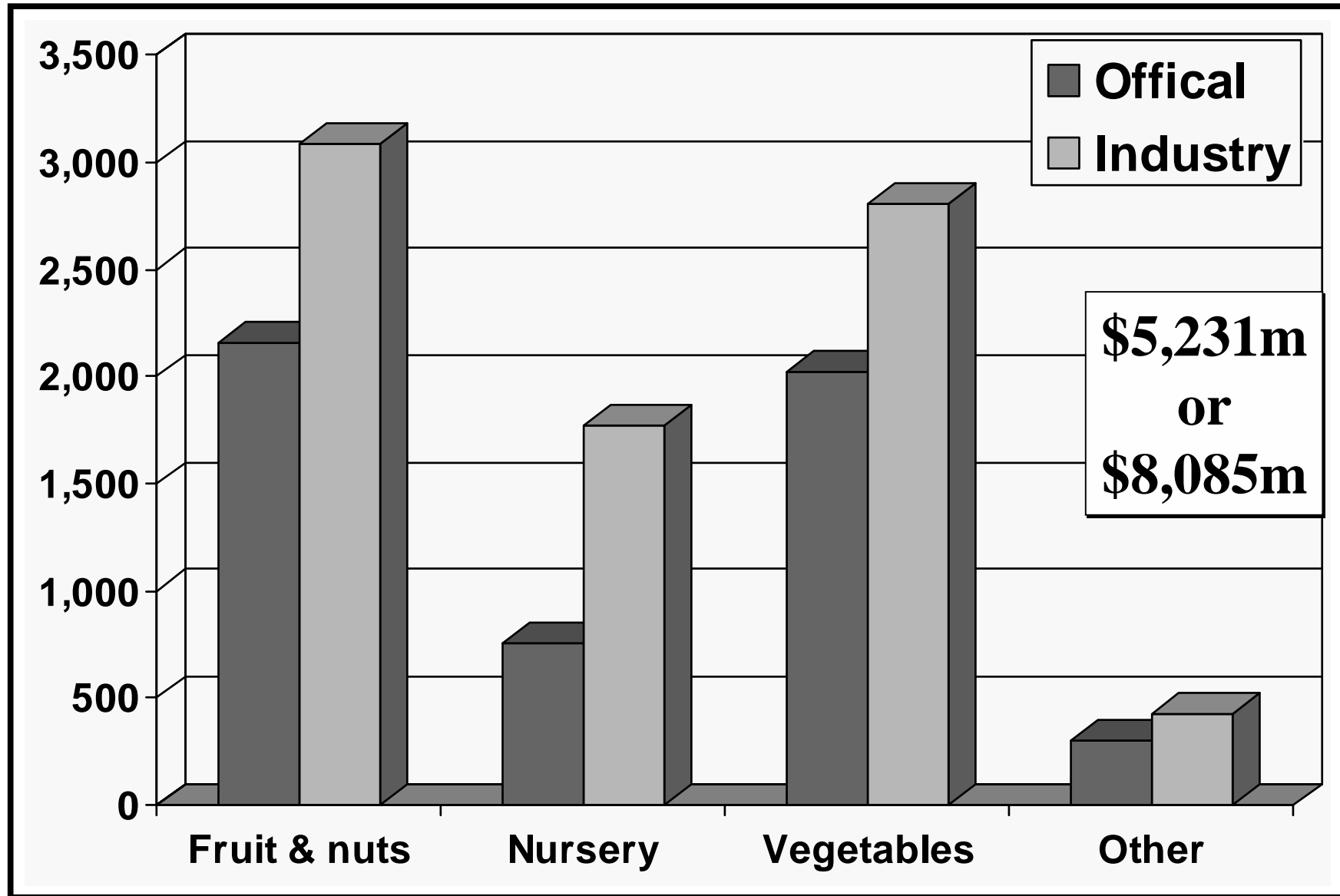


Horticulture

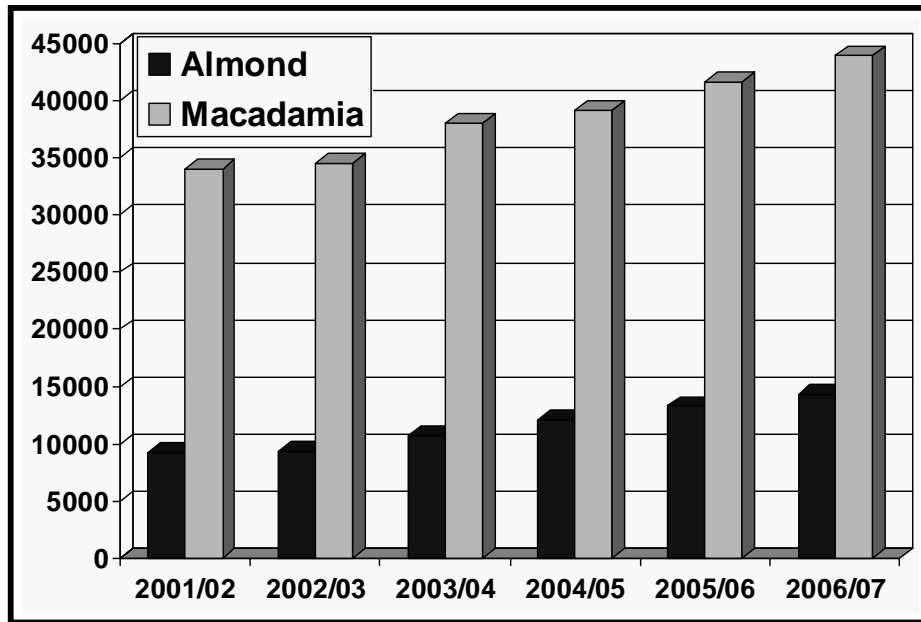
**2002 Australian Agribusiness Congress
12 November 2002**

**John Webster
Managing Director
Horticulture Australia Ltd**

Value of Horticulture - \$m (2001/02) -

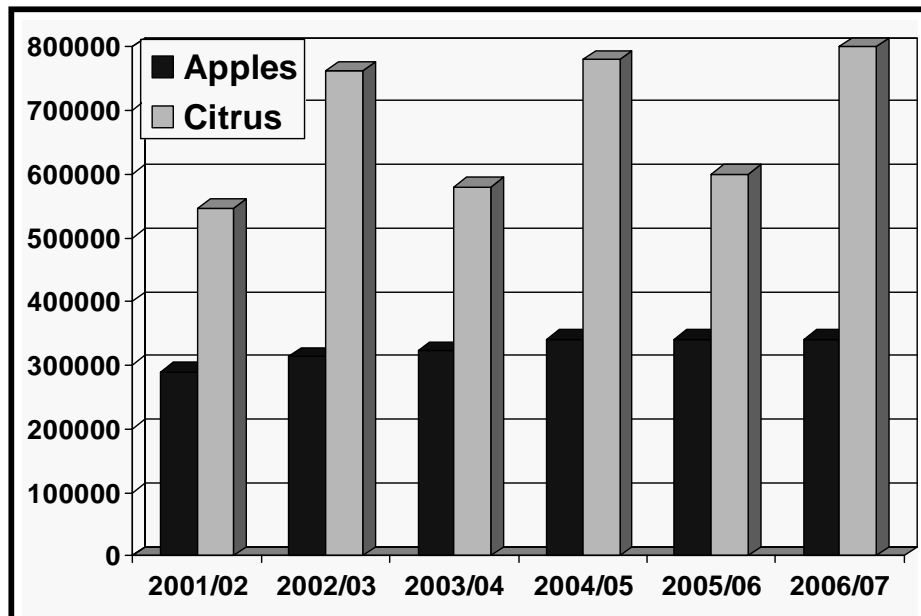


With further growth (tonnes) ...



Almonds	+ 56%
Macadamia	+ 29%

**Trees
already
planted**



Apples	+ 18%
Citrus	+ 10%

Macro issues ...

- **Labour** costs are likely to rise & labour is high % of production costs.
- **Land** values are likely to stay firm.
- The strengthening of the **\$AUD** will increase import competitiveness and reduce our export competitiveness.
- The ageing of the population, declining birth rate and the decline in traditional households may change **domestic** market. Strategies to increase per capita consumption will therefore be important.
- There will be increasing pressure on agriculture to employ green and **sustainable** production regimes.
- **Water** use will be more restrictive and costly.
- Australian consumers and retailers will demand achievement of world best practice in **quality and product integrity**. Food safety and traceability will be high on the agenda.

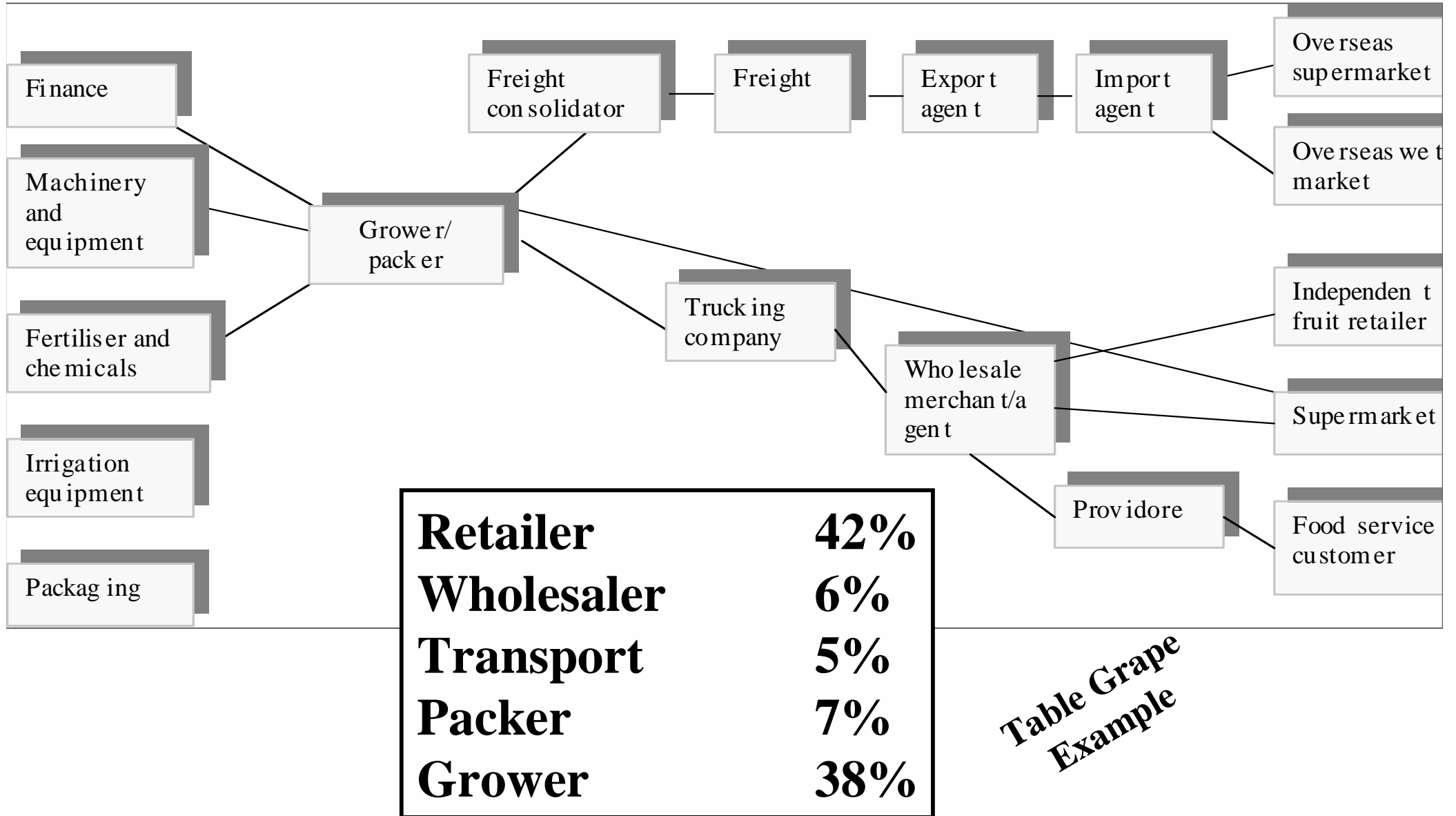
A global player ...

- Global markets particularly to Asia continues to grow steadily. However, Australia's **seasonal** window of opportunity is narrowing.
- Australia's market **share** in this key export region appears to be under long term threat.
- **Competitors** generally have lower production costs, lower freight costs, superior quality and organised, well funded industry marketing programs.
- Australia is disadvantaged by its lack of **critical mass** in the global context.
- A strategy of market **diversification** is important in light of the increasing competition in South East Asia

Consumer attitudes towards fruit & vegetables

- Big push towards **eating more** fresh fruit & vegetables.
- Fresh fruit & vegetables are perceived to be paramount in the fight against disease & the promotion of **sound health**.
- Inherent belief that a variety of colours has different **nutritional** & health benefits.
- A key driver of the increased awareness regarding fruits & vegetables is the **5 plus** campaign, especially in NZ.
- Some consumers think fruits & vegetables have **lost their taste** & aren't as nutritious as they used to be. However, they are still much better than processed foods.
- A few respondents voiced their concerns about the **integrity** of the produce & the harvesting processes employed.
- Belief amongst many that all the good quality fruit & vegetables, as well as other premium quality foods, are **exported**.

The value chain ...



Horticulture Australia ...

Addresses many for these issues:

- **For individual industries**
- **Across horticulture**

Logic behind HAL

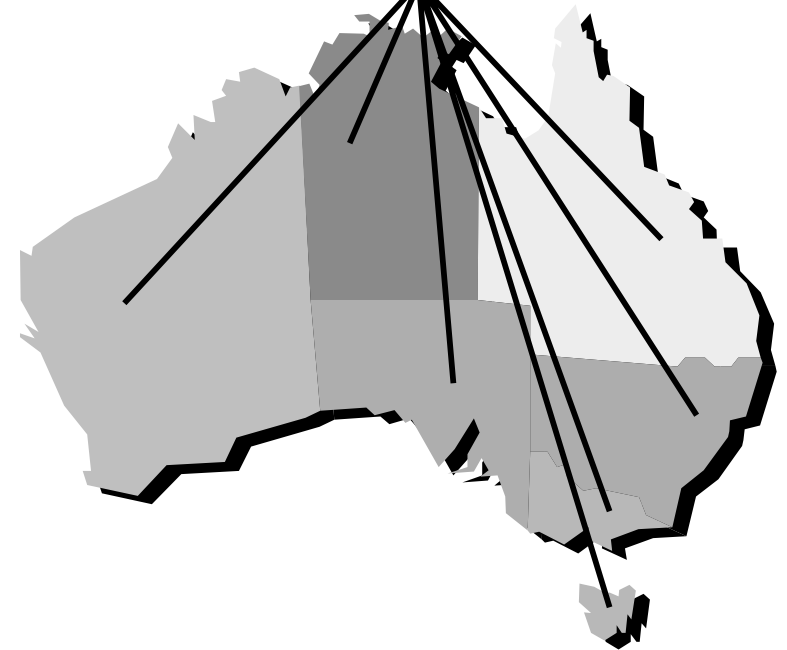
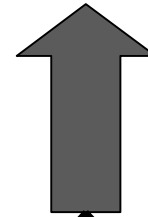
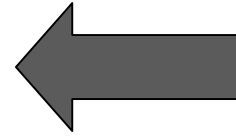
- **Many individual producers**
- **R&D / marketing difficult**
- **Benefit 'spillover' to non contributors**
- **Govt \$ for \$ - R&D**
- **No matching for marketing**
- **Levies collected by Canberra for HAL**
- **Each industry's funds kept separate**

Logic behind HAL

- **Livestock - \$280m**
- **Grains – \$125m**
- **Other - \$15m**
- **Horticulture - \$19m**

R&D
(\$10.5m)

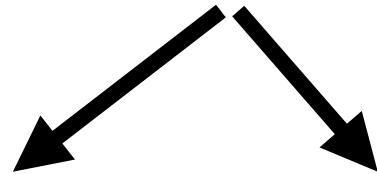
Marketing
(\$8.2m)



Logic behind HAL

- HAL match 'voluntary contribution' also

eg Nursery - \$1.58m levy



R&D

Marketing

levy

\$0.48m

\$1.10m

matched

\$0.48m

VC

\$0.75m

matched

\$0.75m

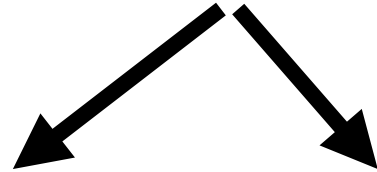
Total

\$2.46m

\$1.10m

Logic behind HAL

- Giving total HAL budget



R&D

Marketing

levy

\$10.5m

\$8.2m

VC

\$15.4m

\$2.3m

matched

\$25.9m

-

Total

\$51.8m

\$10.5m

\$62m

HAL

- **Company – under corporations law - not for profit**
- **28 industries signed MOU (work with 40+) – nuts, nursery, fruits, vegetables**
- **\$60m+ budget with staff of 45**
- **Service company - owned by industry**
 - **Industry elects Board**
 - **R&D & Marketing**
- **Export control body**

HAL – partnership with industry

- **Treat levies as an investment by industry**
- **Focus on levy payers**
- **Work in partnership with industry**
 - **Industry agree strategy**
 - **Industry agree annual priorities**
 - **Annual report on investment return**
- **Capture synergies between industries and between R&D and marketing**

HAL

- **We do not buy or sell produce**
- **We invest industry funds to create opportunities for individual enterprises to implement commercially**

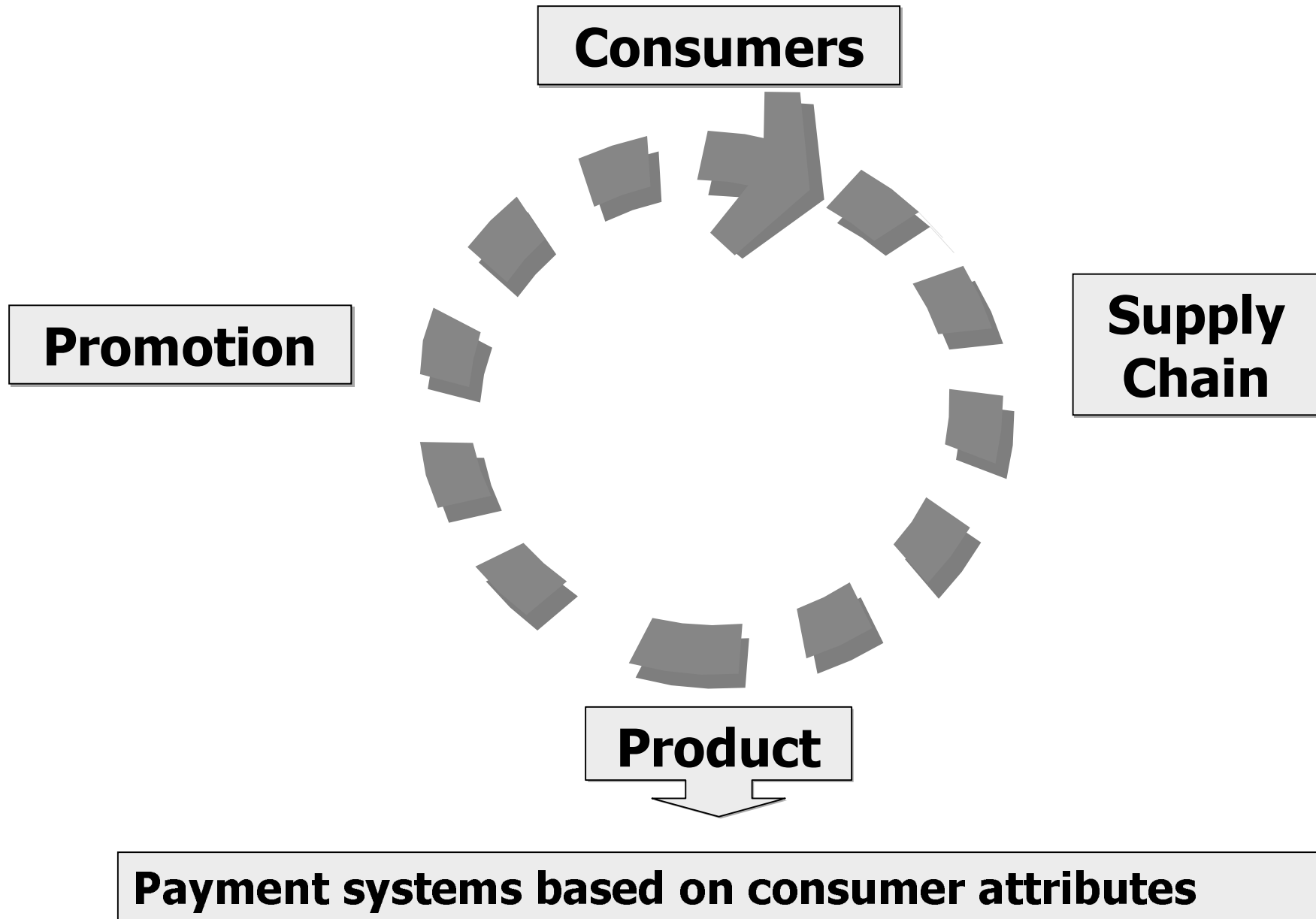
Key Areas

- **Access to markets**
- **Understand consumers & customers**
- **Increase demand for our products**
- **Product integrity – safety & quality**
- **Effective supply chain**
- **Efficient sustainable production base**

Major strategic programs

- **Linking Consumer → Supply Chain → Product : to achieve consumer satisfaction;**
- **Export strategy: Gain access and retain benefit through market development, use of HAL licensing powers etc;**
- **Increase domestic consumption through leverage & collaboration of health issues and funds to develop a domestic umbrella marketing effort;**
- **Develop industry information /communication system, including Australian Horticulture web portal;**
- **Develop horticulture's case for water usage rights.**

Satisfying Consumers



We can make a difference

- **With levies and as individuals**
- **If we:**
 - **Plan strategically – focus on outcomes**
 - **Concentrate on where we can make a difference**
 - **Fund the program – everything necessary to achieve the outcome**
 - **Find a champion**
 - **Protect the champion from the status quo**

'Making a difference' → Change

Prof Brad Morgan

**"While travelling the highway of life
there are:**

- drivers of change;**
- passengers going along
for the ride; and**
- road kill."**