Apple & Pear Annual Investment Plan – 2010/2011

Background

This 2010/11 Annual Investment Plan (AIP) for the Apple and Pear Industry has been prepared by the IAC as an outcome of deliberations at an Apple and Pear IAC meeting held in Melbourne, Victoria on 2 February 2010. At this meeting, advice from the R&D sub-committee, which reviewed all potential 2010/11 funding applications in detail, was presented to the IAC for endorsement.

These funding priorities take into account the overall strategic priorities outlined in the Apple and Pear Strategic Plan (2005-2010) as well as the Australian Government National Research Priorities and Rural R&D Priorities. Also, given that the apple and pear industry was finalizing its revised Strategic Plan 'New Horizons 2015', the AIP also took into account the draft priorities identified through this review.

During 2009, the apple and pear industry decided to update their strategic plan prior to it's current expiry date given significant changes to both the industry and the markets in which it operates. This review included a combined Strategic Plan, Industry Development Needs Assessment (IDNA) and Business Case Analysis review, including consideration of Future Focus and Hi Link model information.

The new 5-year Strategic Industry Plan (*New Horizons 2015*) spanning 2010-2015 was finalized in March 2010, and incorporated as part of the process a 'scenario modelling' approach utilizing the Hi Link model to inform the process. The IDNA is currently being finalized by industry.

Embedded in the Strategic Plan are a series of Objectives, Strategies and Targets that will assist the Industry in meeting its challenges to become more competitive and sustainable in a changing business environment.

The key to the implementation of this Strategic Plan is through a sub-set of Operational Plans. These include:

1. Research, Development & Extension Investment Plan (2010-15)
2. Domestic Marketing Plan (2010-13)
3. Export Marketing Plan (2010-13)
4. Industry Communications Plan
5. APAL Annual Operational Plans

Given the stage of development of the strategic plan, and the ongoing development of the abovementioned operational plans, a significant portion of the available funding was temporarily allocated as 'strategic plan outcomes'. The new funding priorities will be incorporated into these specific plans and reviewed by the IAC, initially at it's June 2010 meeting.

Following the review for the 2008/09 budget, a process of strategy review in 3 key funding areas of crop production, breeding and market development was initiated with the view to developing a program approach to funding in these areas.

During 2009, the orchard productivity project funding area saw a program development approach initiated. The apple and pear industry 'Productivity, Irrigation, Pests and Soils (PIPS) program is a five year integrated levy and voluntary contribution orchard productivity program. It contains three sub-programs of Integrated Pest Management (IPM), Tree Structure, and Soil and Water.

The 2010-15 AP RD&E plan may see further program approaches to R,D&E being incorporated into future funding.

Industry Outlook for 2010-2011

ABS Statistics show that in 2008-09, apple producers reported a decrease of almost one million trees (12%), but production rose by 11% to 295 thousand tonnes. Pear growers reported falls, both in the number of trees (down by 5% to 1.6 million trees) and in production which dropped by 8% to 120 thousand tonnes.

Whilst both apple and pear production were affected by ongoing drought, 2010 tonnages for apples are expected to be slightly down to an estimated 275,000 tonnes. However, pear production, which is showing some continued affects of last years heat waves during February 2009, the crop is lighter generally with significant variation between growers and varieties. The early season variety Williams (also used for canned fruit) was reportedly down to between 65-70% of 2009 volumes. The major pear variety – Packhams – although only slightly down on 2009 volumes, did have significant variations in size and some misshapen fruit which will see lower potential marketable quantities of fruit available.

Major Issues & Risk

The major strategic issues identified in the new plan are shown below:

Stimulate domestic demand by 5% through product quality and innovation

1.1 Improve consistency of product quality to match consumer expectations.
1.2 Enhance orchard productivity and management
1.3 Coordinate industry product promotion and marketing programs
1.4 Facilitate variety transition to match changing markets
1.5 Enhance industry value within the community

Expand apple and pear export markets to 10 per cent of marketable product exported by 2015

2.1 Define and understand overseas markets that offer profitable export opportunities
2.2 Develop collaborative approaches to enter and expand selected export markets
2.3 Resolve technical market access issues in target markets
2.4 Monitor export market competitor activities

Ensure industry has the resources and capability to achieve primary objectives

3.1 Adapt industry services to meet changing needs of growers
3.2 Improve quality and flows of information for decision-making across the supply chain
3.3 Invest in leadership and people development

As indicated above, the major risks facing the apple and pear industry relate to pending imports (especially of apples) from countries such as New Zealand, China, USA and potentially Chile. With the New Zealand apple import issue currently before the World Trade Organization, all eyes are waiting on the outcome of this process which could take up to 18 months to conclude. Whilst Australia has accepted access for apple imports from New Zealand, it is the conditions (protocol) under which access has been granted that cover treatments for Fireblight and Canker that are being debated. Entry into Australia of diseases such as these would be catastrophic for the apple and pear industry in Australia.

Concurrently with the New Zealand apple import review before the WTO, Australia also has Import Risk Assessment's (IRA's) under review for China and USA. Given that Australia currently imports pears from China (which have a similar pest and disease risk profile to apples), it is unlikely that any significant quarantine impediments will hinder Chinese apple imports. Each of the outcomes of these reviews are expected over the next few months with potential appeals and protocol

development and implementation meaning that it is unlikely that apple imports will be seen in Australia during 2010. However, it is likely that each of these countries could export apples to Australia during 2011 or 2012.

With Australia's lower productivity and cost of production levels in comparison to many of these potential import competitors, this was seen as a major risk factor by industry. Major orchard productivity improvement programs such as 'Future Orchards 2012' have occurred in an attempt to overcome this issue prior to import competition. The new 'PIPS' program is also focused on achieving a more competitive Australian apple and pear production capacity.

The potential import competition and some growers already deciding to exit the industry will require careful consideration of long term levy expenditure commitments.

Strategic Priorities

The apple and pear industry's strategic plan was reviewed and updated during 2009-10 with the plan finalized in March 2010. An overview of this plan was presented to the HAL Board in February 2010.

The Strategic Plan confirmed two major areas that the industry needed to address:

1. Stimulate domestic demand by 5% through product quality and innovation
2. Expand apple and pear export markets to 10% of marketable product exported by 2015

There was a third 'enabling objective' to:

3. Ensure industry has the resources and capability to achieve primary objectives

Whilst the review of the new plan has not seen a huge change in the industry priorities, there has been an added urgency identified with issues relating to the impending imports from New Zealand, China and United States. Recent 'leaked' commentary on the New Zealand apple import issue relating to the findings from the World Trade Organization (WTO) dispute hearing which indicate a favourable outcome for the New Zealand industry will have major implications, not only for New Zealand imports, but closely followed by USA imports (who have a similar 'Fireblight' disease status to New Zealand).

Given the impending import issues, the objectives, which on first consideration would seem easily achievable, will require a concerted effort by all industry participants to ensure the successful implementation of the new strategic plan.

Apple and Pear Industry - Alignment between Industry, HAL & Government Priorities

Imroving Market Value

Strong value proposition based on quality + affinity
Buy Australian Program
Better understanding service + support in all markets
Integrity of supply chain biosecurity
Transparency in supply chain costs + transparency
Improved sharing of packhouse facilities

Improve Economic Sustainability of A + P Production

Promote intensification of Orchards
Increased labour efficiencies
Culture of learning + cooperation to improve business
Improve communication of technical information
Structural adjustment strategies industry change

Provide Strong Leadership to Improve Capacity

Create awareness of industry situation
Foster leadership models to create unity
Work with other Horticulture industries

Apple + Pear 10/11 Annual Investment Plan (Levy + VC)	Spend %
Crop Production	48.1%
Climate Variability	0.0%
Biosecurity & Market Access	1.6%
Market Development & Research	29.8%
Conference & Study Tours	1.0%
Other	19.5%

National R&D Priorities	HAL Annual R&D Spend %
Productivity + Value	26.6
Chain Supply + Markets	23.7
NRM	6.3%
Climate Variability	5.6%
Biosecurity	6.0%
Innovation Skills	17.5%
Technology	14.3%

HAL Strategic Plan Four Investment Programs

- Deliver New
- Build Consumer
- Enhance Industry Skills
- Deliver Operational

HAL
Know-how for Horticulture™

Industry Annual Investment Plan 2010- 11 - P&L Summary

Apple & Pear	Budget - R&D Levy 2010- 11	Budget - R&D VC 2010- 11	Budget - Apple Marketing 2010- 11	Budget - Total 2010- 11	Budget - Pear Marketing 2010- 11
Opening Industry Reserve 1 July 2010	**$1,338,597**	**$0**	**$1,593,565**	**$3,587,841**	**$655,679**
Income					
Levy/ VC receipts	$1,800,000	$1,957,624	$2,200,000	$6,607,624	$650,000
Commonwealth matching grants -levies	$1,777,334	$1,918,407		$3,695,741	
Interest	$20,079		$23,903	$53,818	$9,835
Rolyalties and other Income				$0	
Total Income	**$3,597,413**	**$3,876,031**	**$2,223,903**	**$10,357,182**	**$659,835**
Total Program Expenditure	$3,113,038	$3,341,166	$1,476,694	$8,733,122	$802,224
Levy Collection Costs	$21,284		$71,490	$121,449	$28,675
HAL Corporate Cost Recovery - Levy	$441,630	$495,649	$205,135	$1,255,148	$112,734
Across industry Contribution - Levy/vc	$43,696	$39,216		$82,912	
Total Expenditure	$3,619,647	$3,876,031	$1,753,319	$10,192,631	$943,634
Operating Surplus/(Deficit) for Year ended 30 June 2011	($22,234)	$0	$470,584	$164,551	($283,798)
Estimated Closing reserves	$1,316,363	$0	$2,064,149	$3,752,392	$371,881

Industry Annual Investment Plan 2010- 11 - P&L Summary

Australian Pome Fruit Improvement Program	Budget - R&D Levy 2010- 11	Budget - R&D VC 2010- 11	Budget - Marketing 2010- 11	Budget - Total 2010- 11
Opening Industry Reserve 1 July 2010	**$134,949**	**$0**	**$0**	**$134,949**
Income				
Levy/ VC receipts	$130,000	$0		$130,000
Commonwealth matching grants -levies	$124,498	$0		$124,498
Interest	$2,024		$0	$2,024
Rolyalties and other Income				$0
Total Income	**$256,522**	**$0**	**$0**	**$256,522**
Total Program Expenditure	$220,000	$0		$220,000
Levy Collection Costs	$4,221			$4,221
HAL Corporate Cost Recovery - Levy	$28,996	$0		$28,996
Across industry Contribution - Levy/vc	$3,718			$3,718
Total Expenditure	$256,935	$0	$0	$256,935
Operating Surplus/(Deficit) for Year ended 30 June 2011	($413)	$0	$0	($413)
Estimated Closing reserves	$134,536	$0	$0	$134,536

Apple & Pear Program for 2010/11 - Project and Objective

Objective	Project	Project Title	Levy/ Voluntary Contribution	10/11 Budget $ Endorsed	LOP $K Endorsed	Cross RDC potential engagement	Triple bottom line perspective*	Alignment with HAL Strategic Plan
			L/VC	$	$	Y/N		
1	AP04004	Breeding woolly aphid resistant dwarfing apple rootstocks (continued AP96019 and AP00007)	L	$8,250	$82,770	X	L	H
1	AP06007	Extension AP05002: Alternaria Fruit Spot: New Directions	L	$75,000	$592,416	X	L	H
1	AP06069	Intensive Apple Orchard Production Systems - Comparison and economic assessment under Australian Conditions - Stage 2	L	$27,350	$272,250	X	M	H
1	AP08002	Pear Variety Evaluation & Certification	L	$50,000	$300,000	X	L	H
1	AP08004	Managing the risk of flesh browning for 'Cripps Pink' apples using a climate model	L	$23,900	$157,000	X	M	H
1	AP08008	High density production systems for Australian-bred scab resistant apples	L	$74,934	$276,023	X	M	H
1	AP08019	Breeding Novel Apple Varieties to deliver benefit to the Australian Industry	VC	$246,139	$984,558	X	M	H
1	AP08032	Future Orchards Australia - 2012 project continuation	L	$57,900	$457,900	X	M	H
1	AP08041	Creating wealth for the Australian apple industry with consumer-preferred scab resistant apple selections - Stage 2	L	$65,209	$364,149	X	M	H
1	AP09026	Commercialisation of Pear Varieties	VC	$22,000	$266,400	X	L	H
1	AP09031	PIPS Orchard Productivity Program	L/VC	$1,598,575	$7,542,830	X	M	H
1	AP09035	Development of New Pome Fruit Products	L/VC	$1,752,487	$10,514,924	X	L	H
1	AP10004	Crop regulation in High Density apple orchards using articifial spur extinction.	VC	$40,000	$55,000	X	L	H
1	AP10016	Pear Rootstocks Trial	L	$12,800	$64,000	X	L	H
1	MT06001	Further development of integrated pest management strategies to control thrips in pome and stonefruit in WA and Qld	L	$6,000	$29,630	X	L	H
1	MT07015	Tasmanian Pest Incursion Monitoring	L	$969	$4,846	X	L	H
1	MT07028	Towards sustainable pheromone based IPM in orchards	L	$20,000	$100,000	X	M	H
1	MT09006	Improving European earwig management in pome and cherry orchards through the use of pheromones	L	$9,651	$38,603	X	L	H
3	AP10009	MRL risk analyses for major export markets of the pome fruit industry	L	$8,000	$30,000	X	M	H
3	AP10011	United Kingdom Study Tour of Apple Packing and Logistics for Australian Pink Lady Bulk Shipments to Lower Risk of Export	L/VC	$15,000	$15,000	X	M	H
3	MT06041	Trapping to better predict and prove fruit fly presence	L	$20,000	$100,000	X	L	H
3	MT08036	Ecology and preharvest control of fruit flies for systems approaches to market access for fruit fly host commodities	L	$18,960	$47,400	X	L	H
3	MT09021	Improving China Market Access for Australian horticultural products	L	$36,000	$47,500	X	M	H
3	MT09026	Protecting pollination for the Australian horticultural industry Stage 2	L	$20,000	$80,000	X	L	H
3	MT10022	Export-Import Market Intelligence	L	$18,000	$36,000	✓	L	H
4	AP07010	AFFCO Well Informed Grower project - apples and pears	L/VC	$70,000	$460,000	X	M	H
4	AP08018	Pink Lady Export Development Project	VC	$47,800	$239,000	X	M	H
4	AP08055	Apple & Pear Industry Data and Analysis	L	$62,100	$373,300	X	L	H
4	AP10006	Industry Projects Return on Investment Evaluation Program – BCA	L	$50,000	$50,000	X	M	H
4	MT08060	Consumer Tracking Study	L	$20,012	$59,286	✓	M	H
4	MT10009	Better understanding native & blue banded bees for pollination of almond, apple, pear, cherry, vegetables & strawberry	L	$26,000	$40,162	X	L	H
4	MT10017	Driving Demand Growth through Understanding Consumer Purchase Behaviour (Retail Scan & Homescan Analysis)	L	$94,800	$189,600	X	L	H
5	AP06042	Leadership Development: Young Grower Scholarships	L	$10,000	$30,000	✓	H	H
5	AP09015	AFFCO World Class Workshop and Expo 2010	VC	$20,000	$100,000	X	M	H
5	AP10007	Study tour to visit European apple tree physiology experts and attend the International Horticultural Congress in Lisbon	L	$12,500	$12,500	X	M	H
5	MT10020	AFFCO World Class Workshop 2011	VC	$38,000	$38,000	X	M	H
6	AP08039	Apple & Pear Industry Technical Officer	VC	$85,000	$335,000	X	M	H
6	AP08054	Apple and Pear Industry Communications	L	$189,000	$765,600	X	M	H
6	AP10023	Strategic Plan Outcomes per 5 yr R&D Investment Plan	L	$940,000	$940,000	X	M	H
6	AP10800	Annual Report	L	$15,515	$15,515	X	L	H
6	AP10900	Apple & Pear 2008 - 2011 Partnership Agreement	L	$28,420	$28,420	X	L	H
6	AP10910	Apple & Pear 2008 - 2011 Partnership Agreement - Consultation Funding	L	$218,532	$218,532	X	L	H
6	MT08043	Australian Fruitgrower Magazine - Apple and Pear, Summerfruit	L	$99,400	$370,700	X	M	H
R&D Total				**$6,254,203**	**$26,724,813**			

Objective	Project	Project Title	Levy/ Voluntary Contribution	10/11 Budget $ Endorsed	LOP $K Endorsed
4	AP09501	2010 Export Marketing Plan	MK Levy	$40,000	$100,000
4	AP10501	2011 Export Marketing Plan	MK Levy	$60,000	$60,000
4	AP10502	2011 Domestic Marketing Plan (Parent)	MK Levy	$800,000	$800,000
6	AP10900	Apple & Pear 2008 - 2011 Partnership Agreement (Apple)	MK Levy	$58,130	$58,130
6	AP10910	Apple & Pear 2008 - 2011 Partnership Agreement - Consultation Funding	MK Levy	$29,303	$29,303
4	MT08060	Consumer Tracking Study	MK Levy	$688	$1,500
4	PA09501	2010 Export Marketing Program	MK Levy	$50,000	$75,000
4	PA10501	2011 Export Marketing Program	MK Levy	$60,000	$60,000
4	PA08503	2009 Pear Domestic Marketing Program	MK Levy	$294,375	$601,500
4	PA10502	Pear 2011 Domestic Marketing Program	MK Levy	$350,000	$350,000
Marketing Total				**$1,742,496**	**$2,135,433**

Objective 1: Crop Production	$4,091,164	51.2%
Objective 2: Climate Variability/ Change	$0	0.0%
Objective 3: Biosecurity/ market access	$135,960	1.7%
Objective 4: Market Development/ Research	$2,025,775	25.3%
Objective 5: Conference/ Study Tours	$80,500	1.0%
Objective 6: Other	$1,663,300	20.8%
R&D & Marketing 2010/11 Total	**$7,996,699**	**100%**

*Triple bottom line perspective (Environment, Economic & Social/Community)
H = High addresses all 3
M = Medium addresses 2
L = Low addresses 1

P&L total spend differs to program listing total spend, due to timing.

Australian Pome Fruit Improvement Program for 2010/2011 - Project and Objective					
Objective	Project	Project Title	L/VC	$ 10/11 Budget $ Endorsed	$ LOP $K Endorsed
			L/VC	$	$
2	AF10000	Australian Pome Fruit Improvement Program Ltd	L	$220,000	$1,020,000
R&D Total				**$220,000**	**$1,020,000**

Objective 2: Climate Variability/ Change	$220,000	100%