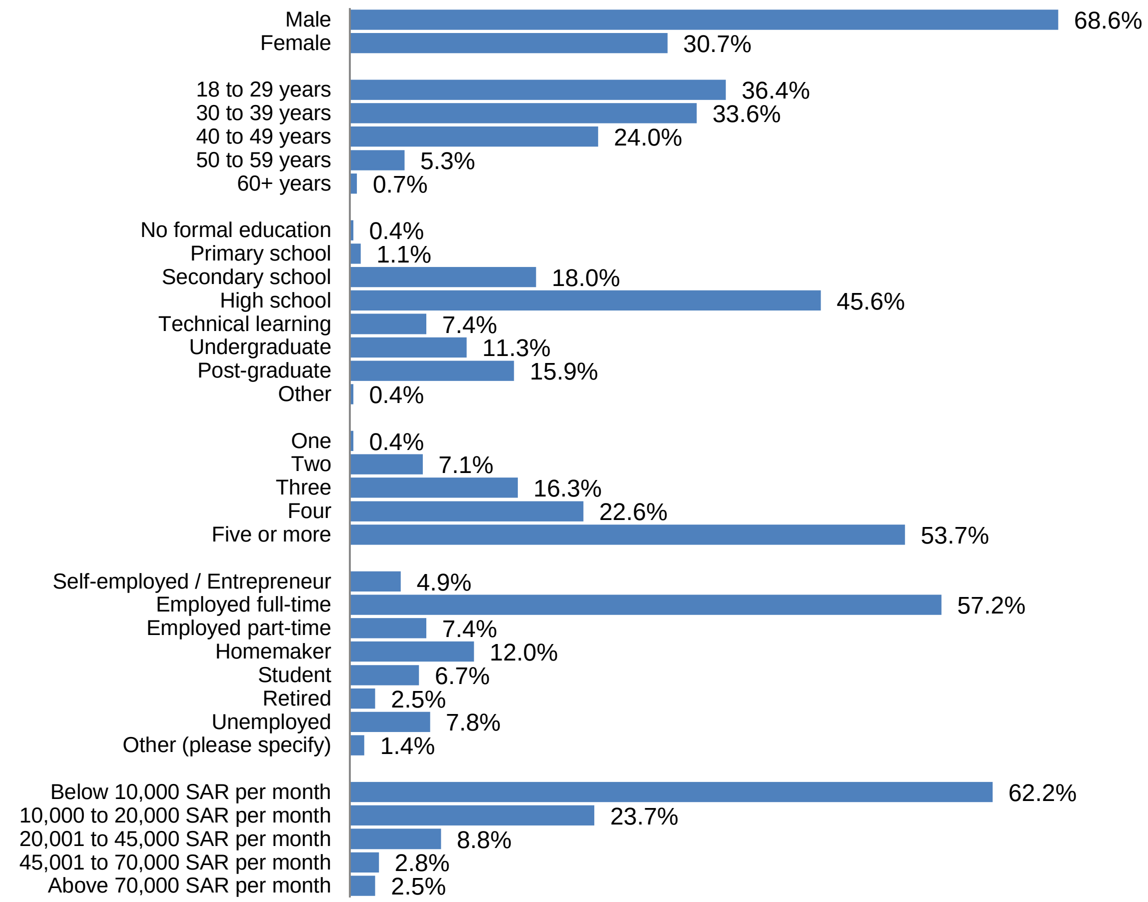
5.5.3 About the survey respondents

A consumer survey was conducted in Saudi Arabia, with a quota of n=200 with no sub-quotas is applied for this research and a total of n=283 people completed the survey. This section outlines the profiles of respondents.

Profiles of n=283 respondents

- 283 respondents answered the survey, with the number of male respondents almost twice of female respondents.
- The survey was answered by a fairly young population. 94% of the respondents ranged from 18 to 49 years. Only 6% of respondents were aged above 50 years.
- Majority of respondents (45.6%) have only attained high school education so far.
- More than half of the respondents have five or more members in the family.
- While only slightly more than a quarter of the respondents have attained tertiary education (27.2%), most respondents (about 58%) are currently employed full-time.
- In general, most respondents have low levels of monthly household income, with about two-thirds of respondents falling into the lowest income band of below 10,000 SAR, and another one-quarter of the respondents falling into the second lowest income band.

Chart 55 Saudi Arabia: Profile of survey respondents



Q3. Please select your gender.
Q4. What is your age?
Q5. What is the highest degree or level of education you have completed?
Q6. Including yourself, how many members are there in your household?
Q7. Which of the following best describes your employment status?
Q8. Please indicate your approximate monthly household income before taxes?

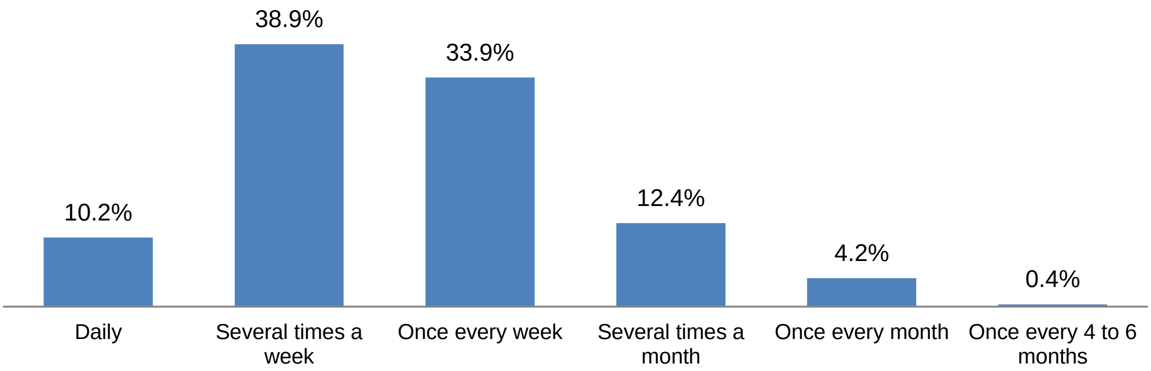
Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

5.5.4 Purchasing behaviours of consumers

A balance between freshness and the hassle of purchasing
Around 73% of respondents purchase vegetables once or several times a week. Not many respondents purchased vegetables daily. This is possibly the case since vegetables can be kept fresh for at least a few days; hence the frequency of purchase is in-line with the durability of the product. Especially with high temperatures in the day, frequent trips might be a hassle and such behaviour is more pronounced.

Chart 56 Saudi Arabia: Frequency of vegetable purchases



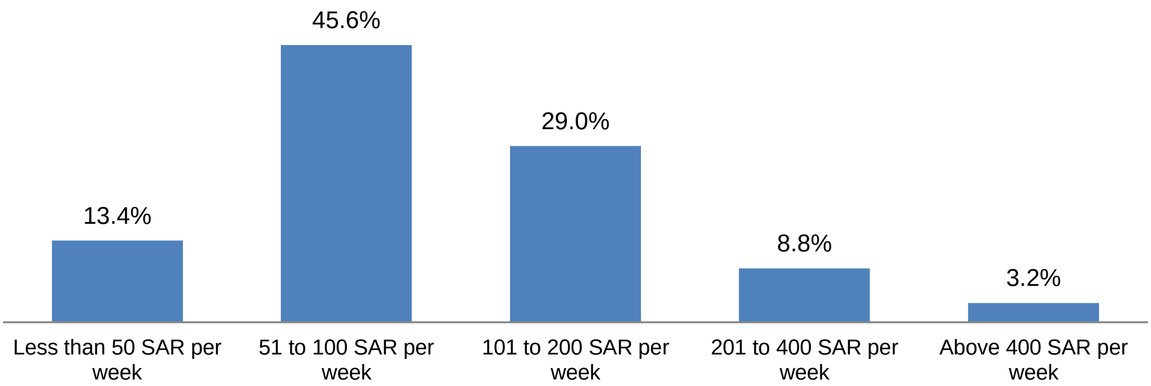
Q9. How often do you purchase vegetables? (please select one)

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

Household expenditure on vegetables is typically about 51 to 100 SAR per week, with 45.6% of the respondents falling within this category. The proportion of respondents whose weekly household expenditure on vegetables is high is increasingly less.

Chart 57 Saudi Arabia: Weekly household expenditure on vegetables



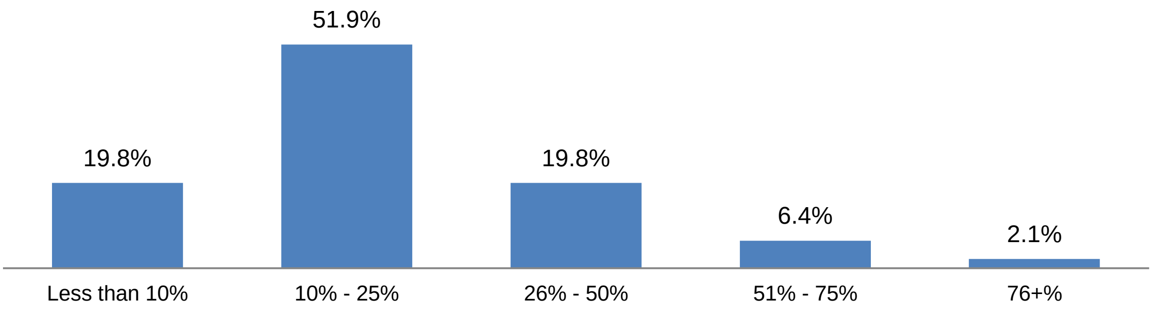
Q10. How much does your family spend on the vegetable purchases per week? (please select one)

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

More than 90% of respondents spend less than 50% of their weekly expenditure on imported vegetables. This is because the Saudi Arabia is able to produce its own local vegetables (and be a major exporter of fruits and vegetables to its neighbours), with government initiative to develop agriculture in the past. Most purchases such as spinach, potatoes, tomatoes, cauliflowers and cucumbers are also available in local variants. Additionally, many consumers identify the imported products by price. If the price is low, they generally assume that it is locally produced. Most Saudi Arabians thus cultivated the habit of purchasing local produce.

Chart 58 Saudi Arabia: Proportion of weekly household expenditure on imported vegetables



Q11. On average, what is the proportion of the weekly expenditure is on imported vegetables? (please select one)

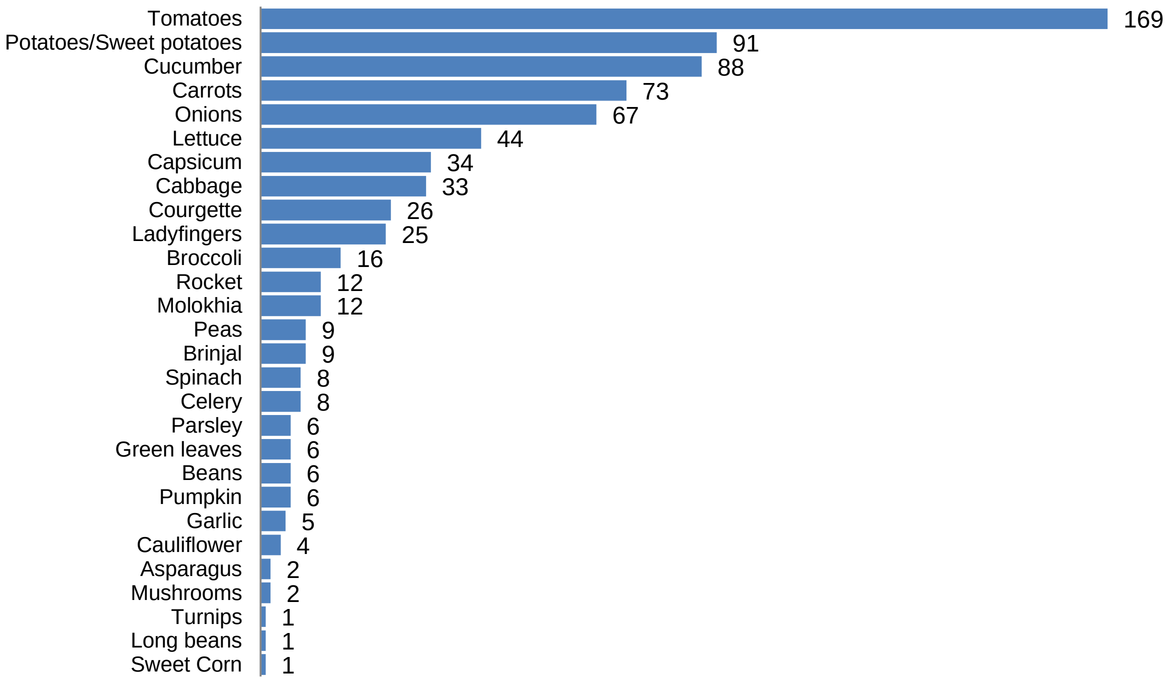
Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

Popularity of vegetables dependent on diet

The most frequently purchased vegetable in the last 3 months by respondents were tomatoes, leading by a large margin from the 2nd most frequently purchased vegetable. This is probably because tomatoes are frequently used in Saudi Arabian traditional food (in the form of tomato paste), and are also one of Saudi Arabia's key vegetable produce, thus in relatively more supply in the country. The next few vegetables frequently purchased are potatoes / sweet potatoes, cucumber, carrots and onions.

Chart 59 Saudi Arabia: Most frequently purchased vegetables



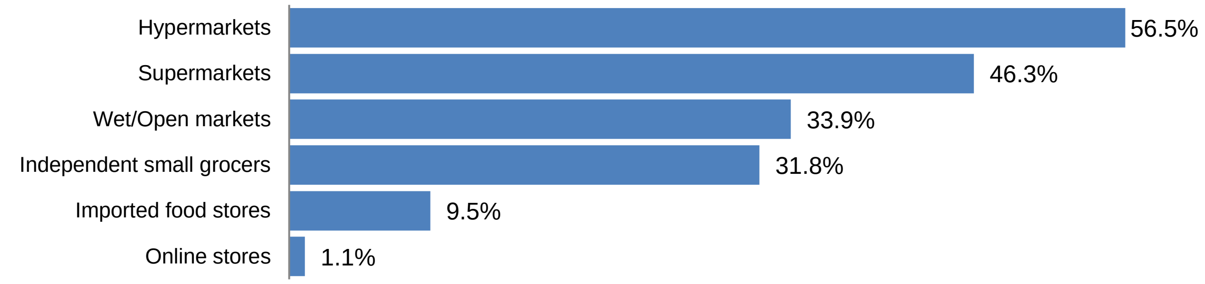
Q12. List 3 vegetables which you most frequently purchased during the last 3 months

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

Modern trade retailers edge out as the preferred retail channel
Modern trade retailers – Hypermarkets and Supermarkets – are the most popular retail channels in Saudi Arabia, followed by the traditional trade retailers – Wet / Open Markets and Independent Small Grocers. There is a very small presence of Online Stores, catering to the more tech-savvy consumers in the country. Also, the vegetables are cleaned before serving. For instance, cauliflowers are separated from their stems and leaves and washed clean.

Chart 60 Saudi Arabia: Retail channels for vegetable purchases



Q13. Where did you purchase vegetables during the LAST 3 MONTHS? (please indicate as many as apply)

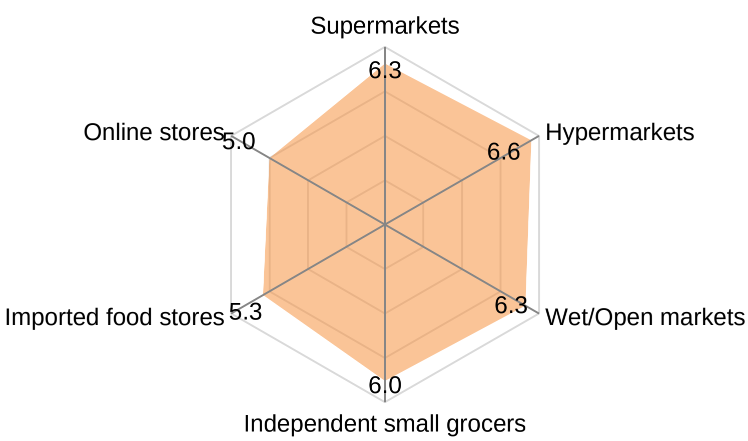
Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

The scores corresponded with shopper's behaviour when purchasing vegetables as revealed in the previous question. Hypermarkets were ranked as the preferred retail channel by respondents, followed by Supermarkets and Wet/Open markets, and finally Independent Small Grocers.

However, it is interesting to note that the scores for the 4 were rather close (ranges 6 to 6.6 out of a maximum score of 7) despite the disparity in percentage in the previous question. This showed that although respondents may have frequented Wet / Open Markets and Independent Small Grocers less often, the respondents who did have ranked them highly in this question, showing that traditional trade retail channels have different advantages as compared to the modern trade retailers.

Chart 61 Saudi Arabia: Preferred retail channel



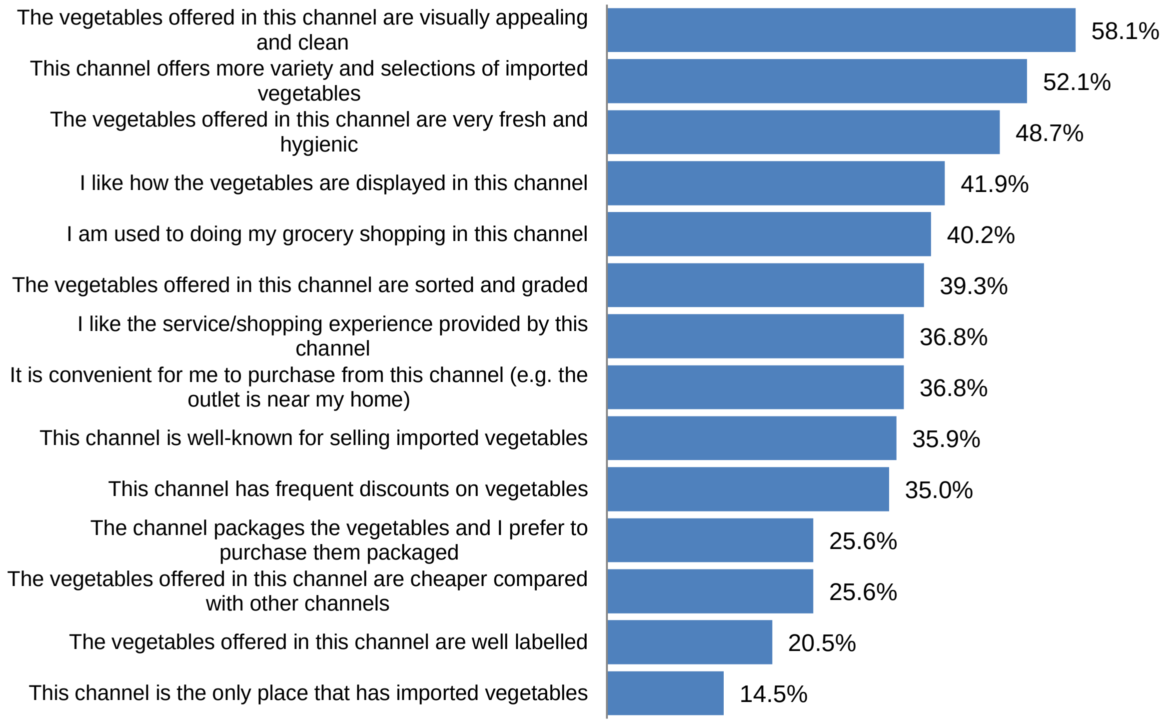
Q14. Of the list of store types you have selected in the previous question, please rank them in order of your preference when purchasing vegetables?

Base: All respondents (n=283), n=131 Supermarkets, n=120 Hypermarkets, n=96 Wet/Open markets, n=90 Independent small grocers, n=27 Imported food stores, n=3 Online stores, n=1.

Source: Euromonitor International Online Consumer Survey, June 2014

An analysis of the top 3 statements below that described why hypermarkets are the preferred channel revealed that respondents like the visual appeal, variety, hygiene and cleanliness of hypermarkets. These are attributes that hypermarkets are able to offer best, by virtue of their large outlet size which allow a very spacious display of vegetables, as well as the fact that the hypermarket is dry, giving an image of cleanliness.

Chart 62 Saudi Arabia: Reasons for most preferred retail channel type - Hypermarket



Q15. Select the statements below that best describe why you purchase vegetables in <selection that is ranked #1 from Q14>? (please indicate as many as apply)

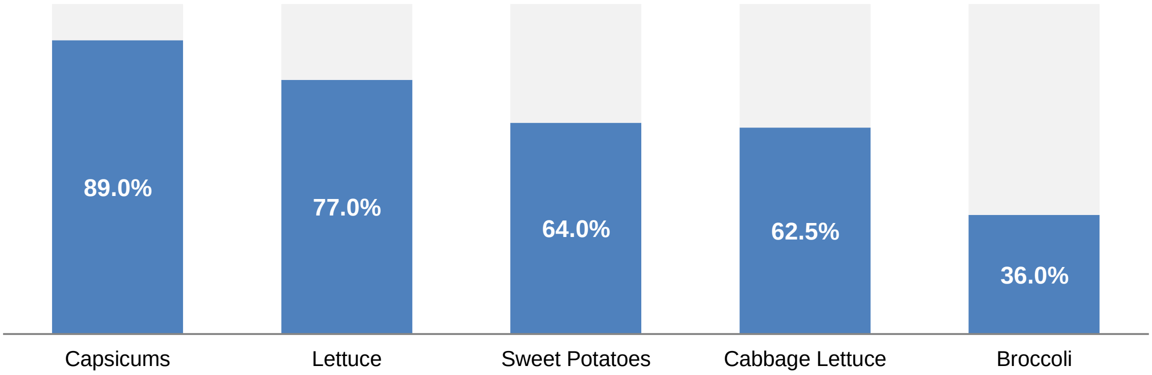
Base: Respondents who ranked Hypermarket as the most preferred channel of purchase (n=117)

Source: Euromonitor International Online Consumer Survey, June 2014

Vegetables rich in flavour most frequently purchased

When asked specifically about the five vegetables below, respondents revealed that capsicums are the most frequently purchased by respondents, followed by lettuce, sweet potatoes, cabbage lettuce, and lastly broccoli. Capsicum is used frequently, while broccoli is not a frequent purchase by Saudis, even though there are local variants available. Broccoli is usually not available in summer season due to short shelf life and those available are generally of inferior quality. The price of broccoli can increase up to SAR 55 per kg in the summer season from SAR 16 during the winter months.

Chart 63 Saudi Arabia: Vegetables commonly purchased



Q21. Of the list of 5 vegetables below, which have you purchased over the LAST 3 MONTHS?

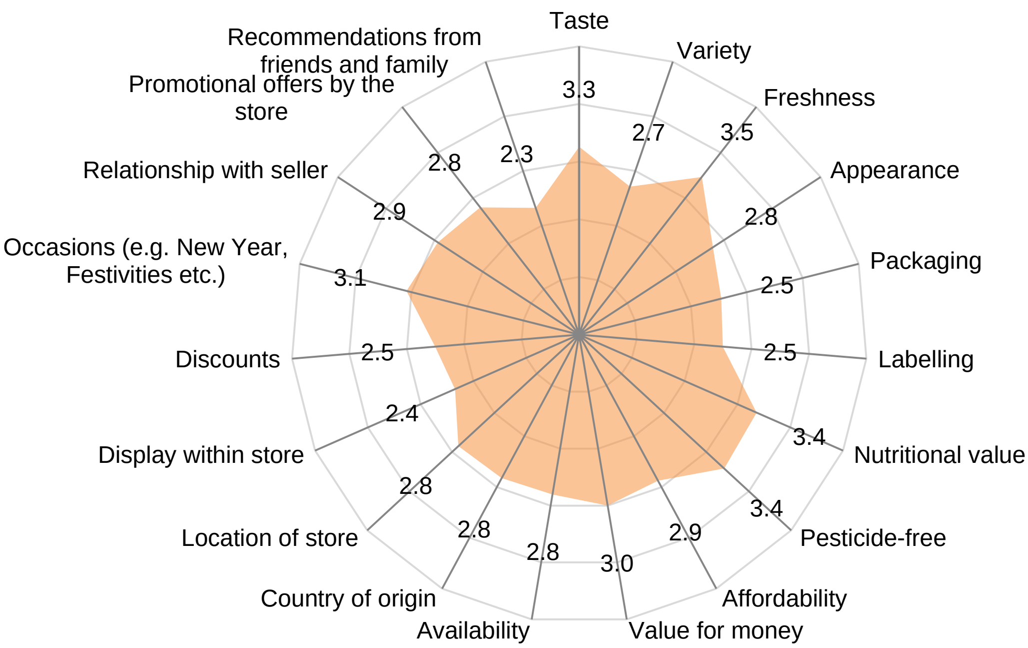
Base: All respondents (n=283)

Source: Euromonitor International Online Consumer Survey, June 2014

Quality and safety first

Freshness, nutritional value, pesticide-free, and taste are the top determinants for respondents when it comes to the purchase of imported vegetables. It can thus be seen that the vegetable safety and quality are most vital to respondents, and Australian vegetables need to communicate these traits clearly for more respondents to choose Australian vegetables.

Chart 64 Saudi Arabia: The most important attributes for purchasing imported vegetables



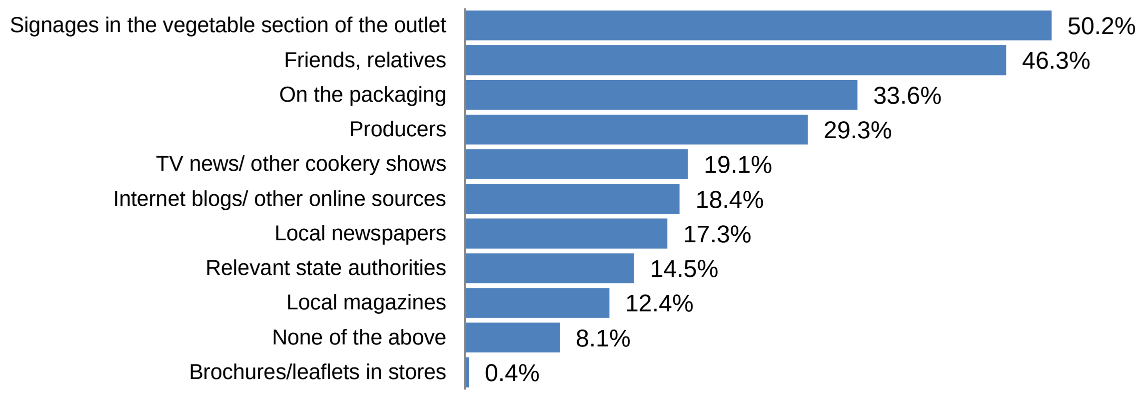
Q16. Of the list of factors below, please rank the TOP 5 FACTORS which are the most important to you when purchasing imported vegetables?

Base: All respondents (n=283)

Source: Euromonitor International Online Consumer Survey, June 2014

Easily understandable sources of information preferred
Respondents typically rely on direct sources of information when it comes to purchase of vegetables. In store, signage plays a more crucial source of information as compared to reading the packaging of the vegetables. Word of mouth recommendations from friends and relatives is also a more common source of information as compared to sources from different media (TV shows, blogs, newspapers etc.). These sources of information are usually cheaper, more immediate, and more accessible especially for the less well-off (who might not subscribe to media). To the less educated, these information sources are also easier to understand.

Chart 65 Saudi Arabia: Sources of information for vegetable purchases



Q18. Which of these sources of information do you use when it comes to the purchase of vegetables? (please indicate as many as apply)

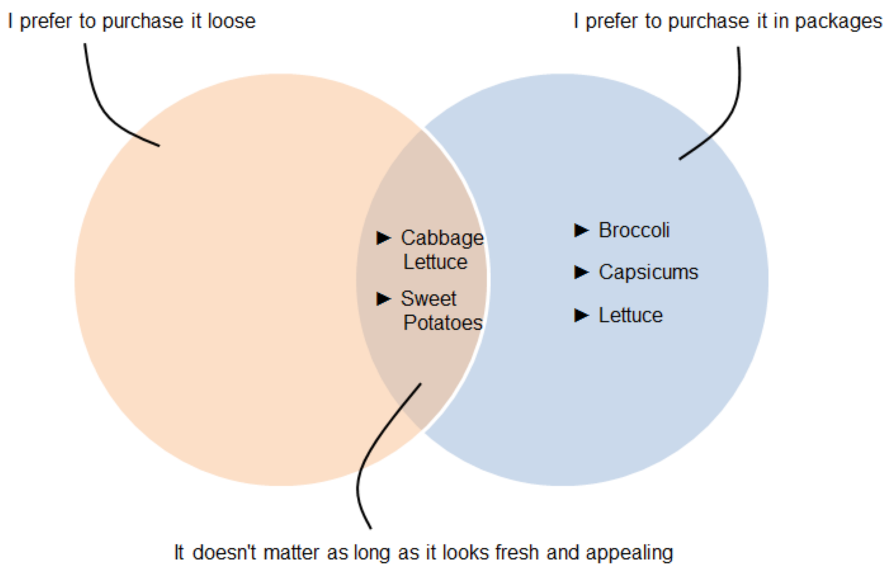
Base: All respondents (n=283)

Source: Euromonitor International Online Consumer Survey, June 2014

Propensity for vegetable bruising affects packaging preference
While packaging is not the main driving factor for vegetables purchase, most respondents possess preferences for certain packaging formats and this differs according to the vegetable. Respondents preferred to purchase broccoli and capsicums and lettuce in packages. However, respondents did not mind whether cabbage lettuce or sweet potatoes are packed or sold loose so long as it looked fresh.

The preference can likely be explained by how susceptible the vegetables are to bruising. Vegetables with loose parts (the head of the broccoli), easily squashed (capsicum which is hollow, and lettuce which has soft leaves) are typically packed. Sweet potatoes, being a tuber root, and cabbage lettuce, with its leaves firmly wrapped around, are not as easily damaged when transported in a box, and therefore packaging format is unimportant.

Chart 66 Saudi Arabia: Preferred format of vegetables



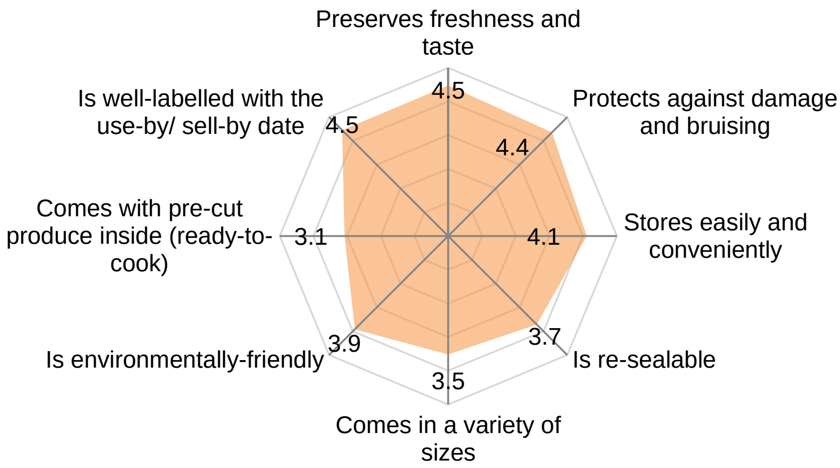
Q25. Please select the one statement that best describes your preference when it comes to the packaging of these vegetables

Base: All respondents (n=283), n=50 Capsicums, n=42 Lettuce, n=38 Sweet Potatoes, n=33 Cabbage Lettuce, n=14 Broccoli

Source: Euromonitor International Online Consumer Survey, June 2014

Preserving freshness and taste, and the labelling of the packaging with the expired date emerged as the top two reasons for purchasing packaged vegetables. This indicates that in packaging vegetables, quality is still important to consumers, and respondents expect that the packaging needs to value-add to consumer knowledge with extra information (e.g. expiry date).

Chart 67 Saudi Arabia: Importance of factors for buying packaged vegetables



Q26. On a scale of 1 to 5 with 1 being extremely unimportant and 5 being extremely important, please rate how important the following factors are in your decision to purchase packaged vegetables?

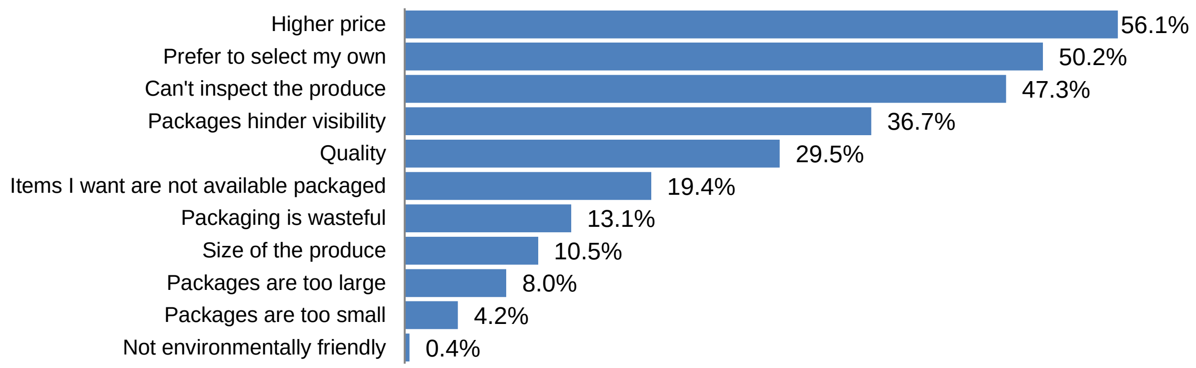
Base: Respondents who prefer to purchase vegetables in packages or have no preference as long as the vegetables looks fresh and appealing (n=246)

Source: Euromonitor International Online Consumer Survey, June 2014

The main reason for not purchasing packaged vegetables is the high price of vegetables in this format, which is fairly representative, given that the income profile of most of the respondents falls under the lowest income bracket.

Other reasons that respondents cited were related to the inability to inspect the produce due to the packaging hindering respondent's ability to inspect the product. Consumers feel safer touching and examining the vegetables. Packaging removed an element of choice in that the bunch of vegetables chosen is somehow predetermined by what is in the package.

Chart 68 Saudi Arabia: Reasons for not buying packaged vegetables



Q27. What keeps you from purchasing more packaged vegetables? (please indicate as many as apply)

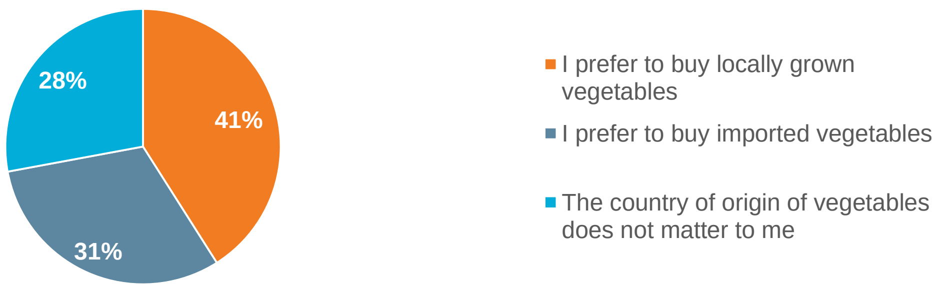
Base: Respondents who prefer to purchase vegetables loose or have no preference as long as the vegetables looks fresh and appealing (n=237)

Source: Euromonitor International Online Consumer Survey, June 2014

5.5.5 Acceptance of vegetable imports

Response reveals and price and quality trade-off
41% of the respondents indicated that they preferred local produce; in line with previous response that higher price was a deterrent to buying imported produce given that respondents' household incomes were in the lowest income bracket. Of the remaining 59% of respondents, 31% preferred imported vegetables while 28% did not matter about country of origin.

Chart 69 Saudi Arabia: Preference of origin of vegetables



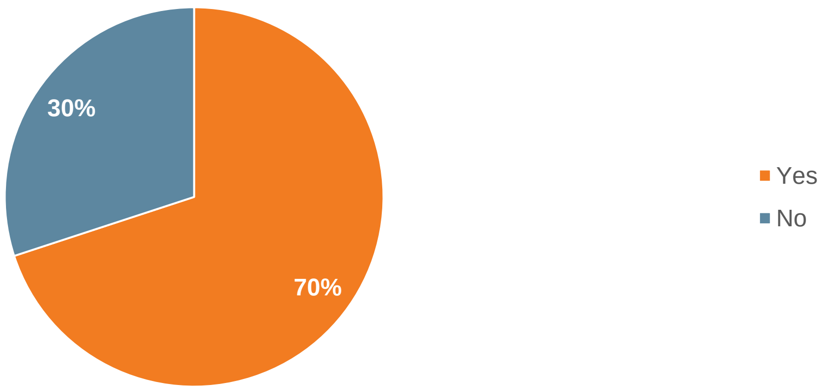
Q17. What is your preference when it comes to the country of origin of the vegetables?

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

Despite 41% of respondents preferring to buy local produce, yet 70% of respondents expressed a willingness to pay a premium for imported vegetables that are of higher quality. This means that about respondents who prefer to buy local produce /are indifferent are willing to make the switch to imported vegetables should the quality be higher.

Chart 70 Saudi Arabia: Willingness to pay premium for imported vegetables



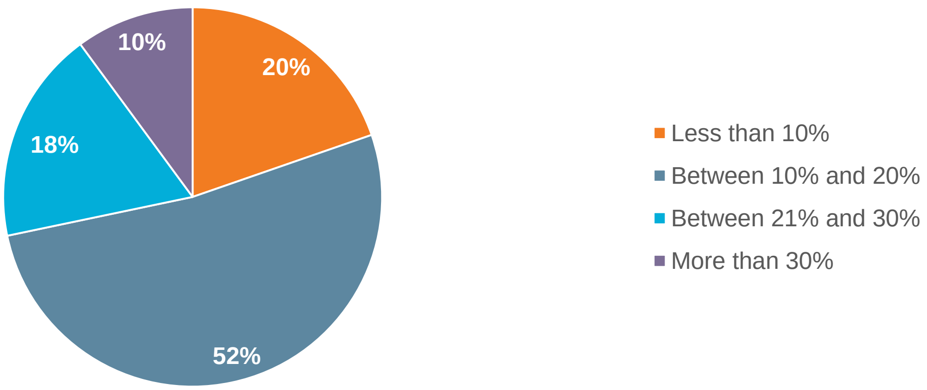
Q19. Are you willing to pay a premium for imported vegetables assuming that they are of better quality?

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

Respondents in the previous question admitted that should imported vegetables have higher quality they would make the switch to buying them. When this behavior was examined quantitatively, we found that the threshold was a premium of 10% and 20% for imported vegetables. This is the willingness to pay for a higher quality product.

Chart 71 Saudi Arabia: Premium willing to pay for imported vegetables



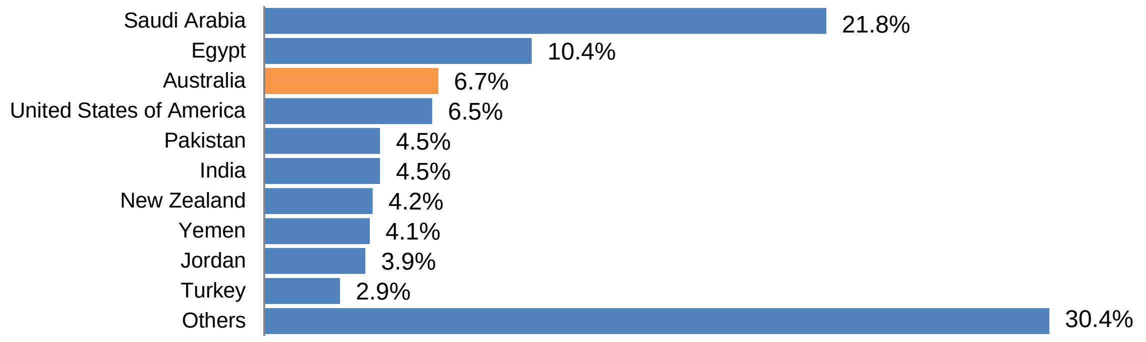
Q20. How much more are you willing to pay for imported vegetables?

Base: Respondents who are willing to pay a premium for imported vegetables (n=198); Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

As Saudi Arabia produces its own vegetables, naturally local produce is one of respondents' sources of vegetables. The next most common country of origin is Egypt due to its geographical proximity to the Middle East. Western countries Australia and the USA are next up on the list.

Chart 72 Saudi Arabia: Most common origins of imported vegetables



Q22. From the list provided below, select up to 4 countries from which you have purchased vegetables most frequently.

Base: All respondents (n=283)
Responses are summarised based on five key commodities –Broccoli, Capsicum, Cabbage Lettuce (Head Lettuce), Lettuce and Sweet Potato.
'Others' includes neighbouring countries such as Syrian Arab Republic, United Arab Emirates, China, Philippines, Bangladesh, Malaysia, Canada, Netherlands, Thailand, Indonesia, Vietnam, Peru, Japan, Sri Lanka and Iran (Islamic Republic of).

Source: Euromonitor International Online Consumer Survey, June 2014

5.5.6 Competitiveness of Australian vegetable imports

Bland perception of Australian imports

The top of mind recall for respondents is that Australian vegetables are fresh and of good quality. However, beyond that, respondents then think of the names of vegetables imported from Australia. This shows that respondents only associate Australian vegetables with these 2 main qualities, after which they cannot think of anything else besides basic awareness of what vegetables are exported from Australia. Australia needs to create stronger unique selling points for its products, as freshness and quality of vegetables is something that respondents examine in general for all imported vegetables, a point of parity only.

Chart 73 Saudi Arabia: Most common associations with Australia vegetables

Q23. What comes to your mind when you think about vegetables imported from Australia?

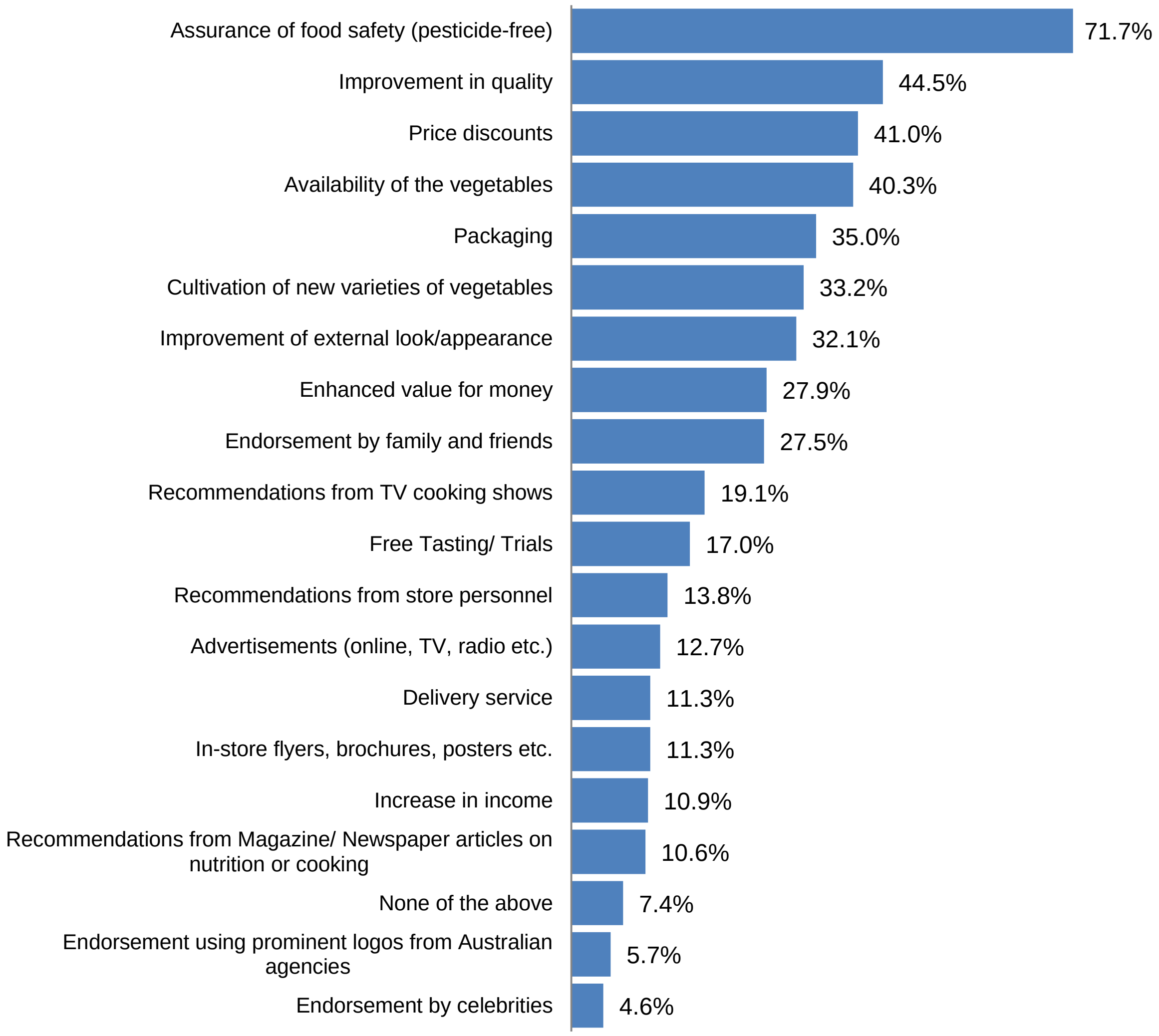
Base: All respondents (n=283)

Source: Euromonitor International Online Consumer Survey, June 2014

In the previous question, Australian vegetables were not highly perceived to be pesticide-free. In this question, it was found that highlighting this fact would encourage 71.7% of the respondents who have never purchased Australian vegetables to do so. This is hence an obvious area that Australia should improve in.

Other attributes which would incentivise respondents who have never purchased Australian vegetables to do so would be to improve the quality, availability and provide price discounts. This probably indicates that there is still more room for improvement in elements of quality (freshness, taste, nutritional value etc.) for Australian vegetables that are not up to expectations of respondents. The desire for more price discounts also corroborates with the income levels of the respondents demographic.

Chart 74 Saudi Arabia: Motivations and incentives to purchase Australian imports



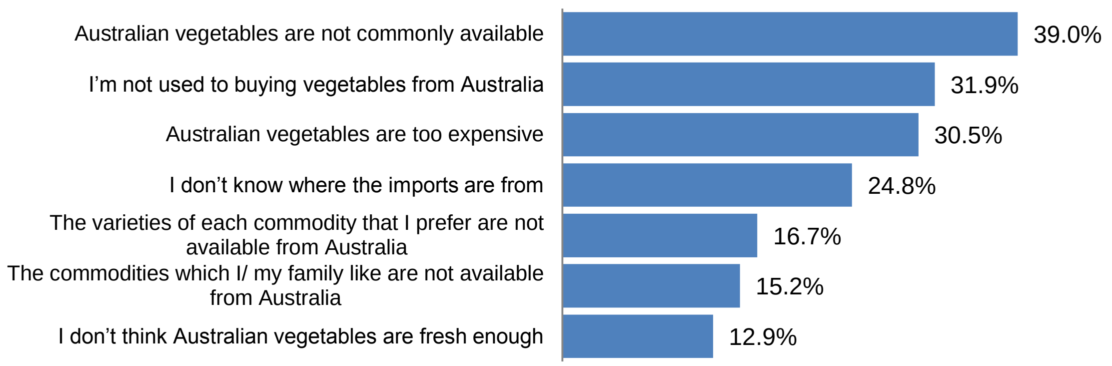
Q33. Choose the statement(s) below which will motivate or incentivise you to purchase Australian vegetables. (please indicate as many as apply)

Base: All respondents (n=283)

Source: Euromonitor International Online Consumer Survey, June 2014

The respondents who have never bought Australian vegetables identified that Australian vegetables are not commonly available. This might hint that Australian vegetables are being distributed through a channel that does not reach the mainstream respondents, or that Australian imports are currently insufficient to meet demand. The second reason cited by the respondents was that they were not used to purchasing vegetables from Australia, probably unfamiliar with such vegetables since they were already not commonly available.

Chart 75 Saudi Arabia: Reasons for not purchasing Australian imports



Q32. Why did you not purchase vegetables imported from Australia? (please indicate as many as apply)

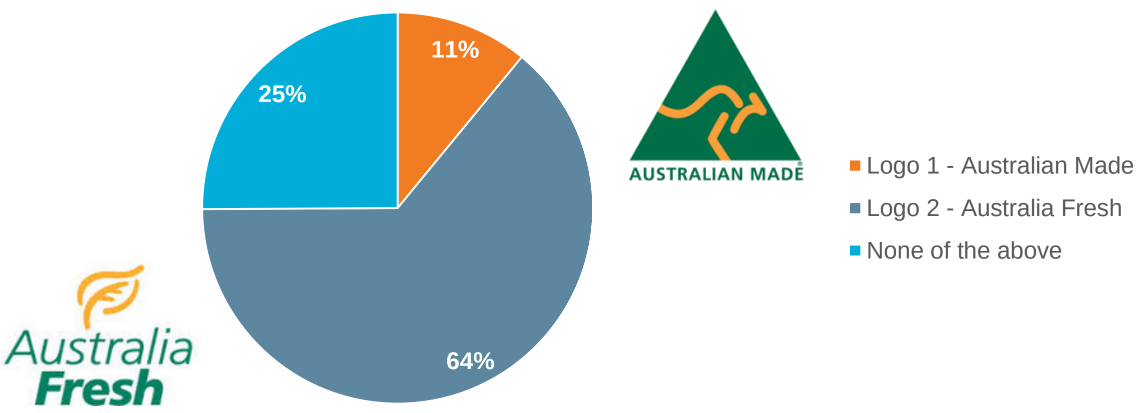
Base: Respondents who have never purchased vegetables from Australia (n=210)

Source: Euromonitor International Online Consumer Survey, June 2014

Almost 64% of respondents indicated that seeing the Australia Fresh logo will encourage them to try vegetables imported from Australia as opposed to 11% who felt that the Australian Made logo would encourage them. This showed that highlighting a positive attribute (in this case "fresh") made a positive impact on the willingness to purchase as opposed to highlighting the origin (using the word "made").

This is logical because providing information about the origin is a neutral interpretation of the product which does not persuade first time buyers to try (especially if they do not know what Australian products are like in general). Placing a positive word in the logo unconsciously attaches the quality associated with the word to the product.

Chart 76 Saudi Arabia: Presence of logos on product packaging



Q34. Which of these logos on the packaging of vegetables increase your willingness to try Australian imported vegetables?

Base: All respondents (n=283)
Total may not equal 100% due to rounding

Source: Euromonitor International Online Consumer Survey, June 2014

<u>Analysis of findings (from Chart 77):</u>

A competitive mix of vegetable supplies from the world
Unlike the other four researched markets where respondents' origin preferences are very much focused on a set of 10-11 supplying countries, Saudi Arabia has a larger mix of suppliers (17 in total based on the consumer survey) originating from USA, Asia Pacific (Philippines, Australia), Middle East (Jordan, Syria, UAE) and Europe (Netherlands). This diverse result indicated that consumers in Saudi Arabia are generally exposed to more choices when it comes to vegetables and they are expected to decide based on certain attributes which they perceived to be important in order to decide on which origin to buy from.

Locally produced vegetables maintained a distant lead in the Saudi Arabia
Vegetables from Saudi Arabia outperformed its competitors by at least 611 points from the next closest competitor, i.e., Egypt for any given attribute. In the Saudi Arabian market, a wide variety of vegetables are available to consumers due to reasonable freight costs, and thus still be sold at a much affordable price. However, most of them are relatively more expensive compared to the locally produced vegetables in Saudi Arabia. As a result, respondents have chosen to go with lower price than higher quality. Hence, with its close proximity and cheap prices, local produce gained a distinctive lead in the country, as opposed to spending slightly more for imports.

Pricing continues to be an issue for Australian imports
The earlier point has indicated that consumers, with their price over quality mindset, are less motivated to consume Australian produce due to its high prices, evidently from its low scores on affordability and discounts. This is reflected in the small of respondents having purchase some kind of Australian vegetables over the past three months, i.e. only 17-30 of the total 283 respondents, despite scoring well in the quality-driven attributes such as taste, freshness, pesticide-free.

India and USA - the closest threats to Australia
India trailed closely behind Australia on variety, value for money, discounts and affordability. This is important to note as the attributes are relatively important to consumers, as indicated earlier in Chart 13. Other than India and USA which are fairly close in scores to Australia, other countries such as Pakistan, Jordan etc., are scored lower at the bottom of the chart. While there is demand for vegetables from these origins, there is little threat to Australia from these countries. This might be due to the geographical proximity of India to Saudi Arabia as compared to Australia and also because the costs of production in India. If Australia were to compete with Indian vegetables they would have to compete on price, which is not advisable.

USA ranked highly on similar attributes that Australian vegetables did well in. Likewise with other western supplying countries, most of them are competing on quality-related attributes such as appearance, taste, packaging, nutritional value. As such, should USA look into making the produce more affordable and value for money, there is a strong chance that Australia will see stronger competition from this competitor.

<u>Summary of results for Australian vegetables:</u>

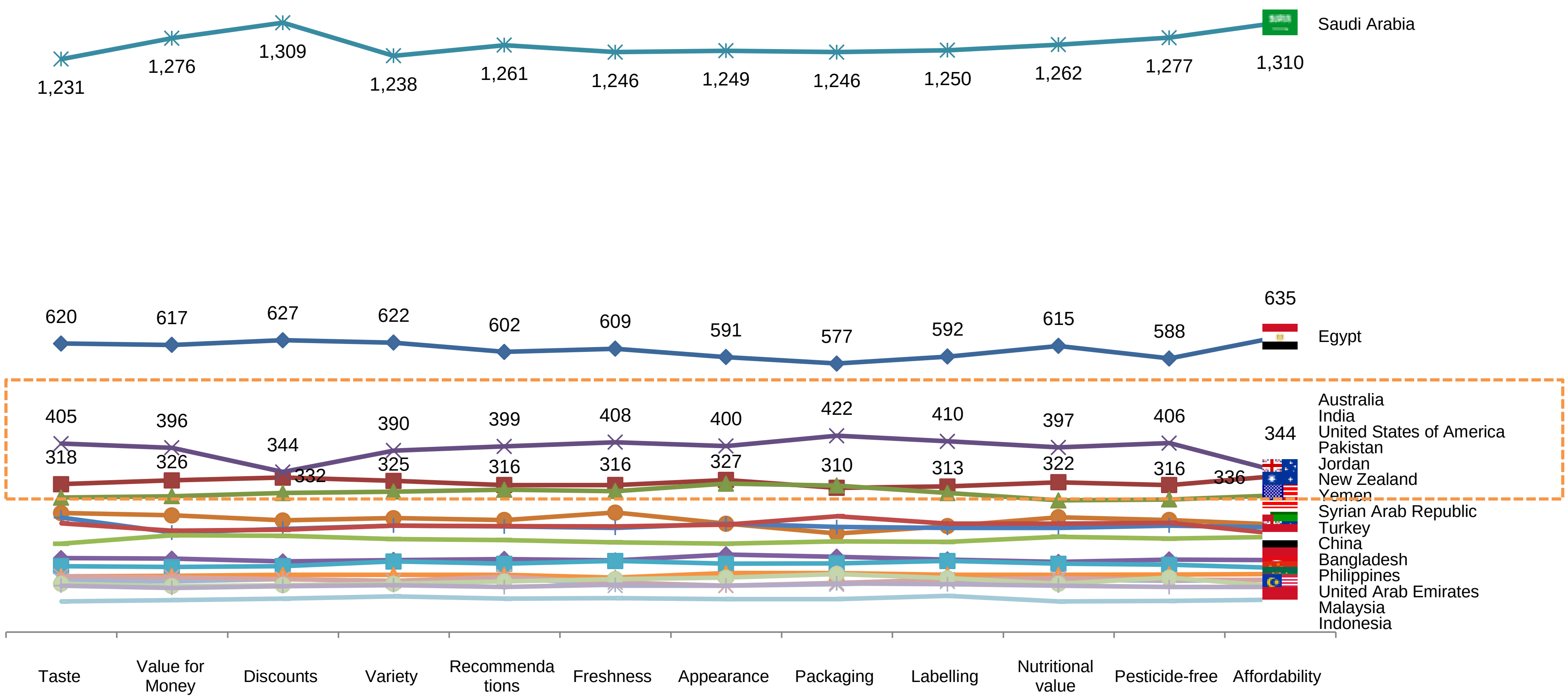
- **There are no points of difference for Australia in Saudi Arabia**, due to the following reasons:

    1. There is very low awareness and presence of Australian vegetables in Saudi Arabia, i.e, the number of respondents (n) who selected Australia as one of the four supplying countries of vegetables in the UAE is very low. In contrast, locally produced vegetables have very strong presence in the country (46 to 180 of 205 respondents), hence, a much higher score for the leading country.

    2. It is difficult for Australia to compete with other supplying countries on price points – the country scored the lowest on affordability, value for money and discounts, across all 12 attributes.

- India and USA pose the greatest competition to Australian vegetables and need to be monitored.

Chart 77 Saudi Arabia: Benchmarking of Australian Vegetables



Q24. Considering all your purchases of <vegetable> in the LAST THREE MONTHS from the (pipe in number of countries selected in Q22) selected countries of origin from the previous question, please rank the countries for each factor below, with 1 being the most preferred country and 4 being the fourth most-preferred country.

Base: All respondents (n=283)

Note: Cumulative totals based on the number of respondents who chose the country and ranked the relevant criteria

Source: Euromonitor International online consumer survey, June 2014

5.6 SWOT ANALYSIS

5.6.1 Strengths of Australian Imports in Saudi Arabia

- **Perception of imports**: Exports from developed nations including Australia have a positive perception of quality among local consumers.
- **Paying premium**: Middle income level consumers, will not mind paying a 15% to 20% premium, if they see value (quality, nutrition, freshness etc.) in their purchases.
- **Australian imports**: Currently carrots are the only Australian vegetable sold at most stores; the carrots are also price competitive compared to local produce.
- **Contrasting seasons**: Australia being in the Southern hemisphere has the weather cycle contrasting to that of Saudi Arabia in the Northern hemisphere. This seasonality would not only improve seasonality of the vegetable but also improve price competitiveness (e.g. carrots and cauliflower).

5.6.2 Weaknesses of Australian Imports in Saudi Arabia

- **Availability**: Australian imports are available only in selected retail outlets and suffer from availability across multiple points of sales
- **Variety**: Awareness among local consumers for Australian produce is restricted mainly to carrots and this has meant that consumers are not aware of the range of products which Australia can supply
- **Value-for-money**: Australian vegetable are perceived low on value as compared to European or American imports. As Australian produce is not organic or necessarily pesticide-free, there is a general lack of perceived value for the Australian brand among local consumers

5.6.3 Opportunities for Australian Imports in Saudi Arabia

- **Large middle class** with high per capita income: Saudi Arabia on an average enjoys high per capita income with nearly 3 million out of 9 million expatriate consumers and 16 million out of 21 million citizens in the middle and higher income segments.
- **Product Availability**: Availability of Australian products (including carrots) is available only at hypermarkets. There are opportunities to expand the channels through which Australian produce is sold.

5.6.4 Threats to Australian Imports in Saudi Arabia

- **High competition from other exporting countries**: Imports from China are the fastest growing over the past five years. According to trade interview sources, Chinese imports are estimated to have increased its market share from 20% to 27%. Other cost competitive countries such as India, Pakistan, Egypt and Jordan also pose a significant threat to Australian imports.
- **Profit margins and mark-ups**: Such considerations alongside listing fees charged by the retailers increase the cost of launching new products. This has become more challenging as large retailers utilize their distribution leverage via large bulk orders, which in turn results in higher profit margins and therefore additional costs on exporters. These considerations are amplified via additional reimbursements required by retailers from shipping companies for vegetables that have deteriorated quality due to inadequate shipping and handling procedures.
- **Health concerns**: Negative attitude towards foods containing or made from biotech / genetically modified products. This has made clear packaging, with labelling and nutrition value critical for premium positioning of vegetable products, resulting in higher production and packaging costs.
- **Increasing self-sufficiency**: The Saudi Government's efforts to establish free zone farms in North Africa and other efforts to be self-reliant in the production of vegetable may likely result in the minimizing the dependency on imports.

5.7 AUSTRALIAN VEGETABLES IN SINGAPORE

5.7.1 Local Production and Trade Position

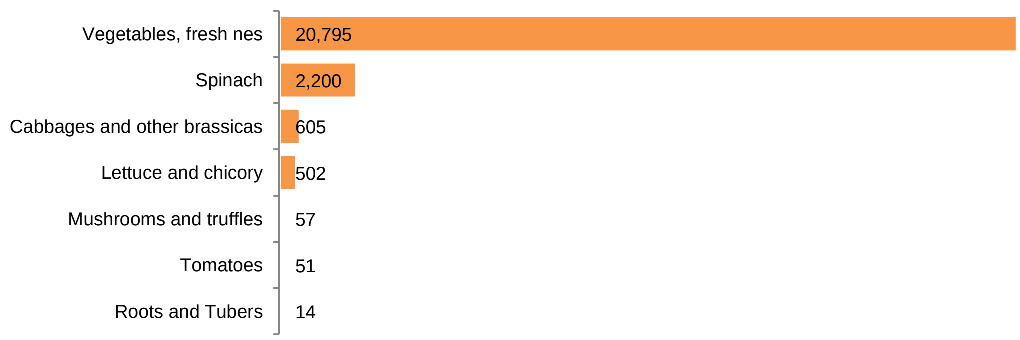
Demand for vegetables growing but per capita consumption is stagnant
The vegetable industry in Singapore has experienced growth in recent years, in part due to increasing demand as a result of growth in population and tourism. Per capita consumption of vegetables, however, was largely stable from 2003 to 2012, save for some minor year-on-year fluctuations, according to data from the Agri-Food and Veterinary Authority (AVA) of Singapore.

Organic vegetables have gained prominence in the retail vegetable landscape over the past few years due to significant growth in demand. Major supermarkets such as NTUC FairPrice, Cold Storage and Market Place by Jasons have been increasing their range of organic vegetables. The rising health consciousness of local consumers and falling prices of organic vegetables have been the major drivers of growth in organic vegetables. Ready-to-eat salads are also becoming an increasingly common sight in retail channels, especially in supermarkets and hypermarkets.

Insufficient local production of vegetables necessitates large import volumes
As a small, land-scarce and urbanised city, Singapore has insufficient land available for the agricultural industry to produce vegetables and other food on a large scale. It is also seen as economically less viable to do so when compared with other competing uses of land, such as for residential, commercial and industrial purposes, which are of higher value. As such, Singapore relies heavily on imported products for all food, including vegetables.

Local commercial vegetable production is low in Singapore, evident by the fact that local farming accounts for a mere 7% of domestic consumption of leafy vegetables. In 2012, local vegetable production totalled 24,224 tonnes while imported vegetables totalled 501,412 tonnes. Local production is also limited to just a few vegetables – typically a few varieties of Asian leafy vegetables. While efforts to raise self-sufficiency levels are limited by the scarcity of agricultural land, efforts have been undertaken by the AVA to improve food supply resiliency in Singapore in order to mitigate the effect of supply chain disruptions and to act as a bulwark against global rising costs.

Chart 78 Singapore: Local Vegetable Production (Tonnes), 2012



Source: Euromonitor International estimates from FAOSTAT

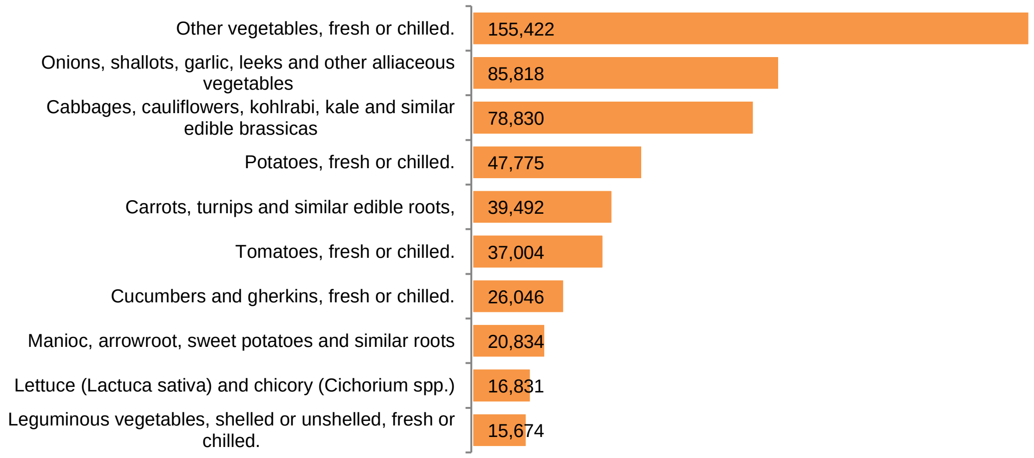
Local production is largely channelled towards domestic consumption
Locally produced vegetables mostly go towards domestic consumption due to low production levels. Vegetables are imported into Singapore mainly to make up for the shortfall in local production, although a small proportion of imported vegetables are also re-exported to other countries.

Increasing demand for salads fuels consumption of baby leaves and lettuce
According to store audits conducted, Asian leafy greens, cabbage, cucumbers, mushrooms and tomatoes are the most commonly available vegetables in Singapore. While Asian leafy greens are

commercially produced in Singapore, local production is limited and the domestic consumption of all vegetables is largely reliant on imports.

Demand for pre-packaged salad vegetables has spiked in recent years, spurred by increasing demand for salads especially among the younger generation. This younger group of consumers has also shown reduced preference for Asian leafy greens, thus contributing to dwindling consumption of these vegetables.

Chart 79 Singapore: Vegetable Imports (Tonnes), 2013

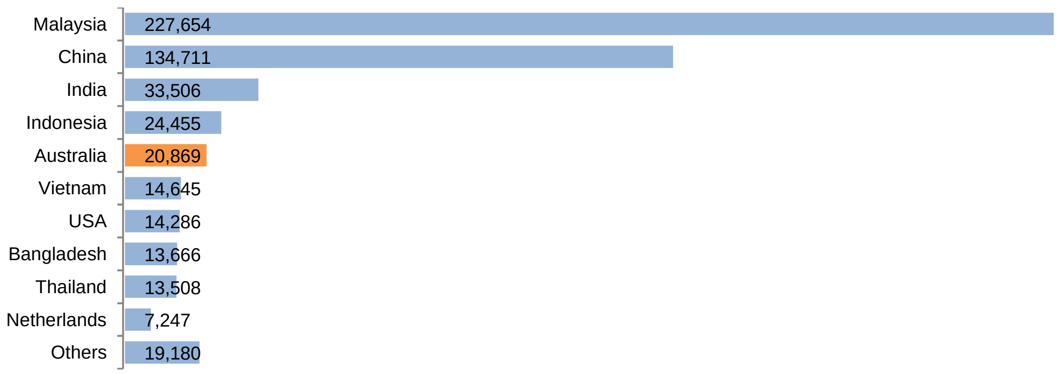


Source: Euromonitor International estimates from UN COMTRADE

Malaysia and China are the key trading partners for vegetables; Australia is the fifth-largest
Malaysia is Singapore's largest key trading partner for vegetables, accounting for 227,654 tonnes of imported vegetables in 2013. Not only is Malaysia a major producer of agricultural commodities, the close geographical proximity between Malaysia and Singapore coupled with easy access via land links makes Malaysia a natural choice as a source of fresh produce, including vegetables. The lower transportation costs and the close historical and trading ties between the two countries further put Malaysia in a relatively advantageous position. Vegetables commonly imported from Malaysia include Asian leafy greens, tomatoes, chillies and cucumbers.

China and India were in distant second and third positions, accounting for 134,711 tonnes and 33,506 tonnes, respectively, of the vegetables imported to Singapore in 2013. Australia was the fifth-largest trading partner for imported vegetables, registering 20,869 tonnes of vegetables. Carrots and broccoli are the two main vegetables imported from Australian sources.

Chart 80 Singapore: Vegetable Trading Partners (Tonnes), 2013



Source: Euromonitor International from UN COMTRADE

5.7.2 Supply Chain and Retail Landscape

Vertical integration necessitated by small market
Players within the supply chain typically undertake most supply-chain functions; vegetable importers are usually wholesalers as well in order to improve cost-effectiveness while supplying to a small market. These importers/ wholesalers then further distribute the vegetables downstream – primarily to the retail channel, but also to the foodservice and industrial channels. Importers/ wholesalers thus represent the key intermediary players within the supply chain for imported vegetables; major importers/ wholesalers include Ban Choon Marketing and Hu Lee Impex. Large supermarket chains such as NTUC FairPrice and Sheng Siong purchase vegetables from these importers/ wholesalers. However, these players typically secure vegetables needed in larger volumes from their sources through long-term contracts. For local produce, the most common supply chain involves direct vegetable sales from the local grower to the retail channel.

When procuring vegetables, supply-chain players mainly look out for the price and quality of products, followed by reliability of supply. Cost is often the primary determinant as local consumers are still quite price-conscious. This is especially true for many small to medium-sized businesses in the foodservice channel.

Insufficient manpower and high costs for vehicles and labour have been cited as common challenges in the distribution of vegetables in Singapore which restrict the scaling-up of operations. Furthermore, amongst distributors, the level of competition is high for share in retail channels, especially dominant ones such as chained supermarkets. Vegetable distributors often have to contend with already low margins and the pressure of offering major retailers competitive prices.

Due to the small market in Singapore, the primary aim of distributors is to increase their sales volume. As such, dominant retailers with an extensive network of store outlets will often be the first choice for distributors. However, keen competition often means that distributors are not able to attain the volume they desire in retail channels. As a result, distributors often have to look to smaller retailers and the HORECA (hotel, restaurant, café) industry in order to attain their desired sales volumes.

Table 8 Singapore: Summary of Key Players

Company name	Type	Website
Singapore Fruit and Vegetable Importers and Exporters Association (SFVA)	Trade association	http://www.singaporefva.com/
Ban Choon Marketing Pte Ltd	Importer/ Wholesaler	http://www.banchoon.com.sg/
Hu Lee Impex Pte Ltd	Importer/ Wholesaler	http://www.huleeimpex.com/
Kwek Sum Chuan Pte Ltd	Importer/ Wholesaler	http://www.kweksumchuan.com.sg/
Giant Singapore	Importer/ Retailer	http://www.giantsingapore.com.sg/
NTUC FairPrice	Importer/ Retailer	http://www.fairprice.com.sg/
Cold Storage	Importer/ Retailer	http://www.coldstorage.com.sg/
Sheng Siong	Importer/ Retailer	http://www.shengsiong.com.sg/

Source: Euromonitor International from trade sources

Supermarkets represent the largest distribution channel for vegetables
The main retail channels involved in the retailing of vegetables include supermarkets, hypermarkets and wet markets. Supermarkets are the largest grocery retailing channel due to the presence of major chained supermarkets such as NTUC FairPrice throughout the country. In contrast, the importance of wet markets in vegetable retailing has dwindled, in part due to consumers' increasing preference for modern retail channels such as supermarkets and hypermarkets.

Prices extended by fresh vegetable suppliers often constitute a priority for retailers. This is especially so for chained supermarkets which compete on price competitiveness or low prices, as well as for smaller retailers. Product quality and supplier reliability with regard to delivery and communications are two other major determinants for retailers.

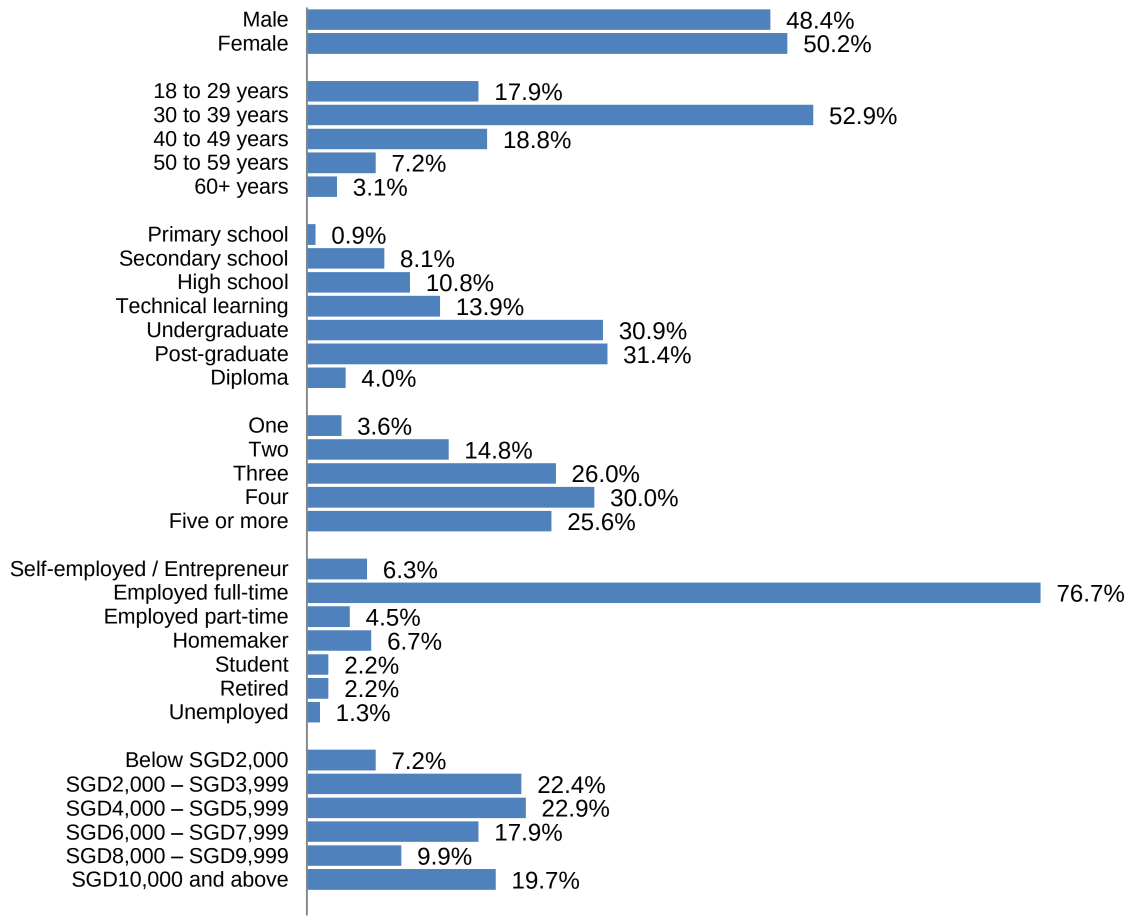
5.7.3 About the Survey Respondents

A consumer survey conducted in Singapore had a quota of n=200 and no sub-quotas applied for this research; a total of n=223 people completed the survey. This section outlines respondents' profiles.

Profiles of n=223 respondents

- 223 respondents answered the survey, with a near-even split between males and females.
- Those aged 39 and under represented 70% of respondents, while those aged 40 and up made up the remaining 30%.
- More than 60% of respondents had achieved or were in the process of achieving higher education, pointing out the fact of a sample with fairly high educational attainment.
- Households of three or more members constituted about 80% of respondents.
- More than three-quarters of respondents were currently employed in either full-time or part-time capacities or were self-employed.
- Respondents came from diverse socioeconomic backgrounds, with 65% falling almost equally into the income bands of SGD2,000- SGD3,999, SGD4,000- SGD5,999 and SGD10,000 and above per household.

Chart 81 Singapore: Profiles of Survey Respondents



Q3. Please select your gender.
Q4. What is your age?
Q5. What is the highest degree or level of education you have completed?
Q6. Including yourself, how many members are there in your household?
Q7. Which of the following best describes your employment status?
Q8. Please indicate your approximate monthly household income before taxes?

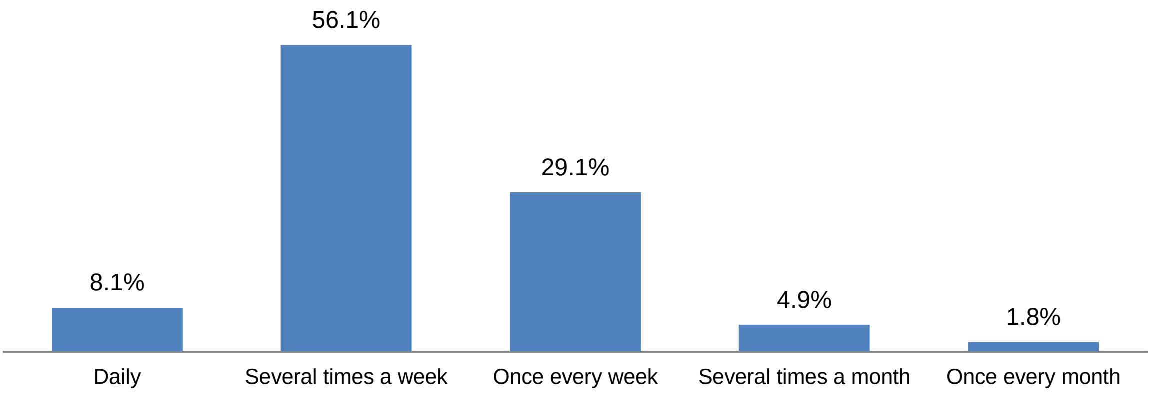
Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

5.7.4 Consumer Purchasing Behaviour

Consumers make frequent purchases of vegetables and typically spend more than SGD10
About 93% of respondents said they purchase vegetables at least once a week, with most purchasing vegetables several times a week. Only 6.7% of respondents made less frequent purchases of a few times a month or less often.

Chart 82 Singapore: Frequency of Vegetable Purchases



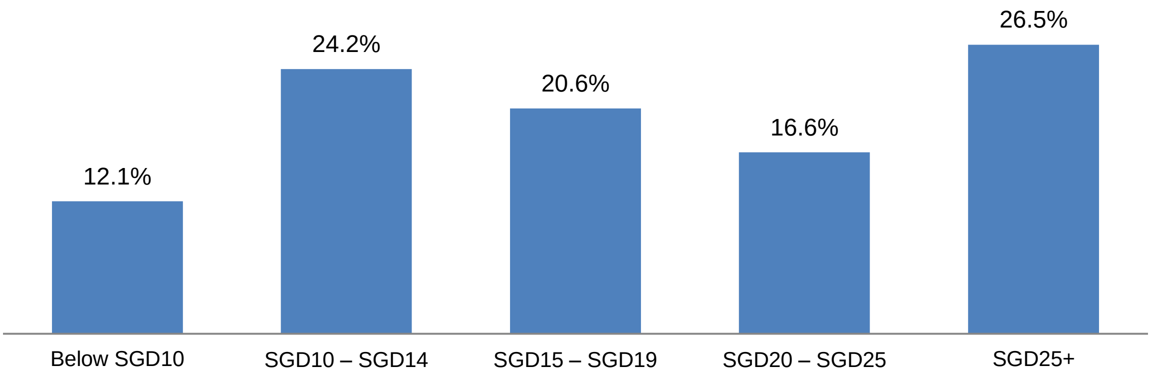
Q9. How often do you purchase vegetables? (Please select one.)

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Household expenditure on vegetables typically exceeds SGD10 per week for more than 85% of respondents. By contrast, 26.5% of all respondents indicated that their household expenditure on vegetables each week is more than SGD25 in line with the proportion of respondents from large households of five persons or more.

Chart 83 Singapore: Weekly Household Expenditure on Vegetables



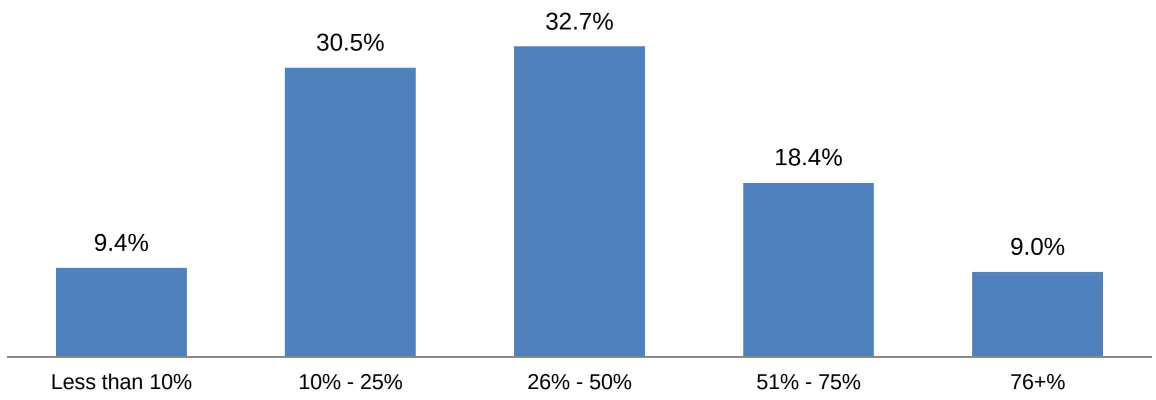
Q10. How much does your family spend on vegetable purchases per week? (Please select one.)

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

More than 80% of survey respondents indicated that they spend between 10% and 75% of their weekly household expenditure on imported vegetables. There is a common perception among many consumers that vegetables are locally produced as Singaporeans sometimes do not regard Malaysian vegetables as imported vegetables. Furthermore, vegetables are sometimes not clearly labelled with a country of origin.

Chart 84 Singapore: Proportion of Weekly Household Expenditure on Imported Vegetables



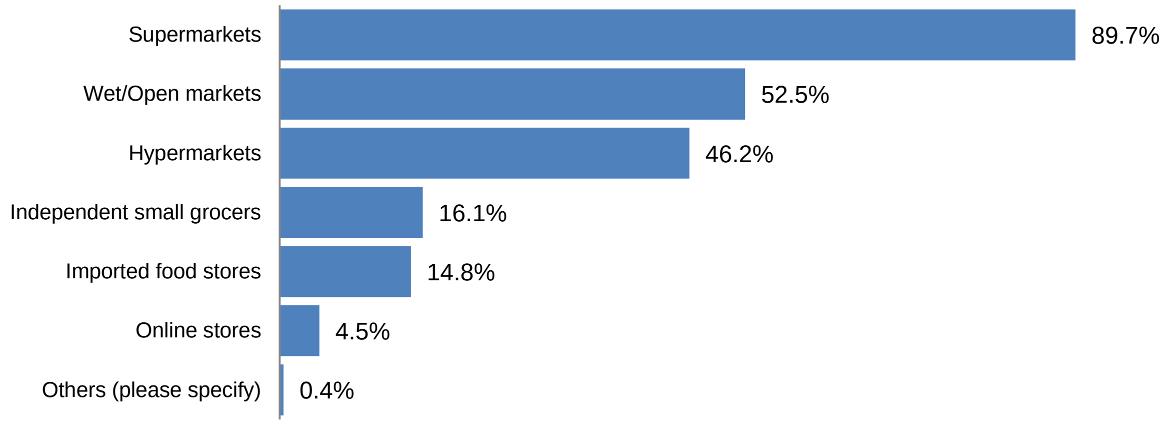
Q11. On average, what proportion of weekly household expenditure is spent on imported vegetables? (Please select one.)

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Supermarkets are the preferred retail channel due to their prevalence and convenience
The top three retail channels as indicated by respondents were supermarkets, wet/ open markets and hypermarkets. This corresponds with the most dominant retail channels for fresh produce in Singapore. While wet/ open markets used to be the dominant retail channel, local consumers increasingly prefer modern retail channels for their convenience and variety. Only 4.5% of respondents purchase vegetables through online stores as this retail format continues to be unpopular for groceries in Singapore.

Chart 85 Singapore: Retail Channels for Vegetable Purchases



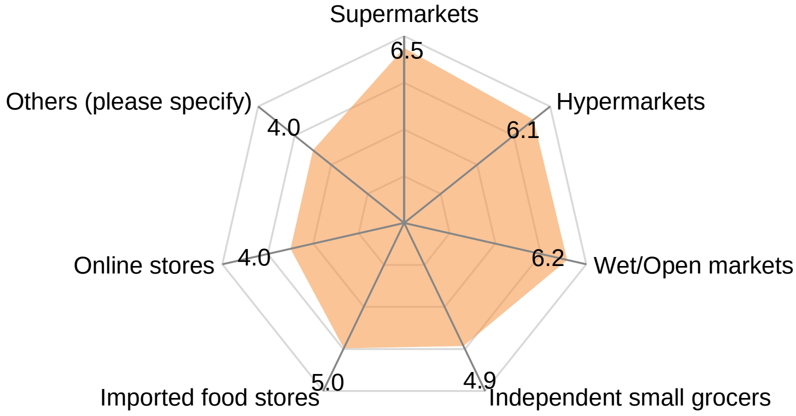
Q13. Where did you purchase vegetables during the LAST THREE MONTHS? (Please indicate as many as apply.)

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Supermarkets were ranked as the preferred retail channel by respondents, followed by wet/ open markets and hypermarkets. This corresponds with the actual behaviour of shoppers when purchasing vegetables as revealed in the previous question.

Chart 86 Singapore: Preferred Retail Channel



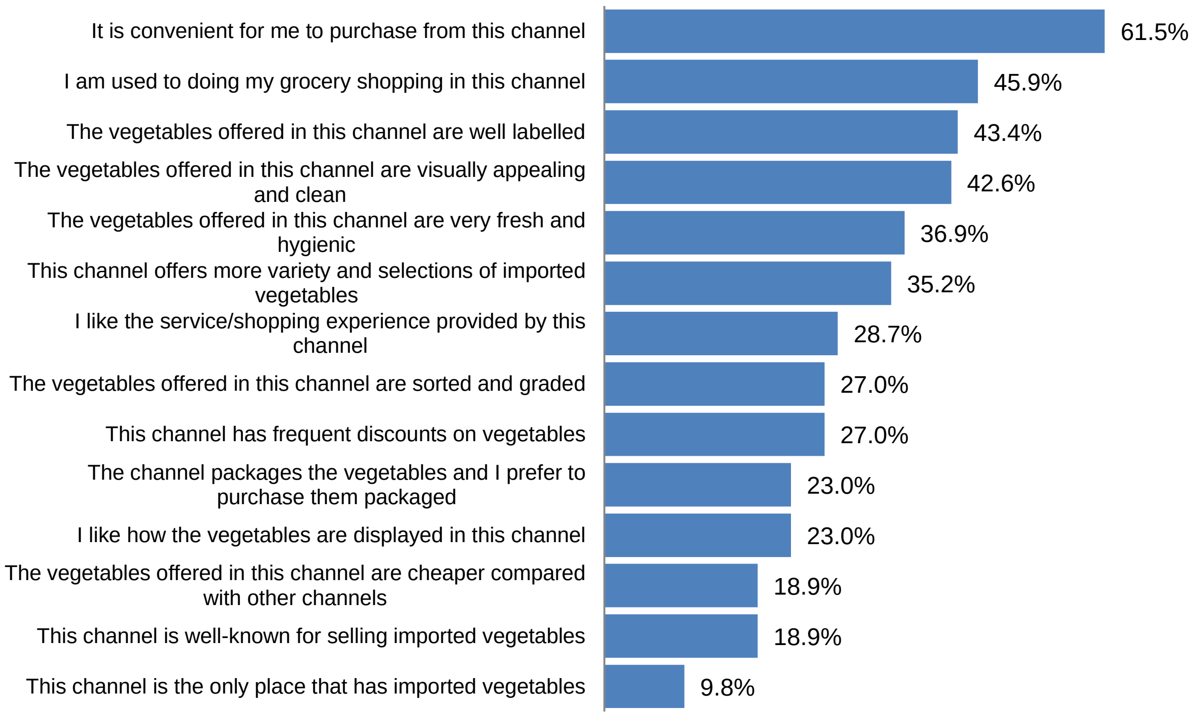
Q14. Of the list of store types you selected in the previous question, please rank them in order of your preference when purchasing vegetables.

Base: All respondents (n=223), n=200 supermarkets, n=103 hypermarkets, n=117 wet/ open markets, n=36 independent small grocers, n=33 imported food stores, n=10 online stores, n=1 others.

Source: Euromonitor International online consumer survey, June 2014

The preference for supermarkets as the retail channel of choice for vegetables can be primarily attributed to convenience and shopping habits. Major supermarket chains have an extensive network of outlets throughout Singapore and are often located close to or within residential areas, thus offering easy access for consumers. The clear labelling of vegetables was also important to many respondents, since they largely rely on sources of information near them when they intend to purchase vegetables.

Chart 87 Singapore: Reasons for Most Preferred Retail Channel Type – Supermarkets



Q15. Select the statements below that best describe why you purchase vegetables in <selection that is ranked #1 from Q14>? (Please indicate as many as apply.)

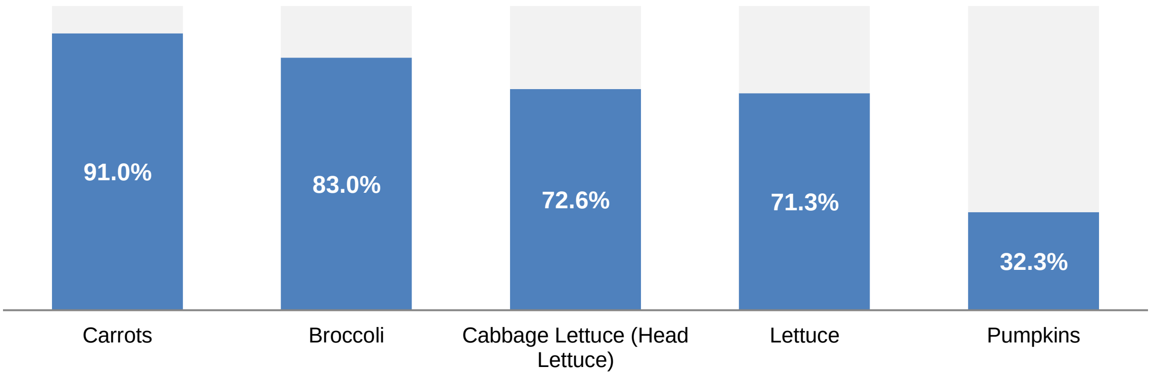
Base: Respondents who ranked supermarkets as the most preferred channel of purchase (n=122)

Source: Euromonitor International online consumer survey, June 2014

Carrots and broccoli are the most frequently purchased vegetables out of the five

All the shortlisted vegetables, except for pumpkins, have high levels of consumption in Singapore, with more than 70% of respondents having bought them in the last three months. Carrots and broccoli were the two most frequently purchased vegetables, with 91.0% and 83.0%, respectively, of respondents indicating that they had purchased these vegetables in the last three months.

Chart 88 Singapore: Vegetables Commonly Purchased



Q21. Of the list of five vegetables below, which have you purchased over the LAST THREE MONTHS?

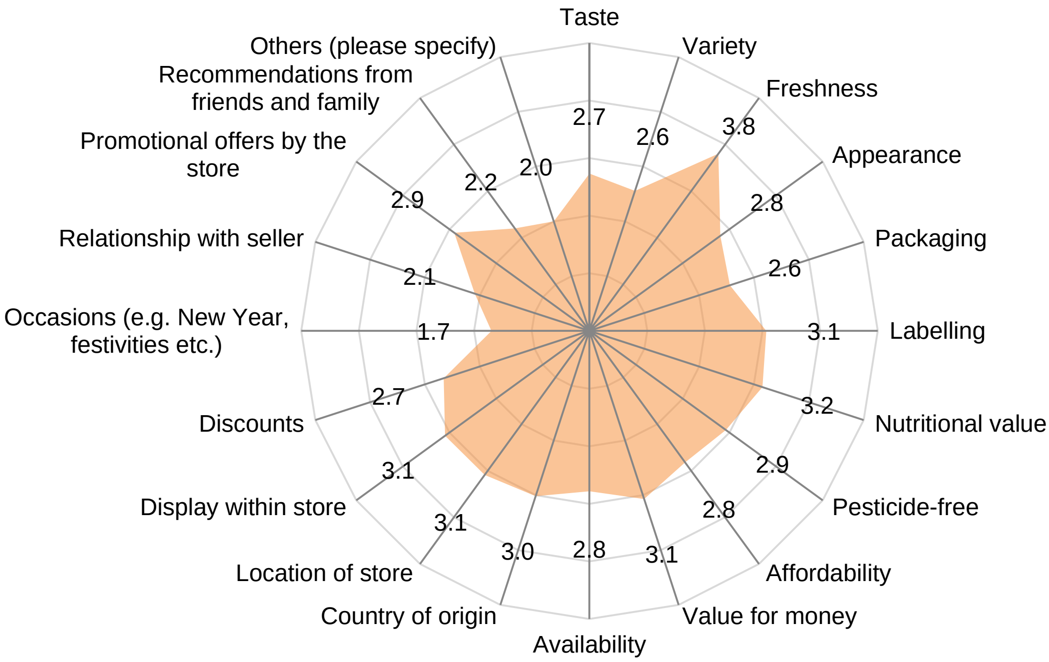
Base: All respondents (n=223)

Source: Euromonitor International online consumer survey, June 2014

Quality is the topmost consideration for the purchase of vegetables

Freshness, nutritional value, labelling, value for money, location of store and display within store are the top factors that determine the purchase of imported vegetables for respondents. Thus product quality and the communication of product information are most vital to respondents and are factors which could help drive the consumption of Australian vegetables.

Chart 89 Singapore: The Most Important Attributes for the Purchase of Imported Vegetables



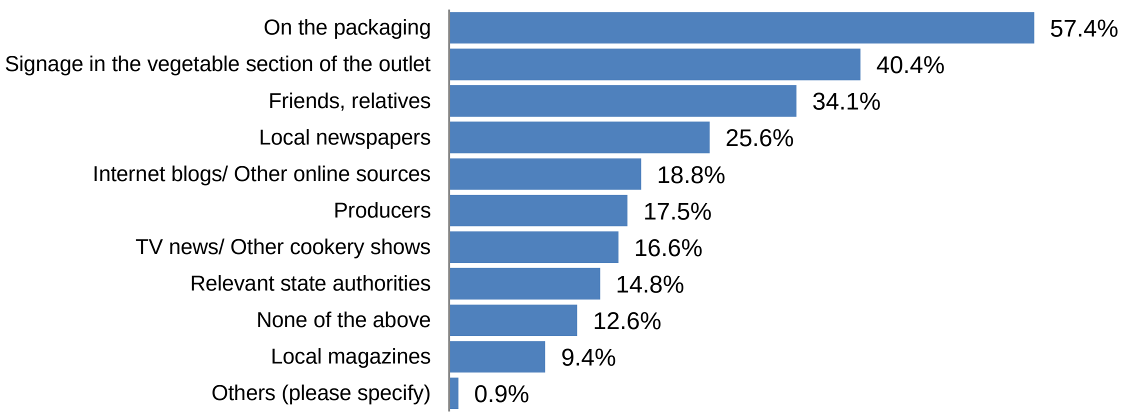
Q16. Of the list of factors below, please rank the TOP FIVE FACTORS which are most important to you when purchasing imported vegetables.

Base: All respondents (n=223)

Source: Euromonitor International online consumer survey, June 2014

Heavy usage of packaging information and product signage to aid in purchasing decisions
Respondents typically rely on sources of information around them when they shop for vegetables. More than half of survey respondents said they use packaging information to inform their purchasing decisions while 40.4% of respondents use information they find on signs in the store. This also implies that their purchasing decisions can be influenced by external factors at the point of purchase. Friends and relatives are another important source of information, as specified by 34.1% of respondents.

Chart 90 Singapore: Sources of Information for Vegetable Purchases



Q18. Which of these sources of information do you use when it comes to the purchase of vegetables? (Please indicate as many as apply.)

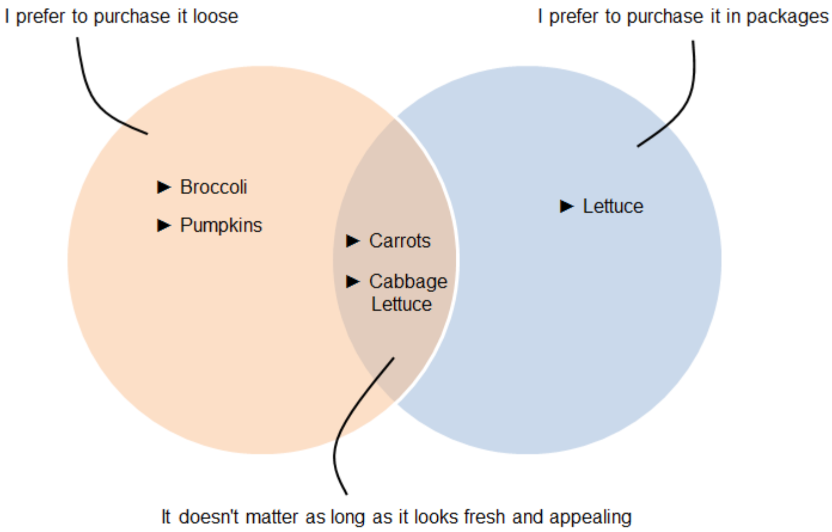
Base: All respondents (n=223)

Source: Euromonitor International online consumer survey, June 2014

Preference for packaging formats varies according to vegetable

While packaging is not the main driving factor for vegetable purchases, it was found that most respondents have a preference for certain packaging formats which differs according to vegetable. Respondents preferred to purchase broccoli and pumpkins loose, while packaged lettuce was preferred. Although the same was true for carrots and cabbage lettuce, the preferences for packaging format were less pronounced. Near-equal splits between preferences for loose and packaged format were observed for these two vegetables.

Chart 91 Singapore: Preferred Format of Vegetables



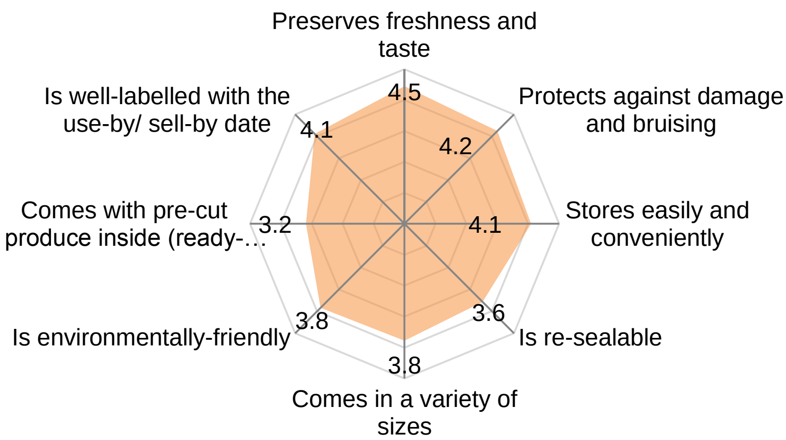
Q25. Please select the one statement that best describes your preference when it comes to the packaging of these vegetables.

Base: All respondents (n=223), n=203 Carrots, n=185 Broccoli, n=159 Lettuce, n=72 Pumpkins, n=162 Cabbage Lettuce

Source: Euromonitor International online consumer survey, June 2014

The preservation of freshness and taste and protection against damage and bruising emerged as the top two reasons for purchasing packaged vegetables, highlighting the close association between freshness and perceptions of quality.

Chart 92 Singapore: Importance of Factors for Buying Packaged Vegetables



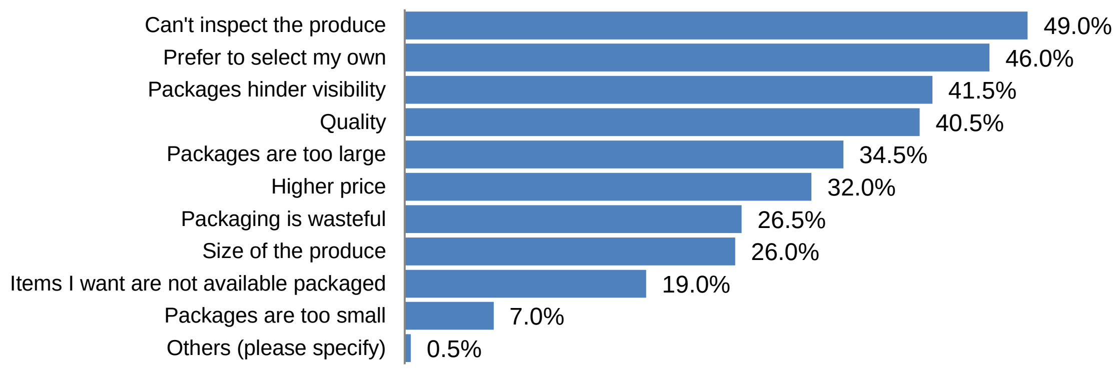
Q26. On a scale of 1 to 5 with 1 being extremely unimportant and 5 being extremely important, please rate how important the following factors are in your decision to purchase packaged vegetables

Base: Respondents who prefer to purchase vegetables in packages or have no preference as long as the vegetables look fresh and appealing (n=182)

Source: Euromonitor International online consumer survey, June 2014

The inability to inspect produce was cited as the most pertinent reason for not purchasing packaged vegetables by 49.0% of survey respondents. Packaging impedes a thorough inspection of produce, which might result in the purchase of lower-quality products, thus corroborating the reason why 46.0% of respondents preferred to select their own vegetables.

Chart 93 Singapore: Reasons for Not Buying Packaged Vegetables



Q27. What keeps you from purchasing more packaged vegetables? (Please indicate as many as apply.)

Base: Respondents who prefer to purchase vegetables loose or have no preference as long as the vegetables look fresh and appealing (n=200)

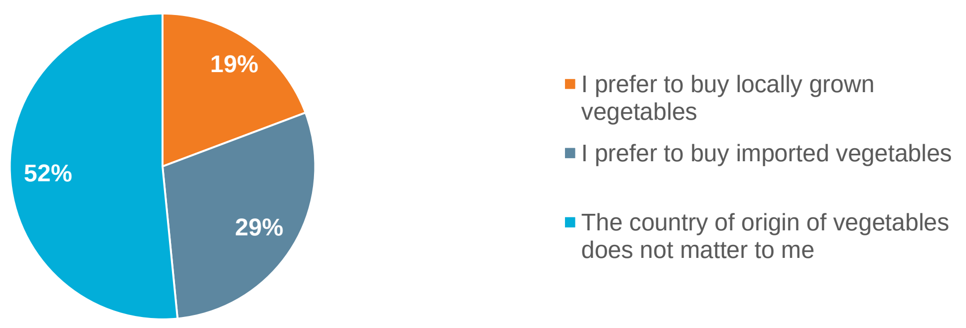
Source: Euromonitor International online consumer survey, June 2014

5.7.5 Acceptance of Vegetable Imports

Vegetable countries of origin are less important than product quality

A majority of survey respondents, 52.0%, indicated that they are indifferent to vegetable countries of origin, in line with previous responses that other factors such as freshness and nutritional value take higher precedence. Of the remaining 48.0% of respondents, 29.0% prefer imported vegetables while 19.0% prefer locally produced vegetables.

Chart 94 Singapore: Preference for Origin of Vegetables



Q17. What is your preference when it comes to the country of origin of vegetables?

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Despite that vegetable countries of origin were irrelevant for more than half of survey respondents, 83% of respondents expressed a willingness to pay a premium for imported vegetables that are of higher quality. Thus, quality appears to matter more than the country of origin in the purchase of vegetables.

Chart 95 Singapore: Willingness to Pay a Premium for Imported Vegetables

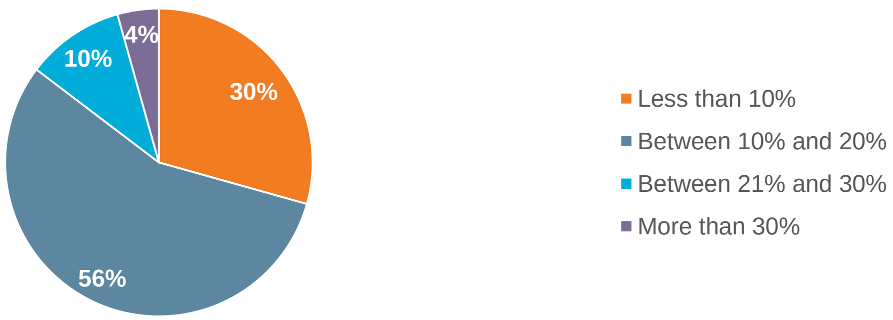
Q19. Are you willing to pay a premium for imported vegetables assuming that they are of better quality?

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

A majority of survey respondents claimed that they are willing to pay a premium of at least 10% for imported vegetables. Specifically, 56% of respondents were willing to pay a premium of 10%-20%, showing that consumers are willing to make some trade-offs between price and quality – up to a certain threshold.

Chart 96 Singapore: Premium Willing to Pay for Imported Vegetables



Q20. How much more are you willing to pay for imported vegetables?

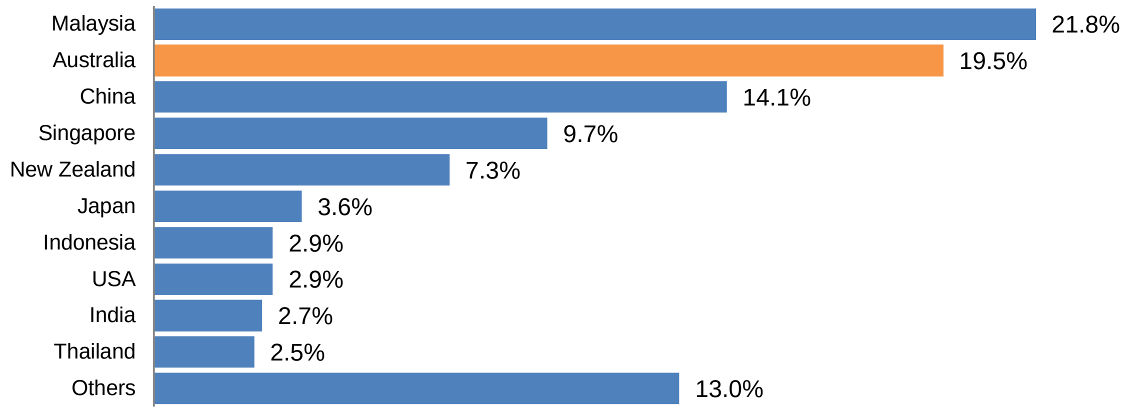
Base: Respondents who are willing to pay a premium for imported vegetables (n=184); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

The most common imported vegetable countries of origin are Malaysia and Australia, as cited by more than 40% of survey respondents. This is partially due to the relatively close proximity between Singapore and these two countries. Furthermore, Australian vegetables – especially carrots and broccoli – are well known and highly sought after in the Singaporean market. Of five surveyed vegetables, 24.8% and 25.1% of respondents indicated that they bought carrots and broccoli, respectively, most frequently from Australia as compared with other countries. Vegetable retailers identified the superior quality and taste of Australian carrots and broccoli as the reasons for this trend. However, the percentage is lower for lettuce, pumpkins and cabbage lettuce, with Malaysia cited as the most common country of origin for these vegetables.

Although China is one of Singapore's main trading partners for vegetables, Chinese vegetables are sometimes deemed to be of lower quality and are thus not consumers' primary choice. However, Chinese vegetables are still sought after for their relatively lower price points.

Chart 97 Singapore: Most Common Origins of Vegetables



Q22. From the list provided below, select up to four countries from which you purchase vegetables most frequently.

Base: All respondents (n=223)

Responses are summarised based on five key commodities: carrots, broccoli, cabbage lettuce (head lettuce), lettuce and pumpkins.

'Others' includes countries such as the Philippines, Cambodia, South Korea, Sri Lanka, Bangladesh, Myanmar, Pakistan, Canada, the United Arab Emirates, Netherlands, Vietnam, Syria, Peru, Turkey, Saudi Arabia, Jordan, Yemen and Iran.

Source: Euromonitor International online consumer survey, June 2014

5.7.6 Competitiveness of Australian Vegetable Imports

Australian vegetables enjoy a good reputation but their high price discourages purchases
Survey respondents perceived Australian vegetables to be, first and foremost, fresh and of good quality, a competitive advantage that Australia possesses and should maintain given that freshness is a top priority when it comes to purchasing vegetables. Another prominent association is the high price points of Australian vegetables, an association that emerges when Australian vegetables are compared with the relatively cheaper Malaysian and Chinese vegetables.

Chart 98 Singapore: Most Common Associations with Australia Vegetables

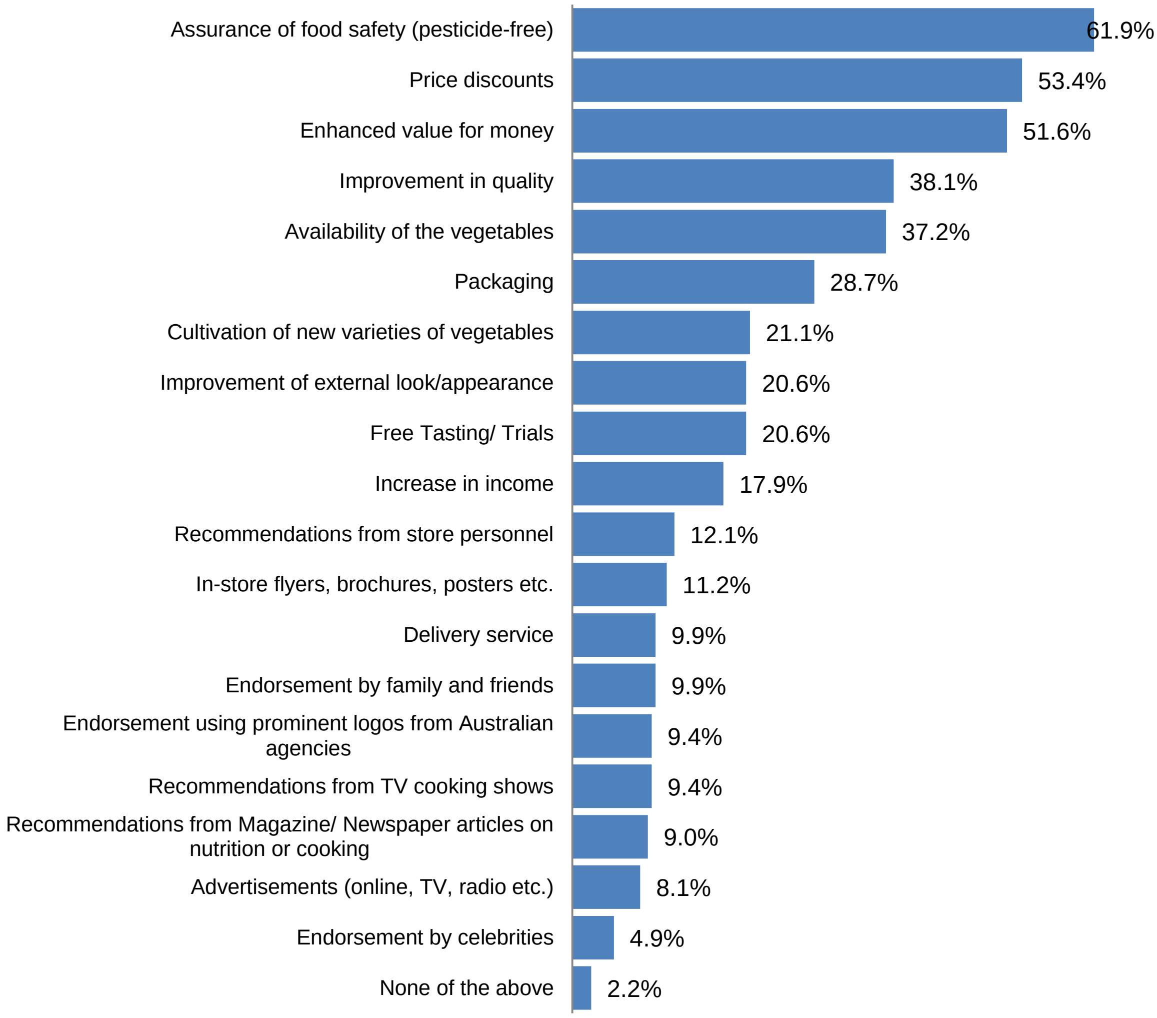
Q23. What comes to your mind when you think about vegetables imported from Australia?

Base: All respondents (n=223)

Source: Euromonitor International online consumer survey, June 2014

Of the 80 respondents who had never previously purchased Australian vegetables, 61.9% indicated that they would be encouraged to purchase Australian vegetables if they were grown without the use of pesticides and 53.4% said that they would do so if price discounts were given.

Chart 99 Singapore: Motivations and Incentives to Purchase Australian Imports



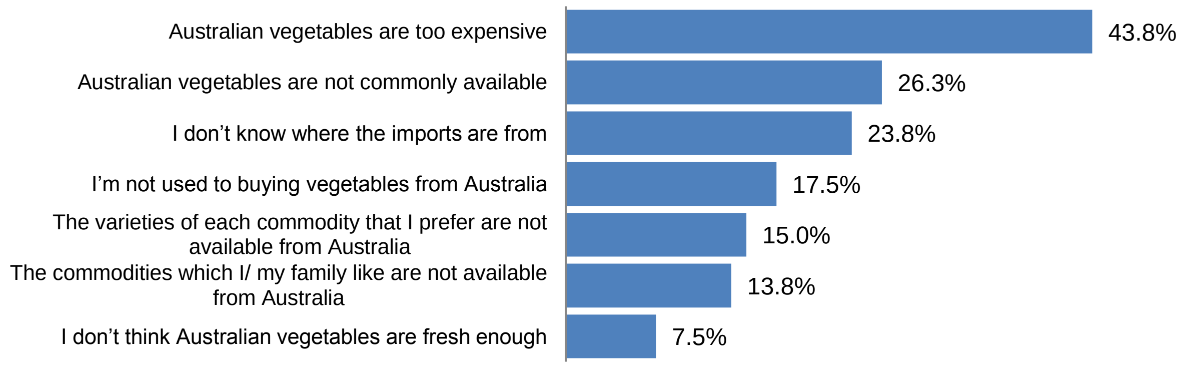
Q33. Choose the statement(s) below which will motivate or incentivise you to purchase Australian vegetables. (Please indicate as many as apply.)

Base: Respondents who had never purchased vegetables from Australia (n=80)

Source: Euromonitor International online consumer survey, June 2014

The 80 respondents who had never bought Australian vegetables identified their high price as the key reason for this, underscoring respondents' reluctance to pay more than a 10%-20% premium for quality imported vegetables; Australian vegetables are typically two or three times more expensive than vegetables from other countries. As such, although price is not the principal consideration for many consumers, the price of Australian vegetables seems to be above the threshold for some consumers.

Chart 100 Singapore: Reasons for Not Purchasing Australian Imports



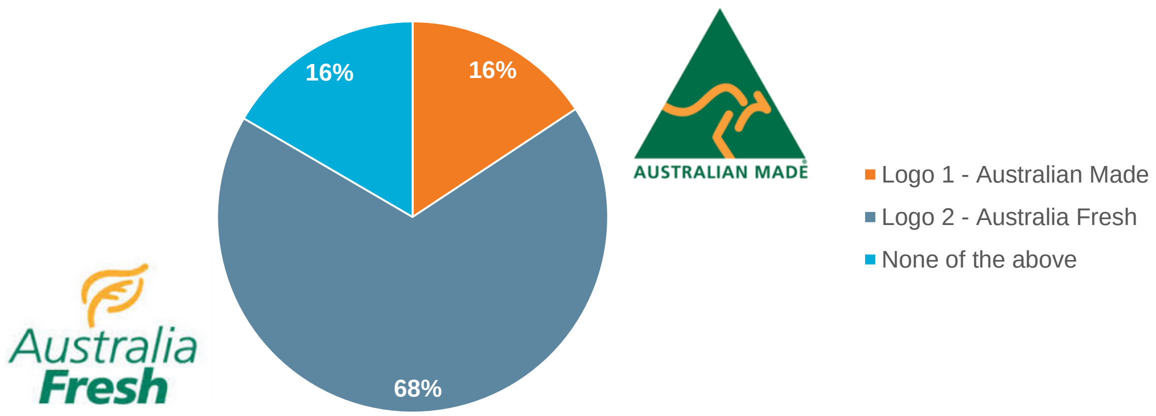
Q32. Why did you not purchase vegetables imported from Australia? (Please indicate as many as apply.)

Base: All respondents (n=223)

Source: Euromonitor International online consumer survey, June 2014

Almost 70% of respondents indicated that seeing the Australia Fresh logo would encourage them to try vegetables imported from Australia, while an equal proportion of respondents were split between the Australian Made logo and neither of the two logos.

Chart 101 Singapore: Presence of Logos on Product Packaging



Q34. Which of these logos on the packaging of vegetables would increase your willingness to try Australian imported vegetables?

Base: All respondents (n=223); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

<u>Analysis of findings (from Chart 102):</u>

Strong market presence for Australian vegetables reflected in the high incidence of purchase
Australian vegetables obtained high response rates from the 223 respondents for the attributes surrounding quality, emerging as one of the two most preferred countries of origin for vegetables. Of 223 respondents, 24 to 99 respondents have purchased various types of Australian vegetables – a figure comparable to the 26 to 87 respondents recorded for Malaysian vegetables. This is largely due

to the availability and consumer awareness of the origins of many main Australian imports in Singapore, such as broccoli and carrots.

Australia to strengthen its leadership position on freshness and appearance

Despite the strong market presence, Australia only led marginally in several attributes compared to Malaysia. Respondents scored both countries similarly for most attributes, especially for variety, recommendations, freshness and appearance. The latter two are points of parity for Australia and Malaysia that should be better developed to improve Australia's positioning. In the earlier analysis, variety and recommendations are perceived to be of little importance to Singaporean consumers; hence, they should not be placed as a priority.

Malaysia is better positioned than Australia on the whole, especially for price-related attributes

Malaysia has a clear advantage over Australia for pricing - respondents have indicated on the whole that Malaysian vegetables are generally more affordable, value for money and retailers offer frequent discounts. While the supplying country scored lower for attributes like taste, appearance, packaging, labelling, nutritional value and pesticide-free, Malaysia trailed Australia very closely behind, ranging from 10 to 52 points. On the other hand, for the three price-related attributes, Australia lagged behind by 131-186 points, relatively more significant than the previous gap. The premium on Australian vegetables exceeds the threshold that people are willing to pay for quality imported vegetables; hence the country scored the worst on price-related attributes.

China and Singapore also performed well, with the latter a threat to be monitored

Respondents regarded vegetables from China and Singapore highly as well, being the next most-preferred countries of origin. Specifically, China did well in its price-related attributes and Singapore ranked highly on product-related ones. Despite consumer preferences, both countries are in a distant third and fourth ranking compared to Malaysia and Australia, due to relatively lower presence in the retail channels. To Australia, these countries are not of immediate threat; however, attention should still be given to China, due to its sheer size of vegetable production and export capabilities.

<u>Summary of results for Australian vegetables:</u>

- Australia's strengths currently lie in product-related attributes, while lack competitiveness when it comes to affordability, value for money and discounts. However, Malaysia is trailing behind very closely on all of them, resulting in a weak position for Australia in Singapore.

- **There are five points of difference for Australia in Singapore**, namely:

  1. Taste
  2. Packaging
  3. Labelling
  4. Nutritional value
  5. Pesticide-free

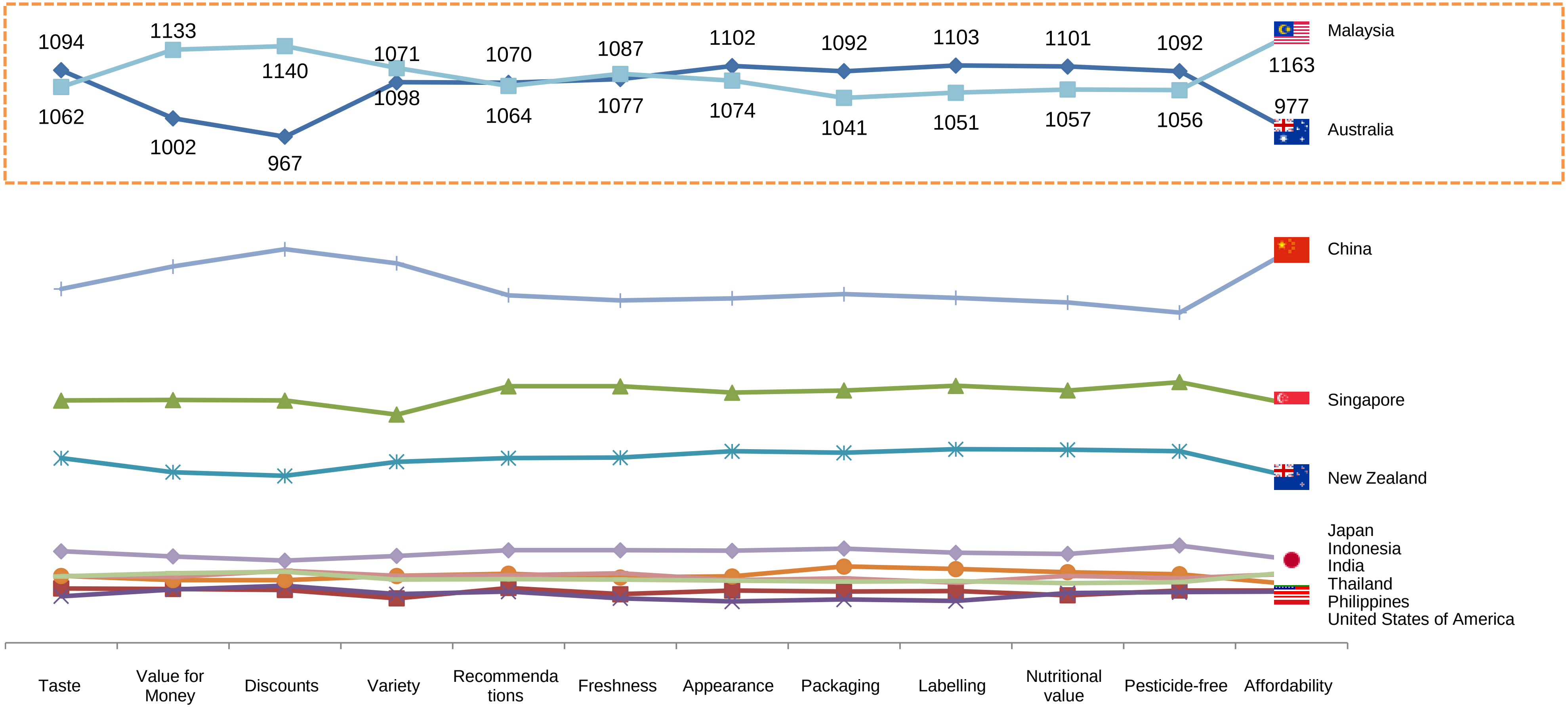
  However, the difference in positioning between Malaysia and Australia across all these attributes is insignificant; hence there is no competitive edge for Australia in Singapore.

- Australia needs to strengthen its delivery on its points of difference to widen the gap from Malaysia, especially for appearance, labelling, nutritional value and pesticide-free.

- Also, the country has to improve its points of parity, especially on freshness and appearance, and turn them into points of difference.

- Vegetables from Malaysia and China pose the greatest competition to Australian vegetables given their prevalence in the Singapore market.

Chart 102 Singapore: Benchmarking of Australian Vegetables



Q24. Considering all your purchases of <vegetable> in the LAST THREE MONTHS from the (pipe in number of countries selected in Q22) selected countries of origin from the previous question, please rank the countries for each factor below, with 1 being the most preferred country and 4 being the fourth most-preferred country.

Base: All respondents (n=223)

Note: Cumulative totals based on the number of respondents who chose the country and ranked the relevant criteria

Source: Euromonitor International online consumer survey, June 2014

5.8 SWOT ANALYSIS

5.8.1 Strengths of Australian Imports in Singapore

- Australian vegetables in Singapore are perceived positively in general, particularly in aspects such as nutritional value, affordability, value for money and labelling. This overlaps with the major determinants of vegetable purchasing for respondents.
- Many of the main Australian imports are also commonly consumed vegetables in Singapore, such as broccoli and carrots.

5.8.2 Weaknesses of Australian Imports in Singapore

- The primary weakness of Australian imports is their relatively high price points, especially when compared with less expensive vegetables from Malaysia and China.
- The premium on Australian vegetables exceeds the threshold that people are willing to pay for quality imported vegetables.

5.8.3 Opportunities for Australian Imports in Singapore

- Apart from some varieties of Asian leafy greens, most vegetables are not produced on a commercial level. There is thus a high level of dependency on imported vegetables.
- Furthermore, given the growing population size, demand for imported vegetables will continuously increase. As a result, there is potentially room for Australia to grow its market share in Singapore.
- The increasing demand for salads is an area of opportunity for Australia, especially since no Australian pre-packaged salads were observed during store audits conducted.
- The significant rise in demand for organic vegetables in recent years is another trend that Australia could potentially tap into, as there is a minimal presence of Australian organic vegetables.

5.8.4 Threats to Australian Imports in Singapore

- Vegetables from Malaysia and China pose the greatest competition to Australian vegetables given their prevalence in the Singapore market.
- In terms of consumer perceptions, vegetables from Malaysia, Singapore and Japan are highly regarded by respondents as well, and are the next most-preferred countries of origin for vegetable purchases.
- Australia’s vegetables were less highly rated on their variety, freshness and recommendations from friends and family; Malaysia and China did better on these attributes.
- Although respondents regard Australia’s vegetables as fresh, the freshness of Australia’s vegetables is ranked behind that of vegetables from China, Malaysia and the Philippines.

5.9 AUSTRALIAN VEGETABLES IN THE UNITED ARAB EMIRATES

5.9.1 Local Production and Trade Position

High dependency on imported fresh vegetables
According to the World of Perishables (WOP DUBAI) and the International Plant Expo Middle East (IPM DUBAI), on average, Dubai alone imports approximately 590 million kg of fresh vegetables for AED1.3 billion, and exports nearly 1 million kg at a value of AED5.7 million, re-exporting 53 million kg valued at AED118 million. These figures demonstrate a 20% increase in vegetable imports since 2008 and the almost unanimous dependency of the country on imports to satisfy local demand, exhibited via the strong ratio of imports to exports alongside re-exporting figures. These re-exports are mainly targeted towards neighbouring Gulf Cooperation Council (GCC) countries, as the UAE and primarily Dubai act as a regional trading hub with state-of-the-art ports and warehousing facilities.

Per trade interviews, the demand and supply of fresh vegetables are constantly increasing due to economic stability and growth in the country, which leads to continuous increases in the expat population and tourist numbers. As a result, local consumption is on the rise every year.

The UAE imports vegetables and fruits for local consumption and also for re-export to neighbouring countries such as Oman, Saudi Arabia and Kuwait. Approximately 60%-70% of what is imported, mainly fruit, is re-exported to other countries in the GCC.

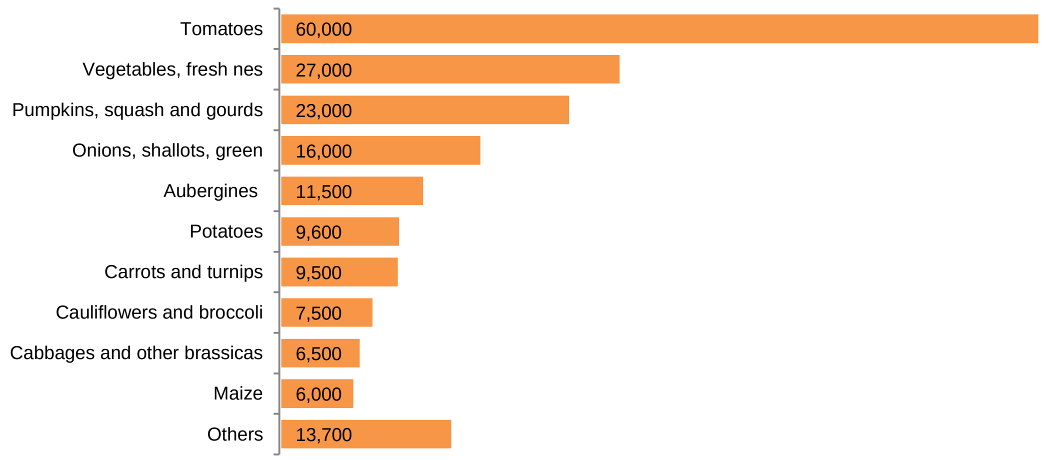
Locally grown organic vegetables on the rise

While the UAE possesses the capital and demand for fresh vegetables to develop its agricultural industry, limited arable land and water supplies, heat and locust plagues continue to restrict growth in cultivation, contributing a low, single-digit share towards its GDP.

The main challenge to local production (in open-air farms) is the weather. This creates seasonality for vegetables in winter and a lack of production in autumn and summer. In the UAE, vegetables are grown locally within the months of January to May in open-air farms.

Seasonality for locally produced organic commodities in open-air farms includes green beans, cabbage, broccoli, cauliflower and lettuce in winter, with a predominance of cabbage in spring, and then a lack of strong production in autumn and summer. Such seasonality has minimal effects within organic farms in climate-controlled greenhouses. Major suppliers have indicated that at least 10% of total sales by the majority of vegetable suppliers in the UAE come via local produce.

Chart 103 United Arab Emirates: Local Vegetable Production (Tonnes), 2012



Source: Euromonitor International estimates from FAOSTAT

Local growers sell to large local hypermarkets and open markets
Local farming in the UAE is still in its nascent stages, with the majority of local producers selling their products via local suppliers, large hypermarkets and open markets. Local farms are generally located in Ras Al Khaimah, Al Ain and Abu Dhabi. The quality of local produce is good. However, the quantity produced is minimal and not enough to cover local demand.

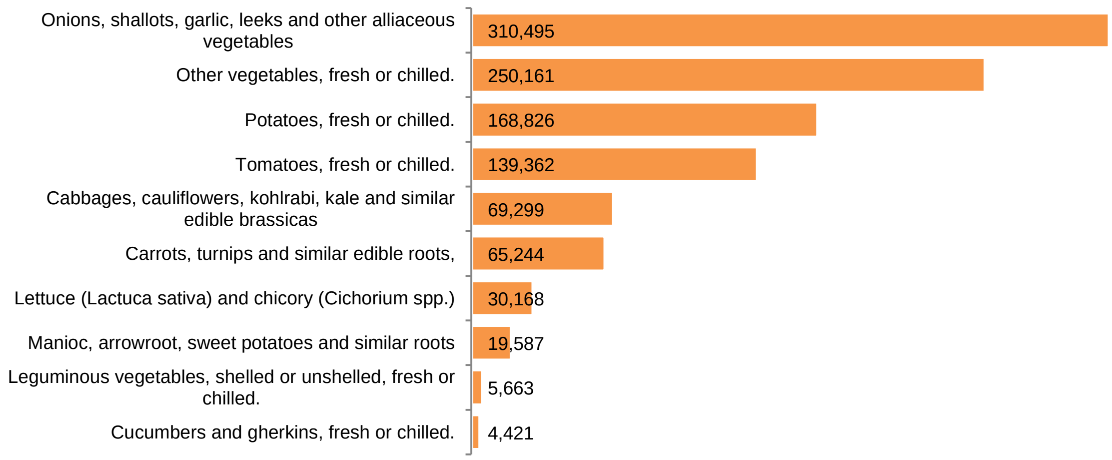
Types of imported vegetables in UAE
Most vegetable imports pertain to onions, shallots, garlic, leeks and other alliaceous vegetables, followed by potatoes, tomatoes and others. Many imported vegetables – such as tomatoes, onions, shallots, potatoes, carrots, turnips, cauliflower and cabbage – are also produced locally but in small quantities.

Trade sources shared that high demand exists for vegetables consumed daily such as tomatoes, lettuce, cucumbers and green capsicum. These vegetables are generally imported in big quantities from Middle Eastern/ Arab countries such as Oman, Iran, Jordan, Syria, Lebanon and Egypt, which generally offer good-quality products and reasonable prices. However, other types of vegetables such as coloured capsicum, basil, plum tomatoes, some types of lettuce, eggplant, etc. are imported in smaller quantities from European countries (mainly from the Netherlands, Spain and, to a lesser degree, France) and the United States by air shipments. These types of vegetables are generally expensive and need special care. They are generally sold to hotels or restaurants with European chefs.

Vegetables such as carrots and other root vegetables are imported from many different countries as mentioned above, as well as from Asian countries such as China.

According to a trade interview with Al Zayyat Trading, when restaurants increase their use of certain ingredients such as celery, sweet potatoes, etc. there will be an expected increase in demand and consumption of these types of vegetables in the market.

Chart 104 United Arab Emirates: Vegetable Imports (Tonnes), 2013



Source: Euromonitor International estimates from UN COMTRADE

Key vegetable-exporting countries observed in the UAE market
The top five main exporters are India, Saudi Arabia, Oman, China and Jordan. There is high demand from UAE consumers and retailers for imports from these countries due to the prevalence of good-quality vegetables offered at cheaper prices than European imports.

Australia is one exporter found in the UAE. However, only specific types of vegetables are imported from Australia, including lettuce, capsicum, carrots and brown onions. When it comes to European/

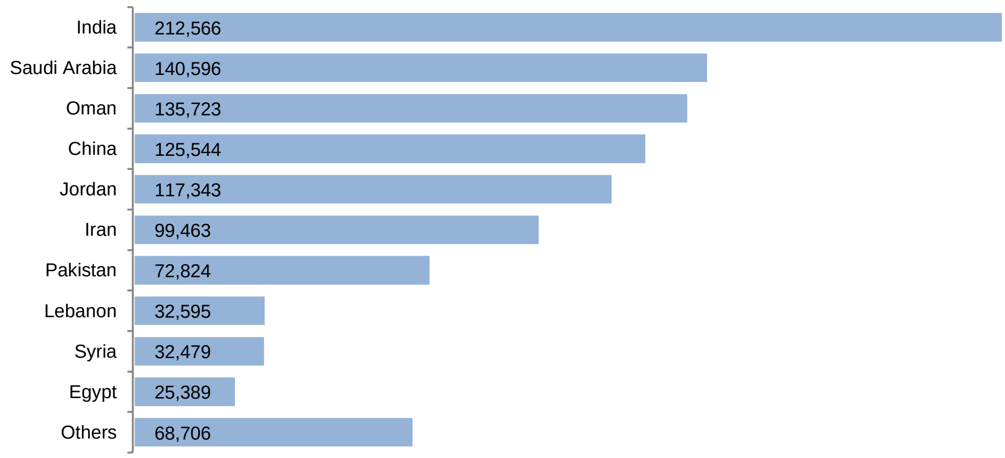
foreign imports, the majority come from the Netherlands and Spain through trusted well-known companies.

Not many imports come from Australia since their prices are very high relative to the quality. Suppliers prefer to import high-quality vegetables from the Netherlands instead. Also, due to the long transit distance, vegetables require extra care to make sure they arrive in good condition. It is difficult for Australian imports to enter the market since there are already well-established imports from other countries that are of high quality and have good prices.

High-end retailers or five-star hotels are some of the outlets which buy Australian imported vegetables. The same type of vegetables mentioned above that are imported from Australia are also available locally or as imports from other countries such as the Netherlands through trusted companies.

Importers/ distributors and suppliers have also shared that they are starting to deal with some new exporting countries such as Ghana, Costa Rica and Guatemala. In addition, a growing inflow of imports from European countries, Australia and the United States may be witnessed since there is a growing population of European expatriates in the UAE. These consumers prefer to buy European/ Australian/ US products since they are familiar with their home country's products.

Chart 105 United Arab Emirates: Vegetable Trade Partners (Tonnes), 2013



Source: Euromonitor International from UN COMTRADE

5.9.2 Supply Chain and Retail Landscape

Local suppliers dictate distribution traffic

All fresh vegetable imports come into the country via sea, air or land hubs located around the three main emirates – Dubai, Sharjah and Abu Dhabi – with 70% of these imports going to Dubai. Almost all importers within the country are wholesalers/ distributors as well as re-exporters (mainly for fruits and not vegetables). The chain typically includes and starts with wholesalers, which buy from importers and eventually sell to a variety of local and international retailers such as Carrefour and Spinneys. In addition to retailers, wholesalers/ distributors also sell vegetables to foodservice businesses such as hotels and restaurants.

The UAE is becoming more and more accessible to foreign producers, as demand for imports continues to rise due to increasing consumption by the growing UAE population. Moreover, facilities at sea ports and airports are all advanced, which makes it easy to transfer vegetables in cooling containers. Also, customs and check processes are well organised and properly implemented – procedures which make it easy for foreign producers to enter the UAE market.

As for local produce coming mainly from Abu Dhabi, Ras Al Khaimah and Al Ain, the majority of local farmers/ producers sell their products to local suppliers/ distributors/ wholesalers, large hypermarkets and open markets. This is applicable mainly during the winter and spring months when there is local produce from open-air farms. On the other hand, during the summer, dependency on vegetable imports rises.

One of the prime locations where this distribution network is most evident is the Al Aweer open fruit and vegetable market in Dubai, where almost all importers depend on local suppliers for some of the commodities they trade in. This dependence on the open market usually reflects in undercutting the cost of directly importing and shipping short-shelf life commodities by air. Nevertheless, a few retailers such as Spinneys import vegetables directly, but the majority buy from local distributors due to certain vegetables being too costly to import directly.

Trust and relationship matter when doing business

When procuring vegetables, the main criteria for suppliers is dealing with companies with which they have trusted, long-term relationships that can provide quality assurance, experience in loading and taking care of produce, available capacity and capability, a wide variety of products, preferred country of origin for each of the products and good prices.

The role of distributors/ importers is important since clients are always looking for reliable, trusted companies with which to establish annual contracts. Retailers depend on distributors/ importers since most of them prefer not to import independently. Moreover, they do not have the facilities or storage capacity for orders big enough to import vegetables directly from other countries.

Yearly contracts lock in vegetable prices

Premium contracts, typically entered into between an importer and a customer, encompass all details for pricing, products, payment conditions and delivery status. Additional discounts of 1% or 2% may be granted at the end of the month for large-order quantities.

Larger importers typically enter into yearly contracts with restaurants and hotels, supplying vegetables at yearly or bi-annually fixed prices. The contract provides stable pricing regardless of produce seasonality and protects foodservice operators against fluctuating cost prices. To ensure consistency of quality and pricing, most higher-end foodservice operators prefer to collaborate with only one large-scale importer.

Yearly contracts are also entered into with major hypermarkets but on the basis of daily or bi-weekly quotations. This allows for prices to fluctuate as current market prices dictate.

Table 9 United Arab Emirates: Summary of Key Players

Company name	Type	Website
Kibsons International	Importer/ Distributor/ Wholesaler	http://www.kibsons.com
Barakat	Importer/ Distributor/ Wholesaler	http://www.barakatuae.ae
Fresh Fruits	Importer/ Distributor/ Wholesaler	http://www.freshfruitscompany.com
Shokri Hassan Trading Company	Importer/ Distributor/ Wholesaler	http://www.shokri.co.ae
Mehtab	Importer/ Distributor/ Wholesaler	N/A
Fresh Express	Importer/ Distributor/ Wholesaler	http://www.freshexpressint.com
Iran Dubai Co	Importer/ Distributor/ Wholesaler	N/A

Source:Euromonitor International from trade sources

Major retail channels accommodate the sale of vegetables in the UAE

Vegetables are distributed mainly to supermarkets/ hypermarkets (such as Carrefour and Spinneys), as well as foodservice establishments such as hotels, restaurants and catering companies. In addition, vegetables are sold through open markets such as Al Aweer fruit and vegetable market in Dubai. Re-export of vegetables is very low, done only for fruits since vegetables need very special care and might not last long enough to fulfil re-export to other countries.

Supermarkets and hypermarkets are the primary channels visited by consumers. Premium supermarkets and hypermarkets tend to stock up on high-quality Western imports, which appeal very much to Western expatriates who demonstrate strong loyalty to imports from their home countries. Meanwhile, mass hypermarkets offer an extensive range and quality in both imported and locally cultivated vegetables.

As per trade interviews with importers/ distributors, imports from Middle Eastern/ Arab countries such as Oman, Lebanon, Syria, Jordan, Egypt and others are generally sold to supermarkets/ hypermarkets for home consumption. European and US imports are generally sold through supermarkets/ hypermarkets but at higher prices to mostly European consumers, or they are sold to hotels, restaurants and catering companies.

Intense competition among retailers due to relaxed importation regulations
The main challenge in distributing vegetables in the UAE is the high competition amongst market players since it is very easy to import vegetables. The relaxed regulations consequently create the challenge of having high standards for product quality, great variety and reasonable prices (setting a rate that is comparable with market rates and is still profitable). Other challenges include the cost of raw materials, and the cost of storing and transferring them. Moreover, there is an increasing focus on certain certifications such as Hazard Analysis & Critical Control Points (HACCP) and ISO (International Organization for Standardization) that companies should have these days, since the government is very strict on hygiene.

Price, quality, timeliness and seasonality are key to engaging local retailers
The main considerations of retailers are price, quality, timely delivery/ servicing of orders and seasonality of vegetables when purchasing and retailing vegetables. Moreover, the payment method and terms are important. Many retailers, for example, look at the possibility of paying 90 days after orders are delivered. They are also keen to have good-quality products that are very fresh and have a longer shelf life at reasonable prices. Moreover, marketing support from suppliers provides added value since branded items are generally familiar and known among clients and consumers. When products are branded, it makes them easier to sell.

When selecting distribution channels/ retailers, the criteria depend mainly on demand from the channel itself (size of order and type of vegetables) and seasonality of that demand. Also, the frequency of orders, good margins, and timely payments are taken into consideration.

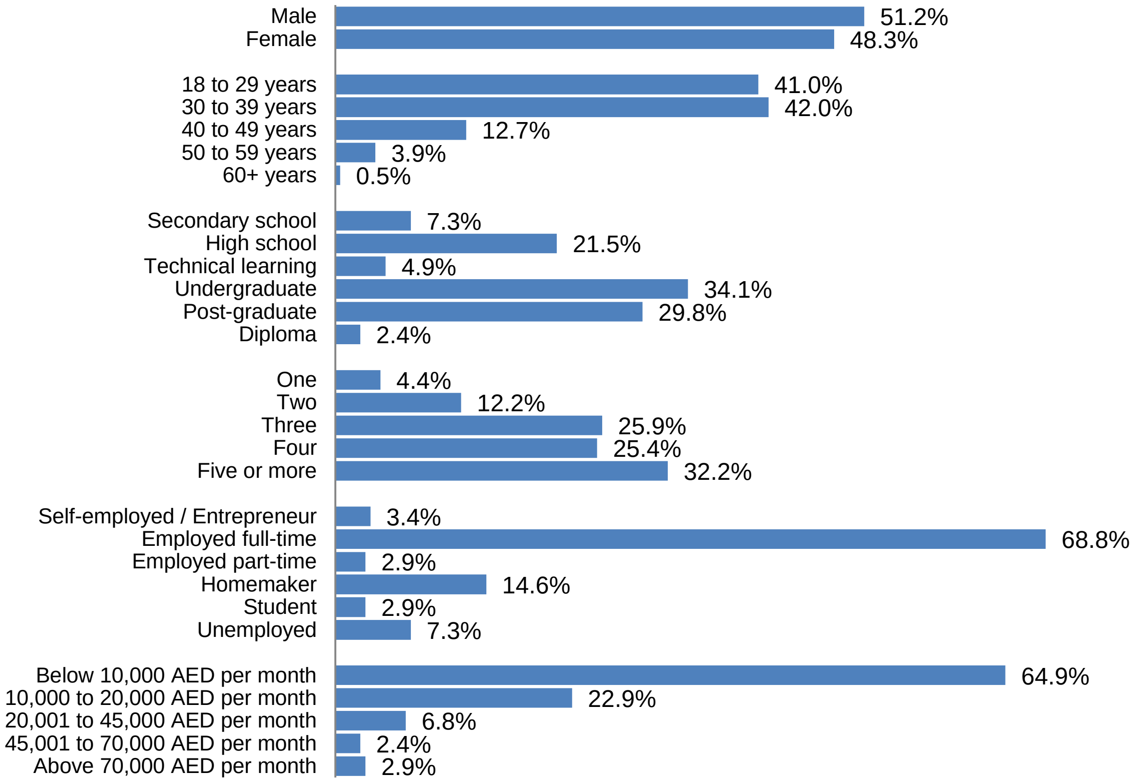
5.9.3 About the Survey Respondents

A consumer survey was conducted in the United Arab Emirates in June 2014, with a quota of n=200 with no sub-quotas applied for this research and a total of n=205 people who completed the survey. This section outlines the profiles of respondents.

Profiles of n=205 respondents

- The survey sample consists of 205 respondents, split almost equally between males and females.
- Those aged 18-39 made up 83% of the sample, while those aged 40 and over made up 17.1%.
- About 64% of survey respondents were in the process of receiving or had already achieved higher education, pointing to a fairly well-educated sample.
- More than 80% of respondents came from households with three or more members. Specifically, households with five or more members made up the majority, reflecting large household sizes.
- Around 75% of respondents were currently employed, holding either full-time or part-time jobs, or they were self-employed.
- More than 85% of respondents came from households earning up to AED20,000 per month, with the majority earning less than AED10,000 per month.

Chart 106 United Arab Emirates: Profile of Survey Respondents



Q3. Please select your gender.
Q4. What is your age?
Q5. What is the highest degree or level of education you have completed?
Q6. Including yourself, how many members are there in your household?
Q7. Which of the following best describes your employment status?
Q8. Please indicate your approximate monthly household income before taxes.

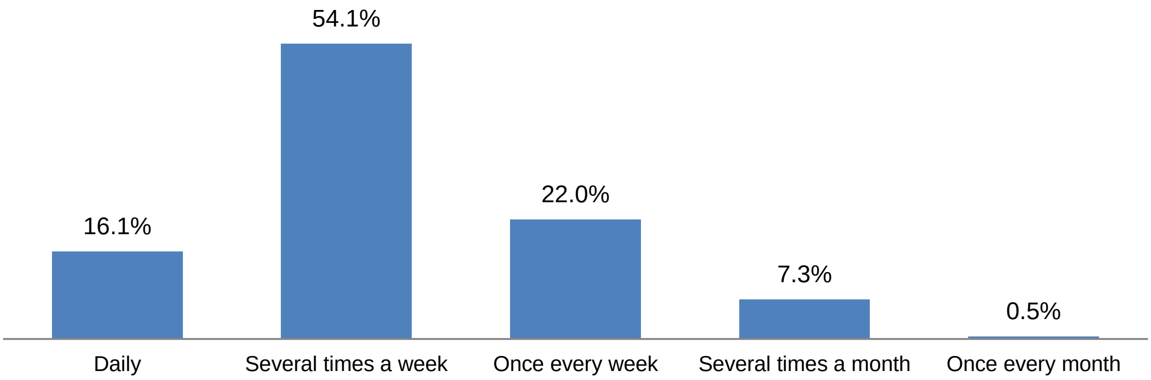
Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

5.9.4 Consumer Purchasing Behaviour

Consumers purchase mostly local vegetables frequently
Most respondents make frequent purchases of vegetables, with approximately 92% purchasing vegetables at least once per week. The most common frequency of vegetable purchases was more than once a week.

Chart 107 United Arab Emirates: Frequency of Vegetable Purchases



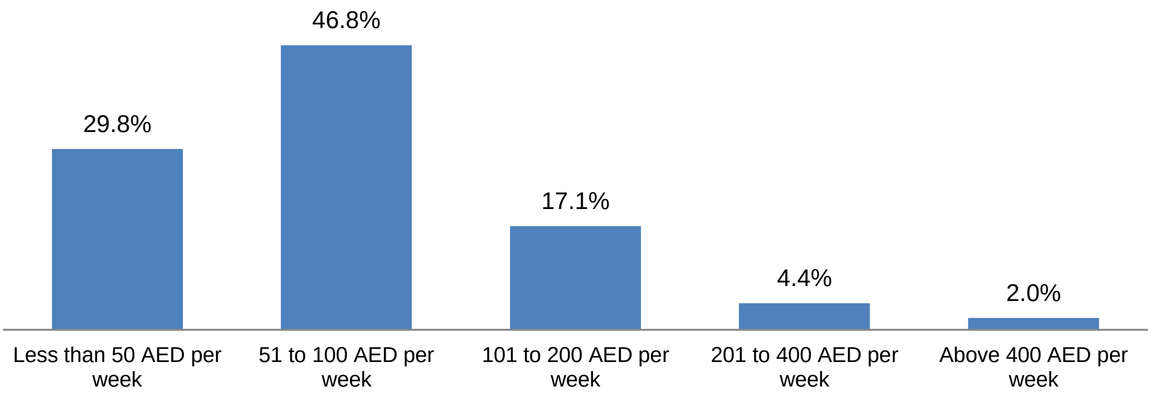
Q9. How often do you purchase vegetables? (Please select one.)

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Household expenditure on vegetables per week largely does not exceed AED100 per week; 76.6% of all respondents spend a maximum of AED100 per week on vegetables.

Chart 108 United Arab Emirates: Weekly Household Expenditure on Vegetables



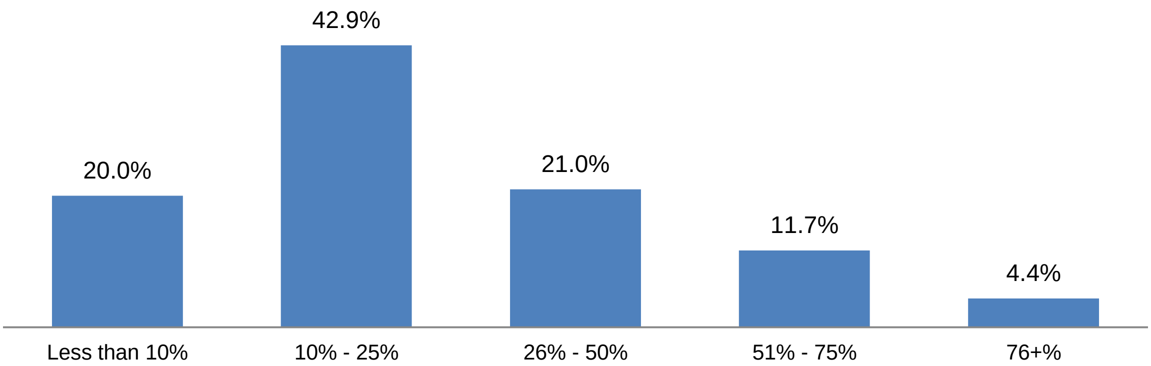
Q10. How much does your family spend on vegetable purchases per week? (Please select one.)

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

About 84% of respondents spend up to 50% of their weekly household expenditure on imported vegetables, with most spending 10%-25% on imported vegetables. This highlights the dominance of locally produced vegetables in respondents' expenditure on vegetables.

Chart 109 United Arab Emirates: Proportion of Weekly Household Expenditure on Imported Vegetables



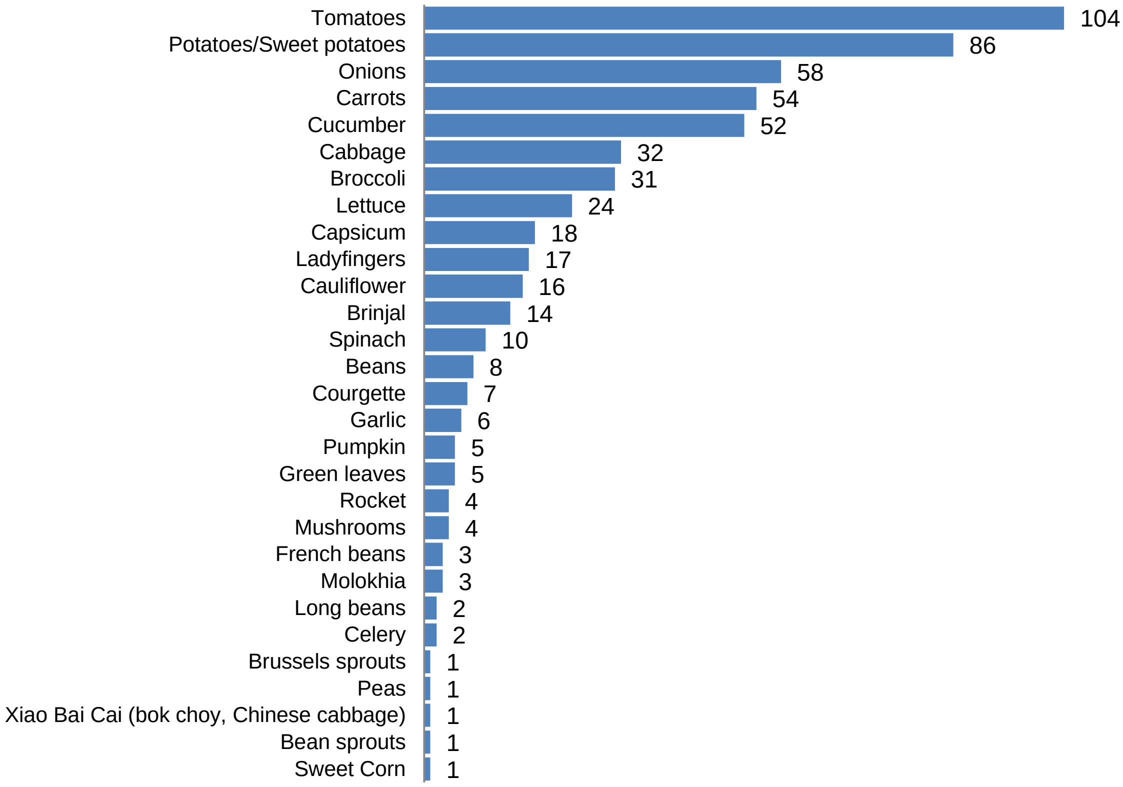
Q11. On average, what is the proportion of your weekly expenditure on imported vegetables? (Please select one.)

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Tomatoes, potatoes and onions saw the highest frequency of purchase
Respondents purchased tomatoes, potatoes/ sweet potatoes and onions most often over the last three months. These are considered vegetables for daily consumption used frequently in many cuisines as per the local culture.

Chart 110 United Arab Emirates: Most Frequently Purchased Vegetables



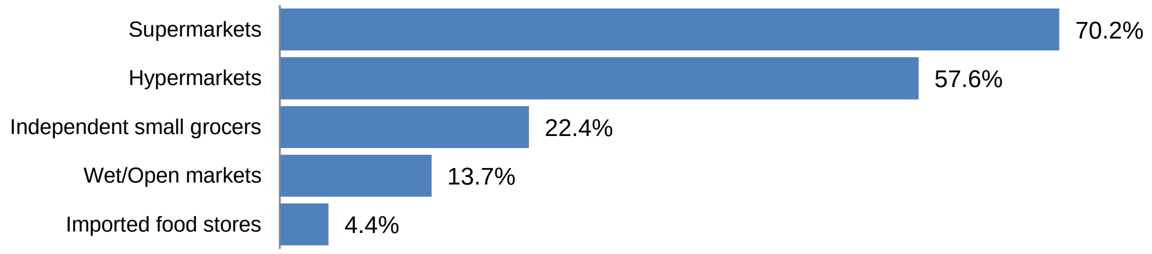
Q12. List three vegetables which you most frequently purchased during the last three months.

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Modern retail channels are preferred due to convenience and the quality of vegetables
Supermarkets and hypermarkets were the retail channels of choice for the purchase of vegetables, in line with the most popular formats for grocery retailing in the United Arab Emirates. The increasing popularity of these modern retail channels can be partly attributed to their easily accessible locations, their positioning of value-for-money offerings and growth in new outlets as a result of the shutting down of smaller independent grocers by the government.

Chart 111 United Arab Emirates: Retail Channels for Vegetable Purchases



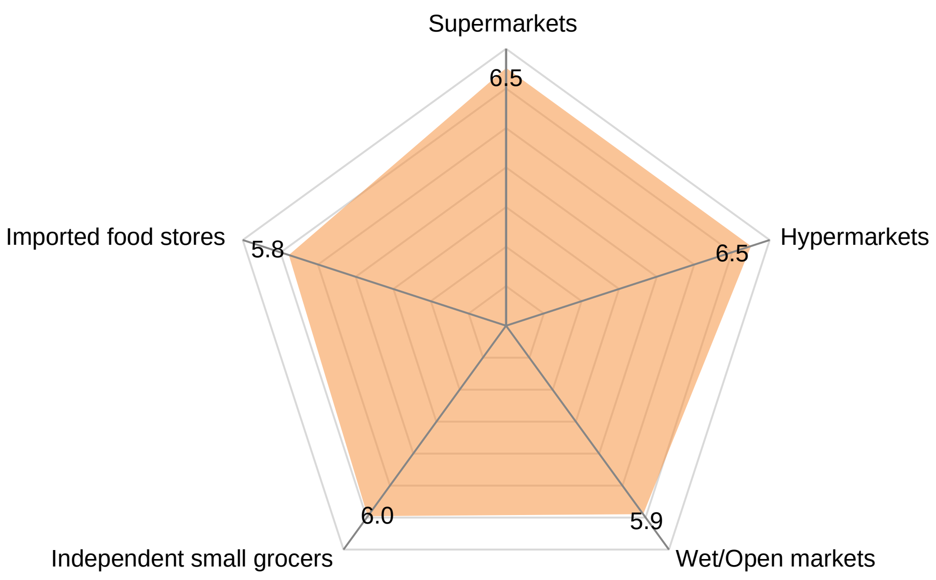
Q13. Where did you purchase vegetables during the LAST THREE MONTHS? (Please indicate as many as apply.)

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Supermarkets and hypermarkets were chosen as respondents' preferred retail channels for purchasing vegetables. For all retail channels, respondents' preferences are indicative of their actual shopping behaviour for vegetables.

Chart 112 United Arab Emirates: Preferred Retail Channel



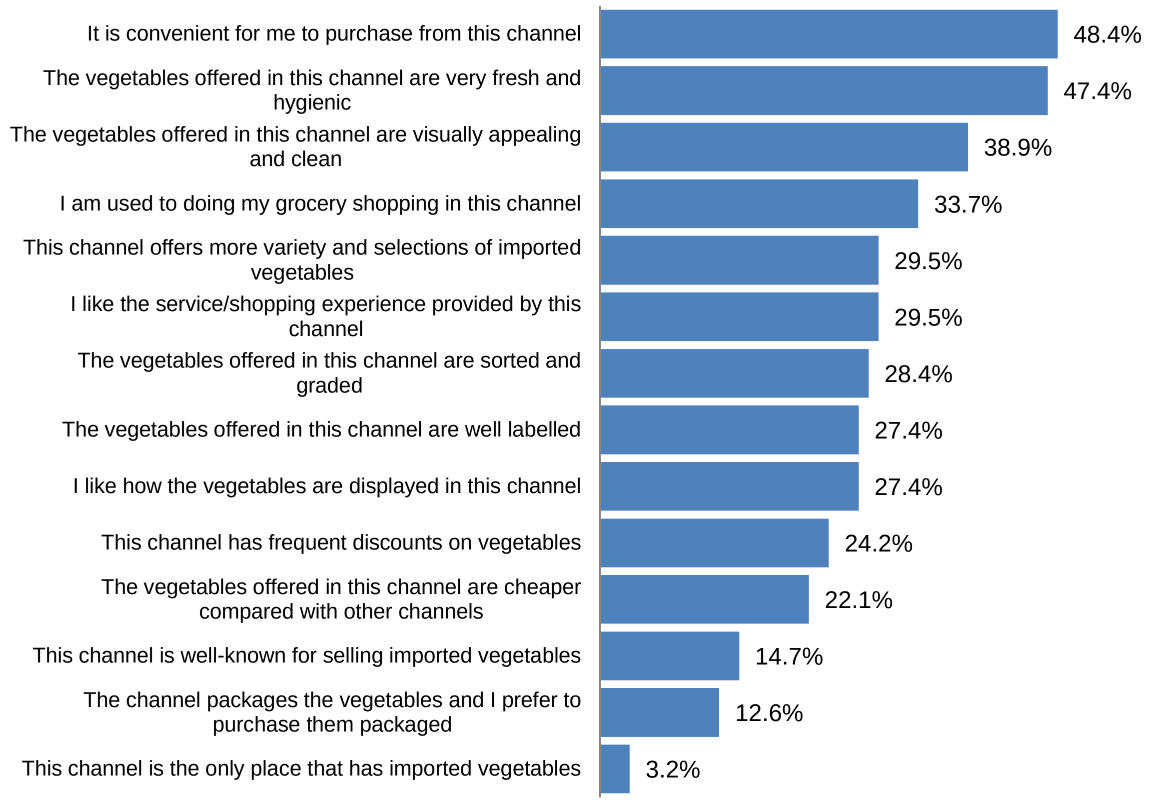
Q14. Of the list of store types you selected in the previous question, please rank them in order of your preference when purchasing vegetables.

Base: All respondents (n=205), n=143 supermarkets, n=118 hypermarkets, n=28 wet/ open markets, n=46 independent small grocers, n=9 imported food stores.

Source: Euromonitor International online consumer survey, June 2014

Convenience and freshness of vegetables were cited as the foremost two reasons for purchasing vegetables from supermarkets. The close proximity of supermarkets to residential areas provides easy access, especially for consumers who do not reside near shopping centres.

Chart 113 United Arab Emirates: Reasons for Most Preferred Retail Channel Type – Supermarkets



Q15. Select the statements below that best describe why you purchase vegetables in <selection that is ranked #1 from Q14>. (Please indicate as many as apply.)

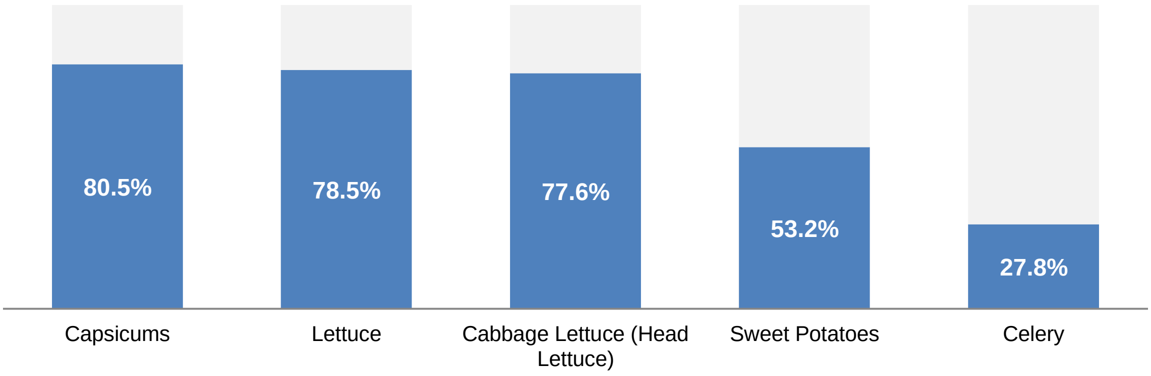
Base: Respondents who ranked supermarkets as the most preferred channel of purchase (n=95)

Source: Euromonitor International online consumer survey, June 2014

High levels of consumption for capsicum, lettuce and cabbage lettuce

The five shortlisted vegetables, with the exception of celery, have high levels of consumption in the United Arab Emirates; more than half of survey respondents purchased at least one of these vegetables in the last three months. Of these, the most frequently purchased vegetables in the last three months were capsicum, lettuce and cabbage lettuce.

Chart 114 United Arab Emirates: Vegetables Commonly Purchased



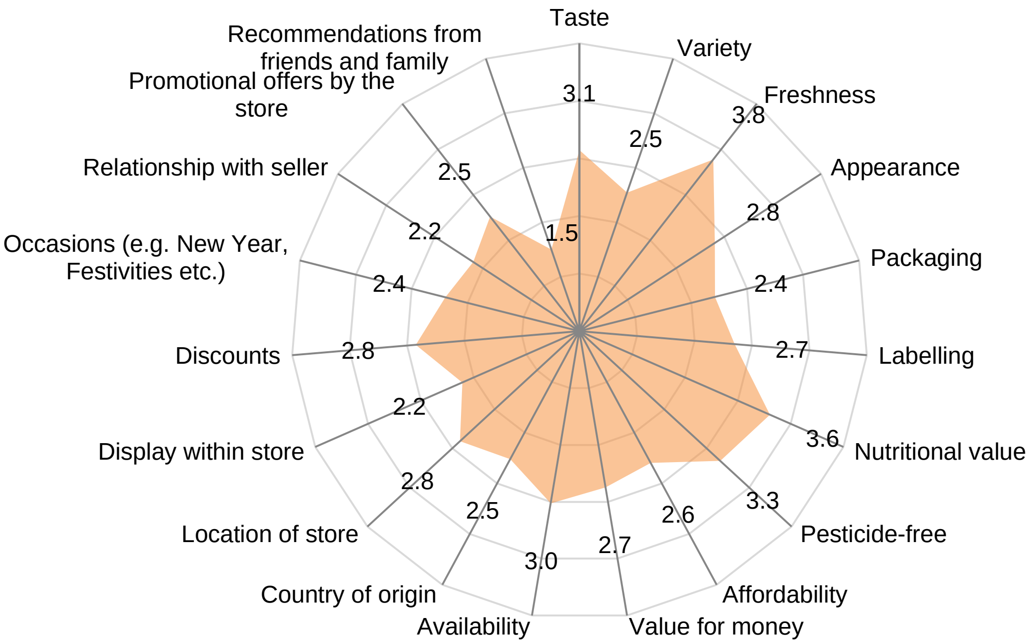
Q21. Of the list of five vegetables below, which have you purchased in the LAST THREE MONTHS?

Base: All respondents (n=205)

Source: Euromonitor International online consumer survey, June 2014

Freshness and the nutritional value of vegetables are the primary considerations
Freshness, nutritional value and being pesticide-free were the topmost considerations of consumers when purchasing imported vegetables. Notably, attributes of quality outweighed those of price, indicating that respondents are willing to pay for quality.

Chart 115 United Arab Emirates: The Most Important Attributes for Purchasing Imported Vegetables



Q16. Of the list of factors below, please rank the TOP FIVE FACTORS which are most important to you when purchasing imported vegetables.

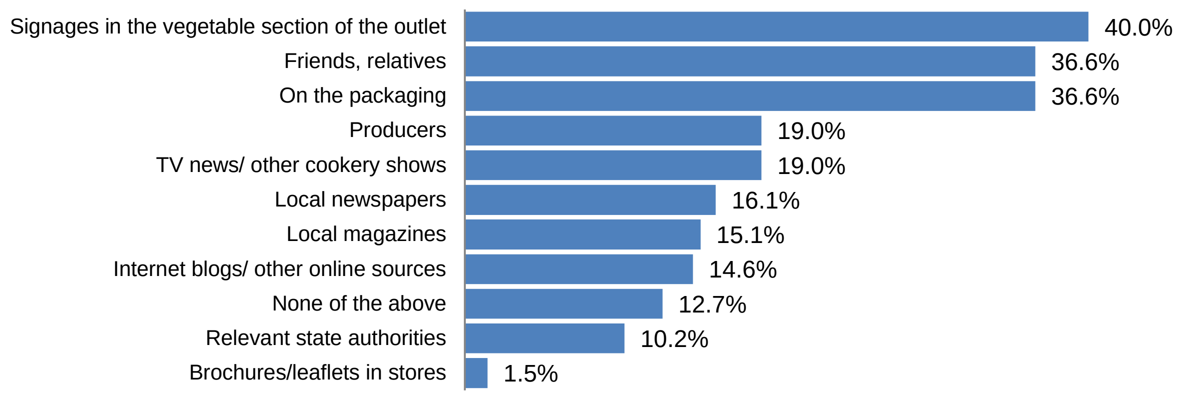
Base: All respondents (n=205)

Source: Euromonitor International online consumer survey, June 2014

Signage, packaging and friends and relatives are the most common sources of information
Respondents typically rely on information around them when making vegetable purchases – 40.0% of respondents said they use in-store signs while 36.6% refer to packaging information. It is thus likely that most respondents make purchasing decisions at the store itself. In addition, 36.6% of survey respondents also heed information derived from friends and relatives.

While mainstream media such as newspapers and magazines are increasing awareness about the health benefits of vegetables, consumers find them less useful when it comes to encouraging trials of vegetables and incorporating them more often as part of their daily diet.

Chart 116 United Arab Emirates: Sources of Information for Vegetable Purchases



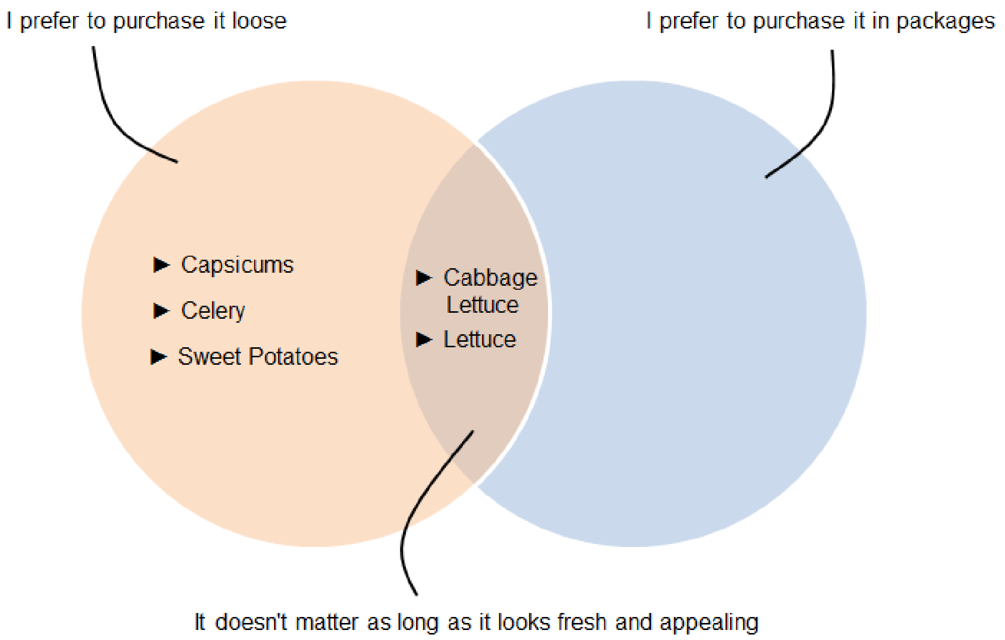
Q18. Which of these sources of information do you use when it comes to the purchase of vegetables? (Please indicate as many as apply.)

Base: All respondents (n=205)

Source: Euromonitor International online consumer survey, June 2014

Loose packaging format is largely preferred for some vegetables
Consumers prefer to purchase capsicum, celery and sweet potatoes loose, while they are largely indifferent to buying cabbage lettuce and lettuce in packaging or loose. Packaged vegetables are generally preferred when it comes to freshly cut produce such as carrots, onions and others. Freshly cut baby leaves are also packaged and in demand by consumers. Moreover, local organic products such as cucumbers, tomatoes and others are also seen to be generally packaged in supermarkets/ hypermarkets.

Chart 117 United Arab Emirates: Preferred Format of Vegetables



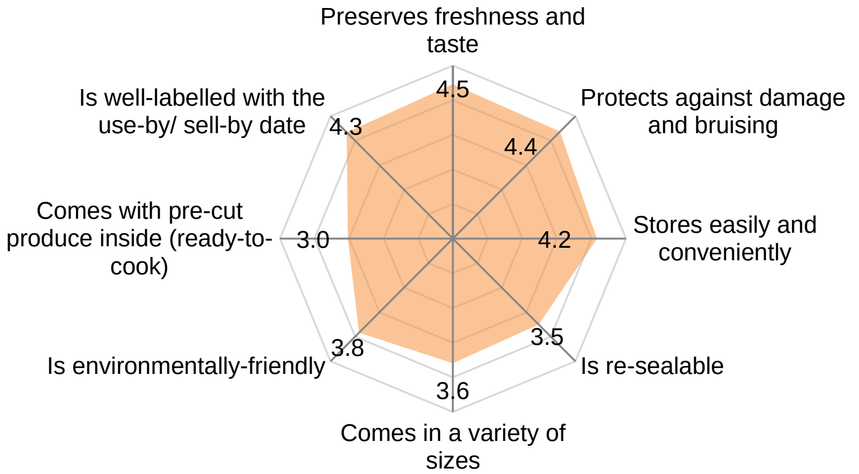
Q25. Please select the one statement that best describes your preference when it comes to the packaging of these vegetables.

Base: All respondents (n=205), n=165 capsicum, n=161 lettuce, n=159 cabbage lettuce, n=109 sweet potatoes, n=57 celery

Source: Euromonitor International online consumer survey, June 2014

The portion of consumers who prefer buying vegetables with packaging do so as they believe it helps to maintain the quality of the vegetables. Specifically, it is believed that the packaging helps preserve the freshness and taste of vegetables, while also protecting against damage and bruising.

Chart 118 United Arab Emirates: Importance of Factors for Buying Packaged Vegetables



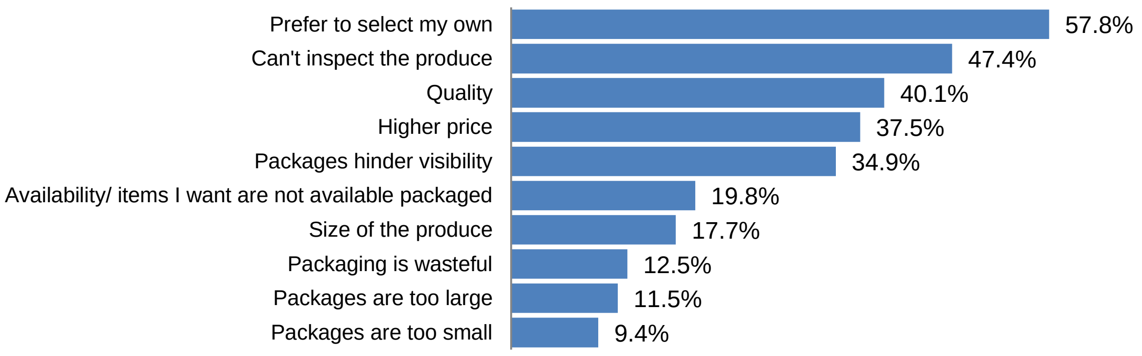
Q26. On a scale of 1 to 5 with 1 being extremely unimportant and 5 being extremely important, please rate how important the following factors are in your decision to purchase packaged vegetables.

Base: Respondents who prefer to purchase vegetables in packages or have no preference as long as the vegetables look fresh and appealing (n=161)

Source: Euromonitor International online consumer survey, June 2014

A majority of survey respondents (57.8%) prefer to buy vegetables in loose format due to a preference for selecting the vegetables individually. Many consumers prefer to inspect the produce before purchase in order to ensure that it is of the highest quality.

Chart 119 United Arab Emirates: Reasons for Not Buying Packaged Vegetables



Q27. What keeps you from purchasing more packaged vegetables? (Please indicate as many as apply.)

Base: Respondents who prefer to purchase vegetables loose or have no preference as long as the vegetables look fresh and appealing (n=192)

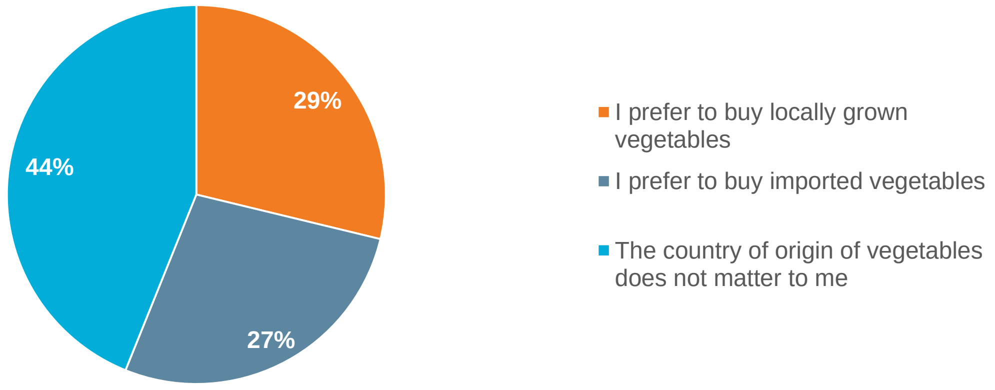
Source: Euromonitor International online consumer survey, June 2014

5.9.5 Acceptance of Vegetable Imports

Consumers are more concerned with quality rather than country of origin

Many respondents place low emphasis on the country of origin of the vegetables they purchase, focusing instead on other attributes such as freshness and nutritional value, as identified earlier. Of the remaining 56%, a slightly greater proportion of consumers prefer locally grown vegetables to imported vegetables.

Chart 120 United Arab Emirates: Preference of Origin of Vegetables



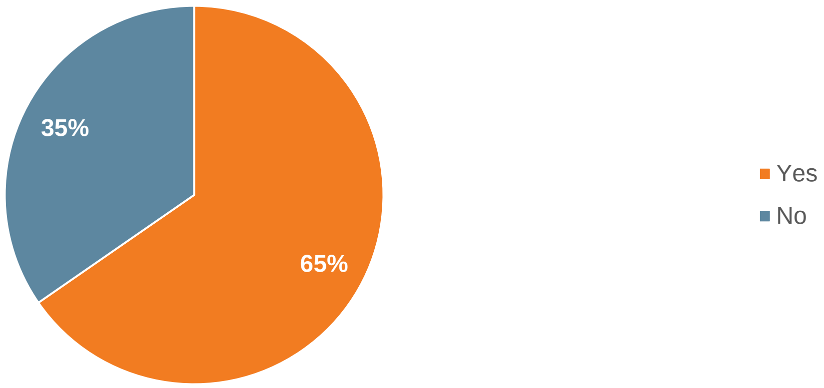
Q17. What is your preference when it comes to the country of origin of vegetables?

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

More than half of all respondents indicated a willingness to pay extra for imported vegetables that are of higher quality. However, given that most consumers pay little attention to vegetables' country of origin, it is likely that they are in fact willing, rather, to pay a premium for the quality of the vegetables.

Chart 121 United Arab Emirates: Willingness to Pay a Premium for Imported Vegetables



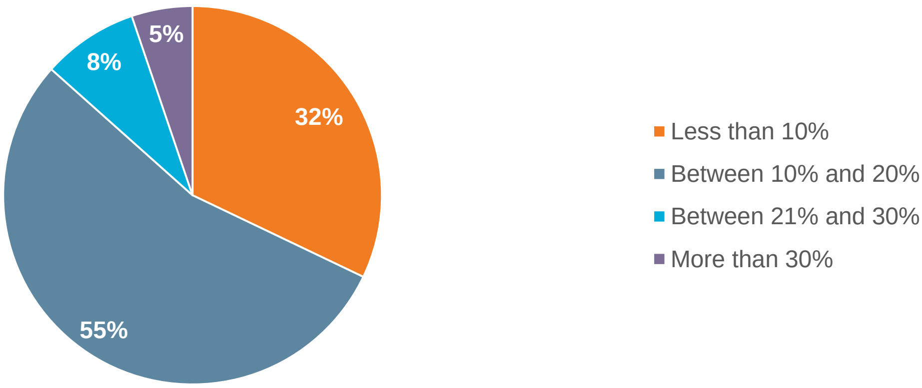
Q19. Are you willing to pay a premium for imported vegetables assuming that they are of better quality?

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

An overwhelming 87% of respondents indicated that they were willing to pay a premium of 20% at most for good-quality imported vegetables.

Chart 122 United Arab Emirates: Premium Willing to Pay for Imported Vegetables



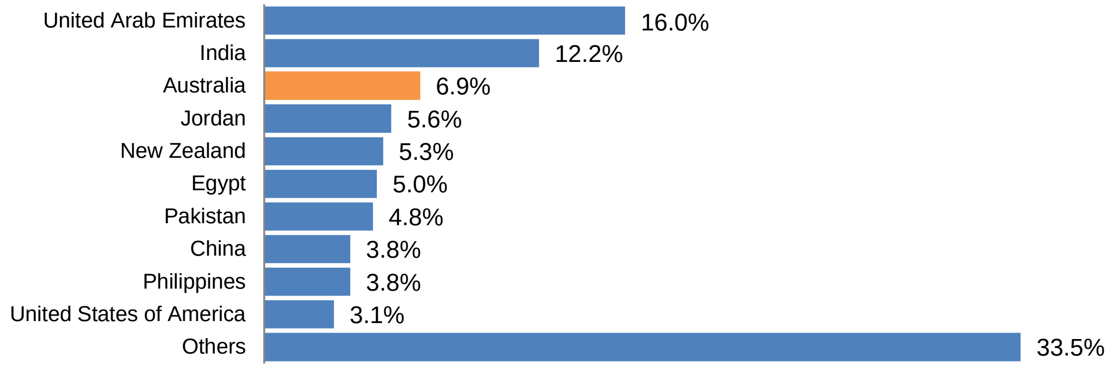
Q20. How much more are you willing to pay for imported vegetables?

Base: Respondents who are willing to pay a premium for imported vegetables (n=134); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

Survey respondents most frequently purchased locally grown vegetables, with 16.0% citing United Arab Emirates as the most common country of origin. India was cited as the next most common country, partly due to the close geographical distance between the two, and Australia was identified as the third most common country of origin. However, this finding is largely limited to the five surveyed vegetables – capsicum, sweet potatoes, cabbage lettuce (head lettuce), lettuce and celery. When it comes to other vegetables, imports from Middle Eastern countries are more in demand. Specifically for Europe, the most common countries are the Netherlands and Spain, as they provide high-quality produce at better prices than Australian imports. In the case of some vegetables, such as sweet potatoes, Australian imports are favoured.

Chart 123 United Arab Emirates: Most Common Origins of Vegetables



Q22. From the list provided below, select up to four countries from which you purchase vegetables most frequently.

Base: All respondents (n=205)
Responses are summarised based on five key commodities – capsicum, sweet potatoes, cabbage lettuce (head lettuce), lettuce and celery.
'Others' includes countries such as Bangladesh, Syria, Sri Lanka, Saudi Arabia, Thailand, the Netherlands, Turkey, Malaysia, Iran and Yemen.

Source: Euromonitor International online consumer survey, June 2014

5.9.6 Competitiveness of Australian Vegetable Imports

Mostly favourable perceptions associated with Australian vegetables
Respondents typically have positive perceptions about Australian vegetables. In particular, Australian vegetables are perceived to be fresh and of good quality, a competitive edge that Australia should maintain since the freshness of vegetables is the most important consideration to local consumers. However, there are some respondents who associate Australian vegetables with being expensive.

Chart 124 United Arab Emirates: Most Common Associations with Australian Vegetables

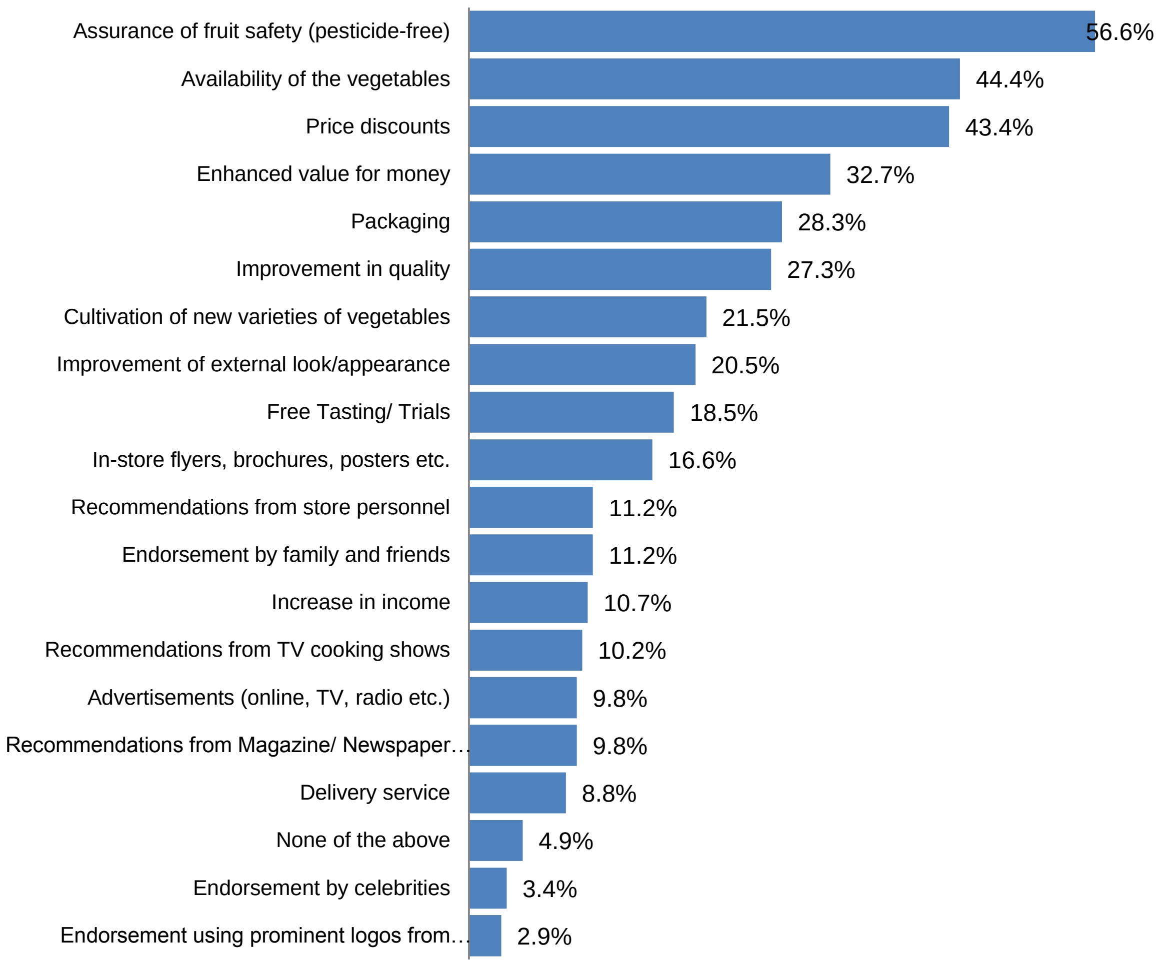
Q23. What comes to your mind when you think about vegetables imported from Australia?

Base: All respondents (n=205)

Source: Euromonitor International online consumer survey, June 2014

Respondents cited the assurance of vegetables being pesticide-free, the increased availability of Australian vegetables and price discounts as the greatest push factors in the purchase of Australian vegetables.

Chart 125 United Arab Emirates: Motivations and Incentives to Purchase Australian Imports



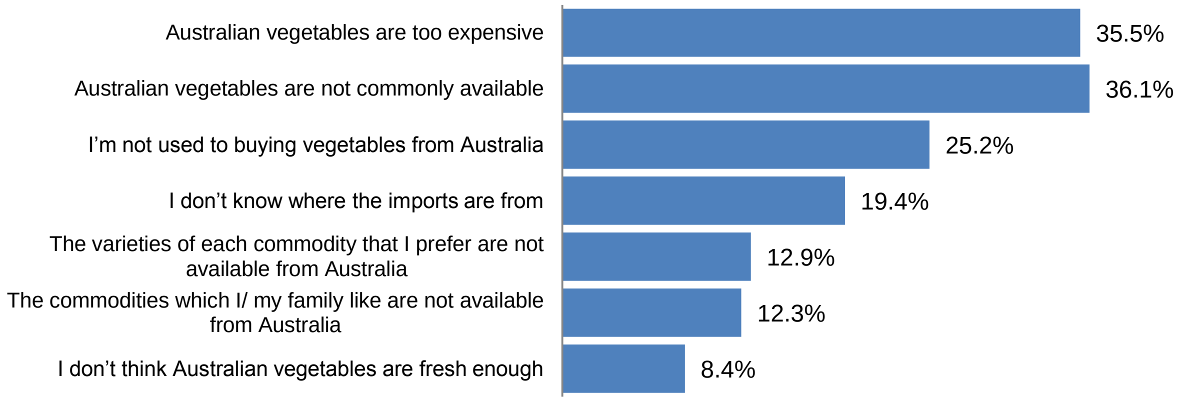
Q33. Choose the statement(s) below which would motivate or incentivise you to purchase Australian vegetables. (Please indicate as many as apply.)

Base: All respondents (n=205)

Source: Euromonitor International online consumer survey, June 2014

For respondents who have never purchased vegetables from Australia, the low availability of Australian vegetables and their relatively high price points were identified as the most pertinent reasons for not purchasing them. Some Australian vegetables can be two times the price of vegetables from other countries or more – well outside the 10%-20% premium that consumers are willing to pay.

Chart 126 United Arab Emirates: Reasons for Not Purchasing Australian Imports



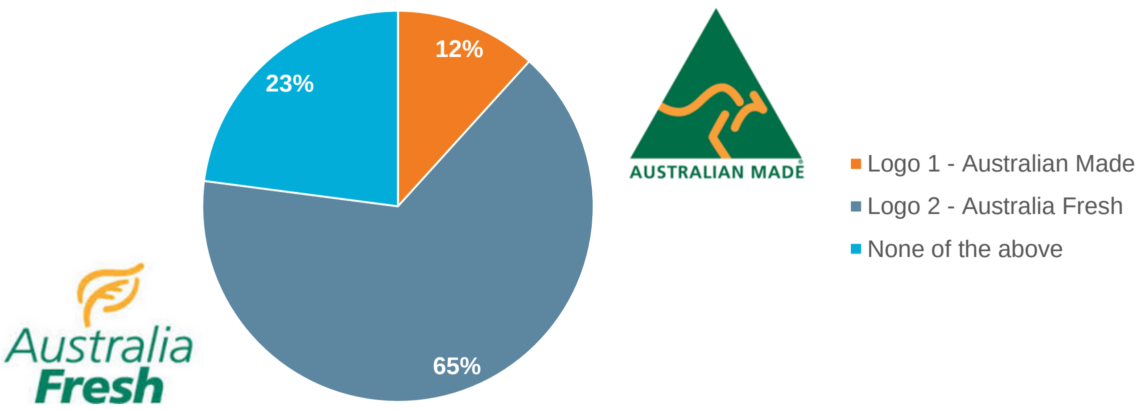
Q32. Why did you not purchase vegetables imported from Australia? (Please indicate as many as apply.)

Base: Respondents who have never purchased vegetables from Australia (n=155)

Source: Euromonitor International online consumer survey, June 2014

Most respondents indicated that the presence of a logo on the packaging of vegetables would encourage them to try Australian vegetables. In particular, 65% of survey respondents preferred the Australia Fresh logo as compared with the 12% who favoured the Australian Made logo.

Chart 127 United Arab Emirates: Presence of Logos on Product Packaging



Q34. Which of these logos on the packaging of vegetables would increase your willingness to try Australian imported vegetables?

Base: All respondents (n=205); total may not equal 100% due to rounding.

Source: Euromonitor International online consumer survey, June 2014

<u>Analysis of findings (from Chart 128):</u>

Locally produced vegetables maintained a distant lead in the UAE
Notably, UAE led its competitors by at least 181 points from the next closest competitors, i.e., India for any given attribute. Vegetable produce from the UAE is generally seeing greater demand due to its cheaper prices and the consumer preference for locally grown produce. Respondents prefer the local produce largely due to **discounts**, **product labelling** and as they are **free of pesticides**. With a high

number of respondents being familiar with and having purchased vegetables produced locally in the UAE, the country led its competitors.

India ranked second based on pricing
Interestingly, India emerged as the second most preferred country of origin for consumers in the UAE. India's imports are generally affordable, considered to be value for money as they are frequently sold on discounted prices. Aside from these attributes, huge demand for roots and tubers and the large South Asian (Indian, Sri Lankan, Pakistani, and Bangladeshi) population in major cities such as Dubai were also key factors in the contributing to the strong preference for vegetables supplied by India. The large South Asian population made up over 58% of the total population of the UAE in 2013. Vegetables such as cauliflowers, brinjals, cabbages, pumpkins, green peas and squashes are produced in huge quantity, for both local consumption and overseas exports and the dominant South Asian population, especially as blue collar workers tend to prefer the cheaper produce originating from India.

Long distance continues to be an issue for Australian imports
Australia trailed far behind in third ranking, with approximately a-third of UAE's scores, in general. While respondents ranked Australian vegetables as either on par or just behind those from the UAE for most attributes, there were a fewer respondents who had purchased Australian vegetables. Australia scored the lowest on affordability, value for money and discounts when looking across all the 12 attributes benchmarked. With long shipments contributing to the logistics costs, and the relatively high costs of good for Australian produce, retailers have to offer them at relatively higher price points, and thus have little room to offer discounts.

Additionally, local importers of vegetables have raised concerns about importing from Australia as produce tend to lack freshness after the long transportation period. As such, consumers are not as keen to try Australian produce, when compared to local produce from neighbouring suppliers which are considered to be fresher.

Jordan and New Zealand- the closest threats to Australia
Jordan and New Zealand followed closely behind Australia on affordability, value for money and discounts. However, these attributes are relatively unimportant to consumers, as indicated earlier in Chart 13. Other than Jordan and New Zealand which are fairly close to Australia, other countries such as Egypt, Pakistan etc., are clustered at the bottom of the chart. While there is demand for vegetables from these origins, there is on the whole fairly little threat to Australia from these countries.

Summary of results for Australian vegetables:

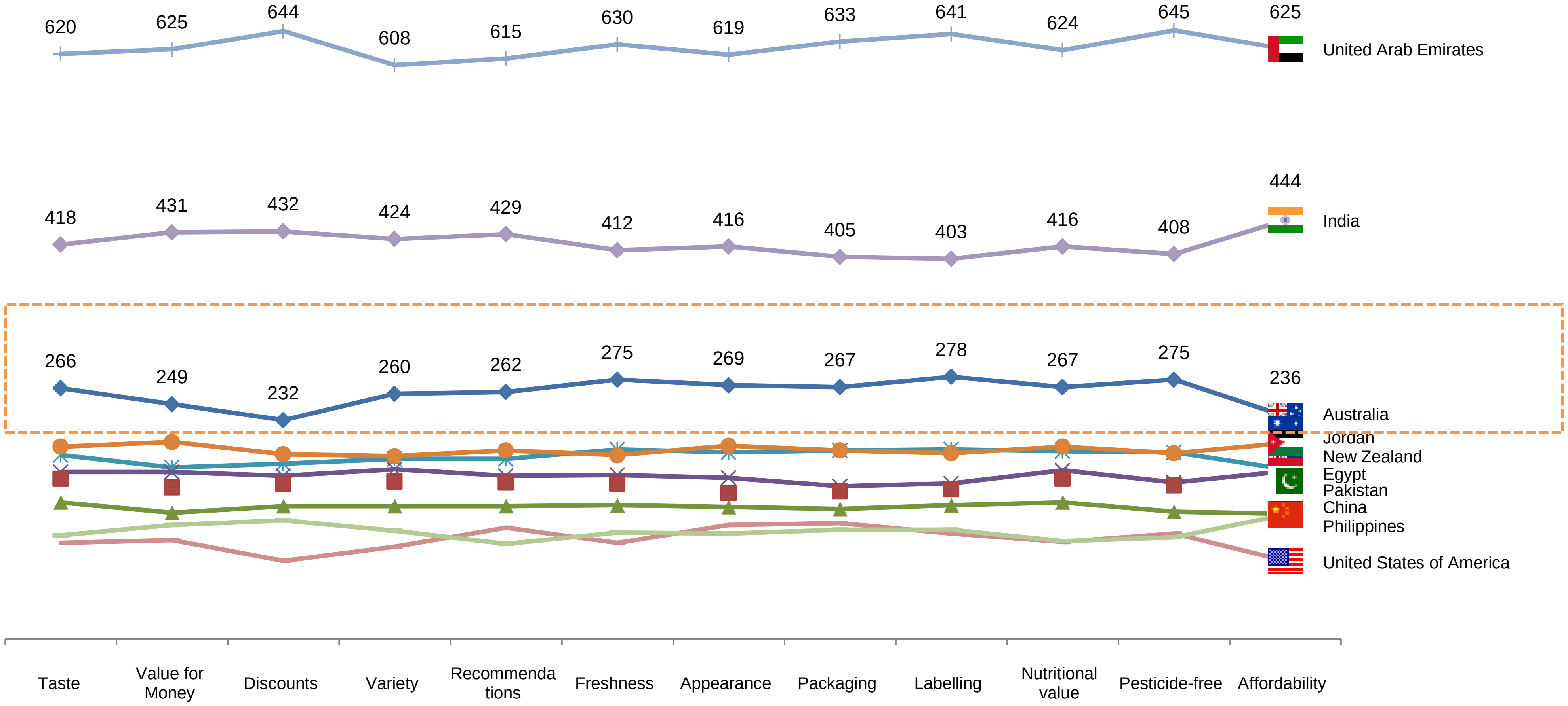
- **There are no points of difference for Australia in the UAE**, due to the following reasons:

    1. There is very low awareness and presence of Australian vegetables in the UAE, i.e, the number of respondents (n) who selected Australia as one of the four supplying countries of vegetables in the UAE is very low (10 to 29 of 205 respondents). In contrast, local vegetables (from UAE) have very strong presence in the country (46 to 180 of 205 respondents), hence, a much higher score for the leading country.

    2. It is difficult for Australia to compete with other supplying countries on price points – the country scored the lowest on affordability, value for money and discounts, across all 12 attributes.

    3. Importers are generally not keen to bring in Australian vegetables due to the long distance between the two countries. Trade sources have shared that freshness and wastage are challenges faced by retailers and importers. Conversely, local suppliers and neighbouring producers such as India have an edge due to the proximity to consumers and have products offered at relatively lower price points.

Chart 128 United Arab Emirates: Benchmarking of Australian Vegetables



Q24. Considering all your purchases of <vegetable> in the LAST THREE MONTHS from the (pipe in number of countries selected in Q22) selected countries of origin from the previous question, please rank the countries for each factor below, with 1 being the most preferred country and 4 being the fourth most-preferred country.

Base: All respondents (n=205)

Note: Cumulative totals based on the number of respondents who chose the country and ranked the relevant criteria

Source: Euromonitor International online consumer survey, June 2014

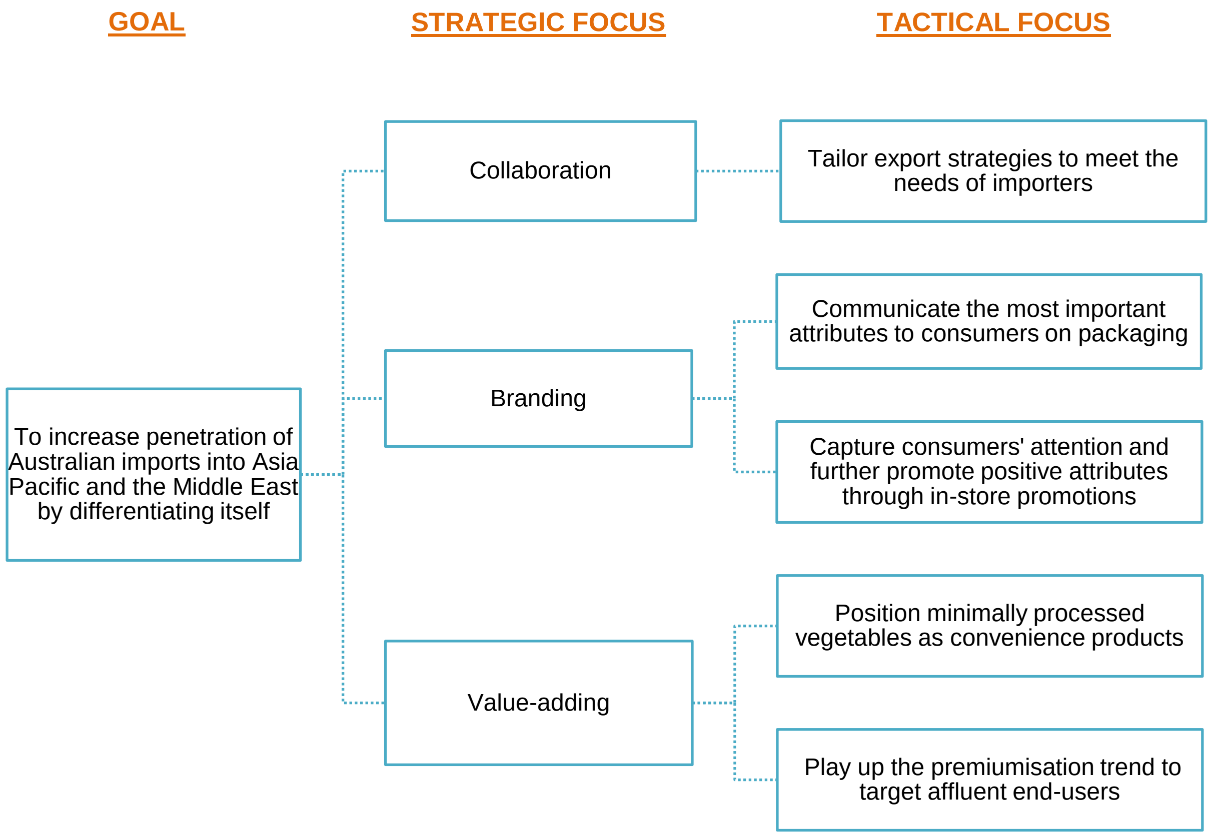
6. RECOMMENDATIONS

With the broad directions outlined in Section 4.2, Euromonitor International proposes that Australia looks into employing strategies that help support and promote attributes which fulfil two criteria: (1) attributes deemed important to consumers, and (2) attributes in which Australia has a CE or a positive POD in.

	What can be done?	Rationale for Actions
Freshness	Invest in packing technology to improve freshness	Innovations in packaging technology can help slow down the ageing process of vegetables, enabling the vegetables to appear fresher for longer.
	Reduce lead time and delivery time in supply chain	A shorter farm-to-market lead time will enable Australian vegetables to have same level of freshness as its competitors who are geographically closer to its destination markets.
	Specify a 'Packed-on' and 'Best if used by'/ 'Sell by' date on the packaging	The inclusion of this will give consumers the assurance of the short farm-to-market lead time and thus of the vegetable's freshness.
	Use a logo, such as the Australia Fresh logo, to quickly convey the freshness of the vegetables	The use of a logo will help in the branding of Australian vegetables and will help associate Australian vegetables to freshness. Furthermore, consumers have reflected that the use of a logo will increase their willingness to try Australian vegetables.
Pesticide-free	Highlight vegetables that are organic on packaging – a logo could be used to clearly distinguish the product as being organic	A logo will aid in the quick identification of organic vegetables.
Packaging	Pre-pack vegetables such as carrots which people prefer to purchase in packages	Although packaging was not one of the top considerations of consumers, it is commercially beneficial for Australia to do so (e.g. for branding purposes).
	Use transparent packaging which allows consumers to see the produce	Consumers avoid buying packaged vegetables as they are not able to visually inspect the produce.
	Brand the product via its packaging and convey useful information to consumers	Packaging is the primary source of information for consumers.
Value-add	Provide brief/detailed recipe in line with local taste and palate, on the packaging, an attached label or in-store display.	Recipes will value-add to the vegetable, thereby making the purchase more value for money. At the same time it creates potential talking point for recommendations from friends and family.
Nutritional value	Incorporate nutritional information on the vegetable packaging and in-store display posters (if allowed by country)	Packaging and in-store displays are the primary sources of information for consumers.
Taste	Promote the taste of Australian vegetables through food samplings and through brand messages on packaging	Food samplings will help gain attention for Australian vegetables and, at the same time, encourage trial. In Middle Eastern countries, where taste is already a competitive edge for Australia, food samplings will help reinforce that image.
Minimally processed vegetables	Make available minimally processed vegetables, especially to the foodservice channel	Increasing demand from restaurants, especially in countries facing manpower shortage.

From this set of guidelines, Euromonitor International has also crafted a number of recommendations, incorporating these strategies to form a more holistic approach to help Australian growers strengthen their presence in their export markets.

6.1 TARGETING THE REGIONS



When deciding on which marketing strategies to employ for the five researched markets – classified here as Collaboration, Branding and Value-adding - Australian growers should first take into account the level of presence of Australian vegetables in a particular market.

If it is low, as with China, Saudi Arabia, and UAE, growers should prioritise increasing their supply first through Collaboration strategies. They should also ensure that vegetables entering those countries are well-branded according to their strengths. For countries with an already high level of presence, as with Singapore and Malaysia, increasing supply volumes is not as pressing. Collaboration strategies, however, should be used to maintain good relationships with importers and distributors in those countries. Efforts should be channelled towards using branding and marketing to differentiate themselves from the competition and retain their dominant position in those countries.

Tactical Focus 1: Strengthen collaborative efforts with importers

Tailor export strategies to meet the needs of exporters

Some importers in these regions can be more cautious when it comes to importing Australian vegetables due to various concerns such as that about wastage, not meeting the minimum required volume, or an overall lack of confidence in imported vegetables. To circumvent these concerns, Australian exporters could, for instance, provide assurances by promoting to importers the post-harvest methods used to keep the vegetables in tiptop condition, reduce the minimum quantity required, and to give importers the option to customise the mix of vegetables in the box.

Tactical Focus 2: Communicate the most important attributes to consumers on packaging

Enhancing packaging for broccoli and carrots suited for modern trade retailers
Many consumers mentioned broccoli and carrots when asked about Australian vegetables and these two vegetables were also identified as example of vegetables that currently signify Australia's strengths in farming and, simultaneously, offer Australia opportunities to further penetrate the Middle East and Asia Pacific. These vegetables should be offered in packaged formats when exporting to these countries as a means of branding so as to leverage and further enhance consumer perceptions of quality.

To optimise the use of packaging, the following considerations are imperative in the process of packaging design:

1) Packaging should allow shoppers to easily inspect the produce
2) The packaging should convey information vital to consumers' purchase decisions. As such, it should include only the most important attributes, which are consolidated in the Importance-Performance Matrix in Table 3. Notably, Australia should leverage on their positioning of Nutritional value and Pesticide-Free in most markets, while work on conveying Freshness to the end consumers for all markets as it is deemed as the most valued attribute in the purchase of vegetables.

Considerations	What can be done
Packaging should allow shoppers to easily inspect the produce	***Provide enough white space for visual inspection*** The packaging used should also be transparent so as to facilitate the inspection of the vegetables contained therein. As such, the packaging should be designed in a way that captures all the above-mentioned elements on one side of the packaging, while the back of the packaging should be kept free of any prints.
The packaging should convey information vital to consumers' purchase decisions – Freshness, Pesticide-free, Nutritional value, and Taste	***Use of logos and brand messages*** The 'Australia Fresh' logo could be used as a quick way of signalling the origin and freshness of the produce. In a similar way, producers of organic vegetables could use logos to quickly and clearly distinguish their vegetables as being organic. A succinct tagline could be included to complement the logo and to quickly establish associations in the minds of consumers. For instance, Zespri Kiwifruit uses creative taglines such as 'Xtreme Nutrition, Xtreme Vitality' to convey its central marketing message. ***Give indications of quality assurance*** The inclusion of a 'Best if used by' date would help provide assurances of the vegetables' freshness. This could be further enhanced by including messages that point to the use of advanced postharvest methods to keep the vegetables fresh. For instance, Yong Kah, a Malaysian producer, includes the message 'Advanced technology of preserving freshness. Safe to consume' on the packaging. ***Include nutritional information*** A nutritional label could be included so that consumers are able to quickly glean the benefits of the produce. Alternatively, a few main health benefits or health facts of the vegetable could be chosen and conveyed on the packaging. For instance, Pasar (a house brand of the retail chain NTUC FairPrice in Singapore) states on its carrot packaging that they are 'A source of Carotene (Vitamin A) and fibre.' ***Create localized recipes*** A recipe specially created for the domestic market could be included on the packaging in order to value-add the product, and at the same time, enhance the experience of consuming Australian vegetables. Alternatively, recipes could be put up on a website, and a link could be included on the packaging to point consumers to this website.

Good use of clear packaging, logo and key words to capture consumers' attention (FairPrice Supermarket in Singapore)

Good use of USDA logo and key words to promote the nutritional value of the product

Australia Fresh

The 'Australian Fresh' logo can be used on product packaging to indicate freshness and origin

With these value-adding features, Australian vegetables will thus come across as being more value for money given current prices. Supermarkets should be the focus of distribution efforts in order to target middle- to higher-income consumers and to achieve the widest reach towards local consumers.

Tactical Focus 3: Capture consumers' attention and further promote positive attributes through in-store promotions

Sampling and promotions to spur trial of Australian vegetables

An example of an in-store promotional display at a supermarket in Singapore

In-store promotions can be carried out through collaborations with retailers, by promoting the desirable attributes of Australian vegetables.

In-store displays with eye-catching decorations could be set up to draw consumers' attention to Australian vegetables. As pictured on the left, Zespri Kiwifruit uses various in-store marketing collateral to draw attention to their brand. Such branding can be carried out for multiple Australian vegetables rather than for a single one.

Free sampling of dishes that are prepared using Australian vegetables or sampling of fresh Australian vegetables could be carried out in stores. This would encourage the trial of Australian vegetables.

However, it is important to consider the regulations in specific countries when developing and launching such in-store promotional activities as some countries such as the UAE do not allow any marketing of fresh produce within the country.

Tactical Focus 4: Position minimally processed vegetables as convenience products

Value-add to encourage purchases by making vegetables ready-to-cook

Examples of ready-to-eat products

Peeled and ready-to-cook carrots by Earthbound Farm in Singapore

Vegetables could be minimally processed in order to increase the appeal of Australian vegetables, especially to consumers with increasingly hectic lifestyles. For instance, broccoli could be cut into smaller pieces and positioned as a ‘grab-and-go’ product that consumers could cook immediately at home.

Alternatively, vegetables that are commonly used in dishes together could be packaged together. Moving beyond salad mix, exporters could consider mixing broccoli with carrots or cauliflower to suit the palates of Asia Pacific consumers while broccoli could be mixed with Middle Eastern staples such as brinjals to suit the diets of local consumers. Placement of these products in supermarkets and hypermarkets will cater to consumers who visit these retail channels as a one-stop shopping place for all of their grocery needs.

The food service channel presents potential opportunities for Australian exporters as they may be willing to pay a premium for highly customised vegetables that helps save on labour time and ultimately costs in the long run. This could serve as a compelling value proposition especially in countries facing a tight labour market, such as Singapore. Specifically, the upmarket restaurants and hotels should be the key target audience for such customised vegetables.

Tactical Focus 5: Play up the premiumisation trend to target the affluent

Gift-giving of premium vegetables can be a potential opportunity area to explore

Examples of a vegetable gift box in China

In countries with strong cultures of corporate gift-giving or where giving fruits and vegetables as gifts is a common custom, such as is the case in Japan and China, the packaging of premium Australian vegetables could present an area with potential. Tie-ups with more upscale retailers in these countries could help facilitate this process, as staff would already be adequately trained in the preparation and packaging of such gifts. Vegetables could be sold loose or packaged at first to cater to customers who wish to purchase them in these ways, but decorative gift boxes should be provided to these retailers for the purpose of gift-giving as well.

The custom of giving fruits as gifts could be leveraged by giving customers the option of bundling vegetables together with fruits.

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