

Organisational trade framework



Content

Executive summary	2
Glossary	4
Introduction	6
Role of the Hort Innovation Trade Unit	6
Principles for the Trade Unit	7
Opportunity – Hort Innovation alignment	8
Next steps – whole-of-horticulture trade strategy	11
Hort Innovation’s response to the <i>Independent Review of Horticulture Trade Development Projects</i>	12
Timeline of key trade activities for Horticulture Innovation Australia	10
Approach to export market development within horticulture	11
Key trade activities timeline	16
Approach to export market development within horticulture	17



Executive summary

The Australian horticultural industry is increasingly focussed on export opportunities. Key drivers include the significant consumer demand in Asia, the lower Australian dollar and significant expansion of supply in various horticultural products.

Horticulture Innovation Australia (Hort Innovation) conducts and funds a wide range of research and development (R&D) and marketing programs internally and externally, in addition to the market access prioritisation activity. There is an opportunity to better align that activity relatively quickly to enable better outcomes, clearer processes for industry and better value for money.

This trade framework paper sets out the trade priorities for Horticulture Innovation Australia and the Hort Innovation Trade Unit over the next 18 months. The framework identifies focus areas, activities and principles for the Hort Innovation trade agenda. Also included is a formal response to the *Independent review of Horticulture Trade Development Projects* (also known as *The McKinna Review*) addressing specific elements of Hort Innovation trade activity.

Hort Innovation will focus on the early stages of market development, as further in this framework, particularly in the next 12 months. Hort Innovation has a key role in supporting early market research, R&D to underpin market access, market access prioritisation, support for negotiations, and then marketing support for market entry.

The three key areas of focus to December 2017:

- Sophisticated and strategic market access prioritisation
- Targeted marketing supporting market access
- Relationships and development of organisational profile supporting market access.

Building a whole of horticulture trade strategy from the ground up will ensure that every point of view is considered taking account of input from all horticulture sectors and that every sector is represented within the strategy. Given the timing of broader planning activities, Hort Innovation will start the development of a whole of horticulture trade strategy in early 2017. Consultation with industry and scoping will begin in January 2017. The aim is to have a completed whole of horticulture trade strategy for board agreement in June 2017. The strategy will identify key markets for Australian horticulture exports over short, medium and long term horizons, with key products identified for each market.

Organisational trade framework

Hort Innovation has considered the *Independent Review of Horticulture Trade Development Projects* and provided a formal response in this paper. Broadly, Hort Innovation is embedding a whole-of-horticulture approach to all trade activities and progressing the range of initiatives outlined in the review. Implementing *The McKinnon Review* will position Hort Innovation and the Australian horticulture sector for export success.

This paper sets out a roadmap for Hort Innovation trade activities over the next 12 months, focussed on the following key activities:

- Implement organisational trade framework
- Embed technical market access process
- Develop and implement whole-of-horticulture trade strategy
- Develop and implement whole-of-horticulture brand.



Glossary

Export market development: ‘Export market development’ or ‘trade development’ refers to the entire range of activities undertaken to grow trade into both new and existing markets. Export market development activities may include development of supply chains; relationship building; undertaking market research and intelligence to better understand customers; as well as promotion and brand building¹.

Market access: As defined by the World Trade Organization (WTO), market access for goods means the conditions, tariff and non-tariff measures, agreed by members or countries for the entry of specific goods into their markets. Tariff commitments for goods are set out in each member's schedules of concessions on goods, and the equivalent schedules in bilateral and regional trade agreements². Within the Australian system, the Department of Foreign Affairs and Trade has broad responsibility for these issues.

Market improvement: Market improvement occurs when the market access condition is updated to secure improved trading conditions for exporters. Market improvement activities may include: update of market access rights (e.g. access for additional/new varieties into an existing market); making existing protocols less onerous or less costly for exporters to comply with³.

Market maintenance: Market maintenance refers to the suite of activities required to maintain product presence in a mature market. Mature markets are often characterised by low volume growth due to saturation. Market maintenance activities may include brand management, relationship management with retailers and supply chain in market, and sufficient targeted promotions to maintain market share⁴.

¹ Adapted from McKinna et al (The McKinna Review)

² Adapted from the World Trade Organization www.wto.org/english/tratop_e/markacc_e/markacc_e.htm

³ Adapted from McKinna et al (The McKinna Review)

⁴ Adapted from McKinna et al (The McKinna Review)

Product: Individual products such as almonds, citrus, and carrots have been called commodities, sectors and industries in the past. Reflecting the need to develop consumer products for brand conscious consumers in Asia and across the world, we should begin calling our fruits, vegetables and nuts, 'products' – which are backed by strong company brands. Calling Australian horticulture products 'commodities' suggests that those products are the same as produce from every other country and that a consumer shouldn't pay a premium for an Australian horticulture product.

Technical market access: Broadly defined, technical market access refers to the issues covered by the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the WTO Agreement on Technical Barriers to Trade (TBT Agreement), and the equivalent chapters within bilateral and regional agreements. These issues are generally everything except tariffs and quotas and include food safety and biosecurity measures under the SPS Agreement, and technical regulations, standards and conformity assessment procedures under the TBT Agreement. Within the Australian system, the Department of Agriculture and Water Resources broadly has carriage of the issues under the SPS agreement and agriculture-related issues under the TBT Agreement.



Introduction

The Australian horticultural industry is increasingly focussed on export opportunities. Key drivers include the significant consumer demand in Asia, the lower Australian dollar and significant expansion of supply in various horticultural products.

Hort Innovation conducts and funds a wide range of R&D and marketing programs internally and externally, in addition to the market access prioritisation activity. There is an opportunity to better align that activity relatively quickly to enable better outcomes, clearer processes for industry and better value for money.

This trade framework paper sets out the trade priorities for Horticulture Innovation Australia and the Hort Innovation Trade Unit over the next 18 months. The framework identifies focus areas, activities and principles for the Hort Innovation trade agenda. Also included is a formal response to the *Independent review of Horticulture Trade Development Projects* addressing specific elements of Hort Innovation trade activity.

Role of the Hort Innovation Trade Unit

Hort Innovation established a Trade Unit to support the horticulture sector on trade matters for establishing an objective market access and market maintenance prioritisation mechanism, and designing a whole-of-horticulture trade strategy, incorporating all aspects of these priorities.

While Hort Innovation maintains separate teams of people on data, R&D, market access and marketing, a grower or exporter who wants to export looks at Hort Innovation for a 'complete solution' on trade covering data, R&D, market access and marketing. The Trade Unit has a role in bringing together the various Hort Innovation functions and establishing a seamless trade and export offering for growers and exporters.

The Hort Innovation Trade Unit has significant experience and capabilities working in international relations, engaging in complex environments with government and industry, and securing outcomes that underpin exports and profitability.

Principles for the Hort Innovation Trade Unit

1. **Grower and exporter focussed and driven by commercial practicalities**
2. **Whole-of-horticulture approach as a starting point acknowledging that each product will have unique requirements, projects and activities**
3. **Relationships are the key to achieving results particularly in the complex area of international trade.**

Focused on exports as one of the key strategic and commercial opportunities for the horticulture sector, the Trade Unit has a responsibility to be driven and responsive to the commercial practicalities of growers and exporters, and the market access negotiating environment. This will ensure that Hort Innovation trade activities are delivering returns to industry and supporting the sector for success.

The Australian horticulture sector is relatively small in international comparisons. Australia's success in international markets will be determined by the sector's ability to work together and leverage opportunities for the benefit for all products. A whole-of-horticulture approach in export markets will maximise the scope for success against competitors with greater scale and resources. Within the whole-of-horticulture approach individual products will have unique requirements, projects and activities but we should strive for mutually supportive activities where possible.

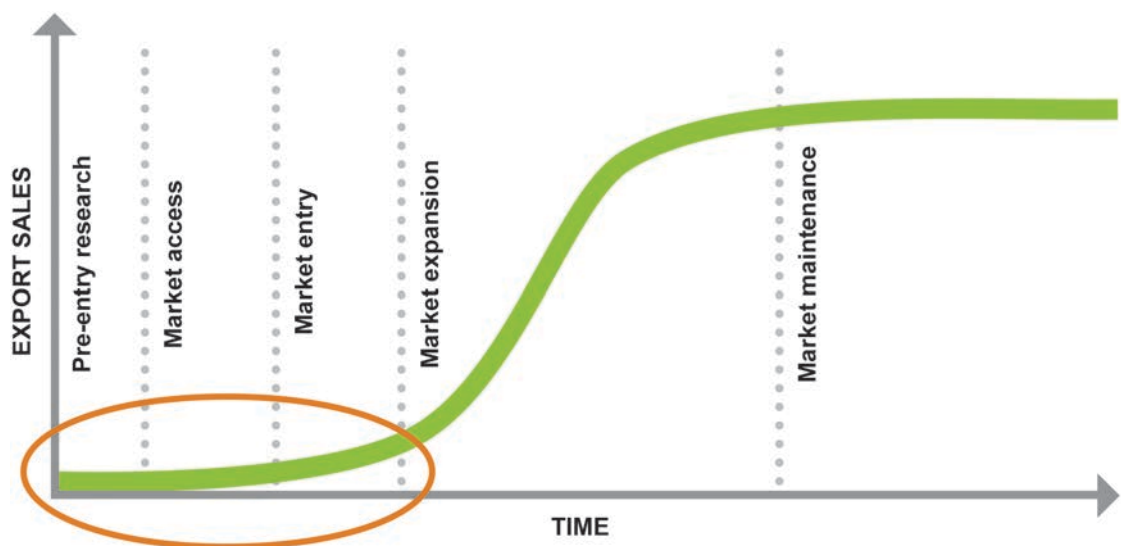
The importance of relationships was identified in the earlier discussion of key focus areas; it is also a principle for the Trade Unit. International trade is conducted on the basis of relationships with individuals, companies and governments in foreign countries. Building strong relationships will be a critical element of all Hort Innovation and trade unit activity.



Opportunity – Hort Innovation alignment

Hort Innovation will focus on the early stages of market development, as outlined in the graph below, particularly in the next 12 months. Hort Innovation has a key role in supporting early market research, R&D to underpin market access, market access prioritisation, support for negotiations, and then marketing support for market entry.

Export market cycles



The three key areas of focus to December 2017:

1. Sophisticated and strategic market access prioritisation
2. Targeted marketing supporting market access
3. Relationships and development of organisational profile supporting market access.

1. Sophisticated and strategic market access prioritisation

The Hort Innovation market access process, that can be found at Hort Innovation's website at www.horticulture.com.au/trade/trade-and-market-access, is the key element of the market access prioritisation process. The Hort Innovation Trade Unit will continue to work with industry and the Trade Assessments Panel to refine the process and provide rigorous technical market access requests to the Department of Agriculture and Water Resources.

Some technical market access requests may not be progressed due to a number of reasons; Hort Innovation will work with industry to develop stronger applications but to also consider industry export aspirations. For example, a number of smaller industries may have plans to export to North Asia (China, Japan and Korea) but not have applications as strong as other sectors. Hort Innovation will work with industry to work toward their long-term export aspirations and also consider other opportunities, such as non-protocol markets, to develop export capacity and experience.

2. Targeted marketing supporting market access

Hort Innovation supports a range of marketing activities across domestic and key export markets. Currently there is an expectation that Hort Innovation and its resources will support export marketing activities across the full range of markets and activities. For export markets, there is a need to focus marketing activities and funds to ensure return on investment and value for the sector.

The role of Hort Innovation is to support industry in critical areas of development to support industry productivity and profitability. Identifying export opportunities, supporting market entry and market expansion should be a key focus of the Hort Innovation marketing function. Hort Innovation will continue to support industries undertaking market maintenance activities in mature markets but the role of Hort Innovation will be very different.

3. Relationships and development of organisational profile supporting market access

Relationships are the key to achieving results and this particularly important for a complex sector like horticulture, and on issues such as international trade. Hort Innovation and the Trade Unit is focused on building strong relationships with growers, exporters, industry bodies, Australian and foreign governments and other Australian agricultural exporting sectors.

As Hort Innovation continues to develop and implement trade strategy, the role of Hort Innovation will become clearer and more defined. Essentially, Hort Innovation will fulfil a key role in supporting the horticulture sector to realise export priorities through R&D, marketing and support for market access. Governments, industry and industry bodies, and Hort Innovation all have distinct roles to fulfil in order to realise horticulture's export opportunities. Hort Innovation has a key role as a connector and enabler supporting greater interaction between industry, government and foreign markets.

Hort Innovation will focus effort and attention to achieve key outcomes in the following activities:

- Demonstrating consumer demand overseas – Hort Innovation data and marketing
- Undertake R&D to support market access request – Hort Innovation R&D and Fund Managers
- Market access prioritisation process – Hort Innovation data, panels and Trade Unit engagement with Australian Government
- Marketing to launch product in market (once protocol negotiated by Australian Government) – Hort Innovation Trade Unit and marketing
- Developing and maintaining relationships with representatives of key trading partners, retailers, and officials of all Australian governments
- Ongoing marketing for market expansion – Hort Innovation Trade Unit and marketing
- Develop a clearer point at which Hort Innovation hands over to commercial players to continue developing the market, expanding sales and engaging directly with retailers.

The organisational trade framework will enable better alignment of trade activities, clearer focus on the role of Hort Innovation and the role of other parties, and allow Hort Innovation to focus on delivering outcomes for which it is responsible.

Next Steps – whole-of-horticulture trade strategy

It is vital that a whole-of-horticulture trade strategy is a uniting rather than fragmenting initiative for industry. Building a whole-of-horticulture trade strategy from the ground up will ensure that every point of view is considered and that every sector is represented within the strategy. Given the timing of broader planning activities Hort Innovation will start the development of a whole-of-horticulture trade strategy in early 2017. This will also allow the Hort Innovation Trade Unit to develop improved relationships and trust through better communication, focus and results.

Discussions with the Department of Agriculture and Water Resources revealed that ‘success for the trade unit looks like’ a whole-of-horticulture strategy which applies an analytical and evidence-based approach to identifying key markets and product priorities within those markets. This is consistent with the recommendation from the *McKinna Review*.

The Trade Unit will begin research and preparatory work for the whole-of-horticulture trade strategy in late 2016. Consultation with industry and scoping will begin in January 2017. The aim is to have a completed whole-of-horticulture trade strategy for board agreement in June 2017.

The strategy will identify key markets for Australian horticulture exports over short, medium and long-term horizons, with key products identified for each market. Market access priorities will also be considered in the context of the spread of opportunities presented by Australia’s trading partners.



Hort Innovation's response to the Independent Review of Horticulture Trade Development Projects

The review recommended (paraphrased by Hort Innovation for brevity):

Recommendation 1: That Hort Innovation review and restructure investment in export market development with a whole-of-industry strategy.

Response: The Hort Innovation Trade Unit will develop a whole of industry trade strategy in the first half of 2017 from the ground up based on product export strategies and strategic investment plans.

Recommendation 2: That individual trade plans for each product integrate with a whole-of-horticulture trade strategy.

Response: Individual trade plans for each product will be reflected in the whole-of-horticulture trade strategy. Over time and iteratively, export strategies and strategic investment plans will integrate with the whole-of-horticulture trade strategy.

Recommendation 3: That Hort Innovation should take a cross-industry approach to trade development, in areas such as supply chain mapping and market intelligence.

Response: The Hort Innovation Trade Unit has begun taking a whole-of-horticulture approach to all work and planning. There is significant opportunity to maximise the value and learning from a whole-of-horticulture approach acknowledging that each product will have unique characteristics and undertake a range of product specific activity and projects. Pool 2 provides a mechanism to look at a range of projects such as supply chain mapping and market intelligence across products/commodities.

Recommendation 4: That Hort Innovation balances the requirements for outside specialist trade knowledge with the professional capacity of peak industry bodies.

Response: The Hort Innovation Trade Unit continues to work closely with industry and industry bodies on the development of specific trade projects, including ensuring the required specialist expertise is utilised. As Hort Innovation, growers, and industry bodies continue to develop trade expertise, the sector will need to draw on sophisticated specialist trade expertise to augment and develop industry capability.

Recommendation 5: That Hort Innovation initiate a reform of project planning, project management and milestone reporting templates.

Response: The expectations of governance and reporting on expenditure of levy and government funds are significant. This is reflected in the Hort Innovation requirements for project planning, management, and monitoring and evaluation. These requirements will continue to be refined in line with the requirements for all Hort Innovation projects.

Recommendation 6: That Hort Innovation initiate discussions with the Department of Agriculture and Water Resources about the market access and market improvement negotiation process. With a view to formalising a path forward between Hort Innovation, the Department and peak industry bodies.

Response: In collaboration with the Department of Agriculture and Water Resources (the Department), Hort Innovation has instituted a new process that considers technical market access requests. This new process, and the Department's observer status on the Hort Innovation Trade Assessments Panel, is facilitating improved engagement on industry priorities, current negotiations and improving future priority setting. Industry bodies are engaged through the process directly with the Department and Hort Innovation consultation mechanisms such as the Industry Trade Advisory Panel (iTAP). Hort Innovation will continue to discuss streamlining of the prioritisation process with the Department.



Organisational trade framework

Recommendation 7: That Hort Innovation implement a knowledge management system to capture the knowledge generated from export development projects.

Response: Knowledge management is a critical function of any organisation and as *The McKinna Review* noted individuals are key to knowledge management (in industry bodies). People are key to knowledge management and as Hort Innovation export and marketing functions continue to develop, there will be greater scope to improve knowledge management. At the same time, Hort Innovation will consider the development of a formal knowledge management system.

Recommendation 8: That Hort Innovation initiate a project to explore the opportunities for export clusters to support growers wanting to export.

Response: It is expected that 'export clusters', defined as growers and exporters cooperating to access international markets, will become a key element of Australia's future horticultural export success. Hort Innovation is currently in discussions with proponents of specific export clusters and also considering how to facilitate and inform discussions around export clusters.

Recommendation 9: That Hort Innovation initiate a project to explore greater collaboration across peak industry bodies on export activities.

Response: The Hort Innovation Trade Unit is exploring greater collaboration across products in all projects and discussions. From treatment options, to marketing, events and technical market access negotiations, the Trade Unit is encouraging a principle of collaboration and whole-of-horticulture as a starting point.

Recommendation 10: That Hort Innovation seek agreement on a whole-of-horticulture umbrella brand and marketing program.

Response: The Hort Innovation Trade Unit has begun conversations about bringing together the 'Australia Fresh', 'Now! In Season' and other horticulture brands together under a single brand for Australian horticulture. This overarching brand would bring together Australian fruit, vegetables and nuts and be applicable for use in Australia's horticulture markets across the world. It is envisaged that the Australian whole-of-horticulture brand would provide a common touchpoint and allow companies, industries, regions and states to promote their individual messages within an Australian message and context.

Organisational trade framework

Recommendation 11: That Hort Innovation investigates the feasibility of delivering whole-of-horticulture permanent representation in key export markets.

Response: Hort Innovation will investigate the feasibility and options for providing in-market services and representation to growers and exporters, with a focus on a whole-of-horticulture approach.

Recommendation 12: That Hort Innovation reset relationships with industry with a view to greater collaboration and effectiveness.

Response: Acknowledging the earlier identified principle that relationships are key to achieving results, particularly in international trade, the rebuilding of relationships with industry and government is a key focus of the Hort Innovation Trade Unit.



Key trade activities timeline

Activity/ outcome	November/ December 2016	First half 2017	Second half 2017
Implement organisational trade framework	Internal alignment of Hort Innovation trade activities across R&D, marketing and trade	Work with industry to continue progressing <i>The McKinna Review</i> recommendations	
Embed technical market access process	Finalise arrangements to bring legacy priorities in line with new process	Work with industries to progress new market access applications consistent with export strategies	
Develop and implement whole-of-horticulture trade strategy		Develop in early 2017 in consultation with industry and board approval in June 2017	Implement trade strategy with industry
Develop and implement whole-of-horticulture brand		Develop whole-of-horticulture brand for use by industry, government and Hort Innovation	Launch September 2017 at Asia Fruit Logistica in Hong Kong

Approach to export market development within horticulture

Commercial activities of individual exporters, growers, traders, importers and others

