



## Apple and Pear Industry Plan 2018 to 2023

Summary – June 2018

# Why do we need a plan?

- Fail to plan and you plan to fail
- We need to shift our industry so the players can be more profitable
- Spells out a road map to get there
- This needs co-ordinated effort based on a single agreed plan
  - While we are disorganised, with many different voices and ideas, investment and resources are devoted to small, disconnected activities that don't achieve the shift we need
- The road map needs commitment and meaningful investment over time
- A plan sends a clear message that the industry is serious about success and is prepared to change (market, retailers, suppliers, lenders, investors)
  - We can take one plan to Gov't, HIA, commercial partners
  - Without a plan, these parties won't invest in our industry

# Main points

- This 5-year plan is the first stage of a long term strategy
- This addresses critical opportunities and risks from farm to consumer that impact profit and viability of the industry
- For survival, the industry needs to consolidate and work together more closely
- The plan is built on 4 “pillars” that collectively address the main issues (good and bad) facing the industry
- Success requires a fundamentally different approach in how collective activities (research, marketing, export, innovation) are funded and delivered
- APAL will take responsibility for the plan which will need major changes to funding arrangements

## Where we are

- The next slide draws out major opportunities and challenges across the industry. We do this in order to understand where to place our efforts and resources. You can't have a plan or direction without facing up to these realities

# Facing realities

## Opportunities

- Diverse consumer preferences
- Technological advances on farm and in packing sheds
- Quality, traceability and food safety credentials
- Scope for growth from branded varieties
- Seasonal export opportunities
- International reputation of Australian agricultural products

# Facing realities

## Opportunities

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## Challenges

- Vendor-retailer trading practices
- Narrow domestic grocery focus
- Lack of consumer connection
- Poor marketing efforts
- Fragmented supply chain
- Fragmented export efforts
- Complex biosecurity environment
- Weak global cost competitiveness
- Supply volatility
- and...
- Industry governance & funding model not working or delivering

# The road map

- The next slide shows how we identified four main “pillars” that simultaneously address industry’s opportunities and challenges
- The slide following this illustrates the longer term plan and progress

# Objectives

## Opportunities and challenges

### + Opportunity

- Consumer preferences
- Growth of managed brands
- Expanding developing export markets
- Rapid technological advances
- Strong fresh chain credentials
- Stable industry funding base

### - Challenge

- Retailer buying practices
- Emergent commodity competitors
- Lack of cohesion and integration
- Poor intelligence systems
- Grower margin volatility
- Rising cost base
- Complex biosecurity environment

## Pillars of industry's strategy

### 1. Market growth

Targeting domestic and export opportunities for improved unit value through well-managed brands

### 2. Supply chain management

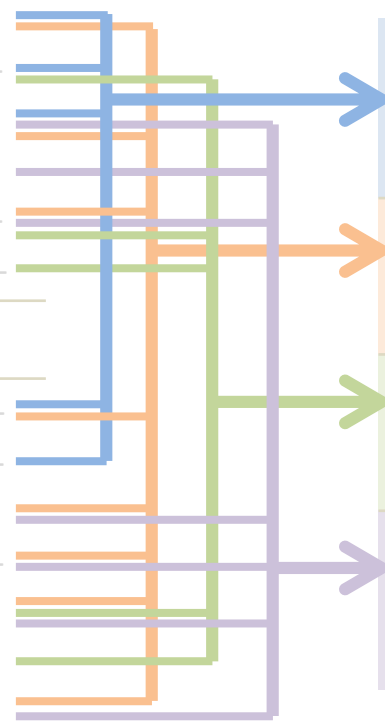
Build industry intelligence and knowledge systems to capture greater unit value

### 3. Industry sustainability

Bolstering viability, integrity and brand reputation

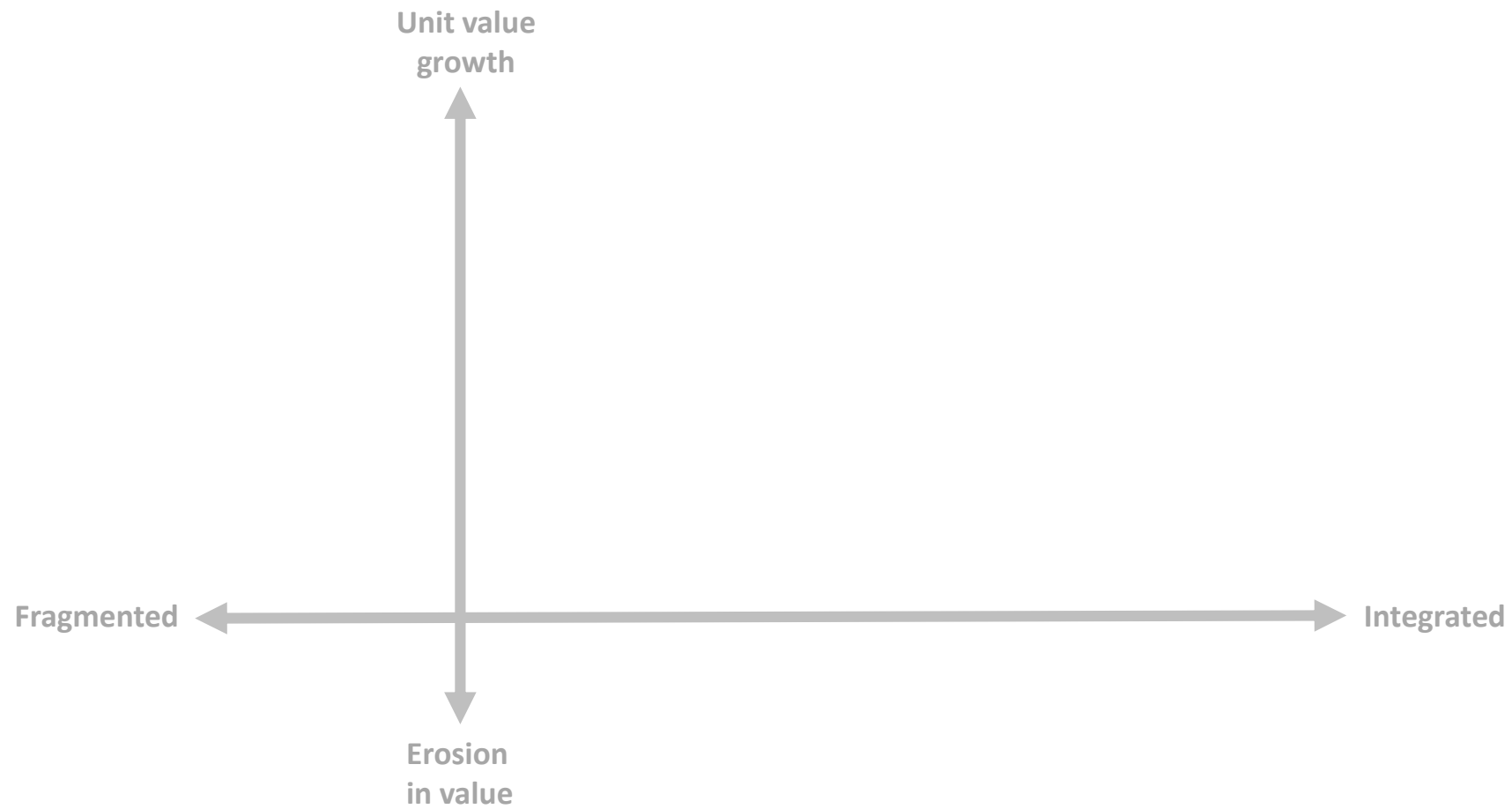
### 4. Capability and capacity

Changing industry culture and practices by improving the capability and capacity to deliver transformation

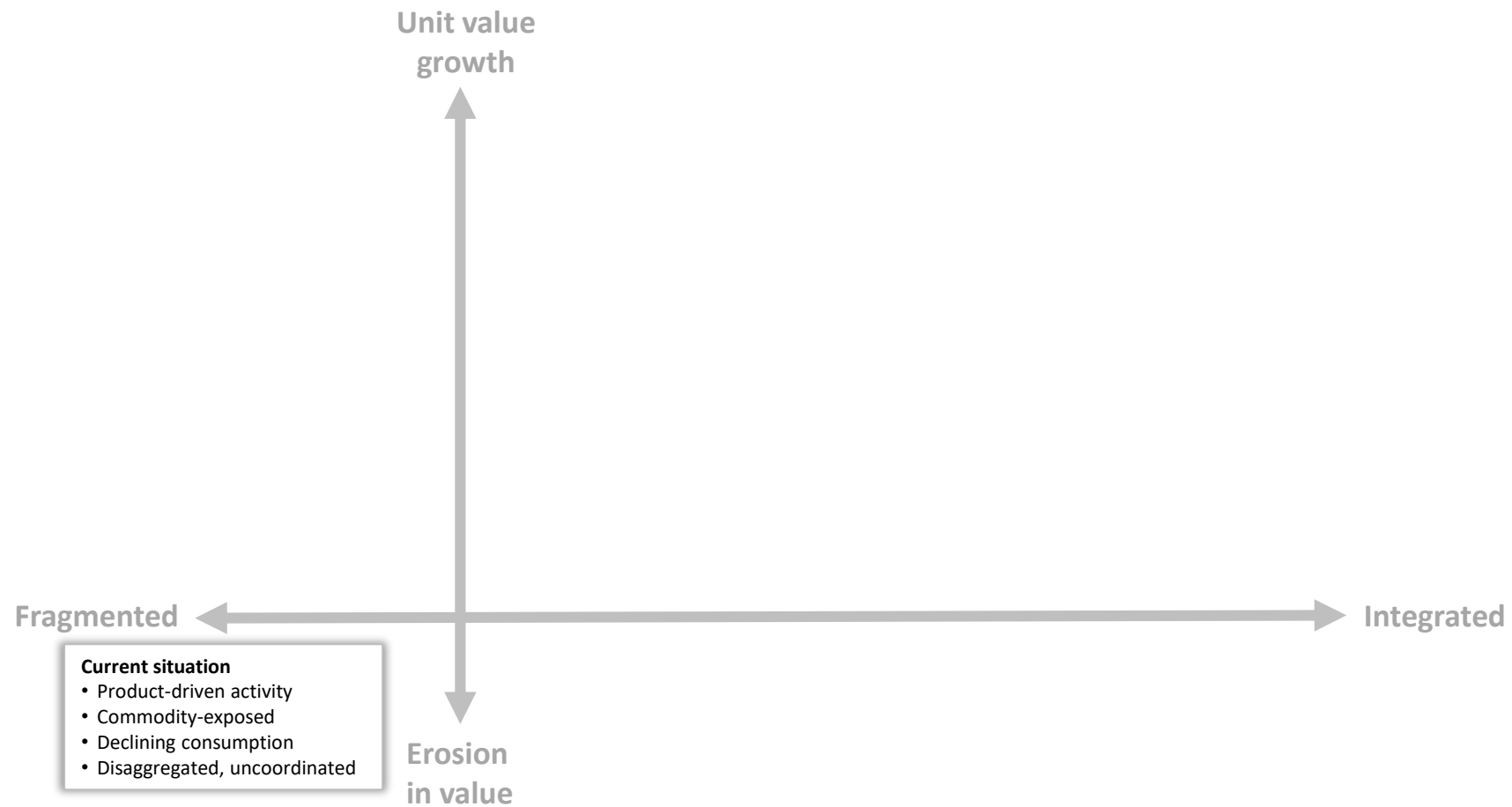




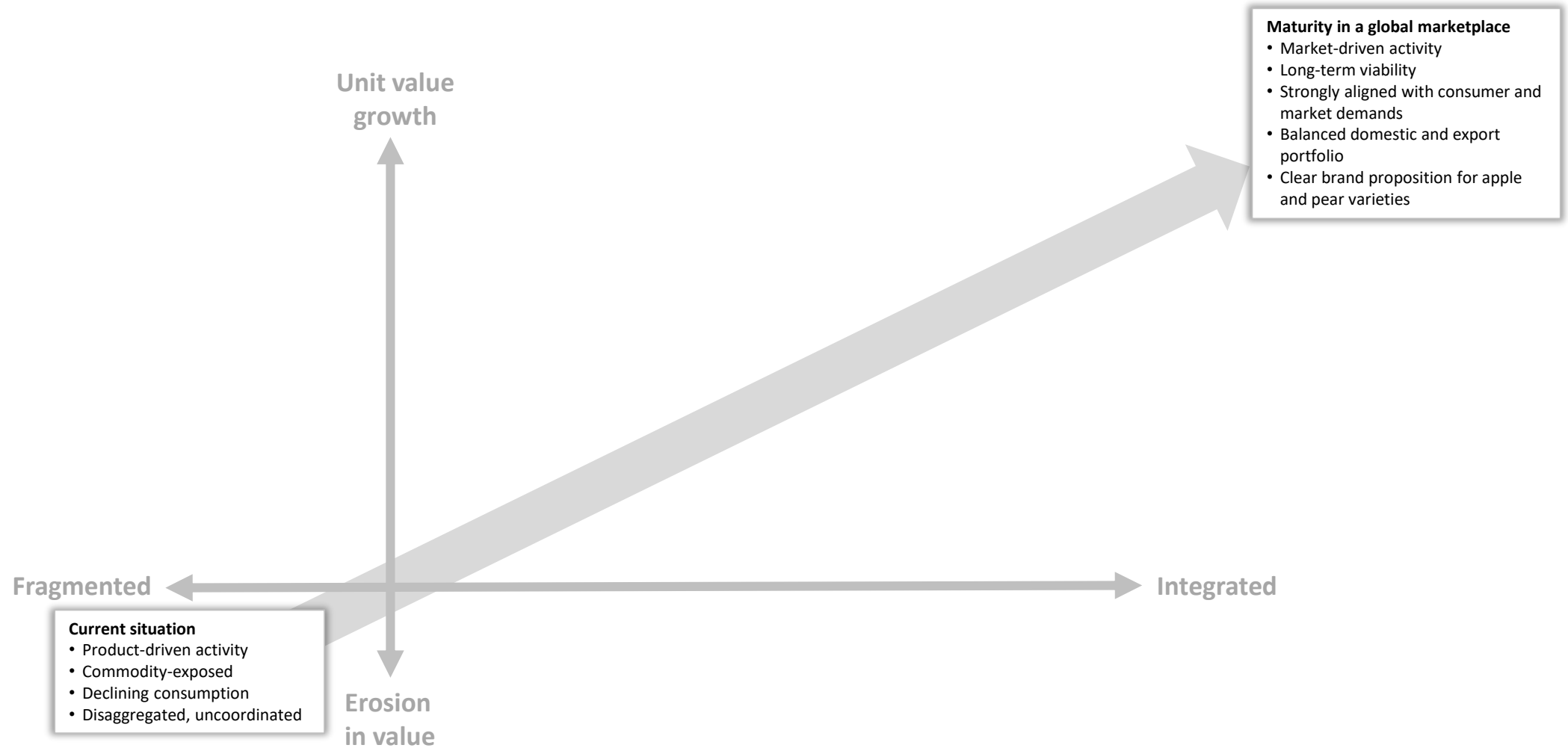
# The strategy



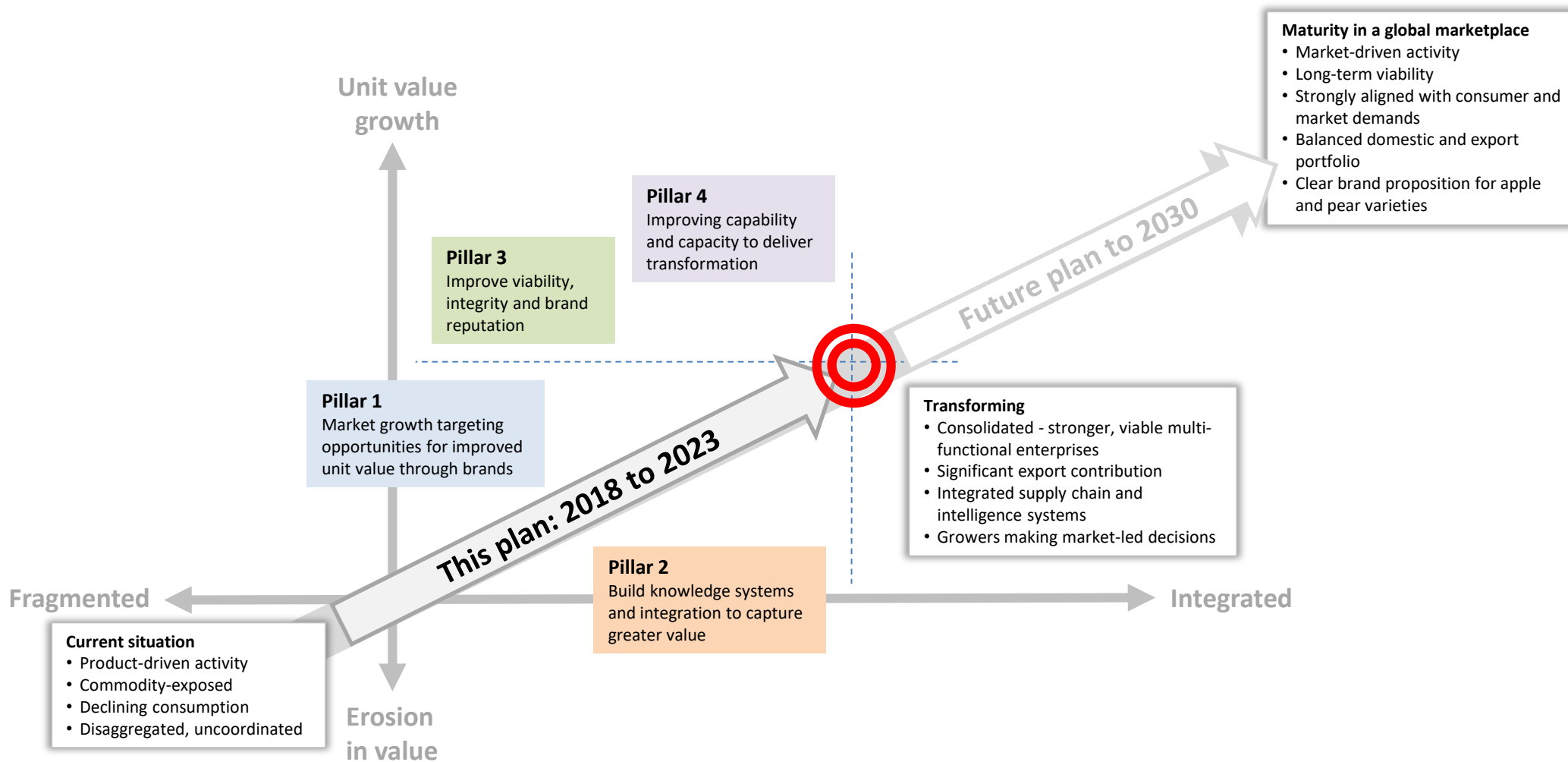
# The strategy



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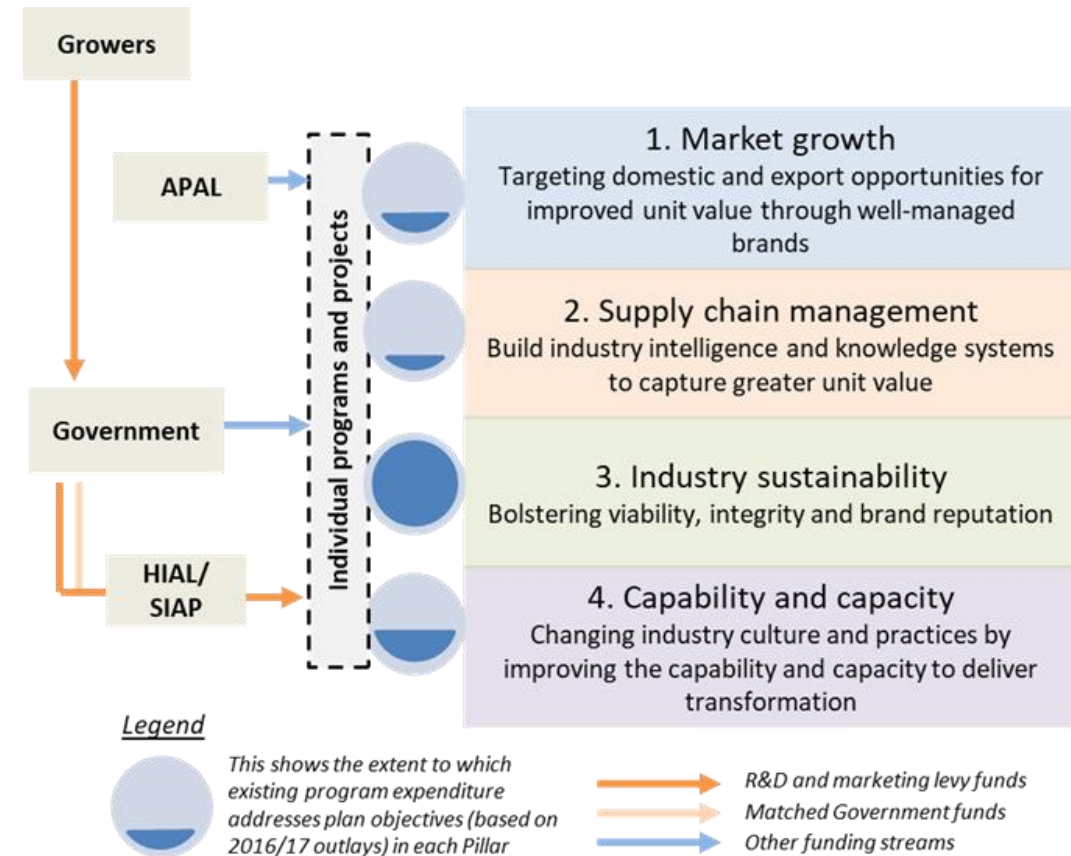
# How we get there

- The next slides outline that changes that are needed to industry investment models

# How to get there?

- Historical funding model is not delivering
  - HIA's SIP is not an industry plan and they are limited where they can/prepared to invest
  - HIA are not mandated nor prepared to lead our industry
- R&D investment approach can't create change
  - Investments focused on technical and farm profitability
  - Insufficient allocation to Market development, supply chain and capacity development
- Category marketing spend may aid awareness but won't influence consumer behaviour

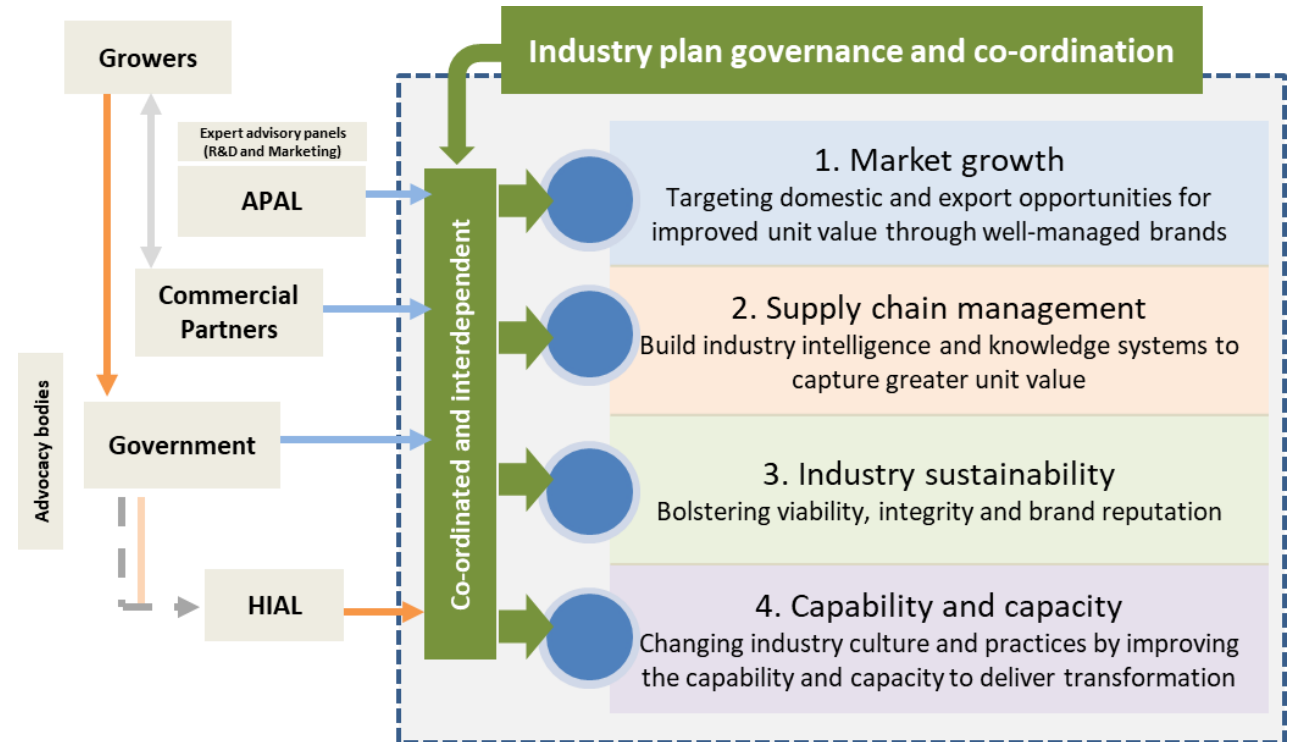
## Current model



# How to get there?

- This needs a different approach:
  - Balance investment across 4 “pillars”
  - Industry needs clear governance and accountability for delivery of outcomes
  - APAL intends to lead
- Investment against the plan must attract commercial and other government funds
  - Improve the leverage of grower levy investments
  - Matched funding under threat
- Options being to be discussed with HIA/government

## Proposed model



# Domestic Apple Price & Quality Research summary

## Apple Consumers....

1. Prioritise quality over low price
2. Quality is:
  - I. Appearance = Firm, Brightly coloured, uniform shape and blemish free.
  - II. Eating Quality = Crisp
3. Unlikely to purchase more at lower prices
4. Want to understand the health benefits of apples
5. Are prepared to pay a reasonable price for quality
6. Have been disappointed with a poor eating experience with Apples, but are coming back – for now?
7. Loose fruit remains important segment

## Pear Consumers...

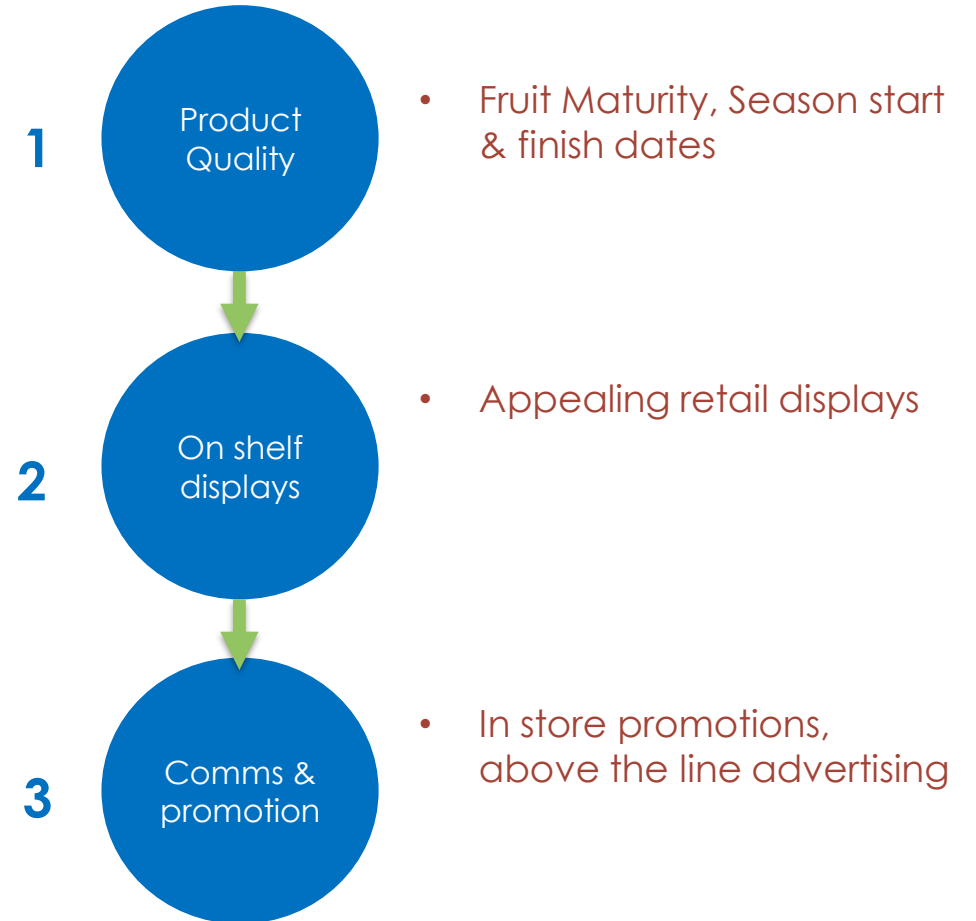
1. A good pear is amazing, but they are hard to find. Unreliability means consumers are leaving the category
2. Quality is
  - i. Shiny, Bright & Perfectly shaped
  - ii. Durable fruit that ripens
3. They are Great value (cheap), but quality issues are more concerning than price
4. Lack consumer confidence with choosing ripeness & quality



# Next Steps

- Research forms the basis of strategy, it's not the strategy itself
- Create a **Apple & Pear Category Strategy (Domestic & Export markets)**, prepared by:
  - APAL, and
  - Industry leaders

## Build on a solid foundation.....



# Domestic market health relies on Export...

