

Situational Analysis and Five Year Plan



www.nzavocado.co.nz



New Zealand
Avocado

NZ Avocado Growers' Assn Inc.
Avocado Industry Council Ltd

Purpose

This document is intended to:

Describe the New Zealand avocado industry in 2018

Look at the major changes since 2011-12

Review the opportunities and challenges ahead

Report the known risks and potential disruptors

Set the likely direction of the industry going forward

The New Zealand avocado industry



NZ Avocado Growers Association Inc., NZAGA, has 1,600 growers members

Avocado Industry Council Ltd, AIC, is a 100% owned subsidiary of NZAGA

Collectively we refer to NZAGA and AIC as NZ Avocado

Export structure is legislated under the Horticulture Export Authority Act

- Exporters must have a licence to export
 - The Export Marketing Strategy is the industry “rule book”
-

Industry export and grade standards are mandatory, & reviewed & approved annually

Avocado export packhouses must be MPI Approved Organisations, MAO's

The industry is funded through a commodity levy, an export systems fee and registrations, all of which are set out in the Export Marketing Strategy

The New Zealand avocado industry





Significant change since 2011-12

2011-12 was a catalyst year for change in the industry with volumes over 6 million trays for the first time, double the previous year and 27% higher than ever recorded

Values tumbled after issue of over supply and fruit age

Exporters responded with consolidation & formed an incorporated society in 2013

NZ Avocado adjusted its strategy to deliver value to growers and stakeholders needs

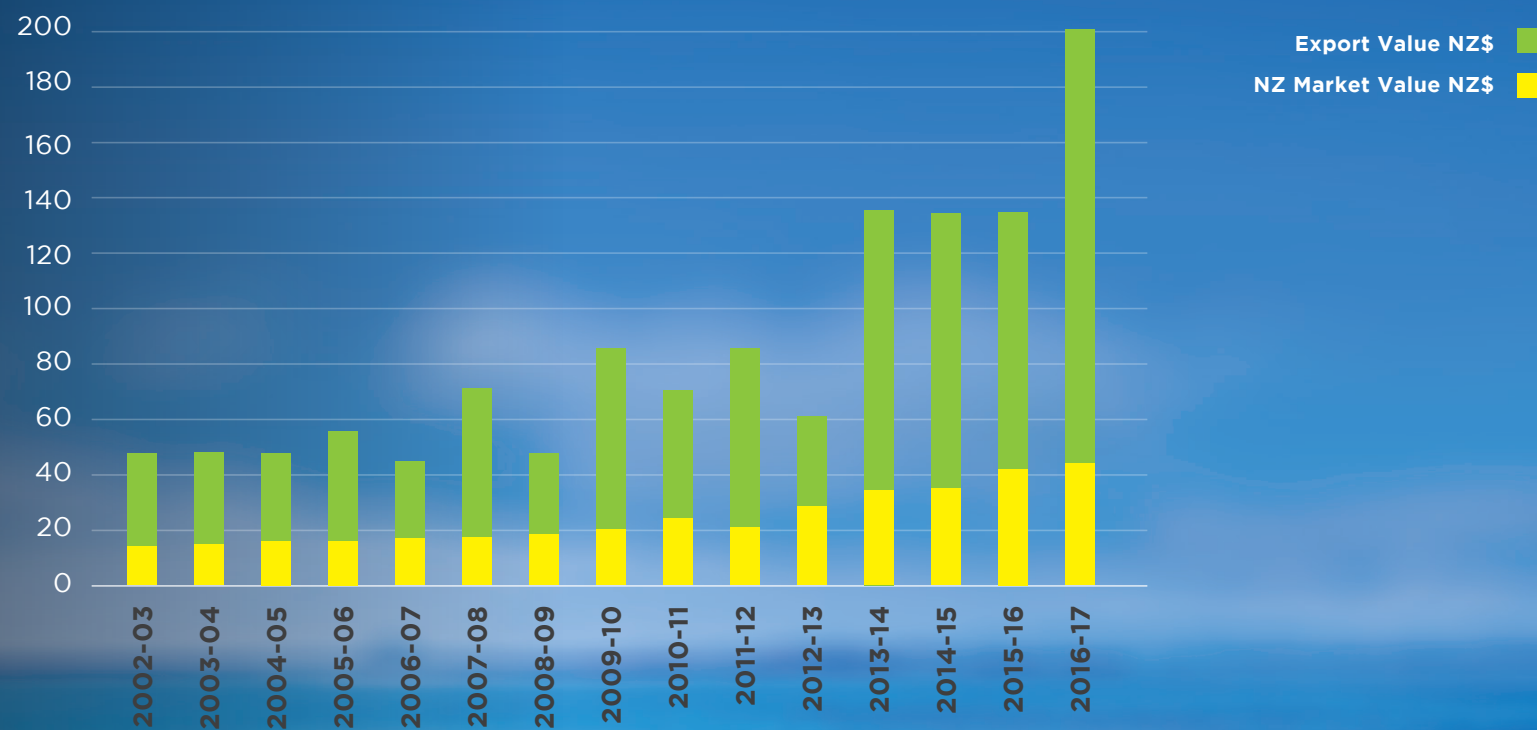
The New Zealand market was developed at value

The industry gained significant new funding through a Plant and Food Research led MBIE grant and a Primary Growth Partnership



Growth in industry value

(in NZ\$ mil)



“To maximise grower profitability over the long term”

Strategic objectives

- 1 Consistent supply to meet consumer needs
- 2 Develop and maintain markets
- 3 Strong representative industry body
- 4 Exporters optimise value from export markets
- 5 Marketers optimise value from New Zealand market





Consistent supply to meet consumer needs

Situational analysis



Current state

Strong research programme in place based on grower questions 3 years ago

Good extension particularly field days and Avoscene

Good engagement

- Plant & Food Research
 - Waikato University
 - Massey University
 - Australian avocado industry
-

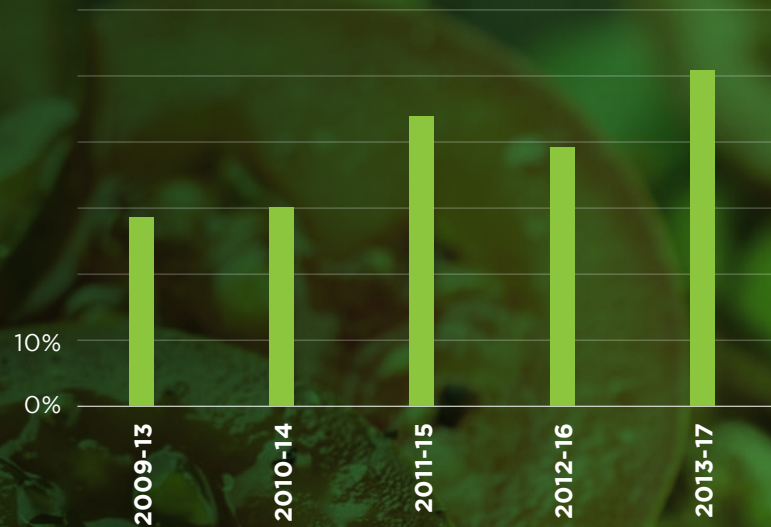
Based on the NZ Avocado 2017 grower survey, 70% of growers have changed orchard practise in the last 2 years



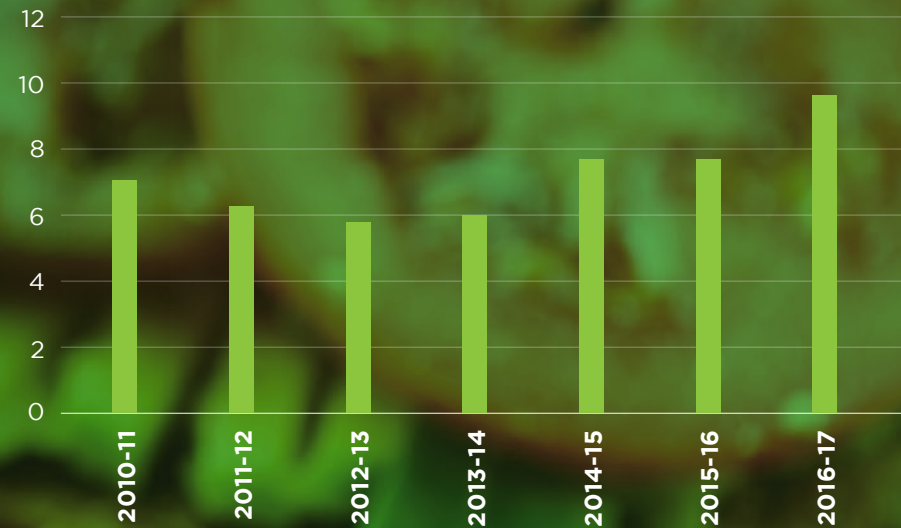
Measuring progress against strategic objective one

Significant increase in orchards performing in good & best categories

Percentage of orchards performing in good & best categories



Four-year average yield (tonnes per hectare)



Orchard performance is benchmarked annually as “best”, “good” and “standard”, based on both yield and consistency of yield.



Consistent supply to meet consumer needs

Opportunities and challenges

Opportunities

.....

Demonstrated success of implementation of new on-orchard practise

.....

Industry looking across its members and experts to continue to innovate

.....

Demonstrated excellent orchard performance three times the industry average

.....

Significant new greenfield plantings pushing boundaries of innovation

.....

Research providers keen to be involved in avocados

Challenges

.....

Irregular yields

.....

Sharing technical information

.....

Variable desire to uptake best practise

.....

MBIE & PGP both in final year

.....

Inconsistent fruit quality

.....

There is no silver bullet that will result in high and consistent yields



Consistent supply to meet consumer needs

Five Year Plan - What does success look like?

Research plan is visible to the industry and encourages feedback

Growers able to easily access key information

Tools for growers accessible to increase yield

Demonstrated success in on-orchard practises to increase consistency

Growers motivated to adopt best practice

Most promising and suitable rootstocks for NZ conditions are available

Sustainability model for avocado growing

Watching brief on gene editing

Proactive promotion of post-harvest best practice

Being receptive to innovation and enabling visibility of innovation right across the value chain





Develop and maintain markets

Situational analysis

Current state

Exporter promotions working group and NZ Avocado agree industry marketing plans

Focus on markets offering sustainable growth

Work with Australian industry to increase demand in Australian market

Category story for avocados from New Zealand created in 2014 for both export markets and the New Zealand market

Digital strategy implemented in:

- Japan, Thailand, South Korea & Singapore
 - Local language website
 - Social media platforms
-

Collateral available in online library

- For in-store tastings and point of sale
 - For digital promotions
 - For events
-

Contestable fund allows industry support of innovative exporter initiatives

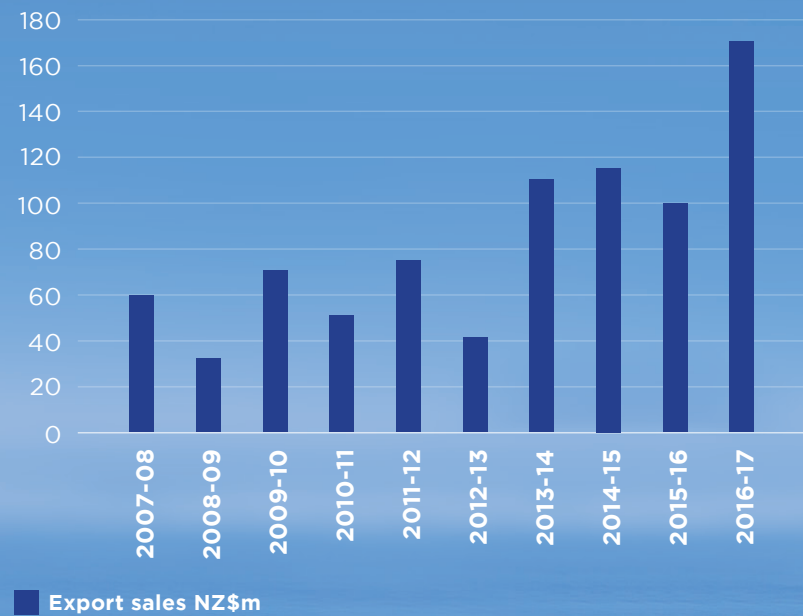
India market access granted 2013, China market access granted 2018

Strategic objective two

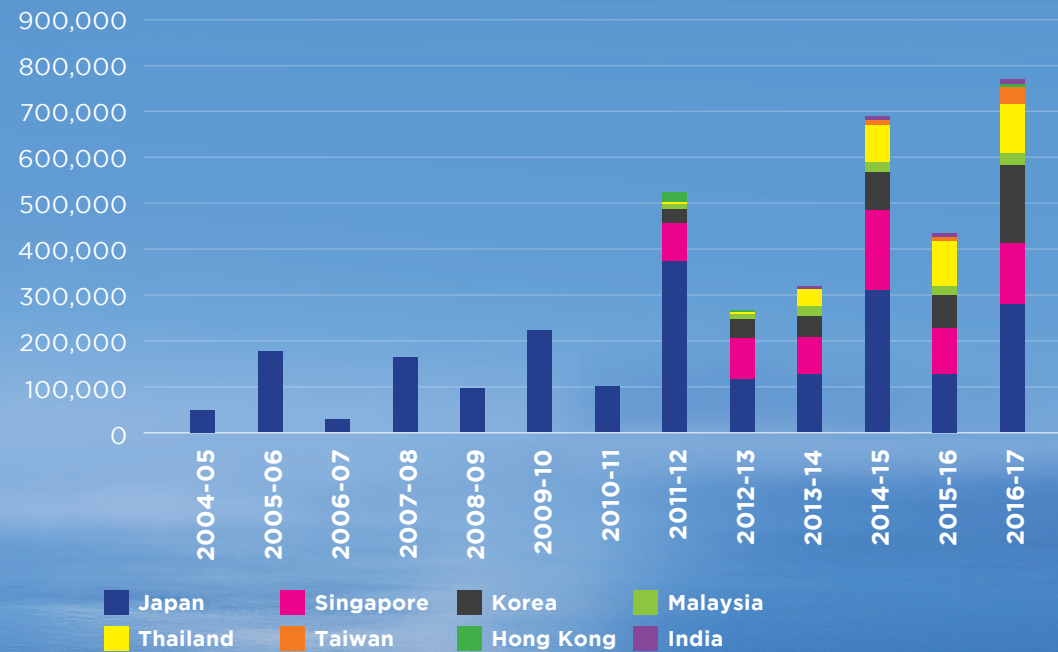


Destinations for fresh avocados

Net Sales - export markets (in NZ\$ mil)



Export volumes to Asia (5.5kg trays)



Significant growth in export sales values

Responding to real growth
in demand from Asia





Develop and maintain markets

Opportunities and challenges

Opportunities

Leverage high profile events

- Rugby World Cup 2019, Japan Olympics 2020
-

Strong focus on health

- new research on health benefits
 - development of health comms strategy
-

Build emotive brand values for avocados from New Zealand

- wellness, trust, care, enjoyment
-

Develop consumer led taste profiling and taste standards for avocados from New Zealand

Consumer led development of new avocado varieties

- taste, health attributes, physical attributes

Challenges

Supporting exporters to remain collaborative

Short export season for avocados from New Zealand

Irregular volumes by season

Non-NZ imported avocados into Australia

Delivering the promise on quality

Biosecurity issues

Trade access issues



Develop and maintain markets

Five year plan – What does success look like?

Demand (at value) created to match supply

Market prioritisation for promotions investment endorsed by AVEC working group

Strong research on consumer preferences

Supply to meet consumer needs

Risk plan developed and implemented

Pro-active to increase visibility and engagement

Receptive to innovation in market development

Priority on best practice in food safety, market access and quality

Commitment to investment into developing China market in close collaboration with exporters





Product

Provenance

People



Develop NZ market at value

Situational analysis

Current state

Identified key issues in NZ market and developed tools to address the issues

- Planning and forecasting
 - Matching supply and demand
 - Quality
 - Engagement
-

NZ Market Group formed and effective

Engagement with large retailers

Improving best practice and adherence to best practice

Contestable fund for New Zealand market promotion activity

Challenges

No ability to enforce standards

Up to 500 orchards only pick for NZ market – many not engaged with NZ Avocado



Develop NZ market at value

Five year plan – What does success look like?

Market development plans endorsed by NZ Market Group

NZ market promotions campaigns implemented

New Zealand market management activity implemented

Regular forecasting, NZ Market Group meetings and retail training

Exporters, marketers and processors supported to develop high value options for non-export grade avocados

Innovations to develop value for avocados

New Zealand market sales grow to \$75m







Strong representative industry structure

Industry governance – situational analysis

Current state

NZAGA elections held past 2 years

Institute of Directors have evaluated board performance

Institute of Directors remuneration review

- Remuneration changed at 2017 AGM

Review of structure started but no action plan

Independent Chair of AVEC now in place

Independent Chair of PGP steering group

Independent member of MBIE governance group

Challenges

Succession planning for the board

Is the structure right?

Who is AIC Ltd governing, NZ Avocado, or the industry?

Clarifying the legal framework the industry operates under



Strong representative industry structure

Industry systems – situational analysis

Current state

Confidence in mandatory systems

Requirement to strengthen AvoGreen for market access

Good cross industry engagement

Preparedness

- Annual cross–industry review of EMS, Quality Standards & AvoGreen
- Working group on rots

Challenges

Increasing requirements from markets

Delivering quality avocados that meet consumer needs

Relevance and maintenance of mandatory systems

No sustainability strategy



Strong representative industry structure

Finance and risk – situational analysis

Current state

Risk plan reviewed annually

- Biosecurity plan in place
 - Audit risk committee active
-

Biosecurity – current state

- Signed Government Industry Agreement for Avocados in now operational
 - Signed & developing threat-specific Operational Agreements
 - Strong capability & engagement
-

Strong financial position

- Commodity levy to be renewed 2019

Challenges

Documenting risk and mitigation measures

You never know what will hit you, how often or how hard

Potential challenge to industry funding model or structure



Strong representative industry structure

NZ Avocado – situational analysis

Current state

.....

NZ Avocado meets the need of its “customers”

.....

NZ Avocado staff are highly motivated and focused on delivery

.....

Plans in place and being implemented

.....

Good cross industry engagement & participation

Challenges

.....

Increasing opportunities – how wide should the focus be?

.....

Industry body remaining relevant

.....

How to maintain capability

.....

Retaining and attracting staff

.....

How do we continue to add value



Strong representative industry structure

Five year plan – What does success look like?

Industry structure meets needs of stakeholders

Industry capability meets current and future needs

Strong proactive management of risks, including financial, biosecurity, HR, technology, unknown disruptors and health & safety risk management

Effective communication of information, data and opportunities

Proactive engagement plan promotes strong relationships in and outside New Zealand

Effective management team well governed and delivering on industry mission

Agile approach across industry structure, including funding model and revenue opportunity

Potential disruptors – good and bad

The following risks & disruptors have the potential to significantly alter our industry

South/Central American avocado supply gets access to Australia and or New Zealand

Environmental factors prevent/limit production of avocado

Significant biosecurity event

Challenge made to industry structure, systems or funding

Weather event significantly changes (future) volume

Genetic editing – avocado genome published

Technology advances

Loss of quality reputation



Preparedness

Imports into Australia or NZ

- Stay well connected to relevant Australian industry personnel
- Stay informed about global supply/demand
- Develop markets outside Australia & NZ
- Seek differentiation for avocados from NZ

Environmental factors prevent/limit production

- Develop sustainability strategy for avocado industry
- Develop and maintain cross industry connections

Weather events

- Develop research for weather events

Challenge made to industry funding

- Ensure “funds” are effectively invested in growing industry value
- Good engagement (listening) right across the industry
- Look at issues from (NZ Avocado & Board) wider perspective
- Question ourselves regularly
 - Are we relevant?
 - Are we adding value?
 - Are we delivering?

Risk plan including Biosecurity

- Board review risk plan annually
- NZ Avocado is a signatory of Government Industry Agreements for biosecurity and members of Fruitfly and Brown Marmorated Stink Bug councils



Strategic objectives – redefined

The 2012 strategic objectives on page 7 have been redefined to reflect the position of the industry in 2018, and the future goals to 2023

Research programme meets the needs of growers & influences consistent delivery of premium avocados to meet consumer needs

Markets are developed and maintained collaboratively at value to absorb a growing supply of avocados

Efficient & effective systems support both the needs of industry stakeholders and consistent delivery of premium avocados to meet consumer needs

Grower and stakeholder levies are invested to maximise grower profitability over the long term

Governance of industry operates to best practice

Sustainability outcomes guide industry practices and growth

Safeguard sanitary and phytosanitary market access



Five year plan

Industry goals to 2023

Research tools enable growers to increase productivity of premium avocados and improve consistency

Cross-industry market development enables all avocados to be sold at value and net sales to reach \$280m by 2023

Stakeholders support and respect industry systems, compliance, structure and funding model

Grower and stakeholder levy investment is optimised

Industry governance is reviewed and operates to best practice

To achieve 100% customer satisfaction for avocados from New Zealand

Differentiated story for avocados from New Zealand is supported with evidence based research on sustainability, environment and nutrition

