

Australian Bananas

2009 - 2014

**The Strategic Plan for the
Australian Banana Industry**



Quality - Power - The Horticulture™

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Australian Banana Industry**

RESEARCH WITHOUT BOUNDS



Kiri-ganai research



Know-how for Horticulture™

This plan has been prepared by Kiri-ganai Research Pty Ltd for the Australian Banana Growers' Council and Horticulture Australia Limited.

Our Vision

Australian Bananas are the first choice snack food for all Australians

Our Mission

We do this by:

- **Constantly measuring consumer satisfaction with our product,**
- **Ensuring our product range provides consumers with choice,**
- **Identifying and exploring new ways to exceed consumer expectations,**
- **Taking decisive action to protect the biological integrity of our product, and**
- **Delivering for our growers a profitable, competitive and united industry.**

Our Plan

This has been called for on the basis that:

- In July 2008 a national banana levy, which will be managed by HAL, was implemented.
- Over the next five years, HAL is likely to invest about \$25 Million in banana R&D, plant health and marketing projects on behalf of industry and the Australian Government. Commercial interests, State agencies and others are likely to invest a similar amount.
- Levy and other funds need to be invested strategically to attain the highest return on investment

In 2007, a Taking Stock and Setting Directions (TSSD) project was undertaken that has provided a thorough analysis of the industry and provided a sound basis for a new strategic plan. Although this plan is predominantly a grower's plan, it enlists the commitment of stakeholders to participate in initiatives to ensure the industry as a whole benefits. A cohesive and coordinated national direction, agreed upon by a broad cross section of the industry, will drive profitability, improve practices and generate success in a global market.

Our Objectives

- **Increase consumer demand by 15% by 2014 through marketing and promotion of Australian bananas**
- **Increase production efficiency equating to a 5% increase in profit per kg with minimal to no environmental impact**
- **Ensure a positive return on investment of industry levies by enhancing the industry's leadership, capacity and influence**

Our Industry

The Australian banana industry is a vital part of the domestic food industry. With fruit being available all year round it has become a staple of many Australian diets. In dollar value terms it is the single largest Australian fresh horticulture crop and the industry plays an important economic role in regional areas of subtropical and tropical Australia.

With many challenges likely to confront the industry within the life of this 5-year plan, the Australian banana industry must harness its competitive edge and seek out new opportunities for further development in the years to come.

Challenges & Implications

The Situation for the Industry:

- Industry's growth is only broadly in line with population growth; a lack of skilled labour has impeded the industry in the past; profitability is scale and innovation dependent; and there are perceived risks especially from retailers in relation to the geographic concentration of the industry.
- While no international benchmarks exist, production costs are generally presumed to be higher than overseas producers.
- Opportunities may be available for reducing input costs through further production system improvements including mechanisation, diversification and through value chain collaboration, especially in relation to transport.
- Although the industry is perceived as a producer of clean and green product, the industry's environmental performance and credentials are yet to be fully demonstrated to the market.
- If the industry does not respond to consumers' need for an expanded range of banana products, a gap or an opportunity may be created in the market which may be filled by competitors.
- Little branding and product differentiation is undertaken.
- While industry stakeholders report an ongoing reluctance to share information, industry customers (retailers and wholesalers) place a high priority on improved supply forecasting.
- The Industry Stocktake report suggests that current R,D & E investment in the banana industry is comparatively low but adoption rates are relatively high.

Implications for the Plan:

- A focus on customers is paramount to build customer satisfaction and loyalty, consumption and profitability.
- Subtropical industry profitability must improve – longer-term producers will struggle to remain profitable with current technology, marketing and business management systems.
- There is a need for tools to measure comparative enterprise performance and tools to measure the impact of management

decisions/options on returns.

- Demonstrating environmental performance and sustainability is a strategic priority.
- Value adding through differentiation needs to be more widely practiced in the banana industry. There are few exceptions to a largely homogenous, production oriented, single variety industry and commodity (“Cavendish cult”).
- The industry must improve its competitiveness to compete with potential international competitors on an undifferentiated product basis.
- A forum for information exchange with major supermarkets and other parts of the supply chain is needed.
- While exports are almost non-existent, innovative producers are recognising opportunities.
- R&D and additional public and or industry bio-security resources are required.
- Many growers need help to overcome the difficulties in sourcing and retaining suitable field and packing labour.
- Maintaining R&D capability is necessary to underpin industry competitiveness and innovation.
- Risk management plans are needed for dealing with international competitors (commercial perspective), exotic pest/disease outbreak (national perspective), cyclones (industry planning) and long-term climate variability (industry planning).

Focus on the Consumer

The future of the banana industry rests on its capacity to understand and meet consumer expectations in a way which maintains and increases consumption of Australian bananas.

Market research shows that the key drivers in banana purchases include:

1. Price and value for money; 2. Appearance; 3. Variety (ripeness/size); 4. Product availability; and 5. Health and nutritional value.

Meeting these values is necessary, but not sufficient. Banana purchases are subject to competition from other fruits and other food products. Within the food category, there is intense competition for a share of the consumer’s total food budget.

There are some longer term trends that must be taken into account by the industry. Consumers are becoming more conscious of food safety, contribution of food to health and the environmental sustainability of production. Over time this could translate into strong preference for foods that meet these requirements. Bananas have some advantages over other food products in this regard, but this is not necessarily widely known by consumers.

Adhering to production systems that are considered environmentally sound is essential to access certain customers, and most retailers have strict specifications on both the quality of the product and the integrity of the production process. Maintaining product quality to these customers and through to the consumer is vital.

Taking a Whole-of-Industry Approach

Achieving the banana industry's vision of 'the first choice snack food' depends on a whole-of-industry approach. The industry must work and be seen as a whole rather than a loose assembly of individual sectors. With increasing consolidation through the value chain, enhancing competitiveness will depend on improving the efficiency and value of services and infrastructure throughout the whole chain. Banana growers are an integral part of the banana value chain and their future depends on their ability to work effectively with other sectors. Likewise, the health of these other sectors depends on a strong, profitable production base.

The Australian banana industry is part of the global food industry and has to compete where success depends on meeting consumer expectations about their food purchases. With other Australian fresh food industries aiming to win a greater slice of the total food pie, it is important that the banana industry work with other fresh food sectors to increase the overall size of the fresh food pie at the expense of the non-fresh food market (i.e. the non-health food Industry).

The global market economy in which the industry competes has been built by communication and transport technologies breaking down boundaries and trade barriers being reduced. These developments have opened up opportunities for Australia to export its food products. The other side of globalisation is that it opens our markets to the same level of competition we demand of our export markets.

In consumer dominated markets, supplier success factors include:

- close knowledge of consumers' values and buying preferences and the ability to supply products which meet consumer expectations;
- major investment in differentiation against the best competing suppliers from anywhere in the world;
- achievement of continuity of quality supply;
- having the business approach and systems to be able to deal with more consolidated buyers including retail chains;
- having the capacity and systems to supply global sourcing networks which may mean being able to source product both domestically and from overseas; and
- being able to build long term relationships with buyers and able to supply according to their specifications particularly in relation to quality and food safety.

In this environment, new business models for achieving scale, accessing capital for growth and employing professional management and labour skills are required to be competitive and remain profitable.

Delivering the Plan

Time horizons of the Plan

This Plan will be implemented and operate over a five-year time horizon: 2009 to 2014. This divides into two critical timeframes:

Medium term (ie, from 3-5 years out to 2014) – this is the time horizon in which we expect significant progress in achieving the outcomes sought through the Plan.

Short term (ie, within the next 3 years to June 2011) - many of the strategies represent existing or new core business of the industry that needs to be addressed and implemented immediately or within this short term horizon of three years.

Responsibilities for delivering the Plan

Although this Plan is predominantly a growers' plan, it relates to all parts of the value chain and supporting services from the farm to the consumers' plate. Achievement of the vision and the outcomes will result from the commitments given by all sectors of the industry, to implement the strategies within their own businesses. This responsibility lies with the many individual businesses that are part of the Australian banana industry.

Many aspects of the plan will directly influence the investment decisions of HAL and its Industry Advisory Committee (IAC). The Marketing and Research sub-committees in particular will use the plan to determine their investment priorities in respect to the expenditure of industry levies.

Role of the ABGC

For almost half a century, the Australian Banana Growers Council has been the industry's peak body. The ABGC accepts responsibility for overseeing the implementation of this strategic plan, driving adoption of project outcomes and assisting, where possible, other organisations to implement components of the plan.

The ABGC's role includes communicating the benefits, facilitating collaboration and monitoring and reporting on progress. The plan will need to adapt to changing circumstances and will be assessed by the ABGC Board. The Plan will be reviewed annually along with the levy program.

The Australian Banana Industry Strategic Plan

Our Vision

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We do this by:

- Constantly measuring consumer satisfaction with our product
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- Taking decisive action to protect the biological integrity of our product, and
- Delivering for our growers a profitable, competitive and united industry

OBJECTIVE 1:

Increase consumer demand of Australian bananas by 15% by 2014 through marketing and promotion

Strategy 1.1

Build the Australian Banana Brand through market research and promotion

Strategy 1.2

Satisfy our customers by understanding their needs and specifically delivering to their requirements

Strategy 1.3

Diversify the range of products and eating occasions for Australian bananas through product development, value adding and placement to increase consumption

OBJECTIVE 2:

Increase production efficiency by 5% by 2014 with minimal to no environmental impact

Strategy 2.1

Improve banana production and supply systems and quality through innovation and benchmarking

Strategy 2.2

Improve utilization of waste to maximize profitable returns from each harvest

Strategy 2.3

Safeguard industry production systems and markets through protecting the integrity of Australian bananas

Strategy 2.4

Safeguard the environment and society through improving the environmental integrity of Australian banana production

OBJECTIVE 3:

Ensure a positive return on investment of industry levies by enhancing the industry's leadership, capacity and influence

Strategy 3.1

Strengthen current and future industry leadership and capacity to ensure long-term sound stewardship of the Australian banana industry

Strategy 3.2

Improve two-way communication & knowledge transfer to underpin better industry and business decisions and improve stakeholder confidence in the industry

Strategy 3.3

Develop effective risk management capability to enhance industry resilience and response to a range of potential emergencies

Objective 1:

Increase consumer demand of Australian bananas by 15% by 2014 through marketing and promotion

Rationale

A focus on customers and consumers is the foundation of any successful industry. Bananas have shown to be price sensitive compared to some other fresh food competitors, and competition with snack foods is intense for all fresh produce. Satisfying consumers, building their loyalty and growing total consumption is a fundamental aim of the Australian banana industry.

Like many other farmers, banana growers receive marginal returns for their product due to prices exceeding the cost of production only slightly in most years. While the next objective deals with reducing production costs, this objective seeks to increase demand to the level that banana prices start to increase as consumers seek a quality product that appeals to them. The alternative, which is to reduce production, would see some growers exit the industry, and all growers lose the potential opportunity for growth.

Analysis of worldwide banana consumption suggests that while Australians are relatively large consumers of bananas, there is room for increased consumption, both across the population base and within particular demographic categories, most notably the 18-35 age category. So what ought to be the target?

Comparative studies with other agricultural industries suggests that constant and effective promotion can lead to a 15% increase in consumption of fresh food at forecasted prices, but greater increases are only likely to arise if prices fall substantially, and certainly below the cost of production. While this varies from industry to industry, a 15% increase in consumption of Australian bananas is viewed as feasible.

Effective promotion, however, means having a good understanding of the customer so that promotional activities are tailored appropriately for greatest impact. Good market research not only helps design good promotional activities, it provides feedback important to the industry so that growers, packers, wholesalers and retailers improve what they deliver and the way they deliver it. This ensures that not only is a brand built and promoted, it also has integrity and can be trusted.

Increasing consumption will mean being innovative about reaching consumers in new and different ways. This need is complementary to another need, which is to reduce wastage of bananas whose attributes are not immediately appreciated. Working with marketers and the value-adding sector is a critical element of this objective to ensure that issues of both consumption and value are tackled together.

In summary, the Objective seeks to increase consumption of bananas by 15% through the strategies of understanding markets and building the Australian banana brand; satisfying customers so that their needs are met and they return and buy more, and increasing the opportunities for customers to purchase what they want and when they want it.

Objective One

Increase consumer demand of Australian bananas by 15% by 2014 through marketing, promotion and product development

Strategy	Strategy 1.1 Build the Australian Banana Brand through market research and promotion	Strategy 1.2 Satisfy our customers by understanding their needs and specifically delivering to their requirements	Strategy 1.3 Diversify the range of products and eating occasions for Australian bananas through product development, value adding and placement to increase consumption
Sub strategies	Develop and implement a domestic market research program that informs effective promotion of Australian bananas	Conduct supply chain analyses to determine the factors throughout the chain preventing the reliable delivery of bananas at retail level that match consumer expectations	Develop and promote alternative usage ideas for the full range of bananas
	Strengthen the Australia Banana Brand presence through national promotion, building on bananas' favourable attributes and environmental appeal	Ensure the industry delivers to consumers the range of size and ripeness of fresh bananas that match consumer needs	Expand the product range within the fresh banana category through the exploitation of varieties with high consumer appeal and viable agronomic and supply chain performance
		Ensure packaging, display and presentation to maximize the overall appeal to the consumer	Enhance the range of value added products that use Australian bananas in response to market research feedback
		Capture maximum share of the snack food market through innovative product placement and distribution, supported by appropriate promotion under strategy 1.1	
The Result	Year-on-year increase in Australian banana consumption as evidenced in sales surveys	Year-on-year increase in customer satisfaction with Australian bananas as evidenced in consumer surveys	Market research shows at least 80% of consumers are satisfied with the product range of Australian bananas (fresh and processed)
15% increase in consumption of Australian bananas over the life of the strategic plan at profitable wholesale prices			

Objective 2:

Increase production efficiency by 5% by 2014 with minimal to no environmental impact

Rationale

Meeting customers' demands must be complemented with improving the economic, social and environmental returns to growers so that banana businesses remain viable and thrive. The banana industry's competitors (other fruits, processed snack foods etc) have some advantages, particularly given the high labour costs faced by Australian banana growers. Economies of scale, competing demands for resources, urbanisation and cost of land also place pressure on the productivity and profitability of Australian banana businesses.

The starting point for increasing efficiency is understanding the current position, or baseline, and continuously improving every part of the production system in order to move away from the baseline and preferably towards a benchmark. Comparisons against other industry participants and against a range of business and production system factors helps target where the best improvements can be made. Indeed a good benchmarking system can be the platform from which many complementary research and extension activities can be identified, take place and get discussed.

Increasing efficiency in production systems and along the value chain, however, is meaningless if the resource base is threatened or eroded. This resource base includes the banana plant itself, the soil and water upon which the plant depends and the human capital that is needed to service and support the industry's capacity to safeguard itself, the community and the environment. While there is a direct productivity return to the industry by protecting plant health and maintaining a healthy environment, including the productive capacity of soils, there is also an expectation within governments and communities that industries behave ethically and have minimal impact on the wider environment. This is not simply a communication challenge, but one of integrity, and the Australian banana industry must be able to show evidence that it lives up to its sustainability creed.

The value of protecting the health and integrity of Australian banana plantations is immeasurable, as the impact of disease and other disasters can affect regional economies, community networks and farm family livelihoods irreparably. This is not simply an industry issue, although the high cost of plant protection must remain a core business for industry investment.

This objective recognises that the condition of one part of the industry affects the condition of other parts, and so the value chain is an important consideration in the mix of activities that increase industry efficiency. The objective also needs to be well informed by the outcomes of market research and analyses derived from the first objective.

In summary, the Objective seeks to lift industry profitability and sustainability by improving production systems on a well informed basis and in the process protecting both the plant system and environment vital to the industry's production base.

Objective Two

Increase production efficiency by 5% by 2014 with minimal to no environmental impact

Strategy	Strategy 2.1 Improve banana production and supply systems and quality through innovation and benchmarking	Strategy 2.2 Improve utilization of waste to maximize profitable returns from each harvest	Strategy 2.3 Safeguard industry production systems and markets through protecting the integrity of Australian bananas	Strategy 2.4 Safeguard the environment and society through improving the environmental integrity of Australian banana production
Sub strategies	Establish benchmarking tools to measure and continuously improve enterprise performance and business systems	Reduce waste product through identifying and eliminating on-farm practices currently contributing to waste	Strengthen plant protection planning and preparedness to ensure the long-term integrity of Australian bananas	Quantify the Australian banana industry's environmental performance
	Improve production systems through on-farm innovation, with a particular emphasis on mechanisation, to reduce costs of production		Improve industry and community awareness of plant protection issues to facilitate a concerted focus on protecting the long-term integrity of Australian bananas	Investigate the efficacy of, and if feasible, establish a mechanism to demonstrate the environmental integrity of Australian bananas to consumers
	Improve profitability across the value chain by identifying opportunities to improve efficient supply beyond the farm-gate	Develop alternative uses of banana plant waste in a range of products	Maintain and enhance scientific and technical support capability to ensure threats to Australian banana health can be prevented or rapidly ameliorated	Increase awareness of the banana industry environmental profile specific to target markets outlined in the industry's communication plan
	Establish practices that enhance fruit quality throughout the value chain			
The Result	Increase in production efficiency equating to a 5% increase in profit per kg	Industry waste utilisation plan is in place by 2014	At least 80% of Australian banana industry participants are confident in the industry's capacity to deal with biological threats to Australian bananas	At least 80% of Australians recognise the Australian banana industry's commitment to its environmental integrity
Increase in production efficiency equating to a 5% increase in profit per kg by 2014 with minimal to no environmental impact				

Objective 3:

Ensure a positive return on investment of industry levies by enhancing the industry's leadership, capacity and influence

Rationale

A strong industry is one that has an effective peak body and builds and maintains good relationships throughout the industry, with government, service providers and the community. It keeps itself well informed, reviews its performance and holds itself accountable to industry members.

Above all else, a strong industry communicates effectively. This means communication that is two-way, and specific to different stakeholder groups. The Australian Banana Industry needs to listen to its growers, value chain partners, co-investors and the community so that it can enhance its contribution to the mutual well-being of both industry and society. Likewise, the industry needs to tailor its messages to different stakeholder groups so as to respect their different needs and maximise the likelihood of each message being heard and acted upon.

Like many rural industries, however, the Australian banana industry faces a range of issues that cannot be resolved through technical means alone. Policy development and advocacy, collaboration and communication with partners, stakeholders and community groups, and preparedness for risks to natural disasters all require substantial commitment of time and effort by people who are skilled or are willing to become skilled in these areas. This requires fundamental investment in the long-term development and nurturing of human capital. The aging population of the industry demands that the young, and young at heart, be encouraged to contribute to the welfare of the industry.

Even where the technical support base is concerned, similar challenges are faced with too few young people attracted to the agricultural research profession. Technical issues, particularly in relation to maintaining the biological integrity of bananas and the productive and environmental integrity of banana farming systems, won't go away even beyond the life of this strategic plan, and so scientific and advisory services will always be essential to the industry's survival, let alone its growth.

Leadership is important at every level of the industry: on farms; in industry bodies; and in the scientific, advisory and other support organisations that service the industry and its members. Making effective decisions on behalf of investors and levy payers can be a demanding and thankless task, but the rewards for good decisions benefit the entire industry and quite often the wider community. Ensuring governance structures are right, fresh energy is injected from time to time and decisions can be made with confidence that there is long-term stability in their implementation requires an investment in the business capacity of both current and future leaders.

This plan will change the investment culture of the Australian banana industry by focusing on returns to investment and sound program management. Over time, attention will be paid to ensuring that interconnected projects are coordinated through a logical framework so that results from different activities add value to each other and are communicated in context to specific target audiences. A comprehensive approach to extension needs to be taken, recognising that not all growers learn in the same way or at the same pace. They also make decisions in very different contexts and need to see how research results can be adapted for their own, and not a hypothetical, situation.

Objective Three

Ensure a positive return on investment of industry levies by enhancing the industry's leadership, capacity and influence

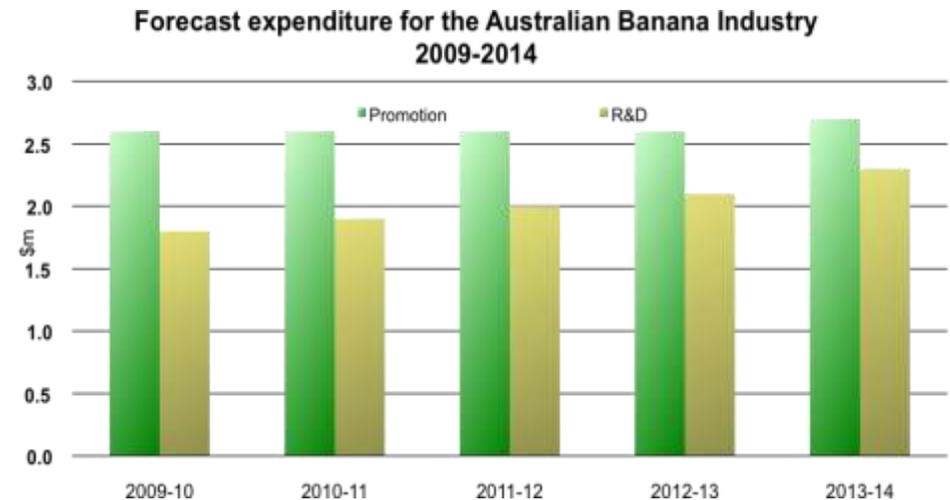
Strategy	Strategy 3.1 Strengthen current and future industry leadership and capacity to ensure long-term sound stewardship of the Australian banana industry	Strategy 3.2 Improve two-way communication & knowledge transfer to underpin better industry and business decisions and improve stakeholder confidence in the industry	Strategy 3.3 Develop effective risk management capability to enhance industry resilience and response to a range of potential emergencies
Sub strategies	Develop leadership and governance skills of current leaders to enhance the effectiveness of industry structures	Collect and communicate to industry members improved information on production and markets, including forecasts, to underpin production, product development and distribution decisions	Strengthen current industry emergency plans to underpin rapid response to emergencies
	Develop a succession plan across ABGC, and facilitate succession planning at regional and enterprise level, to ensure the industry has a strong pool of long-term potential leadership talent at every level	Develop and implement a comprehensive industry communication plan to foster communication of relevant information across and between all sectors of the banana industry as well as ensuring the public are well informed about the benefits of the Australian banana industry and support its ongoing contribution	Educate growers on the emergency plans and carry out training exercises to ensure industry preparedness for a range of emergencies
	Develop and advocate industry policy positions on issues that impact the banana industry and its surrounding communities to secure the long-term provision of Australian bananas to consumers	Provide forums for regular value-chain interaction to ensure effective relationships between sectors that enhance cooperation, co-investment and industry efficiency	Enhance industry resilience to natural disasters by increasing the diversity of regions where bananas are grown and exploring the use of alternative production systems
		Document industry contributions to regional economies and the environment to underpin promotion and stakeholder communication	
	Attract young researchers and extension support into the industry to ensure the long-term capacity to address the technical, social and economic issues that will continue to confront the industry	Improve extension and adoption of industry best practice through comprehensive program-based extension strategies	
The Result	At least 80% of industry stakeholders recognise the ABGC as providing effective leadership	At least 80% of industry and stakeholder survey respondents are satisfied with industry communication	Emergency plans remain current, adequately resourced and are recognised by at least 80% of industry
A strong, united and accountable industry capable of achieving a positive return on investment in this strategic plan			

Budget and return on investment

The Budget

The Australian Banana Industry levy determines the total budget available to implement this strategic plan, including the allocation of revenue between promotion and R&D. The total budget depends on revenue less a range of other commitments. The anticipated program expenditure over the life of the Strategic Plan is approximately \$2.6 million per annum for promotion and \$2 million per annum for R&D (including Commonwealth matching funding), taking account of other commitments and assuming production of 22 million cartons per year.

It is important that the industry seeks to increase its budget through collaboration and leverage of investment.



Investment analysis

During the development of this plan, a process of economic modelling was used to assess the likely return on investment from implementation of the plan. The analysis explored the likely payoffs under two scenarios: one with no imported bananas during the life of this plan, and one with imports from the Philippines commencing in 2012. The likely payoffs from each scenario differ due to the interactions between market forces and these differences (as well as the assumptions factored into the model) need to be taken into account when allocating resources for implementing the plan.

In a closed market as is currently the case, the analysis shows that the greatest benefits are likely to come from investments that help to increase demand. Under this scenario, the industry is able to capture all of the benefit from increased demand either through higher prices or increased consumption of Australian bananas. A key insight from the modelling is that the benefits from any initiatives that potentially improve productivity of the supply chain, in a closed market where producers will respond by increasing output, will mostly be passed onto consumers in the form of lower prices.

In the case of imported bananas, the modelling indicates that programs that enhance Australian productivity will have better payoffs because Australian producers can 'win back' market share from global suppliers, rather than passing the benefits on to domestic consumers. The payoffs from investments that build demand are still significant in the case of imports, particularly investments that deliver a point of difference in the market.

Our Vision

Australian bananas are the first choice snack food for all Australians

Further information about Banana Industry marketing, promotion and R&D investments can be obtained from:

Australian Banana Growers Council: www.abgc.org.au
Horticulture Australia Limited: www.horticulture.com.au



www.horticulture.com.au