

Fresh Vegetable Product Group Conference report – 2010

Introduction

Sales revenue for fresh vegetable growers has increased from a forecasted figure of \$310m for 2009/10 to an actual figure of \$332m. This increase in total revenue has anecdotally been more the result of increased production rather than an increase in average prices. Although horticulture exports in total have nearly doubled in the past 10 years from \$1.6b to \$3.4b, the fresh vegetable sector has remained relatively flat with export revenues fluctuating between a range of \$200m and \$250m over the same 10-year period. The most significant constraint on our export market growth is the extremely short shelf life of fresh vegetables limiting the potential export market opportunities. This short shelf life timeline requires very short freight times or export markets that are close such as Australia or the Pacific. Coupled with relatively flat export growth, the domestic market has also over the past seven years been burdened with broad fluctuations from a sales high of \$305m in 2003, down to \$248m in 2005 and then climbing back over four years to \$332m in 2009.

Since the 2005 slump in sales revenue and then the growth in the domestic market, the global recession has continued to be in a very constrictive state causing the trading banks to continue their policy of tighter lending criteria. This issue is compounded by the steady increase in commercial lending rate increases eroding even further the profit margins for growers.

During the past financial year there has been the implementation of several new initiatives to increase our communication and information distribution with growers and to gain a better understanding of issues that the FVPG or HortNZ can address and support. Regular conference calls between the Product Group Directors and the Chairs of each of the Crop Advisory groups have been undertaken, as well as an increase in the number of Product Group meetings to enable grower issues to be transferred through the Crop Advisory groups. These two activities have also been supported by an extensive program of field visits in six regions, visiting over 60 growers who represent a large sector of the industry.

Combined annual accounts for 1 April 2009 to 31 March 2010

This note should be read in conjunction with the attached annual accounts. As in the prior year the combined annual accounts for 2009/10 do not show the 0.15% contribution by fresh vegetable growers to HortNZ. This is because that contribution is not taken into the FVPG accounts as income and therefore cannot be expensed out to HortNZ.

Overall the total combined Fresh Vegetable domestic and export levies and HortNZ levy paid by fresh vegetable growers to the organisations is up 6.1% this year compared with the previous year 2008/09. This equates to an increase in farm gate value of \$19m (i.e. up from \$313m in 2008/09 to \$332m last year 2009/10).

The Contract fee of \$38,144 shown as an Actual amount in the 2009/10 accounts is the final transfer payment to clear the General Reserves deficit from VegFed in 2009 (as shown in the Statement of Financial Performance for the year ending 31 March 2009

under VegFed 2009 – Surplus / (Deficit) to be transferred. This will complete the full transfer of all monies between VegFed and the HortNZ Fresh Vegetable Product Group.

Research and Industry Development

Several key projects have been initiated or continued and funded by the FVPG and/or third party contributors through 2009/10 such as:

Aphid Resistance Diagnostic Tools – Funding (Agmardt \$30k)

“Genetic fingerprinting” using DNA-based diagnostic tools suggests that we can identify whether aphids in a crop are resistant to insecticides, eliminating the cost of ineffective spray treatments as well as reducing aphid damage to crops.

Covered Crops ICM Project – whitefly - Funding (SFF \$20k)

This project is to identify the latest available information from around the world and from within New Zealand on the management and control of greenhouse whitefly and to produce it in a series of four easy to read factsheets. Project completed.

IPM Foliage insect pest management in South Island Brassica growing system

This project is an important step towards creating sustainable brassica production systems for New Zealand that will rely primarily on resistance management of DBM.

Hedging our bets – Funding (SFF \$20k)

Selecting hedgerow plants to enhance beneficial insects to optimise crop pollination and pest management on Canterbury farms.

Psyllid Management – Funding (SFF \$600k over 3 years/FVPG \$60k)

Considerable activity has occurred in this project during the last reporting period. National monitoring of psyllid numbers is now complete in potato, field tomato and tamarillo crops.

ERMA – Agrichemical Assessment – Funding (FVPG \$23k over 3 years)

Understanding the regulatory systems in New Zealand for registration and the use of agrichemicals is a key component in taking a strategic approach to future industry investment.

Violet Root Rot (VRR) – Funding (SFF \$170k over 3 years/FVPG \$60k)

VRR, caused by the fungal pathogen *Rhizoctonia crocorum*, causes substantial economic losses and threatens the long-term viability of the carrot industry in the Ohakune region.

NMEA project – Funding (MAF SFF and Regional councils/FVPG \$15k)

The Nitrogen management for the environmental accountability project has made significant progress over the past 2 years.

Vital Vegetable Program – Funding (FVPG \$10k)

Continued research to develop health enhancing properties in crops such as broccoli, which was the first product to be launched in Australia.

Promotion activity

The Product Group has continued to provide promotion levy as the majority funder, with the financial year's contribution being \$260k along with contributions from Potatoes NZ and the Fresh Tomato Product Group, to the joint Fresh Product Groups' Promotion Committee. An additional \$29,000 was spent on promotional PR activities and the www.freshvegetables.co.nz website. The promotion levy is used to provide a wide range of high quality resource material and information to the education, health and retail sectors.

The immediate future

The main issues facing growers to be addressed are:

- Biosecurity threats
- Limited export opportunities due to limited shelf life
- Difficulty to increase revenue returns from the domestic market
- Controlling increased production costs, especially post harvest, RMA and prescriptive rules requiring compliance
- Super City councils amalgamation ramifications (Franklin/Pukekohe)
- Possible restructure within the FVPG and FTPG Product Groups.



Keith Vallabh
Chairman



John Seymour
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