

Conference 2010 – Draft speech for FVPG Chairman Keith Vallabh

“Effective produce export market development techniques – to earn \$10b by 2020?”

Thank you all for the invitation to attend this Conference.

This is a welcome gathering of like-minded people and I'm looking forward to being in the midst of some very robust discussion.

I would like to say a few words about the Horticulture Industry Strategy and our industry goal of '10/2020' – industry value of \$10b by 2020.

When the Board of HortNZ signed off on the Strategy last year, and even before that, when we agreed on the industry vision of 10/2020, we knew we were effectively lining up our heads for a chopping block.

This is in anyone's language a huge task but there are now industry people including the Minister of Agriculture, Hon. David Carter, that suggest that \$10b is too light!

But what if we don't reach \$10b? We can reach it and we will if every sector of the industry plays their part and contributes to the challenge.

\$10b is the target for the value of the horticulture industry but it is a target only, because we now have something to aim at – with no target we have no direction so let's get on with it.

In the latest statistics from the Fresh Facts booklet recently published by Plant and Food supported by HortNZ there are some interesting trends in growth that support our strategy. These facts are to season ended June 2009 and therefore do not include the current season's export crop.

Including wine, horticultural exports have achieved sales value of over \$6b to June 2009. Even without wine sales our industry is over half way towards our goal. In the last year FOB value of our exports increased by 15.5%. kiwifruit exports increased by \$478m and in the same year (2008-09) vegetable exports being both fresh and processed increased from \$403m to \$563m or 40%.

These are huge figures and when you compare these results to total exports way back in 1985 – 25 years ago – of only \$33.5m you realise that our target is achievable.

That's what 10/2020 means to me. It's a big goal. A big target.

So how can we – YOU achieve it? How can you play your part? I know that there are many hurdles and impediments in the way, not least of all increasing compliance costs, ETS, GST, HortNZ Levy, Biosecurity and so on...and in reality these will always be confronting us as growers.

I wish I could give you a list of effective market development techniques. I wish to encourage growers to think export – to think about value not volume – to think about

organised exporting, not too many fragmented exporters fighting NZ on NZ for the sale and inevitably leaving good money on the table that should be in growers' pockets. I want growers to better understand the consumer requirements for standards of quality and delivery and demand more transparency of the 'cost of export' that has been deducted from their proceeds by exporters.

Above all, growers should be co-operating with each other to create volume and scale that then influences a change in behaviour of commission exporters to ensure that New Zealand growers receive the largest share of the value of the produce they grow for export – not the least.

The Horticultural Export Authority is the ideal organisation set up to manage a controlled marketing strategy agreed by all participants. It has received a positive endorsement in the recent review and when put alongside the 10/2020 strategy is a vehicle that many of our export industries should consider. It can create co-operation between growers and the critical mass to influence disciplined behaviour to meet the consumer demands and extract the maximum value from the market.

Deloitte with funding from NZTE helped prepare the industry strategy. It is a document that has been driven from the bottom up – meaning by the growers from all over NZ. It is a professional strategy, with a vision, a target and some key ideas about what needs to happen to get us to that target. There are plans to follow and business health checks to establish where your business is today.

The strategy document is the most significant work ever done for the horticulture industry in New Zealand and has been widely heralded not only within horticulture but as an example to the meat industry. You may also have noticed that KPMG has released a strategy of agriculture recently that has a very similar theme and structure to our own strategy.

Our Strategy is cohesive, inclusive and above all, it is achievable.

We have an Implementation Task Force underway that is charged over the next few years with leading and encouraging the change that is required in the industry to meet our challenges head on and drive toward achieving \$10b of value for growers by 2020.

Runs on the board is what we need, so let's briefly look at some rising stars in the horticulture industry that are changing with the strategy. Our largest exporter Zespri has set a new strategic target of over \$2.7b by 2020 based on new cultivars that will be introduced over the next few years. New varieties are also driving a change of focus to value, not volume, in the pipfruit industry with ENZA leading the charge. Avocados will be worth \$250m by 2015 and blackcurrants \$30m by 2013. Growers have also joined together to establish an Ultra High Pressure process for avocados that will deliver added value to the grower-owned company – Fressure Foods Ltd.

There are many initiatives underway and some will take several years before they add value towards our target, but they are underway.

Vegetable growers are changing also and the volume is starting to give way to value as growers learn to say 'NO' to low prices that are not sustainable. They are learning that it

is not about the last man standing, but about co-operating together to deliver what the market wants in volume, taste and quality.

We've been told in the Strategy that if we do nothing, just continue on the way we are, that our industry will shrink, not grow. This is real and it is why all growers need to seriously consider their future and the future sustainability of the industry and then change to meet the challenges ahead.

Export growers can't ignore the rest of the world's demand for safe, sustainably-grown premium products – we either meet that and raise the bar or lose our global lead to our competitors and rely solely on commodity prices.

Quoting from the HEA statutory review – “Scale and presence do matter in overseas markets and a well-coordinated approach is important in maintaining and improving access for, and the profitability of, NZ's horticultural products.”

Growing value is how we are going to get to 10/2020. Working together, being honest with each other and meeting the challenges of being a very small quality producer, in a very big and competitive global market is the way forward for the future of horticulture in New Zealand.