

Taking Stock and Setting Directions

A Situation Analysis and Strategic Review of the Australian Summerfruit Industry

Report

Prepared for



With finding from



Australian Government
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Fisheries and Forestry**

Prepared by

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Abbreviations

AAA	Agriculture Advancing Australia – Major DAFF programme package
AFFCO	Australian Fresh Fruit Company
AFSFGA	Australian Fresh Stone Fruit Growers Association (pre SAL)
AHC	Australian Horticulture Corporation (now HAL)
AHEA	Australian Horticultural Exporters Association
APAL	Apple and Pear Australia Limited
APFIP	Australian Pome Fruit Improvement Programme
DAFF	Aust. Govt Department of Agriculture, Fisheries and Forestry
FTE	Full Time Equivalent (employment units)
GVP	Gross Value of Production
GMO	Genetically Modified Organisms
HAC	Horticulture Australia Council
HAL	Horticulture Australia Limited
HMAC	Horticultural Market Access Committee
HR	Human Resources
IAC	Industry Advisory Committee
IDM	Industry Development Manager
IDO	Industry Development Officer
IRA	Import Risk Assessment
IT	Information Technology
IPP	Industry Partnership Programme
MRL	Minimum Residue Level
PBR	Plant Breeder Rights
PHA	Plant Health Australia
POS	Point of Sale
RPC	Returnable Plastic Crates
SAI	Summerfruit Australia Incorporated (pre SAL)
SAL	Summerfruit Australia Limited
SWOT	Strengths Weaknesses Opportunities and Threats analysis
VET	Vocational Education Training

Executive Summary

Introduction and SWOT

This project is a situation analysis of the Australian summerfruit industry to determine the magnitude of production, market and other challenges in the near to medium future and prepare response strategies for priority areas. The project identified the industry's:

- Current situation;
- Future environment;
- Capacity to respond to challenges and opportunities;
- Areas that it can build on to increase its success; and
- Strategies for priority areas.

The analysis framework employed was prepared specifically for the Industry Partnerships Programme (CIE 2005) and cascades through industry attributes, enabling environment, external environment and success criteria. Summaries of summerfruit industry performance in these areas are provided at the end of each report chapter. Summaries of industry and peak industry body strengths, weaknesses, opportunities and threats (SWOT) are provided in the tables below.

Table E1 Industry SWOT – Key Point Summary

<p><i>Strengths</i></p> <ul style="list-style-type: none"> • World-class adoption of technology including plant varieties and trellising technology. • An established export focus and practices. • A favourable climate that results in high sugar content. • Short distances for export to Asia – Australian fruit is theoretically able to offer a longer shelf life than its competitors. • Counter-season supply windows to the majority of world production. 	<p><i>Weaknesses</i></p> <ul style="list-style-type: none"> • High cost of production and shipping. • Overproduction relative to domestic demand and export opportunities • Expectation that an export market will provide a ‘silver bullet’. • Inconsistent eating quality. • Lack of an independent variety selection and evaluation service. • Fruit fly and other infestation issues.
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> • ‘Cooperative’ or ‘Alliance’ marketing – groups of growers working together to achieve economies of scale. • ‘Club’ marketing – quality controlled, volume limited and potentially higher priced sales. • Exports – NZ, India, USA and China. • Resurgent wholesale market system, independent retailers and other niche distribution such as Farmers Markets, e-commerce and a growing food service sector. • Cross-product marketing efforts including opportunities for joint promotion of summer and other fruits. • Promotion – to lift domestic per capita consumption. 	<p><i>Threats</i></p> <ul style="list-style-type: none"> • Summerfruit imports. • Outbreaks of pests and diseases requiring quarantine eg fruit fly on both domestic and export markets. • Outbreaks of exotic pests and diseases eg Sharka that reduce domestic production capacity. • ‘Club’ marketing – will restrict access for growers outside the club to certain varieties. • Increased supply of alternative fruits such as mangoes and table grapes. • A change to the political will, which currently enables R&D and marketing levies to be collected and (R&D levies) matched by the Australian Government.

Source: Project Analysis

It is three years since Summerfruit Australia Limited (SAL) was established as the industry’s peak industry body. It is appropriate that the *Taking Stock and Setting Directions* project examine SAL’s institutional performance. A summary of SAL SWOT is provided in Table E2.

Table E2 Summerfruit Australia Limited SWOT Summary

<p><i>Strengths:</i></p> <ul style="list-style-type: none"> • A democratically elected and nationally representative Board comprising a diverse representation – age and gender. • A skills based Industry Advisory Committee. • Structures and goodwill sufficient to resolve industry conflict. • Credibility with government, industry and the market. 	<p><i>Weaknesses:</i></p> <ul style="list-style-type: none"> • A low funding base (as compared to other agricultural industries). • An agenda that is too broad for the resources available. • The newness of SAL has fostered the emergence of younger, less experienced Directors • Poor agri-political capacity. • Lack of sound knowledge of existing industry participants and their needs, which in turn results in communications shortfalls.
<p><i>Opportunities:</i></p> <ul style="list-style-type: none"> • To increase funding for under resourced strategic priorities. • Develop strategic alliances with other commodity groups facing similar challenges. • Development of Leadership and Governance capacity for Board Members. 	<p><i>Threats:</i></p> <ul style="list-style-type: none"> • Failure to unite. • Failure to engage the right people for the organisation – growers, stakeholders and staff.

Source: Project Analysis

In the short time that Summerfruit Australia Limited has been in operation, it has delivered groundbreaking R&D, marketing and industry development outcomes on behalf of its industry and is well placed to manage industry affairs into the future. Key industry issues identified in this review (exports, imports, labour, fruit fly, etc) have a national focus and it is critical that the summerfruit industry be effectively represented in national forums.

Current Situation

The Australian summerfruit industry is currently characterised by:

1. Pressure on profitability – increased production and faltering export markets are significant pressures on the industry's profitability. Pressure is greatest in Western Australian plums and Victorian peaches and nectarines. These parts of the industry are contracting.
2. Industry comparative advantage – relative to other southern hemisphere exporters, the Australian industry enjoys a superior climate for summerfruit production, has a genuine counter-seasonal supply window and shorter shipping times to Asia.
3. Production – summerfruit production has increased from a three-year average of 80,000 tonnes in the mid 1990s to 100,000 tonnes plus in 2004.
4. Production cost and efficiency – cost of production issues are well understood by summerfruit growers. The cost of production in Australia is higher than our export competitors, reflecting the relative contribution of the high cost of Australian labour (up to 60% of total production cost). In terms of production efficiency, varieties and adoption of leading edge technology Australia is at, or near, world best practice.
5. Labour supply – the short supply of unskilled orchard labour is a rapidly emerging industry issue. The supply of skilled supervisory labour is also limited and is a potential industry constraint.
6. Skills and knowledge – small and medium sized growers lack skills in marketing, business analysis, human resources and compliance system management.
7. Varietal selection – rather than an independent appraisal of a new varieties value to the consumer nursery sector marketing tends to drive varietal selection. The industry lacks an independent auditor of new variety quality from a customer perspective. The apple and pear industry funds a successful Australian Pome Fruit Improvement Programme (APFIP) to address this issue.
8. Small and medium growers – industry developments favour large growers. Small and medium growers are disadvantaged through a lack of scale eg the high cost of QA is prohibitive, small and medium growers often miss out on information flows, there is failure to attract retailer interest in programmed orders and they are less likely to be able to participate in 'club' variety programmes. Many are yet to embrace the concept of outsourcing competencies, such as external marketers, or to collaborate with other growers in collective marketing. This attribute is not unique to the summerfruit industry.

9. Contraction – anecdotal evidence is that structural adjustment is occurring in the summerfruit industry and that medium sized growers (30 ha to 50 ha) are the most vulnerable to further structural change. Growers are often motivated to remain in the industry for ‘lifestyle’ reasons. The consultants note that both small and medium sized growers can be profitable with high quality and well-marketed fruit.
10. Integrated value chain – corporate suppliers influence industry product specifications and determine who receives information from major buyers. There is a lack of through chain alliances in all but the largest growers.
11. Eating quality – consumers like good eating fruit, however the industry finds it difficult to deliver fruit of consistent eating quality. There is room for improvement in the supply chain including improved information flows.
12. Competition – per capita consumption of summerfruit in Australia has increased over the last 10 years but it remains lower than that achieved in comparable countries like the US. The US consumes 8.6 kg per capita compared to 7.5 kg in Australia. Summerfruit must compete with oversupplied alternatives like fresh mangoes and processed ‘healthy’ snacks.
13. Exports – there are difficulties with import protocols (fruit fly treatment) and strong price competition in Australia’s two main export markets, Hong Kong and Taiwan. Small volume sales to the EU are encouraging.
14. Market access - securing market access to China is a high priority for the industry. This will take a number of years to achieve. Lesser opportunities already exist in countries like India and access to the US market is also a possibility.
15. Export culture – the industry has developed an export culture. Dedicated lines have been developed for export markets (eg white flesh nectarines and peaches) and Australian summerfruit fills a six-week global supply niche in late October and November.
16. Industry statistics – poor industry statistics hamper the industry’s analysis and decision-making. Better data is needed on plantings by variety, market intelligence from export destinations and production/season reports from competitors like Chile.
17. Industry culture – historically the industry has been unwilling to embrace a national agenda however, national cooperation and support is improving over time.
18. Levy income –the current levy income is insufficient to meet the industry’s needs for innovation and marketing. With ongoing national cooperation and a well-reasoned strategic plan, a levy increase could be secured.

Future Environment

The future environment incorporating opportunities and threats:

1. 'Club' marketing – one form of 'club' marketing involving the selective release of new varieties and the resultant control of packhouse and marketing channels is both an opportunity (quality controlled, volume limited and potentially high priced sales) and a threat (grower forfeit of control and ongoing royalty payments for Plant Breeder Right trees). The importance of this form of marketing has increased rapidly in the last three years and will continue to do so over the next five. Alliance marketing where groups of growers 'club' together for collective bargaining and to achieve economies of scale is also an opportunity for this industry.
2. Resurgent independent retail sector – independent retailers are winning back market share at the expense of supermarket chains. The food service sector, with a unique set of supply requirements is rapidly expanding. Growth in these sectors provides new opportunities for summerfruit growers, wholesalers and the central markets that support them. Eating quality is often better recognised and rewarded through independent retail channels.
3. Imports – large volumes of high quality imports are anticipated in the next three to five years. Imports from the US are a threat to the early season low chill industry. In the next five to ten years it is possible that 'same season' imports will be available domestically from both Chile and South Africa.
4. Biosecurity – will assume increasing importance to the summerfruit industry, both as a means of assuring imports are safe (e.g. avoiding the introduction of diseases like Sharka) and ensuring workable protocols are married to market access opportunities. The summerfruit industry must be a part of biosecurity decision-making processes.
5. Exports – access to the US market within the next three to five years is a real possibility whereas access to China may take up to ten years. Access to India is already available. The industry must think through priorities for all export markets decide which channels will be most profitable and what structures are required to generate the best returns for growers. On its own, export growth is unlikely to address the medium-term industry oversupply.
6. International marketing – international markets and the worldwide food distribution system are changing. Exporters who are not part of international alliances and integrated supply chains risk being 'shut out' of supply opportunities. The short duration of the season will not preclude summerfruit from this development. Summerfruit's relative importance compared to other categories of fruit has partly delayed this inevitable development.
7. Labour supply and skills – the supply of suitable labour is likely to be an industry constraint in the medium term. Policies and programmes to encourage the supply of skilled labour and the availability of reasonably

priced semi-skilled labour are needed now. Summerfruit could pursue the development of these policies and programmes jointly with other horticultural industries.

Industry Capacity

The industry has made giant strides in the last three years towards cohesion, consensus building and adoption of a national agenda. The fragmentation and parochialism that has retarded this industry in the past has been effectively managed by SAL. However, the industry organisation remains under funded and possibly overly ambitious in the number of issues that it proposes to tackle. Industry's capacity to respond to challenges and opportunities is constrained by:

- Insufficient financial resources;
- The ongoing threat of internal division; and
- The need for leadership training and governance support.

These issues will require skilled management by the SAL board.

Industry Strategies

Consultation and an industry workshop completed as part of the project confirmed the appropriateness of the SAL Strategic Plan (see workshop outputs summarised in Appendix 3). The objectives of the SAL Strategic Plan, in priority order are to:

1. Increase domestic per capita *consumption*;
2. Increase *export* volumes;
3. Minimise the impact of imported products on the local industry;
4. Facilitate improved professional knowledge and *skills* within the supply chain;
5. Improve the industry's ability to produce fruit of a *consistent quality* to meet consumer demands; and
6. Develop programmes to maintain and maximise efficiencies of *resource* usage.

These strategies should continue to provide a framework for industry investment.

What is Not Being Addressed

There is an absence of leadership in relation to the current industry oversupply of summerfruit. Promotion to increase domestic per capita consumption and export market development activities, especially at current funding levels, will not on their own be sufficient to reverse the Australian summerfruit oversupply or to reduce some producer's relatively high cost of production. While the market is sending a strong message to producers on the need to adjust there is a role for the industry's leadership in

communicating the reality of the current situation and the likelihood that it will persist for some time. Strategies that encourage growers to have a good hard look at their business are needed and industries such as dairy have led the way.

Recommendations for Strategy Implementation

In relation to the implementation of industry strategies the consultants recommend:

- **Investment in capacity building at the industry leadership level.** There is an abundance of talent in the current SAL Board. Mentoring, governance training and formalisation of policies/procedures will bring out the best in this talent, improving the quality of industry leadership and its confidence in decision-making. DAFF has programmes that are able to assist with the funding of capacity building of this kind.
- **Concentration of effort.** SAL needs to limit priorities to those of the highest importance identified in the strategic plan. Return on grower investment/capacity to enhance grower profit should be the criteria for investment decision-making. The consultants suggest that domestic promotion and export market development both fit this criterion.
- **Sourcing of non-levy funds to assist with strategy implementation.** A range of alternative funding sources exists to assist with implementation of key industry strategies. For example, wholesalers and marketers have shown a willingness to contribute to domestic promotion programmes, the Australian Government Department of Health and Aging fund healthy eating campaigns, exporters might consider assistance for market development activities, grants are available through the Department of Foreign Affairs and Trade to assist with new market research and DAFF will assist with conference sponsorship.
- **Collaboration with other industries.** This review identifies a suite of issues common to a range of Australian fruit crops and an intention by their industry associations to invest in these common issues. Issues shared with summerfruit include training, scholarships, international benchmarking, collection of market intelligence, health based marketing, quality based export promotion, labour, record keeping, fruit fly management, supply chain development, import readiness strategies, industry image development and tools for those considering their future in the industry. The joint development of these initiatives can only result in cost savings and/or more robust outcomes. Other industries have expressed an interest in working with summerfruit on these issues.
- **Make best use of Horticulture Australia Council.** Industry expressed concern about the lack of funds available to it for political lobbying purposes. Horticulture Australia Council is funded by industry for this purpose and has recently appointed a new Chief Executive Officer. Issues requiring a lobby effort could be directed through this channel while other funding sources are being developed.

- **Communicate success and build a case for a levy increase.** Only the most important industry priorities, those critical to SAL's success should be invested in. Develop clear and unambiguous goals in these priority areas and widely communicate the successes achieved. Use the knowledge of these successes and the inability to tackle all issues with current funding to build an irrefutable case for an appropriate levy increase. Ensure that the pitch for levy increase is allied to the active seeking of funding from other sources as well. Adopt the apple and pear industry strategy of small but regular increases in the industry levy.

Australian summerfruit is an industry with sound fundamentals and a world-class comparative advantage. Many of the missing elements for a truly successful industry are within industry's grasp. Certainly they are widely recognised and agreed by SAL stakeholders. This study calls for limited and clear industry priorities, innovative approaches to funding priorities, SAL capacity building and the development of a well-supported business case for a levy increase.

SAL urges all levy payers to read the full text of the report and apply the findings to the operation of their business. The recommendations from this report will now inform the development of the industry's strategic plan for its medium term future.

1. Introduction

1.1 Study Purpose

This document is a Strategic Review, Needs and Situation Analysis of the Australian Summerfruit Industry – *fresh* peaches, nectarines, apricots and plums. It was prepared for Summerfruit Australia Ltd (SAL) with funding from the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF) Industry Partnerships Programme.

Michael Clarke (AgEconPlus), Ron Gordon, John Baker and Michael Williams prepared this report between June and December 2005.

The project's aim was to:

1. Undertake an analysis of the Australian summerfruit industry's current situation and performance, which would include examining strengths, weaknesses, opportunities and threats.
2. Identify key challenges and opportunities for the Australian summerfruit industry over the next 5-10 years.
3. Determine the capacity of the Australian summerfruit industry to respond to challenges and take advantage of opportunities.
4. Identify key areas that the summerfruit industry can build on to increase its profitability, sustainability, competitiveness, resilience and self-reliance.
5. Assist the industry to develop response strategies for priority areas.

1.2 Investigative Method

The study included:

1. Consultation with SAL to discuss a project steering committee with representation along the summerfruit value chain.
2. Literature review, preparation of a discussion paper and consultation questionnaire.
3. The discussion paper and stakeholder questionnaire were distributed to 700 SAL members in a special addition of the industry's newsletter (PIP) along with an invitation to contact the consultant.
4. The discussion paper and questionnaire was also circulated to key industry people (see Stakeholders Contacted at the end of this report) and interviews with these people were then completed.
5. A presentation of report progress was made at the industry conference in Echuca Victoria on 14 September 2005. Priorities for direction setting were workshopped at this conference.
6. Review findings were confirmed at a Steering Committee workshop 4 November 2005. Steering Committee comment on the complete document was incorporated into the final project report.

2. Conceptual Framework

An effective strategic review and situation assessment of the Australian summerfruit industry requires a sound analysis framework.

The Centre for International Economics has developed a framework for assessing industry success. This framework is illustrated in Figure 1.

The framework recognises the external environment in which the industry operates, the enabling environment over which the industry has some control and an assessment of the resources that the industry applies to the production and marketing of peaches, nectarines, apricots and plums.

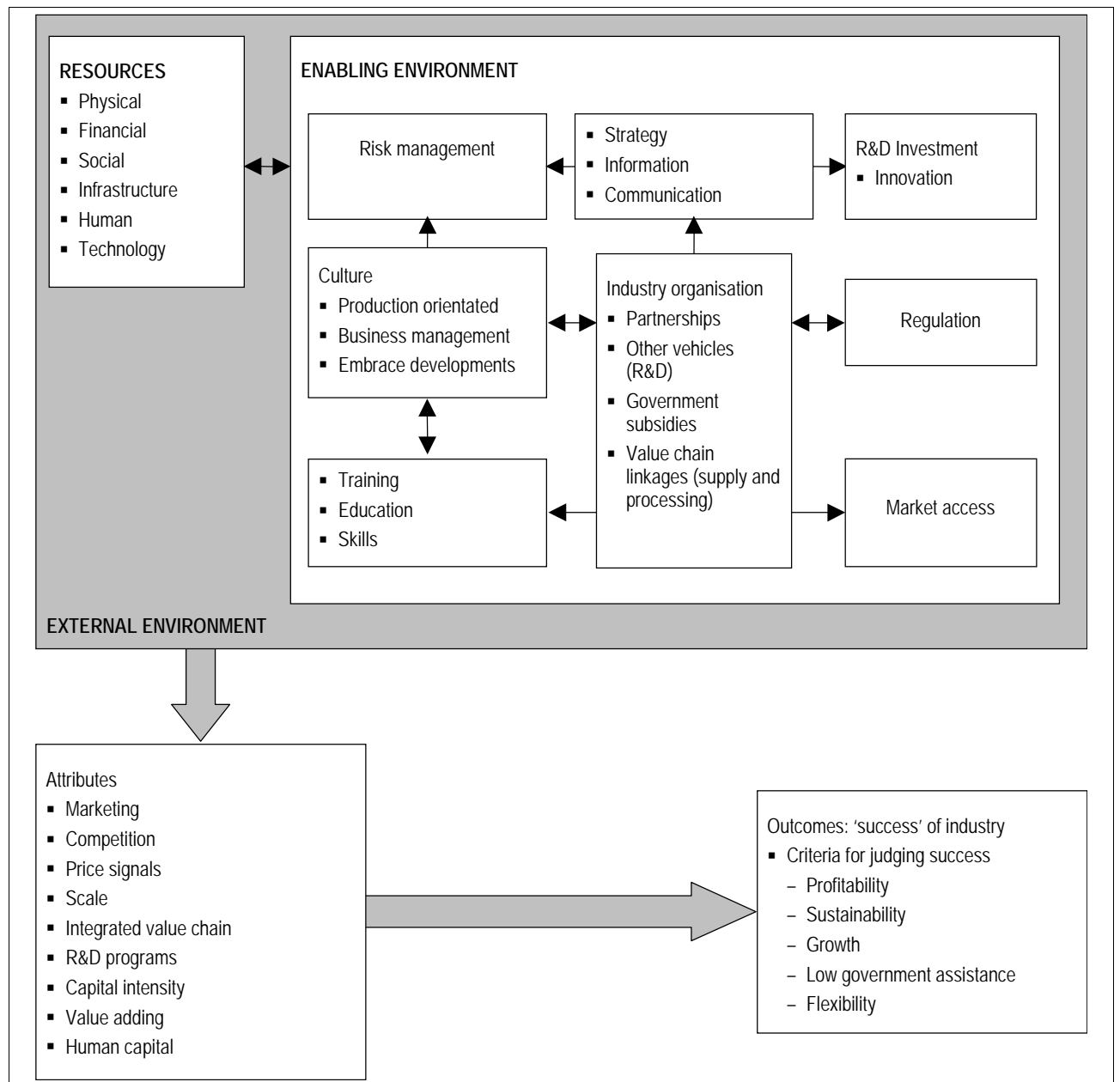
Resources: At the most fundamental level industries use resources – physical, financial, social, infrastructure, human and technological. Some of these resources are influenced by the industries using them and give rise to issues of economic and environmental sustainability.

Enabling environment: The enabling environment embraces the historical development of the industry and its culture, as well as the policy environment governing use of resources, production processes, transport, storage, handling and marketing. The enabling environment includes consideration of the industry's approach to risk management, its culture, skills and training, strategy, information sharing, communication, organisational structures, use of government subsidies, value chain linkages, R&D, regulation and market access.

External environment: The external environment in which the industry operates is inclusive of developments in international markets, domestic macroeconomic policies, weather and changes in other industries (e.g. growth in wine grape production or changes in apple production profitability). These are factors over which the industry has no control but are considerations against which industry strategies and investment plans must be tested if they are to achieve success.

The resource use, the enabling environment and external environment interact over time with the defining characteristics of a product and its production processes to produce a set of *attributes* that characterise a particular industry and drive its ultimate success.

Figure1 Assessment framework



Source: CIE 2005

Industry *attributes* requiring consideration in a situation assessment of the Australian summerfruit industry are:

- Enterprise characteristics (location, production, number of enterprises, diversification, scale, labour use, new plantings and production efficiency, financial performance and cost of production);
- Resource use (land, input, capital, water and finance intensity);
- Environmental impact and industry image (including internal and external/community perceptions of the industry);
- Markets and marketing (marketing expenditure, branding, consumption patterns, product differentiation, price competition, price signals, value adding, fresh sales, import competition and integrated value chains);
- Food safety, product quality and disease control;
- R&D programmes; and
- Human capital.

Once described and analysed for the Australian summerfruit industry, industry attributes, along with an assessment of both the enabling environment and the external environment, provide a basis for gauging the industry's success.

Industry success can be measured using *criteria* such as:

- Profitability;
- Sustainability (economic and environmental);
- Growth or consistent performance;
- Flexibility; and
- Reliance on government assistance.

Areas where the industry under performs on these success criteria are the 'gaps' where needs can be identified and strategies to build capacity developed. Analysis of gaps is mindful of current initiatives to address industry underperformance.

This framework that cascades through – industry attributes/resource use, enabling environment, external environment and success criteria – was employed for completing the strategic review, needs and situational analysis of the summerfruit industry.

3. Industry Attributes

This section outlines the attributes that characterise the fresh Australian summerfruit industry. The industry does not include canning fruit, prunes or dried fruit.

3.1 Enterprise Characteristics

Value, Location and Production

Australian summerfruit is a major horticultural industry with a Gross Value of Production (GVP) similar to table grapes but less than year round categories citrus, pome fruit and bananas. Average GVP for the three years to June 2006 is forecast at \$224.9 million. Even allowing for changes in seasonal conditions and 'off-crop' years, increasing production has driven GVP growth.

Table 1 Farm Gate Value - Summerfruit (\$'million)

Year	Peaches- Processing	Peaches- Fresh	Nectarines	Apricots	Plums *	Total Summerfruit #
2000/01	24.9	41.7	62.5	27.7	51.3	183.2
2001/02	26.0	43.4	58	16.9	46.4	164.7
2003/04	32.5	55.4	80.1	23.9	53.3	212.7
2004/05	34.7	58.0	85.3	22.8	58.7	224.8
2005/06f	36.8	60.7	90.6	21.6	64.3	237.2
3-Yr Avg	34.7	58.0	85.3	22.8	58.7	224.9

Australian Horticulture Statistics Handbook – various issues and AEC Group 2005

* Does not include prunes, # Total does not include Processing Peaches, f= forecast

Australian summerfruit production takes place in approximately 26 regions in all Australian states (see Figure 2). Historically, small distinct regions have offered critical support infrastructure and the opportunity to service a domestic market within reasonable proximity. Industry communications and organisational structures were organised on a regional basis. In recent times the industry has shifted the focus of production away from proximity to capital city markets and toward extensive production in more remote locations. A regional location is able to offer lower cost orchard land, more assured water supply and freedom from a number of pests and diseases.

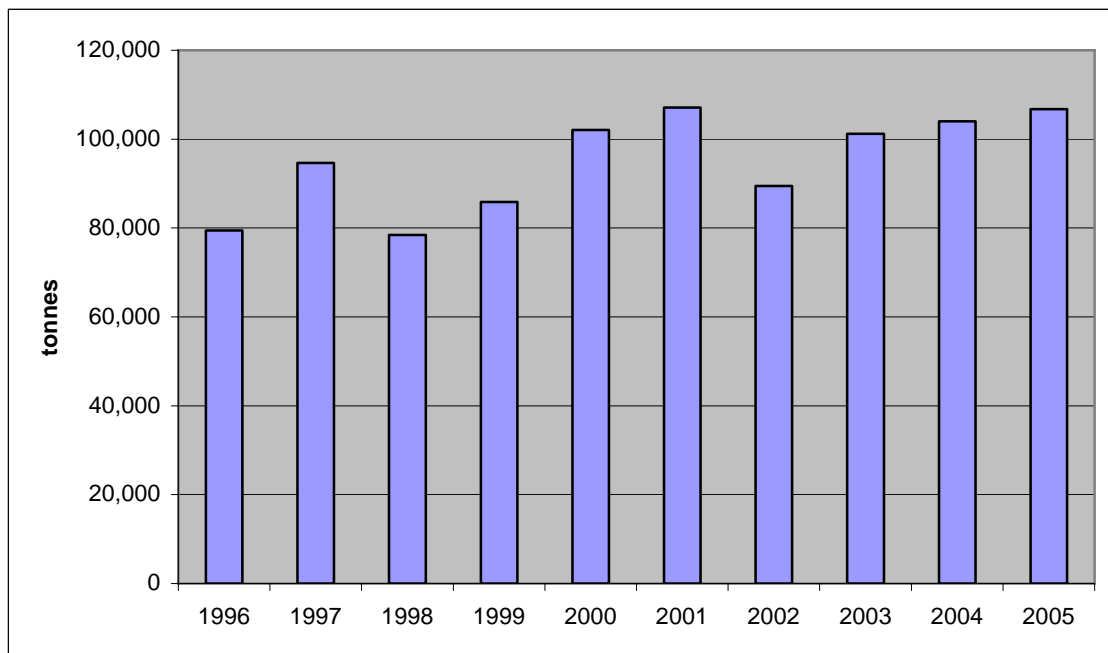
The Australian summerfruit industry can be classified into low, medium and high chill production. Low chill is first on the market each summerfruit season i.e. pre-October and attracts a corresponding price premium. Low chill summerfruit is produced in the area north of Coffs Harbour NSW to the Atherton Tablelands of Queensland (i.e. Northern NSW, Sunshine Coast and Kingaroy). In Western Australia low chill summerfruit is grown in the area north of Gingin. Low chill is a sub tropical industry. Medium chill varieties are concentrated in the Central Coast of NSW through to the Sydney basin and south to the Arualen Valley. Medium chill extends to the warmer inland regions of Swan Hill and the Riverland of South Australia. High chill is produced in cooler climates including the higher elevations of Bathurst,

Orange, Young, Tumut, Adelong and Batlow in southern NSW, the Goulburn Valley in Victoria, South Australia, southern Western Australia, Stanthorpe Queensland and Tasmania.

Figure 2 Summerfruit Growing Regions (Source: HAL website)



Figure 3 Fresh Peach, Nectarine, Apricot and Plum Production (tonnes)



Australian Horticulture Statistics Handbook – various issues and AEC Group 2005

Annual summerfruit production since the mid 1990s is shown in Figure 3. Production by commodity, including peaches for processing is shown in Table 2.

Table 2 Production – Fresh and Processed (tonnes)

Year	Peaches-Processing	Peaches-Fresh	Nectarines	Apricots	Plums	Total Summer-fruit #	Change on Previous Year
1996	42,270	18,117	18,248	21,639	21,429	79,433	
1997	50,468	21,630	21,888	25,920	25,185	94,623	19%
1998	45,362	19,441	22,752	19,878	16,399	78,470	-17%
1999	50,427	21,674	27,423	21,483	15,306	85,886	9%
2000	58,202	27,797	36,366	19,875	18,006	102,044	19%
2001	52,642	21,501	33,661	20,639	31,297	107,098	5%
2002	65,854	22,777	28,823	12,355	25,485	89,440	-16%
2003	72,447	24,717	36,111	16,039	24,351	101,218	13%
2004	76,848	25,001	38,084	15,092	25,798	103,975	3%
2005	81,249	25,286	40,057	14,146	27,245	106,734	3%

Australian Horticulture Statistics Handbook – various issues and AEC Group 2005

Total does not include Processing Peaches but includes apricots for processing and prunes
NB: 50% of Australian apricot production is dried. On and off year bearing pattern particularly pronounced in apricots (DAFF advice).

The state based composition of summerfruit production is shown in Table 3.

Table 3 Production by State 2002 (tonnes)

	NSW	Vic	Qld	SA	WA	Tas
Peaches - Fresh	9,522	6,794	3,337	1,315	1,807	2
Nectarines	6,472	13,442	3,413	2,644	2,850	2
Apricots – incl. processing	686	5,843	118	5,198	422	88
Plums	4,378	7,494	2,083	1,008	4,124	-
Total	21,058	33,573	8,951	10,165	9,203	92

Australian Horticulture Statistics Handbook 2004

Victoria and NSW dominate summerfruit production. South Australia, Queensland and Western Australia are also important production states.

Summerfruit production has moved from a three-year average of 80,000 tonnes in the mid 1990s to 100,000 tonnes plus in 2004. The long-term trend has been for an annual 2.5% increase. Increasing production has resulted in oversupply in plums originating in WA and in peaches/nectarines originating in the Swan Hill-Cobram areas of Victoria.

Enterprise Numbers and Distribution by Size

The Australian Bureau of Statistics (ABS) records that, Australia wide; there were 1,242 growers of peaches, nectarines, apricots, plums *and cherries*. Industry advice is that the 250 largest summerfruit growers produce 80% of Australian production.

Distribution of enterprises by size is shown in the following table. Data is inclusive of all stonefruit i.e. cherries, processing peaches, dried apricots and prunes. The summerfruit industry is therefore made up of fewer enterprises than the data would suggest.

Table 4 Range in Size of Australian Stonefruit Orchards (ha)

Year	0-3.9	4-11.9	12-19.9	20-34.9	35-49.9	50-99.9	>100	Total
1994/95	110	480	222	234	103	138	123	1,410
2003/04	88	358	211	182	108	154	141	1,242

Source: ABS Agricultural Survey – Stone Fruit Growing (ANZSIC 0116) includes cherries

Orchards are getting larger and structural adjustment is occurring in the stonefruit industry. Approximately 52% of Australian stonefruit orchards have a total farm area of less than 20 ha, down from 56% in 1994/95. The total number of stonefruit orchards has also decreased 12% in the last 10 years.

In the absence of alternative income four hectares of summerfruit production is currently considered a minimum viable low chill holding and 15 hectares is a minimum viable medium/high chill holding. Outside the low chill sector, medium sized enterprises are defined as being between 30 ha and 50 ha of productive orchard. These enterprises typically employ two or more full time staff members (FTEs) and operate a packhouse. Medium sized enterprises are unlikely to have sufficient scale to be of interest to major retailers preparing programmed orders. These operations are most vulnerable to structural change.

Diversification

Traditionally summerfruit producers have also grown other tree crops - apples, pears, canning fruit, kiwi, nashi, cherries and even citrus and custard apples in low chill areas.

Specialist apple producers also grow summerfruit. Summerfruit production fills a gap in the apple production calendar, provides early season cash flow and enables growers to retain permanent labour and more effectively use enterprise infrastructure. Breaking even on the cost of production is often sufficient to keep apple growers producing summerfruit.

The movement of the summerfruit industry into extensive production areas, the requirement for scale economies and increasing industry sophistication has resulted in a trend towards specialist summerfruit production in both low and high chill production areas. Overtime, other crops are becoming less important to the summerfruit growers who produce most of the Australian summerfruit crop.

Enterprise Types

The industry is characterised by three distinct grower models, they are:

- Low chill – family farms in semi tropical areas;
- High and medium chill – family farms in cool/temperate areas; and
- Corporate – large-scale high and medium chill production in cool/temperate areas. There are few low chill corporates.

Low Chill – Semi Tropical

The low chill industry is relatively new. It emerged in around 1980 with the introduction of the low chill varieties first developed in Florida USA. A low chill crop requires greater management than high chill production. It is both labour and capital-intensive. Fruit thinning is a labour intensive activity and production is typically in areas requiring expensive crop protection netting. Orchards are smaller than both high and medium chill and the enterprise is typically based on a single-family unit. Crops are grown at 600 to 1,000 trees/ha on small farms. A typical low chill orchard would have eight hectares of summerfruit production. A viable enterprise might be four hectares or 4,000 trees. Yields are between 10 and 16 tonnes per hectare. The low chill industry is currently investing in R&D to reduce production costs. Low chill is a high cost industry that earns higher prices at the beginning of the Australian summerfruit season. The industry is vulnerable to imports from the northern hemisphere.

High and Medium Chill – Family Farm

High and medium chill family farms range from small hobby blocks (less than 5ha) to marginally viable units of 10 ha to 20 ha to large family holdings of more than 120 ha. High and medium chill production dominates Australian summerfruit supply and trees are grown 1,000 to 2,300 trees/ha. Production from more than eight hectares normally requires full time permanent labour. High and medium chill producers enjoy lower production costs than low chill but do not receive the early season premiums associated with low chill production.

Corporate – High and Medium Chill

This group of growers emerged in the 1990s and includes large family operations as well as superannuation companies and tax effective investors. Superannuation companies/tax effective investors tend to own the productive asset (i.e. the trees) but do not own the orchard land or irrigation water. Corporate high and medium chill growers focus on flat, low cost, well-watered production areas like the Goulburn Valley of Victoria and the South Australian Riverland.

The entry of corporate players has changed industry dynamics. This group is able to pay for and therefore attract experienced orchard labour and managers. Corporate growers are also able to supply large volumes of fruit at prices smaller family operators find difficult to match.

Grower Profile and Farm Labour

Grower Profile

Summerfruit production attracts a mix of growers and while the industry might not have the youthful profile of say wine grape production it is certainly not all 60+ year olds. An average age of 50 years is suggested. The Board of Summerfruit Australia Limited includes both young and female growers. The Echuca workshop also included strong representation from these groups. It is important that the industry continues to encourage the next generation into leadership positions.

On the whole, growers tend to be self-taught production, business and marketing managers. Often they are without formal post secondary education. A history of favourable industry returns has encouraged children to return to the orchard after leaving secondary school and learn their trade from their parents. Few have followed the more common practice of post-secondary education and off-farm experience before returning to the family business.

Farm Labour

Naturally there are a wide variety of farm labour profiles. A typical medium sized orchard (30 ha to 50 ha) might include an owner and adult child, spouse, a permanent employee and casuals for thinning, pruning and harvesting. A low chill orchard >4 ha will include permanent full time labour.

Orchard managers/team leaders/supervisors are in short supply in the Australian summerfruit industry and often need to be recruited internationally. Reasons for the short supply of skilled industry labour advanced during consultation include the relatively small numbers of managers trained, the inability of employers to pay suitable remuneration, problems with industry image and a low industry profile. This position is consistent across much of horticulture and calls for a 'whole of horticulture' response (see Clouts, Casey and Stone 2004).

Casual labour is expensive but not yet in short supply. Growers comment that the rapid increase in the cost of low skill labour has been driven by compliance costs (OH&S, superannuation, workers compensation, etc) rather than increases in real wage rates.

The high cost of orchard labour was identified as the single greatest factor reducing summerfruit enterprise profitability.

Strategies/developments to address the high cost of labour have included:

- Intensive planting on Tatura Trellis or Palmette ‘two dimensional’ structures where trees are kept in a narrow canopy and easily mechanised. Palmette tree design is often used in conjunction with platforms to facilitate labour saving during thinning, pruning and harvesting activities;
- Labour saving R&D including chemical thinning research;
- Labour saving pruning e.g. the introduction of mechanical pruning for plums;
- Relocation of the industry to new production areas to achieve labour scale economies; and
- Policy changes aimed at increasing the supply of labour. These include government initiatives to relax work permit requirements for backpackers and the easing of criteria for sponsorship of migrants employed in horticulture.

Additional measures, such as guest and indigenous worker programmes will need to be considered if Australian summerfruit is to be internationally competitive at long-term average exchange rates. These issues could be tackled from a ‘whole of horticulture perspective’.

Tree Numbers, New Tree Plantings and Nursery Supplies

Tree numbers for all four summerfruit crops 1994 to 2004 are shown in Table 5. There is an upward trend in tree numbers for all fruit types except apricots.

Table 5 Tree Numbers (‘000)

Fruit	1994	2000	2001	2002	2004
Peaches (incl. Processing)	1,245	1,972	1,700	1,600	1,877
Nectarines	1,100	1,202	1,100	900	1,282
Apricots	642	520	500	421	478
Plums and Prunes	905	1,420	1,300	1,300	1,450

Source: ABS data, HAL Statistics Handbook 2004

Unlike APAL, the peak industry body for apples and pears, SAL does not commission ABS surveys to collect data on new trees planted by variety. An accurate assessment of future production potential and varieties being planted is not available.

Anecdotally, there is evidence of a slowing in new tree planting as a consequence increased production, reduced export opportunity and a revision of the ATO ruling effecting the attractiveness of tax effective, superannuation driven investments. There is further evidence that tree removal without replanting is taking place in some production regions.

To address the absence of independent data on new tree plantings, consideration could be given to commissioning ABS to collect this data. A

cost of up to \$30,000 pa would be incurred. Alternatively it may be possible for this data to be collected on a more cost effective basis by SAL (or an alternative organisation like AFFCO). Some aggregation of similar varieties may be required to satisfy nursery sector concerns regarding commercially confidential information. Alternatively, an approach like that used by Australian Pork Limited (APL) could be adopted. APL provides a web based system and growers enter their own data and receive industry statistics and benchmarking analysis in return.

Most summerfruit tree stock is sourced from two commercial nurseries. These nurseries import and propagate mainly Californian genetic material. A range of genetic material is also available from Australian breeding programmes. Industry does not have access to independent production and marketing appraisal of new varieties.

In the apple and pear industries, APAL through the Australian Pome Fruit Improvement Programme (APFIP) has established a capacity to independently assess the suitability of new varieties and the disease free status of rootstock. This capacity is missing in the summerfruit industry. Growers indicate that a full 40% of new varieties planted are commercial failures and are prematurely removed, a significant cost to a low margin industry. Growers do not currently have an independent source of information on new varieties. In the past the various state departments of agriculture provided this service.

Orchard Life, the Summerfruit Season and Summerfruit Varieties

New plantings of low chill trees are productive within two years. A commercial low chill crop is available within three years. A commercial high chill crop is available within four years. Until recently trees were expected to last 15 years after which time they were removed and the variety was considered commercially redundant. The rapid increase in the release of new varieties over the last ten years has reduced the economic life of trees to as little as seven years (i.e. production for seven years). A clear cut financial advantage in removing 'old' varieties and replacing them with new (often 'club') lines is not always apparent to industry participants. Industry leaders comment that the temporary lift in price associated with a new variety is a distraction from the main game, which is the need to reduce orchard production cost and supply summerfruit that is internationally price competitive.

An accurate estimate of the number of commercially available summerfruit varieties in Australia is not available. However, it is believed that there are as many as 50 varieties in each of the four summerfruit crops. There are so many summerfruit varieties and they change so quickly that market analysts do not report terminal market sales by summerfruit variety. The number of *major* summerfruit varieties by crop and their seasonal availability is summarised in the table below.

Table 6 Major Varieties of Summerfruit and Months Available (no.)

Fruit	Major Varieties (no.)	Months Available (no.)	Supply Period
Peaches	12	9	September to May
Nectarines	13	6	November to April
Apricots	18	3	November to January
Plums	22	6	November to April

Source: HAL Statistics Handbook 2004. Includes peaches and apricots for processing.

Typically:

- Low chill varieties are available between October and December
- Medium chill varieties are available between November and January
- High chill varieties are available between December and April

Fruit from individual summerfruit varieties is only available ten days per season. Sixteen varieties are therefore needed to cover September to April. This situation is in sharp contrast to apple production where industry production is dominated by a total of six varieties. It is much easier to generate new summerfruit varieties through multiplication than new apple varieties.

Australia, through its participation in club marketing programmes and payment of grower royalties, has access to the most up to date selection of varieties in the world. In fact, Australia may be ahead of southern hemisphere competitors like Chile and South Africa because of our agreement to pay royalties to leading edge Californian breeders¹.

Work is needed to develop low chill varieties with greater domestic consumer appeal and plums acceptable in export markets. At the current time there are too many varieties with insufficient critical mass to allow for the marketing of a consistent volume of same sized fruit.

Orchard Intensification

Worldwide the efficiency of tree crop production has been enhanced by the development of dwarfing rootstocks, which encourage early fruiting and rapid maturation rather than large trees and 'wood' production. Summerfruit orchards have increased the intensity of tree planting but have been restricted in their intensification programmes by the absence of suitable dwarfing rootstocks. Unlike apple production, Australia has been at the forefront of summerfruit intensification and is currently investing in dwarfing rootstock research. The Australian industry is consistent with best practice in orchard intensification.

¹ Australia has access to a large number of new varieties but does not have a system for their independent appraisal.

Production Efficiency and Production Cost

The Australian summerfruit industry makes use of high yielding 'Tatura Trellis', 'Kearney V' or 'Palmette two dimensional trellising'. This contrasts with much of the world's production, which is based on older style large, free standing, vase shaped trees (e.g. San Joaquin Valley California).

While no international benchmarking of production efficiency is available for the summerfruit industry, industry stakeholders who have completed international study tours are of the belief that Australia is at or near world best practice in production efficiency. Australia's failure to compete internationally is a direct result of the contribution high cost labour makes to total production cost. The cost of labour is estimated to be between 40% and 60% of total production cost (see section on financial performance below). Indicative field labour costs amongst significant summerfruit producers are shown in the table below.

Table 7 Daily Field Labour Cost Major Summerfruit Producers (\$US)

Summerfruit Producer	\$US/day
China	2.50
Chile	10.00
South Africa	10.00
United States	80.00
New Zealand	90.00
Australia	120.00

NB: Prepared from various primary and secondary sources

Production cost varies significantly between low and high chill. Australian production costs are summarised in Table 8.

Table 8 Cost of Production - Australian Summerfruit (\$A/kg)

Summerfruit Producer	Lowest Cost Producers	Highest Cost Producers
Low Chill	2.00	3.20
High Chill	0.40	1.80

Source: industry consultation

Despite high Australian labour rates some Australian producers are able to compete with international low cost producers. For example, the lowest cost Australian high chill producers are consistent with the estimated average cost for Chilean production.

Table 9 Cost of Production and Yield – International Comparison

Country	Source	Average Cost (\$A/kg)	Average Yield (t/ha)
USA - Peaches	Day <i>et al</i> 2004a	0.86	44
USA - Nectarines	Day <i>et al</i> 2004c	0.98	34
USA – Apricots	Kelley <i>et al</i> 2003	0.72	16
USA – Plums	Day <i>et al</i> 2004b	1.01	28
Chile – all summerfruit	Industry advice	0.40 to 0.60	35
Australia – Low Chill	Industry advice	2.00 to 3.20	25 to 35
Australia – High Chill	Industry advice	0.40 to 1.80	30 to 40

NB: US studies include cash and non-cash costs, \$A=\$US0.75.

The Australian summerfruit industry, a relatively low margin producer, is well informed on its cost of production. This is in sharp contrast to apples and pears, where cost of production is less well understood by growers. While individual growers have a strong understanding of their cost of production, there is little understanding by growers of how they compare internationally or even in relation to other Australian producers. Benchmarks for the industry are missing.

Financial Performance

There is only limited whole farm financial data available for the summerfruit industry. Consequently, the consultants have assembled private financial data for a representative, medium sized low and high chill grower. The analyses are one-year snapshots and should be interpreted with caution.

The analyses and industry consultation reveal that:

- The low chill industry is profitable for large-scale producers. Industry returns are dependent on large-scale production and strong real estate prices on the NSW north coast and Qld Sunshine Coast adversely affect return on capital.
- Established high chill orchards are potentially profitable. Many high chill producers are not achieving a 10% return on capital at the current time due to increasing production and faltering export markets. Large and successful high chill growers indicate that while they are not achieving 10% at the current time, longer term their businesses are capable of generating a competitive financial return.
- There is no data available on industry debt; consultation reveals a mixed picture with some operators debt free and others, typically new entrants in new production areas and corporates, carrying large debt loads.

Packhouse Infrastructure

Growers with more than 30 ha of production usually own a packhouse. Summerfruit packhouses and their associated infrastructure have been less capital intensive than similar industries such as apples². Summerfruit growers do not store fruit through the off-season. The summerfruit industry has therefore not had to invest in expensive cool storage capacity.

Increasing industry sophistication, QA requirements and the introduction of new measures such as fruit stickering is resulting in the need to increase packhouse investment. Undercapitalised packhouses are finding it increasingly difficult to meet these requirements and there is an emergence of specialist centralised packing capacity in some parts of the industry (e.g. Panda Ranch and Orsida at Cobram).

² The consultants note that infrastructure associated with air-cooling is expensive and apple producers do not incur this cost.

There is further scope for packhouse consolidation. Packhouses absorb grower capital that might otherwise be invested in enhanced production efficiency. It is likely that small and medium growers will specialise over time in either production or packing/marketing. Packhouse benchmarking has been suggested as one way to speed this process. The consultants note that small packhouses fully utilised can be efficient.

Table 10 High Chill Peach and Nectarine – Representative Orchard

Year		2003/04			
Area	Peaches	7.4	Ha		
Area	Nectarines	12.3	Ha		
	Total Area	19.7	Ha		
Harvested Yield Bins					
	Peaches	1,094	Bins		
	Nectarines	2,057	Bins		180 kg Bin
	Total	3,151	Bins		
Packed					
	Peaches	32,440	Tray Equivalent	4,384	Per Tray Equivalents
	Nectarine	69,135	Tray Equivalent	5,621	
	Total	101,575	Tray Equivalent	5,156	
INCOME					
	Peaches	\$240,224		\$32,463	\$7.41
	Nectarines	\$492,373		\$40,030	\$7.12
	Total Income	\$732,597		\$37,188	\$7.21
FIXED OPERATING COSTS					
Orchard					
Labour Costs (excluding management labour)					
		\$198,090		\$10,055	\$2
	Electricity	\$2,325		\$118	\$0.02
	Fuel Costs	\$35,907		\$1,823	\$0.35
	chemicals	\$22,100		\$1,122	\$0.22
	Irrigation	\$2,912		\$148	\$0.03
	Total	\$261,334		\$13,266	\$2.57
Orchard Overhead Costs					
	Bank fees & Interest	\$7,320		\$372	\$0.07
	Lease Fees	\$5,165		\$262	\$0.05
	Insurance	\$2,500		\$127	\$0.02
	Consultants Fees	\$2,429		\$123	\$0.02
	Office supplies & stationary	\$2,676		\$136	\$0.03
	Repairs & Maintenances	\$9,798		\$497	\$0.10
	Capital Costs (Tree purchases)	\$4,708		\$239	\$0.05
	Superannuation Guarantee Levy	\$15,472		\$785	\$0.15
	Workers Compensation	\$13,866		\$704	\$0.14
	Total	\$63,934		\$3,245	\$0.63
Packhouse Operating Costs					
	Gross Wages	\$80,773		\$4,100	\$0.80
	Cleaning products	\$141		\$7	\$0.00
	Cardboard - Trays & Boxes	\$138,037		\$7,007	\$1.36
	Liners - Trays	\$17,263		\$876	\$0.17
	Waste Disposal	\$350		\$18	\$0.00
	Storage	\$690		\$35	\$0.01
	Freight to Market	\$52,546		\$2,667	\$0.52
	Electricity	\$3,500		\$178	\$0.03
	Chemical - dips	\$1,775		\$90	\$0.02
	Total	\$295,075		\$14,978	\$2.90

Table 10 High Chill Peach and Nectarine – Rep Orchard (continued)

Packhouse Overheads				
	Repairs & Maintenance	\$1,424	\$72	\$0.01
	Vermin Control	\$39	\$2	\$0.00
	Forklift Hire	\$1,792	\$91	\$0.02
	Workers Compensation	\$5,654	\$287	\$0.06
	Superannuation Guarantee levy	\$1,154	\$59	\$0.01
	Telephone	\$1,942	\$99	\$0.02
	Total	\$12,005	\$609	\$0.12
	TOTAL OPERATING COSTS	\$556,409	\$28,244	\$5.48
	TOTAL COSTS	\$632,347	\$32,099	\$6.23
	TOTAL INCOME	\$732,597	\$37,188	\$7.21
	FARM GROSS MARGIN	\$176,188	\$8,944	\$1.73
	OVERHEAD COSTS	\$75,939	\$3,855	\$0.75
	NET PROFIT	\$100,250	\$5,089	\$0.99

Note: No Management or operator labour costs included in analysis

The orchard was part of a larger farming enterprise and now has been removed as the hard work and risk associated with the orchard enterprise could not be justified by the returns.

This was one of the better orchards around. The orchard was pushed in the winter of 2004 so they missed the disastrous 2005 price year.

Table 11 Low Chill Peach and Nectarine – Representative Orchard

Year			2003/04		
Area	Total Area			4	Ha
Packed	Trays			13333	
	Cartons			2,666	
	Total				19,998 /Tray Equivalent (4 Kg per tray)
INCOME	Trays Equivalents				
		@	\$13 /Tray equivalents		
	Total Income		\$259,974		
OPERATING COSTS					
Orchard					
	Labour Costs		\$66,120	\$16,530	\$3.31
	Machinery Costs		\$5,184	\$1,296	\$0.26
	Nutrition chemicals		\$1,744	\$436	\$0.09
	Irrigation		\$8,980	\$2,245	\$0.45
			\$2,000	\$500	\$0.10
	SUB TOTAL		\$84,028	\$21,007	\$4.20
Packing Costs (contract)					
		\$3.20/ Tray	\$13,333	\$10,666	\$0.53
		\$6.00 /box	\$2,666	\$3,999	\$0.20
	SUB TOTAL		\$15,999	\$14,665	\$0.73
Marketing Costs					
Freight	@	\$1.00/Tray	\$13,333	\$3,333	\$0.17
		\$1.30 / Carton	\$3,466	\$866	\$0.04
Levies	@	\$0.05/Tray	\$667	\$167	\$0.01
		\$0.10 / Carton	\$267	\$67	\$0.00
Commission	@	12%	\$31,197	\$7,799	\$0.39
	SUB TOTAL		\$48,929	\$12,232	\$2.45
	TOTAL OPERATING COSTS		\$148,956	\$37,239	\$7.45
Orchard Overhead Costs					
	Bank fees & Interest		\$7,320	\$1,830	\$0.37
	Lease Fees		\$5,165	\$1,291	\$0.26
	Insurance		\$2,500	\$625	\$0.13
	Consultants Fees		\$2,429	\$607	\$0.12
	Office supplies & stationary		\$2,676	\$669	\$0.13
	Repairs & Maintenances		\$9,798	\$2,450	\$0.49
	Capital Costs (Tree purchases)		\$4,708	\$1,177	\$0.24
	Superannuation Guarantee Levy		\$5,951	\$1,488	\$0.30
	Workers Compensation		\$3,967	\$992	\$0.20
	SUB TOTAL		\$44,514	\$11,128	\$2.23
	TOTAL COSTS		\$144,541	\$36,135	\$7.23

Table 12 Low Chill Peach and Nectarine – Rep Orchard (continued)

TOTAL INCOME	\$259,974	\$64,994	\$13.00
FARM GROSS MARGIN	\$111,018	\$27,755	\$5.55
OVERHEAD COSTS	\$44,514	\$11,128	\$2.23
NET PROFIT	\$104,442	\$26,111	\$5.22

Note: information for this analysis is derived from a number of sources including departmental publications and personal communication with growers. The analysis is to be treated with caution as the derived costs and income is highly dependent on location, variety and market timing all of which can cause very significant differences in profit outcomes.

Summary of Enterprise Attributes

Industry enterprise attributes, consistent with the 'Strengthening the Industry Partnership Initiative – A Framework' (CIE 2005) are summarised in the table below.

Table 12 Enterprise Attributes

Attribute	Description
Geographic concentration	<ul style="list-style-type: none"> Widely distributed across all states, restructuring to large-scale low cost locations.
Gross value of production, measured at the farm gate	<ul style="list-style-type: none"> Increasing over time when normalised for climatic conditions and 'off-crop' years. Industry needs to find new markets.
Scale	<ul style="list-style-type: none"> Trend towards increasing scale. High and medium chill moving toward large family operations and corporates.
Number of farms in the industry and distribution by farm size	<ul style="list-style-type: none"> 1,200 in industry (including cherries) of which 250 produce 80% of the product.
Degree of farm level diversification, measured as the share of total enterprise turnover in that activity	<ul style="list-style-type: none"> Trend towards increasing specialisation, most growers at least 60% reliant on summerfruit production.
Investment – new planting	<ul style="list-style-type: none"> Slowing due to increased production, reduced exports and a revision of the ATO ruling affecting corporate investment. There is also evidence that tree removal without replanting is taking place in some production regions.
Investment – intensive production	<ul style="list-style-type: none"> At or near world best practice.
Investment – new varieties	<ul style="list-style-type: none"> New varieties are generated at a frenetic pace and tend to benefit the nursery sector (tree sales) rather than growers or the market place. Australia has access to and adopts leading edge Californian varieties
Cost of production	<ul style="list-style-type: none"> Well understood by growers, penalised by high labour costs. Some Australian growers are world competitive on cost.
Profitability	<ul style="list-style-type: none"> Low chill profitable in absence of imports. High/Medium chill has pressure on profit resulting from increasing production.

3.2 Resource Use

The way an industry uses its resources is extremely important and has a large bearing over its success (CIE 2005). The following attributes in resource use are reviewed:

- Land intensity is measured in dollars of gross value of production- per hectare. The Australian summerfruit industry scores highly on this measure. Trees are planted at high densities by world standards. The Australian industry is at or near world best practice in land use systems. GVP is estimated at \$40,000/ha.
- Input intensity is high. Purchased inputs are consistent with best practice and labour is highly skilled and professional. The high cost of orchard labour is problematic.
- Infrastructure intensity, the rationalisation of packhouses is occurring however, there remain too many undercapitalised facilities. A medium score is assigned to this indicator.
- Capital intensity is measured as the dollars input per dollar output. New orchards are capital intensive and the shortening of orchard life to accommodate club varieties is dramatically increasing the capital intensity of operations. A low score is assigned.
- Water intensity is measured as the value of output per megalitre of water used. Water is the industry's single largest resource use issue; it limits production from Queensland to Tasmania. Summerfruit marketers contacted as part of the study indicate that they are glad of water constraint; it constrains the industry from further overproduction. Summerfruits typically require between 4 ML/ha and 6 ML/ha with at least 1 ML/h being rain fed. The industry is efficient in its use of water – flood irrigation has been moved to micro-spray and then drip over the last 20 years.
- For debt to equity ratio a medium score is assigned. Industry indebtedness is highly variable and some large players are vulnerable to increases in interest rates. Many established properties are debt free. Availability of farm finance is not an issue at the current time.

A summary of the key resource use characteristics of the summerfruit industry is shown in the table.

Table 13 Resource Use Attributes

Attribute	Description
Land intensity	<ul style="list-style-type: none"> High - trees are planted at high densities by world standards and the industry is intensive compared to other Australian agricultural industries.
Input intensity	<ul style="list-style-type: none"> High - input quality consistent with best practice. Cost of labour is problematic.
Infrastructure intensity	<ul style="list-style-type: none"> Medium - further rationalisation of packhouses is required and is occurring.
Capital intensity	<ul style="list-style-type: none"> Low - capital costs are increasing and orchard economic life is decreasing.
Water intensity	<ul style="list-style-type: none"> High - efficient users of irrigation water. Water availability is a limiting factor of production in many districts.
Debt to asset ratio	<ul style="list-style-type: none"> Medium- industry indebtedness is highly variable and some recent entrants and large players are vulnerable to increases in interest rates.

Overall the industry is a very efficient user of resources. However, analysis of resource use indicates the need for improvements in infrastructure intensity (packhouse rationalisation), capital intensity (the shortening of orchard life with increases in establishment costs) and caution in relation to debt for some potentially vulnerable new and larger players.

3.3 Environmental Impact and Industry Image

Environmental impact will shape resource sustainability and community attitudes to the industry.

The summerfruit industry is perceived as being a producer of clean, healthy products with few environmental concerns. GMOs are not currently an issue although the consultant notes the USA availability of a Sharka resistant GMO variety. Fruit irradiation might also become an issue in the future.

Over the last ten years the industry has decreased its use of 'hard' chemicals and increased its use of 'softer' chemical isomates, Integrated Pest Management (IPM) and 'attract and kill' technology to manage pests such as oriental fruit moth and Carphophilus beetle.

Quality assurance and food safety programmes have increased grower awareness of run-off, resulting in lower application rates and better timing of chemical application. Fertigation is a major improvement in the way fertiliser is introduced into the environment. Adoption of shelterbelts to prevent spray drift from summerfruit production has been a positive innovation. However

shelterbelts have not stopped problems with inward drift from broadacre agriculture, which has damaged fruit in some summerfruit production areas (e.g. Swan Hill).

The summerfruit industry also has an issue with noise pollution from frost fans in built up areas (e.g. Cobram). Innovation is needed to manage noise pollution potential.

In the medium-term, the industry may have an issue with fruit fly management. Chemical use for pre and post harvest treatment of fruit fly is under review and there is no alternative to the current post harvest chemical. The availability of fruit fly control is an issue for the industry where access to interstate and export markets is predicated on effective fruit fly control. In NSW, Victoria and South Australia ongoing funding for tri-state fruit fly area freedom programmes is under review and is at risk if one state withdraws from the programme.

Industry believes it has a neutral to positive environmental image.

While external industry image may be neutral to positive in relation to environmental management, the industry suffers from 'poor self esteem' and a low public profile. Some growers perceive themselves as being the poor 'cousin of wine grape production' and attribute this perception to difficulties with attracting and retaining young people seeking a career. The industry is complex, multi-disciplinary and increasingly able to offer employment with career progression. There is a need to address this component of external industry image and this problem is shared across horticulture. Industry image development would benefit from a 'whole of horticulture' approach.

3.4 Marketing and Markets

Marketing is a key aspect of any industry. It plays an important role in generating demand, while the characteristics of the markets in which an industry operates are also important (CIE 2005). Under marketing and markets, the following attributes are included:

- Industry marketing expenditure
- Branding and club based marketing
- Consumption
- Product differentiation
- Eating quality
- Price competition
- Clear and accurate price signals
- Industry data
- Proportion of production sold as fresh product
- Proportion of production going into value adding
- Import competition
- Integrated value chain, statistics and information flows
- Export market diversity
- Proportion of production exported/Export priorities

Industry Marketing Expenditure

Marketing activities in the summerfruit industry are conducted through Horticulture Australia Limited (HAL) in consultation with SAL. The marketing levy generated an average of \$529,000 pa over the 5-year period to June 2004.

Table 14 Marketing Levies for Summerfruit (\$)

Year	Levy Income
1999/00	502,519
2000/01	552,747
2001/02	541,755
2002/03	573,508
2003/04	473,860#
5-year Average	528,878

Source: SAL

Lower levy income linked to lower value crop associated with frost and spring storm damage in Victoria's Goulburn Valley and Swan Hill regions

Marketing expenditure on summerfruit through HAL and SAL is around 0.24% of industry GVP. By way of contrast:

- Citrus typically invests around \$400,000 or 0.2% of GVP;
- Apples and pears invest around \$2.5 million or 0.7% of GVP; and
- Manufactured snacks typically invest between 5% and 10% of GVP.

Until 2002/03 the limited marketing funds available to SAL were focussed on domestic point of sale material (POS), product launches and material for the local press. In 2002/03 the industry changed tack and concentrated expenditure on TV advertisements with indications of promising results - price maintenance in a bumper season. Merchants also contributed funding to this programme (Summerfruit Australia website).

Most stakeholders consulted as part of this study indicated that they believed the industry underspends on promotion and that they would support a levy increase or a diversion of funds away from R&D, to support additional promotion. Other comments received during consultation included:

- Victoria has achieved a cost effective increase in summerfruit sales through a cooperative programme funded by wholesalers and a category manager. The programme makes use of pantomime at festivals backed with summerfruit tasting. This style of promotion could be emulated in other states.
- Retail scan data collected with SAL funding is very valuable for the planning of industry production and promotion. The data provides insights into individual consumer purchase decisions including response to promotions and the timing and volume of individual sales.
- Adequate funding of promotion would include 'in-market' export coordination and intelligence, especially in Taiwan.

- The Product Description Language (an objective description of what constitutes each grade of the main summerfruit varieties) is a valuable tool for providing improved information flows along the supply chain. The summerfruit Product Description Language now requires effort to encourage its adoption.
- Limited industry promotional funds could be pooled with retailers and marketers to achieve critical mass.
- With the limited funds available it is not sensible to conduct a January television campaign, you only get five advertisements and everyone is away on holidays. You need to review what the best use of limited funds is and it is not television. The small available budget needs more targeting i.e. merchandising in selected retailers and POS.

The consultants conclude that the industry would benefit from additional expenditure on domestic promotion and the apple and pear industry benchmark of 0.7% of GVP (or \$1.6 million pa) might be a useful (modest) target.

Branding and Club Based Varieties

Branded summerfruit is in its infancy in Australia. Short supply seasons have worked against the development of brands based on summerfruit varieties. Supermarkets are also moving toward 'own branding' and the downplaying of grower/packer owned brands in all categories.

A further recent development in the industry has been the emergence of so-called 'club' varieties. This involves the plant breeder/licensee providing access rights to his/her plant varieties under PBR legislation, through licensing arrangement, either directly or through a licensee agent. These rights can be as simple as a tree royalty with a non propagation agreement through to extensive control of the finished product, including packaging material, product specifications (including stickering), quality assurance programmes market distribution, both domestic and international and the collection of a marketing levy at the wholesale level.

Growers are divided on the merits of club based marketing. The divide normally being between those who are part of the club system and those who are not. Club membership has tended to favour larger growers.

Arguments against club marketing include:

- Payment of an annual royalty fee for trees. A one off payment at purchase is seen as more acceptable.
- Loss of fruit marketing options and the breaking of commercial alliances between growers and wholesalers.
- Loss of margins associated with packing your own fruit.
- Growers become 'limited option contractors' rather than business people managing production, marketing and their own destinies.

- Supermarkets owning and preferring their own club varieties at the expense of alternative supplies.
- Some clubs have not delivered the financial returns promised to growers.
- Imports will disrupt club arrangements as the same fruit will be available from outside the clubs.
- In five years clubs will dominate supply to major retailers and non-club growers will be shut out of these markets.
- Some question the merits of the maintaining the 'scarcity factor' of club varieties, whereby the supply of trees is limited to control downstream production resulting higher prices. It has been suggested there are many new varieties provided by competitor breeding programmes, and it is conceivable that buyers may play one club variety off against another by price in an oversupplied market.
- Some members of the industry also believe that the club varieties are merely a vehicle for a further middleman in the value chain collecting another portion of the grower's margin.

Arguments in favour of club marketing are:

- A sustainable business model with an emphasis on profit.
- Summerfruit is marketed as a product and not a commodity.
- Buyers recognise club brands.
- Supply of club varieties is limited and higher prices are being achieved.
- Clubs delay variety 'churn' i.e. they stop oversupply of a variety and its rapid replacement with the next nursery sector driven release. Orchards might again last 15 years rather than the current seven years.
- Growers are provided with technical advice through the club arrangement.
- A series of varieties can be developed with similar appearances and eating qualities e.g. eight varieties of black skinned red-fleshed plums that all look the same. Branded under the one name this series of varieties is available for the duration of the summerfruit season.
- Limited supply and fruit of consistent appearance/eating quality allows both the supplier and the retailer to develop programmed orders and a marketing campaign. This principle also holds for export, clubs have permitted production of identical product, in volume, for sale in France.
- Club participation encourages growers to prepare a cost analysis before planting new production areas and consequently more rational planting decisions are being made.

Clubs have a strong and strengthening position in the summerfruit industry. There is a need to skill smaller growers and those outside the system in relation to evaluation of club participation, the development of group

marketing skills, how to make their businesses appealing to club managers and how to profit from the club marketing experience.

As previously indicated, those in favour of Club Marketing tend to be those participating in these initiatives and those who aren't in favour tend to be outside the club. The consultants understand that a group of concerned growers has lodged a request to the ACCC and the ACCC is considering these matters.

Consumption

Domestic per capital consumption of summerfruit is shown in the table below. The trend has been towards increasing peach, nectarine and total summerfruit consumption and away from apricot and plum consumption. Plums are widely seen by buyers as a declining product category.

Table 15 Per Capita Consumption – Summerfruit (kg)

Year	Peaches	Nectarines #	Apricots	Plums & Prunes	Total
1996/97	2.6	1.1	0.9	1.5	6.1
1997/98	2.1	1.2	0.6	1.6	5.5
1998/99	1.7	1.4	0.7	1.2	5.0
1999/00	4.4	1.9	1.0	0.9	8.2
2000/01	3.9	1.7	1.2	1.2	8.0
2001/02	4.5	1.5	0.7	0.8	7.5

Australian Horticulture Statistics Handbook – various issues, # Consultant estimate. Apricot includes fruit for processing.

Australian summerfruit consumption of 7.5 kg per capita is less than US consumption of 8.6 kg per capita in 2001/02. There is room to lift domestic consumption.

Summerfruit is in competition with mangoes, table grapes, apples, pears and tropical fruit such as lychee, all of which are increasing their volumes and seasonal supply windows.

ACNielsen consumption data (HAL Statistics Handbook 2004) shows:

- Dominance in consumption by older singles/couples, older families and adult households. Younger households account for 27% of peach, apricot and plum consumption. Nectarines do slightly better at 31%.
- By way of contrast 37% of apple consumption takes place in younger households. This pattern works against increased summerfruit consumption in the longer term.

As current summerfruit consumers (i.e. those in older households) age, significant marketing effort is needed to ensure that future consumption is at least maintained at current levels - but hopefully increased. Programmes such as the whole of horticulture '2+5 a day' address this need (see www.healthyactive.gov.au).

Consumption in developed countries (Europe, North America and Japan) shows similar trends to Australia. Less developed countries including Asia and the Indian Sub Continent are enjoying increasing consumption on the back of rising incomes and summerfruit availability. The Australian industry would benefit from a coordinated and resourced export marketing strategy that addresses non-price reasons for purchase and prepares plans with exporters for long-term marketing programmes.

Product Differentiation

While the growth of club based marketing promises scope for further product differentiation based on branded varieties, white flesh and yellow flesh is the current dominant form of summerfruit product differentiation. Consumers recognise and are currently prepared to pay for summerfruit on the basis of this distinction.

The table below shows premiums for white flesh nectarines and peaches over yellow flesh fruit in each month of the summerfruit season. The premium is typically between 20% and 30% for white flesh fruit. High prices are also available for apricots (due to their higher production costs) and lower prices are received for plums. Plums are an oversupplied and declining product category with taste and small fruit size (<60mm) issues.

White flesh, high sugar, low acid and crunchy peach and nectarine varieties were developed especially for the Taiwanese export trade. While these varieties suit an Asian pallet, Australians of European descent prefer traditional melting flesh varieties. As the volume of white flesh fruit increases, premiums for these varieties might not always be available.

Table 16 Wholesale Summerfruit Prices in Australia (average \$/kg)

Type	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Peach – white flesh			5.00	2.65	2.25	2.02	1.99	1.95	
Peach – yellow flesh	5.93	4.05	2.91	2.06	1.76	1.73	1.72	1.80	
Peach-cling-stone					1.59	1.13	1.28	1.20	
Nectarine-white flesh	8.63	5.68	4.42	3.18	2.47	2.45	2.19	2.34	
Nectarine-yellow flesh	5.28	4.33	3.06	2.38	1.74	1.96	2.07	2.28	
Apricot – all types		5.50	3.86	2.15	2.53	2.60			
Plum – all types#		3.30	4.27	2.65	1.80	1.77	1.64	1.94	1.30
Average	6.61	4.57	3.92	2.57	2.02	1.95	1.82	1.92	1.30

Source: Wholesale Prices in Sydney, data supplied by Ausmarket Consultants

Data available by variety for plums but not for other summerfruit in 2004/05

Eating Quality

Consumers like good eating fruit yet industry finds it difficult to deliver consistent eating quality.

A universal issue raised during consultation was poor summerfruit eating quality linked to premature harvest, supply chain failure and poor varieties. This problem was particularly pronounced in the low chill sector. Another factor is incorrect temperatures during transport and storage, resulting in stonefruit becoming 'mealy' when ripe.

Industry commented that growers pick fruit green to capitalise on high early season prices, provide the volume retailers require, the shelf life needed for transport or to 'strip pick' trees and save labour costs. Whatever the reason, the result is fruit that is small, low in sugar, bland and becomes hard and mealy soon after. Plums are especially susceptible to poor eating quality when harvested early. When this occurs in the early-season low chill sector consumers are discouraged from consuming summerfruit before the high and medium chill season, where the bulk of industry production commences.

As a counter to these points a number of growers and wholesalers argued that buyers and consumers are becoming more sophisticated in their purchase decisions and tasting fruit before they purchase. Furthermore, those who don't purchase on the basis of tasted samples, purchase on the basis of visual appearance. Visual appearance is generally sound in early season low chill varieties. Marketers and retailers also comment that blame for poor eating quality may be unfairly sheeted home to retailers. The industry may be misinformed in its conclusion that fruit that doesn't taste as good in the supermarket as it does on farm is the victim of supply chain failure. Fruit retailed in supermarkets must be robust enough to withstand transit times and still have a seven-day shelf life. Great tasting fruit harvested on farm maybe product that is mature, and if this were the case, it would not have the 'legs' to survive transit through the value chain.

Work is currently being funded from the summerfruit R&D programme to improve the eating quality of low chill summerfruit varieties. 'Ripe and Ready' and 'Tree Ripened Fruit' programmes have also assisted in improving the summerfruit eating experience.

Summerfruit exporters indicate that Australian fruit is considered to have superior eating qualities to fruit sourced from South Africa and Chile. However, the eating quality of Australian fruit is inconsistent and this inconsistency detracts from its appeal.

Solutions to poor eating quality suggested during consultation included resumption of third party fruit quality auditing and implementation of the national product description language. It is highly unlikely that state government would resume responsibility for fruit quality auditing. Other solutions focused on training for retailers in summerfruit temperature requirements, handling and merchandising techniques. Investment in improving retail knowledge and practices, such as that undertaken by the

California Tree Fruit Agreement, has resulted in better eating product being made available more consistently to consumers. This has in turn resulted in significant gains in consumption. Simple initiatives such as a training video/DVD outlining handling and product knowledge for summerfruit were suggested. Queensland banana growers have developed similar tools that Coles consider effective. The consultants understand Woolworths have their own in-house manual for fruit management.

Price Competition

Faltering export markets and increasing domestic production has resulted in domestic oversupply and strong price competition. Growers indicate that pack out rates (effectively, a measure of wastage) have fallen from 85% five years ago to 65% in the most recent season as buyers become more choosy on the quality they will accept and the price they will pay. Retail prices for summerfruit have not shown a corresponding price fall.

In addition to supply and price competition between summerfruit producers, summerfruit must compete with a range of fresh and processed/semi processed alternatives. Strongest price competition comes from alternative fresh fruits and consumer research shows that mangoes are a direct substitute for summerfruit.

Table 17 Retail Price of Competing Fresh Fruit (average \$/kg)

Type	Indicative Price During Summerfruit Season (\$/kg)
Bananas	1.50 to 3.00
Table grapes	2.00 to 4.00
Mangoes	3.00 to 5.00
Summerfruit	4.00 to 7.00
Lychees	8.00 to 10.00

NB: Data supplied from various industry sources.

Mangoes and table grapes are currently in oversupply.

Price Signals

Clear and accurate price signals are missing from the industry. Domestic and export market data (price and volume) is available to large growers and those further along the supply chain. It is often missing from the decision support systems of small/medium growers who rely on their industry associations and HAL for decision-making information.

The AFFCO 'Well Informed Grower' project, funded by participating members and matched with industry levy dollars, is an important initiative in the apple industry in respect to the generation and dissemination of production and marketing data. It is important that tentative moves to expand this project into summerfruit are supported by the industry. Other initiatives would address the visibility of packer, wholesaler and retailer marketing margins and promote the use of IT to communicate price and volume information.

Industry Data

Key data missing from summerfruit industry decision-making includes:

1. Product forecasting information – what is planted (i.e. number of trees by variety) and when it was picked;
2. Seasonal crop predictions – volumes, quality, size profiles, timing for each major production district, contributing to better marketing and promotion plans;
3. Timely export statistics – especially how many shipping containers are on the water and recently arrived in Taiwan and Hong Kong;
4. Competitor outlook – information on how the Chilean and South African season is shaping up - is it running early or late, frost affected, hail damaged, etc so that Australian exporters can adjust shipments and prices accordingly; and
5. Market developments (domestic and export) – changes in marketing structures through consolidation, new packaging requirements, innovations in product tracking and the implications for summerfruit.

Additional data to support informed decision-making is a priority for the industry.

Proportion of Production Sold as Fresh Product

By definition summerfruit is only the fresh component of the peach, nectarine, apricot and plum crops, so technically one hundred percent of industry product is sold fresh. However, with increasing product supplies and more stringent buyer specs, a large proportion of the crop is rejected and therefore valueless. Cost recovery on this proportion of production would make a big difference to grower returns.

Summerfruit has not yet proved capable of being processed as a 'fresh cut' to incorporate into the rapidly growing fresh cut tub market (e.g. product sold in CBD newsstands to compete with chocolate bars). A fresh cut opportunity would be critical to both domestic and 'value added' export.

At least one low chill grower has invested in a stone fruit drying plant. R&D to identify opportunities for cull fruit is a high priority for the industry.

Customer specifications should be better communicated back to growers, along with the tools necessary to produce a higher proportion of fruit within those specifications - other industries are already doing this.

Proportion of Production Going into Value Adding Product

The highest unit value for summerfruit is achieved by fresh unprocessed product.

The industry's 'Ripe and Ready' programme is an important form of value adding. Summerfruit sold through this programme meets contemporary

consumer requirements for purchase and same day consumption rather than holding fruit until it ripens. 'Ripe and Ready' summerfruit accounts for around 2% of domestic sales and all Australian export sales to the Marks & Spencer supermarket chain in the UK. 'Ripe and Ready' results in a better and more immediate eating experience for consumers. Industry advice received from J Sainsbury in the UK is that 'Ripe and Ready' does not create sales at the expense of other summerfruit lines.

Value adding can also include the 'bundling' of services like packaging, customer service and additional quality attributes. The industry could do more to enhance this form of value adding in export markets which would then help differentiate high cost Australian fruit from low cost commodity competition.

Import Competition

New Zealand apricots dominate current Australian summerfruit imports. A small volume of New Zealand peaches, nectarines and plums are also imported however, New Zealand is a relatively minor summerfruit producer.

Table 18 Summerfruit Imports (tonnes)

Year	Apricots	Other Summerfruit
1998/99	3,072	
1999/00	1,297	
2000/01	4,063	
2001/02	1,323	44
2002/03	679	1

Australian Horticulture Statistics Handbook – various issues

New Zealand has had access to the Australian domestic market for all summerfruit crops for many years. However, poor shipping practices and product quality has seen domestic product push New Zealand fruit out of the Sydney, Melbourne and Brisbane wholesale markets. New Zealand exporters now concentrate on small volume sales to more remote locations including Darwin, Alice Springs and the western regional areas of Queensland.

Five nations who are major summerfruit producers are currently seeking access to the Australian market. In the order their applications will be processed they are the US, Chile, South Africa, China and Italy.

Imports from the US are likely to be a domestic market reality within three to five years. USA import logistics will be straightforward and marketing channels have already been established for grapes, cherries and citrus. US summerfruit will have a direct impact on the profitability of the Australian low chill industry. Fruit, mainly nectarines, will arrive from mid July and continue well into the first week of October. October is the Australian low chill industry's main supply month. It is anticipated that late season varieties from California and Washington State will be a better eating experience for Australian consumers than the low chill early season Australian varieties. There is also a strong possibility that US product can be retailed at lower cost than Australian low chill supplies. In time, imports from the US may be viewed by the industry as a positive for its development. They will extend the

Australian summerfruit season and provide an almost year round high quality eating experience.

Counter season imports from China and Italy will also have some impact on the Australian industry but it is the possibility of access by low cost same season Chilean and South African product that will have the major knock on effect. If Chile and or South Africa secure access to the Australian market, then all Australian summerfruit prices will fall to world parity levels. Same season imports affecting high and medium chill producers are estimated to be five to ten years away (i.e. 2010 to 2015). Table grape imports from Chile will commence in 2006.

In the interim the Australian industry must pursue all measures to ensure high disease risk imports are excluded (e.g. imports from countries where Sharka is endemic), Australian cost of production is driven down to the lowest possible level and opportunities for export are fully realised.

Integrated Value Chain

The major links in the summerfruit value chain are grower, packer, marketer, distribution and retail. There is any number of permutations on this model and some individuals are integrated across the whole chain. Many small to medium growers are grower/packer/marketers. As a general statement it is fair to say that the Australian value chain for summerfruit is in a state of change. Major issues and trends working through the industry include:

- The rise of the supermarket category manager who manages supplies through volume limiting club arrangements and acts as a 'gatekeeper' on price and product signals. Category managers are interested in premium product lines and limited size ranges, leaving the grower/packer to find a 'home' for the balance of fruit grown. This fruit is marketed through the wholesale markets sometimes becoming the reference price for premium line payments.
- Group marketing skills of growers could be developed with those currently outside the club system, if they group together to supply a consistent volume of similar product to category managers.
- Supermarkets dominate domestic summerfruit retailing – their market share is estimated at 65% nation wide. The two supermarket chains effectively set price and quality specifications for the Australian industry.
- Growth is occurring in alternative value chains including independent fruiterers, farmer markets/roadside stalls, central markets and E-commerce/home shopping. Medium sized growers may be underestimating this opportunity.
- There is grower frustration with the perceived failure of the supply chain/cool chain at the retail end. Product is ideally maintained until it leaves the supermarket distribution centre and quality is lost in-store and before it reaches the consumer. While members of the supply chain acknowledge there are failures in the system they believe this issue is sometimes overstated.

- The industry indicates that distributors and trucking companies do an excellent job in a highly competitive sector. This sector is currently under pressure from increasing fuel costs.
- Packaging and freight to market are major cost items for the grower. The industry needs to work collaboratively with the retailers to minimise packaging and distribution costs and ensure that some of the savings flow back to growers. Current consultation initiatives in relation to returnable plastic crates are encouraging.
- Imports may ultimately result in an almost year round supply of summerfruit of superior eating quality.
- Growers are revisiting their roles as growers, packers and marketers and opting to specialise and focus capital investments on one of these areas. There is expected to be considerable rationalisation of roles in the next three to five years.
- Backward linkages are starting to develop with growers developing working relationships with the nursery sector through club arrangements. Grower forward links to wholesalers have weakened through the same development, which effectively bypasses central market sales.

There is no single Australian summerfruit value chain. Distinct supply chains have developed to serve export, major retailers, wholesale markets and more. As a general statement Australian value chains are reasonably well integrated. The summerfruit value chain is less well integrated than some horticultural supply systems due to its seasonal/part time nature and fragmented regional supply base. There is room for improvement in understanding, transparency and communication of price and volume signals. It is likely that work in addition to the proposed Code of Horticultural Conduct will be required to ensure value chain best practice and the passing of savings along the supply chain. As growers become increasingly more sophisticated and more aware of what their market is and how they serve it, there will be additional opportunity to integrate the Australian summerfruit value chain.

Export Market Diversity and Percentage of the Crop Exported

The Australian summerfruit industry has a genuine export culture. New low acid white flesh peach and nectarine varieties have been developed specifically to suite Asian tastes and backed with dedicated export programmes. Worldwide, Australia has a unique supply window. It is the only country that can supply summerfruit with critical mass for the last three weeks of October and the first three weeks of November.

Exports accounted for around 20% of the summerfruit crop in 2001/02 and 2002/03 before dropping back to 13% in 2003/04. Anecdotal evidence has indicated that this trend has accelerated into 2004/05. By way of contrast 10% of the Australian apple crop and 20% of the Australian citrus crop is exported.

Table 19 Summerfruit Exports (tonne)

Market	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Hong Kong	2,308	3,219	5,554	4,947	8,042	8,570	8,183	4,993
Taiwan	1,201	1,923	3,798	4,301	3,431	5,737	5,271	3,176
Middle East			654	525	840	844	1,073	606
Europe			100	198	325	525	635	828
Singapore	1,323	1,341	1,510	1,157	2,073	1,408	1,451	1,839
all other	2,095	1,636	2,047	1,497	2,995	2,747	4,040	3,092
Total	6,927	8,119	12,909	11,902	16,541	18,462	18,945	13,100

Source: ABS, AHC / Horticulture Australian analysis

Australia's top three summerfruit markets by value (Taiwan, Hong Kong and Singapore) account for 78% of export sales and Singapore is a relatively minor contributor to this total. The industry is currently highly reliant on Taiwan and Hong Kong. In both these destinations there are difficulties with import protocols and strong price competition.

Table 20 Aust Summerfruit Exports – 3 Major Markets 2002/03 (\$'000)

Crop	Taiwan	Hong Kong	Singapore	Total
Peaches	2,065	423	890	5,543
Nectarines	11,469	8,762	555	22,693
Apricots	Minor	474	36	802
Plums	3,841	12,112	3,361	26,218
Total	17,375	21,771	4,842	55,256

Australian Horticulture Statistics Handbook 2004

A return to long-term average exchange rates and a consistent supply of low cost Chilean product, diverted from less profitable US markets, has affected Australia's export competitiveness. Australia is able to compete in Asian markets with better tasting fruit when the price of Australian product is 10% to 15% higher than fruit sourced from competing nations. At times the Australian price is double the price of alternatives.

Export Priorities

Priorities for future export development include:

- India – Australia has market access, there is an emerging middle class and increasing numbers of supermarkets. Getting paid is problematic as are customs delays and cold storage is often inadequate. There is also a need for recognition of the effectiveness of in-transit fruit fly disinfestation. There are some opportunities in this market.
- China – Large increasingly sophisticated market that is accustomed to eating summerfruit. Unofficial access to this market through Hong Kong is currently restricted. The highest priority is the negotiation of market access, this may take a number of seasons to achieve.
- USA – Australia has the potential to fill a unique supply window and emulate the profitable Australian navel orange supply programme. This has been successful primarily because the industry has worked together to develop a premium position for the product. Australia does

not currently have access to this market. Access may be possible within three years subject to Australia accepting US summerfruit imports.

- Bangladesh – also offers niche opportunities similar to India.
- European Union – offers Australia a genuine counter season window with capacity to pay. Although distance means that fruit quality suffers on arrival. Airfreight is difficult to secure pre-Christmas and expensive (\$3.50/kg compared to \$0.75/kg to Asia).
- United Arab Emirates – mature market well supplied by Iran, Pakistan, Lebanon and South Africa. UAE interests own orchards in both South Africa and Chile. Seafreight summerfruit from WA may be a possibility.
- New Zealand –.This is a useful small volume market in large crop years, however access for Australian fruit has lapsed. There is also potential early in the season, before New Zealand production commences.

Industry must think through which channels will be most important and what structures are required to generate the best returns for growers. The use of the industry's Export Efficiency Powers (EEPs) may be a consideration in some of these markets although use of EEPs is not without controversy. The broader export community is divided on their net benefit to Australian industry and the EEP for Taiwan was voided following that country's admission to the WTO.

A summary of the key market and marketing attributes of the summerfruit industry is shown in the table below.

Table 21 Marketing Attributes

Attribute	Description
Industry marketing expenditure	<ul style="list-style-type: none">• Low compared to comparative horticultural products and competing snack foods.
Consumption	<ul style="list-style-type: none">• Increasing per capita consumption. There is a need to attract young consumers and ensure consistent eating quality.
Branding	<ul style="list-style-type: none">• Brands are beginning to emerge via club marketing.
Product differentiation	<ul style="list-style-type: none">• Only current meaningful differentiation is white and yellow flesh.
Price competition	<ul style="list-style-type: none">• Pressure on price resulting from industry oversupply.
Availability of market information	<ul style="list-style-type: none">• Available to large growers. More could be done to increase the visibility of packer, wholesaler and retailer marketing margins and promote the use of IT to communicate price and volume information.
Share of production to value adding	<ul style="list-style-type: none">• Medium – most value added through fresh fruit grading and clear product description. 'Ripe and Ready' accounts for 2% of sales. Exports could be value-added through improved in-market service and presence.
Share of production sold as fresh product	<ul style="list-style-type: none">• High – by definition summerfruit is only fresh product. Processing opportunities for second grade fruit are needed.
Import competition	<ul style="list-style-type: none">• High – minimal at the current time but strong competition anticipated for low chill within 5 years and high/medium chill within 10 years. Now is the time to prepare for import competition.
Integrated value chain	<ul style="list-style-type: none">• Reasonable but marketing margins and price signals unclear to many growers. A short supply season impedes value chain integration.
Export market diversity	<ul style="list-style-type: none">• Dependent on two key, troubled markets.
Export share of production	<ul style="list-style-type: none">• Medium and currently trending down.

3.5 Food Safety, Product Quality and Disease Control

Food safety has become a critical issue for many agricultural industries. Consumers now expect high standards in food safety and quality, and industries that are not up to standard will inevitably suffer on both the domestic markets and in export markets (CIE 2005). The attributes examined under food safety are:

- Food Safety;
- Quality assurance programmes; and
- Quarantine risks (some industries are inherently at greater risk to disease outbreaks and subsequent quarantine restrictions than others).

Food Safety

The Fresh care™ programme incorporating HACCP is now standard practice for growers wishing to supply domestic supermarkets or even wholesale markets. Exporters shipping to Europe are generally required to have EurepGAP™ accreditation. Fresh care™ is currently being extended to include environmental and social justice elements to bring it up to the equivalence of EurepGAP™.

Quality Assurance Programmes

SQF 2000, ISO 9002 (with HACCP) and Woolworths Vendor Quality Management System (WVQMS) all incorporate food safety in their QA programmes. Wholesalers, category managers and supermarkets require these systems.

Consultation completed as part of the study reveals that growers are generally supportive of the benefits QA systems provide – “QA works for us, it prevents retailers holding fruit past its use-by and saying we send rubbish, lets us prove that we are clean and green on export markets”.

Implementation of QA is not an issue for this industry; adequate systems are in place covering an estimated 95% of production. There is some grower concern about the cost of QA and the value generated by auditors. For small growers, without economies of scale, this is a legitimate concern. For larger growers QA is less than 1% of total production cost.

Quarantine Risks and Disease/Pest Control

The industry is highly exposed to the potential import of Sharka or plum box virus through imported fruit, bud wood or through trees of the same genus. Sharka would have a major negative impact on Australian summerfruit production. The Sharka virus takes up to five years to manifest itself after infection. Industry should work closely and cooperatively with quarantine officials to ensure that fruit from countries where Sharka is endemic is not imported into Australia. Sharka is endemic in many parts of the USA and

Europe. It is the consultants understanding that it is not yet present in Chile and South Africa.

Pearce's Disease, traditionally associated with grapes, is another exotic disease with potential to cause industry losses of economical significance. Monitoring of both the disease and its insect vectors is required.

Summerfruit growers have recently agreed to support a levy that will fund emergency response provisions through Plant Health Australia (PHA) in the event of a major disease incursion. This is a welcome development for the industry.

Summerfruit, like all agriculture, is subject to a range of endemic diseases that affect production. These include:

- Bacterial spot/canker which is believed to have originated in the nursery sector and is now carried by the Carphophilus beetle. SAL R&D is addressing this issue;
- Phytophthora/root rot, a problem in WA low chill sector; and
- Bacterial gummosis, particularly problematic in apricot production.

Disease control is managed through varietal selection and is usually only a problem when dry climate varieties, especially Californian varieties, are grown in high rainfall areas i.e. coastal and highland regions.

Fruit fly is a major cost to the summerfruit industry and resources are needed to eradicate fruit fly or expand the areas that are fruit fly free. Instead NSW is threatening to withdraw from tri-state fruit fly arrangements (NSW, SA and Victoria). A whole of horticulture response to this issue is appropriate. Fruit fly affects table grapes, citrus, cherries and others. Tasmania's enviable status as fruit fly free is noted.

Export markets have a low tolerance for chemical residues. Sometimes these are orders of magnitude lower than Australian Minimum Residue Limits (MRLs). This together with the phasing out of many chemical options increases costs and lowers Australian capacity to compete. Longer-term fruit irradiation may be an option.

Flying foxes/bats are a major cost to the industry. A surge in numbers in the 1990s forced out many low chill growers and those that remain found it necessary to invest in expensive bat netting.

A summary of food safety, product quality and disease/pest attributes of the summerfruit industry is shown in the table below.

Table 22 Food Safety Attributes

Attribute	Description
Food safety/Quality assurance	<ul style="list-style-type: none"> In place and wide spread compliance. Costly for small enterprises. MRLs that are very low in export markets make it difficult for Australia to compete.
Quarantine risks	<ul style="list-style-type: none"> Sharka and others currently controlled through import prohibitions
Disease and pest control	<ul style="list-style-type: none"> SAL committed to PHA emergency response provisions. Fruit fly urgently needs funding agreement.

3.6 Human Capital

Human capital refers to the labour force of an industry and the education, skills and experience they bring to an industry (CIE 2005). Under human capital, the following attributes are examined:

- Existence of education programmes and facilities;
- Age of enterprise owners; and
- Skill levels.

A summary of human capital attributes is presented in the table below and explored in greater depth in Chapter 7.

Table 23 Human Capital Attributes

Attribute	Description
Education programmes	<ul style="list-style-type: none"> Specialist horticultural training diplomas offered through universities, TAFE and private institutions. General dissatisfaction with TAFE offering and distrust of trainers. Those in most need least likely to attend. Shortage of respected extension skills. Advice provided by chemical company agronomists.
Age profile of labour force	<ul style="list-style-type: none"> Average age of growers is estimated to be 50+ years. Potential 'next generation' industry leaders need encouragement. Industry is reliant on backpacker harvest labour. Further initiatives needed to secure future supply (websites and guest worker programmes suggested).
Skill level	<ul style="list-style-type: none"> Mixed - medium and small growers missing skills in plant physiology, business, marketing and human resources (HR).

The industry is characterised by increasingly sophisticated businesses and customers that demand additional skills of their grower-suppliers. There is an industry need to address skill levels in plant physiology, business planning, market development, human resource management and labour supply. This need is greatest amongst mid-sized growers who are neither small enough to be niche players or large enough to attract supermarket/category manager attention.

3.7 Research and Development

Most industries participate in R&D to some degree. Industry organisations play a significant role in R&D, both in running programmes and in influencing the overall attitude of the industry towards R&D (CIE 2005). The following attributes are examined:

- R&D expenditure as a proportion of industry GVP, by industry government and other sources;
- Average adoption rate of R&D outcomes; and
- Level of information sharing with other organisational bodies.

R&D in the summerfruit industry is undertaken mainly through HAL in cooperation with SAL. R&D levies for summerfruit averaged \$0.35 million over the five years to June 2004 (see table below). The Australian government currently matches these levies on a dollar for dollar basis. R&D expenditure has therefore averaged \$0.7 million, or 0.3% of industry GVP.

By way of contrast, the citrus industry, has invested 0.5% of GVP and the apple and pear industry 0.8% of GVP over the same period.

Table 24 R&D Levies for Summerfruit (\$)

Year	Levy Income
1999/00	313,198
2000/01	368,321
2001/02	361,169
2002/03	382,338
2003/04	326,548
5-year Average	350,315

Source: SAL

As with other industries there is a distinct split in the adoption rates between large and small producers. Large producers have the capacity to adopt new technology a lot quicker than small producers. Technology adoption is also highly linked to the attitude and financial resources of the grower and some small growers are certainly innovative, outward looking and well resourced.

Dissemination of information on R&D is reasonable with SAL and HAL providing online research reports plus updates through the Summerfruit Quarterly magazine. Research findings are also disseminated through a

National Industry Development Manager (based at Lismore on the NSW/Qld border) and Industry Development Officers (IDOs) in Victoria and Tasmania.

Summerfruit R&D successes include work on the Carphophilus beetle, bacterial spot, rootstock evaluation, post harvest fruit fly disinfestation, IPM best practice, ensuring the quality of early season low chill fruit/the Ripe and Ready programme, cool chain research for domestic and export sectors and collecting retail scan data (SAL website).

The industry is to be commended for its employment of a skill based Industry Advisory Committee, which has responsibility for investment decision-making.

Obviously R&D project numbers and scope are limited by available R&D funds and there is a belief in the industry that SAL is attempting to address too many issues with too few funds. Other comments relevant to R&D, received during consultation include:

- Projects seem to drag on and researchers chew up R&D funds without being outcome focused. Projects fall over when no one leads the industry. An industry champion is needed for each project.
- Carphophilus beetle R&D should have been commercialised before funding stopped – this decision delayed industry implementation by at least a season.
- The Australian breeding programme only addresses low chill varieties; there is no programme for high chill. Bakersfield California is hot and dry; varieties originating there are no good for moist Australian growing conditions.
- R&D is short term and trivially focused. Long-term projects such as a commitment to a breeding programme that serves more than low chill is needed. The current Australian breeding programme is hampered by a short-term, 4 to 5 year project focus. The breeding programme needs to have a project horizon of at least 15 years and be quarantined from budget cuts. Low chill growers are hungry for new varieties.
- R&D for supply chain logistics is needed – transit options for each variety, how each variety performs in each market, packaging for export (long life bags etc). Information is needed on how varieties perform during export. People who are responsible for marketing are neglected in R&D. Nursery groups are not even considered part of the industry.
- R&D into value adding or even cost recovery uses for culled fruit is a high priority.
- R&D has failed to address missing rootstocks required for orchard intensification.
- Overseas study tours to look for innovations are needed. Skilled people like extension staff that know what they are looking for and can ensure there is accountability should be sent.

- SAL is attempting too many projects and issues with too few funds.

R&D attracts a wide and divergent range of industry comment. A summary of R&D attributes is provided over page.

Table 25 R&D Attributes

Attribute	Description
R&D expenditure	<ul style="list-style-type: none"> • Low compared to other horticultural crops, 0.3% of GVP
Average adoption rate	<ul style="list-style-type: none"> • High in large growers, low in small growers. Medium growers struggling to keep up.
Information sharing	<ul style="list-style-type: none"> • Through websites, IDOs, field days, etc • Concern about short-term focus and too many minor projects.

3.8 Summary of Industry Attributes

A summary of industry attributes, values where appropriate, and subjective ranking are shown in the table below.

The summerfruit industry has been assigned a number between 1 and 5 for each attribute. The number 1 being of little or no presence of the attribute, 5 being high presence. An attribute ranking of <3 indicates an area for industry attention.

Table 26 Attributes of the Summerfruit Industry

Attribute	Measure	Value	Score
Enterprise characteristics			
Gross value of production	\$ million farm gate	225	4
Degree of farm level diversification	% of total turnover	60	3
Geographical concentration	Viable districts	26	3
Number of farms in the industry	Number	1,200	2
Distribution of production by farm size	% output by top 10% producers	70	4
Resource use			
Land intensity	\$GVP per ha	40,000	4
Input intensity	\$ input per \$ output	1.25	4
Capital intensity	\$ turnover to \$ assets	3.4	4
Water intensity	\$GVP per ML	13,000	4
Debt to asset ratio	%		3
Enviro impact and industry image			
Environmental Impact			4
Industry image			2
Marketing and markets			
Industry marketing expenditure	% of GVP	0.24	1
Consumption	kg per capita	7.5	4
Branding			3
Product differentiation			3
Price competition			4
Availability of market information			2
Value adding	Value adding % of turnover		2
Share of production sold as fresh	% of production	100	5
Import competition			1
Integrated value chain			2
Export share of production	% of production exported	13	2
Export market diversity	% of exports to top 3 destinations	78	1
Food safety and QA			
Food safety			5
Quality assurance			5
Disease control			4
Quarantine risks			4
Human capital			
Education programmes			2
Age of enterprise owners	Years of age	50+	3
Skill intensity			2
Skill level			2
Research			
Industry R&D expenditure	% of GVP	0.3	1
R&D adoption rates			3
Information sharing			3
Relevance of R&D programme			3

4. Enabling Environment

The enabling environment encapsulates the organisation, structural and social environment within which the summerfruit industry operates. A part of this enabling environment is the industry organisation. The ultimate function of the enabling environment is the optimal use of resources, whilst managing the risks of the external environment, to achieve the necessary industry attributes that drive industry success (CIE 2005).

4.1 Industry Culture

An industry's culture is often a reflection of the history of the industry, its experiences and the communities that it operates within. Factors such as whether or not farmers are production or marketing orientated and willing to embrace new developments and technology play a key role in determining how industry organisations operate. Conversely, industry organisations can and should seek to influence culture to foster conditions that promote success such as flexibility (CIE 2005).

The summerfruit industry is characterised by:

- A regional focus, based on production districts with most grower groups developing strong local communication channels. As a consequence communications have been concentrated within these groups rather than having a broader focus. Inter-group communication is, in the main, limited to group leaders who see themselves as industry representatives speaking on behalf of others. SAL finds it a challenge to break down this system due to the lack of trust outside the groups, the power relationships of the group leaders who wish to remain in their group position and the relative newness of the national representative body (SAL briefing document June 2005).
- Industry cohesion is being assisted by additional opportunities/forums for regional groups to communicate and the breakdown of barriers that result from isolation. The industry is now holding a well-attended and meaningful national conference. SAL has recently prepared a memorandum for understanding between itself and the state organisations to formalise communications.
- Although national industry communication, and with it cohesion, has moved forward in the past three years, there is still a significant need for improvement (SAL briefing document). It is by no means guaranteed that current industry cohesion will persist.
- The industry is both market and production oriented. Market orientation is demonstrated through the development of the Taiwanese white flesh peach/nectarine export programme. Production orientation is demonstrated through the large increase in planting that has occurred over the last five years without a genuine understanding of the market for additional summerfruit.
- Information sharing is most effective in the smaller, export oriented states such as Tasmania. In other areas, self-interest in securing markets and prices precludes information sharing.

The industry must dedicate resources to the continuing improvement of industry unity. The big issues facing summerfruit in both the short and medium term are national in their nature and therefore require a national focus (e.g. imports, exports, labour, fruit fly, etc).

4.2 Industry Associations

Summerfruit Australia Limited

Summerfruit Australia holds regular meetings with government and others to advance the industry perspective on important issues such as market access for Australian fruit, fair access to irrigation water and protecting Australian horticulturalists from the risk of exotic pest incursions (one page SAL brochure).

The SAL 5-year strategic plan was adopted in July 2002. The plan focuses on stakeholder profitability, consumer satisfaction and expanding markets. The Strategic Plan Review: Annual Investment Priorities 2005/06 identifies the following industry objectives in priority order:

1. Increase domestic per capita *consumption*;
2. Increase *export* volumes;
3. Minimise local industry impact from *imported* product;
4. Facilitate improved professional knowledge and *skills* within the supply chain;
5. Improve industries ability to produce fruit of a consistent *quality* to meet consumer demands; and
6. Develop programmes to maintain and maximise efficiencies of *resource* usage.

Comments received on the current SAL strategic plan during consultation included:

- Attempting to be all things to all people and spreading resources too thin to make a difference in any particular area.
- SAL does not have a source of funds for lobbying – this will be critical as the possibility of imports from Sharka endemic countries increases. Furthermore industry representatives will need to spend more time in Canberra working constructively with Government.
- The SAL Board does not have enough large-scale producers who understand the importance of export and fruit fly freedom.
- SAL is not good at communicating findings –the Quarterly is OK but what about getting summaries into state organisation publications and increasing the number of issues of the ‘Quarterly’ published each year.
- SAL policies and procedures – manuals should be developed for directors and staff to cover duties, responsibilities and relationships with organisations such as HAL and the IAC.

- Too much money is being spent on administration – SAL has a big IAC and Board, meeting costs are huge – rationalise venues and the number of meetings. We must ensure we are using administration dollars to best value³.
- Board and IAC meetings are held without clear agendas or communication with stakeholders.
- Appointment of the Industry Development Manager is positive. The incumbent is proactive and motivated. Opinion was somewhat divided on the merits of a Lismore location for the IDM.
- SAL's initiatives in relation to export market development in India are to be commended – this is where the future is.

SAL is 'kicking goals' on behalf of the summerfruit industry and there is a high level of satisfaction with its staff. SAL has focussed less on the industry unity issue and more on getting the job done. There is a strong correlation between the issues it has identified as industry objectives and the findings of this 'Situation Assessment'. SAL's diversity and youth are assets for the organisation but this plus may also manifest itself as a weakness i.e. lack of leadership experience. SAL is limited in what it can achieve by funding constraints and this is recognised by the industry. Consequently industry must work with SAL to identify alternative avenues and resources to fund SAL's activities. Adequate funding is essential to ensure, amongst other things, that high-risk fruit imports are kept out of Australia, is an industry priority.

SAL Levy Collection and Effectiveness

The summerfruit levy has been in place since 1 August 1995 and the industry estimates that between 80% and 90% of levy potential is collected⁴. Capture of non-compliant growers is therefore not a likely avenue for increasing the industry's funding base.

Rather than being set as a percentage of price first point of sale, the summerfruit levy was struck as a flat 1 cent per kg. The result is a decline in the real value of the levy over time. Naturally this has an adverse impact on what can be achieved by SAL in terms of marketing, R&D and industry development.

Comparisons between alternative products (e.g. healthy snacks) and other horticultural crops (apples, citrus, avocado, mango, etc) reveal that summerfruit is chronically under funded. A levy increase is the most probable means of addressing this chronic under-funding.

Industry consultation reveals qualified support for a levy increase provided it is linked to a specific issue (e.g. biosecurity, promotion) and backed with a plan that describes the return on investment to growers.

³ In response to this comment the consultants note that APAL have the same IAC and Board in order to save cost but miss out on the benefits of a skills based IAC.

⁴ Privacy provisions in the relevant legislation prevent the securing of data to verify this estimate.

Given the length of time required to secure a levy increase (a minimum of 18 months), SAL must begin immediately on communicating need and concrete proposals.

Australian Fresh Fruit Company (AFFCO)

AFFCO is an independent network of leading fruit industry players that spans the complete supply chain - from nurseries and breeders to retailers and consumers. AFFCO prides itself on being a commercially rather than politically focussed organisation. AFFCO networks, communicates, coordinates industry training and manages projects including R&D projects on behalf of industry. Recent AFFCO projects have included EurepGAP implementation, coordination of the Pink Lady Apple Export Programme, industry workshops to exchange information and address industry problems. AFFCO's strongest and most established presence is in the apple industry. The organisation also has links with pears, cherries and summerfruit.

AFFCO is interested in summerfruit industry capacity building and suggests a strategic partnership with SAL on the same basis as it has with APAL. AFFCO has achieved success with APAL/HAL through management of the "Well Informed Grower Programme" on behalf of the apple industry. This programme facilitates the exchange of strategic (longer term) and tactical (seasonal) information, including planting and production information and trends, plus seasonal volume and price data between segments of the industry and improves market forecasting and planning for all those involved. In July 2005 the project was expanded to include pears. Information from the project contributes to planning the timing and duration of domestic promotions. It also provides a forum for exchange between suppliers and buyers on market developments such as product and packaging specifications.

AFFCO is interested in further rolling out this market information-sharing project out through the cherry and summerfruit industries. SAL and AFFCO should continue to build on goodwill created through a June 2005 planning workshop.

State Based Organisations

State based organisations have responsibility for addressing state and local issues as well as providing direction and resources to SAL. The state based organisations representing summerfruit are:

- West Australian Fruit Growers Association
- South Australian Fresh Fruit Growers Association
- Fruit Growers Victoria
- Swan Hill Growers
- Cobram Fruit Growers Association
- Fruit Growers Tasmania

- Growcom Queensland
- Low Chill Australia
- NSW Farmers Stone Fruit Committee

Less effective state organisations are characterised by:

- Too broad a representative base with diluted knowledge of summerfruit or even horticultural issues;
- Internal subdivision based on districts/sub districts or the ethnic origin or growers;
- A focus on immediate and lower order issues rather than strategic priorities; and
- Poor information sharing with organisations in other states.

Effective organisations provide a wide range of grower services including training, extension and political representation. Generally speaking the state based organisations serving summerfruit are robust and have good communication links with growers. Consistent with SAL's position, the state based organisations are chronically short of funds with which to serve their constituents.

Australian Horticultural Exporters Association

The Australian Horticultural Exporters' Association (AHEA) is the national peak industry body of exporters and is committed to the development of the export of Australian horticultural products, including summerfruit.

The AHEA is one source of advice for the industry in planning its export development strategy.

4.3 Horticulture Australia Limited

Horticulture Australia Limited (HAL) is a strategic marketing and research partner in the horticulture sector. It has 33 member organisations, of which SAL is one. These members own HAL and are responsible for electing the board at annual general meetings. HAL receives levies and Australian Government matching funds on behalf of the summerfruit industry. Projects are then administered through HAL in collaboration with SAL.

Industry has considerable influence in setting HAL priorities and in shaping their own R&D and marketing agenda. Shortfalls in HAL's operation revealed in its 3-Year Performance Review (Hassall & Associates 2004) related to cross industry strategies. Important cross industry activities that require further attention include:

- Consumer satisfaction/health marketing;
- Export market access, development and growth;
- Supply chain management;

- Water and human resources; and
- Service provision and communication.

The consultants understand that HAL is in the process of addressing these concerns and a recent restructure aimed at giving greater emphasis to cross industry issues.

Consultation completed as part of this study revealed a level of dissatisfaction with HAL in the summerfruit industry. Dissatisfaction was expressed by industry in relation to perceived 'value for money' and the delivery of industry related outcomes. The consultants note that these comments are not atypical of a rural constituents response to questions related to the efficiency and effectiveness of industry structures. However, there remains scope for HAL to improve its relationship with industry.

4.4 Horticulture Australia Council

The Horticulture Australia Council Ltd (HAC) is the sector's peak representative body, i.e. it is the lobby organisation for the whole of horticulture. It is funded by subscription from all the major fruit, vegetable, nut and nursery industries organised through the peak bodies. SAL is a Horticulture Australia Council member. HAC's effectiveness is challenged by its ability to attract funding from the commodity specific peak bodies. HAC has identified the horticultural code of conduct, effective country of origin food labelling and sustainable water practices as key 'whole of industry issues' for representation to government.

4.5 Government

Government is a major influencer of an industry's enabling environment. The review considers:

- Australian government policy and support – DAFF and others; and
- State government support and local government policy.

Australian Government Dept of Agriculture, Fisheries and Forestry

DAFF has the dual roles of providing customer service to the agriculture, food, fisheries and forestry industries, and addressing the challenges of natural resource management. It also helps to build and promote the whole food and fibre chain from paddock to plate for domestic and international markets.

Assistance available to the summerfruit industry is channelled through the Australian Government's major agricultural package Agriculture – Advancing Australia (AAA). AAA includes the following Australian Government programmes:

- Industry Partnerships – the programme under which this project has been funded.
- FarmBis - FarmBis assists primary producers participate in business and natural resource management training to improve the viability and

profitability of their business enterprises. The summerfruit industry has received FarmBis funding support for a range of technical and farm management training activities.

- Farm Help - provides short-term income support to low-income farm families, while they take action to improve their farm enterprise, find alternative sources of income or re-establishing outside farming. It includes income support, advice and training grants and financial assistance to re-establish out of farming. The recent profitability of summerfruit production along with favourable land prices has meant that the industry's need for this type of assistance has been limited.
- Rural Financial Counselling Service – decision support assistance targeting those who need advice on whether to remain in or to exit the industry. Again profitability and sale options based on high land prices have meant that the industry's need for this type of assistance has been limited.
- Farm Management Deposit Scheme - is a cash flow management tool that complement other risk management options by allowing growers to set aside pre-tax primary production income in profitable years to help balance their income between good and bad times. Growers comment that company based trading structures prevent their full participation in the FMD scheme.
- International Agriculture Cooperation Programme - aimed at further developing markets and facilitating bilateral trade by facilitating the reduction of regulatory, technical and economic impediments to summerfruit exports through government to government cooperation in partnership with industry. No use of this programme was revealed during industry consultation.
- Capacity Building – capacity building including rural leaders course, young people's rural development awards, export market development training course and young people's/rural women's corporate governance scholarships. These programmes have been used by summerfruit industry participants.

Other Australian Government Departments provide assistance and grants for business enhancement and value adding. Export development grants are available from a number of Australian Government departments.

State Government Departments

State Government Departments provide varying levels of regulatory, contract research and extension support to the summerfruit industry. Growers comment that regulatory demands *and compliance costs* originating from state governments for issues such as OH&S and chemical management have increased exponentially in recent years at the same time that services to industry, including extension services, have been significantly cut.

Comments received during consultation include:

- Australia needs to better use state resources – there is no national coordination of research programmes. The result is disparate and wasted effort. In New Zealand HortResearch has a national focus and employs 400 people. Current Australian efforts are mediocre.

Local Government

Local government controls development applications for orchards, shapes land use policy and imposes restrictions on chemical use and other summerfruit production practices. In recent times approvals for orchards have become more difficult in some local government areas. The industry has also had issues with noise from frost fans in increasingly built-up areas.

4.6 Regulations and Government Policy

Government regulations play a significant role in determining how an industry operates. Health and safety standards, work force regulations and laws pertaining to the appropriate use of chemicals are just a few examples of regulations that influence how an industry operates — ultimately impacting both positively and negatively, on the success an industry. For example, industry organisations have an important role lobbying to influence regulations targeted at environmental outcomes so that they also promote best management practices and efficient use of resources aimed at delivering a sustainable and profitable outcome. Many industries take an active role in regulations that govern the marketing of their product (CIE 2005).

Regulatory/policy priorities for the summerfruit industry are:

- Quarantine policy – including the maintenance of effective quarantine against unsafe imports.
- Trade policy – aimed at securing export market access for Australian exports and delivering workable import protocols.
- Water – ensure adequate and appropriate volumes of irrigation water are available to the industry.
- Immigration policy – guest workers access, extended backpacker work permits, etc. The consultants note the recent beneficial relaxation of visa requirements for working backpackers.
- OH&S issues – ensuring regulations are workable and practical.
- Licensing of exporters and use of HAL Export Efficiency Powers to build new export markets – easier use and less frequent reviews of these powers.
- Macroeconomic policy – including interest and exchange rates.

Insufficient financial resources limit SAL and the state associations capacity to contribute to industry beneficial outcomes in relation to regulation and policy.

4.7 Market Access

Market access is critical to the survival and continued growth of Australia's agricultural industries. Australia is a mature market for most major agricultural products. As a result, exports offer the main opportunity for industry growth. Industry organisations have a key role to play in fighting for improved market access to better serve their industry (CIE 2005).

The industry's peak industry/government committee for market access is the Horticultural Market Access Committee (HMAC). This committee addresses both quarantine and non-quarantine market access on behalf of industry and in coordination with the government agencies. It is primarily concerned with strategies and priorities across industry and into key markets. A recent performance review of HAL (Hassall & Associates 2004) found that HMAC is effective in representing industry interests.

Consultation with the HMAC Coordinator revealed the following priorities for Australian summerfruit exports:

- China – summerfruit is a 'top' priority for HMAC and is 'in line' after citrus and table grapes. Access is usually negotiated sequentially. The timing for commencement and resolution of access is unable to be established with any accuracy. The industry may like to consider additional involvement in China market access through its current presence on HMAC's China Working Group and through pursuit of its own initiatives with China. Citrus could provide a possible facilitation model.
- Taiwan – the protocol for access of fruit fly host commodities is under review by the Taiwanese, including previous treatment requests. A work plan for South Australian Riverland Area Freedom Access to Taiwan is near finalisation.
- USA – access for stonefruit to the US was recently approved by HMAC as a 'high' priority. The US has been pushing a request for access for stone fruit from the US western states (Sharka free) to Australia.
- India – Australia has market access for stone fruit to India. Australia is currently pushing for the recognition by India of in-transit cold treatment as an option for the export of fruit fly host commodities, which include stone fruit.
- New Zealand – access for stone fruit to New Zealand was recently approved by HMAC as a 'high' priority. Australia has an existing policy for the importation of stone fruit from New Zealand to all Australian states, excepting WA. A proposed extension of policy to cover import into WA is in review process.

There are 17 country markets that currently do not grant quarantine access to Australia including: China, New Zealand, USA, Japan and South Korea. Industry should strategically review its import access requirements and lodge appropriate applications with HMAC where it has not already done so. It is likely that most industry benefit will be realised from China market access. The industry must continue to keep raising this issue through sophisticated

lobbying effort. It is vital that the industry secure both market access and commercially workable protocols.

4.8 Strategy – Information – Communication

These three elements provide the link between an industry organisation, the programmes conducted and the production end of the industry (the farmers). Strategies should result in the sourcing, analysis and dissemination of useful information which, given functioning lines of communication, can then be adopted by growers and other industry stakeholders to the betterment of the overall industry. Communication functions on numerous levels, both up and down the production and marketing chain. Firstly, communication of market information is essential in driving efficient allocation of resources. Secondly the industry has a responsibility to communicate to the market place about the industry and its product offering. Thirdly, outputs from industry programmes and research have to be effectively communicated to the farm level so that they can be adopted. Finally, communication must run from the farmers to the industry organisation so that strategies are based on achieving the desired objectives, hence enabling the industry organisation to function to the maximum benefit of its primary stakeholders — the producers (CIE 2005).

Comments in relation to strategy, information and communication include:

- Strategy – The industry strategic plan is well constructed and appropriate. It is a living document that is revised on an annual basis. Funds available limit what can be achieved by SAL.
- Communication – effective communication of market signals is available to larger growers and those with links to category managers and club programmes. Smaller and medium sized producers outside these arrangements are less likely to be well informed. The AFFCO Well Informed Grower project has potential for summerfruit.
- Information dissemination - There are never enough resources available to an industry to communicate to its constituents its priorities, strategies and achievements. Once again SAL is limited by funds available but might like to consider greater use of state organisations to 'carry the message' and use of non-electronic media to communicate with growers. Many growers remain infrequent users of the Internet.

Industry unity is inextricably linked to good communication with growers and regional groups. The priority management of the strategy-communication-information dissemination nexus is vital for the national summerfruit industry at this point of time.

4.9 Risk Management

Risk management can be undertaken at a farm and an industry level. It involves being aware of and planning for potential detrimental impacts that may occur. Events such as drought, insect or disease infestations, changes in market access and declines in market prices for products are all potential impacts. An industry with strategically sound risk management strategies in place is more likely to be able to assist its members (CIE 2005).

Industry risk management strategies need to focus on import risk assessment, active campaigns to prevent disease incursion and market access negotiation. Risk management plans to manage hail damage, pest and disease infestations and business financial performance are undertaken at the orchard level.

4.10 Summary of Enabling Environment

A summary of industry enabling environment performance using a subjective score of 1 to 5 is shown in the table below (5 is highest).

Table 27 Enabling Environment of the Summerfruit Industry

Attribute	Score
Industry Culture	
Market focus	3
Information sharing	3
Receptiveness to new ideas	4
Levies	1
Cohesion	2
Industry Associations	
State organisation priority setting	3
SAL leadership	4
Horticulture Australia	
Efficiency and effectiveness	3
Industry satisfaction	1
Market Access	
Horticultural representation through HMAAC	3
Industry efforts to secure access	2
Strategy – Information - Communication	
Strategy development and implementation	3
Communication – market information	2
Risk Management	
Industry level	3
Orchard level	3

5. External Environment

The external environment is the uncontrollable external influences that impact on the summerfruit industry. This includes factors such as climate and exogenous shifts in consumer preferences, producers in other countries and hence market demand and prices for Australian production. The external environment (although variable) is a given; however it is important to consider it when evaluating an industry's performance. Furthermore, an industry's capacity to respond to external factors is an important attribute of the industry (CIE 2005).

5.1 Water Supply and Climate Change

No single factor will be more critical in the future of the summerfruit industry than the availability of irrigation water. Reliable irrigation is crucial to maintaining productivity and product quality. It is needed to justify the investment in orchard development and renewal and in the production and marketing of new varieties. Climate change threatens the pattern and reliability of rainfall and temperature, which shape and determine fruit quantity and quality.

The Australian industry, through HAL has been active in both water reform and climate change R&D and policy formulation. The Victorian Greenhouse Office has completed research on summerfruit and climate change. The Australian horticultural industry has faced-up to this set of external challenges.

5.2 Exchange Rate and the Australian Dollar

The Australian dollar – US dollar exchange rate is also a major determinant of Summerfruit industry performance. The US\$ is the trading currency for most of Australia's competitors. Widespread comment received during consultation indicated that if the Australian dollar would only return to year 2000 levels, the industry would right itself through an export led recovery. It is worth noting that year 2000 exchange rates only existed for a period of two years in the last twenty and is not a sound assumption for future business planning. See graph below sourced through the Australian Parliament website.

Table 28 Historical Exchange Rate – US cents per \$A



Source: Parliament of Australia Parliamentary Library

5.3 Changes in the International Business Environment

Trends in Fresh Produce Retailing

Permanent changes in the world fresh produce distribution system have occurred since the beginning of the 1990s and their full effect in Australia is yet to be felt. The old system based around packing to minimum standards and marketers 'finding a home' for all grades of fruit has disappeared. As is the direct supply relationship that grew up between supermarket-produce buyers and regional grower/marketers who bypassed once powerful wholesale markets.

On the world stage supermarket (plus wet markets in Asia) dominance of fruit and vegetable retailing has been cracked by the new breed of retailer typified by hypermarkets such as Carrefour and variety stores such as Wal-Mart and warehouse club stores such as Costco. Food items provide these non-food retailers with a valuable attractant, the cost of which can be kept low because of the greater opportunity for profits in non-food items. Typically these new players have aggressive competitive strategies based on lean supply chains, efficient organisations and powerful merchandising systems.

As these new comers cut into the market share of the traditional supermarket chains, the latter scrambled to find ways to defend their turf. Responses have included mergers and acquisitions, restructuring to reduce supply chain cost and outsourcing to category managers.

Supermarkets require category managers to make buying, stocking and merchandising decisions for an entire category of product and supply the product twelve-months of the year. This has led, in turn, to the collection of more sales information and more collaborative in-depth analysis to guide decision-making. Supermarkets want category managers to meet higher product quality standards than those based on minimum grades. In addition, they want them to be able to provide assurances about health and safety of the production, packaging, processing and shipping practices that were used in delivering the products (World Apple Report 2004).

Food safety, combined with rising standards of living, has combined to reduce the importance of traditional 'wet' markets in Asia (i.e. wholesale style markets that sell directly to the public). Consumers are more likely to shop for product of guaranteed quality in the 'better' retail environments offered by supermarkets or hypermarkets.

As the large retailers become more specific in their requirements, they are gradually replacing opportunistic, spot market transactions with contract arrangements for supplies of specific products at prices and quality terms set months or even a year in advance. To meet the requirements of supermarkets Category managers need to source fruit from both the northern and southern hemisphere and from many different districts and countries. They have become more selective in the packers from which they will draw supplies. Packers have to be able to meet the higher quality standards and product

assurances demanded by the major retailers. When they pack mediocre fruit their unit costs become uncompetitive and their marketing opportunities more limited. Consequently, there are fewer opportunities for disposing of product that does not meet supermarket criteria (World Apple Report 2004).

Essentially, the major retailers are now setting the minimum acceptable standards for fresh produce and these standards are much more demanding than the old, public grades and standards. In the future, category managers will either have operations in a number of producing districts and nations or will have alliances with operators in other nations in order to meet retailer requirements for assured year round supply. Already, global marketers, such as Sunkist (citrus) and Cape (tree fruits), are taking these category management options, complete with the internationalisation of their brands. Once sound regional supply bases are being overturned in an effort to secure only the best 25% of the crop from right around the world (World Apple Report 2004).

To survive in this new market reality, knowledge of both the restructuring process and international 'through chain' alliances will be required. The Australian fruit and vegetable industries have in part been insulated from these trends. However, this new market reality will shape future export plans and is already evident in the thinking of the two major Australian supermarket chains. The best of the Australian growing, packing and marketing industry has already manoeuvred to take advantage of these changes.

Implications for Summerfruit

The non-continuous supply season and smallness of the summerfruit sector has meant that integrated food distribution systems have been less of an issue for this industry. This will change. Integration is occurring and there is nothing unique in the characteristics of summerfruit that will prevent this trend from escalating. Exporters consulted as part of the study commented that they see integration occurring in summerfruit supply in Singapore and smaller companies and countries are being excluded from supply opportunities.

To cater for the requirements of domestic and international customers, each with their own product specifications, the summerfruit industry needs to consider the use of a uniform national product description language to facilitate communication between suppliers and buyers. With expanded sourcing comes remoteness between grower/packers and buyers, leading to mixed messages, unless a common language is used.

5.4 Smart Fresh™

The advent and widespread adoption of the ripening retardant SmartFresh is in the process of revolutionising apple storage and marketing. At this stage it does not appear relevant to summerfruit. While potentially SmartFresh™ could extend summerfruit shelf life or provide opportunity to store peaches nectarines and plums without chilling injury (i.e. mealiness), research completed by the products developers has not been encouraging. Further research in this area should be monitored for its potential impact on both domestic and export summerfruit markets.

5.5 Competitor Production Policies and Trends

World 'top six' summerfruit production countries and volumes 1996 and 2003 are shown in the table below. Overall it can be seen that there was a 15% increase in summerfruit production between 1996 and 2003. This relatively modest overall increase masks large increases in Chinese and US peach/nectarine output, Turkish and Iranian apricot production and Chinese plum production. EU production would appear to be in decline across all four categories. Of note in the table is the absence of southern hemisphere producers in the world 'top six', with the single exception of plums from Chile. Large increases in Chilean plum output together with a larger increase in Chinese, northern hemisphere production, does not augur well for ongoing Australian plum exports.

Table 29 World Summerfruit Production Trends

Major Producing Countries	1996 (kt)	2003 (kt)	Change (%)
Peach/Nectarine			
China	3,200	4,500	41%
USA	800	1,500	88%
Italy	2,000	1,300	-35%
Spain	1,000	800	-20%
Greece	1,100	800	-27%
Turkey	500	650	30%
Total - top 6	8,600	9,550	11%
Apricot			
Turkey	250	600	140%
Iran	200	300	50%
Spain	200	110	-45%
Pakistan	200	100	-50%
Italy	120	100	-17%
France	200	100	-50%
Total - top 6	1,170	1,310	12%
Plum			
China	2,500	4,500	80%
USA	900	600	-33%
Romania	550	300	-45%
France	250	200	-20%
Chile	100	180	80%
Serbia and Montenegro	600	220	-63%
Total - top 6	4,900	6,000	22%
Total Summerfruit	14,670	16,860	15%

Source: Food and Agriculture Organisation

Exports of summerfruit from 'top six' suppliers over a similar period are shown in Table 29. The table reveals a much stronger increase in export volumes (41% jump) and the importance of southern hemisphere suppliers. Three of the 'top six' exporters are from the southern hemisphere – Chile, South Africa and Argentina. All three nations recorded large increases in export volumes between 1997 and 2002. Australia recorded the largest percentage increase in exports (from a lower base) during what turned out to be a period of extremely favourable exchange rates and the maturation of varieties with appeal to Asian tastes. Australia is not a 'top 6' summerfruit exporter.

Table 30 Top 6 Summerfruit Exporters Plus Australia (kt, calendar year)

	1997	2002	Change (%)
EU (external trade)	125	225	80%
USA	210	220	5%
Chile	125	190	52%
Turkey	15	60	300%
South Africa	58	60	3%
Argentina	30	40	33%
Total - top 6	563	795	41%
Australia	8	19	238%

Source: Global Trade Atlas

NB: Top 6 estimates include cherries as well as peaches, nectarines, apricots and plums

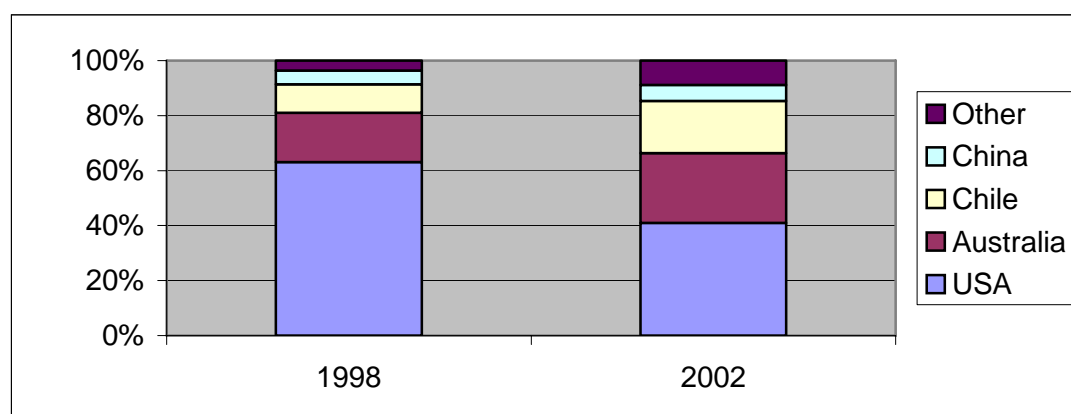
The trend in southern hemisphere summerfruit exports is shown in Table 29. In the most recent year (2004/05), all southern hemisphere exporters have lost market share to Chile.

Table 31 Southern Hemisphere Exports of Summerfruit (kt)

Country	2002/03	2003/04	2004/05	Share 04/05 (%)	Change 05 to previous 3 yrs
Australia	22	12	16	5	-12
Chile	193	226	233	77	18
New Zealand	2	2	2	1	-16
South Africa	58	54	51	17	-7
Total	275	294	302	100	10

Source: World Trade Atlas 2005, NB: Years are April to March

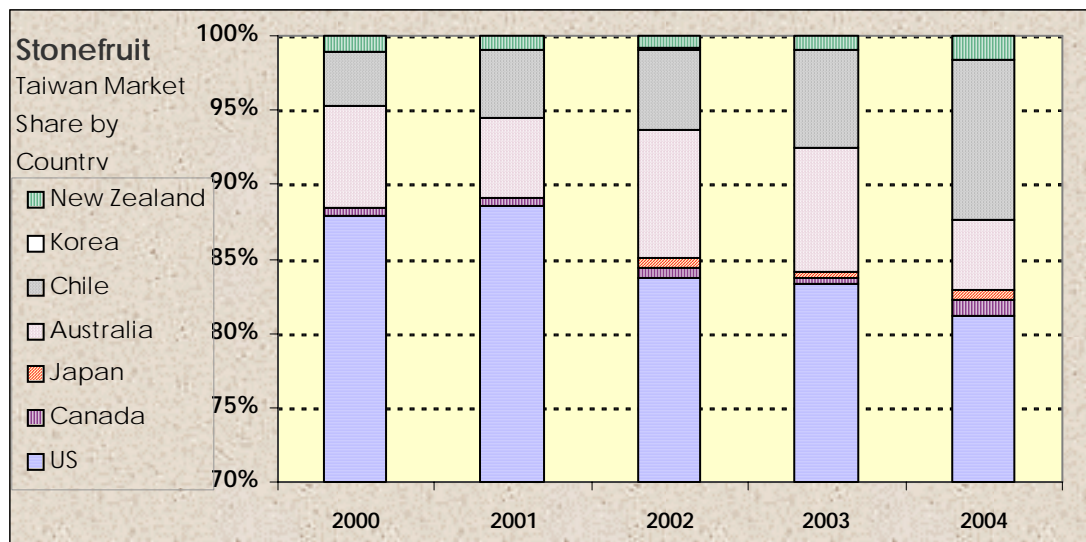
Chile's dominance of southern hemisphere summerfruit exports is shown graphically in Australia's two most important export markets – Hong Kong and Taiwan. In table 32 Hong Kong market share by country, shows a strong overall increase in import volumes but a disproportionate increase in Chile's share – an increase from 10% to 19% as against Australia's increase from 18% to 25% market share. With the effective closure of the 'grey' trade between Hong Kong and China, Australian exports to Hong Kong are in rapid decline.

Table 32 Hong Kong Market Share by Country (%)

The same is also true of Taiwan, Australia's second most important summerfruit market. Table 31 shows the contraction of Australian summerfruit market share at the expense of growth in Chilean summerfruit

exports. During the 2000 to 2004 period the share of the Taiwanese market held by Chile increased from 4% to 12%. Australian share fell from 10% to 5%.

Table 33 Taiwan Market Share by Country (%)



Key facts and industry trends for major Australian summerfruit export competitors are summarised in the table below.

Table 34 Competitor Facts, Trends and Policies

Country	Description
Chile	<ul style="list-style-type: none"> • Very competitive low cost producer/exporter • Major export competitor for Australia • Best practice industry funded with US dollars and a university backed extension service • Farms are owned in California and Chile and technology flows freely between the two • Have overcome high transport costs and distances that push storage life to achieve export success • Markets are USA (60%), Taiwan, Hong Kong and UK (5 to 10% each) • Fruit quality is consistent, flavour is substandard • Price can be 50% less than Australia in Taiwan • Chilean exporters are expanding their seasonal supply window at Australia's expense. Chile now has the same white flesh varieties as Australia • Low levels of government support • Low wage rates for input labour • Application for Australian market access is 'second in line' to US. Chile will export grapes to Australia from 2006.

Table 34 Competitor Facts, Trends and Policies (continued)

Country	Description
South Africa	<ul style="list-style-type: none">• Earliest off-season supplier to the northern hemisphere• Historical reliance on EU, minor presence in Asia• Asia presence constrained by high acid fruit and strong competition from Chile• Strongly competitive on price – labour cost is low and the South African currency is weak• In Asian markets buyers indicate that fruit eating quality is inconsistent and shelf-life often shorter than product sourced from Australia• Have applied for Australian market access• Reliant on older summerfruit varieties eg do not have white flesh nectarines• Low levels of government support
New Zealand	<ul style="list-style-type: none">• Minor exporter of summerfruit• Longstanding access to Australian market• Supplies peripheral Aust areas eg Darwin• Producers more apricots than peaches, nectarines and plums• Minor competitor for Australia, climate does not really suite summerfruit – result is brown rot and other diseases• Low levels of government support
Argentina	<ul style="list-style-type: none">• Third largest southern hemisphere exporter behind Chile and South Africa• Currency devaluation has allowed export expansion in EU and USA• Widely fluctuating seasonal production and economic conditions• Some investment in best practice production and new varieties• Low levels of government support
EU	<ul style="list-style-type: none">• World's largest exporter of summerfruit• Production and exports dominated by France, Spain, Greece and Italy• Italy has applied for Australian market access• Total production is at best static and possibly declining. Production appears to be moving to lower cost production destinations like North Africa• Assisted by Common Agricultural Policy, export enhancement programmes and grants to modernise industry infrastructure.

Table 34 Competitor Facts, Trends and Policies (continued)

Country	Description
USA	<ul style="list-style-type: none"> • Second only to EU as a summerfruit exporter • California, Florida and Washington State dominate US output • Assisted by well funded export enhancement programme • Australia has applied for US market access and a genuine counter season window exists for Australian fruit before Chile can supply • The US has a 'first in line' application for Australian domestic market access • US access to Australian domestic market will impact Australian low chill industry. • Traditional production on 'vase shaped trees' • US is the source of most new summerfruit varieties grown in Australia
China	<ul style="list-style-type: none"> • Worlds largest producer of peaches and plums • Production has increased from 5,700 kt in 1996 to 9,600 kt in 2005 • Climate suitable for summerfruit production – dry and ample irrigation water. • Resources are moving out of China's massive apple industry and into summerfruit production • China will export more and import less in both the short and medium terms • Have applied for Australian market access • Chinese industry moving toward geographical specialisation, new varieties and export growth • Exports assisted by managed exchange rate that is kept artificially low and a comprehensive government funded extension service which drives production modernisation and exports

The world outlook for summerfruit is:

- Production trending upward - production increases in the US and China more than offsetting possible decreases in the EU;
- Production increases favouring 'low cost' developing countries; and
- Continued dominance by Chile of southern hemisphere export opportunities with the proviso that Chile can sustain current very low export prices.

Australia with a short but significant supply window (late October to early November) and potentially, superior eating quality fruit, must design export strategies that offset rising domestic production and the potential for US, Chilean, South African, Chinese and Italian imports.

5.6 Summary of External Environment

A summary of industry external environment performance using a subjective ranking of 1 to 5 is shown in the table below.

Table 35 External Environment of the Summerfruit Industry

Attribute	Score
Water supply and climate change	
Participation in water reform issues	3
Climate change research for summerfruit	3
Exchange Rate	
Australian dollar US dollar rate	1
Changes in international business environment	
Leading grower awareness and participation	4
Small/Medium grower awareness and participation	1
Global balance	
Production increase	2
Export volume increase	1
Policies impacting on world production	3
World outlook	3
Consumer preference trends	3

6. Training and Skill Needs

The Australian summerfruit industry is characterised by increasingly sophisticated businesses and customers that demand additional skills of their grower-suppliers. This chapter reports the results of a training and skill needs analysis completed with the industry during study consultation. The existing available training, barriers to training/skills improvement and suggestions for strategies to engage the industry are detailed below..

6.1 Existing Training

Training courses available to the summerfruit industry identified during this review include, but are not limited too:

- TAFE – young entrants, business management and computer skills. The TAFE sector is responsive to proposals placed before it for new training courses. The sector has a credibility problem with many summerfruit growers
- Universities – including diplomas in Production Horticulture (e.g. University of Melbourne/Dookie Agricultural College) and Produce Marketing (e.g. Monash University).
- Private sector offering e.g. Marcus Oldham Diploma in Business Management ('Professionals in Agriculture').
- Centrelink – job ready skills for entry-level farm activities.
- State Government programmes on property and business assessment (e.g. NSW Department of State and Regional Development business planning training and QDPI 'Future Profit Programme').
- FarmBis funded programmes – technical and business focused and tailored as required (e.g. ChemCert training, FreshCare training, HACCAP and food safety delivery).
- FarmSafe training – to assist with OH&S.
- Leadership - Building Rural Leaders (QDPI) and Industry Leadership programme (DAFF). Both are well regarded.
- Market analysis and planning for agribusiness – A series of CDs prepared, funded and distributed as part of the DAFF New Industries Development Programme.

The industry is well covered with training courses. Difficulties are associated with securing industry participation and the need to encourage a lifetime learning culture.

6.2 Barriers to Training and Skills Improvement

Barriers to training and skills improvement include:

- Lack of a training culture - training is not even considered by many in the industry.
- Lack of time available to participate in training – other activities take priority.
- Cost of training - training is seen as a cost when margins are small and there is pressure to minimise costs.
- Awareness of training opportunities –growers are not seeking out this information.
- Tight and competitive labour market - people simply are not available to train.
- Poorly paid/rewarded activity - better wages are available for manual labour in the building industry, for example.
- No career path – businesses are too small to achieve career progression. This is changing over time and is expected to change further into the future.
- Poor employer skills – people management is self taught and less than current employee expectations.
- Many workers are self-employed contractors who do not generate sufficient surpluses for training.
- The right people are not attracted to the industry because of a poor 'industry image'.
- Skills to participate in training are not there - these include study skills and student confidence.
- The existing workforce does not have the skills to train new entrants.
- Business and packhouse training does not target females who are often responsible for these activities.

These barriers to training were used to inform suggestions to engage the industry.

6.3 Strategies to Engage the Industry

Industry training gaps and suggestions to address them are detailed in the table below. Suggestions are informed by review consultation and reference to separate training needs analyses completed for Tasmanian agriculture (Tasmanian State Training Authority 2004) and the Australian apple and pear industry (AgEconPlus 2005).

Table 36 Matrix of Training Needs and Skill Availabilities - Production

Sector	Issue/Gap	Suggestion
Orchard Staff - Picking - Pruning - Equip operation	<ul style="list-style-type: none"> • Supply shortage in some districts • Efficiency improved with pre-picking training • Pruning skills almost orchard specific • Equipment operators 'poached' by other industries 	<ul style="list-style-type: none"> • Web based advertising to target backpackers for picking. Strategy for large growers, industry associations, HAL. • Make better use of the National Harvest Labour Information Service. Strategy for all growers. • Encourage development of pre-picking training. Strategy for local entrepreneurs, industry associations and TAFE. • Pilot a guest worker programme to attract overseas labour – worker cost would be the same but assist with long-term supply
Orchard Managers - plant physiology - irrigation - CA room operation - staff management - cost of production - business planning - produce marketing	<ul style="list-style-type: none"> • Critical shortage in middle management – 'leading hand' level and above • Hampers industry development • Vacant positions in all growing regions. Orchard owners recruiting overseas • Training needed for sons returning home 	<ul style="list-style-type: none"> • Plenty of training on offer at both TAFE level 5 and 6 and through university horticulture diplomas. Tailoring more short courses and skills recognition helpful but real need is industry incentive/ cultural change. A programme of industry scholarships funded 'whole of horticulture' is suggested. • Industry image development to encourage talent into industry is needed.
Orchard Owners - decision making - capital planning - forecasting - staff management	<ul style="list-style-type: none"> • Skills substandard for increasingly complex businesses • Self taught business management and marketing skills • Growers will need strong business analysis skills to know whether or not to participate in club variety programmes. 	<ul style="list-style-type: none"> • IDOs, state organisations and others demonstrate production best practice in leading orchards. Link production training to cost of production analysis, whole farm business management, HR skills, compliance cost management and market analysis training. Strategy reliant on IDOs that can 'sell a package' over time. • Link business performance benchmarking to demonstration farms. Benchmarking can be done simply and on Internet.
Extension, Research and Consulting	<ul style="list-style-type: none"> • Extension capacity missing in some states • Industry research capacity near or at retirement • Train the trainer programme needed 	<ul style="list-style-type: none"> • Channel available resources into national or even multi-crop programmes to achieve economies of scale e.g. share resources with cherries.

Table 37 Matrix of Training Needs, Skill Availabilities – Non Farm Sector

Sector	Issue/Gap	Suggestion
Packhouse - staff - managers	<ul style="list-style-type: none"> • Aging workforce and few locals interested in factory style employment • Increasingly sophisticated management operations 	<ul style="list-style-type: none"> • Pilot a guest worker programme to attract overseas labour – worker cost would be the same but assist with long-term supply. • Packhouse management training should focus on females (e.g. orchardists spouse). • Consider extension of orchard manager scholarships to packhouse managers.
Distribution - staff - managers	<ul style="list-style-type: none"> • Efficient and competitive sector, no issues identified 	
Marketing - staff - managers	<ul style="list-style-type: none"> • Packer and marketer margins not visible • Consumer messages distorted or not passed back to growers 	<ul style="list-style-type: none"> • Supply chain efficiency programme that includes additional communication between buyers and growers, reviews the relevance of current specs, improves the visibility of packer and grower margins and investigates the additional use of IT in stock management.
Retail - staff - managers	<ul style="list-style-type: none"> • Poor product handling exacerbated by high turnover of produce managers and casual staff 	<ul style="list-style-type: none"> • Train the trainer in summerfruit merchandising. • Prepare training resource materials to fit current retailer training formats. • Production of videos/DVDs in association with supermarkets – lift product knowledge and marketing (successful Banana Growers/Coles/BiLo initiative).
State Industry Associations - staff - membership	<ul style="list-style-type: none"> • Failure to set clear priorities in some associations 	<ul style="list-style-type: none"> • Short course training in strategic planning for both staff and association membership.
School Students - High school	<ul style="list-style-type: none"> • Programmes that target school children with an interest in tree crops 	<ul style="list-style-type: none"> • Replicate 'Cropping a Career' programme that is used by Simplot for targeting students with an interest in vegetable production.

There are adequate training courses available to the summerfruit industry. Barriers to training are largely attitudinal. Training needs to be seen as an investment, not a cost. Strategies to engage industry in training must focus on increasing awareness of the need for training and introduction of non-production learning through visual means. Growers believe their best means of production-based learning is seeing the activity first hand. Off farm visits including interstate and overseas study tours are appropriate learning vehicles.

7. Measuring Industry Success

7.1 Criteria for a Successful Industry

What defines success depends on one's point of view. Ideally, criteria are objective and measurable. The importance assigned to relative performance within the industry, as distinct from the overall performance at industry level needs to be considered (CIE 2005).

Does one consider an industry with a few profitable large orchards dominating production as successful, while the vast majority of orchards are being run at a loss? To this end and where possible, mean and median estimates are necessary to measure success criteria. Another method is to judge the 'distribution' of industry performance by comparing the top 20th percentile with the mean. It is essential to take a relative performance approach, as the Industry Partnerships Programme is more likely to deal with the under performing majority than the more 'successful' minority that have scale and the know how to help themselves (CIE 2005).

The criteria for industry success identified in this framework are:

- Profitability;
- Sustainability;
- Growth;
- Flexibility; and
- Self-reliance.

This mix reflects both performance outcomes and capacity to deal with an uncertain and changing environment (CIE 2005).

Summerfruit industry performance against these criteria is detailed in the section below.

7.2 Profitability

Profitability is generally regarded as the ultimate barometer of an industry's success. While it is usually apparent when an industry is profitable, and conversely when it is not, it is more difficult to find a reliable and readily available quantitative measure of profitability (CIE 2005).

From the limited information on the summerfruit industry, it would seem that large-scale operations in both the low and high chill segments of the industry are currently profitable and a 10% return on capital is possible. General comments on profitability by enterprise size and the number of orchards that might be 'vulnerable' to structural adjustment pressure are shown in the table.

Table 38 Profitability by Enterprise Size – Summerfruit Orchards

Orchard Size (ha)	Number of Enterprises	Profitability
<12	446	<ul style="list-style-type: none"> • Low chill enterprises in this category are potentially profitable • High and medium chill enterprises not currently profitable - reliant on other sources of income. • High and medium chill enterprises likely to survive structural adjustment process, typified by lifestyle blocks.
12 to 50	501	<ul style="list-style-type: none"> • Larger orchards currently profitable. • Most vulnerable to changing market conditions. Reliant on summerfruit income.
>50	295	<ul style="list-style-type: none"> • Currently profitable • May come unstuck if carrying high debt or have 'unfocussed' marketing strategies (eg sole reliance on supermarkets).

Source: ABS orchard size and distribution data, AgEconPlus conclusions.

Industry profitability is currently a mixed picture. Imports would expose the high cost of Australian production and force further industry contraction.

7.3 Sustainability and the Triple Bottom Line

Sustainability generally refers to an industry's ability to continue to operate profitably 'indefinitely'. Sustainability has three distinct yet related components: economic, environmental and social sustainability. Economic sustainability is subject to resource threats such as water scarcity and market threats such as export competition and product viability. Environmental sustainability refers to the actual and perceived impact of an industry on the environment. Factors relating to environmental sustainability include chemical usage, salinity, land management and water issues. Social sustainability includes the ability of the industry to sustain the community on which it is based.

The summerfruit industry is irrigated but is an efficient user of irrigation water relative to other agricultural applications (\$GVP per ML of irrigation). Chemical spray management and GMOs are not currently issues for the industry nor are resource degradation problems such as salinity. Programmes are in place to manage water reform outcomes and the impacts of climate change are being assessed. The consultants conclude that the industry's external image as an environmental manager is neutral to positive.

The top 20% of producers (250 enterprises) who produce 80% of industry output are economically and environmentally sustainable. Other producers have difficulty with economic sustainability.

Social sustainability will be a concern in some summerfruit production regions if medium and large growers falter. If summerfruit districts decline in size it can lead to a down sizing of the associated communities, resulting in reduced access to permanent and seasonal labour and reduced access to other services, such as input suppliers (fertilisers and chemicals) and the expertise provided by their retailers. A number of districts are already showing signs of loss of industry critical mass.

7.4 Growth

Increases in output at the farm level must translate to growth in either domestic or export consumption. It is important to consider growth in both quality and value terms (CIE 2005).

Australian summerfruit production has been on the increase over the last decade. Seasonal fluctuations aside, industry output has grown at an average 2.5% pa. In the late 1990s production increases served growing export markets in Asia. Export's share of production peaked at 20% during this time. More recently additional output has been consumed domestically and this additional production has placed downward pressure on returns to growers. There is evidence that the current wave of industry growth may have peaked.

7.5 Flexibility

Responsiveness to change in the external environment, enabling environment or in the access to resources is a critical component of a successful industry. Flexibility can be measured by observing historical factors such as industry's output and profitability in relation to external shocks, and through evaluating an industry's relevant attributes that provide the capacity to adjust. The difficulty is in picking up on the many ways that adjustment to external changes can occur. There are three potential responses to change, which provide an industry with flexibility, these are: switching products, product transformation and changing markets (CIE 2005).

Comment on the summerfruit industry's perceived capacity to respond to change using these three indicators of flexibility are shown in the table below.

Table 39 Industry Flexibility

Indicator	Description
Switching products	<ul style="list-style-type: none"> A level of diversification is common in the industry with many growers producing summerfruit, apples, pears, canning fruit, kiwi, nashi, cherries, citrus and custard apples. Climate, plus growing and packing infrastructure allows some flexibility between crops. Most growers are around 60% dependent on summerfruit for orchard income. Growers produce a suite of summerfruit varieties and are flexible in moving into and out of varieties.
Product transformation i.e. value adding	<ul style="list-style-type: none"> The highest value added is achieved from well-graded and specified fresh fruit. Ripe and Ready programmes are encouraging and uses for second grade fruit are needed.
Changing markets	<ul style="list-style-type: none"> Growers are overly reliant on two major and currently troubled export markets. Product redirected from export markets has found a home in domestic outlets but not at prices that reward growers.

Within the confines of the nature of production, a tree crop that takes time to reach commercial maturity, the industry has demonstrated flexibility in switching products (adopting new varieties) and markets (movement into and out of export markets), and some product transformation initiatives (eg Ripe and Ready Programme). The industry is moderately flexible.

7.6 Self-Reliance

Generally industries that rely heavily on government assistance are not successful. The most appropriate measure of government assistance is the effective rate of protection, which measures assistance on outputs as well as inputs (CIE 2005).

The summerfruit industry receives government assistance with R&D funding – the same as other industries. Overall, government assistance to the industry is low by both Australian and international standards.

7.7 Summary of Industry Success

A summary of industry success using a subjective ranking of 1 to 5 is shown in the table below.

Table 40 Criteria for Judging Success in the Summerfruit Industry

Attribute	Score
Profitability	
Return on Assets	3
Net Farm Income	3
Sustainability	
Water usage	4
Chemical usage	3
GMOs	5
Resource degradation	4
Programmes addressing issues	4
Public image as an environmental manager	4
Economic sustainability (imports are a threat)	2
Social sustainability (smaller regions under pressure)	3
Growth	
Production volume and value	4
Export volume and value	2
Flexibility	
Switching products	4
Industry culture	3
Changing markets	3
Government assistance	
Low reliance	5

8. Strategies for Priority Areas

8.1 Gaps in Current Summerfruit Industry Performance

A review of industry attributes, the enabling environment, the external environment, training and skill needs and measures of industry success reveals the following 'gaps' in the industry's performance:

Industry Attributes

- Number of farms in the industry – too many marginal producers
- Labour – supply and cost issues
- Industry image – low appeal to next generation growers
- Industry marketing expenditure – low by horticultural standards
- Availability of market information – limited to large growers
- Value adding – further scope in both domestic and export markets
- Import competition – USA within 5 years, Chile/South Africa in 10 years
- Integrated value chain – Marketing margins and price signals unclear
- Export share of production – currently in decline
- Export market diversity – reliance on two troubled markets
- Industry R&D expenditure – low by horticultural standards, spread thin

Enabling Environment

- Market focus – only present in industry leaders
- Levies – insufficient to address industry needs
- Industry cohesion – fragile and tentative
- SAL – credible with limited resources, more communication needed
- HAL – industry dissatisfaction with outputs achieved
- Market access – additional industry efforts needed
- Communication – market information missing from decision making

External Environment

- Exchange rate – unlikely to return to historical lows
- International business environment – smaller growers unaware
- Global balance – export volumes increasing

Training and Skills

- Culture not conducive to training
- Education programmes - low take up
- Skill – gaps in plant physiology, business management and marketing

Industry Success

- Economic Sustainability – threatened by imports
- Growth – decline in exports

These gaps must be reviewed with industry and used to inform ‘direction setting’ activities.

8.2 Areas Industry can build on to Increase Success

Suggestions for direction setting and areas industry can build on to increase its success were revealed through consultation and a ‘long list’ of suggestions ‘workshopped’ with industry is included as Appendix 2. Reviewing these suggestions revealed a high level of commonality with other industries.

8.3 Opportunities for Collaboration with Other Industries

Industry Partnership Programme *Taking Stock and Setting Direction* projects have been completed across multiple horticultural industries and reveal a number of common issues (see table below).

Table 41 Common Industry Issues Across Horticulture

Issue	Summer-fruit	Cherries	Apples Pears	Table Grapes	Tropical Fruit#
<i>Industry Attributes</i>					
Growers – many marginal	√	√	√	√	√
Labour – supply and cost	√	√	√	√	√
Young growers needed	√	√	√	√	√
Training – business and marketing	√	√	√	√	√
Compliance costs/superannuation	√	√	√	√	√
Water – access	√	√	√	√	√
Industry image – poor	√	√	√	√	√
Market info – large growers only	√	√	√	√	√
Value adding	√	√	√	√	√
Import competition	√	√	√	√	√
Exports – returns, market access	√	√	√	√	√
Oversupply of produce	√	√	√	√	
International benchmarking	√				√
Fruit fly – risk to funding	√	√		√	
Extension – skills disappearing	√	√	√		
Marketing chain integration	√	√	√	√	√
Club marketing	√		√		
Industry association capacity	√	√			√
Exit advice for growers needed	√	√	√	√	
Levy – set at too low a level	√	√			

Includes durian, mangosteen, pineapple, banana, avocado, rambutan, lychee, mango, papaya, melon, longan

Areas where Summerfruit would work profitably with other industries to address industry ‘gaps’ include:

- Training eg scholarship programme for orchard managers – apples, pears
- International benchmarking (project design) – tropical fruit
- Feasibility study, guest worker pilot programme – apple, pears and grapes
- Industry data, market intelligence – apples, pears, tropical fruit
- Variety selection and improvement – apples and pears

- Farm record keeping systems (Avo-man, CARMS) – tropical fruit
- Supply chain development – apples, pears and tropical fruit
- Retail training for managers and staff – apples, pears, grapes, cherries
- Export strategy – apples and pears
- Import competition strategies – apples, pears, grapes
- Organisational capacity building – tropical fruit and cherries
- Industry image development – apples and pears
- Assessment tools for those leaving the industry – apples and pears

The summerfruit industry might benefit from additional networking and forum opportunities with other horticultural industries.

Areas where Summerfruit Australia could work jointly with HAL/HAC to contribute to a ‘whole of industry’ position include:

- Fruit fly strategy and securing of ongoing funding
- Extension – support for current proposals to establish deciduous fruit IDOs in each state, coordinated nationally
- Country of origin labelling, food safety and good agricultural practice compliance
- Generic fruit and vegetable marketing aimed at health benefit awareness
- Biosecurity resources – ensuring BA has sufficient capacity to complete comprehensive IRAs and support Australian market access applications
- Water access – identified by both HAL/HAC as a priority issue

These suggestions need to be reviewed by SAL and appropriate actions incorporated into the association’s annual work plans.

8.4 Industry Strategies

The situation analysis, consultation and an industry workshop completed as part of the project confirmed the appropriateness of the SAL Strategic Plan. The objectives of the SAL Strategic Plan, in priority order are:

1. Increase domestic per capita *consumption*;
2. Increase *export* volumes;
3. Minimise local industry impact from *imported* product;
4. Facilitate improved professional knowledge and *skills* within the supply chain;
5. Improve industries ability to produce fruit of a consistent *quality* to meet consumer demands; and

6. Develop programmes to maintain and maximise efficiencies of *resource* usage.

These strategies should continue to guide the Australian summerfruit industry.

8.5 Recommendations for Strategy Implementation

In relation to the implementation of industry strategies the consultants recommend:

- Investment in capacity building at the industry leadership level. There is an abundance of talent in the current SAL Board. Mentoring, governance training and formalisation of policies/procedures will bring out the best in this talent, improve the quality of industry leadership and its confidence in decision-making. DAFF is able to assist with the funding of capacity building of this kind.
- Concentration of effort. SAL needs to limit priorities to only the most important identified in the strategic plan. Return on grower investment/capacity to enhance grower profit should be the criteria for investment decision-making. The consultants suggest that export market development best fits this criterion.
- Sourcing of non-levy funds to assist with strategy implementation. A range of alternative funding sources exists to assist with implementation of key industry strategies. For example, wholesalers and marketers have shown a willingness to contribute to domestic promotion programmes, the Department of Health and Aging can assist in funding healthy eating campaigns, exporters will consider assistance for market development activities and grants are available through the Department of Foreign Affairs and Trade to assist with export market development.
- Collaboration with other industries. This review identifies a suite of issues common to a range of Australian fruit crops and an intention by their industry associations to invest in these common issues. Issues shared with summerfruit include training, scholarships, international benchmarking, collection of market intelligence, health based marketing, labour, record keeping, fruit fly management, supply chain development, import readiness strategies, industry image development and tools for those considering their future in the industry. The joint development of these initiatives can only result in cost savings and/or more robust outcomes. Other industries have expressed an interest in working with summerfruit on these issues.
- Make best use of Horticulture Australia Council. Industry expressed concern about the lack of funds available to it for political lobbying purposes. Horticulture Australia Council is funded by industry for this purpose and has recently appointed a new Chief Executive Officer. Issues requiring a lobby effort could be directed through this channel while other funding sources are being developed.
- Communicate success and build a case for a levy increase for investment in only the very top industry priorities. Kick clear and

unambiguous goals in these areas and widely communicate the successes achieved. Use the knowledge of these successes and the inability to tackle all issues with current funding to build an irrefutable case for an appropriate levy increase. Adopt the apple and pear industry strategy of small but regular increases in the industry levy.

8.6 Concluding Comment

Australian summerfruit is an industry with sound fundamentals and a world-class comparative advantage. Many of the missing elements for a truly successful industry are within SAL and industry's grasp. Certainly they are widely recognised and agreed by SAL stakeholders. This study calls for limited and clear industry priorities, innovative approaches to funding priorities, SAL capacity building and the development of a well-supported business case for a levy increase.

Stakeholders Contacted

Table 42 Stakeholders Contacted

State	Stakeholder	
NSW and ACT	Michael Silm – Panda Ranch, corporate grower, exporter	
	Glen Fahey – Grower, Sydney fringe	
	Andrew Clark – High chill, Orange/Bathurst	
	Phil/Patty Stacey – family farm, low chill, Alstonville	
	Gordon Shultz – Large family farm, low chill, Alstonville	
	Robert Clisdell – Grower, SAL Director and Low Chill Australia	
	John Rogers – Grower, NSW Farmers Stone Fruit Committee	
	Paul Barsoum – FHG Rogers – wholesalers	
	Rob Cavallaro – Woolworths Supermarkets	
	Barry McGlasson – University Western Sydney, HAL	
	Clinton Skeoch – HAL, Project Manager Marketing	
	Jo Solly – SAL Executive Manager	
	Greg McPhee – SAL Industry Development Manager	
	Robert McLeish and David Simpson – DAFF Horticulture Policy	
	Stuart Stark – DAFF Industry Partnerships Programme	
	Jarrold Delahunty – National Harvest Labour	
	Victoria	Ian McAllister – Large grower, apricot specialist
		Rowan Little – Montague Fresh, corporate, exporter
		Darryl Wallace – Coles Supermarkets national produce buyer
John Corboy – Major producer, exporter, forward thinking		
Dom Cutri - Large grower, Swan Hill, industry leader		
Andrew Plunkett – Young grower, Goulburn Valley Victoria		
Richard Dow – Grower, Swan Hill		
Charles Gattuso – Grower, Cobram		
Ian Bolitho - Grower		
Peter Dickie – Prune Grower		
Andre Sime – Grower		
Dion Steicke – Grower		
Dennis Lawson – Grower		
Ann Young – Grower		
Robin Westmore – Wholesale, Summerfruit Marketing Committee		
Mary Stewart – Melbourne Market Authority		
David Minnis – Exporter, AHEA		
David Holman - Exporter		
Brad Mills – Industry Service Manager HAL		
Stephen Winter - HMAc		
Catherine Mansfield – DPI Victoria		
Dominic Nardi – Industry Development Officer		
Ross Wall – Fruit Growers Victoria		
Andrew Dick – AFFCO		
Roger Mathews – Rabobank		

Table 41 Stakeholders Contacted (continued)

State	Stakeholder
Queensland	Ray Palmer – Industry Development Officer Fred Baronio – Grower, SAL Board Pat Wibaux – Grower, ex SAL Chair Christine Horlock – plan pathology QDPI
South Australia	Joe Ceravolo – Grower Adelaide Hills Michael Trautwein – Grower, Riverland Paul James – Rural Solutions South Australia David Pocock – Rural Solutions South Australia (TO DO) Kirsten Blichfeldt – temperature technology, supply chain
Western Australia	Ron Atyeo – Grower Gingin Edgar Hawter – Grower, SAL Industry Advisory Committee Peter Gubler – Grower, WAFGA Harvey Gibley – Grower Rob McFerrin – WAFGA Guy Izzard – Horticultural trainer Richard de Jong – IT systems for fruit logistics
Tasmania	Heather Chong – Apricots, Tamar Valley Anna Steinhauser - Industry Development Officer Dr Wayne Boucher – Department of Primary Industry Water Energy

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Appendix 1 Current Summerfruit Industry Projects

1. Increase domestic per capital consumption (budget \$350,000)
 - Website with a searchable data base for technical information
 - 2+5 national health programme
 - Summerfruit retail sales monitor
 - Summerfruit public relations
 - Point of sale/retailer promotion
 - Point of sale display stands
 - TV campaign
2. Increase export volumes (budget \$206,000)
 - New export markets – India and UAE
 - Export efficiency powers – India
 - Export analysis
 - China market access
 - Taiwan marketing programme
 - Europe co-operative retail programme
 - Export trade advertising
 - Europe fruit logistica
 - Food and hotel Asia
3. Minimise local industry impact from imported product (budget \$5,000)
 - Develop and implement industry biosecurity plans
4. Improved professional knowledge/skills within the supply chain (\$542,000)
 - Technology transfer in the Goulburn Murray
 - Industry development
 - Summerfruit FRESHlogic market monitor
 - Summerfruit Quarterly
 - Development of the summerfruit industry in South Australia
 - Tasmanian IDO
 - 2005 Summerfruit ALPM Workshop
 - Growers Study tour of Europe
 - Young Grower/ Chile study tour
5. Fruit of a consistent quality to meet consumer demands (\$568,000)
 - Oriental Fruit Moth and Codling moth improved attractants
 - Control of bacterial spot
 - Breeding low chill, high quality fruit
 - Carpophilus beetle area wide control
 - Shelf life extension in ready to eat fruit
6. Develop programmes to maintain and maximise efficiencies of resource usage (\$20,000)
 - Evaluating work platforms
 - Water initiative
 - Retail scan data

Appendix 2 Areas Industry Can Build on to Increase Success

Suggestions for areas industry can build on to increase its success were revealed through consultation with growers, supply chain partners, government and other stakeholders, they include:

Farm Enterprise Strengthening

- Independent variety selection, assessment and importation – new variety marketing is in the hands of nurseries that have a vested interest in tree sales rather than grower profit. Initiate an industry operated variety assessment scheme similar to Aust Pome Fruit Improvement Programme. Engage domestic and international customers in the assessment of new varieties for their marketing and consumer attributes.
- International benchmarking - need to understand how Australia ranks on cost of production, use of technology/labour and whether competitors like Chile can continue to make profits at current prices.
- Domestic benchmarking – to learn more about individual performance and areas for performance improvement. Emphasis to be on return on investment benchmarks. Use results to inform industry exit strategies.
- Development and extension of a simple farm viability ‘ready reckoner’ to determine current return on capital and the cost of business underperformance. The Dairy Industry *Taking Stock* project has developed similar successful tools for use by IDOs completing ‘kitchen table discussions’ with producers who are considering their future in the industry.
- Farm record management systems – real time information on fruit production cost, value and marketing options. Tools developed for avocado and custard apple could be adopted for summerfruit.
- Training – plant physiology, marketing options, business management, human resources, compliance management, etc. Training to bridge the gap between current and potential financial performance.
- Training – how to profit from club marketing, issues for growers to consider before joining a club, how to align your business with the major club networks and alternatives outside club arrangements.
- Industry scholarships/apprenticeships – to train the next generation of orchard managers and attract young people into industry. This could be managed ‘whole of horticulture’ with industries like apples and pears.
- Cost of production/labour management – up-to-date information detailing the range of possible efficiencies growers can make within their production base e.g. use of new fruit thinning technology.
- Packhouse – nearly every farm has a packhouse which is often under utilised and under capitalised. The industry needs a strategy for sharing scarce resources and rationalising capital.
- R&D missed priorities – rootstocks for improved orchard performance.

Exports and Imports

- Exports – an export strategy is needed; current efforts are under funded and risk missing emerging export opportunities. Broaden the charter of the Summerfruit Export Working Group – look at opportunities and prepare recommendations. Seek input from AHEA, Austrade and develop the strategy with export grants.
- Export Efficiency Powers - Develop new markets in an orderly fashion using horticulture's Export Efficiency Powers to achieve higher prices and returns for growers.
- In-market coordination for exports – learn from the wine industry. Establish in-market reps to set up sales, problem shoot, provide market intelligence, etc. Commercial competitors like Del Monte do this and AHC did this in the past. Source funding from 4 to 5 major exporters with seed money from government.
- Import readiness strategy – ensure the policy platform is right in terms of – country of origin labelling, equivalent food standards, traceability, WTO anti dumping measures, biosecurity, etc. Dedicate industry resources to this task.
- Market access - Industry has under-funded and under prioritised market access, market access requires dedicated budget and a workable protocol for China is critical (citrus have a potential model).
- Biosecurity resources – more resources are needed in Biosecurity Australia to check plant material coming into Australia and complete Import Risk Assessments that fully reflect the potential pest/disease threat of imports.
- Area freedom for fruit fly – resource the lobby effort needed to maintenance tri-state funding and have this recognised as an alternative to in-transit disinfestation. A whole of horticulture approach is suggested.
- Minimum export standards - establish and enforce standards that position our fruit at the 'top end' of target markets. The consultants note that product specification, based on product description is a much better alternative and avoids a 'beat the regulator mentality'.

Domestic Markets and Marketing

- Promotion - divert funds from R&D and/or increase the industry levy to fund an appropriate marketing programme, to increase consumption and develop a position when import competition arrives. Alternative snacks and other fruit are out promoting summerfruit.
- Statistics - data is needed to improve industry decision-making. Build on AFFCO Well Informed Grower project. Start with recording nursery sector tree sales by variety; add market intelligence from export destinations and production/season reports from competitors like Chile.

- National product description language – refine and implement recently developed language. Language will assist with consistent eating experience and buying/selling summerfruit.
- Supply chain efficiency – develop an on-line system for data transfer through the supply chain to increase supply chain efficiency and aggregate industry data collection. The tropical fruit industry is using IPP funds to achieve this outcome.
- Industry brand development – the ‘King Island Solution’ or “Australia Fresh 2”. Develop, support and promote our own QA backed fruit brand – in Australia and internationally.
- Training for retail – this is where fruit is damaged. Simple initiatives such as Retail Merchandising Guides and a training video/DVD outlining handling and product knowledge for summerfruit is suggested. Queensland banana growers have developed video/DVD tools that Coles consider effective. Woolworths successfully utilise a range of Merchandising Guides for products like cherries, mangoes and avocados. Training tools are important for a short season crop in a high staff turnover industry.
- Reinstate independent fruit maturity standards and inspection – either through the state governments or SAL to ensure fruit is what it says it is and prevent the sale of green fruit.
- Retailer links – links between growers and supermarkets that retail 65% of Australian summerfruit are vital. While the relationship between growers and supermarkets has improved through SAL initiatives, more work could be done developing forums and communication channels.
- R&D missed priority – opportunities for second grade/manufacturing fruit. Processing opportunities are needed to absorb second grade fruit on at least a cost recovery basis for growers. The USDA has identified preserved/candied summerfruit as having growth potential in Taiwan.

Enabling Environment – SAL and Government Policy and Programmes

- Fix the industry levy – summerfruit marketing, R&D and industry development risks stagnation unless future levy income can be secured. Consultation revealed support for a levy increase if justification and an estimated return on investment provided.
- Lobbying – secure a source of industry funding for lobbying. This will be critical as the possibility of imports from Sharka endemic countries increases. SAL needs to spend more time in Canberra.
- SAL policies and procedures – develop manuals for directors and staff to cover duties, responsibilities and relationships with organisations such as HAL and the IAC. Provide SAL directors with appropriate training.
- Guest and indigenous workers – contribute to ‘whole of horticulture’ lobbying efforts aimed at securing a guest worker programme that will tackle future labour shortages and rising labour costs. Investigate the

feasibility of developing programmes with indigenous communities to secure a future labour source.

- Exit strategy and new entrant advice – increase awareness of and access to programmes such as FarmHelp for those considering leaving the industry. Provide advice to those considering buying an orchard on true industry returns. Service to be provided by SAL.
- Cooperative Research Centre for horticultural export marketing or a more broadly based CRC for temperate horticulture. Horticultural research in Australia is state based, under resourced and fragmented.
- Cross industry information exchange - develop additional mechanisms for sharing resources and learning between similar fruit industries. Summerfruit, apples, pears, nashi and cherries face many similar issues.
- Communication – Summerfruit Australia Quarterly is good but what about getting the message out through state organisation newsletters. Strategy development, its communication and information dissemination are vital for building a national industry consensus.
- Industry development activities – more work is needed to develop a sense of industry and industry cohesion before much needed initiatives like levy increases can be achieved.
- Image improvement – invest in PR targeting the broader community and schools to lift industry image and attract young people and capital. A ‘whole of horticulture’ approach is suggested.
- Closed loop club systems – some stakeholders commenting on these marketing systems expressed a desire to identify whether there is a basis for a legal challenge to the right of marketing companies to impose club systems that disadvantage small farmers. There may be scope to consider this issue in the context of developing pathways for growers to operate within this paradigm.

Appendix 3 Outcomes from the Strategy Workshop

Working groups developed the following strategies at an Industry Partnerships Programme workshop, Echuca Victoria 14 September 2005. The results of each group's individual deliberations are broadly consistent with the current industry strategic plan. The standout additions are the requirement for industry leadership and the recognition of inadequate funding.

Working Group One (Richard)

- Variety evaluation programme
- Industry information generation and sharing
- Export and Import strategies
- Domestic marketing appropriately funded
- Adequate funding for all industry activities
- Labour strategies to ensure supply and appropriate cost
- Communication to generate support for SAL

Working Group Two (Mary)

- Supply chain efficiency – understanding distribution channels
- Consumer confidence – eating quality and promotion
- Fruit fly eradication strategy

Working Group Three (David)

- Grow the domestic market including alliances with other fruit
- Grow the export market – market access, area freedom
- Create clear market information signals along the supply chain

Working Group Four (Peter)

- Leadership
- Market access policy
- Independent variety evaluation programme
- Programme of orchard technical improvement
- Well coordinated and informed supply chain
- Well informed profitable growers
- Increased domestic consumption

Working Group Five (Ian)

- Lift the value of summerfruit – promotion and quality
- Work on the basis of a world market – exports and imports
- Develop a professional, skilled and committed workforce

Working Group Six (Clinton)

- Leadership
- Industry cohesion
- Market intelligence, strategy and promotion

Working Group Seven (Ross)

- Raise domestic consumption
- Increase exports 10% by 2010
- Decrease cost of production