



Apple and Pear Industry Plan 2018 to 2023

Summary – June 2018

Why do we need a plan?

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

Main points



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

Where we are



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

Facing realities

Opportunities

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

Challenges

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

The road map

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

Objectives

Opportunities and challenges

+ Opportunity

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

- Challenge

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

Pillars of industry's strategy

1. Market growth

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

2. Supply chain management

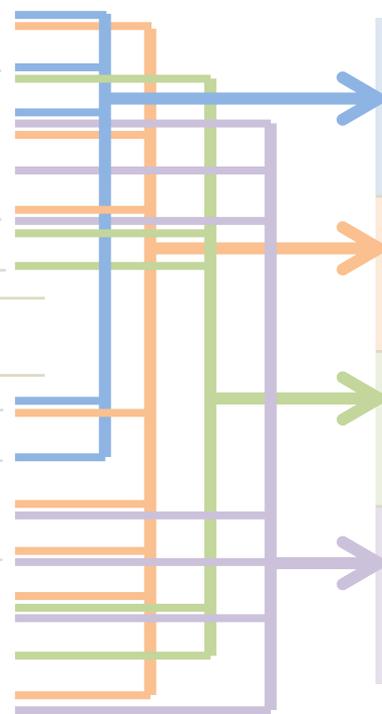
Build industry intelligence and knowledge systems to capture greater unit value

3. Industry sustainability

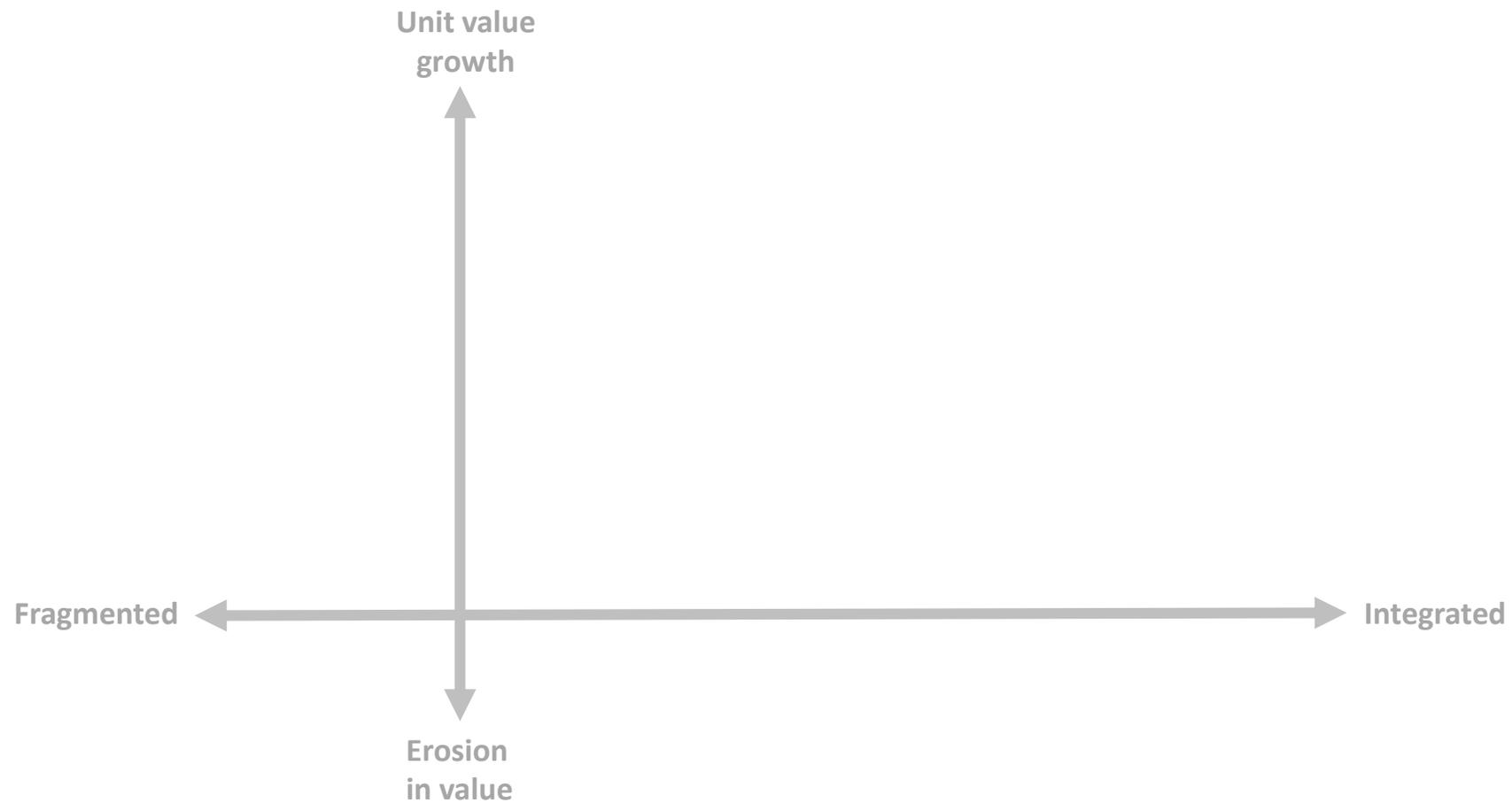
Bolstering viability, integrity and brand reputation

4. Capability and capacity

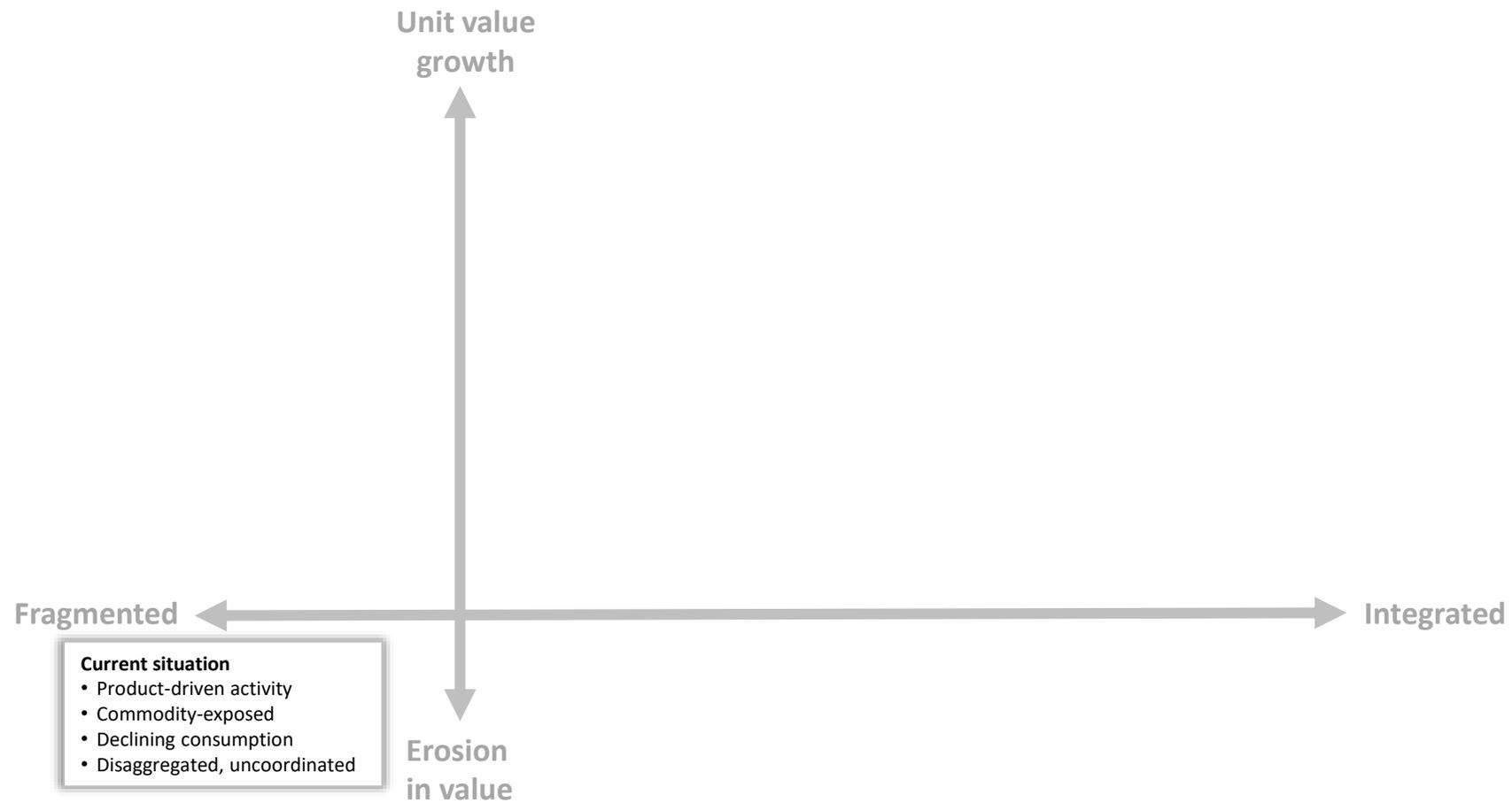
Changing industry culture and practices by improving the capability and capacity to deliver transformation



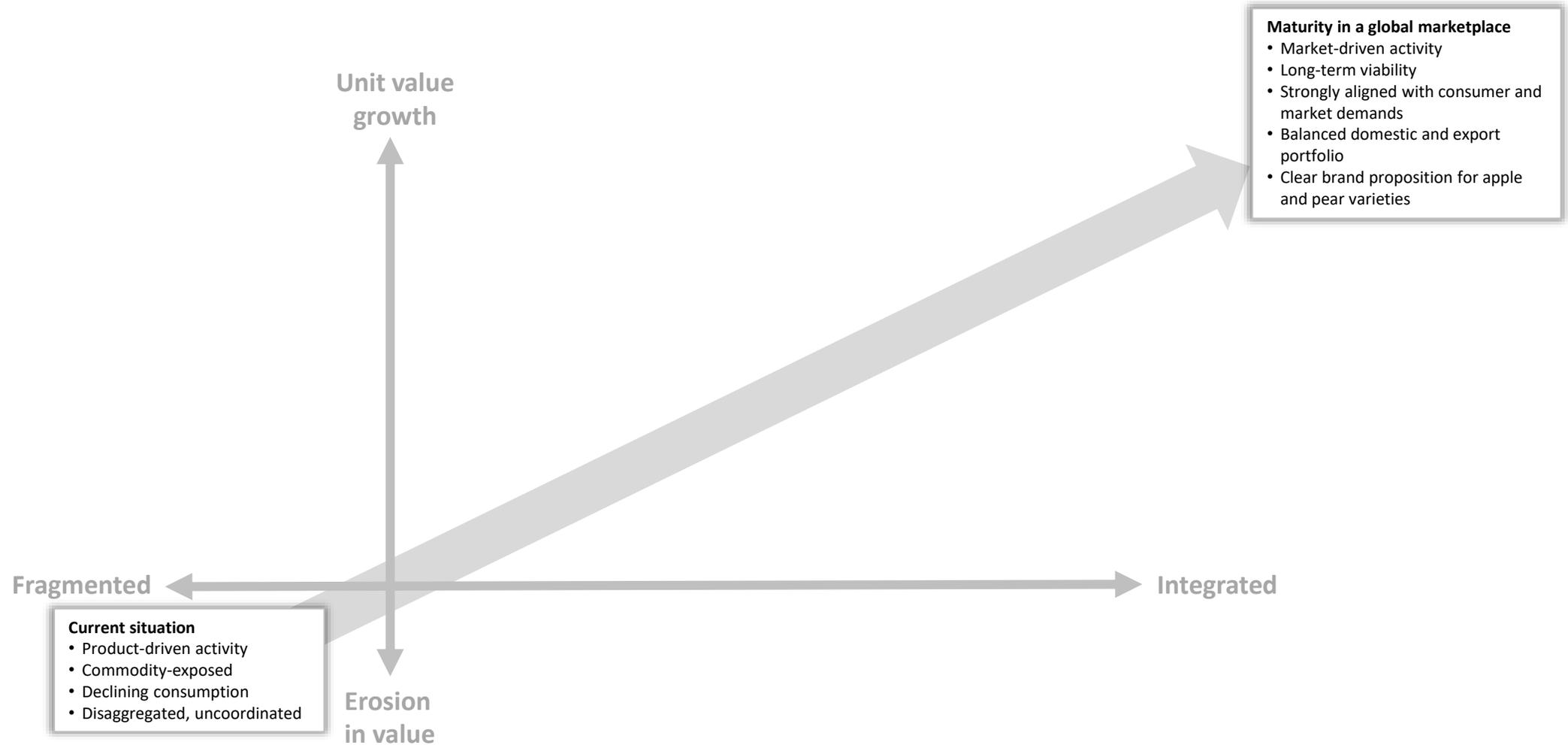
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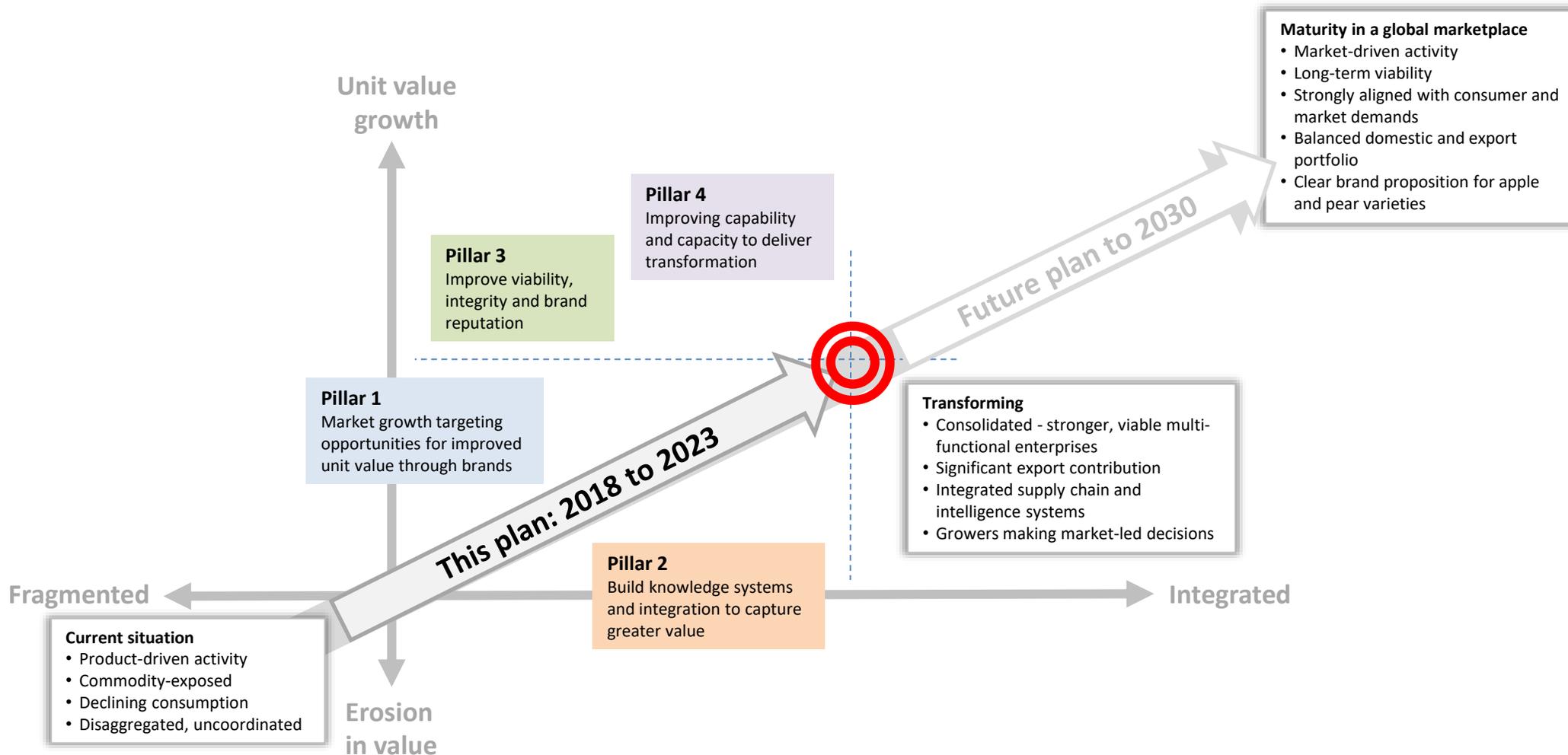
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The strategy



The strategy



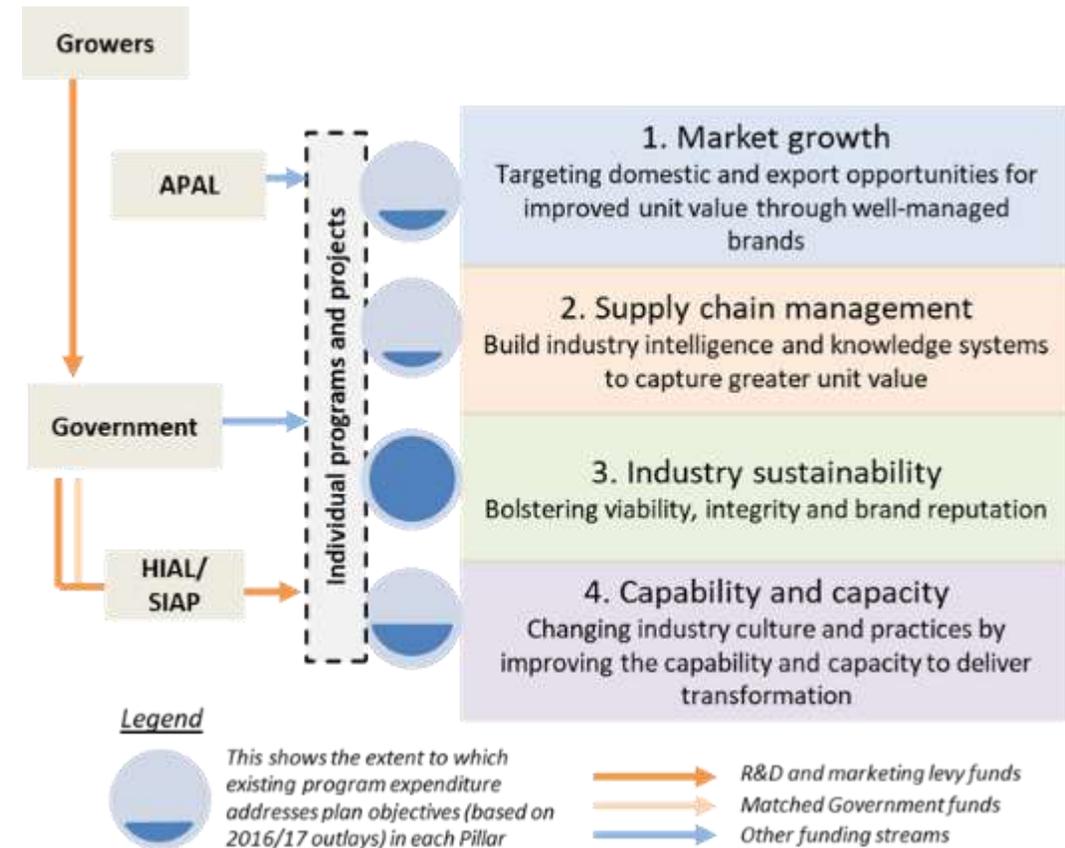
How we get there

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

How to get there?

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

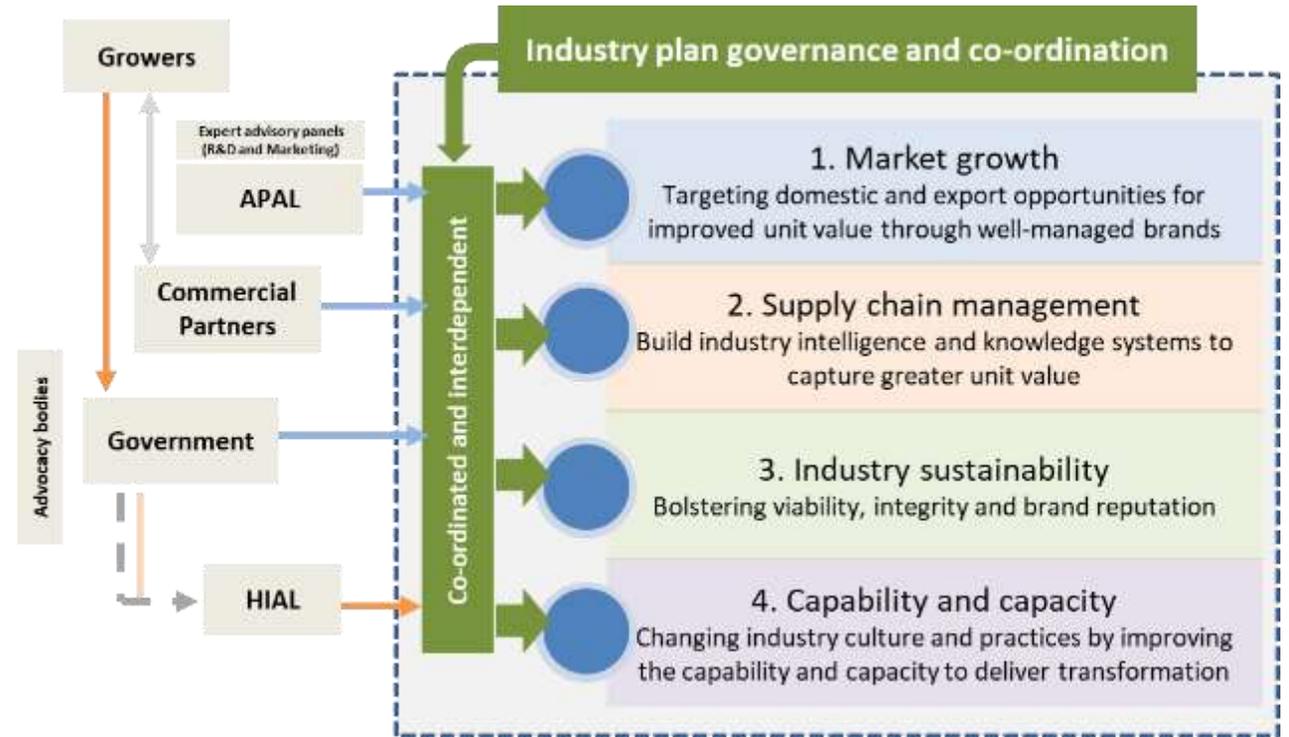
Current model



How to get there?

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

Proposed model



Domestic Apple Price & Quality Research summary

Apple Consumers....

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

Pear Consumers...

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

Domestic market health relies on Export...

