

FEBRUARY 2022

# Cherry

**Strategic Investment Plan** 2017-2021

## PERFORMANCE REPORT



## Cherry SIP performance report

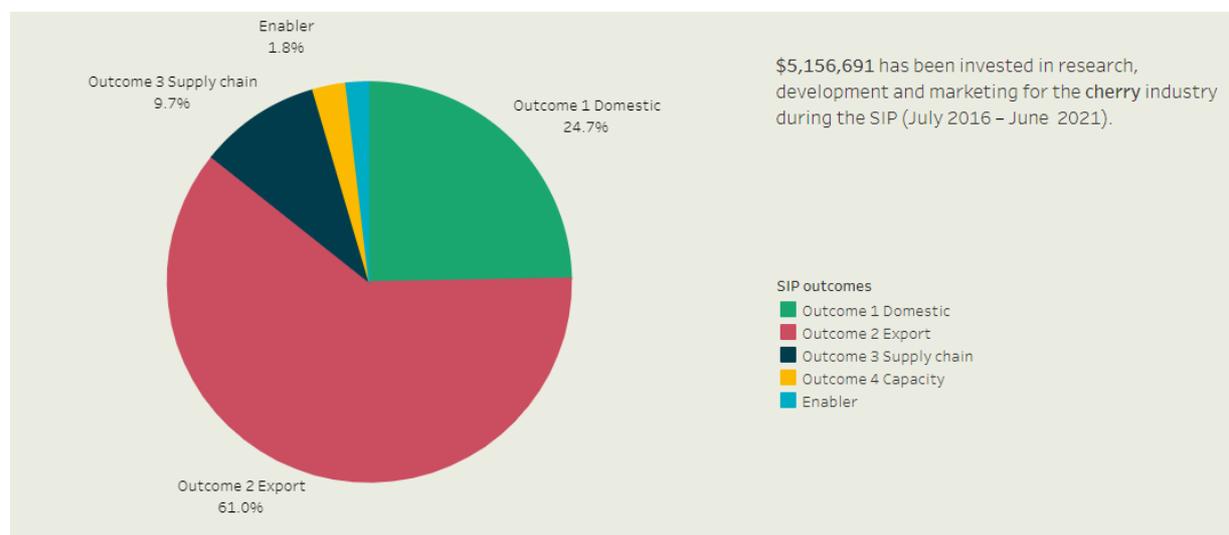
This performance report reviews the performance of levy investments delivered against the cherry Strategic Investment Plan (SIP), which was active for the 5-year period from 2016/17 to 2020/21. The SIP was developed to strategically guide research and development (R&D) and marketing levy investment in accordance with core industry priorities. The SIP featured four outcome areas, 26 strategies and 20 key performance indicators (KPIs), summarised in Table 1. A total of \$5.2 million was invested into the Cherry Fund over the 5-year period of the SIP. The total investment expenditure allocated against each outcome is provided in Figure 1.

**Table 1: Cherry SIP outcomes**

Outcome	Description	Expenditure allocation*
1. Domestic	Increase the unit value of fruit sold onto the domestic market to improve industry economic sustainability	24.7%
2. Export	Grow export markets to leverage the forecast increase in production over the next five years	61.0%
3. Supply chain	Reduce costs at every level of the supply chain to improve global competitiveness	9.7%
4. Capacity	A culture of continuous improvement has been embedded, improving industry professionalism and profitability	2.7%

\*Total investment \$5.2 million as of June 2021. Balance of expenditure comprises of enabler investments, which includes expenditure to support the delivery of the SIP including advisory meeting and publication costs.

**Figure 1: Cherry SIP investment expenditure analysis**



## SIP performance analysis

This performance report reviews the investment achievements delivered within each outcome area that have generated impact for growers. The overall status of each strategic area, informed through an assessment of KPI performance, is also provided. The evaluation status and criteria were:

Strategic area status	Criteria
Achieved	KPIs for this strategic area were met
In progress	Investment delivery remains ongoing
Not achieved	Investment was not prioritised in this strategic area

The results have been informed from evidence compiled through reviewing investment documentation and engagement with project managers. Outcomes generated through the investments are documented and brief case studies of flagship performance and impact for each outcome area are also provided.

## Outcome 1: Domestic: Increase the unit value of fruit sold onto the domestic market to improve industry economic sustainability

The cherry SIP 2017-2021 noted that with a forecast increase in production over the period of the SIP, and the stable nature of the domestic market, prices could be impacted. A domestic marketing strategy was prioritised to support consumer demand through the cherry season, to underpin strong market pricing.

### Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support cherry domestic demand are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Develop a domestic marketing strategy focused on extending the seasonal demand into the new year and repositioning cherries as a luxury and gift fruit	Achieved
Engage with supermarkets to improve category management	Achieved
Conduct R&D and industry training on packaging technology and messaging	Not achieved
Scope out opportunities to develop profitable markets for secondary quality fruit for value-adding	Not achieved
Improve marketable yield while still delivering on consumer eating experience	Not achieved
Initiate program to identify nutritional attributes of cherries to support marketable health claims	Not achieved
Build industry capability in agritourism and other direct-to-consumer marketing models	Not achieved

### KPI callouts:

- The *Australian Horticulture Statistics Handbook* (HA18002) reported an average domestic wholesale price of \$12.5/kg over the 5-year period of the SIP, 25% above the target average price of \$10/kg, and with a high price of \$14.5/kg achieved in 2019/20. Lower average wholesale supply per person also contributed to these higher prices.
- HA18002 also showed domestic fresh supply averaged 12,800 tonnes between 2017-2021, down 2% on the volume prior to the development of the SIP, and below the target of 15,000 tonnes. This is partly due to surging export demand, which took an increased volume of domestic production.
- Household penetration increased from 41% in 2018 to 44.4% in 2021, while average trips increased from 2.9 to 3.1 (Nielsen Homescan data)
- The *Australian Cherries Category Management and Retail Program* (CY19500 and CY20500) (informed by the pilot program CY17514) was implemented to reduce wastages and improve overall performance of the category. This program increased retailer focus on cherries across key season and identified best practices and improvements on cherry merchandising and reporting to retailers and industry.

## Outcome 2: Export – Grow export markets to leverage the forecast increase in production over the next five years

The cherry SIP 2017-2021 recognised that the domestic market could not absorb the forecast increase in production over the SIP without depressing prices and eroding industry profitability. It was therefore deemed essential to take advantage of the growing demand for Australian cherries in nearby export markets.

### Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support cherry exports are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Develop a five year integrated export market development plan	Achieved
Industry agreement and business cases on market access protocols into priority markets	Achieved
Build export readiness and capability	Achieved
Introduce electronic export registration system	Not achieved
Establish effective market intelligence channels in target export markets	Achieved
Support wider Qfly agenda across all horticultural industries and state governments	In progress

### KPI callouts:

- The *Australian Horticulture Statistics Handbook* (HA18002) reported cherry exports averaged 4,200 tonnes over 5-year period of the SIP, 8% above the average prior to development of the SIP, but below the SIP target of 12,000 tonnes. This was primarily due to lower production than what was anticipated in the SIP. Exports as a percentage of production increased from an average of 24% before the SIP to 26% during the SIP. Average export prices were 29% higher during the SIP, with the combined volume and price increases generating a 44% increase in export value, reaching a high of \$82.4 million in 2020/21.
- The project *Implementing brown sugar flotation (BSF) for assuring freedom of fruit from Qfly* (CY16011) refined BSF for cherries and implemented it commercially offering a quick and easy way to check for the presence of eggs and larvae in cherry fruit in order to access markets sensitive to fruit fly.
- *Export readiness and market access program* (CY16004) and *Cherry market access and trade development* (CY18002) developed greater levels of export readiness including through training, increased accreditations, and improved market access to high-value protocol markets.
- The *Cherry Export Strategy* (CY19003) developed a 2020-2025 export strategy that identified, sized and prioritised opportunities for the industry in international markets, and provided the cherry industry with the information needed to guide future activities, including potential investment into export initiatives.

### ***Case Study: Export readiness and market access (CY16004) and Cherry market access and trade development (CY18002)***

The cherry industry's export development and market access program continued during the 5-year period of the SIP through CY16004 (2016-2019) and CY18002 (2019-2022).

CY16004 and CY18002 focused on improving export capability and building an export culture within the cherry industry through workshops, an export help desk, the development of resources such as the Cherry Export Manual, liaising extensively with Department of Agriculture and Water Resources on market access improvement, supporting growers to register for key protocol markets, facilitating the audit of export facilities, and developing a monitoring and management program for pests and disease of quarantine concern.

Throughout the SIP, the program delivered strong results to enhance the cherry industry's market access and export capacity. Key outcomes have included:

- Exports shifting from being 51% into unregulated, competitive and price sensitive markets, to being 59% into regulated protocol markets where Australian fruit commands a premium price
- Australian cherry exports achieving an export market price 2.84 times higher than the global average
- Stakeholders reporting an average satisfaction rating of 75% across all project activities
- New growers entering the export space with an average yearly registration of 126 growers and pack houses (compared to 98 per year prior to the SIP). The greatest growth was in mainland Australia, which overtook Tasmania to account for more than half of export registered growers and pack houses
- The project workshops increased participants export skills and understanding from an average of 56% before the workshop, to an average of 82%.

## Outcome 3: Supply chain – Reduce costs at every level of the supply chain to improve global competitiveness

The cherry SIP 2017-2021 recognised that Australia had a significantly higher cost of production relative to other southern hemisphere competitors, largely because of labour costs, but also input costs. Focus was therefore required to identify opportunities to reduce cost. R&D investment in mechanisation, capability building in leadership, and HR skill were identified as key focus areas.

### Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support the cherry supply chain are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Link in with the University of Sydney automation/robotics program to develop cherry specific technology	Not achieved
Manage pest and disease challenges/ risk through maintaining biosecurity manual and on-farm practice	Achieved
Improve soil health to maximise yield	Not achieved
Elevate orchard management skills by introducing a low cost local 'orchard improvement group' program with benchmarking component	Not achieved
Investigate opportunities to improve pack house efficiency	Achieved
Facilitate industry adoption of improved cultivars and rootstocks	Achieved
Equip industry to understand and respond to the impact of environmental change on both production and marketing	Not achieved

### KPI callouts:

- From 2013 to 2018, *Australian cherry evaluation utilising precocious rootstocks (CY12024)* evaluated 115 cherry varieties that had been developed in the industry's breeding program. The project identified eight early performing lines with excellent 2017/18 season results that warranted further development. Some proactive growers have utilised six of these lines to be grafted for semi-commercial scale evaluation.
- The project *Review of international best practice for postharvest management of sweet cherries (CY17000)* reviewed local and international postharvest practices to optimise cherry shelf life, quality and value throughout the supply chain. The review provided R&D recommendations to improve postharvest practices, ranging from pre-harvest growing conditions and harvest through to handling, packing, storage, cooling and what happens in the cool chain to the retailer and consumer.
- The project *Review of the national biosecurity plan for the cherry industry and development of a biosecurity manual for cherry producers (CY16010)* was completed in 2021. Specific biosecurity preparedness activities were also delivered in projects *Improving the biosecurity preparedness of Australian horticulture for the exotic spotted wing drosophila (Drosophila suzukii) (MT17005)* and *Xylella Fastidiosa (MT17006)*.

## Outcome 4: Capacity – Drive a culture of continuous improvement to improve industry professionalism and profitability

The cherry SIP 2017-2021 noted that with the forecasted increase in production in other southern hemisphere countries (especially Chile) it was important that the Australian industry improved its international competitiveness and at the very least, kept up with the gains made by competitors.

### Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support cherry industry capacity are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Introduce a production and harvest forecasting system	Not achieved
Introduce business basics program with short courses specifically tailored to orchard businesses and supply chains (cross-funded with other temperate fruit industries)	Not achieved
Encourage and mentor young industry leaders to apply for travel scholarships (e.g., Nuffield) and grants for overseas study/observation	Not achieved
Promote and encourage industry attendance at Hort Innovation masterclass course in horticultural business (Hort Frontiers)	In progress
Drive industry awareness of the need for food safety, traceability and product integrity systems	In progress
Introduce voluntary grading standards for export and domestic markets	Not achieved

### KPI callouts:

- Once scholarship to support participation in the *Masterclass in Horticultural Business* (LP15001) training program was provided by the industry. The masterclass is a 9-month course where participants develop their business skills and build their own business plans.
- The *Cherry Communications Program* (CY15002), which ran from 2016 to 2019, supported industry capacity through engaging growers on relevant opportunities following R&D initiatives. A majority (79%) of growers indicated they were using information about levy-funded R&D and marketing projects to inform changes in their orchard management practices.