

Apple and Pear Industry International Networking

John Dollisson
Apple & Pear Australia Limited (APAL)

Project Number: AP12703

AP12703

This report is published by Horticulture Australia Ltd to pass on information concerning horticultural research and development undertaken for the apple and pear industry.

The research contained in this report was funded by Horticulture Australia Ltd with the financial support of the apple and pear industry.

All expressions of opinion are not to be regarded as expressing the opinion of Horticulture Australia Ltd or any authority of the Australian Government.

The Company and the Australian Government accept no responsibility for any of the opinions or the accuracy of the information contained in this report and readers should rely upon their own enquiries in making decisions concerning their own interests.

ISBN 0 7341 3381 2

Published and distributed by:
Horticulture Australia Ltd
Level 7
179 Elizabeth Street
Sydney NSW 2000
Telephone: (02) 8295 2300
Fax: (02) 8295 2399

© Copyright 2014



Horticulture Australia

FINAL REPORT

AP12703: “Apple and Pear Industry International Networking”

Author: Annie Farrow, Industry Services Manager, Apple and Pear Australia Ltd

Research Provider: Apple and Pear Australia Limited

Date: June 2014



Apple & Pear Australia



Horticulture Australia

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

Horticulture Australia Project Number: AP12703

Key Personnel

Project Leader: Annie Farrow
Manager, Industry Services Division
Apple and Pear Australia Limited
39 O'Connell Street
North Melbourne, Victoria 3051
Australia

Purpose

This report is the Final Report of the project known as AP12703 "Apple and Pear Industry International Networking"

Funding

This project has been funded through HAL using voluntary contributions and the national apple and pear industry levy with matched funding from the Australian government.

Date

25 June 2014

Disclaimer

Any recommendations contained in this publication do not necessarily represent current Horticulture Australia policy, nor policy of Apple and Pear Australia Ltd. No person should act on the basis of the content of this publication, whether as to matters of fact or opinion or other content without first obtaining specific, independent professional advice in respect of the matters set out in this publication.

FINAL REPORTAP12703: “Apple and Pear Industry International Networking”

Contents

1. Media Summary	4
2. Technical Summary	5
3. Introduction: Project Rationale	6
4. Reports of Trips undertaken.....	7
5. Key Learnings, Implications and Recommendations.....	9
5.1 Key Learnings.....	9
5.2 Implications: the importance of communications.....	9
5.3 Recommendations.....	10
6. Acknowledgements	11
Attachment 1: Technology transfer aimed at the Australasian industry	12
Project Financial Reconciliation.....	15

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

1. Media Summary

This project seeks to improve the international competitiveness of the Australian apple and pear industry by the early adoption of new technical and marketing innovations – identified for the industry through senior executives visiting functions/trade fairs/companies and conferences where such innovations are demonstrated, promoted or otherwise presented.

Under the project the Berlin Fruit Logistica and associated meetings were visited in both 2013 and 2014.

The main learnings/conclusions arising from the visits were:

- there is an opportunity for Australian PINK LADY apples in the UK in the months September to November. Australia grows reasonably large quantities of high quality PINK LADY apples and these are reaching oversupply on the domestic market – resulting in falling prices in Australia. Previously, high prices in Australia were the main reason Australia stopped exporting apples.
- Asian buyers are still keen to gain supply from Australia. There is an opportunity to supply into Asian conjunction with New Zealand e.g., with Australia filling an early season supply window, NZ a mid-season window and Australia a late season window ex CA or Smart Fresh™ or both.
- Australia remains a high cost/low volume producer compared to other southern hemisphere producers. Accordingly, Australia cannot (easily) compete on price. It must compete on quality and on product positioning - as is possible through the PINK LADY brand. The key issue is quality and more importantly consistent quality.
- The influence of weather on world production, demand, supply and prices is substantial. For example, partial failure of the apple crop in Europe (2012/13) and South Africa and Chile (2013/14) has created well-priced opportunities for Australian exporters in Europe.
- The importance of market intelligence to growers/exporters and how such intelligence can be used to fine tune shipments. This observation strongly proposes the case for a "Team Australia" approach to export (as is being pursued by APAL).

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

2. Technical Summary

As this is a "non-technical" project, a Technical Summary is not relevant.

FINAL REPORT

AP12703: “Apple and Pear Industry International Networking”

3. Introduction: Project Rationale

The overarching objective of this project is to provide an international competitive advantage for Australian apple and pear growers/packers/marketers through the identification of technical and marketing information/feedback/innovations that will benefit the Australian industry. The specific objectives, expected outcomes and learnings from the international networking project align with the apple and pear Strategic Investment Plan 2010-2015. The strategies are addressed by the project:

The value of international networking and market intelligence

Australian growers, packers and marketers must have access to the best market intelligence and marketing innovations available around the world to remain internationally competitive. But product and marketing advancements often do not come to Australia commercially for some time after they have been introduced overseas. This creates a technology gap which may leave the Australian industry at a disadvantage when competing against international competitors.

Attendance at international trade shows such as Fruit Logistica provides first hand exposure to new marketing, product and supply chain developments. Participation also provides opportunities for one-on-one meetings with retailers and traders which improves Australian understanding of international markets and their consumers. Industry representatives such as APAL executives can capture original intelligence and ideas which can then be disseminated to Australian growers and exporters – enabling them to adopt and adapt to a rapidly changing international marketplace. Similarly, establishing networks and personal relationships with international buyers will enable APAL senior management to build bridges which the Australian industry can exploit to improve their access to overseas markets.

Technology transfer: important for producing high quality apples and pears at internationally competitive prices

Attendance at international technical conferences provides direct experience of new or emerging technical developments and research in orchard management, supply chain dynamics, packing, storage, pest control, mechanisation and variety development. Relationships can be established with eminent technical experts and these can be called upon for use in Australia, through contributions to articles in Australian Fruit Grower magazine or presentations during Future Orchard walks. Relationship building in this way also facilitates potential research collaboration. Knowledge gained from presentations and discussions about research and technical innovations can be disseminated to growers to enhance orchard productivity and profitability. Exposure to developments in new varieties similarly enables APAL to identify rootstock and planting material that could be imported for future trials and later, variety transition, in Australia.

Benefitting from “how others approach similar situations”

It is important that the APAL Chair and senior management meet with their international counterparts and significant stakeholders in overseas supply chains. The exchange of ideas, issues and basic knowledge of how industries “operate” in other production nations provides for both:

- New ways of approaching problems and opportunities in the Australian context.
- Potential for future collaboration - in research, funding research and in trade.

FINAL REPORT

AP12703: “Apple and Pear Industry International Networking”

4. Reports of Trips undertaken

Only two trips were undertaken under the project. They were:

Fruit Logistica 2013: Jon Durham, Managing Director, John Lawrenson, Chair and Claire Fitchett, Market Development Manager participated on this event during the period 10-14 February 2013

Fruit Logistica 2014: John Dollisson, CEO, John Lawrenson, Chair and Garry Langford, Manager IP Division participated in this event during the period 2-15 February 2014

4.1 Key Observations

Scale of the European Fruit Industry. Europe is a massive market that sources product from almost all countries of the world. The visit allowed appreciation of the scale of the market as well as its competitive elements. For example, supermarket power in Europe is considerably less than in Australia due to a larger number of supermarkets. At the same time their concern with food quality assurance is very high – which in turn imposes significant compliance obligations on suppliers.

One important implication identified during the 2014 visit was new interest in residues and waxing were discussed – these have implications for Australian exports.

Retail marketing innovations in Europe appear to be similar to those occurring in Australia but much more sophisticated than the promotional activities normally observed in Asia. The main techniques observed in Europe related to

- promotions tailored to specific retailers (i.e. not a whole of industry approach as often utilised in Australia)
- high quality displays of produce to attract the attention of shoppers/consumers.
- the use of competitions to capture consumer’s contact details and allow the building of databases for the distribution of further marketing offers

Building relationships with importers and retailers. Due (at least partially) to the failure of the European apple crop, there is good demand for Australian produce in Europe. This demand is also based on the perception that Australian product is of good quality and has a clean and green image. In general, product from Australia and New Zealand is viewed as superior to that from South Africa. This demand provides an opportunity for Australian growers/exporters. Apple and pear prices, on the European market are attractive for Australian exporters – at least while there is a shortage of European or southern hemisphere product.

4.2 WAPA Meeting

At the World Apple & Pear Association (WAPA) AGM, each member country reports on their production and export forecast for the season. They also share ideas and knowledge on common (non-commercial) issues. Main conclusions:

- The aggregated southern hemisphere apple crop was
 - In 2013 - expected to be up 1% for apples and pears up 2% on 2012 figures.
 - In 2014 – expected to be down 10% for apples (compared to 2013) and up 5% for pears

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

-
- the EU's countries wish to reduce the MRL for DPA to 0.1ppm. WAPA members were concerned about this change and the WAPA will write to the EU Secretariat to voice members' concerns (this has now been completed).
 - Given declining EU consumption of both apples and pears, the WAPA secretariat would search techno-commercial literature to identify potential additional health claims that could be used for the promotion of pome fruit
 - A move to set minimum and maximum sizes for apples was not agreed – the WAPA considered setting a 40mm minimum size, with no maximum size for apples.

4.3 Southern Hemisphere Association of Fresh Fruit Exporters Meeting (Fitchett, 2013)

A highlight of this meeting was Wayne Prowse (previously of HAL) providing an overview of Australian horticulture export volumes. Main conclusions from the meeting:

- Chile's apple exports in 2013 were down 11% which could provide an opportunity for Australia.
- South Africa has had a wage increase of 50% as a result of unrest in the industry. This may put pressure on price of production for RSA produce.
- There is major growth in South African exports - to other African countries and Asia. South Africa's major export markets remain the EU & UK.
- There has been a significant increase in freight rates for southern hemisphere exporters (up to 30% in some cases).
- The meeting discussed the development of an Asian Strategy for SHAFFE members which would focus on sharing marketing intelligence and support for developing markets.

The SHAFFE meeting was not attended in 2014.

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

5. Key Learnings, Implications and Recommendations**5.1 Key Learnings**

The main learnings/conclusions arising from the visits were:

- there is an opportunity for Australian PINK LADY apples in the UK in the months September to November. Australia grows reasonably large quantities of high quality PINK LADY apples and these are reaching oversupply on the domestic market – resulting in falling prices in Australia. Previously, high prices in Australia were the main reason Australia stopped exporting apples.
- Asian buyers are still keen to gain supply from Australia. There is an opportunity to supply into Asian conjunction with New Zealand e.g., with Australia filling an early season supply window, NZ a midseason window and Australia a late season window ex CA or Smart Fresh™ or both.
- Australia remains a high cost/low volume producer compared to other southern hemisphere producers. Accordingly, Australia cannot (easily) compete on price. It must compete on quality and on product positioning - as is possible through the PINK LADY brand. The key issue is quality and more importantly consistent quality.
- The influence of weather on world production, demand, supply and prices is substantial. For example, partial failure of the apple crop in Europe (2012/13) and South Africa and Chile(2013/14) has created well-priced opportunities for Australian exporters in Europe.
- The importance of market intelligence to growers/exporters and how such intelligence can be used to fine tune shipments. This observation strongly proposes the case for a "Team Australia" approach to export (as is being pursued by APAL).

5.2 Implications: the importance of communications

The Key Learnings listed above demonstrate how valuable a visit to an event such as the Fruit Logistica, WAPA and SHAFTE meetings can be to an industry. A key implication is how such learnings are passed on to the growers/packers/marketers in the industry who do the actual fruit trading.

APAL is fortunate that it has well established communication channels with growers, packers, marketers and others in the industry. The main one of these is the Australian Fruit Grower Magazine which can be used to distribute reports on important meetings. Attachment 1 provides an example of the report of the 2014 Fruit Logistica meeting to the industry.

Other important channels are the "Blog" section on the website, (e.g. <http://apal.org.au/world-markets-apples/>) and the "Industry Juice" electronic newsletter.

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

5.3 Recommendations

A key recommendation arising from this report is the importance of the international networking undertaken via the project and the need to

- continue such networking and gathering of technical and market intelligence
- report it to industry via the appropriate channels as quickly as possible.

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

6. Acknowledgements

The authors would like to acknowledge and thank the following organisations and people:

The government of Australia (through Horticulture Australia Limited) for their financial support for the project.

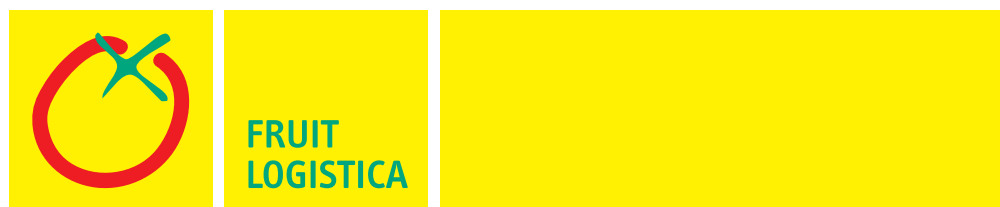
The APAL staff team who help arrange, execute and report international travel so that the industry may benefit.

FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

Attachment 1: Technology transfer aimed at the Australasian industry

Report of the 2014 visit to the Fruit Logistica Berlin meeting as published in the March 2014 issue of the Australian Fruit Grower magazine.



Fruit Logistica Berlin: Trade and competition to the max

By John Fitzsimmons*

AS THE WORLD'S POPULATION BALLOONS AND TRADE DIVERSITY AND VOLUMES INCREASE, THE APPARENT NEED FOR MAJOR FORUMS TO REVIEW TRENDS AND PLOT FUTURE TRADE PATHWAYS – ESSENTIALLY TO DEVELOP PARTNERSHIPS AND CARVE A VIABLE ROLE IN THE SUPPLY CHAIN – HAS INCREASED PROPORTIONALLY. FOR THE WORLD'S FRUITGROWERS, TRADERS AND RETAILERS, THIS HAS LARGELY RESOLVED INTO TWO MAJOR EXPOS – ASIA FRUIT LOGISTICA AND FRUIT LOGISTICA BERLIN. THE BERLIN EVENT – MUCH LIKE THE CITY THAT HOSTS IT – CAN BE LITERALLY AWESOME FOR THE FIRST-TIME VISITOR.

Fruit Logistica, first staged in 1993 (Asia Fruit Logistica began in 2007), hosted more than 2600 exhibitors from 84 countries this year. About 60,000 visitors from more than 120 countries were expected. About 90% of exhibitors and 80% of trade visitors come from outside the host country Germany.

With Berlin's renowned public transport system, and highly evolved trade and tourism visitor support systems, getting to Fruit Logistica is easy. While numerous assistance staff and ample signage (in English and German) make navigation of the extensive site easier, the sheer scale still has to be overcome by the visitor. It certainly helps to have a clear destination in mind be it a global or national region,

a produce category or an exhibitor identified by name.

While Australia had no national presence in 2014 your correspondent's base was the Pink Lady® Europe stand. APAL, as the Pink Lady brand owner, provided a presence in support of international licence holders making representations to the international supply chain attending. APAL's Chairman John Lawrenson and CEO John Dollisson were in attendance, as was manager of APAL's IP Division, Garry Langford.

Former APAL Chairman and current Horticulture Australia Director Darral Ashton was also present, with HAL Chair Selwyn Snell and HAL CEO John Lloyd.

Despite the size of the crowd other Australian faces emerged including Rowan Little from Montague Fresh, and recognisable industry figures from key Australian tropical fruit industries.

John Dollisson, attending his first Fruit Logistica, was impressed by the event's sheer size and scale. He also noted the European and Middle East supply chain focus and the relatively low profile of China and other Asian countries (which certainly take a higher profile at Asia Fruit Logistica).

"It's certainly a great opportunity to promote the Pink Lady brand, meet the licensees and discuss common issues," he observed.

"The machinery exhibits are amazing and very relevant to us; there is a piece of equipment for everything and goes to show how capital intensive this business is now – to reduce the labour costs which are particularly important for the Australian industry."

"Fruit Logistica provides a great opportunity to meet and talk with a large number of people in a short period of time which would take you a lot of time and a lot of trouble otherwise," John Lawrenson said.

"It reinforces relationships. From a Pink Lady brand perspective it gives us an opportunity to interact with our licensees, to strengthen those relationships, to see



APAL representatives at Fruit Logistica Berlin, from left to right, John Lawrenson, John Dollisson and Garry Langford.



what other opportunities there are – it's very much an exhibition for doing business."

"I also think it's important for us to see, not only what competition there is for Pink Lady brand, but what other apples there are – where they might sit in Australia," he added.

John Lawrenson noted many innovations in packaging. However he pointed out that presentation and eating quality have got to go hand-in-hand. Australian consumers buy with their eyes but it has to go further – the eating has to live up to that expectation, he said.

He commented that Pink Lady apples continue to get traction – it's now the number three apple by value in the United Kingdom, which is a very significant position in that market. It's a high value apple and its market share continues to rise where others are falling. Snack foods are the big competitor, he observed.

The other factor affecting apple consumption is the year-round availability of competing fruits – anywhere in Europe

or the UK you can buy stone fruit, apples and cherries all year round. This is happening in Australia now too – with US cherries and table grapes

"I think this year we'll see significant ramping up of US summerfruit. We're competing with all that – the seasonality is gone. I think that's affecting consumption," John Lawrenson commented.

To support John Lawrenson's observations a Dutch company displayed a new fruit packaging insert at the Fruit Logistica – Fruitsaver by Multitray. The company pointed out that quality involves preventing visible and invisible transport damage. Its research found invisible transport damage was responsible for up to 25% of wastage. Its Fruitsaver carton insert, available in a range of sizes to suit different fruit counts, offers protection of the fruit against damage by vibration, rolling, jarring and pressure during transport. It is also available in shape-formed versions for the likes of pears and avocado.

And while the carved or 'stencilled' apples have been available for some time, a Munich-based company demonstrated laser-printed apples. This method does not expose the fruit flesh to ultimate browning, or require time in-field for light sensitive stencilling. However it remains a low volume process with an economic base (approx. €0.50-70 per piece) best suited to promotional or information-carrying applications. Nevertheless it holds promise of ultimately 'branding' apples with a variety or trade name and/or a price look-up code.

With current pest incursions concerns, Australian growers may have found interest in several remote sensing insect monitoring systems exhibited at Fruit Logistica. These included the iTRAP from Trapview. The technology may need some development for our species and field situations. It claims to monitor Codling moth among others and could reduce labour associated with field monitoring of pest incursions. :afg

**John Fitzsimmons visited Berlin Fruit Logistica independently.*



FINAL REPORT

AP12703: "Apple and Pear Industry International Networking"

Project Financial Reconciliation

Project Number: AP12703

Project Name: Apple and Pear Industry International Networking

Description	Budget approved from HAL	Payments Received from HAL	Total Expenditure on Activity	Expenditure on Capital Items	Budget minus Total Expenditure
	\$	\$	\$	\$	\$
International Networking 2012/2013	15,000	11,854	11,854	0	3,146
International Networking 2013/2014	15,000	0	17,837	0	(2,837)
TOTAL	30,000	11,854	29,691	0	309