

**Custard Apple Supply Chain
Tour, Canada and Singapore,
February 2009**

Andrew McKillop
The Fruit Company Limited t/a
Natures Fruit Company

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Natures Fruit Company

HAL Project

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Custard Apple Supply Chain Tour

Canada and Singapore

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Project details

- Project Name: Custard Apple Supply Chain Tour, Canada and Singapore
- Project Number: CU08005
- Date: February 2009
- Project Purpose: To evaluate the market development potential for custard apples in the Canadian market, particularly Vancouver. A visit to Singapore was used to understand market dynamics with a view to identifying key drivers for the increasing of sales in a traditional market.
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Media Summary

The Australian Custard Apple industry is quickly moving towards an oversupply situation during its peak production periods of March through to April. Improvements in variety selection and production systems have seen increases in volume in recent years.

The reliance of the industry on export into Asian countries is seen critical to the success of the industry into the future. Domestic demand for fruit is targeted to population bases where large numbers of consumers with Asian backgrounds currently reside. This is mainly around the Sydney and Melbourne regions.

As the industry continues to expand its production base the need to develop new markets and consolidate traditional markets is imperative. The Australian Custard Apples Growers Association (ACAGA) has identified export markets as being a strategic target market for the future development of the industry and its sustainability.

The study tour was designed and developed to specifically investigate:

- The market development potential for Australian Custard Apples in the Western Canadian market of Vancouver; and
- The market dynamics in the Singaporean market that are key drivers to the growth in sales in a traditional export market where maturity in sales is reaching its peak.

Natures Fruit Company (NFC) as a leading exporter and marketing representative of the Sunshine Coast Jadedfruit Custard Apple Marketing Group (SCJCAM) led the study tour into these markets. The Vice President of ACAGA, Ros Smerdon, was also a team member on the tour.

Indications from the Singaporean market are that the Global Financial Crisis (GFC) has impacted the market in terms of the ability to sell increasing volume of imported exotic tropical fruit lines. As Singapore is a major financial hub in Asia the impact has been extremely severe from the GFC. The major importers have indicated that the market will remain however quality and price will be determining factors in the ability to move larger volumes of fruit in the foreseeable future.

The opportunities for market development into the Canadian market are limited to a few importers. The major impediment to developing a larger footprint within this market is due to the consolidated nature of imports and wholesaling across the supply chain. Many of the importers also act as wholesalers that in turn sell to secondary wholesalers. Both the importer/wholesaler and secondary wholesaler are vying for the same customer. This causes some issue in terms of maintaining a price point for the development of the product.

One item that was common to both markets was logistical issues. For Canada it is the shear cost of freight into the market for the number of fruit required. Traders in Singapore highlighted the need for better control of product coming in to ensure maximum shelf life of the fruit.

There is little competition for these markets as the Pinks Mammoth variety is unique to Australia. Although some imported inferior varieties are available in the Singaporean market and to a lesser extent in Canada. These fruit mainly originate from Taiwan.

The uniqueness of the Pink Mammoth variety allows Australian producers almost exclusive access to these markets. With virtually no competition from complimentary products Custard Apples in export markets holds the key to the industries continued sustainability.

The issues of market development in Canada will be a challenging one, although the populace, some 350 000 Chinese descendents in the greater British Columbia region, opens many opportunities that are worth exploring. Growing sales in the Singaporean market will be largely based on price point and quality moving forward. As greater volume allows a better choice of product, buyers will move their attention to Brand specifics to ensure they can capture and grow their markets. Growers and exporters should concentrate their efforts on ensuring product destined for export markets are suitably graded and packed. Poorly presented fruit will only cause issues for the industry at a period when the industries participants can least afford it.

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1.0 Introduction

This report has been written following the supply chain study tour to Canada and Singapore.

The participants in the tour, Andrew McKillop and Ros Smerdon, have compiled this report. Information in the report is presented from information gathered during the study tour.

The tour aims were to:

1. Evaluate the market development potential for Australian custard apples in the Canadian market, specifically the British Columbia region of Vancouver; and
2. Identify the key drivers to increasing sales of Australian custard apples in the Singaporean market where maturity of sales is becoming evident.

The projects basis for support comes from the Custard Apple Industry's strategic objective of the increased development of export markets.

2.0 Achieving Expected Outcomes

The outcomes of the supply chain study tour were:

1. Gaining a strong understanding of the supply chain efficiencies into the Canadian market for custard apples, a highly temperature sensitive product.
2. Assess market suitability and assess issues relative for successful exporting into North America
3. Recognition of suitable supply chain partners for successful export and trade establishment
4. Recognition of the market dynamics for the successful expansion of the market in Singapore based on retail access and promotional activities

These outcomes were achieved by conducting an organised visitation program which NFC developed in conjunction with Austrade, for the visit to Vancouver.

The visits to both countries were comprehensive and covered importers and wholesalers within the respective markets. Visits to retailers were conducted in both Singapore and Vancouver to gauge the level of sophistication within the market.

The itinerary is included in section 7.0.

The reports have been provided to the Australian Custard Apple Growers Association (ACAGA) and Sunshine Coast Jadefruit Custard Apple Marketing Group (SCJCAM). Presentations have also been conducted with ACAGA and SCJCAM members.

3.0 Results of Discussions

Singapore

Major Retailing

Major supermarket chains include:

- Cold Storage - see details below.
- NTUC Fairprice – tradition competitor to Cold Storage (strategy is to focus on fresh meat, dairy and produce lines)
- Carrefours
- South China Seas – value end of market

Cold Storage supermarket chain have a range of outlets to cater for different target markets:

- Cold Storage Stores - high end supermarkets (37)
- MarketPlace - premium market
- ‘Giant’ hypermarkets

The major supermarket trade is also complimented by a large wet market trade. The traditional wet market trade remains strong in the Singaporean market. Fresh fruit and vegetable can be purchased in these markets at many locations. Markets are located within short walking distances from high density housing complexes. These markets also sell a variety of ready to eat foods, consumer goods and electronics.

Fruit and Vegetables

The typical supply chain for fruit, involves importers/wholesalers selling to major supermarkets (e.g. Cold Storage and NTUC) and wholesalers in the central market. Wholesalers located within the central market system then sell to wet markets and smaller retailers.

There are about 100 fruit and vegetable importers operating in the Singaporean market. There are also approximately 60 to 80 specialist fruit wholesalers in the central market complex.

Supermarkets are also taking an active role in the importation of fresh fruit and vegetables into the market. This guarantees continuity of supply and reduces cost through their supply chain, in some instances.

A significant advantage to exporting to Singapore is that there are no duties or tariffs on imported produce. Almost the entire amount of fruit and vegetable consumption in Singapore is from imported sources.

The easy access for importing fruit and vegetables into Singapore has also see large food service operators commence importing product directly from overseas suppliers. This provides for an improvement in quality and reduces the risk of non-supply.

Custard Apple Market

The main premium market for Custard Apples in the Singaporean market is from Australia. The Pink Mammoth (Pinks) variety is seen as a superior cultivar for its taste and texture. The size and colour of the fruit is also very appealing to the mostly Chinese population in Singapore.

Exports to Singapore commence in early March when the majority of the crop is available. Shipments continue while fruit is available until late July. The peak of the exports occurs around March to April.

The market is for predominantly export grade fruit. Although this is a broad grade scale many Asian buyers recognise the Brand and associate a particular quality standard to it. As such, prices for various Brands are more relevant than for grade standards.

Cherimoya type varieties from Taiwan are the major competition with Australian Custard Apples. These fruit are predominantly used in juice bars at wet or hawker markets.

Size is important to the consumer with larger counts 5 to 9/10 commanding a higher price than counts in smaller sizes of 11 to 13. The market will accept much smaller counts, 13 to 15; however, this would be in the case that fruit of large count is not available.

Approximately 50% of the custard apples sold in Singapore are sold through supermarket chains. The remaining 50% is sold via wet markets and smaller retail outlets.

There were no fruit available during the tour and therefore no prices were able to be obtained for fruit selling at a retail level. However, previous information suggests fruit can retail for approximately S\$15 to S\$20 for larger count fruit – count 7 and 8 equivalent.

Opportunities for Australian Custard Apples

The market for Custard Apples in Singapore is reaching maturity. Supply of Pinks into the market is quite high during the major part of the season – March and April. Exporters out of the central markets in Australia have ready access to reasonable quality fruit at good prices.

The issue comes when fruit destined and packed for the Australian domestic market is landed in the export market. In most cases the fruit is unbranded and grade standards are less than would have been expected for export quality fruit.

The major opportunity for custard apples comes in Branding and quality. The supply of good quality fruit into the market will sustain itself moving forward.

Promotions run in conjunction with importers and supermarkets will also have an effect on the volume shifted through the supply chain. This should be seen as a distinct opportunity for the industry when supply volumes are putting downward pressure on

prices in the domestic market. Promotions would need to be developed and planned 3 to 4 weeks in advance to ensure space is available and advertising can be undertaken.

Key Drivers for increasing sales

To realise growth in sales within the Singaporean market there are several factors that need to be addressed. These include:

- Improved control over quality standards for fruit destined for export
- Undertaking promotional activities during peak supply periods to ensure volumes are moved swiftly through the supply chain
- Working on logistical aspects of exporting custard apples – particularly as this is a time and temperature critical fruit
- Developing new ways of supplying small count fruit into the market
- Development of recipe guides in English and Chinese that look at new ways and methods of cooking with custard apples
- Educate supermarkets on the handling of the product in-store to maximise its shelf life and presentation

Meetings

Meetings were held with the following business:

- Ban Choon Marketing
- Hupco
- Kingdom Green
- visits to wholesale markets and a range of supermarkets / food outlets

Canada

Major Retailing

The Vancouver retailing scene is dominated by independent supermarket chains. They are mostly very professional in their store presentation and offer a wide range of fruits and vegetables, sourced from around the world.

The major supermarket chains are:

- Safeways – larger supermarkets more typical to Coles or Woolworths in Australia
- IGA Markets – up market independent stores
- Thrifty Foods
- Choices Markets
- Whole Foods
- Urban Fair – specialty type store with high end appeal

There are also some specialty fruit and vegetable stores that target specific consumers. Of note, the T&T stores target mostly Asian buyers. Their product range is presented with the Asian consumer top of mind. Products deemed exotic can be purchased in “out of season” timeframes.

Fruit and Vegetables

The market for fruit and vegetables in Vancouver is best described as sophisticated. The standard consumer in Vancouver spends on average more time shopping than that witnessed in Australia. Meals are planned and the purchase of fruit and vegetables is undertaken with extreme vigilance. As such the retailers provide a suitable layout and approach to this shopping experience.

Product diversity is high and in most cases product lines can be purchased year round. Retailers ensure that products are available to meet their customers needs.

Organics is a significant market in Vancouver. Austrade reports that the market for organic products and foods is increasing at a rate of approximately 15 to 20% a year. Observations from supermarket visits indicate that some stores range approximately 50% of their fruit and vegetables as organic.

Fruit and vegetable lines are imported from around the world. Importers purchase from ‘in season’ countries. This creates the continual expectation that product is available on a 12 month basis.

Custard Apple Market

The market for custard apples is very limited. Previous imports of Australian custard apples were termed as being ‘unsuccessful’ by importers and wholesalers. This was undertaken some years ago with African Prides. According to importers the product turned black.

During visits to retail stores only one Cherimoya type custard apple was identified. The fruit was black in appearance and frozen hard. The temperature in the cabinet was approximately 2 degrees Celsius. A photo of the product can be viewed below.

The Cherimoya was supplied from Taiwan and was being retailed at about AU\$13.50/kg on an equivalent basis.



Opportunities for Australian Custard Apples

Due to the nature of imports into the Vancouver market the development of a reasonable market would be difficult.

During interviews with importers and wholesalers there was a distinct misunderstanding about the Australian product. Most saw custard apples as being the Cherimoya, as outlined above. Only a few of the wholesalers and importers recognised the difference in the product.

Another difficult aspect to the development of a market in Vancouver is the importing and wholesale trade that exists at present. The main importers also act as wholesalers. As importers they also on-sell their imported products to wholesalers who in turn compete with the importers for market share with secondary wholesalers and retailers. The identification of good solid supply chains into any of the major retailers was difficult to achieve.

Some interest was shown in some small trial shipments, however, no significant interest was given to the market development or movement of fruit beyond this.

Given the large Asian population base in the greater Vancouver region the market should readily accept the opportunity to retail custard apples. The difficulty comes when the product is new and seen by this consumer group as being out of season.

Key Drivers for market development

It has been identified that the key drivers for the development of the market for custard apples in Vancouver as being:

- The identification of a suitable trade partner where a direct link to major supermarkets can be established to ensure that fruit is promoted
- Recognition of a suitable logistical supply route for the fruit – direct versus indirect services out of Australia cause an issue for temperature management
- Education requirement for retailers and consumers
- The volume of fruit needed to make commercial shipments a reality in the first instance – there would be a need to send with a consolidated freight order to get the market started
- Price will be a major influencing factor – air freight rates are very high on products moving into this market
- Excellent quality management to ensure maximum shelf life capability of the fruit on arrival into Vancouver

Meetings

Meetings were held with the following businesses:

- Austrade
- Pacific Produce Company
- Van Whole Produce
- North American Produce
- Oppenheimer Group
- Various visits to supermarkets and retail outlets

4.0 Overall Market Assessment of Australian Custard Apples

Given the difficulties that are presented for the market development in countries not well versed with the Australian product there is added emphasis on the need to maintain a strong and well positioned effort into traditional markets. While markets like Singapore may be reaching sales maturity there are many opportunities that still exist.

The concept of dedicated promotions and activities that raise awareness of the product and its uses are all valid and viable options in increasing demand and sales. Such strategies need to be investigated fully prior to making a commitment to develop markets further afield.

With good market partnerships the ability to increase sales in SE Asian markets is strong. Similar development activities could be undertaken in Hong Kong and Malaysia where Australian custard apples are known for their superior taste and texture.

5.0 Implications for the Australian Custard Apple Industry

It was highlighted during the study tour that quality and Branding are the key elements to the successful marketing of product in SE Asian countries. Therefore the specific requirements needed to boost sales potential within these countries is largely recognised as being a domestic issue.

Growers need to better identify Branding with a quality standard. Export grade fruit should be labeled accordingly to reduce the misinterpretation of the buyer as to the quality expectations of the fruit. The Asian consumer will shy away from a particular Brand if the eating experience was below their expectation.

While exporters have ready access to fruit on the domestic market the issues will continue to co-exist. Only through greater development of Brand awareness by growers and marketing groups will the issue be resolved. Importers will prefer to purchase Brands that are easily accepted and recognised by their customers as being of a suitable quality standard.

Another aspect that needs to be understood is the level of investment required to undertake market development activities. As the custard apple industry grows its available resources for investment in market development should be increased accordingly. Wholesalers in the Singaporean market outlined that promotions costs need to be shared between grower/supplier and the marketer.

It is difficult for growers to understand the value of investment within export markets beyond actual visits. However, promotional activities provide a unique opportunity to showcase a product in its best light without competition. During peak supply windows such activities should be identified and supported to increase demand and sales activities thereby reducing strain on domestic markets.

6.0 Dissemination of Information

Reports and presentations have been given to the co-contributors of this study tour. These include:

- Australian Custard Apple Growers Association (ACAGA)
- Sunshine Coast Jadefruit Custard Apple Marketing (SCJCAM)
- Natures Fruit Company (NFC)

When appropriate presentations will be given at field days and industry events.

7.0 Itinerary

Wednesday 4 February

- Travel from Australia to Singapore

Thursday 5 February

Singapore

- Meeting with Hupco Wholesale
- Meeting with Kingdom Green
- Supermarket visits

Friday 6 February

Singapore

- Singapore wholesale market visit
- Meeting with Ban Choon
- Wet market visit with Hupco

Saturday 7 February

- Travel from Singapore to Vancouver

Sunday 8 February

Vancouver

- City orientation and rest

Monday 9 February

Vancouver

- Meeting with Alex Favella – Austrade Vancouver
- Supermarket and retail visits in Vancouver region

Tuesday 10 February

Vancouver

- Meeting with Pacific Produce
- Meeting with Van Whole Foods

Wednesday 11 February

Vancouver

- Meeting with North American Produce
- Meeting with Oppenheimer Group
- Meeting with Fresh Direct Wholesale

Thursday 12 February

Vancouver

- Meeting with Terminal Fruit and Produce
- Supermarket visits
- Flight from Vancouver to Brisbane

8.0 Recommendations

The following recommendations have been made from this study tour:

- That the Australian Custard Apple industry uses the information obtained from this study tour to investigate means of promoting its product in SE Asian markets where sales are reaching maturity.
- That the established contacts are maintained by commercial exporters and marketers of custard apples for future supply chain development.
- That continued investment is made in study tours and marketing trips for growers and industry representatives into these markets to better understand the dynamics and principals of sale to increase the demand for Australian products.

9.0 **Contacts List**

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