

Developing Asian markets for Australian strawberries



What's the current situation?

Close proximity to Asian markets, a favourable seasonal supply window and a growing consumer preference for clean, safe food has assisted Australian strawberry exporters to establish a foothold in Asian markets in recent years. And if consumer trends continue, increasing growth in the berry category could lead to steady demand for Australian strawberries across many retail markets both domestically and abroad.

West Australian (WA) producers have led the way in recent times, supplying over 80% of the total volume of exported strawberries (3,010t) in 2016 and successfully establishing long term trading relationships in Asia and the Middle East. In addition to its locational and seasonal advantages of supply, WA producers have also been successful in growing varieties preferred by Asian consumers and consistently supplying volumes that fill retailer commitments.

Queensland's (Qld) export growth has been bolstered due to increased overall production of quality fruit and relatively close proximity to international flights out of Brisbane airport. Success in supplying the New Zealand (NZ) market and a focus on export is becoming more important as volumes increase and more direct flights to Asian markets become available. Victorian growers have exported in the past, however a stronger domestic focus and the timing of production has resulted in varieties and costs of production that are not conducive to new export market development. Often the variability in quality and production over the southern summer period makes export competitiveness on price, quality and reliability of supply from this region extremely difficult.

Tasmania's Queensland Fruit Fly (QFF) free status opens up more market development opportunities for producers and a shift to substrate production under tunnels will assist with providing the consistent quality demanded in export markets. But recent QFF outbreaks in Tasmania suggest that relying on fruit fly-free status alone as a strategic advantage may be tenuous.

The export of strawberries in 2016 from each state to current export markets is shown in Figure 1 and demonstrates that the majority of export is from Western Australia and Queensland¹.

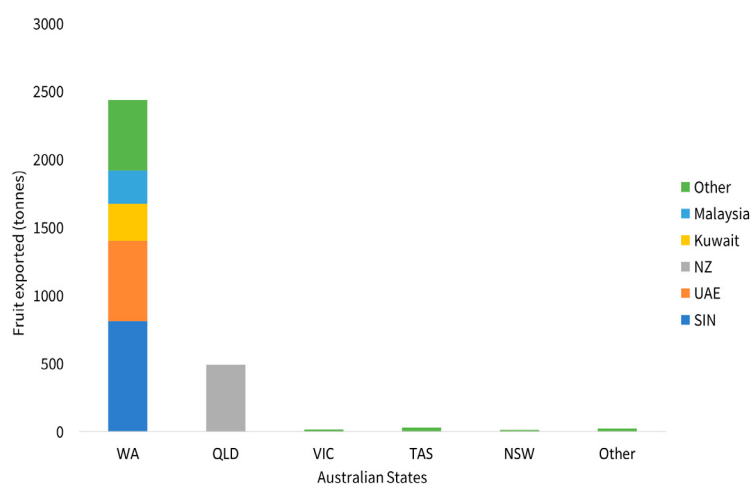


Figure 1: Fruit exported by state in 2016

KEY MESSAGES

When thinking about exporting consider:

- Are the varieties right for the market?
- Can I supply consistent volumes at the right time?
- Do I have a branding strategy?
- Does the fruit meet the QA specifications required?
- Can I get it there in time?
- Do I know my customer and market?

¹ 2015/16 Australian Horticulture Statistics Handbook

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Working together as an industry

As with many other Australian fresh produce lines, when we look to increase our export capabilities and grow our market share in Asia, relying solely on our close proximity and clean-green image is not a viable long term competitive advantage. Mounting competition from the US, South Korea, NZ and Egypt will quickly erode access gains unless we can implement a strategic approach to developing strawberries that fit Asian export markets.

The success of other horticultural products in Asian markets, particularly in China demonstrates that the interest and demand is definitely there and leads to the question ‘why don’t we push for direct access to China for Australian strawberries?’ The short answer is that if it is not done right, in the long term, it could actually do more harm than good. The old adage, ‘you only get one chance to make a first impression’ is a simple but important consideration here, particularly when entering new markets, where a co-ordinated approach that builds on the gains that have been made in other produce categories is the right approach.

Hort Innovation’s new ‘Taste Australia’ Retail Program is an example of how a coordinated, collaborative approach across multiple markets can achieve greater outcomes than focussing on a single commodity.

For approximately 10 fruit lines and vegetables, the program aims to first understand consumer preferences, then build collaborative relationships, set a high standard and then improve supply chain efficiencies, across ten Asian Markets.

Further information on the ‘Taste Australia’ program is available [here](#). The Berry Export Strategy (available [here](#)), provides important insights on Asian markets and recommendations on how the industry can best build export capabilities.

When considering Australian producers’ supply window compared with some of our competitors (see Table 1), sub-tropical producers and temperate producers face very different challenges in developing export capabilities.

Building on its current competitive advantage of counter-seasonal supply, sub-tropical producers in WA and QLD need to focus on expanding the supply window beyond July to September and look to enter new markets. This will require greater collaboration between these two states to provide markets with scheduled, consistent volumes and quality so that a consistent brand can evolve from both production areas.

In temperate regions, protected cropping is potentially the only real alternative that will deliver consistency in the quality and efficiency needed to compete in export markets. Branding is important here too, to promote the provenance of the Australian product, off the back of consistent quality from the sub-tropical season.

Table 1: Seasonality of Supply

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Supply from	VIC	High	High	High	High	Low	Low				Low	High	High	High
	TAS	High	High	Low	Low						Low	High	High	High
	SA	High	High	High	High	Low	Low			Low	High	High	High	High
	NSW	High	High	Low	Low						Low	High	High	High
	South Korea	High	High	High	High	High								Low
	Egypt	High	High									Low	High	High
	California	High	High	High	High	High	High	High		Low				
	Florida	High										Low	High	High
	Mexico	High										Low	High	High
	NZ	High	High	Low	Low							Low	High	High
	QLD					Low	High	High	High	High	Low			
	WA						High	High	High	High	High			
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

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Key considerations

As we look to grow the market share of Australian strawberries in Asian markets, these important questions need to be considered:

1. Have we got the right varieties?

Korean strawberries are well renowned for their sweetness and impeccable quality, which is an important positioning attribute to consider, particularly in Malaysia and Indonesia, where sweetness is paramount. Appearance too is important, especially for the retailer at point of arrival, so varieties that are bright red in colour with white shoulder will be favoured over darker red varieties. There is a common view that varieties often preferred in Australia are not compatible with preferences in most Asian markets and therefore consideration needs to be given to commitment to changing production to suit Asian consumers.

2. Have we got capacity?

This question is obviously underpinned by capacity to supply the right varieties at the time the market is demanding the fruit. Whilst WA producers and marketers have made exceptional inroads into developing long lines of premium export quality fruit, being relatively concentrated in the Wanneroo/Bullsbrook region means it is vulnerable to adverse weather conditions. Increases in export out of Queensland help to ensure continuity of supply in periods of low production out of WA, but there is also a risk that oversupply during the peak season could result in falling prices and erode value in export markets. It is difficult to grow export markets when commitments are potentially disrupted by shortfalls in supply and subsequent price increases in the domestic market. There is arguably a greater need for WA and QLD growers to work more closely together, with a targeted approach to volume commitments and promotional activities in Asian markets.

As Korean strawberry producers continue to extend their supply window using protected cropping, Australian producers also need to consider their ability to supply preferred varieties between July and September, to ensure that it's branding position is not lost. This is where temperate supply could play a greater role but it is dependent on producing the right varieties, committing to consistent supply and the strength of the Australian brand in the market. A transition to protected cropping could also help to drive efficiencies and quality consistency resulting in greater cost competitiveness.

3. What do we do about branding?

A branding strategy that captures the benefits of provenance and positions Australian strawberries at the premium end of the market will provide strength in the longer term. There also needs to be consideration given to multiple branding strategies such that different brands can be supplied from different growing regions and used in competing markets, if necessary. Like most fresh produce lines, branding is a critical component of being able to add value across multiple supply channels by driving demand from the end user. In a mature product category like strawberries, the ability of Australian strawberries to differentiate themselves from the competition and avoid being traded as a commodity is crucial to longer term success. But effective branding requires strict adherence to specifications, which would be improved by greater collaboration across the industry.



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4. Have we got the right standards in place?

A greater focus on quality assurance and adherence to specification requirements by growers serving the major Australian chain store retailers has increased the level of confidence in the food safety of Australian fresh produce by Asian consumers. Furthermore, some Asian retail outlets would prefer supply from producers who currently service the major Australian retailers as it demonstrates an ability to comply with strict specifications and food safety requirements, as well as the capacity to meet programmed order commitments and support promotional activity. Broadening producers' quality assurance capacity to meet specific retail requirements (such as HARPS or Global Gap), and to enhance the integrity of the brand is also beneficial.

5. Have we got efficient supply chains in place?

Improvements in communications technology have made it easier for buyers to engage with Australian growers directly, and to even trade directly in certain markets across e-trading platforms such as HiveXchange. Increasing numbers of flights to Asia are also providing more opportunities for growers to supply overseas customers directly by loading airfreight consignments on a regular basis out of the major Australian airports. Freight forwarders too are now often accredited with AQIS to provide phytosanitary certificates and import permits required for certain markets. They can receive, treat, store, label, strap and load produce in time to meet flights on a regular basis. But interruptions to this supply chain due to treatments (such as fumigation) or trans-shipping stock from one airport to the next, have the potential to undermine export efforts particularly if it compromises quality or interrupts consistent supply.

6. Are we building the right relationships?

Trade shows such as Asia Fruit Logistica and rapid use of WhatsApp and WeChat have made it easier for buyers to engage with Australian growers directly, and to even trade directly in certain markets across e-trading platforms such as HiveXchange. But it is important to understand what is driving demand. Is it a genuine long-term interest in regularly stocking the Australian product or is it just a short-term interest due to price or lack of supply from elsewhere? Engaging with an experienced, Australian based export consolidator (or even an exporter of another product to the same market) to discuss the intricacies of the market or prospective customer can provide valuable information in the short term that saves a lot of money in the longer term. Greater collaboration across production regions could provide

opportunities to supply volume commitments, extend branding and target markets more strategically according to location advantages.

Effectively there are six interrelated components that would enhance export market development for strawberries in Asia as highlighted in Figure 2.

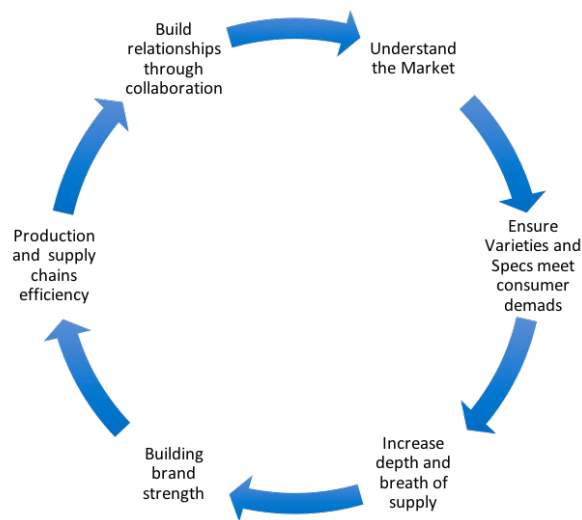


Figure 2: Six components to enhance export market development

In summary, a cohesive export strategy that encompasses these components is not without risk but will potentially help build a stronger position for Australian strawberries for the longer term. The alternative of continually building economies of scale through increased production to supply a relatively small domestic market with limited retail competition, is arguably a higher risk, particularly for smaller producers. Rather, building on the strengths already gained across the broader horticultural industry to take a strategic, measured approach, will help to drive demand for Australian strawberries in Asian markets for the longer term.

THIS INFORMATION WAS DEVELOPED FOR THE STRAWBERRY INNOVATION PROJECT BY KARL MCINTOSH, EXPORT DEVELOPMENT CONSULTANT AT RMCG, AUGUST 2018. FOR FURTHER INFORMATION CONTACT KARL ON 0429 981 394
