Summerfruit Export Strategy

Market profile report

SF22000

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Hort Innovation

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1 | Executive Summary

The Australian summerfruit industry has experienced limited levels of export growth in the past 5-years, renewing the need for an export strategy

In recent years, the Australian Summerfruit industry has become more export oriented in a push to drive sustainable industry growth and create market opportunities for fresh summerfruit. In parallel, the Australian Summerfruit industry has experienced limited levels of export volume growth (-0.3%) in the five (5) years to 2022.[1] As a result, there is a need to continue driving market development for fresh Australian summerfruit in export markets to underpin industry growth and productivity.

Summerfruit market dynamics

Once reliant on processing, the summerfruit industry is transitioning towards fresh consumption in domestic and export markets

- The Australian summerfruit industry is undergoing a transition away from processing. This shift is attributed to high local processing costs compared to imports, and shifting consumer preferences in local and global markets for fresher fruit.[1]
- As a result, there is a need to continue driving market development for fresh summerfruit in domestic and export markets to underpin industry growth and productivity.

Summerfruit exports provide an opportunity to drive industry volume and value growth and diversification opportunities for the sector

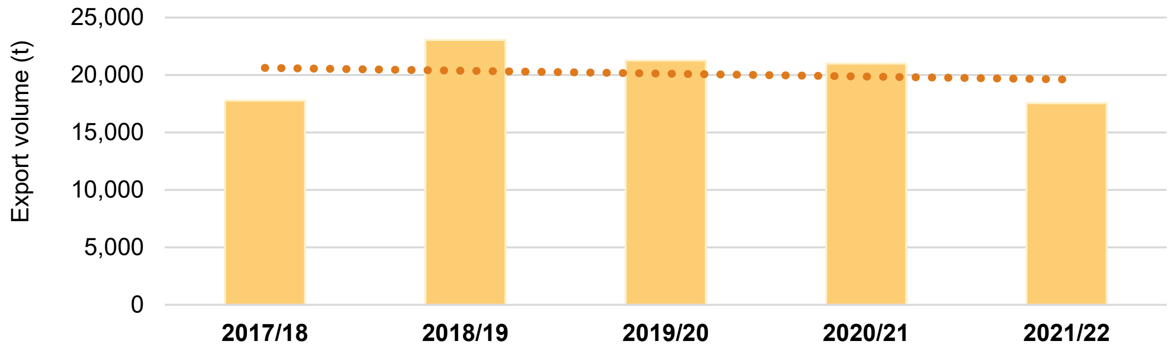
- Australian summerfruit growers have an advantageous seasonality window to compete in the global export market. Peak export aligns with the northern hemisphere counter season, presenting Australian growers with export opportunities in several markets with strong demand for summerfruit. In these markets Australian Summerfruit growers face competition from both Chile and South Africa.
- Additionally, the southern hemisphere accounts for approximately 15.9% of trade, with an average of 26% of southern hemisphere domestic production exported. This indicates a strong demand and opportunities for counter seasonal trade.[2]

The Australian summerfruit industry has experienced limited levels of export growth in the past 5-years

- The Australian summerfruit industry has experienced a -0.3% reduction in the volume of exports in the period between 2017-2022.[2]
- This presents a renewed opportunity to establish a strategy that aims to increase export volume and value growth. In order to achieve export growth, the industry must ensure existing markets are maintained and grown, whilst negotiating improved market access pathways to diversify potential export destinations.

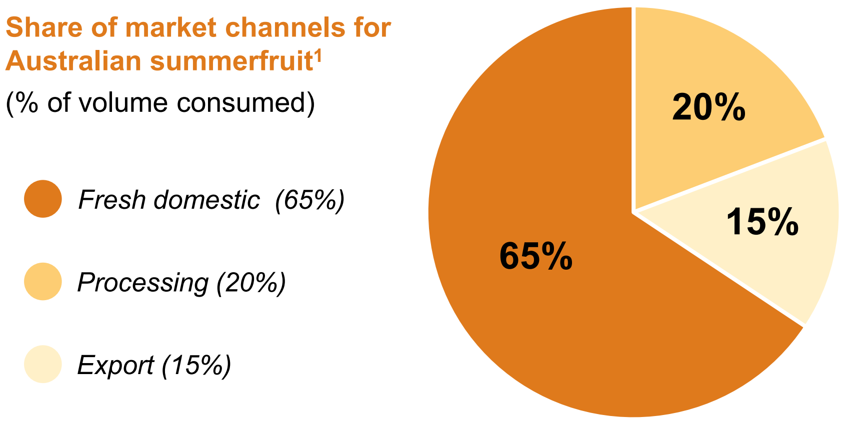
Australian summerfruit exports – 2017-22[1]

(tonnes)



Share of market channels for Australian summerfruit[1]

(% of volume consumed)



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References:

1. Hort Innovation, 2022, Summerfruit; Strategic Investment Plan (2022-2026)
2. Hort Innovation, 2021, Summerfruit global market analysis 2021/22

As a result, an export strategy is required to position the summerfruit industry for success and to achieve export volume and value growth

The Australian summerfruit industry export strategy aims to achieve overall growth in export value and volume by providing industry members with practical direction to develop international relationships, understand key supply chain nuances, and form a clear understanding of how to succeed in export in identified export markets.

This plan will support the industry to grow exports, ensure the ability to maintain and increase global market share, build export capacity and capability, and provide necessary connections and support to relevant stakeholders across the export supply chain.

Strategic objectives

- **Guide industry activity and investment** to capitalise on export opportunities
- **Increase industry capability** to create differentiation from competitors
- Achieve **new or improved market access**
- **Promote market development** and grow exports to prioritised markets

Industry outcomes

- **Growth in** export **value**, **volume** and **markets**
- **Increased activity and engagement** to advance new export opportunities
- Greater **awareness and capacity** for industry adoption
- Practical and **commercially relevant direction** for growers

Research and analysis of potential markets identified six (6) priority export destinations for the Australian summerfruit industry

Initial analysis was conducted on nineteen (19) geographically dispersed markets throughout South East Asia, East Asia, the Middle East, North America and Oceania. The markets were assessed against a core criteria developed in collaboration with Australian summerfruit growers and Hort Innovation. The assessment identified six (6) priority markets which represent future export volume and value growth potential.

Develop prioritisation criteria

Nineteen (19) export markets were identified as potential priority export destinations for the Australian summerfruit industry.

These markets were identified based on the following criteria:

- Export volume;
- Potential for market growth; and
- Market access arrangements.

Assess market long-list

In collaboration with Hort Innovation, the project reference group (PRG) criteria were formed to identify a long-list of markets. Nineteen (19) markets were then assessed against criteria to form a prioritised long-list of ten (10). High-level market intelligence was then collected to understand opportunities in each export destination.

The full assessment and each market's ranking can be found in ***Appendix A***.

Status	Market Importance[1]	Potential Market Size[2, 3]	Market Access[4]	PRG Focus Market	Overall Rating	Ranking
R.A.G (Red/Amber/Green)	**Export Volume**	**Total Middle-Income Population**	**Protocol (restricted access) market?**	**Discussion during kick-off workshops**	**Average of previous columns**	**Order of markets based on weighted average**
	1 – 5	≥125m	No	Explicit focus		
	6 – 10	≥ 35m	Yes	Identify opportu-nities		
	11 – 16	≤ 35m	Inaccessible	No interest		

Select priority markets

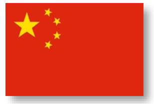
Through both quantitative and qualitative research and analysis, the assessment determined six (6) priority markets for in-depth profiles to be developed, and the summerfruit export strategy to focus on.

The rationale for each of the six (6) markets can be found in ***Appendix A.***

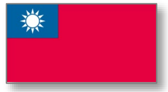

Japan


Vietnam


USA


China


New Zealand

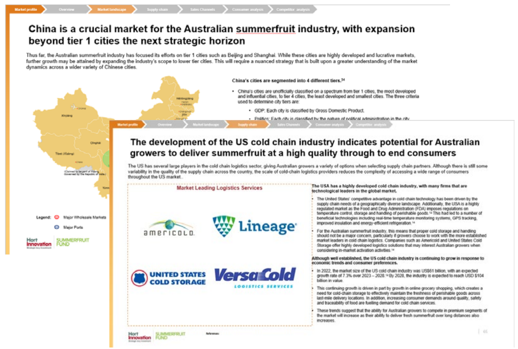

Taiwan

Form detailed market profiles

For each of the six (6) priority markets, an in-depth market profile has been formed.

These profiles include analysis on each market's trade environment, consumer preferences, markets access, retail landscape and more.

The market profiles can be found in the ***Section 4: Market profiles.***



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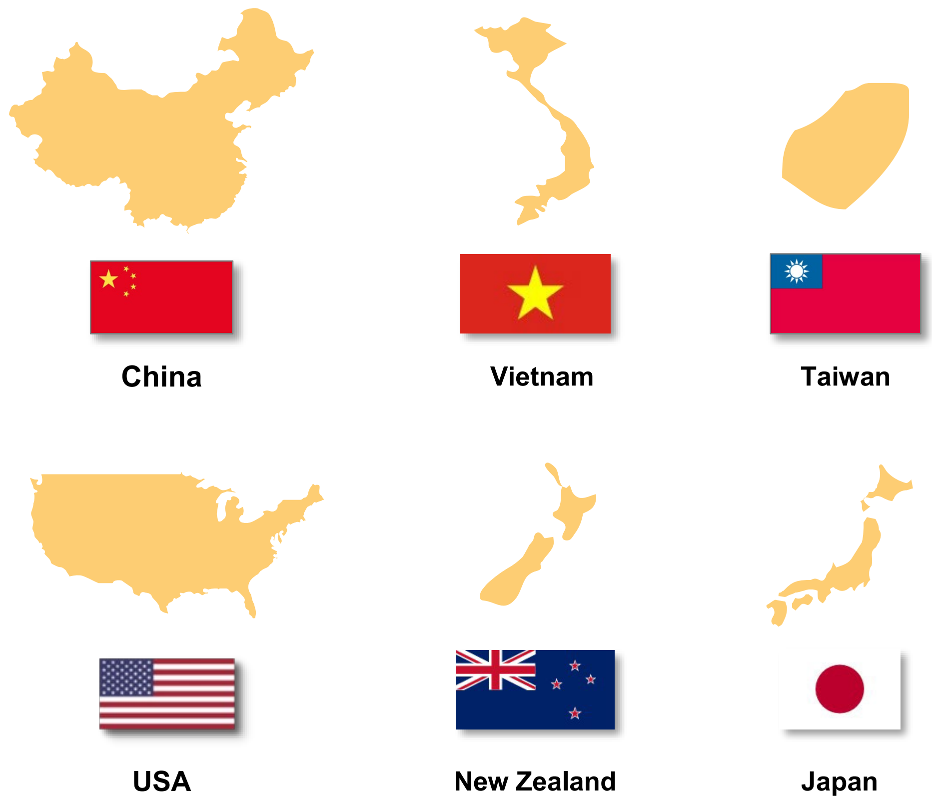
Market intelligence was gathered to inform development activities in each prioritised export market and guide whole-of industry recommendations

In each of the six priority markets, intelligence was gathered to understand the export opportunities available to Australian growers. Market intelligence, including supply chain capabilities, consumer demand and competitor analysis, informed export considerations and market development recommendations for the Australian summerfruit industry.

Market intelligence criteria

- Current market access arrangements
- Current market size
- Potential for market growth
- Domestic production trends
- Import volume trends
- Competitor analysis
- Consumer demand and preferences

Prioritised export markets



- Market Insights
- Export opportunities
- Overarching industry strategy

Significant market growth is possible through targeted actions in China, Taiwan and Vietnam

Growth markets are markets for which Australian summerfruit growers already have trade access, and have developed varying levels of market presence and export volumes. These markets were prioritised in this strategy as they offer the greatest potential for export volume and value growth. Targeted actions in each growth market have been identified to grow export volumes and values over 2023 – 2028.

	China	Taiwan	Vietnam
1	Focus on developing awareness and preference for Australian summerfruit categories in tier 2 and 3 cities to grow market share across a wider population. Utilise existing familiarity with peaches in Chinese culture to highlight the health benefits of Australian peaches.	Explore air freight programs to capitalise on early season export advantages. Australian growers have a weaker early season in Taiwan than in China, underlining the value to be gained from getting to market early through air freight.	Continue to monitor and support applications to achieve plum access. Manage this expectation with distributors and retailers to ensure strong early export performance.
2	Expand collaborative branding strategies to grow a wider-reaching, more unified market presence. Product branding is becoming increasingly common in China, indicating that Australian growers may leverage branding to more consistently differentiate their products.	Explore the potential for updated irradiation and mixed container protocols. These updates would alleviate the complexity associated with exports by Australian growers, reducing expenses and administrative burden.	Target education of retailers and target segments with a preference for high quality imported products. Ensuring that quality attributes are understood and distinguished across each category of summerfruit will be an important part of raising consumer awareness.
3	Explore programs that support the maintenance of product quality into key market channels. This includes the exploration of an irradiation treatment program and the development of relationships with distributors and retailers that have greater cold chain coverage across tier 2 and 3 cities.	Coordinate industry stakeholders to raise the profile of Australian summerfruit by facilitating seasonal sales and marketing, i.e., during Lunar New Year. Fruit gifting is common at such festivals, indicating a convenient opportunity to market Australian summerfruit, particularly peaches, in the premium range.	Prioritise distribution to the cities of Hanoi and Ho Chi Minh City to reach the largest base of affluent, health conscious consumers. As consumers in these cities develop a taste for Australian summerfruit, consider expanding to second tier cities, such as Da Nang, Nha Trang, and Vung Tau.
4	Evaluate and engage with emerging sales channels, such as specialty fruit chains and e-commerce platforms. Chinese consumers are generally more reliant on e-commerce than Taiwanese or Vietnamese consumers, making these platforms particularly important for growth opportunities.	Target distribution through retail partners across specialty fruit shops and hypermarkets. Growers should consider that hypermarkets and high-end fruit shops are the primary distribution channels for peaches, while nectarines are often sold in traditional markets.	Begin engaging with premium and specialty fruit shops and e-commerce sites, such as TikiNgon and Shopee, to gauge potential demand. These sites typically have few summerfruit listings, indicating a relative lack of competition among summerfruits sold this way.

Notes:
- Market intelligence for non-proiopritised markets (i.e., India, Philippines, Indonesia and South Korea) is provided in ***Section 6.***

The USA, Japan and New Zealand may offer growth opportunities in the future and should be investigated further

Expansion markets are markets which Australian growers do not currently have access to, but are considered valuable prospective markets. These markets were prioritised in this strategy as they offer significant potential growth opportunities beyond existing markets. Targeted actions in each expansion market have been identified to further understand the commercial potential of these markets and enable commercial readiness among growers for new market access opportunities over 2023 – 2028.

	USA	Japan	New Zealand
1	Across each prospective market, conduct continued intelligence gathering to support Australian growers understand and develop commercial readiness for opportunities as they become available. Key intelligence will include summerfruit demand, competition with other exporters, market segmentation and potential commercial revenues and growth		
2	Conduct competitor and in-market research to understand potential competitive advantages over Chile to inform a successful market entry strategy. Specifically understanding what is driving the decrease in Chile's export values to provide further strategic insights.	Monitor local production trends to understand opportunities across summerfruit commodities. In particular, pay attention to whether more rapid declines in nectarine acreage lead to increased demand for nectarine imports.	Survey customers and consumers in Auckland to gauge interest in Australian summerfruit. Considering the current lack of apricot imports, determine if there is sizeable interest or demand for foreign imported apricots.
3	Explore partnerships with Californian growers across marketing and distribution. Developing these relationships will allow the Australian industry to learn from the marketing and distribution knowledge that has been built up by established growers in-market.	Investigate consumption habits among the aging population and develop strategies to communicate a tailored value proposition. For example, understanding how to effectively integrate summerfruit into the diets of the aging population may inform marketing strategies.	Explore value propositions for growers and consumers across channels owned by Woolworths and Foodstuffs, the two dominant retailers in the country.
4	Explore retail channel strategies, such as through Costco and Walmart, that can provide the best cold chain capability. While the cold chain shouldn't be a serious concern in the USA, these players may offer the widest and most simplified distribution options to growers.	Monitor the export activities of Japanese peaches to gain further insight into market-specific premiumisation strategies. In particular, conducting in-market research in Taiwan, where Japanese peaches are very well perceived may inform Australian premiumisation strategies.	Collaborate with retailers to understand pricing strategies that may appeal to New Zealand consumers. In particular, determine if discounting strategies are suitable for Australian growers, given the comparatively high frequency of discount promotions in-market.
5	Conduct in-market research on consumer price sensitivity to inform value-for-money offerings. Current price sensitivity appears to be due to contemporary economic trends, and may reduce over time as discretionary spending returns and increases over time.	Test packaging and branding options across summerfruit commodities with Japanese retailers and consumers to understand premium value perceptions in-market. Consider emphasising peaches as a premium product, given their already high reputation in-market.	Send representatives to Fine Food New Zealand events to establish connections and understand industry trends. This event brings together major buyers and importers from across the country, offering a convenient opportunity to develop connections across the supply chain.

Notes:
- Market intelligence for non-proioprItised markets (i.e., India, Philippines, Indonesia and South Korea) is provided in ***Section 6.***

2 | Introduction and methodology

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This report seeks to uncover and prioritise key export market opportunities for the Australian summerfruit industry

The focus of this project is to uncover opportunities for continued growth, both in existing export markets and new destinations, while identifying the priority activities that the Australian summerfruit industry should focus upon to achieve the four desired outcomes below. To do so, a five-stage methodology was applied to ensure the project scope is satisfied and the insights provided to industry are practical.

Export strategy objectives

- **Growth in export value, volume and countries and markets addressed**
- **Increased activity and engagement in export market opportunities**
- **Greater awareness and capacity for industry adoption**
- **Practical, commercially-relevant direction for growers**

Project phases and activities

Phase	Activities	Output
1 Develop prioritisation criteria	Form criteria with Hort Innovation and a project reference group to assess the 19 markets against. These are based on identified areas of interest and factors that indicate an attractive export opportunity.	**A collaboratively formed criteria to assess 19 markets**
2 Select markets	Conduct a multi-criteria assessment of identified export markets. Socialise findings of the multi-criteria assessment with the PRG and determine six markets for in-depth market profiles to be developed.	**6 priority markets from the long list of 19**
3 Research market opportunities	Conduct targeted analysis of the priority markets based on the interests raised by growers through desktop analysis. Outline key findings and recommended next steps.	**Detailed research on the 6 priority markets**
4 Identify market opportunities	Identify opportunities for each of the priority markets, and for the summerfruit industry as a whole. Identify recommendations and market development activities.	**Identify export strategy recommendations**
5 Develop export strategy	Informed by the market prioritisation report, develop an export strategy for the Australian summerfruit industry that details time-bound objectives and recommends a series of practical activities to pursue desired industry outcomes.	**An export strategy with practical recommendations**

The development of the export strategy followed a strategic, collaborative approach with market research and industry consultation at its core

Stakeholder engagement was built into the methodology to ensure the recommendations and overall strategy is practical and contains tangible insights. There are three main ways in which industry has been engaged to gather insights and opinions on the current state of the Australian summerfruit industry and what should be done to ensure long-term sustainable export success.

Consultation was placed at the core of the strategy's development to ensure accuracy and practicality of recommendations

9

Industry members consulted in a capability assessment and market prioritisation workshop.

6

Industry members contributing to the Project Reference Group (PRG)

Multiple growing regions

Growers representing multiple growing regions, including WA, VIC, SA and NSW were consulted.

1. PRG Workshops

Select members of Summerfruit Australia Limited (SAL) and summerfruit industry formed a PRG at project inception.

The PRG were included in all phases throughout the project, acting as an industry representative panel to continually test, validate, and share project findings to ensure relevance of recommendations.

2. Industry workshop

An industry workshop was conducted with industry participants as recommended by SAL and Hort Innovation.

In this session, activities tested industry members' existing knowledge and understanding of the export environment to ensure the strategy is tailored to current export capacities. This helped form an assessment of industry capabilities and ensure the strategy is tailored to current export capacity as well as future ambition.

3. Hort Innovation

Hort Innovation were involved in each of the PRG workshops in a project management and governance capacity.

We also hosted weekly update meetings with Hort Innovation to check in on project progression, share ongoing findings, test draft deliverable formats as they are developed.

The export strategy evaluated a broad range of potential opportunities, with nineteen (19) markets considered for inclusion in the final strategy

An initial nineteen (19) potential markets were selected on the basis of current export volume, potential for export growth and counter seasonality. The markets were assessed against a core criteria developed in collaboration with Hort Innovation and the PRG. The markets selected for initial assessment represent geographically dispersed markets throughout South East Asia, East Asia, the Middle East and North America. Refer to ***Appendix 1*** for more information.

Nineteen (19) export markets were identified from a global scan on the basis of:

- Current export volume
- Potential for export growth
- Counter seasonality opportunities

Selected markets: China, United States of America, Vietnam, Taiwan, India, Philippines, New Zealand, Indonesia, South Korea, Japan, Canada, United Arab Emirates, Malaysia, Qatar, Singapore, Saudi Arabia, Kuwait, Thailand and Hong Kong.

The long-list of markets was refined by the PRG and Hort Innovation according to:

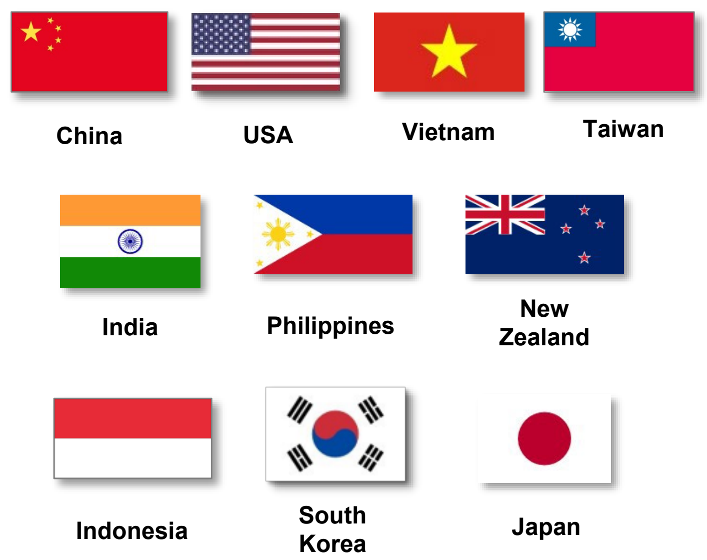
- Alignment to industry objectives and ambitions
- Market access opportunities
- Export growth opportunities informed by competition, consumer demand and market size

Select markets: China, United States of America, Vietnam, Taiwan, India, Philippines, New Zealand, Indonesia, South Korea and Japan.

Six markets were prioritised for inclusion in the export strategy on the basis of growth opportunities and alignment to industry objectives

A multi-criteria assessment identified six (6) markets for inclusion in the final export strategy. From this assessment, China, Vietnam and Taiwan appeared as preferable growth markets – markets with existing access. Considering the long term industry objective of expanding available export markets, the USA, Japan and New Zealand were included as expansion markets – markets that do not have access and may be potential sources of future growth. Refer to ***Appendix 1*** for more information.

Export market long-list



Market prioritised on the basis of:

- Potential to achieve market access
- Market size
- Consumption Rate
- PRG input
- Alignment to industry objectives

Market	Rationale for prioritisation
China	• China remains a priority market due to market size, being the single largest market for Australian summerfruit exporters. • Further export growth for Australian summerfruit growers can be underpinned by high domestic consumption (15.4kg p.a.).
Taiwan	• Taiwan is a priority market due to strong growth potential, underpinned by growth of summerfruit imports and domestic consumption of summerfruit. • Taiwanese consumers also demonstrate a high willingness to pay for premium quality summerfruit.
Vietnam	• Vietnam is a priority market due to growth potential arising from recent market access and the proximity of plum access. • Currently, there are no other southern hemisphere exports with access to Vietnam, providing Australia with a strong opportunity to establish a dominant market share before key competitors (i.e., Chile and South Africa) gain access.
USA	• The USA is a priority market due to the large market size and high potential price points. • There is potential for market access as Light Brown Apple Moth (LBAM) is expected to be deregulated as a pest of concern. • Summerfruit exports to the USA have been increasing since 2020, providing potentially increased market opportunities for Australian growers.
Japan	• Japan is a priority market due to the market size and high potential price points. • Well-developed supply chain infrastructure and capabilities supports high-quality products through to end consumers.
New Zealand	• New Zealand is a priority market due to perceived relative closeness to market access, and a strong consumption potential relative to market size.

Detailed market research was conducted to guide recommendations and market development activities in prioritised markets

In each of the six priority markets, intelligence was gathered to understand the export opportunities available to Australian growers. Market intelligence, including supply chain capabilities, consumer demand and competitor analysis, informed export considerations and market development recommendations for the Australian summerfruit industry. Market intelligence criteria were developed to reflect the differing market access status of growth and expansion markets.

Market intelligence to inform recommendations

- Current market access arrangements
- Current market size
- Potential for market growth
- Domestic production trends
- Import volume trends
- Competitor analysis
- Consumer demand and preferences

Growth markets - markets with existing access that have the potential to provide export volume and value growth

China | Vietnam | Taiwan

Expansion markets - markets that do not have access and may be considered under market access applications as potential avenues for growth

USA | New Zealand | Japan

Market Insights

Export opportunities

Overarching industry strategy

4 |

Market Profiles (Growth Markets)

4.1 | China

China is a crucial market for the Australian summerfruit industry, with expansion beyond tier 1 cities the next strategic horizon

Thus far, the Australian summerfruit industry has focused its efforts on tier 1 cities such as Beijing and Shanghai. While these cities are highly developed and lucrative markets, further growth may be attained by expanding the industry's scope to lower tier cities. This will require a nuanced strategy that is built upon a greater understanding of the market dynamics across a wider variety of Chinese cities.

Legend: Major Wholesale Markets | Major Peach/Nectarine Production Provinces[4] | Major Ports | Top Air Freight Locations

China's cities are segmented into 4 different tiers.[1]

- China's cities are unofficially classified on a spectrum from tier 1 cities, the most developed and influential cities, to tier 4 cities, the least developed and smallest cities. The three criteria used to determine city tiers are:
    - GDP: Each city is classified by Gross Domestic Product.
    - Politics: Each city is classified by the nature of political administration in the city. China has four levels of political classification and two special regions: Hong Kong and Macau.
    - Population: The core city and urban areas surrounding the main city are taken into account to define metropolitan areas. Summerfruit exports may need to consider a nuanced strategy to supply product to different tier cities in the Chinese market.

Expansion in the Chinese market can come from embracing the opportunities emerging in lower tier cities while maintaining presence in the tier 1 cities.

- Since gaining access to the Chinese market in 2016, the Australian summerfruit industry has primarily focused on tier 1 cities such as Beijing and Shanghai because of their level of infrastructure development and the large pool of customers with high willingness to pay for premium international products.[2]
- Both Australia and its competitors have thus far focused on tier 1 cities, meaning that long-term sustainable growth for the Australian summerfruit industry may come from expansion into lower tier cities. These cities, such as Chengdu and Nanjing, are a key driver of growth in the Chinese economy with the top 30 cities accounting for 45% of overall consumption.[3]

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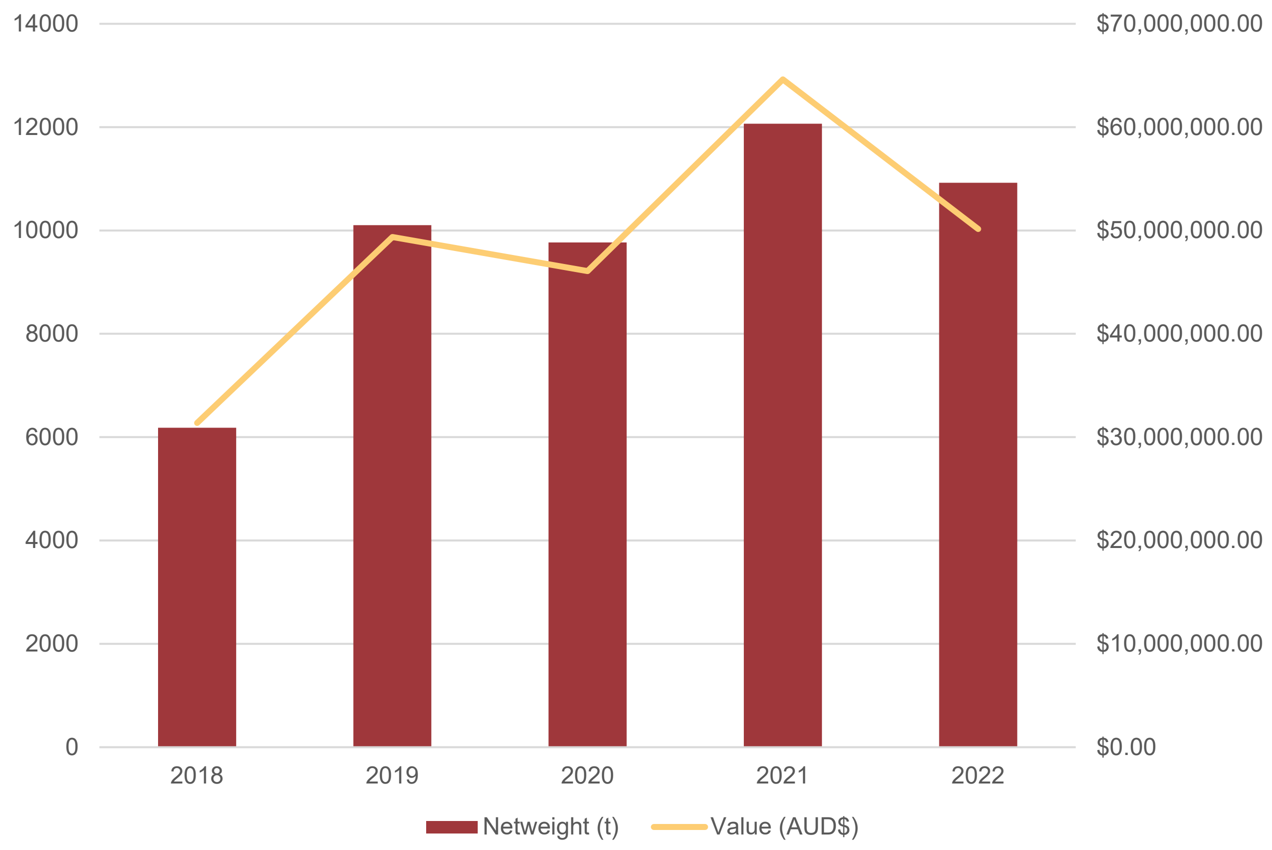
References:
1. South China Morning Post, 2016, [China's cities classification (scmp.com)]
2. Stakeholder consultation, 2023
3. China Insights Consultancy, 2022
4. United States Department of Agriculture, 2022

Despite market disruptions, Australia's export relationship with China has shown resilience and continued growth potential

Australian summerfruit exports to China have grown steadily through the Covid pandemic era. As a result, the Chinese market remains a core export market for the Australian summerfruit industry, with great benefit to be gained from maintaining and growing the relationship over the next five years.

Trend in Australian Summerfruit Exports to China[1]
CY 2018-2022
Tonnes, AUD $ million[3]



Australian summerfruit exports to China have steadily increased in volume, proving relatively resilient to the impacts of the Covid-19 pandemic.

- Australian summerfruit growers are able to supply the Chinese market during their winter season, meaning that competition with the Chinese summerfruit industry can be avoided. This provides an opportunity for Australian growers to capitalise on unmet demand in the Chinese market.
- Over the 2018 – 2022 period, Australian summerfruit exports to China grew at a compound annual growth rate of 15.3%.[1] Notably, growth continued modestly throughout the pandemic period, demonstrating a high level of resilience in the Chinese customer base, the supply chain and the trade relationship between Australian and Chinese counterparts in the summerfruit industry.
- This strong percentage growth in Australian exports is underpinned by very significant volumes, with over 11,000 tonnes of summerfruit being exported to China in the 2022 calendar year.[1] As a result, the Chinese market accounted for 67% of Australian summerfruit exports, not including fruit re-exported from Hong Kong.[1]
- One of the core factors underpinning strong growth in China is the strong per capita consumption of summerfruit by Chinese consumers. At 15.3 kg p.a., this is around five times as large as Taiwan, the second highest consuming market prioritised for this export strategy.[2] This is an indication that summerfruit are desirable for Chinese consumers year-round, with a strong base of popularity that underlines the Chinese market as a stable source of exports for Australian growers, on the basis of consumer behaviour.

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References:
1. UN Comtrade, 2023
2. Summerfruit Australia Limited, Hort Innovation, 2022
3. Converted from USD to AUD with rate of 1.53 as at 03.08.2023

China has a strong cultural appreciation of summerfruit, particularly peaches, that can be capitalised on in marketing efforts

There are a wide variety of demographic and cultural factors that underpin strong summerfruit consumption in China. The vast, and rapidly growing, middle class is attaining the discretionary income needed to spend on fresh fruit for the taste and health benefits it provides. The longstanding cultural importance of peaches is beneficial to the Australian summerfruit industry as it provides an opportunity to communicate the unique benefits of Australian summerfruit without requiring significant investment in consumer education.

Demographic factors

- China's middle class is growing rapidly, with expectations of another 80 million people moving to the middle class over the 2022–30 period.[1] This comes with expectations that the China's GDP will grow to USD$43.9tn by 2030.[2] Following this, more than 70% of these additions will come from 3rd tier cities and below. Due to the increase in discretionary spending capacity, the potential market for imported Australian Summerfruit is expected to increase.
- There are also significant distinctions in fruit consumption behaviour across China. For example, people in the north and east of China have significantly higher fruit intake than those in western, central and southern regions.[3] This context may be relevant when considering locations to expand Australian summerfruit presence.
- Fruit intake is approximately 1.7 times higher amongst Chinese women than men, driven by higher levels of health literacy and a perception that women prefer sweet foods.[4] This indicates that gender-specific marketing may be suitable, given the significant difference in consumption.
- Young Chinese tend to eat more fruit, particularly fresh fruit, than older Chinese.[4] This highlights the need to reach Chinese youth, particularly through e-commerce platforms and social media.

City tier dynamics

- Tier 1 cities remain highly developed and important markets for the Australian summerfruit industry. They also have the advantage of proximity to sea ports, making the supply chain easier and faster than it is for inland cities.
- Tier 1 cities are also highly competitive and saturated. In contrast, lower tier cities have had lower levels of product penetration from foreign products while still having large and rapidly growing consumer bases.[5]
- Consumers in lower tier cities tend to be younger and have lower living costs than those in tier 1 cities, meaning they often have higher discretionary spending capacity than consumers in tier 1 cities.[6] In fact, 58% of customers in the luxury segment already come from lower tier cities,[6] indicating a large potential consumer base for Australian summerfruit being sold under a premium value proposition.
- Awareness of imported peaches and nectarines remains low in lower tier cities,[7] suggesting a need for continuing consumer education. Targeted marketing campaigns in lower cities, such as through product tastings, may be a beneficial way to introduce Australian summerfruit and educate consumers on the taste and quality attributes they provide.

Cultural factors

- Chinese culture contributes to the strong and stable consumption of summerfruit. This is particularly true of peaches, which have been associated with good health and longevity for hundreds of years.[8] The alignment of this association with increasing trends towards health consciousness, particularly amongst young Chinese, is a positive indicator of future peach popularity.
- The source of this association is a legend whereby an old woman was gifted a peach, thus restoring her to youth. As a result, Chinese people often eat peaches on their birthday.[8] This tradition supports stable consumption of peaches throughout the year.
- Expressions of this culture were also seen during the Covid pandemic, where yellow peaches were sold out in many online shops by people looking for natural ways to fight the virus and stay healthy.[9]
- Such instances indicate the potential for highlighting the unique health benefits of Australian peaches in marketing strategies. Doing so may take advantage of the increasing importance of healthy eating amongst consumers, particularly in the middle-to-upper classes.

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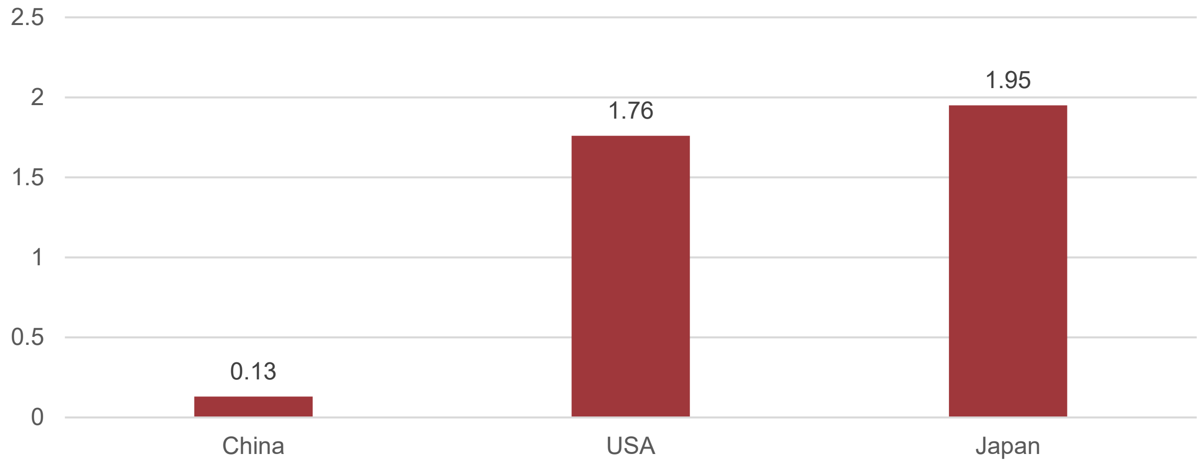
References:
1. BCG, 2023, The Next Chapter in China's Consumer Story | BCG
2. Lowy Institute, 2023, Asia Power Index.
3. Li et al., 2022
4. Guo et al., 2021
5. Invesco, 2019,
6. Wukong Integration, 2023
7. China Insights Consultancy, 2022
8. South China Morning Post, 2022, https://shorturl.at/yFR58
9. CNN, 2022, https://shorturl.at/dnCHP

The Chinese market still faces significant supply chain challenges, most noticeably in cold chain development.

The majority of agricultural products in China are not transported through cold chain transport and storage facilities.[1] As a result, it is still common for fresh fruit in China to have limited shelf life and sub-optimal quality. It will be important for the Australian summerfruit industry to manage these limitations to maximise the quality of summerfruit.

Refrigerated Vehicles Per 1000 People[1]
CY 2022



The cold chain in China is growing rapidly, but still in its infancy when compared to developed nations.

- China has far fewer refrigerated vehicles per capita than developed countries, reflecting the relative rarity of proper cold chain handling in the country.[1]
- The sophistication of the cold chain varies across China, with the most developed regions being in the eastern and southern regions.[1] As well as a high level of economic development, cities in these regions are typically close to major sea ports, making the supply chain quicker and simpler, leading to higher quality fruits at the time of purchase by consumers.
- When expanding summerfruit distribution in China, consider focusing on these more highly developed regions in order to maximise summerfruit quality for consumers.

Making the best of use of the cold chain will enable Australian growers to maximise the quality and reputation of summerfruit in China.

- The immature cold chain outside the most developed areas of China is a direct consideration for the growth of sales of Australian summerfruit to lower tier cities. In general, there is a correlation between the tier status of Chinese cities and the development of their commercial infrastructure, including supply chains.
- Therefore, it will be important to work with partners that have large and highly developed capabilities across distribution and sales to ensure Australian summerfruit is consistently high quality at the time of sale.
- The cold chain industry has been growing rapidly in recent years to catch up to demand, with annual growth of more than 15% since 2015.[1] Some of the major players in the Chinese cold chain sector include:
  - JingDong Cold Chain
  - Shunfeng Express
  - Sinotrans Cold Chain Logistics
- A core advantage of working with the larger players is that they are more vertically integrated, often having capability across transportation and cold storage, resulting in a more complete and consistent cold chain.[1]
- In addition, having a lower number of companies involved in the cold chain reduces the number of times product changes hands, leading to a lower risk of Australian summerfruit being mixed with other fruits and sold unbranded, thus losing its premium value proposition and core competitive advantage.

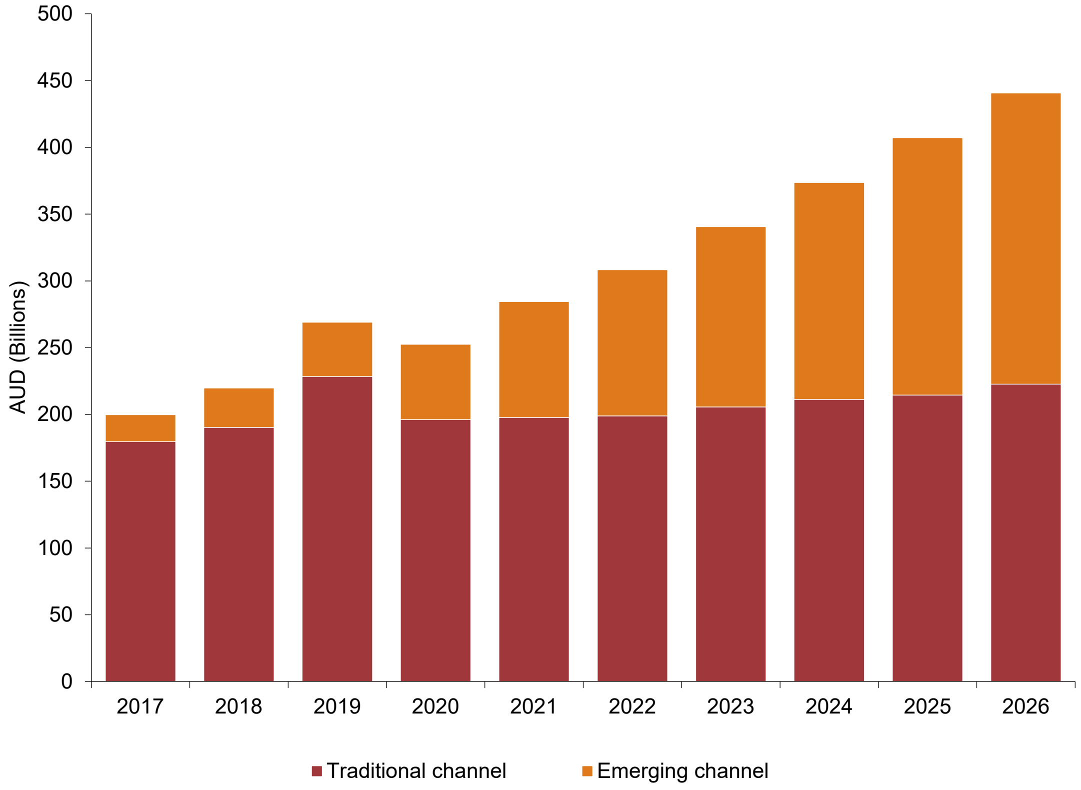
Hort Innovation

References:
1. Daxue Consulting, 2022, China's fresh food cold supply chain still at its infancy (daxueconsulting.com)

Australian summerfruit retailers need to balance the continuing importance of traditional retail formats with the sharp rise in modern formats and e-commerce

The Chinese grocery retail sector is rapidly modernising, with modest growth in traditional channels being contrasted with rapid growth in modern channels. This rapid growth is driven by the expansion of modern supermarket chains and the increasing integration of e-commerce into grocery sales.

Market Size of China's Fresh Fruit Retail Market by Channel[1]
CY 2017-2026 (2023-2026 forecast)
$ AUD (Billions)



Traditional retail formats remain the foundation of the Chinese market, but emerging channels are set to become dominant over the next decade.

- Traditional channels, such as supermarkets, hypermarkets and specialty fruit shops, account for 64.5% of retail sales of fresh fruit as of 2022.[2]
    - As such, these are still the main outlets for fruit distribution in China and should continue to be a focus for the Australian summerfruit industry, particularly in 2nd and 3rd tier cities.
- Emerging channels, such as community group buying, community-based fresh food chain stores, and e-commerce channels, are growing far more rapidly, with an expectation to reach 49.5% of retail sales of fresh fruit by 2026.[2] Growth in these channels, particularly in e-commerce, was accelerated during the Covid pandemic as many consumers relied on online ordering at times when pandemic restrictions prevented them from visiting physical stores.
    - Expanding Australian summerfruit presence on e-commerce channels will allow growers to reach the significant portion of consumers who now rely on e-commerce for grocery shopping. When developing this presence, growers may wish to demonstrate the authenticity of their products and product origin, to limit the extent to which other sellers take advantage of 'Australian' branding and country-of-origin claims.
- A number of players in the traditional retail space are moving to take advantage of modernisation trends. One example of this is the specialty fruit shops such as Shenzhen Pagoda and Xianfeng Fruit, which often have stores strategically located near residential areas to enable rapid delivery of fruit ordered online.[3]
    - Paying attention to the modernisation of retail players should inform the partnerships that the Australian summerfruit industry chooses to develop to ensure that emerging trends are taken advantage of.

Hort Innovation

References:
1. China Insights Consultancy, 2022
2. McKinsey, 2021, Five consumer trends shaping the next decade of growth in China | McKinsey
3. Australian Horticultural Exporters' and Importers' Association, 2018, E-retail, not e-commerce: China's fast-changing online market for fresh fruit - AHEIA | Australian Horticultural Exporters and Importers Association (horticulturetrade.com.au)

Sweetness and juiciness are the most important quality attributes for consumers buying summerfruit online in China

In listings on Chinese e-commerce platforms, summerfruit are sold on their unique quality characteristics including flavour, scent, taste and texture. The most common attributes desired by Chinese consumers were high levels of juiciness and sweetness, indicating a strong overall desire for fresh, premium quality products.

盒马 FRESHIPPO

- All summerfruit were available for purchase on the Hema Freshippo store, except for apricot.[1]
- Typical options ranged from 1.5 – 2 k.g. packs. Peaches ranged between 120 and 400 grams per fruit, nectarines were typically 250 grams per fruit, and plums ranged between 50 and 160 grams per fruit.
- Prices were highly variable. Peaches for example, ranged between 25 grams per RMB and 50 grams per RMB.
- The most common advertised quality attributes were sweetness and juiciness. Other recurring attributes included flesh tenderness, strong peach fragrance, high sugar, and freshness. In more premium options, there were instances of bad fruit replacement guarantees.

淘宝网 Taobao.com

- Fewer summerfruit options were available on Taobao, with peaches and nectarines available, but not plums or apricots.[1]
- Similar pack and fruit weights applied to summerfruit on Taobao and Hema Freshippo.
- Quality attributes on Taobao were similar to Hema Freshippo, with particular emphasis on sweetness and juiciness, going so far as to describe fruit as 'extremely' sweet and juicy.
- There were also several occasions where the suitability of summerfruit for pregnant women was used as a selling point.

JD.COM

- Jingdong had a large range of summerfruit, with peaches, nectarines, apricots and plums available.[1]
- Standard packs were either 1.5 k.g. or 2 k.g.. Prices were highly variable, with little consistent pricing noticeable.
- The same emphasis on sweetness and juiciness was evident on Jingdong. However, there were a number of cases where peaches were marketed as Australian or Chilean, even though the stated origin was China.
- Large size of fruits was also a common selling point for summerfruit on Jingdong.

Hort Innovation

References:
1. Hema Freshippo, 2023
2. Taobao.com, 2023
3. JD.com, 2023

Increasing vertical integration of grocery supply chains in China will simplify the relationships growers need to develop to manage their in-market presence

Although still relatively fragmented and competitive, there is a gradual trend towards consolidation in the Chinese grocery retail sector. As this consolidation occurs, larger companies emerge that possess the resources and capability to develop effective cold chains and manage the holistic needs of foreign exporters across logistics, marketing, and sales.

The food retail economy in China is highly competitive, with several significant enterprises and new contenders entering the market, particularly in more modern, e-commerce integrated formats. The largest supermarket chains are Yonghui and RT-Mart, and the largest fruit specialty chains are Shenzhen Pagoda and Xianfeng Fruit, with Honghui Fruit also a significant player. The market leaders are characterised by having expansive networks and increasing levels of vertical integration.

Market Leading Supermarket/Hypermarket Chains

Yonghui Superstores[1]

- Approximately AUD $22.2 billion in sales in 2020.
- As of 2019, Yonghui operated 1440 supermarkets and a vertically integrated logistics network including 19 normal warehouses and 11 cold chain warehouses.
- Since the pandemic era, Yonghui has been rapidly digitalising. For example, as of April 2023, the company operated 966 e-commerce warehouses to support online ordering.

RT-Mart[2]

- Approximately AUD $22.5 billion in sales in 2020.
- As of 2023, RT-Mart operates 486 hypermarkets, 12 superstores and 84 mini stores in China.
- RT Mart is also working rapidly towards digitalisation, with revenue derived from its application, 'RT-Mart Fresh', increasing 40% over the past year.
- RT-Market has 14 fresh produce processing centres, to increase the quality of fruit across the chain.

Market Leading Fruit Speciality Chains

Shenzhen Pagoda[3]

- Approximately AUD $1.3 billion in sales in 2022.
- Shenzhen Pagoda currently operates around 5600 stores across 140 cities.
- Customers identify Shenzhen Pagoda as a high quality fruit shop, often selling fruit at 'Grade A' ratings which can be 50% more expensive than fruit at competing stores.
- Shenzhen Pagoda fruits are often sold as gifts, further highlighting the premiumisation of fruits sold.

Xianfeng Fruit[4]

- Approximately AUD $1.2 billion in sales in 2019
- As of 2022, Xianfeng Fruit operates around 2200 stores across China.
- Xianfeng Fruit has invested in vertically integrated capabilities, an example being the operation of 23 cold chain logistics centres.
- Like the other market leaders, Xianfeng Fruit has expanded its presence on major e-commerce platforms in recent years.

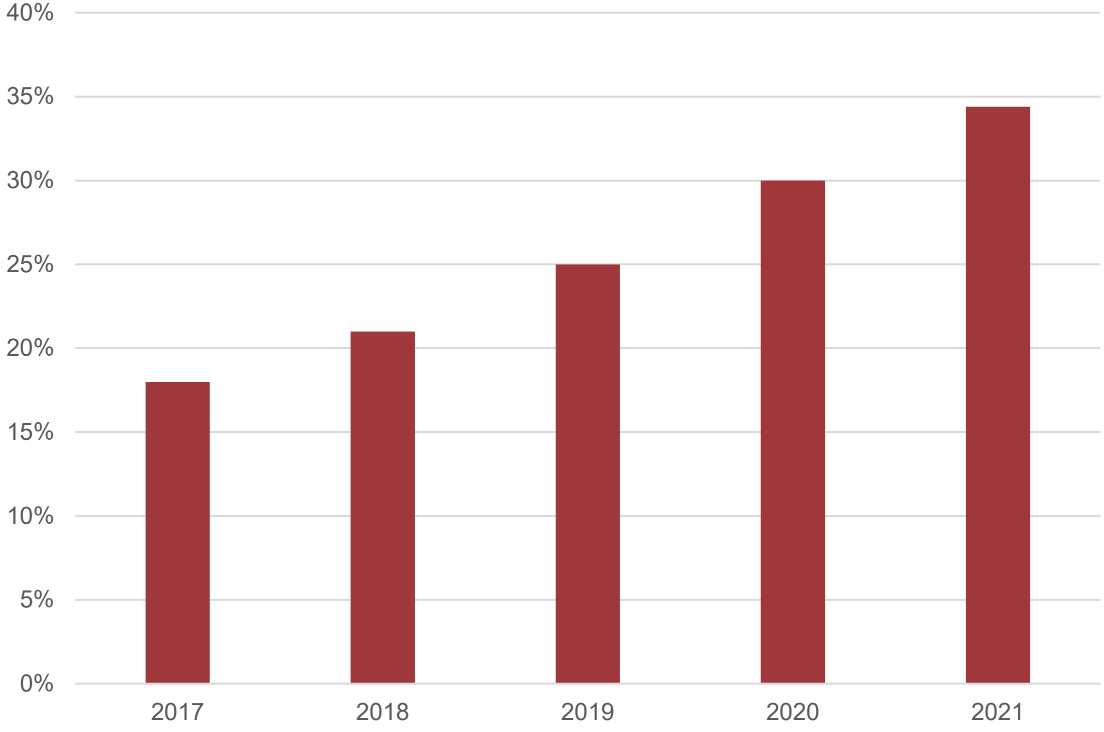
References:

1. The China Project, 2023, Can Yonghui's hot tech CEO turn the supermarket chain around? – The China Project
2. Sun Art Retail, 2023, Sun Art Retail Group Limited - Our Business > Business
3. Nikkei Asia, 2023, Top Chinese fruit retailer Pagoda eyes global expansion - Nikkei Asia
4. Produce Report, 2022, Xianfeng Fruit Becomes Official Fruit Supplier for 19th Asian Games | Produce Report

Chinese consumers are showing increased interest in the health attributes and freshness of summerfruit products

The increasing consistency of product branding, combined with consumer preferences for healthier, fresher fruit, will create a situation where Australian growers can communicate and benefit from the premium value proposition of Australian summerfruit. Success will be supported by effective branding strategies that emphasise the key attributes desired by Chinese consumers.

Branding Rate of Fresh Fruit in China[1]
Percentage*
CY 2017 - 2021



*Branding rate refers to the market share of branded fresh fruit distribution across the overall fresh fruit distribution market.

The increase in branded fruit is driving increased potential to market Australian summerfruit on a premium value proposition.

- Historically, China's fresh fruit market has been characterised by unbranded fruit sold as a commodity.[1] This means that fruits from various sources are mixed, and it becomes impossible to sell a premium differentiated product.
- China's fresh fruit branding has been rapidly increasing, reaching 34.4% in 2021 and expected to reach 55% by 2026.[1] As branding becomes more consistent, the branding of Australian summerfruit will also become more consistent, increasing grower's ability to communicate the unique value proposition of Australian summerfruit.
- As this trend continues, it will become easier to control the presentation of premium Australian summerfruit in the Chinese market. Significantly, this will require persistent efforts on the part of Australian growers to build strong brands at the same time that the Chinese market matures to manage them.
- Research has found that fruit products with strong brands attract a 10% higher premium than products without, highlight the potential commercial benefit of branding Australian summerfruits.[1] This indicates that branding will play a significant role in efforts to create a premium product that can attract significantly higher price points than is possible for commoditised fruits.

Overall consumption trends are pointing towards the emergence of a younger, wealthier purchasing class with a preference for premium fruit.

- As living standards and discretionary incomes improve, consumers will seek:
    - Healthier fruits with a greater variety of nutrients and vitamins, and fresher fruit, as opposed to mass-produced or preserved fruits.[1] This is particularly noticeable in the premium quality attributes that are emphasised in e-commerce listings of summerfruit in China.
- Emphasising these qualities in summerfruit branding will assist in aligning Australia's presence in market with the specific desires of Chinese consumers.

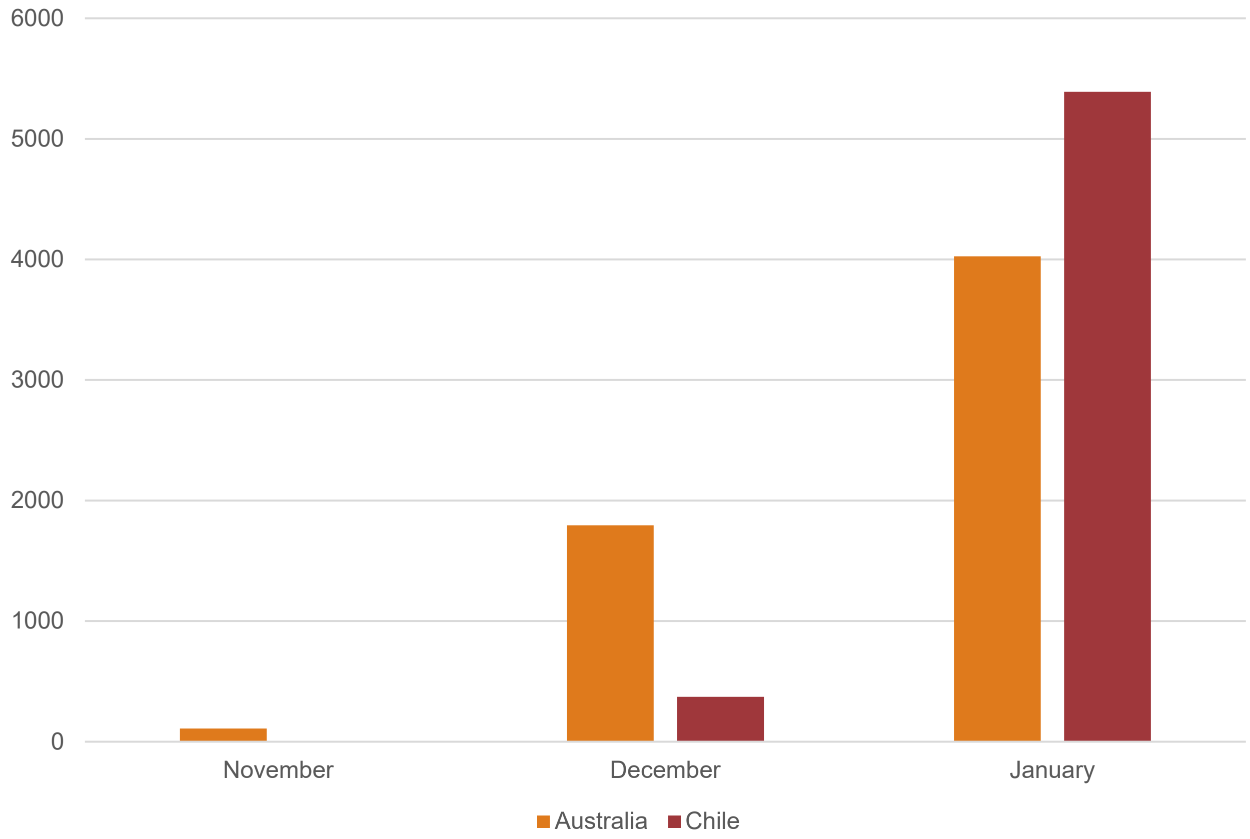
References:
1. China Insights Consultancy, 2022

Hort Innovation

Australia's primary competitor for the Chinese summerfruit market is Chile, and this dynamic is set to become more prominent over the next 5 years

Chile has invested heavily in the Chinese market in recent years, with resources invested in marketing and sales across an increasing number of Chinese cities. Differentiating Australian summerfruit from Chilean summerfruit will enable Australian growers to maintain and grow their presence in the market. This may be done by further utilising the current advantages of the Australian summerfruit industry, including geographic proximity to China and different fruit quality attributes.

Australian and Chilean Summerfruit Exports by Month[1]
FY 2022 - 2023
Tonnes



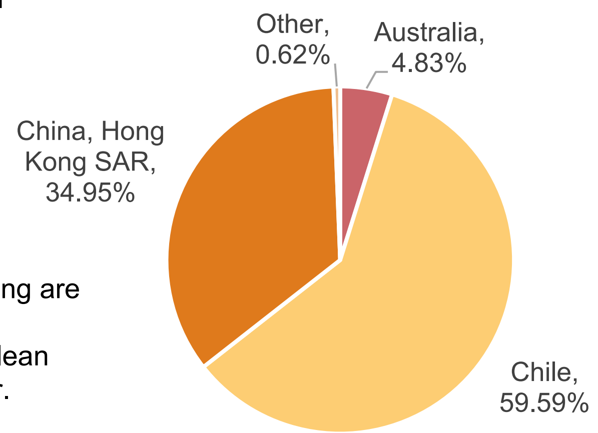
Chile is Australia's primary competitor for the Chinese market, and is set to compete more strongly in years to come.

- Chile is already the strongest counter seasonal supplier to the Chinese market, providing around 60% of total summerfruit imports.[1] Chile currently has access for nectarines and plums to the Chinese market, on 24 October 2023 it was announced that additional market access will be provided for peaches and apricots from Chile.[2]
- Chilean exports have been growing rapidly. For context, Chile's exports to China rose 61% in 2022 while Australia's declined 2%.[3] In addition, expectations are emerging for Chile to gain access for peaches and apricots in mid-2024, opening another opportunity for competition with Australia.[4]
- Geographic distance is a comparative advantage for the Australian industry, with an approximate 6 week period at the start of the season where Australian growers can reach Chinese consumers before large volumes of Chilean sea freight begins to arrive in January.[1] Maximising this window will remain highly important for the Australian industry.

Proportion of Chinese Summerfruit[1] Imports by Source*

CY 2022

Tonnes



*Most summerfruit arriving in Hong Kong are re-exported to mainland China. Notwithstanding, the proportion of Chilean and Australian exports remains similar.

References:
1. UN Comtrade, 2023
2. Produce Report, Fresh Chilean Peaches and Apricots Granted China Market Access, 2023
3. Summerfruit Australia Limited, Hort innovation, 2022
4. Produce Report, 2023, Chile Aims To Expand Fruit Export Portfolio and Streamline Logistics | Produce Report

Market dynamics in China indicate that the time is right for premium marketing strategies, particularly focused at lower tier cities

Although significant efforts have been made by the Australian industry to grow market presence, product reputation and industry relationships in China since gaining access in 2016, there are still learnings that can be taken from the effective marketing strategies of Chilean competitors. Understanding the benefits and disadvantages of these strategies may give direction to the future marketing efforts of the Australian summerfruit industry.

Case study - Chile

- As the primary competitor the Australian summerfruit industry, Chile has been using marketing strategies to educate and appeal to Chinese consumers. Key elements of marketing campaigns in recent years have been:[1]
    - A launch event at a grocery store in Shanghai, with consumers being given the chance to try available varieties of Chilean plums and nectarines.
    - Offline promotions in retail stores in Chinese cities ranging from tier 1 cities such as Shanghai to lower tier cities including Nanning, Lijiang and Wenshan. Promotions occurred in supermarkets and hypermarkets such as Auchan, CityShop and Hema, as well as specialist fruit retailers such as Xianfeng, Pagoda and Wellfruit.
    - Online promotions to consumers close to stores with Chilean fruit, utilising advertising banners, push messages, SMS messages, and promotional leaflets delivered with food orders. Online platforms such as WeChat and Ele.me have been significant contributors to the online strategy.
    - Advertising on packaging, aiming to promote Chilean nectarines and plums as healthy snack options that are low in fat and high in vitamins.

Australia's opportunity

- The Australian summerfruit industry has the opportunity to build on existing marketing and brand development in the Chinese market. Establishing a premium reputation is crucial for Australian growers when considering the need to match higher costs with higher price points in market than key competitors, particularly Chile.
- This strategy is enabled by the fact that Chinese consumers have proven willingness to pay premiums for fruits of higher quality and trusted provenance.[2] Additionally, research has found that consumers are looking for more varieties of fruit, and a greater variety of nutrients and vitamins to keep healthy.[2] Such factors could be considered in further marketing campaigns.

Topa nectarines at the Shanghai Victoria Market. Such brands are examples of strategies used to convey the health and quality benefits of Australian summerfruit.

References:
1. Produce Report, 2019, Spring has Arrived in China, and with it Stone Fruit from Chile | Produce Report
2. McKinsey, 2022, Five consumer trends shaping the next decade of growth in China | McKinsey

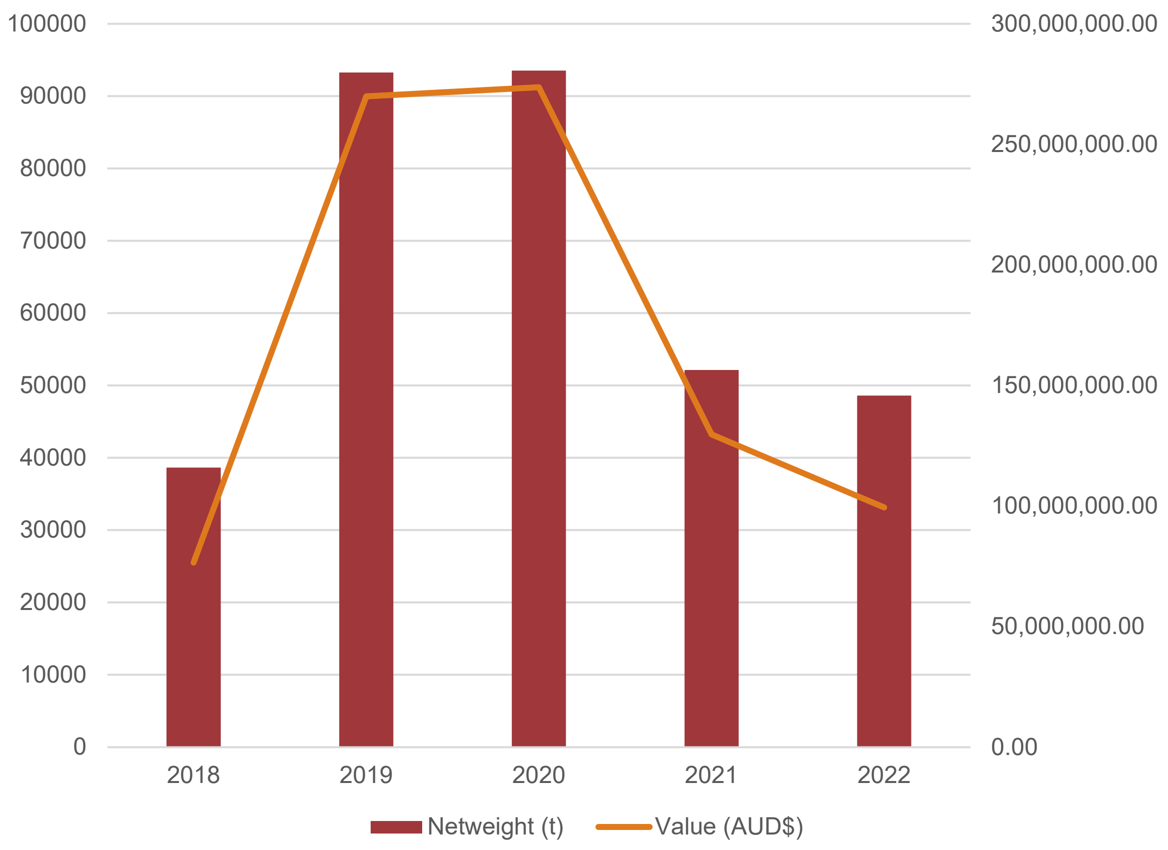
4.2 | Vietnam

Hort Innovation

Australia is in a strong position to grow summerfruit exports to Vietnam in the context of the ongoing economic recovery from Covid and negligible competition

The Vietnamese market offers a unique opportunity for export growth of Australian summerfruit, due to the currently negligible market presences of not only Australian growers, but also key competitors from Chile and South Africa. On the basis of effective consumer education and supply chain development, the Australian industry may achieve significant growth before having to face strong competition.

Trend in Vietnam Summerfruit imports[1]
CY 2018-22
Tonnes, AUD $ million[4]



Summerfruit imports to Vietnam suffered as a result of the Covid pandemic, but returns to pre-pandemic levels would entail significant growth.

- Since the peak of 93,530 tonnes of imported summerfruit in 2020, imports have fallen by half, to 48,607 tonnes in 2022.[1] This is largely due to the trade and supply chain disruptions experienced as a result of the Covid pandemic.
- The rapid growth over the 2018 – 2020 period indicates an underlying strength to the Vietnamese market.[1] As the country recovers from the pandemic, it is likely that summerfruit imports will begin to rise towards pre-pandemic levels. The successful entry of Australian peaches and nectarines in 2022 is a positive indicator of this trend.
- This potential presents an opportunity for significant increases in export volumes. Utilising resources effectively to take full advantage of this opportunity will not only enable growth, but also contribute to strategies and learnings that can be applied to new market access opportunities in the future.

Domestic consumption (per capita consumption)[2]	Australian consumption (per capita consumption)[3]	Consumption met through imports (percentage)[2,5]
0.53 kilograms p.a.	3.4 kilograms p.a.	100%

- The Vietnamese market remains entirely reliant on exports for summerfruit consumption. This is beneficial as it means that summerfruit demand can not currently be met through domestic production. However, it means that there is a lack of widespread awareness of summerfruit types and varieties outside Chinese products, making it more difficult to convey the high value for money of Australian summerfruit. In 2022, Chinese exports of summerfruit were dominated by plums (29,364t) and peaches/nectarines (19,032t).
- As a result, consumer education will be very important for Australian growers, as it will encourage Vietnamese consumers to recognise the value of premium summerfruit, and drive consumption beyond the relatively low levels of 0.53 kg p.a.

References:
1. UN Comtrade, 2023
2. Summerfruit Australia Limited, Hort Innovation, 2022
3. United States Department of Agriculture, 2018
4. Converted from USD to AUD with rate of 1.53 as at 03.08.2023
5. There is small volumes of summerfruit production in Son La, Vietnam. However, this is small quantities and does not meaningfully contribute to national consumption.

Growth in the Vietnamese market will be driven by growth in consumer spending power and widespread city development.

Vietnam is becoming an increasingly important economy in Southeast Asia, due in large part to its rapid economic and population growth. As this growth facilitates the development of a large middle class, Vietnam will become one of the most significant consuming economies in the region. This context underlines the importance of the opportunity facing the Australian summerfruit industry in light of recent and upcoming new market access developments.

Demographic factors

- Vietnam is home to one of the most rapidly growing middle classes in South East Asia. Over the next decade, it is expected that 26 million more consumers will join the consuming class (>$11 per day in PPP terms). This shift would increase the number of Vietnamese in the consuming class from the 40% to 75% by 2030.[1]
- One of the consequences of the middle class expansion is an increasing in consumer spending. Vietnam's total consumer spending is growing at 7.2% per annum, the fastest in the region.[2] The availability of funds for non-essential purchases opens up the possibility of a stronger premium segment in the Vietnamese fruit market, a gap well suited to the value proposition of Australian summerfruit.
- Age demographics are also changing rapidly. Digital natives, those born between 1980 and 2012, are expected to account for 40% of consumption by 2030.[1] At the same time, the number of people in this age bracket is not expected to increase, meaning that the increase in consumption will come from greater discretionary spending.

City dynamics

- Vietnam is urbanising, with an expectation that the share of the country's urban population will rise from 37% in 2020 to 44% in 2030, an increase of 10 million people.[1] While these proportions are low by South East Asian standards, they represent a growth opportunity in the Vietnamese market as urban consumers will account for 90% of consumption growth over the next decade.[10]
- Consumption is centred around the two largest cities, Hanoi and Ho Chi Minh City (HCMC). However, other cities such as Can Tho, Da Nang and Hai Phong are growing more rapidly, with an annual economic growth rate of 8%, compared to 5% in Hanoi and HCMC.[1]
- To feel the benefits of this growth, the Australian summerfruit industry will need to look beyond the two biggest cities. Analysis has found that to reach 50% of the middle class population, companies need to plan distribution to the top 15 cities.[1] This trend is already being reflected in the growth of major retailers, which are rapidly expanding operations across an increasing number of Vietnamese cities. Growers may be able to take lessons learned from expanding into lower tier Chinese cities, before the same strategy becomes necessary in Vietnam.

Cultural factors

- The increase in discretionary spending influences the culture associated with buying fruit in Vietnam. For example, 84% of Vietnamese respondents in a survey said they were willing to pay more for conscious-lifestyle products.[1]
- This indicates that attitudes towards purchasing are shifting towards the premium range. To support this, research has found that across all retail categories, increases in spending are driven by consumers switching to premium brands.[1]
- Periods of peak spending on summerfruit are driven by cultural events in Vietnam, most notably:[3]
  - Teacher's Day and Christmas across November – December
  - Tet and Valentine's Day across January – February
  - Buddhist praying days throughout the year
- These peak periods are well suited to the Australian summerfruit industry due to their alignment with the export season, offering logical springboards for targeted marketing strategies.

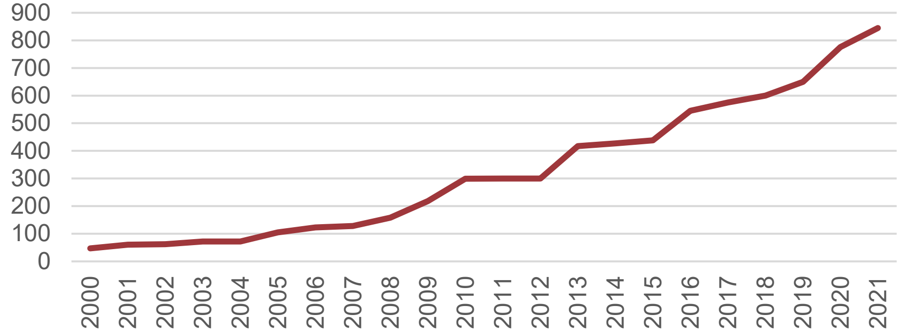
Hort Innovation

References:
1. McKinsey, 2021, The new faces of the Vietnamese consumer | McKinsey
2. McKinsey, 2019, https://shorturl.at/fizB7
3. Australian Trade and Investment Commission, 2022, *Market Name* Political & Economic Overview (horticulture.com.au)

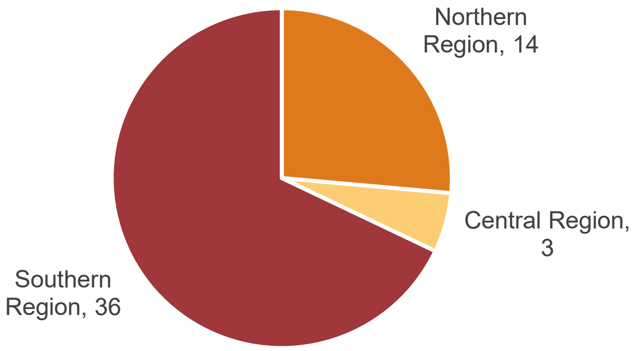
The cold chain in Vietnam is immature, presenting a significant challenge and development opportunity for the Australian summerfruit industry

The cold chain is one of the primary challenges to achieving significant growth in the Vietnamese market, as it hampers the Australian industry's ability to deliver fruit to Vietnamese consumers at a high enough quality to achieve premium reputation and price points. As the cold chain industry develops, Australian growers will need to choose Vietnamese partners with care to ensure that cold chain conditions are maximised, and assist in the development of the cold chain where possible through partner education.

Capacity of Rented Cold Storage in Vietnam[1]
CY 2000 - 2021
Pallets (1000's)



Number of Cold Storage Warehouses by Region[1]
CY 2022
Cold Storage Warehouses



The Vietnamese cold chain has been growing over the past 20 years, with development concentrated in the south of the country.

- The cold chain capability in Vietnam has an approximate capacity of 845,409 pallets in 2021, covered by 53 cold storage warehouses throughout the country.[14] Cold transport is now served by 22 refrigerated truck providers, with over 700 refrigerated trucks delivering cold product throughout the country.[1]
- Cold storage capacity has been growing consistently since the turn of the century, averaging 12% annual growth.[1] The majority of capacity is in the southern region, primarily being driven by the large seafood industry.[1]
- As the industry grows, opportunities for partnership between Australian growers and Vietnamese cold chain stakeholders will grow, particularly in the southern region where cold chain development is concentrated.

The cold chain in Vietnam is still considerably underdeveloped, presenting a quality maintenance challenge for the Australian summerfruit industry.

- Industry participants in Vietnam typically are not aware of the value of cold chain storage, with an approximate 90% of agricultural products reaching markets in Vietnam without having been preserved in cold storage.[1] This results in significant food loss, and is a concern for highly perishable goods such as summerfruit, particularly if they are intended to be sold at a premium quality. Summerfruit growers may need to consider their desired in-market channels and understand if their cold chain capabilities can support high-quality product to end consumers.
- One of Vietnam's geographic advantages is the proximity of major population hubs to sea ports, enabling a relatively simple and quick supply chain serviced by sea freight. Conversely, the inland distribution system is underdeveloped, with a high number of intermediaries leading to higher logistics costs.[2] Summerfruit exporters may therefore focus growth efforts on the large coastal cities, as opposed to inland areas which are more disadvantaged by the underdeveloped cold chain in the country.
- Education of supply chain partners will be crucial for improving the handling and transport of Australian summerfruit, particularly as one of the primary barriers is not practically insurmountable. Instead, there is a mindset issue whereby Vietnamese shippers consider the cold-chain to be a cost rather than added value to the product.[1] Greater understanding of the value to be generated from the sale of premium quality, fresh produce would assist in shifting this mindset.

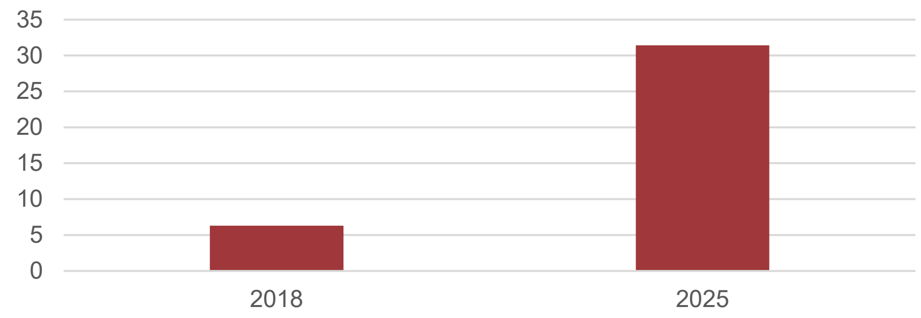
Hort Innovation

References:
1. Thi et al., 2022
2. Vietnam Credit, 2021, Overview of Vietnam's fruit & vegetable industry (vietnamcredit.com.vn)

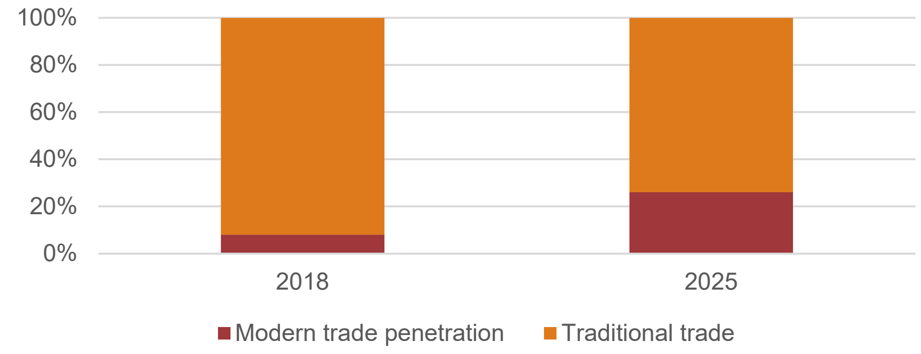
Grocery retail in Vietnam is still dominated by traditional markets, but emerging trends in retail format and e-commerce will quickly reshape the sector

The Australian summerfruit industry may need a two-pronged strategy to take advantage of modern and traditional retail formats in Vietnam. Traditional formats still comprise the vast majority of grocery sales in Vietnam, making them indispensable for growers seeking to reach large numbers of consumers. At the same time, the sector is rapidly modernising, and it will be important to take advantage of these trends to reach the higher-earning consumer segment that has a stronger preference for premium summerfruit.

Projected increase in Modern Grocery Market Size[1]
CY 2018 - 2025
$ AUD Billion



Projected Increase in Modern Trade Penetration[1]
CY 2018 - 2025
Percentage of Retail Sales*



* Modern trade penetration refers to the percentage of retail spend in modern and traditional grocery formats.

The Vietnamese food retail sector is rapidly modernising as modern grocery formats replace traditional ones.

- Traditional grocery formats, such as non-chain wholesale markets and street markets, are still common in Vietnam. These formats are quickly being replaced by modern grocery stores, driven primarily by growth in supermarkets and convenience stores, and hypermarkets to a lesser extent.[2] This rapid growth provides an opportunity to develop relationships with market-leaders, particularly those that are attracting younger, more affluent consumers.
- It is expected that the size of the modern grocery market will increase five-fold, from AUD $6 billion to $31 billion.[1] When considering distribution channels, Australian growers will need to balance this rapid growth with the fact that around 74% of retail sales are still expected to take place through traditional channels by 2025.[1] This is a particular challenge as traditional channels typically don’t have cold storage, instead relying on speed of turn-around for fruit quality. This may pose a significant risk to the quality of Australian summerfruit.

E-commerce penetration is still low in Vietnam compared to other South East Asian nations, but will become significantly more important over the next decade.

- E-commerce only accounts for 3% of retail sales in Vietnam, and is hampered by challenges such as continuing reliance on cash payments and immature last-mile delivery logistics capabilities.[2] However, this market is rapidly modernising, with analysis suggesting that e-commerce could be a similar size market as offline modern grocery formats by 2025.[2]
- This trend is being driven by the younger generation, who are far more digitally connected than older consumers. Shifts towards e-commerce have also been accelerated by the pandemic, with 20% more people now saying they would have groceries delivered than before the pandemic.[3]
- Summerfruit growers may begin exploring relationship development with importers and disiributors who service e-commerce sites to gauge the levels of demand and sales potential. Typical platforms summerfruit exports may explore include Lazada, Shopee, Tiki and Grab, which are often managed by retailers or importers.[4]

References:
1. McKinsey, 2019, https://shorturl.at/fizB7
2. McKinsey, 2021, The new faces of the Vietnamese consumer | McKinsey
3. McKinsey, 2023, Optimism for Vietnam’s economy remains high in 2023 | McKinsey
4. Australian Trade and Investment Commission, 2022, *Market Name* Political & Economic Overview (horticulture.com.au)

The grocery retail sector is dominated by three players, with fruit specialty chains growing as the demand for premium fruit increases

The consolidation of Vietnam's grocery retail sector simplifies the partnership options for the Australian summerfruit industry. Saigon Co.op still accounts for around half of grocery revenues in the country, making it the single most important partner for the Australian summerfruit industry. However, the rapid growth of VinCommerce and Bach Hoa Xanh means that this situation will need to be monitored. Additionally, the rise of fruit specialty chains has created a suitable venue for raising the profile of premium Australian fruits.

The food retail sector in Vietnam is dominated by three majors players: Saigon Co.op, VinCommerce and Bach Hoa Xanh. By revenue, Saigon Co.op, is the market leader, with close to half of revenues.[1] However, this dominance has been decreasing in recent years as more modern players, in particular VinCommerce and Bach Hoa Xanh, gain market share, with VinCommerce now operating over half of total retail stores.[1] A number of smaller fruit specialty chains sell fruit at a higher value proposition.

Market Leading Supermarket/Hypermarket Chains

Saigon Co.op

- 47% of market revenue.[1]
- Saigon Co.op, a state-run cooperative, operates a network of over 700 stores, including 100 supermarkets.[2]
- As of 2023, Saigon Co.op is speeding up the expansion of stores, with 13 stores being opened in July of 2023.[3]
- The company's goals for 2023 include development of e-commerce presence and logistics.[3]

VinCommerce

- 5% of market revenue.[1]
- VinCommerce, which operates WinMart supermarkets, hypermarkets and convenience stores, is rapidly expanding, with more than 700 new convenience stores and 20 supermarkets and hypermarkets opening in 2022.[4]
- VinCommerce has begun the process of vertical integration, targeting closer connections with suppliers and producers as a key goal for 2022 onwards.[4]

Bach Hoa Xanh

- 27% of market revenue.[1]
- Bach Hoa Xanh operated 1824 food stores as of 2022.[5]
- Although revenues have struggled in the last few years, it is expected that Bach Hoa Xanh will invest in a distribution centre, fixed assets, technology and online channels over the next several years.[5] Notably, the company has committed to not having suppliers be impacted by store closures, redirecting product to higher performing stores.

Fruit Speciality Chains

- Specialty fruit stores are significantly smaller in scale than the supermarket chains, and are typically concentrated in the major cities of Hanoi and HCMC.[6]
- The value proposition of specialty fruit stores is closely aligned with the premium proposition of Australian summerfruit, due to an emphasis on fruits on a high quality to be suitable for gifting.[6]

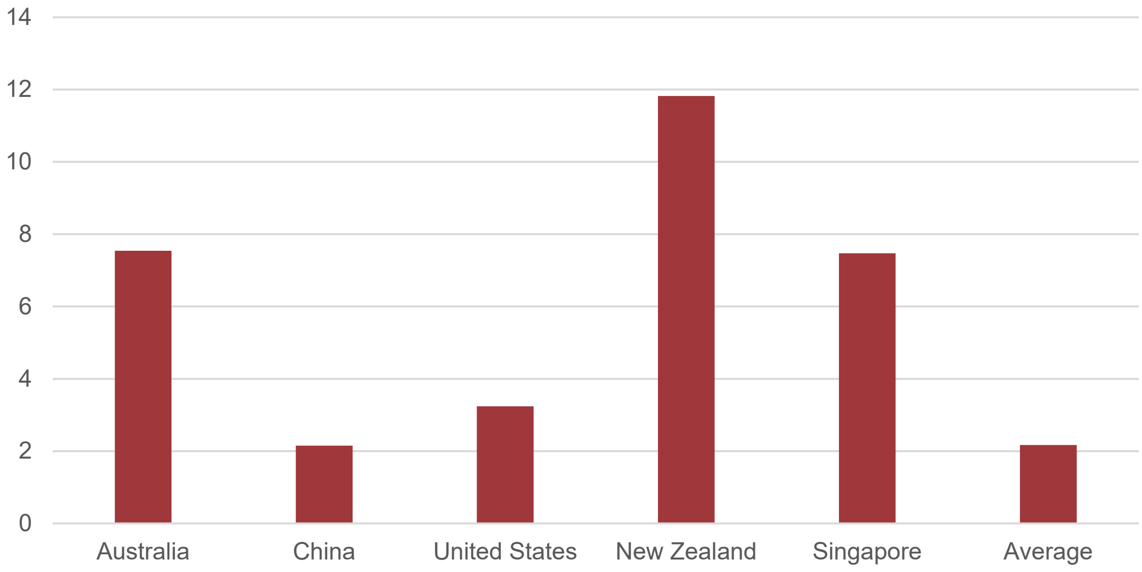
References:
1. McKinsey, 2021, The new faces of the Vietnamese consumer | McKinsey
2. Oracle, 2022, Saigon Co.op Selects Oracle Cloud Infrastructure to Enhance Customer Convenience and Management Efficiency
3. Vietnam News, 2023, Saigon Co.op speeds up expansion of retail chains (vietnamnews.vn)
4. Vietnam Investment Review, 2022, WinCommerce to open 720 more WinMart, WinMart+ stores (vir.com.vn)
5. Tuoi Tre News, 2022, Hundreds of Bach Hoa Xanh minimarts closed for restructuring | Tuoi Tre News
6. Thuy Anh Fruit, 2023, Home - Imported Fruits (thuyanhfruits-com.translate.goog)

There is significant potential to build on the already-strong price points Australian summerfruit are achieving in the Vietnamese market

Australian summerfruit are new to the Vietnamese market, meaning that growers may be able to significantly improve price points through the development of a strong quality reputation and channel strategy. Understanding the strategies that New Zealand growers employed to achieve higher price points in their first few years in market may inform further decision making by the Australian summerfruit industry.

Average Price of Australian Summerfruit in Vietnam ($ AUD per kilogram)[1]	
2021/22	**2022/23**
$7.64	$6.81

Unit Price of Summerfruit in Vietnam[2]
FY 2021/22
$ AUD per kilogram



Australian summerfruit have attained higher-than-average price points in the Vietnamese market, although not as high as those from New Zealand.

- Australian summerfruit were sold at an average price of AUD $7.64 per kilogram in 2021/22 and $6.81 per kilogram in 2022/23.[1] These price points are significantly higher than the average of AUD $2.17 per kilogram, although it should be noted that this average is a reflection of the largest exporter to the Vietnamese summerfruit market, China. New Zealand, however, has had access to the Vietnamese market for a similar amount of time to Australia, and has achieved price points 36% higher, at AUD $11.82 per kilogram.[2]
- The comparison with New Zealand is particularly relevant because both countries are southern hemisphere suppliers, leading to the potential for in-season competition. Although there is not yet strong data on the price of a small sample size of New Zealand summerfruit in Vietnam, the indicative data suggests that they may be able to compete effectively with Australian summerfruit in the premium market segment. However, there may be potential for Australian growers to export greater volumes of summerfruit than New Zealand is able to given the relative sizes of the summerfruit industries. Given that both countries are new to the Vietnamese market, it may be possible to develop a reputation as the primary counter seasonal summerfruit supplier to Vietnam by prioritising greater export volumes over the next five years.

The import price of peaches has been steadily growing, indicating a trend towards viewing the fruit as a premium option.

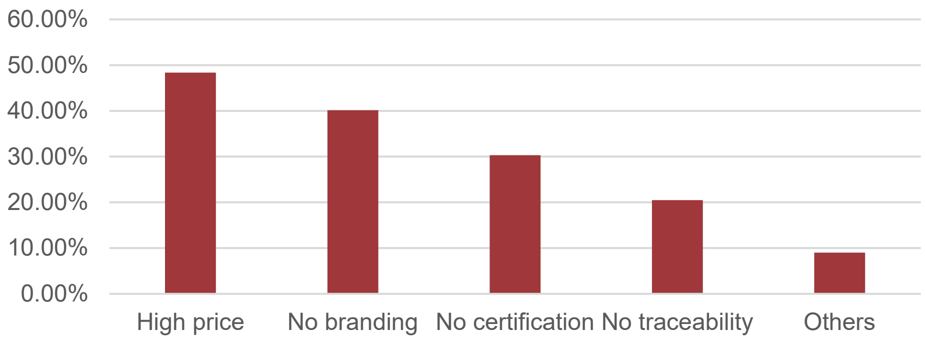
- Over 2016 to 2020, the import price per kilogram of peaches into Vietnam grew from AUD $1.55 to AUD $1.83, an increase of 18%.[3] This trend may be boosted by consumer education and targeted marketing that conveys the unique health benefits of Australian summerfruit.
- The choice of sales channel will also have significant consequences for the price points Australian growers achieve in Vietnam. For example, peaches sold in retail outlets fetch approximately 30% higher price points than those sold in wholesale outlets.[3] Ensuring that Australian summerfruit are sold in retail outlets may contribute to Australian growers' ability to increase price points and product reputation over time.

References:
1. Summerfruit Australia Limited, Hort Innovation, 2023
2. Summerfruit Australia Limited, Hort Innovation, 2022
3. Selina Wamucii, 2023, Peaches Price in Vietnam - September 2023 Market Prices (Updated Daily) (selinawamucii.com)

The market for premium fruit is growing rapidly in Vietnam, making it crucial to differentiate the premium quality characteristics of Australian summerfruit

As the Vietnamese economy develops, consumer preferences are shifting towards healthier, fresher, high quality fruit. Marketing and branding will play a key role in connecting this desire with the value of Australian summerfruit. Taking advantage of existing commercial initiatives, such as health certifications, may be able to play a role in building confidence in Australian summerfruit.

Reasons Given for Not Purchasing Fruit[1]
CY 2022
Frequency of Reasons Provided*



* Percentage reflects the number of respondents who chose each option as a reason to not purchase suggested fruit. The total is higher than 100% as respondents were allowed to select more than one reason.

Vietnamese consumers are shifting towards a focus on high health and quality standards for the fruit they eat.

- Although most Vietnamese still purchase their fruit at traditional markets, supermarkets are becoming increasingly popular. One of the primary reasons for this is a perceived difference in food safety, with 80% of respondents in a survey saying they bought fruit/vegetables at a supermarket because they believe it is cleaner.[2] This suggests that it will be easier for Australian growers to convey a clean, healthy image by selling summerfruits through supermarkets.
- Similarly, another survey found that food safety and freshness were the most important influences on consumer's decisions to buy fresh fruit.[2] This reinforces the importance of working with partners to ensure the quality of Australian fruit, and should inform the core themes used to market summerfruit.

Branding and certifications are often used by Vietnamese consumers to ascertain the quality and safety of fruit in supermarkets.

- In a survey, 30% of respondents chose not to purchase local or imported fruit because it had no certification, indicating that a significant portion of consumers rely on such information when making purchasing choices.[1] Another survey found that 88% of respondents felt assured when buying products with the 'high-quality Vietnamese', ISO, VietGAP and other similar labels.[2] This indicates an opportunity for the Australian summerfruit industry to align their products to certification requirements to increase sales revenue.
- 40% of respondents chose not to purchase fruit because it has no private company branding, indicating that strengthening Australian summerfruit brands could play an important role in improving the perceived value and quality of summerfruit in market.[1]

Purchasing premium fruit for gifting is an emerging trend in Vietnam, most prevalent during cultural events and festivals that drive consumption demand.

- In Vietnam, it is a common behaviour for consumers to spend time picking and selecting fruits, either for their own consumption or for gifting.[3] When doing so, the appearance and quality of fruit are highly sought after, with 51% of consumers being willing to pay 50% more for premium summerfruits than standard summerfruits.[4] This indicates a significant market for premium products, and emphasises the importance of branding and packaging that conveys premium characteristics.
- This behaviour is most prominent during periods of peak demand, notably Tet, which is the most significant peak period falling within the Australian summerfruit season. Retailers often conduct promotions around this time.[3] This provides a convenient opportunity to build partnerships with local retailers to introduce premium Australian summerfruit to Vietnamese consumers and promote their suitability for Tet celebrations on the basis of premium quality characteristics.

Hort Innovation

References:
1. Tran et al., 2022
2. Vietnam Credit, 2021, Overview of Vietnam's fruit & vegetable industry (vietnamcredit.com.vn)
3. Australian Trade and Investment Commission, 2022, *Market Name* Political & Economic Overview (horticulture.com.au)
4. Kantar, 2023

Australia faces negligible competition in the Vietnamese market, creating a significant opportunity for uncontested growth and reputation development

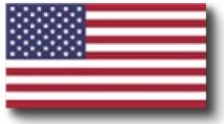
The only significant supplier to the Vietnamese summerfruit market is China, which poses no competitive threat to Australian growers due to the seasonal differences between the two countries. Although that leaves the Australian industry without competition, that situation can not be taken for granted, with future competition from Chile a realistic possibility. This possibility reinforces the importance of growing Australian summerfruit presence before the arrival of significant competitors.

Australia and Key Importers to the Vietnam Market[1]

Australia
- 0.4% of exports over last 3 years

China
- 99% of exports over last 3 years

USA
- 0.4% of exports over last 3 years



	Peaches/Nectarines	Apricots	Plums/Sloes
Australia	Access	No Access	Expected Access
South Africa	No Access	No Access	Access
Chile	No Access	No Access	No Access

China is the primary summerfruit exporter to Vietnam, with almost non-existent competition from counter seasonal suppliers.

- China exports more than 98% of the summerfruit imports to the Vietnamese market.[1] Due to counter seasonal advantage, Australian growers do not have to compete against these imports.
- Australia is the only significant counter seasonal supplier to the Vietnamese market, having exported 171 tonnes of summerfruit since gaining access in February 2022.[1] In addition, there is an expectation to attain access for Australian plums, potentially within the following year.[2]
- South Africa's sole summerfruit exports to Vietnam consist of 2 tonnes of Plums/Sloes over 2022/23.[1] It is not clear if this is a statistical anomaly, or reflects the beginning of access with an expectation of growth over time.
- Chile does not currently export any summerfruits to Vietnam. However, it can not be expected that this will continue. Chile exports other fruits to Vietnam, such as apples, and gained access for cherries in 2020.[3]
- New Zealand began exports to Vietnam in 2021/22, although has only exported trivial volumes to date.[4] It may be useful for Australian growers to monitor New Zealand exports to determine if they will evolve into a more significant threat over time.

The lack of counter seasonal competition creates a significant strategic opportunity for the Australian summerfruit industry.

- This lack of competition presents a unique opportunity for the Australian summerfruit industry to grow access, market share, and product loyalty before other exporters make their own efforts in these areas. This, in combination with the lack of domestic production, will enable the Australian summerfruit industry to grow demand across the entire price range of the Vietnamese market.
- To take advantage of this opportunity, the Australian industry will need to prioritise resources for the development of supply chain and industry relationships, and the consumer education needed to increase awareness of summerfruits and their alignment with the consumption needs and desires of the Vietnamese people.

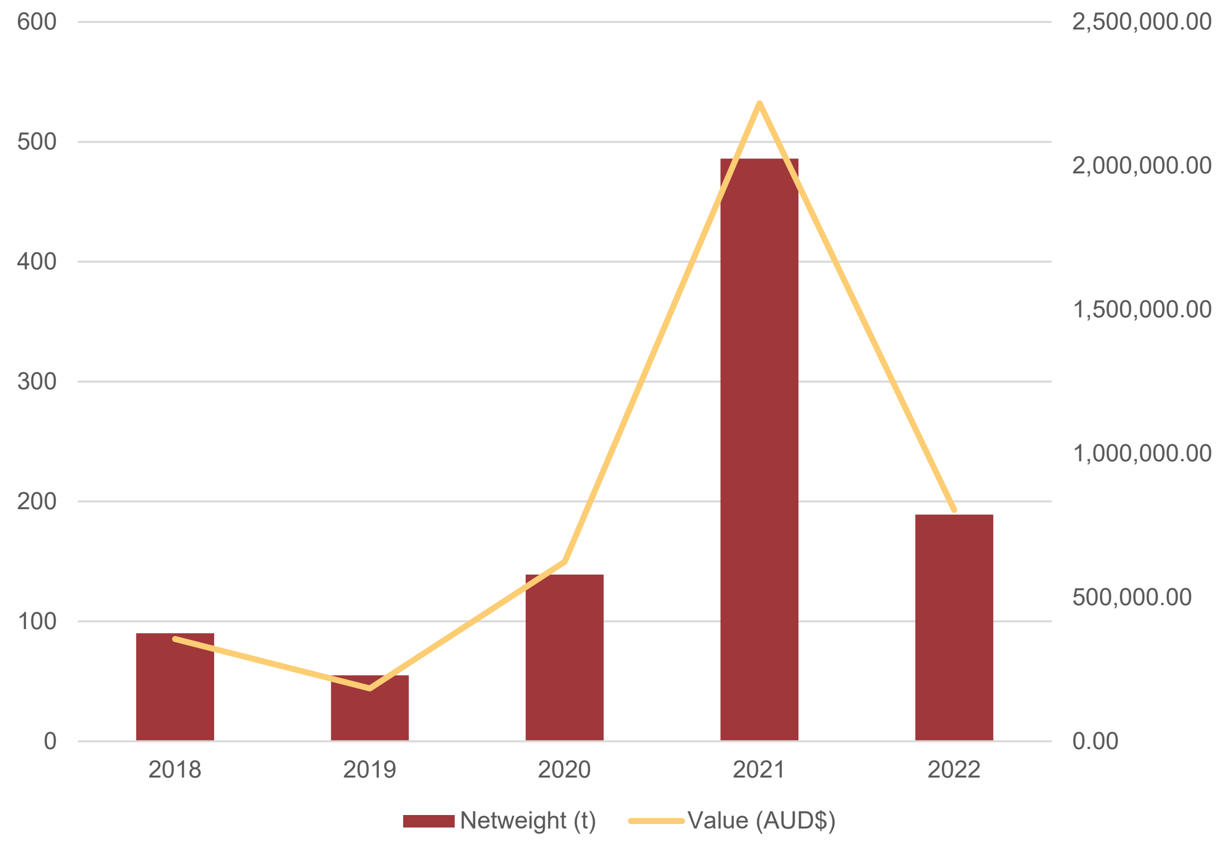
References:
1. UN Comtrade, 2023
2. Stakeholder consultation, 2023
3. Fruitnet, 2020, Vietnam opens for Chilean cherries | Article | Fruitnet
4. Summerfruit Australia Limited, Hort Innovation, 2022

4.3 | Taiwan

Taiwan is a developing market for the Australian summerfruit industry, with significant scope for future growth

Taiwan is a significant market as it has a strong middle class with an appetite for premium products. There is considerable growth potential across the range of summerfruits, indicating the potential for return on additional investment in marketing and relationship building with partners in-market.

Trend in Australian Summerfruit Exports to Taiwan[1]
CY 2018-2022
Tonnes, AUD $ million[4]



Australian summerfruit exports to Taiwan have been growing, with significant potential for further growth.

- Australian summerfruit exports to Taiwan have grown at a compound annual growth rate of 20.72% over the 2018 – 2022 period.[1] This indicates considerable unmet market demand and growth potential for future Australian Summerfruit exports.
- Unlike Vietnam and China, export growth in Taiwan is unlikely to be driven by an increase in the overall size of the summerfruit market. Over the 2012 – 2021 period, domestic production and consumption of summerfruit has declined, suggesting that growth will instead come from successful growth of market share against competitors in the summerfruit market.[2]

The Australian summerfruit industry has primarily relied on nectarines for export to Taiwan, opening an opportunity to accelerate growth through export of other summerfruits.

- The last export of peaches to Taiwan occurred in 2021.[3] Although there may be practical reasons for this, gaps in export activities hamper the ability to develop industry networks and product reputation in market. Re-prioritising exports of peaches to Taiwan may be beneficial to maintain progress already achieved in-market. Successfully growing peach exports may also support application for further access in Taiwan and other prospective markets.
- Access for plums is underway, providing an opportunity to stimulate growth.[3] Similarly, apricots have not contributed to Australia's summerfruit exports to Taiwan thus far, offering clear opportunities for expansion of exports.
- The current reliance on nectarines for exports to Taiwan offers an opportunity for growers of other summerfruits to learn from the in-market experience of nectarines, and develop unified industry strategies to boost the presence of other summerfruits alongside nectarines.
- Other summerfruit categories face potential headwinds for gaining market share, with peach consumption declining by one third in 2012-2021 due to the increased popularity of other imported fruits.[5]

Hort Innovation

References:
1. UN Comtrade, 2023 (Note: 'Other Asia' used as a proxy for Taiwan as the UN does not report Taiwan data)
2. United States Department of Agriculture, 2022
3. Stakeholder consultation, 2023
4. Converted from USD to AUD with rate of 1.53 as at 03.08.2023
5. United States Department of Agriculture, Stone Fruit Annual, 2023.

Taiwan has a smaller overall market size than Vietnam and China, but a high concentration of wealthy consumers with a desire for premium fruit products

The nature of the Taiwanese market, being smaller but more suited to premium purchasing and consumption, makes it well suited for the highest quality Australian summerfruit. The established desire for premium fruit, seen in the appeal of premium Japanese peaches, indicates a potential for Australian growers to fill this gap in the premium market in Japan's winter when they are not exporting summerfruit to Taiwan.

Demographic factors

- In contrast to China and Vietnam, Taiwan is further along the path to economic development, with only 0.75% of the population living below middle class status.[1] In fact, 32% of the population is in the high income class with a capacity to spend greater than USD $50 per day.
- This high income class, consisting of 7.6 million people, is the natural target for the premium value proposition of Australian summerfruit. Within this group, more specific characteristics identify the biggest purchasers of fresh fruit. Research has found that Taiwanese consumers who are female, full time employees, have higher education and have children at home are the most likely to purchase high quality fresh fruit.[2]
- Another significant contrast with China and Vietnam is that Taiwan has a much smaller total population, at 23.5 million, compared to 97.5 million (Vietnam) and 1.4 billion (China). In addition, Taiwan's population has been gradually declining since 2019, with no reversal likely in the near future.[3] As such, the overall market size will not increase, making competition for the premium segment of the market particularly important.

City and geographic dynamics

- The largest city in Taiwan is New Taipei, which includes the capital Taipei, with a population of 4 million. Outside New Taipei, there are four major cities: Kaohsiung, Taichung, Taoyuan and Tainan. These cities have populations between 1.8 million and 2.8 million, with all other cities being smaller in size.[4]
- Targeting these five cities, with an emphasis on Taipei, would allow the Australian summerfruit industry to reach a large portion of the wealthier Taiwanese population, while remaining targeted in export and trade strategies.
- The geography of Taiwan is split between the low-lying coastal areas where the majority of the population lives, and the more sparsely populated mountainous regions. The coastal areas are the most highly urbanised areas of Taiwan, with easier distribution due to the existence of sea ports. Simultaneously, peaches are produced primarily in the mountainous regions of the country, enabling a simple supply chain for the population in the mountainous regions. As such, it makes little sense for growers to expend significant resources to increase presence in the mountainous areas.

Cultural factors

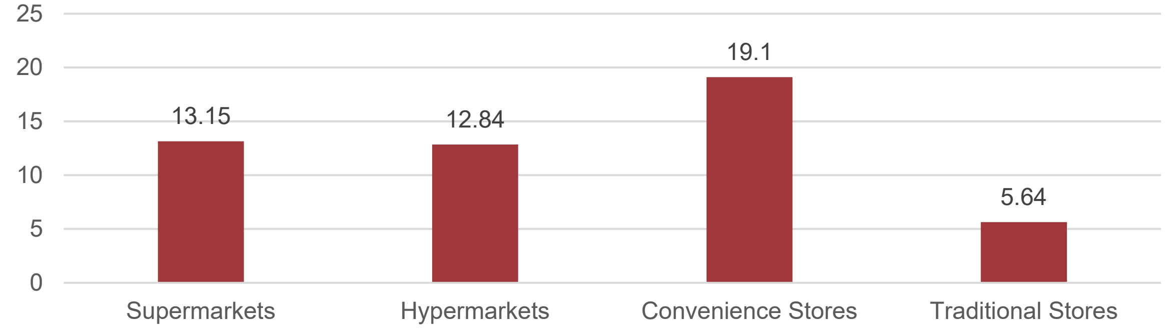
- There are three periods of peak consumption demand in Taiwan:[5]
  - Chinese New Year (January to February)
  - Dragon Boat Festival (June)
  - Moon Festival (September)
- Of these, only Chinese New Year sits within the supply window of the Australian summerfruit industry. Taking advantage of this period will contribute to a significant portion of exports to Taiwan.
- Local producers often run promotional campaigns with sellers during this period. Conducting similar campaigns would increase the visibility of Australian summerfruit in market, and offer a chance for differentiation in quality and health benefits.
- During Chinese New Year, it is common for fruit to be sent in gift packages to friends and family, or consumed in religious practices.[6] This is a significant opportunity because such uses require premium or exotic qualities which are often met by foreign fruit. These behaviours should be considered in the branding and marketing of Australian summerfruit.

References:
1. ChinaPower, 2018, How Well-off is China's Middle Class? | ChinaPower Project (csis.org)
2. Yang et al., 2021
3. National Development Council (Taiwan), 2022, Taiwan: population 1990-2030 | Statista
4. Department of Household Registration (Taiwan), 2023
5. Fresh Plaza, 2012, Taiwan: an interesting market for Chilean kiwis (freshplaza.com)
6. Taiwan Fruit Guide, 2023, Taiwan Fruit Guide 台灣水果指南 - Foreigners in Taiwan - 外國人在臺灣

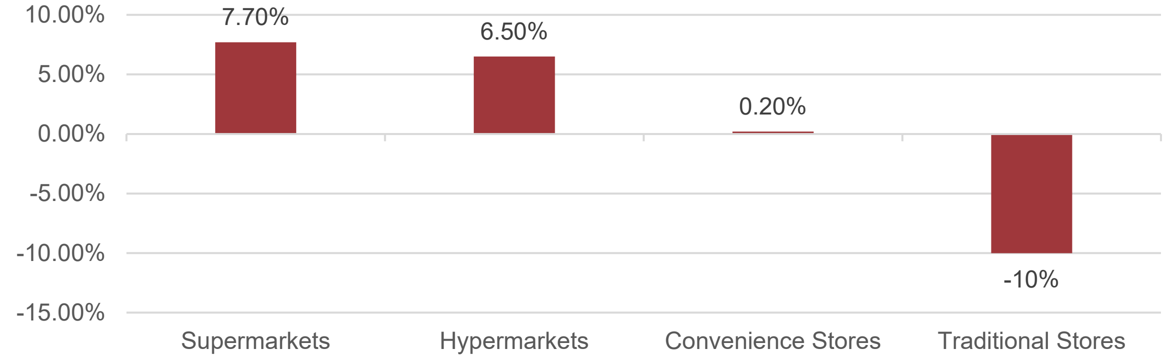
Taiwan's retail sector is dominated by modern channels, with supermarkets and hypermarkets the ideal distribution channel for Australian peaches

The Taiwanese market has achieved a greater level of retail modernisation than China or Vietnam, and can be seen as a decade or two ahead of each. As a result, Australian summerfruit growers would be served by focusing their efforts on modern channels rather than expending significant resources for little gain in traditional markets.

Sales Revenue by Retail Format[1]
CY 2021
$ AUD (billions)



Sales Revenue Growth by Retail Format[1]
CY 2021
$ AUD (billions)



Australian summerfruit exports to Taiwan have been growing, with significant potential for further growth.

- There is comparable sales revenue across supermarkets, hypermarkets and convenience stories in Taiwan, ranging between AUD $13 billion and AUD $19 billion by format.[1] In contrast, traditional stores only account for 12.5% of retail sales. This is in stark contrast to Vietnam, where the converse is true, and China, which is more evenly split between modern and traditional retails channels.
- This makes the strategy for Taiwan simpler, as there is less need to balance the continuing importance of traditional channels with the rapid growth of modern channels. Summerfruit growers and exporters may consider targeted export strategies and programs that consider modern retail formats, such as supermarkets, and understand the potential for vertical integration among them for streamlined supply chain opportunities.
- Across modern channels, convenience stores remain the largest source of revenue, but have had stagnant growth in recent years.[1] This is likely due to the fact that the number of commuters decreased during covid, with people instead ordering grocery delivery, which is more readily available from supermarkets and hypermarkets. Additionally, there is a perception that fruit purchased from convenience stores are lower quality than those purchased in supermarkets and hypermarkets.[2]
- Although this trend may moderate as the impact of Covid recedes, supermarkets and hypermarkets should still remain the focus for Australian growers as they typically have a stronger emphasis on high quality, fresh produce.
- Research has found that hypermarkets and high-end fruit shops are the primary distribution channels for peaches, while nectarines are typically sold in traditional markets.[3] This reflects a challenge for Australian nectarines, as the supply chain for traditional markets can be more complex and targeted to domestic participants. On the other hand, this is a clear indication that targeting hypermarkets and specialty fruit shops is suitable for Australian peaches as Taiwanese consumers will be searching for peaches in these locations. However, growers may need to consider different channel strategies for other summerfruit categories, with a baseline reliance on supermarkets and hypermarkets.

References:
1. Lloyds Bank, 2023, The distribution network in Taiwan, China - International Trade Portal (lloydsbanktrade.com)
2. Taiwan Fruit Guide, 2023, Taiwan Fruit Guide 台灣水果指南 - Foreigners in Taiwan - 外國人在臺灣
3. United States Department of Agriculture, 2022

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Consolidation in the Taiwanese retail sector has led to a simpler food distribution network with a comparatively high level of vertical integration.

Taiwan has a more balanced mix of large domestic and international players in the grocery retail sector than Vietnam and China. International retailers such as Costco and Carrefour typically have more advanced cold chains due to easier access to cold chain technology developed overseas, making them a suitable partner for keeping Australian summerfruit fresh. However, domestic players such as PX-Mart should not be ignored, due to the consumer reach provided by their dominance in the supermarket sector.

The Taiwan food retail sector has undergone a process of consolidation, with PX Mart and President Chain Store each holding around 40% of the market.[1] President Chain Store, which operates Carrefour hypermarkets and 7-Eleven convenience stores, is dominant in these formats. PX Mart is dominant in the supermarket format. Costco, a significant player in the hypermarket space, is important for the Australian summerfruit industry because it is one of the largest sellers of imported fruits.[4]

Market Leading Retail Chains

全聯福利中心

PX Mart

- PX Mart is dominant in the supermarket format, with 1133 stores as of 2023.[3]
- PX Mart is investing heavily in its logistics infrastructure, primarily due to the intense competition with President Chain Store.
- PX Mart expects to complete its cold chain logistics and automated warehousing by 2025, increasing the quality of fruits sold nationwide. Progress in this area should increase the confidence of Australian growers in the quality of summerfruit reaching Taiwanese consumers.

统一超商股份有限公司

President Chain Store

- President Chain Store is dominant in the convenience store format, operating 6432 7-Eleven stores, and in the hypermarket format, operating 66 Carrefour stores as of 2023.[3]
- Over the last two years, President Chain Store has consolidated its logistics company under one enterprise.[1] This presents a significant opportunity for the Australian industry to establish a new relationship and expand utilisation of available distribution channels.
- Carrefour stores have been noted for their superior cold-chain handling when compared to 7-Eleven stores.[1]

COSTCO WHOLESALE

Costco

- Costco is one of the primary sellers of imported fruit, making it an important channel for Australian growers.[4]
- Costco has a highly developed logistics network.[4] Fruit arriving by sea is managed in a distribution centre in Taoyuan before being sent to one of Costco's 14 hypermarkets.
- Costco also has a highly developed air import program.[4] For context, US fruit are often able to move from production areas to Costco stores in Taiwan within 3 days. Australian growers should seek similar partnerships when possible, to maximise early season advantage over Chile.

Specialty Fruit Stores

- Specialty fruit stores are widespread in Taiwan, most notably in the major cities such as New Taipei City. However, most fruits sold in these stores are domestically produced as a result of the abundance of fruit production in Taiwan.[5]
- These stores are oriented to the domestic market, and generally lack the capability to manage significant volumes of imported fruit.
- The fragmented nature of this sector adds a degree of complexity to the development of export and trade strategies, and may be considered a longer-term goal for when Australian summerfruit have a stronger presence.

Hort Innovation

References:
1. Commonwealth Magazine, 2022, Will PX-Mart and President Chain Store monopolize Taiwan's retail? | Industry | 2022-07-29 | CommonWealth Magazine (cw.com.tw)
2. Taiwan Fruit Guide, 2023, Taiwan Fruit Guide 台灣水果指南 - Foreigners in Taiwan - 外國人在臺灣
3. Lloyds Bank, 2023, The distribution network in Taiwan, China - International Trade Portal (lloydsbanktrade.com)
4. Netherlands Office Taipei, 2021
5. USDA, 2022

Australian growers should focus on working with the market leaders in Taiwanese retail to take advantage of the relatively developed cold chain

Taiwan's highly developed cold chains typically begin at its major sea ports, and are managed by the market leaders in logistics and retailing. Taking advantage of this existing infrastructure will enable Australian growers to avoid areas of the country and economy with relatively under-developed cold chains.

Major sea ports in Taiwan

Sea Ports	Import Value[1]	City Served
Keelung	43.31%	New Taipei City
Kaohsiung	33.97%	Kaohsiung City
Taichung	17.38%	Taichung City
Taipei	5.35%	New Taipei City

Sea freight in Taiwan is concentrated in a few cities, offering quicker and simpler supply chain options for Australian summerfruit.

- Approximately 95% of Taiwan's agricultural imports come by sea, including all of Australia's summerfruit exports as of 2023.[2]
- To simplify the supply chain, targeting New Taipei City, Kaohsiung City and Taichung city would allow the shortest distance between transport hubs and customers. To achieve this, it may be beneficial to develop relationships with importers and retailers that manage the logistics from arrival at port to placement on shelves.

The cold chain in Taiwan is relatively developed when compared to China and Vietnam, although there are still significant opportunities for improvement.

- Taiwan's cold chain industry has historically been hampered by a fragmentation in the supply chain, leading to a lack of companies with the capital required to invest in cold chain facilities.[3] This has led to quality shortfalls amongst Taiwan's fruits, including deterioration in appearance, taste and texture, and lower price points as a result. Growers should understand and select supply chain partners with superior cold chain capabilities to ensure freshness and quality of summerfruit for consumers.
- The cold chain is also lacking in the mountainous regions of the country, where high quality fresh fruit is often not available.[4] As such, marketing efforts in these areas may not be worthwhile, as it is unlikely that significant numbers of high quality imported summerfruit will reach there. Instead, Australian growers should focus exports on the larger coastal cities with port access.
- **Improvements in the cold chain are being driven by the competition between the two primary retailers, President Chain Store and PX Mart.**
- The dominant retailers have the capacity to invest in integrated cold chain solutions due to their large size and the vertically integrated nature of their operations.[3] In addition, the desire to develop a reputation for high quality food, and the ability to increase prices on this basis, is a strong incentive towards cold chain development.
- Within the President Chain Store group, Carrefour hypermarkets have the most developed cold chain.[3] Costco hypermarkets are similarly developed. These hypermarkets are therefore the best options to carry Australian summerfruit in a way that maximises quality and freshness. Additionally, to reach a higher number of customers and geographic locations, selling through PX Mart supermarkets is suitable due to their high reach and increasing investment in cold chain solutions.
- Although e-commerce is highly developed in Taiwan, Australian growers should be careful as to how integrated such services are with the existing cold chain system. For example, MOMO, one of the major e-commerce platforms, has voiced concerns about its ability to deliver fresh fruit due to a lack of pre-cooling or cold storage in their distribution system.[3]
- Growers should assess supply chain and cold chain capabilities across desired retail formats to ensure products meet consumer preferences and suitability characteristics.

References:
1. Ferrera et al, 2023
2. Stakeholder consultation, 2023
3. Netherlands Office Taipei, 2021
4. United States Department of Agriculture, 2022

Summerfruit do not currently have a strong e-commerce presence in Taiwan, but available listings show a preference for premium country-of-origin advertising

There were few summerfruit listings available on online Taiwanese retailers, including large international retailers Carrefour and Costco, and large domestic e-commerce sites such as Momo. This indicates an opportunity for the Australian industry, as listings of Australian summerfruit would be easily searchable and face little competition on these online platforms.

Carrefour 家樂福

- The only fresh summerfruit available on Carrefour was one listing of plums from California.[1] This listing offered 9 black plums at the cost of TWD $180 (AUD $8.74 as at 11.09.2023). No other information was available.

COSTCO WHOLESALE

- Costco presented two listings of peaches, one from the USA and one from Japan.[2] The US listing presented a box of 10 peaches totalling 1.8 k.g., with the words ‘California grown’ prominently displayed. It was also mentioned that the peaches were air freighted from the US. The Japanese peaches were presented as a gift pack with 2 k.g. of peaches. The peaches were described as fragrant, with plump and juicy pulp. No price information was available.
- Costco presented one listing of honey plums from the USA. The listing offered a 2 k.g. pack, with wording that described the plums as ‘No. 1 grade.’

momo

- Momo presented listings of peaches and nectarines, but not plums or apricots.[3] The packs ranged from 1.3 – 2 k.g. of fruit, and were highly variable in price.
- Peaches and nectarines from the USA strongly emphasised their country of origin, such as by providing the story behind the farm that grew the fruit. Nutritional information was also emphasised, with specific reference made to carbohydrates, fibre, vitamins and other nutrients. Handling instructions were provided, such as suggestions to keep nectarines refrigerated and without heavy objects stacked on top.
- Peaches and nectarines from Japan also emphasised the country of origin. The premium aspects were conveyed by saying that nectarines had been grown by experts in strictly controlled greenhouses. Japanese peaches were unique in that they were packaged in a high-quality box that would be suitable for gift giving.

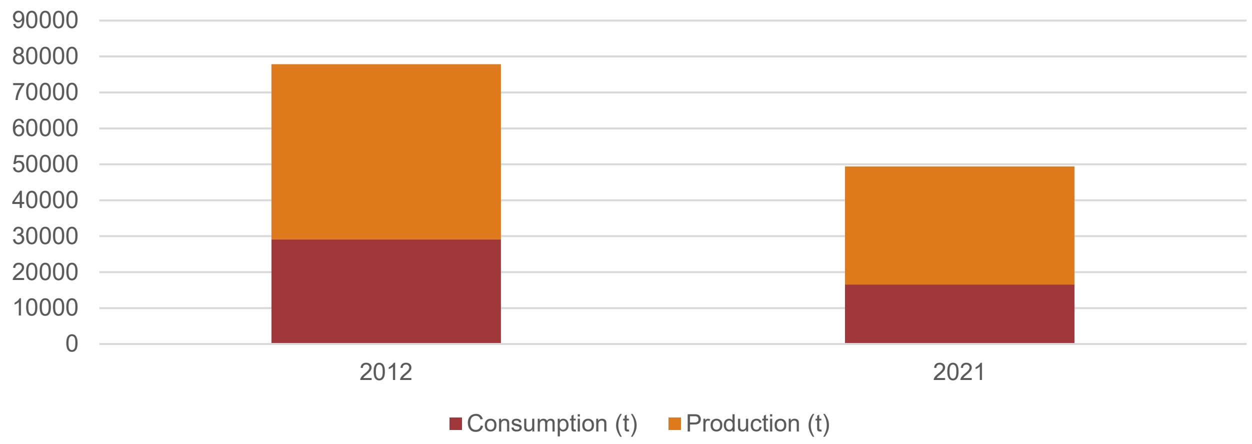
Packaging Examples

References:
1. Carrefour Taiwan, 2023
2. Costco Taiwan, 2023
3. Momo, 2023

Due to limited growth in the overall summerfruit market, competition for the premium segment of the market will be particularly crucial to revenue growth

Taiwan is unlike China and Vietnam in that there is a long-term expectation that consumption of summerfruit will decrease. This needs to be accounted for in growth strategies for Australian exporters, as it will likely increase the importance of competing for the premium segment of the market.

Production and Consumption of Peaches in Taiwan[1]
CY 2012 - 2022
Tonnes



Production and consumption of peaches in Taiwan has been declining, indicating limited growth potential for the overall market.

- Over 2012 – 2021, peach consumption declined by one third, while peach production declined by half.[1] One of the reasons for the decline in consumption is the increasing availability of alternative fruits that are imported. In responding to this trend, consumer interest in peaches may be rekindled by emphasising the attribute differences between Australian and Taiwanese peaches.
- This impact should be less pronounced for the Australian summerfruit industry, due to the counter seasonal nature of supply. Furthermore, the premium range of peaches is expected to remain stable, reinforcing the importance for Australian growers to compete in this segment.[1]

As the summerfruit market in Taiwan is not expected to grow, it is important for Australian summerfruit growers to develop a strong premium quality reputation.

- There is strong evidence to indicate a large market for premium summerfruit in Taiwan that Australia is not currently reaching. 47% of Taiwanese consumers are willing to pay 50% more for premium summerfruits as opposed to standard quality summerfruits.[2] Additionally, 46% of Taiwanese consumers have indicated they would choose peaches as their preferred imported fruit product over all other types of fruit.[3]
- To take advantage of this desire for high quality imported peaches, Australian growers should emphasise the unique quality and health benefits of Australian summerfruit.

To succeed in the premium summerfruit market, Australian growers will need to adapt to the unique preferences of Taiwanese consumers.

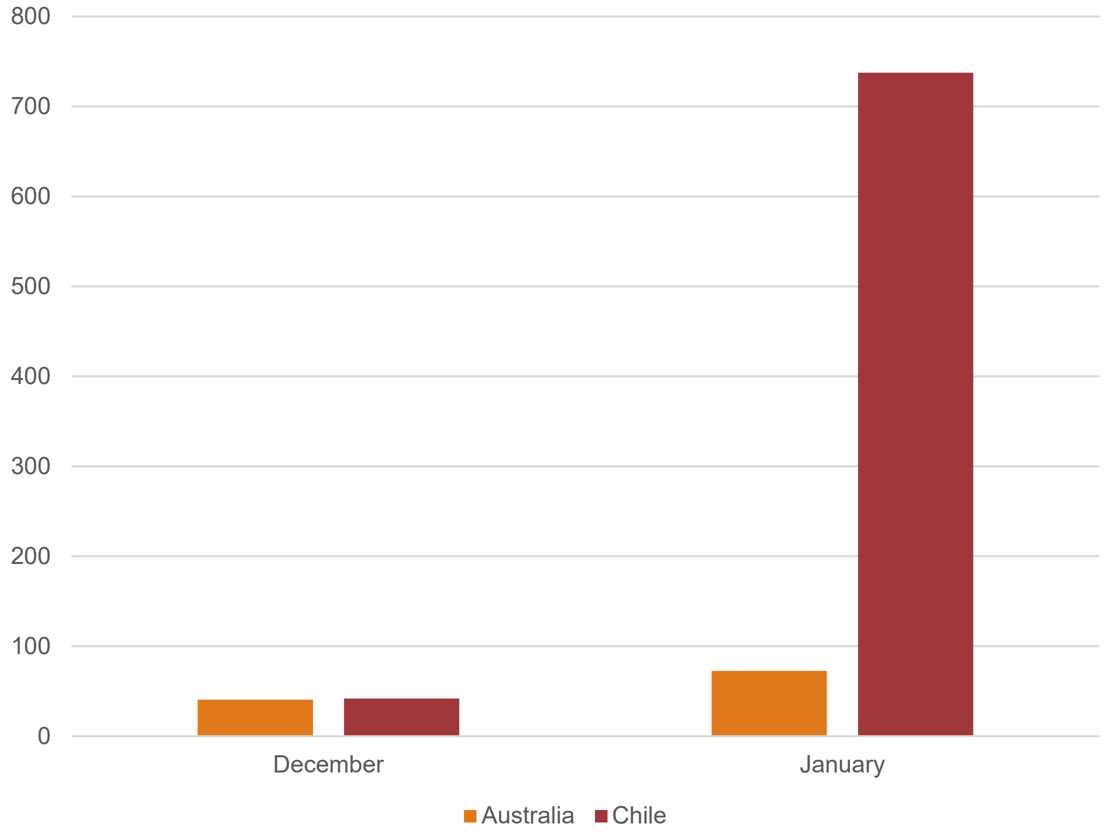
- Taiwanese consumers prefer peaches that are sweeter, juicier and larger, making Japanese imports highly popular in the premium segment of the market.[3] Sweetness, in particular, is an important quality characteristic. Amongst domestically produced peaches, the local sweet peaches and honey peaches are highly desirable, with honey peaches often selling at ten times the price of standard peaches.[4]
- Beyond the fruit itself, packaging and labels are important ways to communicate quality values to Taiwanese consumers.[3] Working with local partners to understand the format and colours that appeal to consumers would assist Australian growers appeal to the market. Product origin labels are also positive purchasing factors for Taiwanese consumers.[3]
- It may be suitable to work with local partners to understand in greater detail the packaging preferences and desired quality attributes of Taiwanese consumers. This may inform insights into marketing strategies, such as effectively translated quality claims, that appeal to the desires of grocery shoppers.

References:
1. USDA, 2023
2. Kantar, 2023
3. Yang et al., 2021
4. USDA, 2020
5. Fresh Plaza, 2020

Air freight protocols would bring the greatest immediate improvement in the challenging competitive dynamic between Chile and Australia

Although Taiwan is a market with significant growth potential for Australian growers, the competitive landscape is challenging due to the presence of well-established Chilean exporters. However, Chile has currently exported negligible volumes of peaches and apricots, indicating that these summerfruits would pose the fewest competitive barriers to growth of Australian exports. As of 2023, South Africa does not supply the Taiwanese market.

Australian and Chilean Stonefruit Exports by Month[1]
FY 2022 - 2023
Tonnes



In recent years, Australia has not been able to develop an early season advantage over Chile.

- Chile is Australia's primary competitor for the Taiwanese market as South Africa does not supply any summerfruit. One of the challenges for the Australian summerfruit industry is that, unlike with China, there hasn't been a significant period where Australia supplies the market before Chilean freight arrives.[1]
- Australian and Chilean export volumes are comparable for December, but by January, Chilean volumes are far exceeding those of Australia, making it difficult to make progress in developing market share and cost leadership.[1] One way to improve this situation would be attaining air freight protocols for the Taiwanese market. Existing efforts in this regard should remain a focus for the Australian summerfruit industry.

Chile is becoming increasingly dominant in plum and nectarine exports to Taiwan, with significant growth potential in peaches and apricots.

- Chile is a strong competitor in nectarines, Australia's main export to Taiwan. Over the 2018 – 2022 period, Taiwan has increased its share of nectarines from 52% of volume to 79% of volume.[1] In contrast, Australia supplied 2% of nectarine volume in 2022.
- Chile only exported 26 tonnes of peaches in 2022 (0.4% of volume), but this has increased steadily off a base of 2 tonnes in 2016, indicating growth potential in the future.[1] Regarding apricots, Chile is not present in the Taiwanese market as of 2023.
- In the case of Australia gaining access for plums to Taiwan, Chile will be a strong competitor as they already account for 73% of plum export volume to the market.[1] That being said, the overall plum export market is small, at 3415 tonnes as of 2022.
- As Chile is in the dominant market position, it will be crucial for Australian growers to differentiate their products from those of Chile. This may come from health or quality benefits unique to Australian summerfruit, or the relative strength of Australian country-of-origin reputation in comparison to Chile.

References:
1. UN Comtrade, 2023

5 |

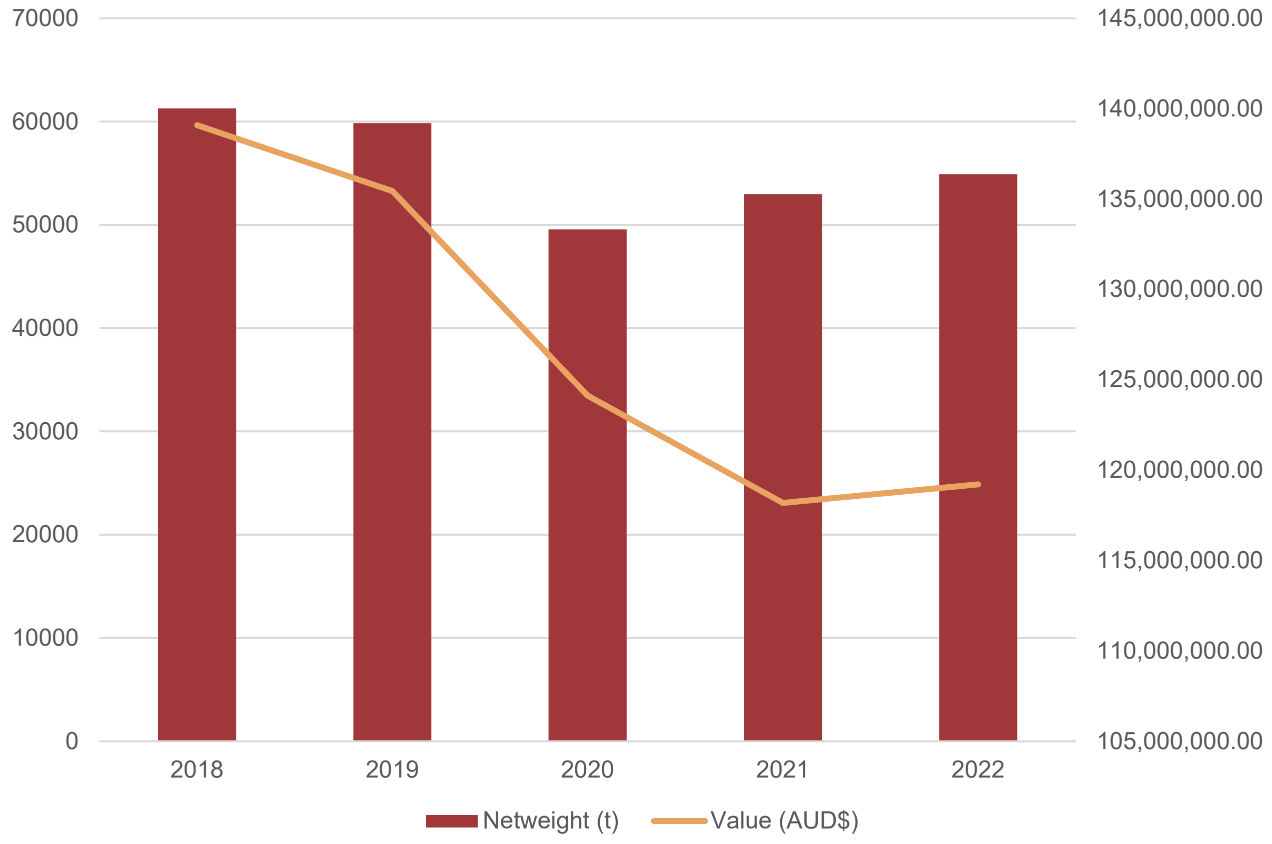
Market Profiles (Expansion Markets)

5.1 | USA

The USA market presents counter seasonal export opportunities for Australian summerfruit growers

The summerfruit import market for the USA is roughly the same size as that of Vietnam, but it is served almost exclusively by counter seasonal suppliers, primarily Chile. Export opportunities have been dampened in recent years by the effects of the Covid pandemic and inflationary pressures, but as these ease in the coming years demand for imported summerfruit may also increase, presenting new opportunities for Australian exporters.

Trend in USA Summerfruit Imports[1]
CY 2018-2022
Tonnes, AUD $ million[2]



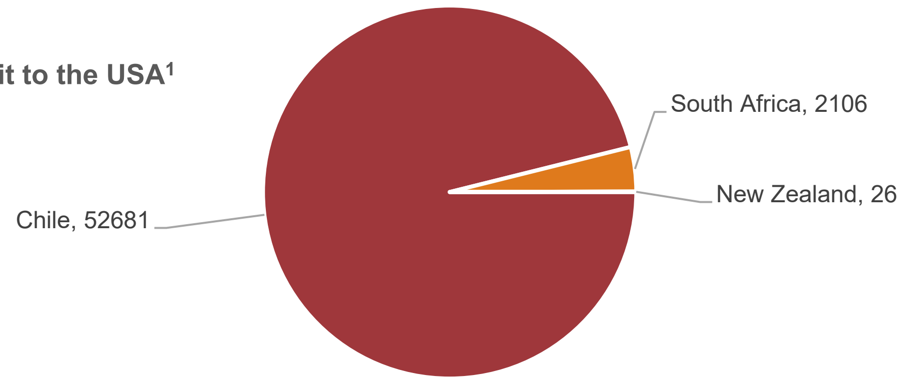
The US is a strong importer of summerfruit in their winter season, with consistent growth since the beginning of the Covid pandemic period.

- Summerfruit exports to the USA have been consistently increasing since 2020, suggesting a possibility to return to the 5-year high of 61,271 tonnes in 2018.[1] This trend also indicates an increase in demand for summerfruit, which may assist the Australian summerfruit industry if they pursue market access applications for the USA.
- Import values have fallen in proportion to import volumes, indicating that demand for high-quality summerfruit has diminished due to current economic hardships that are noticeable in down-trending consumer spending intentions.[1]

The US market has demonstrated a willingness to allow access to summerfruit importers, with Chile, South Africa and New Zealand having attained access.

- Chile and New Zealand have had access to the US market for several years, with Chile holding a dominant position in the export market.[1] South Africa is new to the market, and begun exports of peaches, nectarines and apricots in 2022. Australian growers will need to have a differentiated value proposition and marketing strategy to compete with these incumbent operators

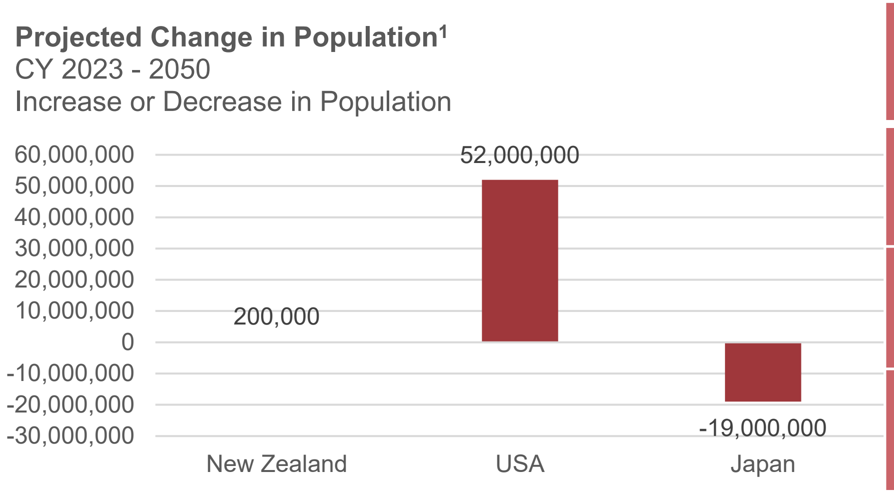
Imports of Summerfruit to the USA[1]
CY 2022
Tonnes



References:
1. UN Comtrade, 2023
2. Converted from USD to AUD with rate of 1.53 as at 03.08.2023

The United States represents a large economic opportunity for the Australian summerfruit industry, underpinned by strong demand for summerfruit

The United States is one of the largest summerfruit-consuming nations in the world on the basis of its high economic development, strong middle and upper classes, and large overall population. The success of Chilean exporters suggests widespread desire for summerfruit, indicating a significant opportunity for the Australian industry if they can differentiate Australian summerfruit from the dominant Chilean varieties.



Current Population (millions)[1]	
USA	332
Japan	125
New Zealand	4.9

The size of the US population is far greater than other prospective markets, and is projected to grow in the long-term.

- The size of the United States population is more than twice that of the nearest prospective market Japan, with 332 million people. Unlike Japan and South Korea, the USA is expected to continue growing its population for the foreseeable future, driven in part by high migration.[1] This means that the USA offers a large potential market, with one of the largest middle classes in the world, making it an attractive destination for export growth.
- While hosting a large middle class, the upper income consumer segment in the USA is growing rapidly, increasing from 14% of the population in 1971 to 21% in 2021.[2] This represents a growing class of people that have the discretionary income to regularly purchase premium quality summerfruit, and suggests an underlying potential to the premium economy which is currently dampened by the effects of the Covid pandemic and continuing inflationary pressures.

The USA has a high awareness and desire for summerfruit year-round, indicating a strong economic opportunity for the Australian industry.

- Each year, 3.24 kilograms of summerfruit are consumed per person in the USA.[3] This is the second highest amount among the countries prioritised in this report. Combined with the overall market size, this represents a significant market for the Australian industry.
- Research has found that 40% of US respondents consumed summerfruit at least once a week, the second highest score of all countries surveyed.[4] This indicates that the long-standing presence of the Chilean industry has created a year-round expectation of summerfruit availability for US consumers. In this context, the Australian industry would need to do little consumer education and could instead focus on marketing the unique value proposition of Australian summerfruit.
- Although consumption is relatively consistent year-round, periods of peak consumption include the Christmas – New Year period, and the Thanksgiving period in late November.[5] The timing of Thanksgiving indicates that Australian exporters could have a strong start to the season if they are able to reach market by mid-late November.

The USA has a large number of highly developed population centres, but California may be an ideal location to focus initial market presence.

- Three of the ten most populous cities in the USA are in California, being Los Angeles, San Diego and San Jose.[6] In addition, these cities have high concentrations of wealthier consumers, and are some of the easiest cities to reach from a supply chain perspective. Their proximity to sea ports on the east coast means that summerfruit can reach consumers more quickly, which is key given the importance of freshness and quality of fruit to US consumers.
- When the opportunity arises, the Australian industry may focus its marketing efforts on consumers in the largest Californian cities. A large portion of the USA's domestic summerfruit industry operates in California, indicating a possibility to partner with local summerfruit brands on marketing and supply chain management without risk of in-season competition.

Hort Innovation

References:
1. UN Population Prospects, 2019
2. Pew Research Center, 2022, How the American middle class has changed in the past five decades | Pew Research Center
3. Summerfruit Australia Limited, Hort Innovation, 2022
4. Katnar, 2023
5. United States Department of Agriculture, 20223
6. Investopedia, 2023, 10 Largest Cities in the U.S. (investopedia.com)

The development of the US cold chain industry indicates potential for Australian growers to deliver summerfruit at a high quality through to end consumers

The US has several large players in the cold chain logistics sector, giving Australian growers a variety of options when selecting supply chain partners. Although there is still some variability in the quality of the supply chain across the country, the scale of cold-chain logistics providers reduces the complexity of accessing a wide range of consumers throughout the US market.

Market Leading Logistics Services

The USA has a highly developed cold chain industry, with many firms that are technological leaders in the global market.

- The United States' competitive advantage in cold chain technology has been driven by the supply chain needs of an expansive, geographically diverse landscape. Additionally, the USA is a highly regulated market, with the Food and Drug Administration (FDA) imposing regulations on temperature control, storage and handling of perishable goods.[1] This had led to the development of a number of beneficial technologies such as real-time temperature monitoring systems, GPS tracking, improved insulation and energy-efficient refrigeration.[1]
- For the Australian summerfruit industry, this means that proper cold storage and handling should not be a major concern, particularly if growers choose to work with the more established market leaders in cold chain logistics. Companies such as Americold and United States Cold Storage offer highly developed logistics solutions that may interest Australian growers when considering in-market activation activities.[2]

Although well established, the US cold chain industry is continuing to grow in response to economic trends and consumer preferences.

- In 2022, the market size of the US cold chain industry was USD $61 billion, with an expected growth rate of 7.3% over 2023 – 2028.[1] By 2028, the industry is expected to reach USD $104 billion in value.
- This continuing growth is driven in part by growth in online grocery shopping, which creates a need for cold-chain storage to effectively maintain the freshness of perishable goods across last-mile delivery locations.[1] In addition, increasing consumer demands around quality, safety and traceability of food are fuelling demand for cold chain services.
- These trends suggest that the ability for Australian growers to compete in premium segments of the market will increase as their ability to deliver fresh summerfruit over long distances also increases.

References:
1. Imarc Group, 2022
2. Expert Market Research, 2023, North America Cold Chain Market Size, Share, Report 2023-2028 (expertmarketresearch.com)

The USA is home to a number of sophisticated grocery retailers, with Walmart a strong option for future industry relationship building

The USA grocery sector is highly modernised, with modern retail chains serving the vast majority of consumer demand across the country. This is different to key Asian markets, most particularly China and Vietnam, which remain balanced between modern chains and traditional markets. The dominance of modern chains will simplify the distribution strategy used by the Australian summerfruit industry.

Market Leading Retail Chains

Market Share of Leading Retail Chains (2022)[1]

Walmart	Costco	Kroger	Sam's Club	Publix
25.2%	7.1%	5.6%	4.7%	4.4%

The grocery sector in the USA is not defined by the same split of traditional and modern formats present in China, Vietnam and Taiwan.

- Instead, the sector is split between conventional supermarket formats and alternative formats, the most notable example being hypermarkets. Conventional supermarkets account for 66.6% of the grocery market, but are gradually losing market share to alternative formats.[2]
- The fastest growing alternative format is warehouse clubs, which require a membership but offer discounted products, with growth from 8.7% to 10.9% of the market over 2021 – 2022.[2] The trend towards hypermarkets and warehouse clubs is driven in part by the larger range of products on offer, allowing for 'one-stop shopping', and the potential for discounts.
- While Australian growers should not lose sight of conventional supermarkets due to their primary market position, working closely with hypermarkets and warehouse clubs may contribute to consumers viewing Australian summerfruit as good value for money, particularly if it is included in discounts. Such opportunities may be explored with leaders in these formats such as Costco and Sam's Club.

Market leaders in the USA's grocery retail sector are typically large, often global companies with highly sophisticated, vertically integrated operations.

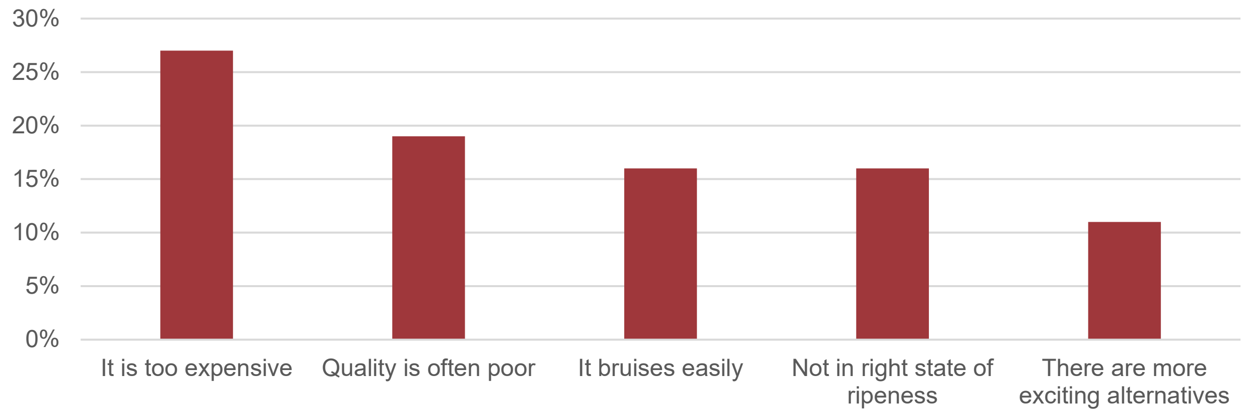
- Walmart is the market leader, accounting for approximately one quarter of the USA's grocery retail sector. Developing a commercial relationship with Walmart may be a suitable starting point for the Australian summerfruit industry as their involvement across the supply chain allows for a simplified management and relationship arrangement between Australian exporters and US partners.[3] Additionally, Walmart operates across retail formats with hypermarkets, supermarkets and warehouse clubs. Gaining access to the range of formats would enable the Australian industry to learn where summerfruit are the most positively received.
- Regarding traditional markets of the type more dominant in key Asian markets, these are less common in the USA and less connected to the major distribution channels. As such, these venues may be suitable for marketing events, such as free tastings and industry events, but less suitable for mass-market sales.

References:
1. Axios, 2023, The most popular grocery stores in the U.S. (axios.com)
2. Supermarket News, 2023, U.S. grocery retail to grow 6% this year | Supermarket News
3. Financial Falconet, 2023, Vertical Integration Examples of Companies - Financial Falconet

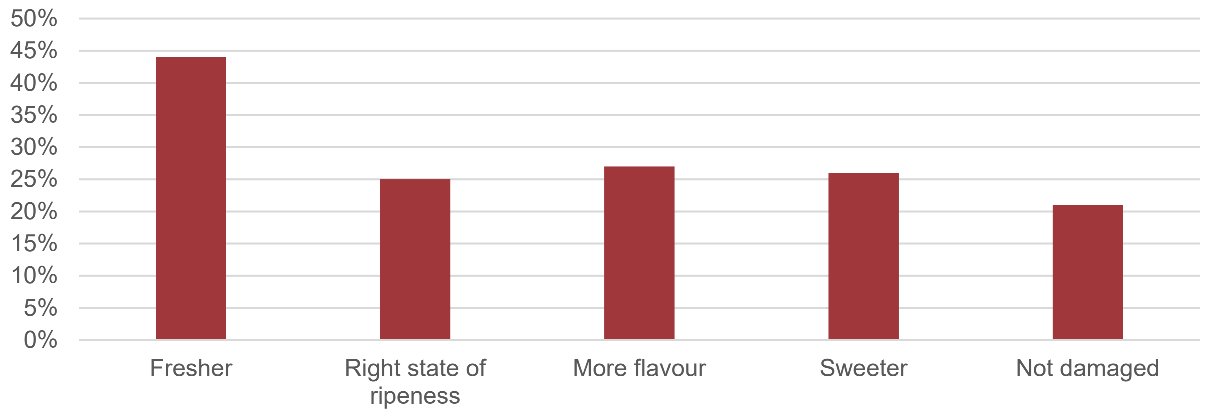
US consumers are relatively price sensitive and are focused on the condition of fruit, particularly freshness, ripeness and level of damage

The price sensitivity of US consumers is related to overall economic conditions, in which the impacts of Covid and high inflation have reduced consumer spending across industries. Summerfruit are impacted by this due to their relatively high cost, particularly when imported, and are most frequently replaced by apples, bananas and strawberries.[17] When competing for the premium segment of the market, Australian growers will need to convey the value for money provided by summerfruit.

Top 5 Responses to 'What Are the Reasons You May Not Choose'[1]
CY 2023
Percentage



Top 5 Responses To 'What Does Premium Quality Mean To You?'[1]
CY 2023
Percentage[2]



US consumers are price sensitive when purchasing summerfruit.

- Cost was the most common reason respondents gave for not purchasing summerfruit. However, it is worth keeping in mind that this is below the average across all countries surveyed of 30%, and that the higher spending class in the USA is growing strongly.[1] This response also provides additional context to the decreasing value of Chilean exports, suggesting that demand for premium summerfruit in the USA is relatively low.
- At the same time, it would be very difficult for Australian growers to compete with Chilean growers on the basis of cost. As such, a premium segmentation strategy may still be suitable for the Australian industry. Ensuring that other highly rated reasons for not purchasing, such as poor quality and bruising, are mitigated through careful packaging and selection of supply chain partners should maximise the perceived value for money of Australian summerfruit.

Freshness of fruit stands out as a key premium quality characteristic for US consumers.

- 44% of US consumers consider freshness to be a key characteristic of premium quality fruit.[1] Similarly, 26% selected ‘right state of ripeness’ and 21% selected ‘not damaged’. This highlights that US consumers are sensitive to the condition of fruit outside of summerfruit specific factors such as size or flavour. Australian growers will need to consider how to manage this expectation with the relatively long freight distances to market in comparison to other key markets.
- The lowest rated characteristics included ‘free from pesticides’ and ‘I trust its safety’.[1] This indicates that food safety is not a core concern for US consumers as it is assumed of product sold in modern retailers. As such, it may suit Australian growers to de-emphasise claims about the safety of fruit in targeted marketing campaigns, and focus on attributes such as health attributes and quality characteristics.

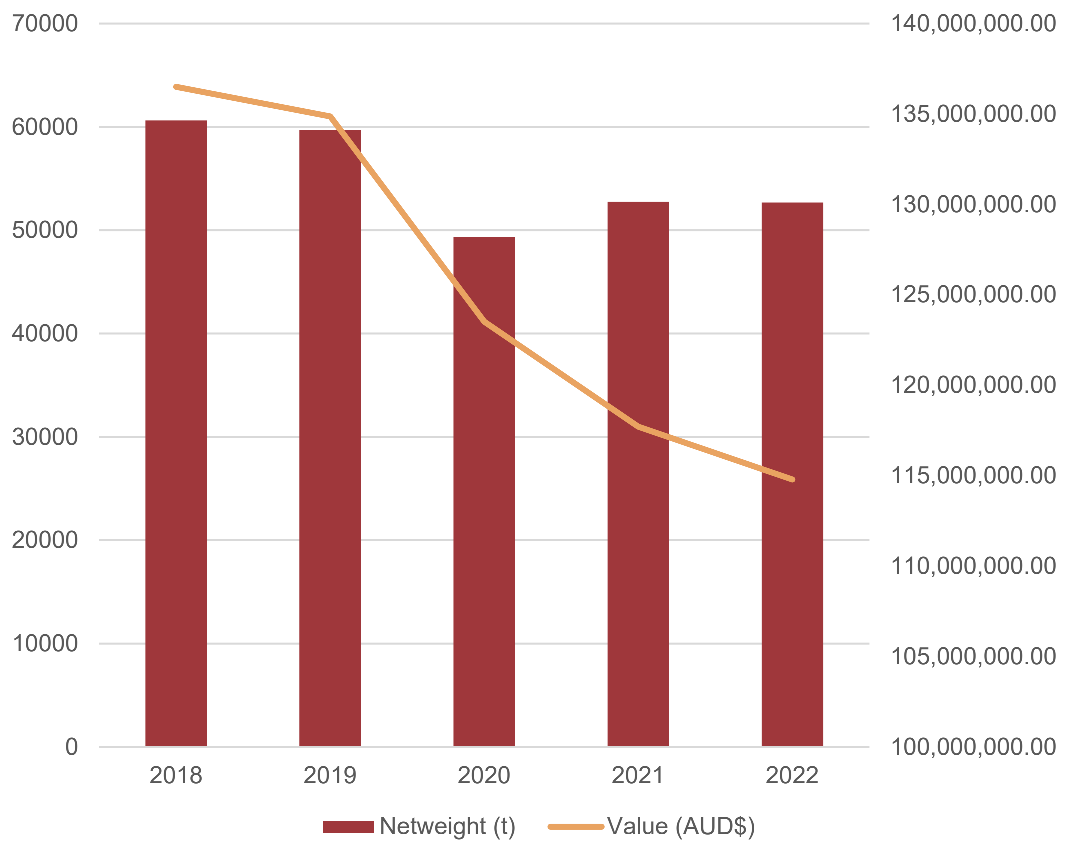
Hort Innovation

References:
1. Kantar, 2023
2. Percentage refers to the proportion of respondents that selected each quality as an attribute that means premium quality to them.

Chile is a dominant supplier to the US market and benefits from long-standing trade relationships and quicker freight times

Chile's summerfruit exports to the USA broadly mirror the US markets overall imports. Total exports have remained stable with moderate growth since 2020, but export values have decreased significantly. Competing with Chile will need to be a core theme of the Australian industry's strategic thinking. In addition, there is potential for South Africa to grow into a serious competitor by the time Australian growers can expect to enter the market.

Trend in Exports of Chilean Summerfruit to USA[1]
CY 2018 - 2022
Tonnes, AUD $ million[3]



Chile is the dominant counter seasonal supplier to the USA, having provided 98.7% of all summerfruit exports over 2018 – 2022.[1]

- The Chilean industry complements the needs of the US market by providing continuous supply of summerfruit in the northern hemisphere winter, when the US summerfruit industry is out of season. This relationship has been in place for a number of years, meaning that Chilean products are well known in-market, and strong trade and industry ties have been developed.
- One of the primary reasons for Chilean dominance in the US summerfruit import market is because of geographic proximity. Sea freight from Chile takes 15 days, while it takes approximately 26 days from Australia.[2] This is the reverse of the advantage that Australian exporters have for many key Asian markets such as China, Vietnam and Taiwan. As a result, the Australian summerfruit industry should not expect an early season advantage over Chile, and may wish to look further into potential air protocols.
- One of the interesting characteristics of Chilean summerfruit trade with the USA is that export values have been decreasing even though export volumes have remained steady.[1] This could indicate that demand for higher priced summerfruit has decreased in response to economic pressures, or it may reflect a choice by the Chilean summerfruit industry to compete on cost and market share. Developing a further understanding of this dynamic may inform the strategic considerations of Australian growers.

South Africa and New Zealand also present competitive challenges for Australian summerfruit growers.

- South African exporters made their first shipments of plums, peaches and nectarines to the USA in 2022.[1] The peach and nectarine exports were trivial, but approximately 2,000 tonnes of plums where exported, achieving 9% of total export volumes for the year. South Africa has not shipped any apricots as of 2023.
- New Zealand has access for all summerfruits, although has been exporting trivial volumes for several years.[1]
- Unless the New Zealand summerfruit industry further prioritises the USA market, their presence will remain negligible. However, the recent entry of South Africa to the market should be monitored closely as it may develop into a significant competitor by the time the Australian industry achieves access.

References:
1. UN Comtrade, 2023
2. Fluent Cargo, 2023, https://www.fluentcargo.com/routes/chile/united-states
3. Converted from USD to AUD with rate of 1.53 as at 03.08.2023

5.2 | Japan

Hort Innovation

It is unclear if valuable commercial opportunities will emerge in Japan, but import demand may grow as nectarine production declines

Japan is a market with very low reliance on imports to meet summerfruit demand. Although import reliance has been steadily increasing in recent years, it is not apparent that this is a sustainable trend. Opportunity may arise for counter seasonal growers if they are not considered a threat to the domestic market, and meet demand that is being created by decreases in the output of the Japanese summerfruit industry.

Import Reliance of the Japanese Summerfruit Industry

Year	Import Volume (t)[1]	Production Volume (t)[2]	Import Reliance (%)
2018	382	248,700	0.15%
2019	278	214,100	0.13%
2020	388	186,500	0.21%
2021	980	230,700	0.42%

Japan has historically been protective of its domestic summerfruit industry, with limited access granted to foreign exporters

- Since 2018, summerfruit exports to Japan have increased from 382 tonnes to 980 tonnes, reflecting a compound annual growth rate of 36.47%.[1] This increase was sustained in 2022, with 946 tonnes of imports.[1]
- While this is a high rate of growth, the overall volumes are very small. Whether the import potential becomes more commercially relevant will depend on whether the growth rate over the past five years continues. If growth continues, then Australian growers may have attractive export opportunities by the time access is attained. On the other hand, if export volumes remain low, it may be difficult for the Australian industry to justify the investment required for initial in-market activation activities.

The demand for summerfruit has traditionally been met by the strong domestic industry, although overall output has been steadily decreasing.

- Since 2018, domestic summerfruit production in Japan has decreased from 248,700 tonnes to 230,700 tonnes, reflecting a compound annual growth rate of -2.45%.[2] This decrease in production volume is driven by a gradual reduction in peach and nectarine harvest areas due to aging farmers and a lack of succession in farming businesses.[3] This trend is the most pronounced for nectarines, with total acreage expected to decrease by several percent a year.[3]
- Although peach acreage is expected to gradually decline, production is increasing. This is partly in response to the designation of peaches as a priority export product by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF).[3] Over 2021/22 – 2022/23, peach exports grew from 1,926 tonnes to 2,300 tonnes, an increase of 19%.[3] This trend is expected to continue, with the majority of exports bound for Hong Kong, China and Taiwan, where Japanese peaches already have a strong premium reputation.[3]
- The impacts of these trends are not yet clear for the Australian summerfruit industry. Fortunately, Japan is a northern hemisphere supplier, meaning that Australian growers will not have to directly compete with Japanese peaches in the Japanese, Taiwanese and Chinese markets. However, the presence of Japanese peaches may make it more difficult to position Australian peaches as premium quality when they will still be compared to Japanese peaches by consumers.

Greater opportunity may be available for Australian growers to export nectarines to the Japanese market.

- The Japanese nectarine industry is shrinking. As an example, the leading nectarine producing prefecture in Japan is Nagano, with 65% of production.[3] By 2025, nectarine acreage in Nagano is expected to decrease to 60 hectares, which would be a drop of 43%.[3] As such, an opportunity may exist for exporters, such as Australian growers, to meet the demand that will increasingly be unmet by the domestic industry.

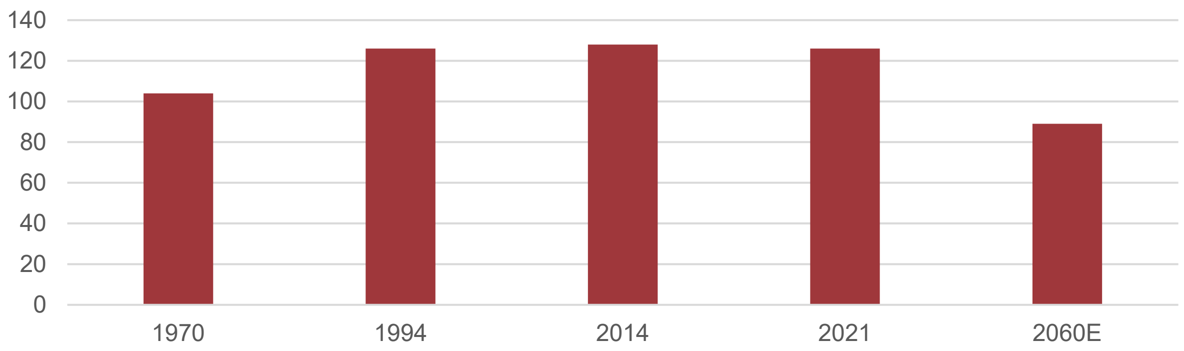
Hort Innovation

References:
1. UN Comtrade, 2023
2. Food and Agriculture Organisation of the United Nations, 2023
3. United States Department of Agriculture, 2022

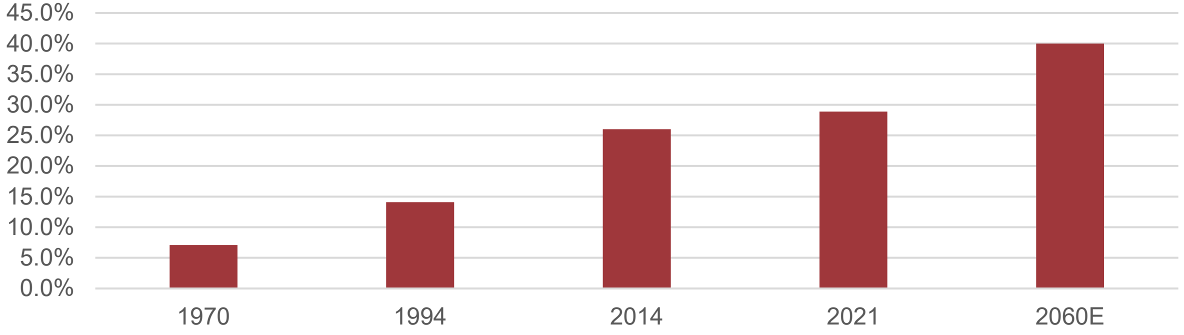
Although the Japanese market population is declining, the expanding elderly segment may be an increasingly valuable market for summerfruit consumption

The Japanese economy is one of the largest and most advanced in the world, with the 4th highest overall economic consumption of all countries.[1] Given the high purchasing power and preference for high quality summerfruit, Japan is a market with significant economic opportunity for premium Australian summerfruit. However, the Australian summerfruit industry may need to pay attention to the discretionary spending habits of consumers as they respond to increasing demographic pressures.

Population of Japan[2]
CY 1970 - 2060 (Expected)[3]
Number of People



Proportion of Japanese Population Over 65 Years Old[4]
CY 1970 – 2060 (Expected)[3]
Percentage of Total Population



Japan is home to a large market of wealthy consumers, with elderly consumers to take an increasingly important role in summerfruit consumption.

- The Japanese economy is highly developed, with 66.75% of consumers in the middle class and 30.58% in the high spending class.[5] Given the relatively large size of the Japanese population, this represents a large market for premium summerfruits and commercial opportunity for the Australian industry.
- However, the Japanese population is declining, with an expectation to drop from 126 million people in 2021 to 89 million people by 2060.[2] In addition, the population is rapidly aging, with an expectation for 40% of the population to be over age 65 by 2060, compared to 29% in 2021.[4] The combination of these two factors will put considerable economic strain on the country, meaning that the high levels of discretionary income currently held in the middle and upper income classes may not stay at the same levels or increase over time. As a result, overall consumption, which includes summerfruit, is likely to decrease with time.
- The aging of the population does offer some potential for the Australian summerfruit industry, as the elderly in Japan eat a disproportionately high volume of fruit. For comparison, those aged over 60 consume an average of 142 grams of fruit each day, while those between 20 and 30 consumer consume an average of 61 grams of fruit per day.[6] This means that the increasing size and proportion of the elderly population in Japan may offer economic opportunity to the Australian summerfruit industry, even amidst lower discretionary spending in the economy as a whole.

Summerfruits are already a common and desired fruit for Japanese consumers.

- In 2022/23, peach and nectarine consumption was 115,998 tonnes.[7] Most of this was in Japan's summer, as consumers are quite sensitive to the seasonality of domestic fruit.[8] However, they are less sensitive to the seasonality of imported fruit, indicating an opportunity to increase consumption in Japan's winter.[8] This may be achieved through targeted marketing over the Christmas – New Year period as this is a peak period for overall food consumption, presenting an opportunity for Australian growers.

Hort Innovation

References:
1. Common Objective, 2023
2. United Nations Department of Economic and Social Affairs, 2021
3. 2060E refers to the expected population in 2060
4. Ministry of Health, Labour and Welfare, 2023
5. ChinaPower, 2018, How Well-off is China's Middle Class? | ChinaPower Project (csis.org)
6. Promar Consulting, 2023
7. United States Department of Agriculture, 2023
8. Statista, 2022, Japan: fruit eating frequency 2022 | Statista

In-market activities should be focused on Tokyo as it is a major logistics and distribution hub, home to the largest consumer market in the country

The development of Japan's cold-chain capability is one of the primary reasons it has been able to develop a reputation for premium quality peaches in much of Asia. Taking advantage of this infrastructure in the domestic Japanese market will enable Australian growers to ensure that summerfruit is managed to a high quality standard, ensuring a ripe, fresh product for end consumers.

Market Leading Logistics Services

NIPPON EXPRESS

SAGAWA

YAMATO TRANSPORT

Highly Developed Economic Hubs in Japan

Largest Cities	Population (millions)[7]	Primary Sea Ports[2]
Tokyo	9.7	✓
Yokohama	3.8	✓
Osaka	2.8	✓
Nagoya	2.3	
Sapporo	2.0	
Fukuoka	1.6	✓

Japan has a highly developed cold-chain logistics system, simplifying decision making around partner selection for the Australian summerfruit industry

- Japan has been investing in its cold-chain infrastructure for a significant period of time, and has developed a network capable of reaching most consumers.[3] The size of the market is currently USD $19.54 billion, with an expectation to grow to USD $25.51 billion by 2028.[4] As a proportion of population, the Japanese cold-chain industry is similarly sized to the USA, indicating a comparable level of investment and sophistication.
- The continuing growth of the Japanese cold chain is also driven by similar trends to the USA, with growing desire for fresh food a key factor. In the case of summerfruit, 90% of all peaches and nectarines consumed in Japan are consumed fresh.[5] The capacity to deliver fresh summerfruit to a vast majority of consumers is positive for the Australian summerfruit industry, as it indicates an ability to deliver premium quality fruit to Japanese consumers and attain higher price points on this basis.
- Japan's cold chain capability is relatively fragmented, but is served by several major players such as Nippon Express, Sagawa Express and Yamato Transport.[4] Working with these companies will simplify the distribution process for Australian growers as they can be more confident that these players may be able to distribute summerfruit in good condition to a wide range of the population.

Although economic development is widespread throughout Japan, Tokyo remains the single most important market in the country.

- The Japanese population is highly concentrated, with 90.7% of people living in cities. This is due in large part to 75% of the land area being covered by mountains.[6] Tokyo, in particular, is highly concentrated with approximately 37 million people, or a quarter of the nation's population, in the metropolitan area.[7]
- The availability of this large market next to one of the nation's primary sea ports suggests that Tokyo would be a suitable location for the Australian summerfruit industry to begin targeted marketing and industry relationship development in the potential lead-up to attaining market access. Other cities, such as Osaka and Fukuoka, may provide secondary opportunities supported by large populations and logistics networks serviced by primary sea ports.

Hort Innovation

References:
1. Japan Guide, 2020, Japanese Cities (japan-guide.com)
2. United States International Trade Administration, 2022, Japan - Distribution & Sales Channels (trade.gov)
3. Markets and Markets, 2023, Japan Cold Chain Market Size, Industry Share, Forecast (marketsandmarkets.com)
4. Mordor Intelligence, 2023
5. United States Department of Agriculture, 2023
6. Ministry of Internal Affairs and Communications Statistics Bureau (Japan), 2015
7. Tokyo Metropolitan Government, 2023

Supermarkets and convenience stores are the ideal formats for Australian growers to distribute and sell summerfruit

To take advantage of Japan's highly developed cold-chain infrastructure, it may be suitable for Australian summerfruit growers to distribute summerfruit through supermarkets, and to a lesser extent, convenience stores. While convenience stores are widespread and serve a wide range of Japanese consumers, they are less suited to the sale of high quality fresh produce.

Market Leading Supermarket Chains

ItoYokado

AEON

LIFE SUPERMARKET

Market Leading Convenience Store Chains

FamilyMart

7 ELEVEN

LAWSON

The Japanese retail landscape is highly modernised, with most grocery sales happening in supermarkets and convenience stores.

- More than 80% of grocery sales occur within modern retail channels, making them the primary conduit for the distribution of fresh fruit.[1] Given the integration of modern retail channels with Japan's cold-chain infrastructure, it may suit Australian growers to focus efforts on marketing and sales in modern channels to reach a wider customer base and have greater confidence in the quality of fruit reaching consumers.
- Approximately 60% of Japan's grocery sales take place in supermarkets and grocery stores.[2] While sales are relatively balanced between supermarkets and convenience stores, convenience stores are typically focused on packaged foods and ready-to-go meals, while supermarkets stock most of the fresh food, including fresh fruit.[3] Therefore, it may be suitable for Australian growers to focus their efforts on distributing summerfruit through leading supermarkets such as Ito Yokado, Aeon and Life Corp., as these locations are where consumers shop for fresh fruit.
- In comparison to other developed nations, e-commerce penetration is relatively low in Japan, accounting for 7.1% of grocery sales.[2] This is due in part to the widespread availability of supermarkets and convenience stores throughout the country. However, it may be a simple process to engage with and test the e-commerce sector, as several of the major players, including Aeon and Life Corp., have their own associated online stores and apps.

Market Share of Japanese Grocery Retail Sector by Format (Sales, 2022)[2]	
Supermarkets	35.3%
Convenience Stores	26.9%
Drugstores	17.96%
Department Stores	12.83%
Internet	7.1%

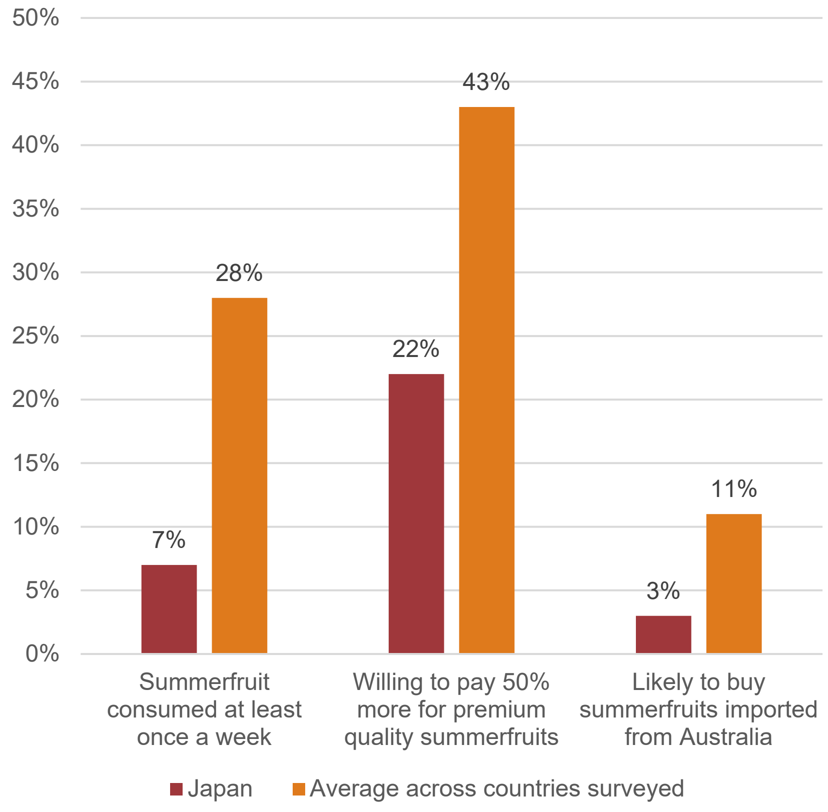
Hort Innovation

References:
1. Agriculture and Agri-Food Canada, 2015
2. United States Department of Agriculture, 2023
3. United States Department of Agriculture, 2022

Targeted marketing will be required to persuade Japanese consumers of the qualities and value for money of Australian summerfruit

The negative responses of Japanese consumers to summerfruit market research raises questions around the reception Australian summerfruit would receive if access were attained. Further understanding of the underlying causes of these responses would be desirable. For example, understanding why so few respondents were willing to pay for premium summerfruit in a market famous for the quality and price of its peaches would provide useful context to the Australian industry.

Summerfruit Consumption Insights for Japanese Consumers[1]
CY 2023
Percentage of Respondents in Agreement



Japanese consumer habits and preferences may pose challenges to the uptake of Australian summerfruit sales in Japan.

- In comparison to other countries surveyed, Japanese respondents consumed summerfruit less frequently, were less willing to pay for premium quality summerfruits, and were less likely to buy summerfruits imported from Australia.[1] While these indications are negative, there may be valuable insights to be taken from the experience of South African and Chilean exporters as they develop their market presence. These insights may inform the Australian industry's willingness to invest in the Japanese market, and the right quality attributes to market to consumers to appeal to them effectively if they choose to do so.

There are a number of strategies available to Australian growers to respond to the specific habits and concerns of Japanese consumers.

- 7% of Japanese respondents consume summerfruit at least once a week, indicating that summerfruit may be an occasional purchase, but not a staple element in consumer's diets.[1] However, 22% of Japanese respondents in another survey said they eat fresh or processed fruits almost daily.[2] As such, there may be a wider pool of consumers who would be willing to eat summerfruit more frequently if they were to be convinced of their suitability. As there is a consistent demand for new products in Japan, there may be potential for a targeted marketing campaign around the introduction of new Australian summerfruit types and varieties to pique the interests of Japanese consumers, and lead to increases in consumption frequency.[3]
- Only 3% of Japanese respondents said they were likely to buy summerfruits from Australia.[1] To improve the national industry reputation, Australian growers may look to the example of the broader Chilean fruit industry. In 2017, a large marketing campaign was undertaken to highlight Chile as a reliable supplier of safe and healthy foods, involving promotion of fruit at premium retail outlets such as Nissin World Delicatessen, and hiring a local chef to demonstrate how to integrate Chilean fruit into the Japanese diet.[10] Such examples may inform Australian grower's marketing strategies to increase Australian country-of-origin reputation among Japanese consumers.
- Only 22% of Japanese respondents were willing to pay 50% more for premium quality summerfruit, suggesting that these summerfruits were not perceived to be good value for money.[1] In responding to this, Australian growers may consider that Japanese consumers take a holistic view of product quality, with a strong emphasis on packaging and presentation.[3] Investing in packaging may offer a return on investment by conveying the value of Australian summerfruit to Japanese consumers, and meeting consumer expectations for product presentation.

References:
1. Kantar, 2023
2. Statista, 2022, Japan: fruit eating frequency 2022 | Statista
3. Fresh Plaza, 2017, Japan is a potential market for Chilean fruit (freshplaza.com)

Hort Innovation

Chile and South Africa have gained access to Japan and may demonstrate first mover advantage, presenting challenges for Australian exporters

It is unclear if Chile and South Africa intend to become significant players in the Japanese market, given that they have so far exported trivial volumes of summerfruit. However, having attained access earlier than Australia, their progress should be monitored to both learn from their industry strategies and understand how effectively they may compete against the Australian industry in the future.

Export Volumes of Major Suppliers to the Japanese Summerfruit Market[1]

Year	USA	South Africa	Chile
2018	375	0	0
2019	277	0	0
2020	386	0	0
2021	979	0	0
2022	900	20	23

The USA is the primary supplier to the Japanese summerfruit industry, but South Africa and Chile began exports in 2022.

- The USA is the primary exporter to the Japanese market, having provided 98% of summerfruit exports over 2018 – 2022.[1] Since 2021, exports from the USA have almost tripled, although the overall volumes remain small.
- As the USA has been serving the Japanese summerfruit market for several years, they may serve as a benchmark for the commercial opportunity available in Japan. The continuing negligibility of export volumes suggest that the commercial opportunity remains small, and would need to grow significantly before it becomes a valuable prospect for the Australian industry.

The USA is continuing to strengthen its trade relationship with Japan.

- The USA supplies the vast majority of nectarines, plums and apricots to the Japanese market.[1] While overall volumes have been increasing, nectarine exports have remained steady due to a lack of consumer awareness around the qualities and benefits of the fruit.[2] This indicates that consumer education, such as through a targeted marketing campaign, would be beneficial if the Australian summerfruit industry attains access for nectarines.
- Although the USA does not currently have access for peaches, access was requested on February 4, 2022.[2] In addition, import tariffs for US peaches and nectarines have been nil since 2020 due to the US-Japan Trade Agreement (USJTA).[2] These are indicators that Japan is warming to the prospect of greater trade relationships, and that there may be both greater opportunity and greater competition emerging in the Japanese import market.
- To attain nectarine access, Japan required an annual on-site audit of US nectarine orchards and mandatory methyl bromide fumigation.[2] In July 2023, Japan updated the protocol to allow co-fumigation of US nectarines and plums.[2] Monitoring the protocols of the USA may inform expectations the Australian industry has for future access requirements.

South Africa has begun exports to Japan, with potential to grow further.

- 2022 was the first year South Africa recorded summerfruits exports to Japan, with 9 tonnes of plums/sloes and 11 tonnes of peaches/nectarines.[1] While these volumes are small, they provide an indication that South Africa has gained significant access to the Japanese market. It may be wise to monitor the progress of South African exporters to understand if they are likely to evolve into a major exporter to the market.

Chile has also begun exports to Japan, highlighting the increasing competition in the Japanese market.

- 2022 was the first year Chile recorded summerfruit exports to Japan, with 23 tonnes of peaches/nectarines.[1] It is reasonable to expect that this will grow, given that Chile is already a significant fruit exporter to Japan.[3] Paying attention to the strategies Chilean exporters use, such as in distribution and marketing, may guide the Australian industry's strategy if access is later attained.

Hort Innovation

References:
1. UN Comtrade, 2023
2. United States Department of Agriculture, 2023
3. Fresh Plaza, 2017, Japan is a potential market for Chilean fruit (freshplaza.com)

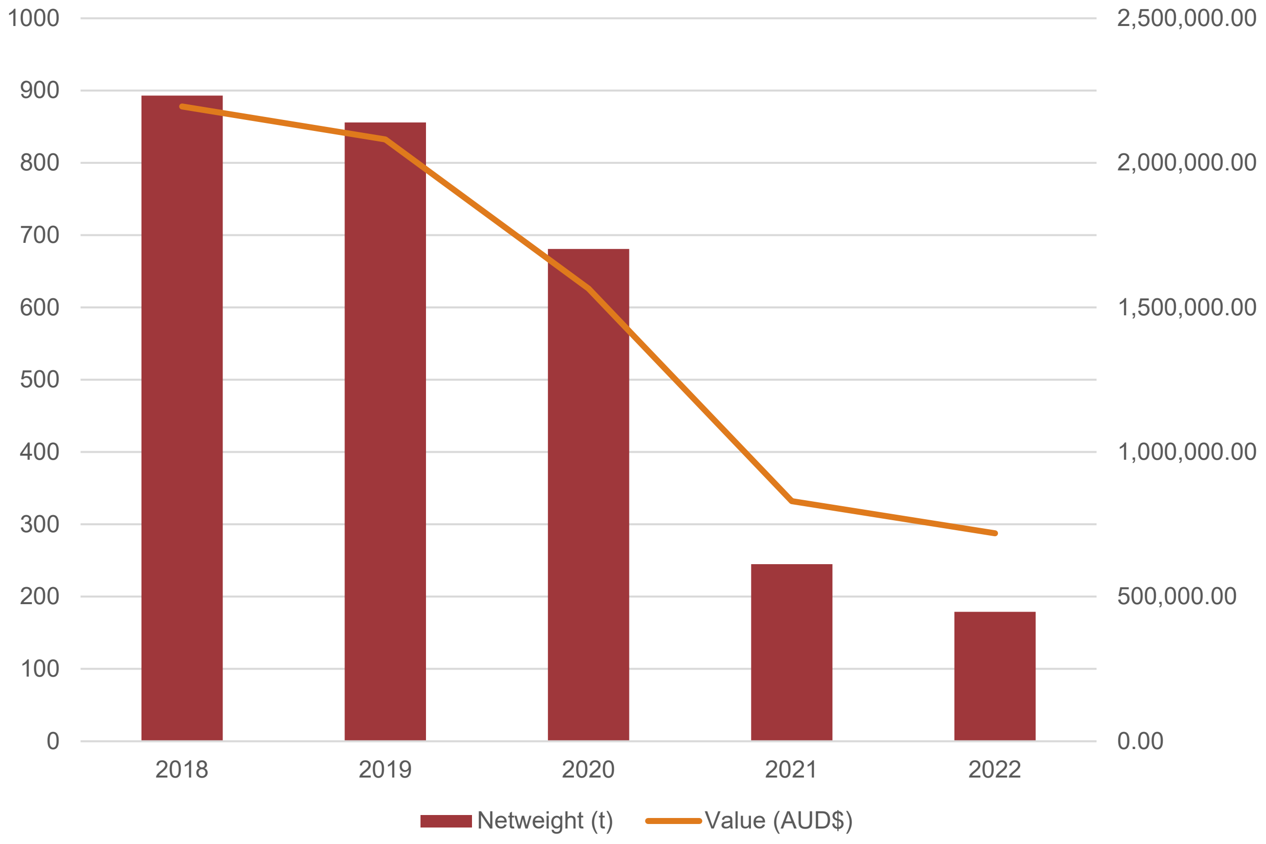
5.3 | New Zealand

Hort Innovation

Overall summerfruit imports to New Zealand are small, with peaches and nectarines offering the greatest potential for Australian exporters

Summerfruit imports to New Zealand were more severely impacted by the Covid pandemic than most other export markets prioritised in this report. Other export markets have demonstrated an uptick in summerfruit imports as the impacts of the pandemic have receded over the past two years, but this has not been the case for New Zealand. The Australian summerfruit industry may choose to continue monitoring this trend to see if the commercial opportunity will rebound in the coming years.

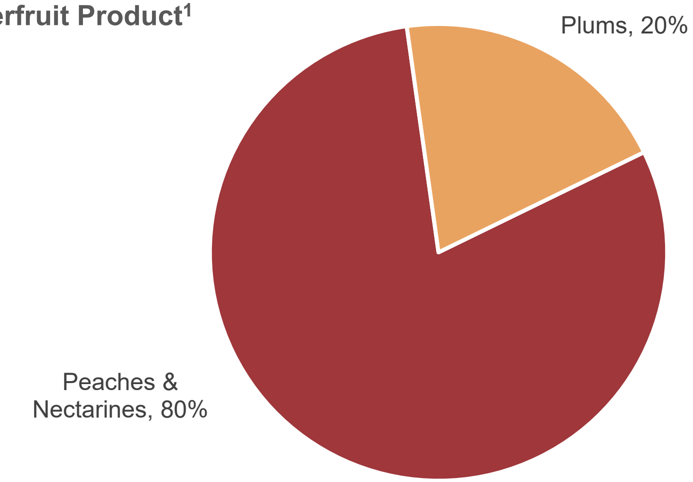
Trend in New Zealand Summerfruit Imports[1]
CY 2018 - 2022
Tonnes, AUD $ million[3]



Imports to the New Zealand summerfruit market have decreased rapidly in the wake of Covid-19, and currently represent a small commercial opportunity.

- Since the 5-year peak of 893 tonnes of summerfruit imported in 2018, imports reached a low of 179 tonnes in 2022.[1] This represented a total trade value of AUD $718,981 for the year.[1] Unless this trend reverses, which may occur as the economic disruption of the Covid pandemic recedes, it is unlikely that New Zealand will become a commercially significant export market for the Australian summerfruit industry.
- In 2021/22, New Zealand imported no apricots.[1] This is likely due to the relatively strong domestic apricot industry, which accounted for 54% of total summerfruit production in New Zealand in 2021.[2] However, 80% of imports were peaches and nectarines, indicating that these summerfruit may offer the greatest export potential to the Australian summerfruit industry.[1]

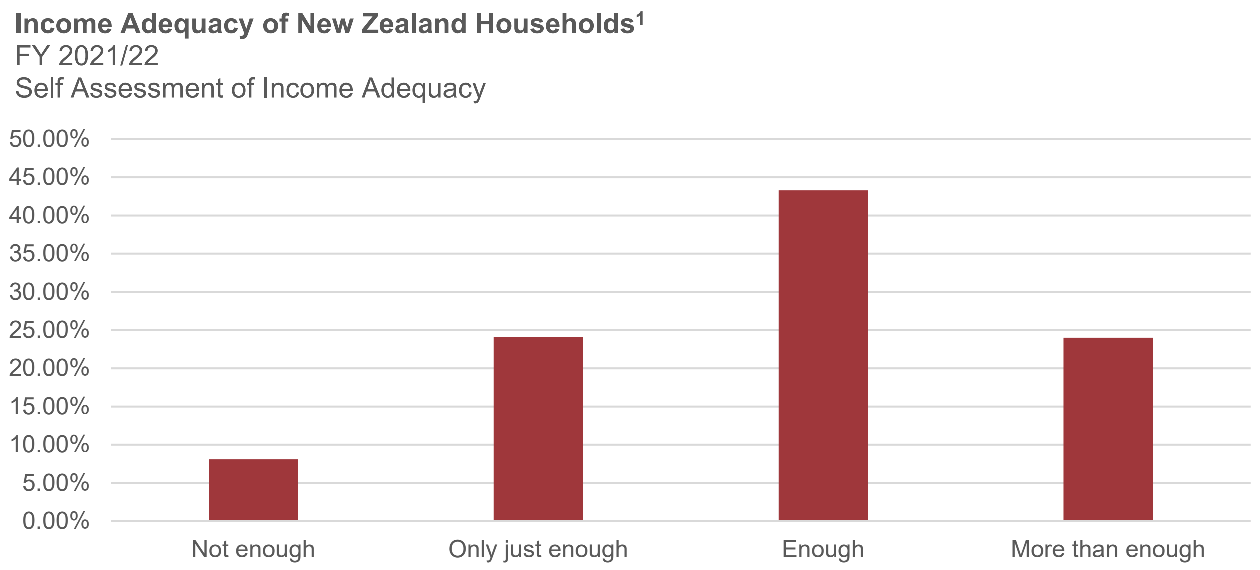
New Zealand Import Share by Summerfruit Product[1]
FY 2021/22
Tonnes



References:
1. UN Comtrade, 2023
2. Food and Agriculture Organisation of the United Nations, 2023
3. Converted from USD to AUD with rate of 1.53 as at 03.08.2023

The overall size of the New Zealand market is small, but the purchasing power of its citizens should not be underestimated

New Zealand consumers are typically in stable financial situations, with the discretionary income to purchase high quality products. Combined with the increasing health consciousness of these consumers, it is likely that New Zealand represents a strong market for premium summerfruit, particularly when compared to the small overall market size.



The overall size of the New Zealand market is small, with a significant portion concentrated in the city of Auckland.

- New Zealand has a population of 5.1 million, making it by far the smallest market prioritised in this report.[2] As such, the commercial opportunities will necessarily be smaller than other prospective markets such as Japan and the USA. The Australian summerfruit industry will need to evaluate this benefit against the effort and resources required to gain market access.
- Auckland is the largest city in the country, with 1.7 million people.[2] In addition, Auckland residents have higher than average incomes, which has led to a higher concentration of grocery stores.[3] Auckland's heightened incomes and grocery demand highlights it as a priority export destination for premium Australian summerfruit.

Although the overall market size is small, New Zealand residents have relatively high purchasing power and desire for premium foods.

- 24% of respondents in a survey stated that they had more than enough income to meet their household needs.[1] This represents a significant portion of the population who have enough discretionary income to be able to purchase premium quality items, and indicates a potential market for Australian summerfruit that are positioned in the premium price range. Greater understanding of the locations, preferred channels and purchasing habits of these consumers may give the Australian summerfruit industry insights into effective strategies to sell summerfruit at premium prices.
- Another 43% of respondents stated that they had enough income to meet their household needs.[1] While these consumers will be less likely to seek out premium products, they may be financially stable enough that they seek quality products at good value for money, rather than seeking only the most affordable options.
- To position summerfruit as good value for money, growers may use sales strategies that combine price discounts with marketing that communicates the quality attributes and health benefits of Australian summerfruit. This strategy may be particularly useful in the period following market access. Incentivising large numbers of consumers to try Australian summerfruit may increase product awareness and enable the development of a premium reputation in the market.

Economic opportunity may be derived from taking advantage of the close economic, trade and social ties that already exist between Australia and New Zealand.

- There are a number of opportunities for Australian growers to connect and develop connections with counterparts in the New Zealand industry. An example of this is Fine Food New Zealand, a bi-annual event bringing together buyers and importers of fresh food across the country.[4] Attendance at these events may be a useful starting point for gaining insights into the functioning of the New Zealand retail economy and evolving consumer preferences.

References:
1. Stats NZ Tatauranga Aotearoa, 2023, Household income and housing-cost statistics: Year ended June 2022 | Stats NZ
2. World Bank, 2023
3. IBISWorld, 2023
4. United States Department of Agriculture, 2020

Australian growers should be able to expect a high level of confidence in the freshness and quality of summerfruit reaching New Zealand consumers

Approximately 93% of fresh fruit imports arrive by sea freight, and typically land in the port of Auckland or the port of Tauranga, which is near Auckland.[1] As such, Australian growers are likely to focus on the Auckland market as the gateway to further expansion in New Zealand. This expansion may be enabled by New Zealand's advanced cold chain industry, which has developed as a result of the country's agricultural exporting history.

Market Leading Logistics Services

New Zealand's cold chain is highly developed, due in large part to the economy's long-standing reliance on agricultural exports.

- The New Zealand economy was underpinned by export of agricultural products, in particular wool, meat and dairy, from the 1850s until the 1970s.[2] Due to New Zealand's geographic isolation, there was a particular need to develop cold-chain solutions to ensure that these products reached their end destinations in good condition. As a result, New Zealand had the largest refrigerated storage volume per capita of any country by the 1980s.[3]
- New Zealand is also unique in that it is geographically the closest of the export markets prioritised in this report, with an approximate sea freight time of three days.[4] This proximity is even more pronounced for Victorian growers, which comprise a large portion of the Australian summerfruit industry. Considering the short freight times and the sophistication of New Zealand's cold chain industry, Australian growers should have minimal concerns about the freshness and quality of summerfruit reaching end consumers.

Market leaders in the New Zealand cold chain industry tend to be large international companies.

- Australian growers have several options for supply chain partners when entering the New Zealand market. Market leaders such as Americold NZ and Lineage Logistics may be suitable choices for the Australian industry, particularly in the case where access to the US market is also attainable. As these companies are market leaders in both New Zealand and the USA, complexity may be reduced by working with each in both countries.
- Although Australian growers don't have access to the New Zealand market, Australia is an important export destination for New Zealand summerfruits. For example, Australia is the largest export market for New Zealand apricots.[5] As a result, there may be significant opportunities and learnings to be taken from developing relationships with New Zealand growers and understanding their experience in supply chain management and distribution.

References:
1. United States Department of Agriculture, 2020
2. Te Ara – the Encyclopedia of New Zealand, 2010, Early pastoral economy – Te Ara Encyclopedia of New Zealand
3. Carson et al., 2018
4. Fluent Cargo, 2023, New Zealand to Australia by Air freight, Cargo ship or Road - Fluent Cargo
5. New Zealand Horticulture Export Authority, 2023, Summerfruit Trade - Information (hea.co.nz)

The grocery retail sector in New Zealand is highly consolidated, offering two primary distribution channels for Australian growers

The vast majority of New Zealand grocery retail sales take place in Woolworths and Foodstuffs stores, and are therefore the most important potential distribution partners for Australian growers. Other retailers, such as specialty grocers, comprise a small portion of the market, but may be suitable locations for marketing events to raise brand awareness as consumers in these venues are likely to have a higher interest in new, premium quality fruit options.

Market Leading Supermarket Chains

Market Share of Leading Retail Chains/Formats (2022)[1]

Foodstuffs	Woolworths	Specialty Grocers	Meal kit Providers	Others
55%	33%	4%	3%	5%

New Zealand has a stable, highly modernised grocery retail sector.

- The grocery retail sector in New Zealand is dominated by modern format grocery retailers. Over 90% of respondents in a New Zealand Commerce Commission survey stated that one of the major retailers was their main store they purchase from.[1] As well, over 70% of respondents stated that if their main store closed, they would only switch to another major grocery retailer. As a result, Australian summerfruit growers could reach the vast majority of potential consumers by supplying the market through one of the major grocery retailers.

The major grocery retailers in New Zealand are Woolworths and Foodstuffs, both of which would be important distribution partners for Australian growers.

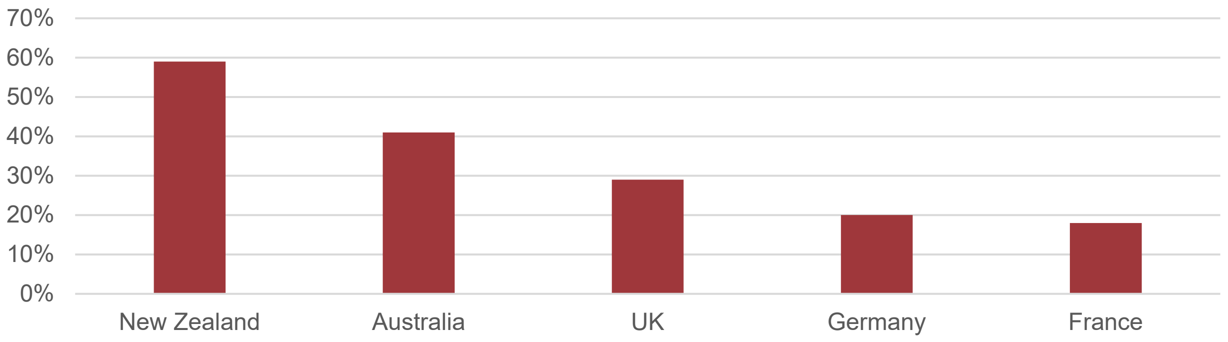
- Together, Woolworths and Foodstuffs make up 88% of the grocery retail market in New Zealand. These retailers have impressive reach across the country, with 95.5% of grocery shoppers visiting at least one of the two in a typical week.[1] As well, both companies are vertically integrated, such as by having their own distribution centres and private label foods.[2] Due to their market dominance, these retailers would be the ideal channels not only for distribution but also for marketing and industry events designed to increase awareness of Australian summerfruit, such as free tastings and in-store banners.
- Both Woolworths and Foodstuffs have a number of brands operating under them, with some being more closely aligned with the value proposition of Australian summerfruit growers. For example, Raeward Fresh offers quality fresh fruit and vegetables as a key part of its value proposition.[1] This is an example of a smaller chain that may be a suitable partner for Australian summerfruit growers, particularly in the premium segment of the market, as consumers in these stores are likely to be looking for fruit in a perfect state of quality and freshness.
- The major retailers are generally split evenly across the main population centres in New Zealand, with the exception of Wellington. In Wellington, over 70% of major retailer grocery stores are Foodstuffs stores.[1] Therefore, Australian growers may reach more consumers in Wellington by focusing their distribution and marketing efforts through Foodstuffs channels in the city.

References:
1. Commerce Commission New Zealand, 2022
2. New Zealand Food and Grocery Council, 2021

New Zealand consumers are price sensitive, although this is diminishing over time as the desire for healthier food increases

The price sensitivity of New Zealand consumers may impact the profitability of Australian summerfruit exporters if they find that they frequently need to discount their products in order to achieve desired sales volumes. However, achieving strong sales volumes may be made easier by the increasing fruit consumption in New Zealand as consumers become more health conscious.

Percentage of Grocery Products Sold on Promotion[17]
CY 2017
Percentage



New Zealand consumers are generally price sensitive, with a tendency to compare and choose cheaper options where possible.

- According to a New Zealand Commerce Commission survey, ~35% of consumers always check prices of similar products and a further ~30% occasionally do.[1] This indicates that the presence of alternatives may decrease the revenues of Australian summerfruit on sale. To mitigate this possibility, Australian growers may seek to position summerfruit as distinct from other options, such as through unique country-of-origin value propositions, or unique quality attributes of Australian varieties of summerfruit.
- Due in part to the overall price sensitivity of consumers, discounting is very common in New Zealand. Approximately 60% of all grocery products are sold on promotion, which is significantly higher than other countries.[1] Australian growers may need to be willing to discount summerfruit at times to maintain desired sales volumes.

Fruit consumption is expected to increase in New Zealand, enabling higher revenues for summerfruit sellers.

- In 2022, fruit and vegetable consumption increased by 2.3%, reaching 93.1 kilograms per capita.[2] This increase is part of a broader trend where fruit consumption is growing in response to rising health consciousness amongst New Zealand consumers. In a 2023 survey, 35% of New Zealand consumers stated that they were increasing their spend on fresh produce for health reasons.[3] Australian growers may be able to capitalise on this rising demand, such as through targeted marketing strategies around the Christmas – New Year period, when food consumption is at its peak in the New Zealand market.
- There are differences in the fruit consumption habits of men and women in New Zealand. According to the New Zealand Ministry of Health, 48% of males and 60% of females consume at least two pieces of fruit each day.[4] Such differences present contrasting marketing opportunities for the Australian summerfruit industry. For example, it may be suitable to target women in some advertisements in order to reach the larger fruit-consuming demographic. However, it may be possible to increase the overall market size by conveying the health benefits of summerfruit to men, particularly if any health benefits can be linked to health issues disproportionately affecting men.

Australian growers may be able to balance the price sensitivity and health preferences of New Zealand consumers by positioning Australian summerfruit as a high value-for-money option.

- To position summerfruit as high value for money, Australian growers may use marketing strategies that highlight the health benefits of different types and varieties of summerfruit. Research has found that New Zealanders are expected to consume more nutritious food in the coming years, primarily fruits and vegetables that are high in Vitamin A and C to boost their immune system.[2] Reflecting these preferences in targeted marketing strategies may align the value proposition of Australian summerfruit with the desires of end consumers.

Hort Innovation

References:
1. Commerce Commission New Zealand, 2022
2. IBISWorld, 2022
3. Fruitnet, 2023, Health kick spurs NZ produce spending | Article | Fruitnet
4. United States Department of Agriculture, 2020

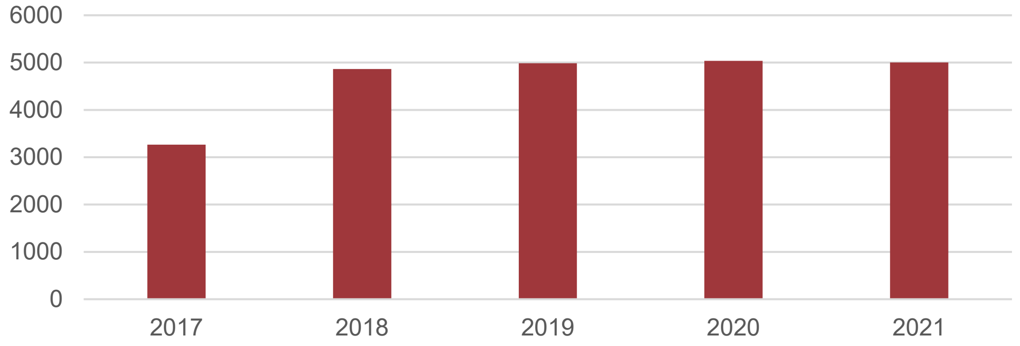
Managing the relationship between the Australian and New Zealand summerfruit industries will be crucial to long-term success

Unlike the other markets prioritised in this report, New Zealand is in the southern hemisphere. As a result, Australian and New Zealand growers operate on the same production seasons. Given the relative sizes of the industries, there is a risk that large volumes of imported Australian summerfruit would be perceived as a threat by the New Zealand summerfruit industry. Balancing this risk against the desire for significant commercial success will be a long-term consideration for the Australian summerfruit industry.

Export Volumes of Selected Suppliers to the New Zealand Summerfruit Market[1]

Year	USA	South Africa	Chile
2018	802	0	89
2019	833	0	22
2020	680	0	0
2021	245	0	0
2022	140	0	0

Trend in New Zealand Summerfruit Production[2]
CY 2017-2021
Tonnes



The Australian industry faces little competition from other exporting nations.

- The USA is the primary summerfruit supplier to New Zealand, having exported 95% of all summerfruit exports since 2018.[1] However, as the USA is a northern hemisphere supplier, they pose little threat to Australian exporters. This is reinforced by the fact that US imports have been consistently decreasing since 2018.
- South Africa and Chile also pose little competitive threat to Australia. While South Africa may enter the market in the future, they have not demonstrated access thus far. Although Chile exported small volumes up until 2019, indicating they successfully gained access, they have not supplied any summerfruit to New Zealand since 2019.[1] This situation should be monitored as Chile may still have access and choose to re-commence exports in the future.
- **As both Australian and New Zealand summerfruit growers operate in the same production season, care will need to be taken to prevent a competitive or protectionist market dynamic.**
- In 2021, New Zealand growers produced 5,003 tonnes of summerfruit, while only 140 tonnes were imported.[2] This demonstrates that New Zealand has little reliance on imports to meet summerfruit demand, and demand from Australian exporters is therefore limited.
- However, there may be room to grow overall consumption in the New Zealand market, and thus open up demand for further imports. While summerfruit imports have declined by 662 tonnes over the past five years, production has remained steady, representing a decrease in overall supply. This is an indication that the market has capacity for increased demand, at least to the peak 2018 levels.
- In addition, consumption per capita is quite low at 0.91 kilograms p.a., which is approximately one quarter that of Australian consumers.[3] Considering the relative similarity of diets and preferences between New Zealand and Australian consumers, there may be potential to increase New Zealand consumption levels through further marketing and brand awareness. Creating demand through increasing the overall market size would have the benefit of reducing the likelihood of intense competition between Australian and New Zealand producers. Communicating the mutual benefit of such growth to industry partners in New Zealand would further contribute to industry relationship and sustainability.

Hort Innovation

References:
1. UN Comtrade, 2023
2. Food and Agriculture Organisation of the United Nations, 2023
3. Summerfruit Australia Limited, Hort Innovation, 2022

6 |

Market Intelligence (Other Expansion Markets)

Market intelligence in trade dynamics and market characteristics can guide investments and activities in additional export destinations

The growth of overall summerfruit export volume and value can be supported through targeted investment and activities in a range of markets not considered in the export strategy. This includes markets such as the Philippines, India and Indonesia. Further market access applications can also be considered for new markets, like South Korea, that show potential for export demand. Market intelligence was gathered to guide potential activities in these markets.

Export market	Market insights
Indonesia	• Australia is the primary counter seasonal supplier to Indonesia, comprising 32% of volume and 51% of trade value in 2022. However, South Africa has been consistently increasing their share of the market, moving from 1.6% of export volume in 2018 to 7% in 2022. • Unlike other growth markets such as China, Taiwan and the Philippines, trade value has increased over recent years, even though export volumes have been decreasing since 2019. • Consumer preference testing in Jakarta found that Indonesian consumers preferred hard white flesh peaches, soft or hard white flesh nectarines and soft red flesh dapple or hard red flesh dark plums. Red skin is preferred across all varieties.
Philippines	• Australia is the dominant counter seasonal supplier to the Philippines market. The only major competitor is Chile, but they have had limited growth in export volume share, and recorded no exports in 2022. • 26% of adolescents in the Philippines have stunted growth, and per capita consumption of fruit and vegetables is less than the World Health Organisation (WHO) recommendation of 400 grams per day. In addition, 10% of households suffer from food insecurity. Imported summerfruit could play a role in improving health and food security in the country. This presents an opportunity for Australian growers to communicate the health benefits of summerfruit as a key value proposition to potential consumers.
India	• Australia faces significant competition from Chile and South Africa. While both Australia and Chile have gradually decreased their share of export volume over 2018-2022, South Africa has maintained a dominant share of roughly 20% of total imports to the Indian market. • There are several challenges hampering growth in the Indian market, including underdeveloped cold storage in supply chains, terms of trade challenges, and substantial tariffs.
South Korea	• There have been very few global summerfruit exports to the South Korean market over the past 5 years, totalling 335 tonnes. Most of this volume (86%) is from the US, followed by Chile (12%). • Domestic production of peaches, nectarines and plums has been decreasing over the past 5 years, as well as consumption of peaches. These trends indicate a limited appeal for summerfruit amongst South Korean consumers, and suggest a challenging environment if the Australian summerfruit industry chooses to pursue marketing and growth strategies in the South Korean market.

Australia is the primary counter seasonal supplier to Indonesia, and must focus on long-term market development initiatives to increase low levels of demand

Indonesia

Key Statistics

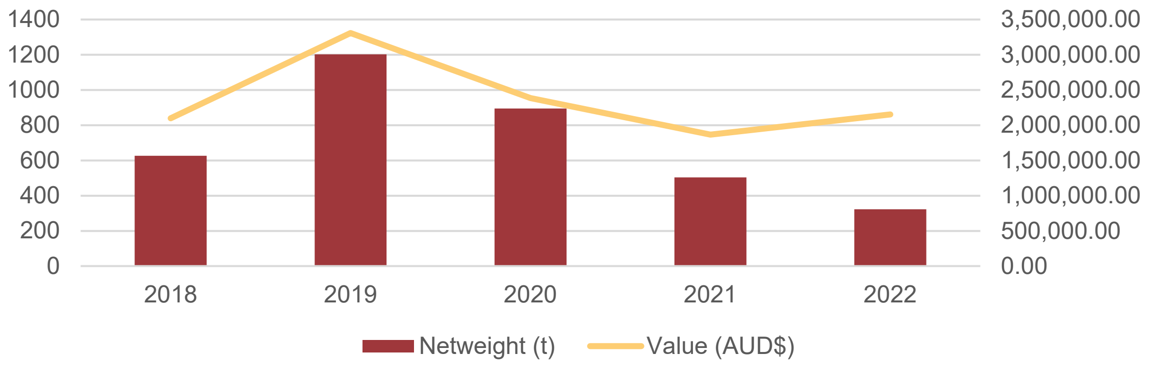
Market access	All summerfruit
Phytosanitary requirements	PFA, Cold Treatment, Irradiation, Fumigation, or Heat (VHT)
Domestic consumption (per capita consumption)	<0.01 kg p.a.
Consumption met through imports (percentage)	100%
5 year export volume trend (CAGR)	-15.28%

Market Insights

- Australia is the primary counter seasonal supplier to Indonesia, comprising 32% of volume and 51% of trade value in 2022. However, South Africa has been consistently increasing their share of the market, moving from 1.6% of export volume in 2018 to 7% in 2022. This presents increased competition for the Australian summerfruit industry, and therefore a need for product differentiation.
- Unlike other growth markets such as China, Taiwan and the Philippines, trade value with Indonesia has increased over recent years even though export volumes have been decreasing since 2019. This demonstrates the potential for Australian summerfruit growers to maintain value and differentiate themselves from South African exports through a premium offering.
- The characteristics of premium offerings could be informed by consumer preference testing in Jakarta, which found that Indonesian consumers preferred hard white flesh peaches, soft or hard white flesh nectarines and soft red flesh dapple or hard red flesh dark plums, with red skin preferred across all varieties.
- Consumer research found that Indonesians were the most likely to buy summerfruits imported from Australia out of all countries surveyed, at 20% of respondents.[5] This is around double the average of 11% across all surveyed countries. As such, emphasising country of origin could be an effective value proposition in marketing conducted by the Australian summerfruit industry.

Trade Dynamics

Trend in Australian Stonefruit Exports[1]
CY 2018-2022
Tonnes, AUD $ million[4]



Australia and Key Competitors

Australia
- 37% of exports over last 3 years

China 1
- 52% of exports over last 3 years

South Africa 2
- 4% of exports over last 3 years

References:
1. UN Comtrade, 2023
2. Stakeholder Consultations, 2023
3. Summerfruit Australia Limited, Hort Innovation, 2023
4. Converted from USD to AUD with rate of 1.53 as at 03.08.2023
5. Kantar, 2023

Similar to Indonesia, the Philippines presents opportunities for development initiatives to increase consumption and capitalise on market share advantages

Philippines

Key Statistics

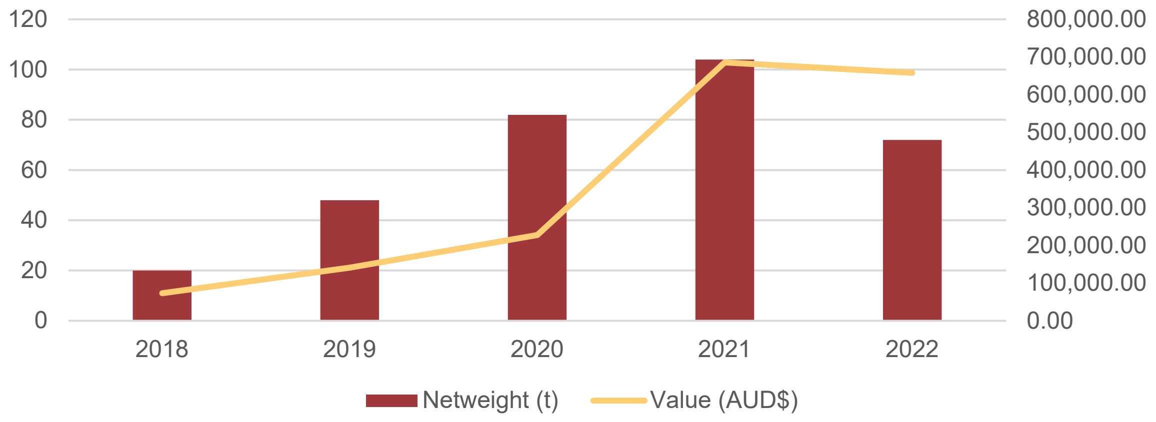
Market access	All summerfruit
Phytosanitary requirements	PFA, Cold Treatment
Domestic consumption (per capita consumption)	<0.01 kg p.a.
Consumption met through imports (percentage)	100%
5 year export volume trend (CAGR)	37.26%

Market Insights

- Australia is the dominant counter seasonal supplier to the Philippines market. The only competitor is Chile, but they have failed to increase export volume share, and recorded no exports in 2022. This dominant position could be used by Australian summerfruit growers to build strong industry relationships and brand recognition before significant competition emerges.
- 26% of adolescents in the Philippines have stunted growth, and per capita consumption of fruit and vegetables is less than the World Health Organisation (WHO) recommendation of 400 grams per day.[4] In addition, 10% of households suffer from food insecurity.[5] Imported summerfruit could play a role in improving health and food security in the country. This presents an opportunity for Australian growers to communicate the health benefits of summerfruit as a key value proposition to potential consumers.
- Consumer research found that across all markets, summerfruit was typically bought fresh by individuals and consumed in the home.[7] This indicates that the Australian summerfruit industry may benefit from a supermarket channel strategy with an emphasis on the supply of fruit with ideal ripeness.

Trade Dynamics

Trend in Australian Stonefruit Exports[1]
CY 2018-2022
Tonnes, AUD $ million[6]



Australia and Key Competitors

Australia
- 19% of exports over last 3 years

Chile 1
- 0.5% of exports over last 3 years

USA 2
- 40% of exports over last 3 years

References:
1. UN Comtrade, 2023
2. Stakeholder Consultations, 2023
3. Summerfruit Australia Limited, Hort Innovation, 2023
4. Philippine Council for Agriculture and Fisheries, 2022
5. World Food Programme, 2022
6. Converted from USD to AUD with rate of 1.53 as at 03.08.2023
7. Kantar, 2023

The Indian market presents several challenges for the Australian summerfruit industry across competition, price and supply chain capabilities

India

Key Statistics

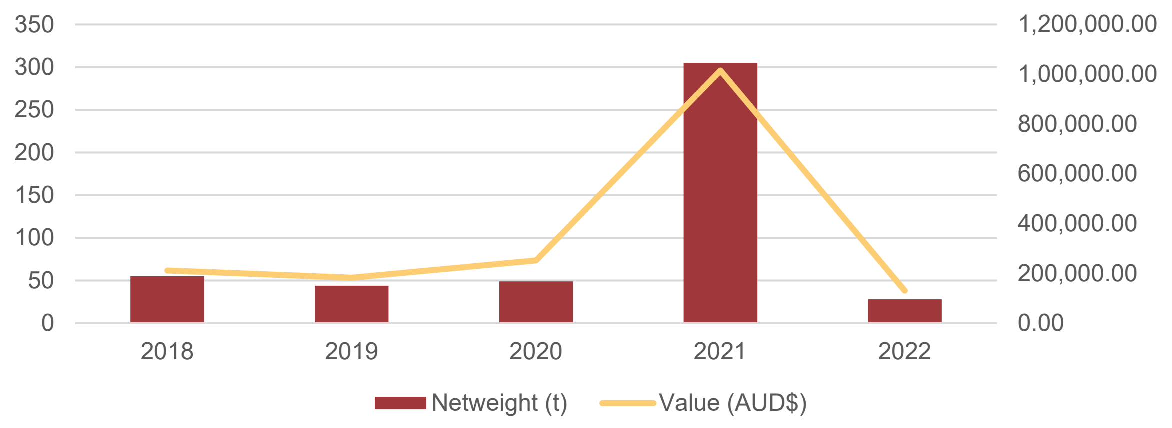
Market access	All summerfruit
Phytosanitary requirements	PFA, Cold Treatment, Fumigation
Domestic consumption (per capita consumption)	0.37 kg p.a.
Consumption met through imports (percentage)	1%
5 year export volume trend (CAGR)	-15.53%

Market Insights

- Australia faces significant competition from Chile and South Africa. While Australia and Chile have gradually decreased their share of export volume over 2018-2022, South Africa has maintained a dominant share of roughly 20% of total imports to the Indian market. This suggests that there may be opportunities for Australian summerfruit growers to benefit from greater understanding of the competitive advantages held by South African exporters.
- There are several challenges hampering further growth in the Indian market, including underdeveloped cold storage in supply chains, terms of trade challenges, and substantial tariffs. Whilst these will take time to resolve, an opportunity exists to develop industry relationships and understanding of market conditions to develop a targeted export strategy.
- Consumer research found that when choosing fruit to consume, Indian respondents were driven most by tastiness, followed by physical and mental health attributes. However, the largest barrier to consumption was the cost of summerfruit. As such, the Australian summerfruit industry may tailor marketing around comparative benefits over the most common substitutes, apples and bananas, rather than attracting a premium positioning through high price points.[5]

Trade Dynamics

Trend in Australian Stonefruit Exports[1]
CY 2018-2022
Tonnes, AUD $ million[4]



Australia and Key Competitors

Australia
- 2.6% of exports over last 3 years

South Africa 1
- 17% of exports over last 3 years

Chile 2
- 5% of exports over last 3 years

References:
1. UN Comtrade, 2023
2. Stakeholder Consultations, 2023
3. Summerfruit Australia Limited, Hort Innovation, 2023
4. Converted from USD to AUD with rate of 1.53 as at 03.08.2023
5. Kantar, 2023

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South Korea is characterised by a dominant domestic production capability and limited trade, presenting challenges for Australian summerfruit growers

South Korea

Key Statistics

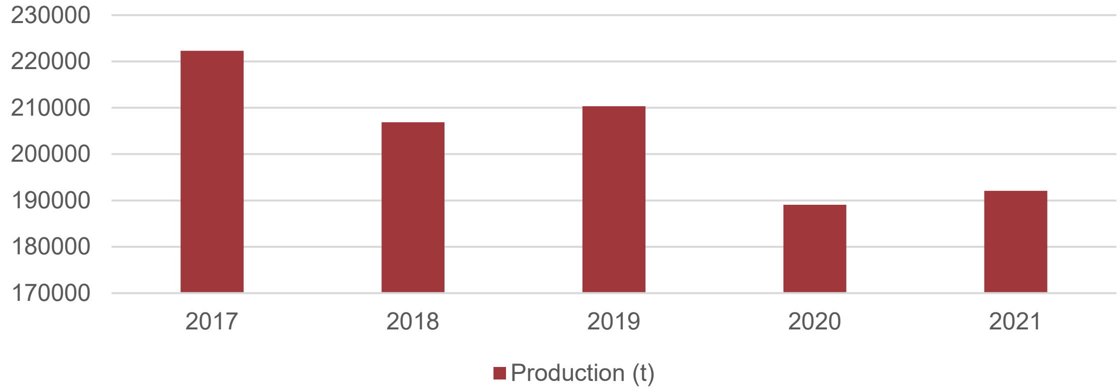
Market access	No
Phytosanitary requirements	N/A
Domestic consumption (per capita consumption)	5.02 kg p.a.
Consumption met through imports (percentage)	0.01%
5 year export volume trend (CAGR)	-3.58%

Market Insights

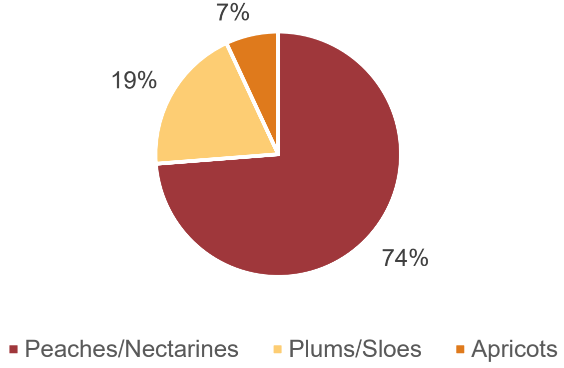
- There have been very few summerfruit exports to the South Korean market over the past 5 years, totalling 335 tonnes. Most of this volume (86%) is from the US, followed by Chile (12%). Chile's exports remain negligible, having exported no summerfruit in 2022/23 and only 3 tonnes in 2021/22. This indicates a lack of competition for the Australian summerfruit industry, which may be helpful context in the case of new market applications.
- Domestic production of peaches, nectarines and plums has been decreasing over the past 5 years, as well as consumption of peaches.[4] These trends indicate a limited appeal for summerfruit amongst South Korean consumers, and suggest a challenging environment if the Australian summerfruit industry chooses to pursue marketing and growth strategies in the South Korean market.
- While the per capita consumption of summerfruit in South Korea is a relatively high 5.02 kg p.a., recent consumer research has found that summerfruits are not eaten on a regular basis. Only 21% of respondents consumed summerfruit at least once per week, below the average of 28% across all surveyed countries.[5] This may be reflective of the lack of southern hemisphere supply to the South Korean market, and indicate the difficulties for Australian export growth.

Trade Dynamics

Trend in South Korea Peach/Nectarine Production[1]
CY 2017-2021
Tonnes



Proportion of Stonefruit Production in South Korea
CY 2021
Tonnes



Hort Innovation

References:
1. Food and Agriculture Organisation of the United Nations, 2023
2. Stakeholder Consultations
3. Summerfruit Australia Limited, Hort Innovation, 2023
4. Statista, 2022
5. Kantar, 2023

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Appendix A

Market prioritisation approach

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A long-list of ten (10) export markets were considered for inclusion in the summerfruit export strategy on the basis of export growth opportunities

At the project inception meeting, a list of nineteen (19) markets were identified from a global scan to for consideration in the Summerfruit export strategy. From this list, ten (10) markets were selected on the basis of current export volume, potential for export growth and counter seasonality opportunities. The long-list served as the basis for further prioritisation exercises support by the PRG and an assessment of market intelligence criteria.

Nineteen (19) export markets were identified from a global scan on the basis of:

- Current export volume
- Potential for export growth
- Counter seasonality opportunities

Selected markets: China, United States of America, Vietnam, Taiwan, India, Philippines, New Zealand, Indonesia, South Korea, Japan, Canada, United Arab Emirates, Malaysia, Qatar, Singapore, Saudi Arabia, Kuwait, Thailand and Hong Kong.

The long-list of markets was refined by the PRG and Hort Innovation according to:

- Alignment to industry objectives and ambitions
- Market access opportunities
- Export growth opportunities informed by competition, consumer demand and market size

Selected markets: China, United States of America, Vietnam, Taiwan, India, Philippines, New Zealand, Indonesia, South Korea and Japan.

Each export market in the long-list was then assessed against market intelligence criteria to inform further prioritisation and short listing

The market intelligence criteria guided an assessment of each export market. Research considered trade and market dynamics, growth potential, consumer preferences and market access considerations. Analysis of each criteria was tailored to the strategic considerations of both existing markets and prospective markets. The market intelligence criteria were identified by the PRG and Hort Innovation and were gathered to inform the prioritisation of the market long-list.

Export market long-list

- China
- USA
- Vietnam
- Taiwan
- India
- Philippines
- New Zealand
- Indonesia
- South Korea
- Japan

Market intelligence criteria

- Current market access arrangements
- Current market size
- Potential for market growth
- Domestic production trends
- Import volume trends
- Competitor analysis (including Australia's market share in target markets)
- Consumer demand and preferences

A multi-criteria assessment was conducted to provide a structured and objective method to prioritse export markets

A multi-criteria assessment based on qualitative and quantitative export market intelligence supported an objective market prioritisation process. The criteria included in the assessment were designed to balance objective metrics that measure the growth potential of each market with the unique priorities and needs of the Australian summerfruit industry. Criteria were also developed to reflect the differing factors relevant to growth and expansion markets, and the views of a wide variety of industry stakeholders.

Status	Current Market Importance[1]	Potential for Market Access[2]	Potential Market Size[3]	Consumption Rate[4]	PRG Focus Market	Overall Rating	Ranking
R.A.G (Red / Amber / Green)	Current export volume	Expected time to achieve access	Total middle-income population	Per capita consumption	Discussion during PRG workshop	Average of previous columns	Order of markets based on overall rating
Green	Ranked 1 – 2	0 - 2 years	> 47m	> 5 kg p.a.	Explicit focus		
Amber	Ranked 3 – 4	≥ 2 years & ≤ 5 years	≤ 47m & ≥ 10m	≤ 5 years kg p.a. & ≥ 1.5 kg p.a.	Identified opportunities		
Red	Ranked 5 – 6	> 5 years	< 10m	< 1.5 kg p.a.	Limited interest		

Sources/Notes:
1. Determined by volume of exports (tonnes) from Australia to the target country in CY 2022 as per UN Comtrade data.
2. Determined by industry consultation, including with DAFF and the PRG.
3. ChinaPower, Centre for Strategic International Studies, WorldPopulationReview.com
4. Summerfruit Global Market Trade Analysis 2021/22 (SAL, Hort Innovation).

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Input by the project reference group provided insights and perspectives on each market in the long-list, providing clear direction for further prioritisation

Discussion of each potential market revealed the attitudes of PRG members towards the growth of existing markets and support of new market access applications. Generally, the PRG considered a balance of export destinations across growth and expansion markets to be suitable for the five-year strategy.

Growth Markets	PRG Comments	PRG Focus Rating
China	• China remains a priority market due to market size. • Significant benefit to be gained from irradiation protocol update.	Strong
Indonesia	• The Indonesian market faces challenges such as low price points and lack of consumer awareness. • PRG members were interested to learn more about the market, but don't consider it a priority.	Moderate
Philippines	• The Philippines is not considered a priority market due to perceived low consumption and growth potential.	Weak
Taiwan	• Taiwan is a priority market due to strong growth potential. • Significant benefit to be gained from updates to air protocols, mixed container usage and plum access.	Strong
India	• India is not considered a priority market due to long freight times, poor infrastructure and poor terms of trade arrangements.	Weak
Vietnam	• Vietnam is a priority market due to growth potential arising from recent market access and the proximity of plum access. • Consumer education will be important for this market.	Strong

Expansion Markets	PRG Comments	PRG Focus Rating
USA	• The USA is a priority market due to the market size and high potential price points.	Strong
South Korea	• South Korea is not considered a priority market due to uncertainty around the potential for market access. • Greater market intelligence is desirable.	Moderate
Japan	• Japan is a priority market due to the market size and high potential price points.	Strong
New Zealand	• New Zealand is a priority market due to perceived relative closeness to market access, and a strong consumption potential relative to market size.	Strong

KEY: Strong | Moderate | Weak

Export markets were evaluated based on market intelligence and input by the project reference group to prioritise six markets for the export strategy

The long-list of export markets were assessed for inclusion in the final list export strategy. From this assessment, China, Vietnam and Taiwan appeared as preferable growth markets – markets with existing access. Considering the long term industry objective of expanding available export markets, the USA, Japan and New Zealand were included as expansion markets – markets that do no have access and may be potential sources of future growth.

Growth Market	Region	Current Market Importance	Potential Market Size	Consumption Rate	PRG Focus Market	Overall Rating	Considered in Export Strategy
China	East Asia	Strong	Strong	Strong	Strong	Strong	Yes
Indonesia	South-East Asia	Strong	Strong	Weak	Weak	Moderate	No
Philippines	South-East Asia	Weak	Moderate	Weak	Weak	Weak	No
Taiwan	East Asia	Moderate	Moderate	Moderate	Strong	Strong	Yes
India	South Asia	Weak	Strong	Weak	Weak	Weak	No
Vietnam	South-East Asia	Moderate	Moderate	Weak	Strong	Strong	Yes

Expansion Market	Region	Potential for Market Access	Potential Market Size	Consumption Rate	PRG Focus Market	Overall Rating	Considered in Export Strategy
USA	North America	Weak	Strong	Moderate	Strong	Strong	Yes
South Korea	East Asia	Weak	Moderate	Strong	Moderate	Moderate	No
Japan	East Asia	Weak	Strong	Moderate	Strong	Strong	Yes
New Zealand	Oceania	Moderate	Weak	Weak	Strong	Strong	Yes

KEY: Strong (green) · Moderate (yellow) · Weak (red)

8 | Appendix B

Phytosanitary matrix

Market access protocols were reviewed across export destinations to inform the prioritisation of export destinations and guide market development activities

A review of market access protocols across potential export destinations was conducted to inform the prioritisation of markets for inclusion in the export strategy. Australian summerfruit have four main treatment pathways available across the selected destination markets. Cold treatment is most common across current trading partners, being required by all protocol markets and a number of non-protocol markets.

Treatment	Description
Cold	• Summerfruit are held in a controlled, cold temperature environment for a period of time. The main focus of this technique is to kill fruit fly varieties. Data is collected from temperature probes in specific parts of the shipment. The treatment can often be conducted in-transit, or pre-shipment. • Cold treatment is the most common required treatment for summerfruit in the markets considered for the phytosanitary matrix. • Cold treatment is regarded as having marginal detrimental effects on the quality attributes (i.e., firmness, juiciness, textural acceptability) of summerfruit.
Fumigation	• Produce is exposed to a fumigant, which is often methyl bromide. The product is heated to a certain temperature with a specific concentration of the chemicals then added to the chamber. There are usually specified maximum loads for the chamber, and this often requires some limited cold treatment following fumigation. • There appears to be varying responses among summerfruit to fumigation treatments with regards to quality. For instance, one study demonstrated that methyl bromide application to peaches can have an adverse effects on the flavour volatiles.[1]
Irradiation	• Summerfruit are exposed to a form of ionising radiation such as X-ray or gamma which sterilises bacteria and any pests in the shipment. Dose schedules and timings usually vary, and facilities require certification prior to acceptance.
Heat	• Heat treatments are used to prevent fruit flies and are primarily used on high-value products such as mangoes. Applied through vapour, air or water, heat treatments are often expensive, difficult to apply, crop and pest specific and can potentially damage the product with different time and temperate combinations. • It appears that some summerfruit varieties will have an adverse quality response to prolonged and high temperature heat treatment.

References:
1. Horticulture Industry Networks, 2017, summerfruit methylbromide fumigation experiments for export markets

A review of market access protocols found that prioritised export markets apply consistent export protocols and phytosanitary requirements.

A review of market access arrangements for Australian summerfruit in key export destinations found that the export protocols are generally favourable for Australian summerfruit, with open access arrangements for many high value markets and generally consistent phytosanitary requirements.

1. Singapore, the UAE, Malaysia and Saudi Arabia have minimal export requirements, offering the easiest access for Australian exporters. These markets also have relatively high current export volumes, indicating a strong existing market and consumer awareness. The strength of these markets and their ease of access makes particularly attractive for smaller producers who struggle with complex phytosanitary requirements.

2. Except for Taiwan and Vietnam, each of the identified markets are open to exports of all types of summerfruit. Taiwan has prohibited imports of plums and Vietnam has prohibited imports of apricots and plums. Significantly, peaches and nectarines have only been allowed access to the Vietnamese market since 2022. The opening of this market has created an opportunity to build awareness around the unique quality and value proposition of Australian summerfruit.

3. Each of the four summerfruit categories have identical phytosanitary requirements within the context of each export market. For example, nectarines, peaches, plums and apricots have the same requirements to enter the Chinese market. This makes it easier to produce and export multiple summerfruit types for each producer. While fresh fruit generally have more complex phytosanitary requirements than dried fruit, they also achieve higher unit prices and are in higher demand in the identified markets.

4. The phytosanitary requirements of each country are heavily dependent on the geographic source of the summerfruit, particularly in relation to pest-free areas. Typically, summerfruit from declared pest free areas will have minimal or no phytosanitary requirements, while fruit outside those areas will have at least one phytosanitary treatment required.

5. There are multiple Free Trade Agreements in operation between Australia and potential target markets. However, not all of them necessarily have provisions relating specifically to summerfruit. For example, there is a Malaysia Australia FTA (MAFTA), but it does not have any impact on the summerfruit export market. The most broadly applicable FTA’s for Australian exporters are the AANZFTA, ChAFTA and CPTPP.

Notes:

1. ‘AANZFTA’ refers to the ASEAN-Australia-New Zealand Free Trade Area
2. ‘ChAFTA’ refers to the China Australia Free Trade Agreement
3. ‘CPTPP’ refers to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

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Market access protocols, including phytosanitary treatments, were reviewed for potential export destination for Australian summerfruit

With the exception of Vietnam, each of the identified export markets are open to exports of all summerfruit commodities. The UAE, Singapore, Malaysia and Saudi Arabia have minimal export requirements, offering the easiest access for Australian exporters. Whereas, China, Indonesia and Vietnam apply specific phytosanitary requirements on the export of summerfruit.

	Access	Protocol (restricted access) Market?	Phytosanitary Certificate Required?[3]	Import Permit Required?	Free Trade Agreement	Fumigation	Cold	Irradiation	Heat (VHT)
China	Open	Protocol	Yes	Yes	Yes (ChAFTA, RCEP)	Permitted	Permitted	Not permitted	Not permitted
Singapore	Open	No	No	No	Yes (AANZFTA)	Not required			
UAE	Open	No	Yes	No	No	No treatment type specified			
Malaysia	Open	No	No	No	Yes (AANZFTA)	Not required			
Indonesia	Open	No	Yes	No	Yes (AANZFTA)	Permitted	Permitted	Permitted	Permitted
Saudi Arabia	Open	No	Yes	No	No	No treatment type specified			
Vietnam	Partial	Protocol	Yes	Yes	Yes (CPTPP)	Not permitted	Permitted	Permitted	Not permitted

References:
1. Australian Government Department of Agriculture, Water and the Environment, *Manual of Importing Country Requirements;*
2. DFAT, *FTA Portal*

Notes:
1. 'AANZFTA' refers to the ASEAN-Australia-New Zealand Free Trade Area
2. 'ChAFTA' refers to the China Australia Free Trade Agreement
3. 'CPTPP' refers to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

Market access protocols, including phytosanitary treatments, were reviewed for potential export destination for Australian summerfruit (cont.)

With the exception of Taiwan, all markets allow access for all summerfruit commodities. Taiwan does not allow access for Australian plums. The remaining markets demonstrate a consistent preference for a cold and fumigation treatment.

	Access	Protocol (restricted access) Market?	Phytosanitary Certificate Required?[3]	Import Permit Required?	Free Trade Agreement	Fumigation	Cold	Irradiation	Heat (VHT)
Taiwan	Partial	Protocol	Yes	No	No	Not permitted	Permitted	Not permitted	Not permitted
Thailand	Open	Protocol	Yes	Yes	Yes (AANZFTA, RCEP, TAFTA)	Not permitted	Permitted	Not permitted	Not permitted
Philippines	Open	No	Yes	Yes	Yes (AANZFTA)	Not permitted	Permitted	Not permitted	Not permitted
Canada	Open	No	Yes	No	Yes (CPTPP)	Permitted	Not permitted	Not permitted	Not permitted
Qatar	Open	No	Yes	No	No	No treatment type specified			
Kuwait	Open	No	Yes	No	No	No treatment type specified			
Hong Kong	Open	No	No	No	Yes (AHKFTA)	Not required			

References:
1. Australian Government Department of Agriculture, Water and the Environment, *Manual of Importing Country Requirements;*
2. DFAT, *FTA Portal*

Notes:
1. 'AANZFTA' refers to the ASEAN-Australia-New Zealand Free Trade Area
2. 'ChAFTA' refers to the China Australia Free Trade Agreement
3. 'CPTPP' refers to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership
4. ' 'TAFTA' refers to the Thailand-Australia Free Trade Agreement
5. 'AHKFTA' refers to the Australia-Hong Kong Free Trade Agreement

Market access protocols, including phytosanitary treatments, were reviewed for potential export destination for Australian summerfruit (cont.)

In the absence of a trade agreement for summerfruit, USA, Japan, South Korea and New Zealand do not allow access for all Australian summerfruit commodities. Whereas, India allows access of summerfruit on the condition of treatment through fumigation, cold and heat treatment.

	Access	Protocol (restricted access) Market?	Phytosanitary Certificate Required?[3]	Import Permit Required?	Free Trade Agreement	Fumigation	Cold	Irradiation	Heat (VHT)
India	Open	No	Yes	No	Yes (AIECTA)	Permitted	Permitted	Not permitted	Not permitted
USA	Closed		*No market access agreement*						
Japan	Closed		*No market access agreement*						
South Korea	Closed		*No market access agreement*						
New Zealand	Closed		*No market access agreement*						

References:
1. Australian Government Department of Agriculture, Water and the Environment, *Manual of Importing Country Requirements;*
2. DFAT, *FTA Portal*

Notes:
1. 'AIECTA' refers to Australia-India Economic Cooperation and Trade Agreement

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Appendix C

Industry capability assessment

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An industry capability assessment was conducted to guide and inform the export strategy

To understand Australian summerfruit growers' capacity for increasing or pursuing exports to prioritised markets, and agree on the key focus areas for future export opportunities, actions and investment.

Industry capability assessment overview

Activity overview:

A workshop was hosted with a cross-section of the Australian summerfruit industry to explore the industry's export objectives and capabilities across a range of topics. The session was attended by nine (9) industry representatives.

The topics explored include:

- *Market demand potential*
- *Market access*
- *Supply chain capability*
- *Local marketing*
- *Channel strategy*
- *Consumer preference*
- *Seasonality advantage*
- *Competition*
- *Industry collaboration*

Scoring:

A rating system was used to capture and reflect the summerfruit industry's views on the export capabilities. An overview of the rating system is provided in the adjacent diagram.

The ratings provided in the subsequent slides represents consensus reach by industry representatives

Workshop rating system

Matrix Criteria	Key
1	Very weak capability – i.e., close to no industry members are capable
2	Weak capability – i.e., few industry members are capable
3	Moderate industry capability – i.e., some industry members are capable
4	Strong industry capability – i.e., most industry members are capable
5	Strongest industry capability – i.e., all members are capable

Industry has strong market access fundamentals, however requires support in accessing suitable supply chain infrastructure

The insights below are the key takeaways from discussions of each criteria with industry members during the industry workshop. The below summarises the industry's views of their overall capabilities.

Matrix Criteria	Comments	Rating (1-5)[1]
Market Demand Potential Do we understand the potential demand of key export markets?	• Generally there is solid understanding of market demand potential, although the depth of growers' knowledge on this is high country specific. • Industry relationships are very important, particularly between growers and retailers. For larger growers, significant time is spent talking to customers and understanding their needs relating to export value and specifications. • It was suggested that there is a lack of detailed market demand information provided to growers in Western Australia (WA). This leads to unclear demand signals for growers. Additionally, there is a lack of good information relating to WA's specific biosecurity concerns, such as Mediterranean Fruit Fly ('Med Fly').	4
Market Access To what extent do we understand the processes involved in expanding market access?	• There is a strong understanding of market access, with summerfruit being one of the few commodities to gain new access in recent years. However, growers are not aware of the market application process undertaken by foreign countries and the Australian government to expand access for horticultural products, such as summerfruits. • A study between Summerfruit Australia Limited (SAL) and AgVic demonstrated a lack of compliance with maximum residue limits (MRLs), indicating these requirements are not understood well across markets. A digital MRL application has been released to try and improve this situation.	3
Supply Chain Capability How would you rate export supply chain capability in terms of efficiency and resilience, as well as our knowledge of the operational requirements in reaching certain markets?	• Growers expressed that issues with the domestic supply chain infrastructure included road quality and the cost of fuel. • For international markets, there is a need to improve access to treatment facilities to comply with protocol markets. This includes expanding the range of irradiation treatment facilities to meet export market demands for non-chemical phytosanitary treatments. • One grower stated that air freight is still impacted by the Covid pandemic, and depends on customers' ability to pay higher costs.	2

References:
1. Rating represents consensus reached by workshop participants.

Knowledge of particular consumers and channels varies for each prioritised export market

The insights below are the key takeaways from discussions of each criteria with industry members during the industry workshop. The below summarises the industry's views of their overall capabilities.

Matrix Criteria	Comments	Rating (1-5)[1]
Local Marketing To what degree have we pursued specific marketing/advertising campaigns in market?	• The industry marketing levy was removed after an industry vote. As such, there is a shift from industry-wide marketing to individual marketing. • Larger growers have marketing campaigns, and there are groups of growers who market through brands such as Topa and Nature's Jewels. • The industry R&D program supports trade development at the B2B level, examples being tradeshows and retailer engagement. • There is a need to explore whole-of-industry collaborative marketing campaigns to improve consumer recognition of Australian summerfruit.	2
Channel Strategy To what extent do we understand the different export channel options? (i.e. retail, wholesale, e-commerce)	• The summerfruit industry is relatively reliant on importers, leading to limited understanding of the end customer and their product requirements or specifications. • Processing points in the domestic supply chain, such as packaging sheds, aggregate product from various growers for sale across multiple export markets. Growers often receive little information on the export destination, it is suggests that this lack of information contributes to MRL compliance issues with end market specifications. • Retail is viewed as the ideal channel to drive returns to Australian producers. Growers demonstrated a strong understanding of channels with a preference for either retail or wholesale.	2
Consumer Preferences To what extent do we understand consumer preferences in export markets?	• Research was conducted into consumer preferences in China around the time of new market access in 2016. Little other research has been conducted into international markets or the domestic market. • It appears as if there is a lack of real-time, detailed market intelligence provided to growers on priority export markets. • Growers stated that insight into consumer preferences is generated from relationships within existing their supply chains. This therefore contributes to the lack of market information in new markets, such as Japan and Korea.	3

References:
1. Rating represents consensus reached by workshop participants.

Collaboration in export initiatives is a key focus for the future strategy, however industry is largely adept at managing competition

The insights below are the key takeaways from discussions of each criteria with industry members during the industry workshop. The below summarises the industry's views of their overall capabilities.

Matrix Criteria	Comments	Rating (1-5)[1]
Seasonality Advantage To what degree do we understand our seasonality advantages against key competitors?	• There is a strong understanding that counter seasonality protects Australia from competition with northern hemisphere producers. • There are also shoulder season opportunities in a range of export markets. China, for instance, enjoys a period where Chilean sea freighted product is yet to arrive at port and Australia is the only southern hemisphere exporter. Growers expressed these opportunities are highly valued to the industry. • Climate change is introducing variability into defined seasonality windows for summerfruit production, with earlier and later ripening observed.	3
Degree of Competition To what extent do we understand the global competition landscape? (Who, where, when)	• There is strong understanding that Chile is the primary competitor, followed by South Africa, due to their shared southern seasonality. Growers expressed that both countries enjoy relatively lower price in-market and are more competitive than Australian summerfruit for this reason. • One grower stated that both Chile and South Africa are improving the varieties and quality of product they are exporting. It was agreed by growers that increased quality of competition threatens Australia's established export markets. • Competition is lower in the 6 week period before Chilean sea freight reaches export markets in Asia, presenting opportunities for Australian growers and exporters.	3
Industry Collaboration To what extent do we work together as an industry to support market development and access initiatives?	• Industry collaboration could be improved. There is a view that often individualistic behaviour harms the industry, an example being the rush to get the first produce into China at the start of the season, usually at a lesser quality. • Growers suggested that working at a national level, such as through sharing marketing programs and export information, can enhance how the industry is represented in foreign markets. It was stated that these activities may lead to improved outcomes for all growers.	1

References:
1. Rating represents consensus reached by workshop participants.

Summerfruit industry members identified collaboration, marketing, market access and supply chain development as priority focus areas for the strategy

The insights below are the key takeaways from a capability assessment conducted with summerfruit industry participants. The purpose of the workshop was to confirm the industry's broad export objectives, capacity for increasing or pursuing exports to prioritised markets, and to agree on the key focus areas for future export opportunities, actions and investment. Industry members identified collaboration, marketing, market access and supply chain development as priority focus areas.

1 Industry Collaboration

- There is a strong need to improve industry collaboration for exports at a national level.
- There are opportunities to collaborate by sharing marketing strategies and timely market information, such as areas of unmet demand and market signals that are being experienced by exporters operating in particular markets.

2 Marketing

- The industry marketing levy has been removed, signalling a shift from industry-wide marketing to individual marketing.
- Marketing strategies can be used to bring growers together and ensure that exports are standardised and of a high quality. Recent examples of this are the Topa and Nature's Jewels brands.

3 Market Access

- Achieving access to new markets remains a priority for the Australian summerfruit industry, in particular South Korea, Japan, USA, New Zealand and Vietnam (plums).
- As market access applications are a long-term process, it is important to maximise existing markets and develop a greater understanding of prospective markets, whilst also pursing longer term opportunities.

4 Supply Chain

- Australian treatment facilities could be upgraded or expanded to support protocol markets, such as the development of new irradiation facilities.
- The domestic supply chain faces challenges with road quality and the cost of fuel.
- Improved in-market cold chains would enhance fruit quality and growth in markets such as Vietnam and India.

Summerfruit Export Strategy

SF22000

November 2023

Hort Innovation

Disclaimer

This report forms part of Project SF21000 – Summerfruit Export Strategy. The overall project is seeking to establish an export strategy that will guide the Australian Summerfruit industry on the ambitions for export growth in the coming years, and the market development activities that are available to achieve this.

This report has been created for Hort Innovation's internal use to inform support for the industry to achieve the objectives and activities outlined in the export strategy document. These recommendations are based upon insights gathered from the following sources:

- Publicly available data (desktop analysis)
- Stakeholder consultation (growers, a Project Reference Group)

A set methodology has been followed to achieve the intended outcomes in the strategy including selection of markets for investigation, research approach and prioritisation of markets.

International trade is an inherently risky operation given the exposure to geopolitical, logistics, customs, labour and climatic variables. The information provided in this report is current as of September 2023. Information has not been independently verified or cross-checked for accuracy. Reliance should not be placed upon data provided in this report, and individuals/organisations are accountable for any decisions made using the information provided.