

## **Fresh Vegetable Product Group**

### **Chair's address to Annual Conference 2008**

I have just come to the end of the first year in this role as Chair of the Fresh Vegetable Product Group. It's a fascinating job and a real privilege for me to have it.

I think it is important on occasions like this to remind ourselves why we have a Fresh Vegetable Product Group and six Crop Committees.

Their purpose is to facilitate a robust and sustainable fresh vegetable industry. And the vision is for our customers to value the superior quality of our products. Our focus is growth.

We are the voice and guardian of the fresh vegetable industry in New Zealand and a key part of that is to research, collect and disseminate information for the benefit of the industry and its growers.

Communication is the key to our success with our growers. There are a lot of them and a lot of different crops. My observation over the past year is that we aren't communicating with our grower members as well as we could.

While the Product Group and the six Crop Committees are functioning very well within themselves and jointly, and doing a lot of excellent work, the spread outwards to the grassroots members of our industry needs some more direction, effort and coordination.

Three of our key activities funded by growers' levies are research on crops, market access for products, promoting consumption through education and raising awareness of the health giving benefits of the products we grow. We also need to be focused on issues such as: development through technology and crop management, biosecurity, food safety, market access, labour, transport, and our relationship with Horticulture New Zealand.

In particular today I want comment on some topics that have always been dear to my heart as a grower. They include the value and benefits of our products, the costs of compliance, and sustainable production including the availability of water and climate change emissions, and the supply chain.

We take great pride in what we do and produce, yet not too many others in the supply chain appear to do the same. It does seem that most of the other sectors of the produce industry devalue the products we produce. They need to remember that without what we produce they would have little to supply and sell.

There is a perception amongst consumers that vegetables should always be cheap all year round while at the same time they are demanding so much more by way of quality and traceability, all of which adds to our costs. They have no awareness of the level of our investment in the industry to produce what they believe to be a cheap commodity. And why should they?

It is up to us to improve the image and value of what we grow. Industry promotion and public relations are as important as product promotion and I believe the Product Group can do better and more in that regard. The new fresh vegetables website is a starting point.

Our costs of production have risen substantially. Fertiliser has doubled in price; fuel costs have nearly doubled. Alongside these, the cost of most other supplies such as packaging and other consumables has increased dramatically. Labour market changes such as four weeks holiday a year, and a new minimum wage with its upward flow-on effects to other pay rates, have had to be built into our cost structures. High prices for fertiliser, fuel and transport are here to stay.

You will hear in detail later this morning about the probable impacts of the government's proposed emissions trading scheme. In a nutshell it could cripple the horticulture industry because we already operate at or near to world's best practise so emissions will stay much the same, and we already know what consumers think and do about increasing costs of food.

The proposed climate change legislation could effectively spell the end for many growers. It will impose huge costs on the industry. Growers are big users of diesel for the cultivation of crops and transport to market, plus many of our production inputs have high-energy inputs in their manufacture. Government chooses to ignore the fact that growers can't pass these costs on.

Other legislation and regulation soon to become law will impact on our water for irrigation and post harvest requirements. Without access to water, growing has no future so we must ensure that we have the rights to water in order to grow and process crops.

Sustainable growing requires more preplanning to reduce costs. The time has arrived where we all must all look at how to improve our efficiencies if we want to reduce costs and increase productivity.

On the other side of the coin there are compliance costs that add real value. With food safety programmes, we have our own NZGAP, which allows growers signed up to it to punch above their weight when it comes to assurances that the food they are producing is safe.

This allows consumers to make an informed choice when it comes to imported vegetables that they have to buy on trust. The whole NZGAP programme has integrity and traceability and is wholeheartedly supported by its growers.

Country of Origin labelling is interesting in that Horticulture is all for it. But there is a huge farmer, meat, and dairy lobby that isn't all for it, because of the implications from all the imported meat and dairy products that the New Zealand consumer still isn't aware they are buying. We shouldn't underestimate the power of that farmer and rural industry lobby group.

Mandatory country of origin labelling has to be pursued to a logical conclusion and the place to do that is with the new government. On the one hand we, (the taxpayers), are paying for TV advertising to "buy locally made and we have it made" while on the other hand the government is not making it possible for the consumer to really choose. They will continue to choose on price.

As far as costs and the marketplace go, those are out of our hands. We have an economy based on a 'hands off' administration that obviously has little sympathy for industries in trouble, and responds only mildly to public opinion in the interests of the free market and cheap food. Public opinion at the moment is focused more on day-to-day management of costs, rather than patriotism, but in an election year there can be opportunities to question some policies or at least get some messages across.

As we move forward we still need to remember the past. In the days of auctions we believed we knew what the true supply and demand situation was, but today we don't really know at all what the true supply is. When a particular type of produce is in short supply, such as broccoli, it doesn't take long for wholesalers to ring overseas and organise imports. Why not let the value rise for the NZ grown product? Even if there is a shortfall it isn't really necessary that the industry hang its hat solely on continuity of supply. If a consumer's first choice of vegetable isn't available, that's a great opportunity for them to try something new that they may well want to buy regularly in the future.

It seems that produce managers rely on habit and their diaries when they make the switch from local to imported vegetables. There have been some recent examples where local suppliers have been given very short notice that imported product is going to replace their vegetables. However, it's the consumers who should have the choice, as many will happily pay more for local produce they believe is of better quality.

It seems that some retailers see a future where their supply will come almost entirely from offshore.

If they believe that, they are living in an unreal world simply because seasonal crop and climatic issues offshore won't guarantee the supply they need.

Supermarkets are the pivots on which modern food marketing turns. That was an assessment made 50 years ago and the statement is as relevant today as it was then. Supermarkets are obviously not the only food outlets around but their sheer scale and size still takes some beating. However, supermarkets too need to change their behaviour to meet future needs. With the recent huge rises in growing costs it's time now for all the in-store specials and promotions either to be done away with or for their cost to be shouldered by our retailing partners rather than growers.

Retailers don't seem to want to understand the climatic conditions under which we grow our crops. When they decide six weeks in advance on a produce special are they taking into account just how much things can change in that time? What they've forecast to be on special may not be available but they seem to react too slowly to take up the slack with other lines that may be in plentiful supply.

If we are to look to exports of New Zealand vegetables to affluent customers around the globe, we need to have supply for at least the whole of the niche market opportunity, for the whole season, or in some cases even for 52 weeks of the year, rather than filling

spot markets. We need to cement a place in the export arena as routine providers of fresh, top quality New Zealand produce available year round, rather than just looking to immediate opportunities.

In conclusion I want to say there needs to be greater communication between all parties across the whole supply chain. There needs to be more transparency with the different players giving more realistic information so all can benefit. It goes without saying that there needs to be more profitability for growers.

We need to continue to provide safe, healthy vegetables to our own domestic market and for export backed up by NZGAP reinforcing our clean, green image. Operating under an expanded NZGAP would see us being able to operate without the plethora of central and local government regulations and costs.

Market and environment requirements can work in parallel, be complementary and reduce our costs of doing business. Country of origin labelling must be implemented and New Zealand grown vegetables should always take the centre of the plate rather than just being a side dish. Everyone knows vegetables are good for you. There should be no barriers to consumption.

We must continue to invest as an industry in promoting the healthy attributes of fresh, New Zealand grown produce and do more to promote the industry itself.

Keith Vallabh