

FEBRUARY 2022

Apple and pear

Strategic Investment Plan 2017-2021

PERFORMANCE REPORT



Apple and pear SIP performance report

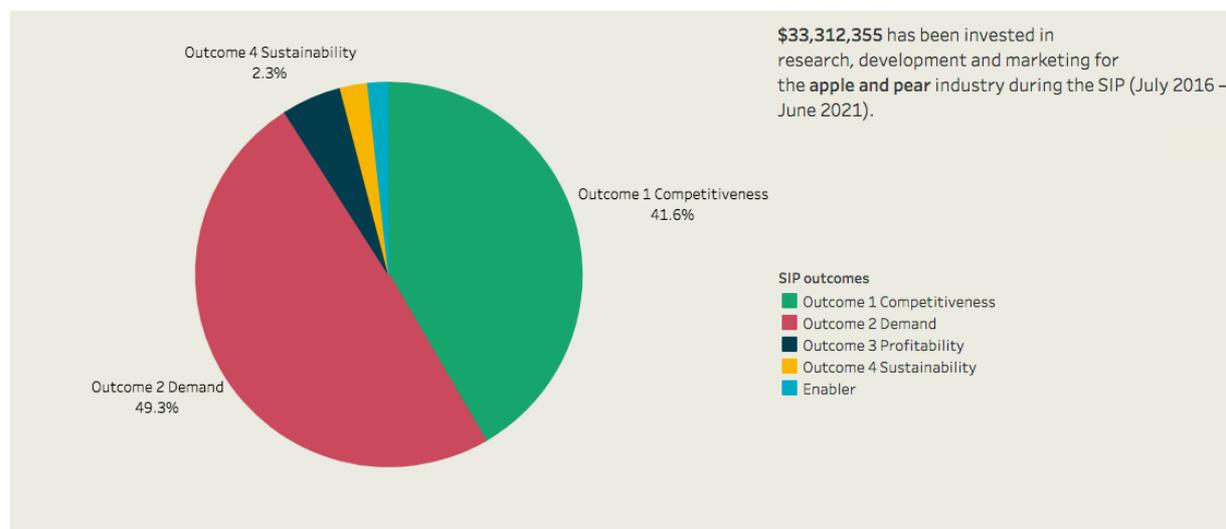
This performance report reviews the performance of levy investments delivered against the apple and pear Strategic Investment Plan (SIP) that was active for the 5-year period from 2016/17 to 2020/21. The SIP was developed to strategically guide research and development (R&D) and marketing levy investment in accordance with core industry priorities. The SIP featured four outcome areas, 26 strategies and 19 key performance indicators (KPIs), summarised in Table 1. A total of \$33.3 million was invested into the Apple and Pear Fund over the 5-year term of the SIP. The total investment expenditure allocated against each outcome is provided in Figure 1.

Table 1: Apple and pear SIP outcomes

Outcome	Description	Expenditure allocation*
1. Productivity	Industry profitability and global competitiveness is improved by reducing the average cost per carton	41.6%
2. Demand	Growing demand in both domestic and export markets has increased the value of the marketable harvest	49.3%
3. Profitability	The value of the average bin has risen, resulting in improved industry profitability	0%
4. Sustainability	A cultural shift across industry has better equipped growers for long-term sustainability	3%

*Total investment \$33.3 million as of June 2021. Balance of expenditure comprises of enabler investments, which includes expenditure to support the delivery of the SIP including advisory meeting and publication costs.

Figure 1: Apple and pear SIP investment expenditure analysis



SIP performance analysis

This performance report reviews the investment achievements delivered within each outcome area that have generated impact for growers. The overall status of each strategic area was informed through an assessment of KPI performance is also provided. The evaluation status and criteria were:

Strategic area status	Criteria
Achieved	KPIs for this strategic area were met
In progress	Investment delivery remains ongoing
Not achieved	Investment was not prioritised in this strategic area

The results have been informed from evidence compiled through reviewing investment documentation and engagement with project managers. Outcomes generated through the investments are documented and brief case studies of flagship performance and impact for each outcome area are also provided.

Outcome 1: Productivity – Industry profitability and global competitiveness is improved by reducing the average cost per carton

The apple and pear SIP 2017-2021 identified higher input costs relative to competitors, and lower and more variable yield than competitors as major challenges for the Australian apple and pear industry.

Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support apple and pear competitiveness are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Enhanced mechanisation, automation, and scale.	Achieved
Improved pest and disease management	Achieved
Improved soil health	In progress
Improved labour productivity	Not achieved
Improved farm and supply chain data connectivity	Not achieved
Initiate a Future Pack House concept	Not achieved

KPI callouts:

- Key investments in orchard productivity have been the ongoing projects *Australian apple and pear industry innovation and adoption program* (AP15004) that supported the ongoing delivery of the internationally renowned technology-transfer Future Orchards program.
- Through a portfolio of projects, the SIP continued investment in the successful PIPS program (Productivity, Irrigation, Pests and Soil) that has reduced the total cost of production through research into Artificial Spur Extinction (ASE), integrated pest and disease management (IPDM) and precision tree structures. An independent assessment estimated that IPDM refinement through the PIPs program – which is currently applied to 20% of orchards – reduced pesticide costs by 3%. Cost savings from ASE were estimated at \$1/tree or \$1,950/ha on trial sites.

Case Study: Australian apple and pear industry innovation and adoption program (AP15004) and Delivery of apple and pear Future Orchards extension program (AP15005)

Projects AP15004 and AP15005 supported the delivery of the fourth apple and pear Future Orchards program, which was responsible for accelerating and expanding the adoption of innovation and technology in apple and pear businesses, and facilitating industry capacity-building.

Future Orchards is an internationally renowned technology-transfer program. It includes regular orchard field walks, orchard benchmarking, and orchard business analysis to deliver world's best practice and R&D linkages to apple and pear growers in Australia's major growing regions.

Future Orchards 4 aimed to continue to up-skill the workforce, improve grower crop and business risk mitigation strategies, and provide grower services and technical support along the supply chain. It sought to improve crop protection stewardship and chemical access, provide biosecurity preparedness, improve post-harvest productivity, and nurture technical preparedness for export.

Project AP15005 was specifically responsible for the technical delivery of the Future Orchards program. It covered the Focus Orchards network to demonstrate the adoption of best practice and new technology, Focus Orchard properties, OrchardNet, Orchard Business Analysis reporting and regional trials.

Orchard walks were held two or three times each year (alternating years) across the eight growing regions. Attendance ranged between 175 and 376 participants for each 'loop' of orchard walks across the eight regions, depending on seasonality and competing orchard activities.

Evaluations conducted after project events and activities indicated that the majority of participants (frequently 90-100%) left an event having learned something that they were likely to try on their own orchard.

Outcome 2: Demand – Growing demand in both domestic and export markets has increased the value of the marketable harvest

The apple and pear SIP 2017-2021 identified a target of increasing demand in domestic and export markets. The domestic channel accounts for the majority (65%) of apples and pears supplied to the fresh market, with just 1% of apple volume and 8% of pear volume being exported (remaining volumes are supplied for processing). Increased supply without increased demand was identified as a major challenge with the potential to depress prices to uneconomic levels.

Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support apple and pear demand are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Develop domestic marketing plan	Achieved
Understand and address consumer needs	In progress
Improve category management at supermarkets	Achieved
Grow non-supermarket channels	In progress
Build export competitiveness and capability	In progress
Develop an export market development plan	Achieved

KPI callouts:

- The domestic marketing strategy was delivered through multiple projects including *Consumer research and tracking* (AP17519), *Apple Marketing Campaign* (AP17500), and *Apple & Pear Category Strategy* (AP18520), supporting improved insight into consumer awareness and targeted marketing and category management strategies to drive domestic value.
- For pears, the ongoing project *Pear Export Marketing Initiative* (PA17515) targeted key markets including Hong Kong, Canada, New Zealand, and Singapore. The project is seeking to demonstrate that commercial opportunities for Australian pear exports exist, and develop functional models of working with in-country brand marketers, seasonal windows of opportunity, and global supply arrangements with foreign retailers.
- For apples, the project *Pilot Marketing Activities to Drive Offshore Demand for Apples* (AP17500) sought to drive growth in some of the top markets identified in the export strategy through the development and roll out of country specific marketing campaigns building premium brands for Australian apples. The strategy used in this project was effective in creating a point of difference, both through emphasis of premium provenance and taste.

Case study – Domestic marketing

Apples

Launched in March 2017 the 'Get Your Crunch On' campaign ran for three years, with activation on TV, digital, radio, outdoor and social media. The campaign built on previously established messaging that apples are the ultimate go-to, on-the-go healthy snack, and achieved consistent year on year growth in terms of advertising recall, message take out and resulting purchases intent.

A comprehensive consumer study was run in 2019, identifying the key opportunities for future growth in penetration, frequency and spend. This in turn led to the development and execution of the new 'Hit Refresh' Aussie Apples campaign, a fully integrated campaign run across multiple touch points including TV, digital video, outdoor and retail advertising, retailer media, PR and social media. The campaign was supported by a quality monitoring merchandising field force program and a category segmentation and shopper program aiming to strengthen preference for Australian apples and contribute to driving consideration and consumption.

The 'Hit Refresh' campaign aimed to reconnect consumers with apples, emphasising a clear, distinct and ownable positioning; apples are the healthy snack that make you feel refreshed and revitalised. Research conducted in 2021 by Fiftyfive5 demonstrated a strong performance of the campaign in driving consumer perception; 51% stating the campaign gave them a better opinion of Australian Apples, 60% saying the campaign was enjoyable and 53% believing the campaign was relevant to them.

Pears

The primary marketing objective over the 2017-2021 period was to increase penetration and purchase frequency of pears by giving consumers the confidence to pick, ripen and use pears, to in turn help grow demand in both domestic and export markets to increase the value of the marketable harvest.

The initial campaign aimed to educate consumers about pear ripening, build consumer knowledge of pear varieties, inspire pear usage in different meal occasions and educate consumers on the health benefits of pears. Campaign tracking conducted in 2018 demonstrated positive shifts in people claiming they were likely to purchase pears, stating their preference for pears as a snack and broadening of usage occasions across breakfast, mid-morning, lunch, and dinner/dessert.

A comprehensive consumer study was run in 2019, identifying the key opportunities for future growth. This in turn led to the development and execution of the new 'Good Things Come in Pears' campaign, supported across high reaching media channels and including out of home advertising, public relations including an ambassador partnership, digital channels including catch up TV and social media, including YouTube.

Outcome 3: Profitability – The value of the average bin has risen, resulting in improved industry profitability

The apple and pear SIP 2017-2021 identified a focus on increasing the average value of product, through increasing the class 1 packout, developing outlets for using second grade fruit, juicing and adoption of alternative business models.

Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support apple and pear profitability are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Improve consistency and percentage of class 1 fruit per hectare	In progress
Value adding and product development for second-grade fruit	Not achieved
Improve industry knowledge and capability in juicing	Not achieved
Raise consumer awareness of imported concentrates	Achieved
Increase industry knowledge of marketing to add value	Not achieved
Increase industry knowledge of farm-to-plate supply chains	Achieved

KPI callouts:

- *New pome fruit products* (AP14025) developed and commercialised new pome fruit products to provide the Australasian apple and pear industry with competitive advantage in international markets.
- *Variety Evaluation and Tree Certification Services for the Apple and Pear Industry* (AP16004) allowed for the continuation of APFIP (Australian Pome Fruit Improvement Program), which undertook variety evaluation to improve productivity and profitability by targeting a range of factors.
- *Promoting Cider made with 100% Aussie Apples* (AP17516) helped raise consumer awareness of imported concentrates. By supporting the development of the *100% Australian Grown* trust mark making it easier for cider drinkers to identify ciders made from 100% Australian-grown fruit and support demand local juicing apples and pears.

Case Study: New pome fruit products (AP14025)

In order to be competitive on export markets and remain competitive against imports on the domestic market, Australian growers need access to new and improved varieties of apples and pears—varieties that can't be easily “copied” by competitors and that allow Australian growers to achieve a higher sustainable price point than they would with commodity varieties

The best way to provide such varieties is to breed them, with ownership of the resulting intellectual property allowing control of their commercialisation.

Over three years, the project *New pome fruit products (AP14025)*, developed and commercialised new pome fruit products to provide the Australasian apple and pear industry with competitive advantage in international markets.

The project funded and set targets for the world-leading Plant and Food Research (PFR) apple and pear-breeding program. Through the project the project, twelve pome fruit varieties were commercialised in seven main territories – New Zealand, Australia, USA, Canada, South Africa, China and the UK – with some 2.1 million trees planted by project conclusion. In Australia, 540,000 trees were contracted for planting at the end of the project, providing improved pome fruit products to create competitive advantage for Australian growers on domestic and export markets.

Once productive, the fruit produced by the new varieties can be sold as new, specialised, branded products to drive higher prices protected from commoditisation. Further, as is the current practice for apples sold under the PINK LADY® brand, trade flows can be coordinated between hemispheres, such that fruit from one hemisphere doesn't meet fruit from another hemisphere in the same market place.

Outcome 4: Sustainability – A cultural shift across industry has better equipped growers for long-term sustainability

The current SIP (2022-2026) identifies the importance of a cultural shift that engages growers in capability development to support long-term sustainability. Investment in this outcome was not prioritised in the apple and pear SIP 2017-2021.

Summary of strategic area and achievement status:

The strategies in the SIP that were identified to support apple and pear industry capacity are listed below. An achievement status is provided based upon internal evaluation of project performances:

Strategic area	Status
Improve grower leadership and business skills	In progress
Investigate updated tree register	Not achieved
Increased grower engagement in projects	Achieved
Protect industries reputation for safe food	Not achieved

KPI callouts:

- The delivery of industry leadership and training was supported by *Apple and Pear Industry Leadership Initiative (AP15015)*, which provided a 2-year Bachelor of Agribusiness scholarship to a Tasmanian apple grower enabling them to provide high-level managerial input into their own business, their industry and their regional community.
- The Apple and Pear Fund also invested in the future of the industry through multi-industry projects *Attracting New Entrants into Australian Horticulture (LP15006)*, *Masterclass in Horticultural Business (LP15001)* and *Women Leaders Workshop (MT16003)*.