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Hort Innovation

Understanding International Consumer Demand

US Market Report

2023

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This project has been prepared independently by Kantar for Hort Innovation and is funded through the Australian Government's Agricultural Trade and Market Access Cooperation (ATMAC) program with Hort Innovation levy contributions from the almond, apple & pear, avocado, blueberry, cherry, citrus, dried grape, fresh potato, lychee, macadamia, mango, melon, olive, onion, raspberry & blackberry, strawberry, summerfruits, sweet potato, table grape and vegetable industries.

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1. Background and Objectives

The project context, objectives, approach and methodologies

Background

- Addressing the disruptions of COVID-19 on Australia's ability to export, Hort Innovation proactively initiated and invested in several critical projects
- One of these projects, carried out by Deloitte, was designed to assess the opportunities to rapidly diversify and expand in export markets. They identified 13 markets that offer growth potential
- This project builds on these past programmes and is designed to provide an in-depth understanding of consumers in these critical markets

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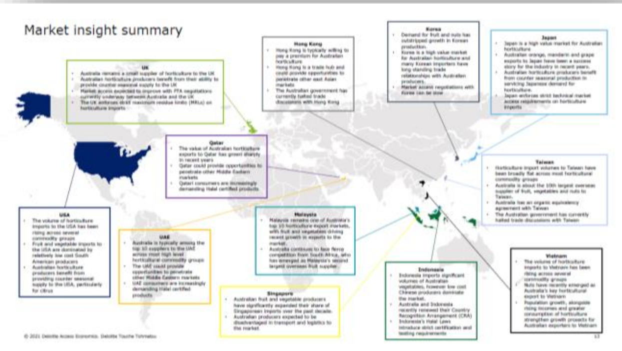
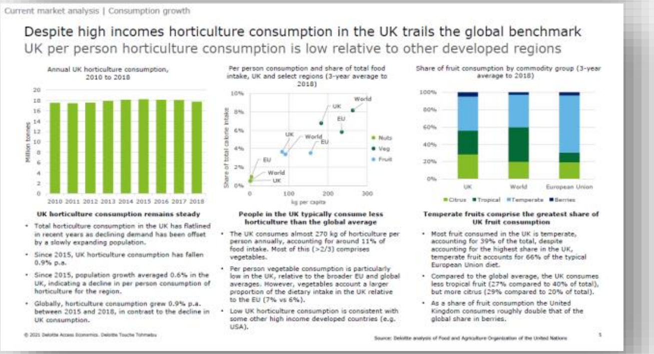
The Deloitte report

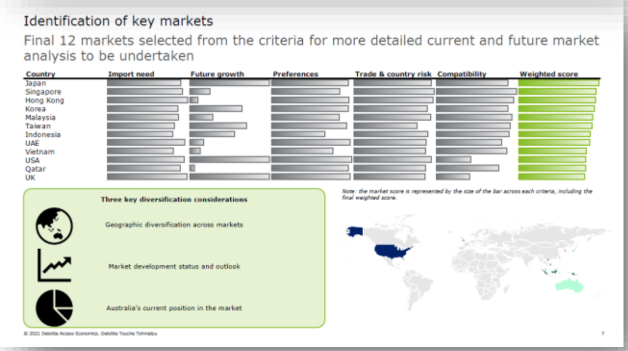
The Summary Market Analysis report identified x12 markets for Australian export and ranked the markets based on import need, future growth, preferences, trade & country risk and compatibility

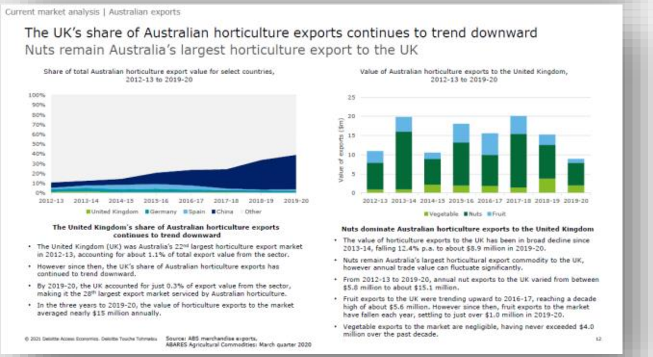
The Market Analysis then dove into each markets' import potential, based on existing market sizes, trajectory and the competitive landscape

This Kantar report builds on this analysis and provides the crucial consumer lens for the x12 markets. Furthermore, India has been included as a 13th additional market.









Central research question:

"How can Australian Horticultural Industries unlock growth by generating consumer demand for different categories across different international markets for today and tomorrow?"

Objectives

- The objective of this study is to provide a consumer-led perspective on the export opportunity of Australian horticulture
- It will unpack consumers attitudes and values, as well as their fresh produce shopping behaviour and how they consume fruits, vegetables and nuts in each of the 13 markets
- It will provide a strategic lens on which markets represents the most attractive opportunity for each of the priority commodities
- Plus, identify commodities that have the strongest right to play within each market
- This is about optimising export & product positioning today and in to the future in order to drive growth against prioritised industries and facilitating the deployment of effective & coordinated trade marketing resources

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Therefore, the focus of this report is understanding the consumer.

We will get under the skin of peoples' attitudes towards food, how they shop for produce and why, when and how they consume fruits, vegetables and nuts.

Through analysing their propensity to spend more on premium, plus their appetite for Australian, we will reveal the strongest commodity consumer export opportunities.

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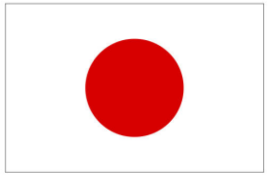
The 13 markets included in the study

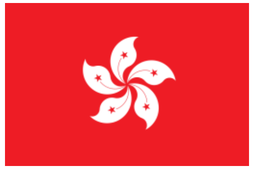

USA


UK

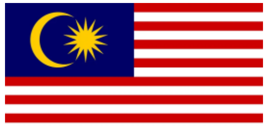

Singapore


India


Japan

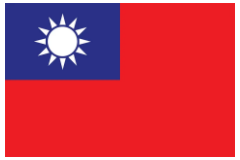

Hong Kong


South Korea


Malaysia


UAE


Qatar


Taiwan


Vietnam


Indonesia

The 20 industries of interest in the study


Almond


Apple & Pear


Avocado


Blueberries


Cherry


Citrus


Dried Grapes


Lychees


Macadamia


Mango


Melons


Olives/Olive Oil


Onion


Potatoes


Raspberries
& Blackberries


Strawberries


Summer fruit


Sweet Potato


Table Grapes


Hard Veg,
Fruiting Veg & Leafy Veg

The approach

1. Audit & Discovery

What we will do
- Project kick off
- Knowledge audit
- Stakeholder alignment
- Expert interviews (x3 per market)

The outcome
Clear understanding of key hypotheses and inputs into later stages of work and alignment on the knowledge gaps

2. Localise & Enrich

What we will do
- In-depth culture, category & consumer understanding

The outcome
In-depth local market understanding of the cultural forces driving & shaping consumer demand in the market today and where it is moving to in the future

3. Develop Growth Plan

What we will do
- Identify & quantify
- Growth opportunities

The outcome
Consumer profiling based on demographics, occasions and needs. Defined & quantified opportunity spaces and clear recommendations on prioritized opportunities

4. Align & Embed

What we will do
- Create & embed roadmap for growth

The outcome
Aligned team trained, engaged and ready to activate clear missions & jobs to be done against prioritized horizons. A unified growth narrative tailored and fit for purpose for key stakeholder groups.

1. Audit and Discovery
Interview programmes methodology

Internal stakeholder interviews

- 30 x 1 hour interviews with key stakeholders identified by Hort Innovation

External expert interviews

- 3 x 1 hour interviews per market with local market experts
- Experts were either direct importers of priority commodities or fresh produce retail experts
- The 39 interviews totalled nearly 70 hours of shared knowledge and insight across the 13 markets and 25 commodities

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2. Localise and enrich

Quantitative research methodology

Local Market Research

- 25-minute online survey conducted in each of the x13 markets
- Demographically national representative sample of N=4,000 per market
- Respondents are medium & high income consumers only
- Survey design included:
  - Category usage across fruit, veg and nuts
  - General attitudes, values and produce shopping behaviours
  - In-depth occasion understanding of their own recent consumption of up to two of the priority commodities consumed frequently
  - Surveyed perceptions of Australia, perceptions of premium and the right for Australia to command a premium

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3. Develop Growth Plan
Outputs & reporting structure

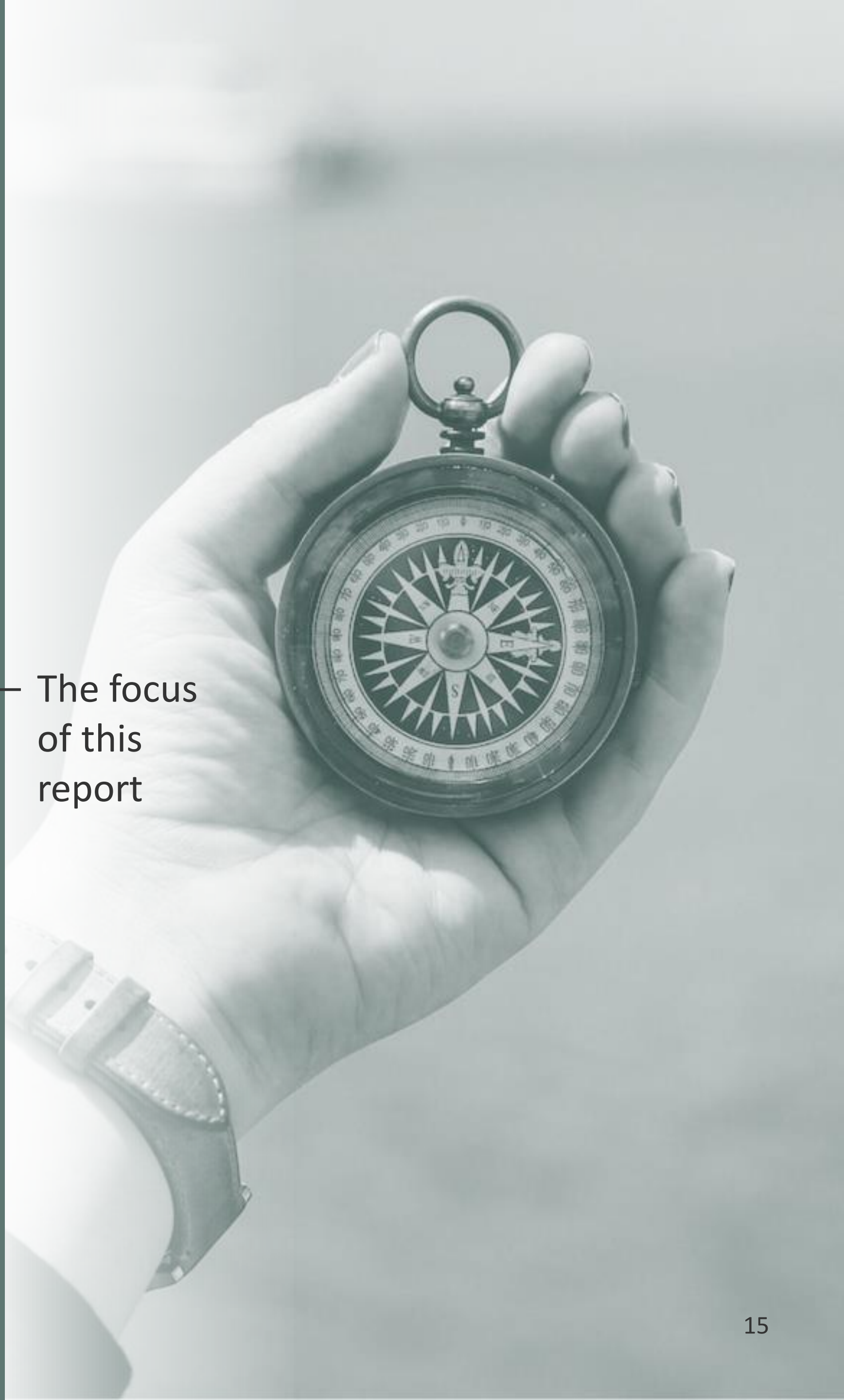
Market reports

- The **x13 market reports** take the lens of the priority country. The purpose is to provide a holistic picture of consumers within that market, including their attitudes, shopping behaviours and horticulture consumption.
- The strategic lens will identify which priority commodities are most attractive and have the greatest appeal for consumers in that market.

Category reports

- The **x3 category reports** will include detailed profiling of each of the priority commodities. The purpose is to provide in depth analysis on how each fruit, vegetable or nut is consumed around the world.
- The strategic lens will provide a perspective on which markets represent the strongest consumer opportunity for export.

The focus of this report



3. Develop Growth Plan
Market report contents

	CHAPTER	CONTENT
1	**Key insights**	Headline report findings
2	**Introduction**	Project context, research question, objectives and methodologies
3	**Market foundations**	Key fresh produce market dynamics, drivers of consumer behaviour and essential 'need to knows' straight from the in-country retail and import experts
4	**The Consumer**	Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours
5	**Commodity consumption**	Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market
6	**Commodity prioritisation**	Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception
7	**Strategic consumer recommendation**	Recommendations on how to go after growth opportunities, based on consumer needs, triggers & barriers
8	**Appendix**	*Coming soon…*

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2. Market foundations

Key fresh produce market dynamics, drivers of consumer behaviour and essential ‘need to knows’ straight from the in-country retail and import experts

USA Expert interviewees

Dawn Gray

President of Dawn Gray Global Consulting an international consulting firm that helps agriculture industry clients with their strategic growth plans (2012 – present)

40 years industry experience

Previously Senior VP Marketing and Categories with the Oppenheimer Group, a supplier of produce to international markets (2009-12). She was a General Manager at Turners and Growers, a New Zealand based integrated grower, packer and marketer of New Zealand apples (2007-09) and previously the President of Central California Orange Growers Co-op (CCOGC)

Craig Carlson

CEO of Carlson Produce Consulting, supporting clients grow the import-export of produce (2013 – present)

15+ years industry experience

Previously Senior Director Category Management, and Sourcing, Produce at US Foods (2011-13) where he developed a strategic produce plan for the company aimed at growing sales and profitability that was implemented in more than 60 locations in the US. He was Senior Director of Produce at Wal-Mart (2008-11) where he supervised all aspects of procurement and category management for the orchard category

Marcela Arratia Paris

Independent agribusiness consultant and ex-Sourcing Manager, Global Food Sourcing at Walmart (2010 – 2014)

15+ years industry experience

As Walmart's Global Sourcing Manager, Marcela was responsible for sourcing produce from South America and South Africa to Walmart and Sam's Club US. Previously Sales Manager for the European Market at David Del Curto a leading exporter of fresh fruit and produce from Chile

USA Expert interviews: Key observations

Significant domestic US production

All the priority commodities are widely consumed in the US and the majority of fresh produce is grown domestically. Imported produce comes mainly from the Western hemisphere and neighboring countries, including Canada and Mexico. Chile, Peru and Argentina are all strong players

Inflationary pressure looms

Growing inflationary pressure in the US means consumers are faced with higher food and as prices. This is impacting consumer spending and people are more price sensitive. They're looking to save where possible and this could result in trading down, buying cheaper produce or smaller pack sizes

Relatively weak per-cap consumption of produce

The per capita consumption of fresh fruit and vegetables is low vs. all other industrialised economies. A significant chunk of consumption of fresh food is out of home and often, if consumers are trying something new, it won't be purchased through retail, but in a restaurant or food service. There is a push to get more people eating fresh produce and retailers

Supermarkets reign supreme

Supermarkets account for the bulk of grocery spend in the US. Walmart is huge player, but the 'club' segment is growing (e.g., Costco). In this context, consumers are buying what's available and looks aesthetic on shelf. In this context, there's a strong appetite for imported goods and purchase behaviour suggests there isn't a strong preference for local

Australia is seen as 'clean and green'

Some consumers will pay more for high quality produce and Australia is seen as a trusted source. Australia is perceived to be 'clean and green' which could be harnessed for specific commodities

Domestic produce reigns, but imports come from Mexico, Canada and South American countries: Chile, Peru & Argentina

Imported produce is probably in the range of 40% and it's increasing due to the water issues in California and the lower cost of production in countries like Mexico. Most of what's imported is from the Western hemisphere.

- Craig Carlson

During the summer season when there is plenty of produce coming from Mexico, Canada or is locally grown. So there's more volume and prices tend to be lower. Logistics are smoother too. In the fall and wintertime, there's higher imports and prices are higher. However, they never reach very high prices because the production of produce in the US is high

- Marcela Arratia Paris

Probably 70% of fresh produce is domestically produced and 30% imported. That will vary depending on the varietal and growing season.

- Dawn Gray

Because of the current drought in California, I would say that local production accounts for 55-60% of all fruit and vegetable, but during the winter season, it's 100% from imports

- Marcela Arratia Paris

Canada and Mexico are the two biggest sellers into the US, but imports from Chile, Peru, Argentina are also growing.

- Dawn Gray

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Inflationary pressure looms

"Another thing that we're dealing with, obviously, is inflation. In the U.S. and throughout the world, cost of food and other gas has really impacted consumer spending. They're trading down, maybe buying some cheaper commodities or smaller packs.

- Craig Carlson

"The club channel is growing exponentially. Costco, Sam's and BJ's are growing at probably double the rate of other supermarkets. Walmart is not building any more stores, but they're maintaining a huge, huge segment. And then, you've got the farmer's markets and the local stores which is continuing to shrink.

- Craig Carlson

"Price sensitivity varies significantly by parts of the country, but at the moment, everybody's talking about inflation. Americans are seeing gas prices they've never seen in their lives, and they're freaked out.

- Dawn Gray

US consumption of fresh produce is relatively low, but consumers are becoming more health-conscious

"The US has the lowest per capita consumption of fresh fruits and vegetables of any industrialized nation, and they know that's a health issue for them so there is a big push to increase the consumption of fresh fruits and vegetables.

- Dawn Gray

"People increasingly are consuming more produce to be healthier. I think this is the biggest driver behind the growth in some fruits like blueberries, mangoes and peaches in the US

- Marcela Arratia Paris

"People have adopted much more of a lifestyle now of eating more at home. Dining at restaurants is not what it was. It hasn't recovered.

- Craig Carlson

"As we come out of COVID in the U.S., we're seeing more and more people going back out into restaurants. About 40% to 50% of fresh fruits and vegetables in the U.S. are consumed away from the home. For a lot of people this is where they might try new fruits and vegetables for the first time.

- Dawn Gray

Supermarkets reign supreme as they account for the bulk of grocery spending in the USA

“Broadly speaking, people in the US don’t know where their produce comes from. If they do have a preference, it’s for local from grown in the US, but at the end of the day the is more important than country of origin.

- Marcela Arratia Paris

“I would say the consumer appetite for imports is high. For all the talk about supporting local growers, you don't see it in purchase data. Consumers care more about taste, flavor and freshness.

- Dawn Gray

“At least 70% of all produce is bought through supermarkets. It might vary by town, but supermarkets are everywhere.

- Marcela Arratia Paris

“When it comes to the plastics, most consumers aren't willing to pay for some of these recyclable packaging. It’s really stalled compared to where people thought it would go.

- Craig Carlson

“The U.S. market demands a product that is very aesthetically pleasing: larger, more taste. So, the American consumer buys more with their eyes, versus some other countries.

- Craig Carlson

Australia is seen as ‘clean and green’

Australian produce is perceived in a positive light. I think there's excellent potential in North America for Australia because I think you have the product. You could come here and be able to seasonally capture a nice piece of the North American marketplace.

- Craig Carlson

Australia would have a fabulous reputation. It’s seen as clean and green. There’s a high degree of trust in terms of food safety aspect.

- Dawn Gray

I think people would pay a premium for Australia cherries. You’ve also got some fabulous mango varieties; the Calypso mango is a stunner. They just need some work on merchandising. I would think that would do very well in the U.S. and people would pay a premium for it.

Dawn Gray

I think there's a market for [premium] in citrus, oranges, lemons in North America from Australia. There’s also an opportunity there in the berry category, particularly blueberries that you can ship to the West Coast.

- Craig Carlson

It depends on the item, the segment that you're going into and the story, but I think they'll pay 10% to 100% more.

- Craig Carlson

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3. The Consumer

Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours

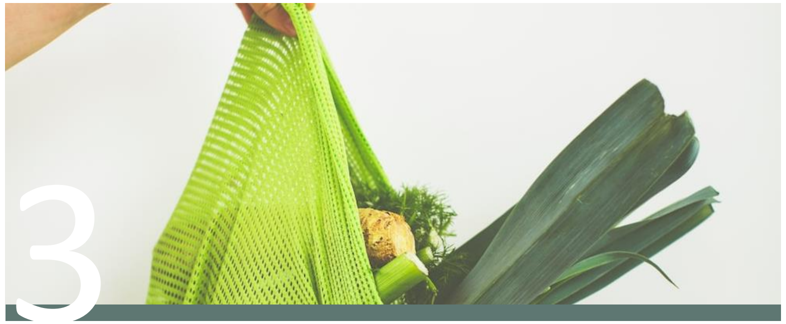
We will unpack 3 key themes to unpack consumers in the US

Demographics

- Population, life expectancy
- GDP per capita and key wealth metrics
- Age breakdown
- Religious identity and background

Attitudes & values

- Attitudes & values relating to: food & cooking…
- Safety & sustainability
- Premium & value
- Local vs. imported
- Health & wellbeing



Shopping behaviour

- Grocery and fresh produce shopping behaviour
- Shopping preferences, including triggers and barriers
- Imported vs. local shopping behaviour

The population size & consumer wealth in the USA

POPULATION

332m

USA population[1]
vs. 25.7m Australians

51% 49%

female/ male population split
vs. 50/50 globally

77y/o

Life Expectancy[1] vs. 72 y/o globally

+0.1%

USA population per annum growth (2021)[1] vs. 0.8% globally

WEALTH

$23.32t

USA GDP (USD)[1]
vs. $1.6t in Australia

$70,248

USA GDP/Capita (USD)[1]
vs. $60k in Australia

$48,219

Median HH disposable income (p.a.) (USD)[2]

[1]Source: the World Bank
[2] Statista, 2021

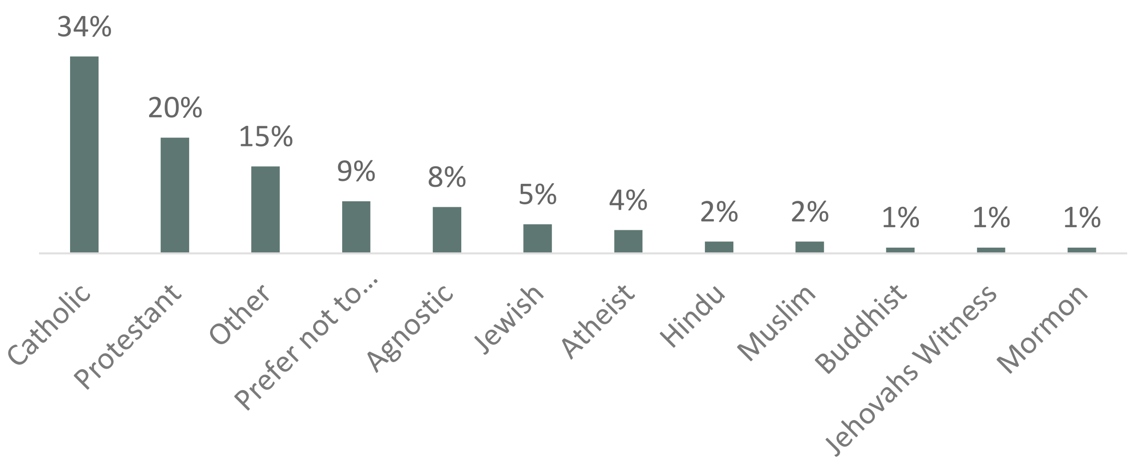
Age and nationality/ background of USA consumers

BACKGROUND

How would you describe your nationality/background?

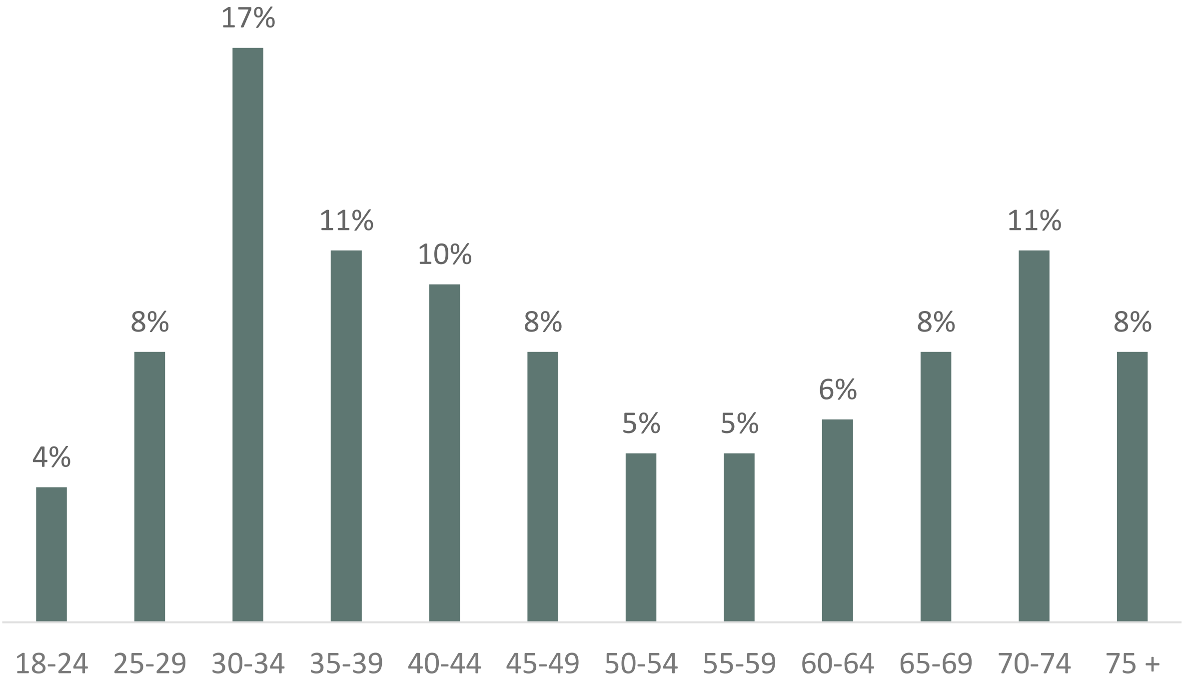
86% 'White' population

How would you describe your religious identity?



AGE

How old are you?



Kantar HIA International Demand Study 2022; n=4018
*NB Low income consumers screened out of survey

Key attitudes & values of US consumers

US consumers love food & cooking

72%

Enjoy cooking

66%

Think that food is a pleasure

Whilst appreciating simple pleasures, they will pay for quality

69%

Happy with simple pleasures

53%

Will pay more for trusted brands

Sustainability is a moderate concern

61%

Worry about the impact of climate change

56%

Product packaging does not influence what I buy

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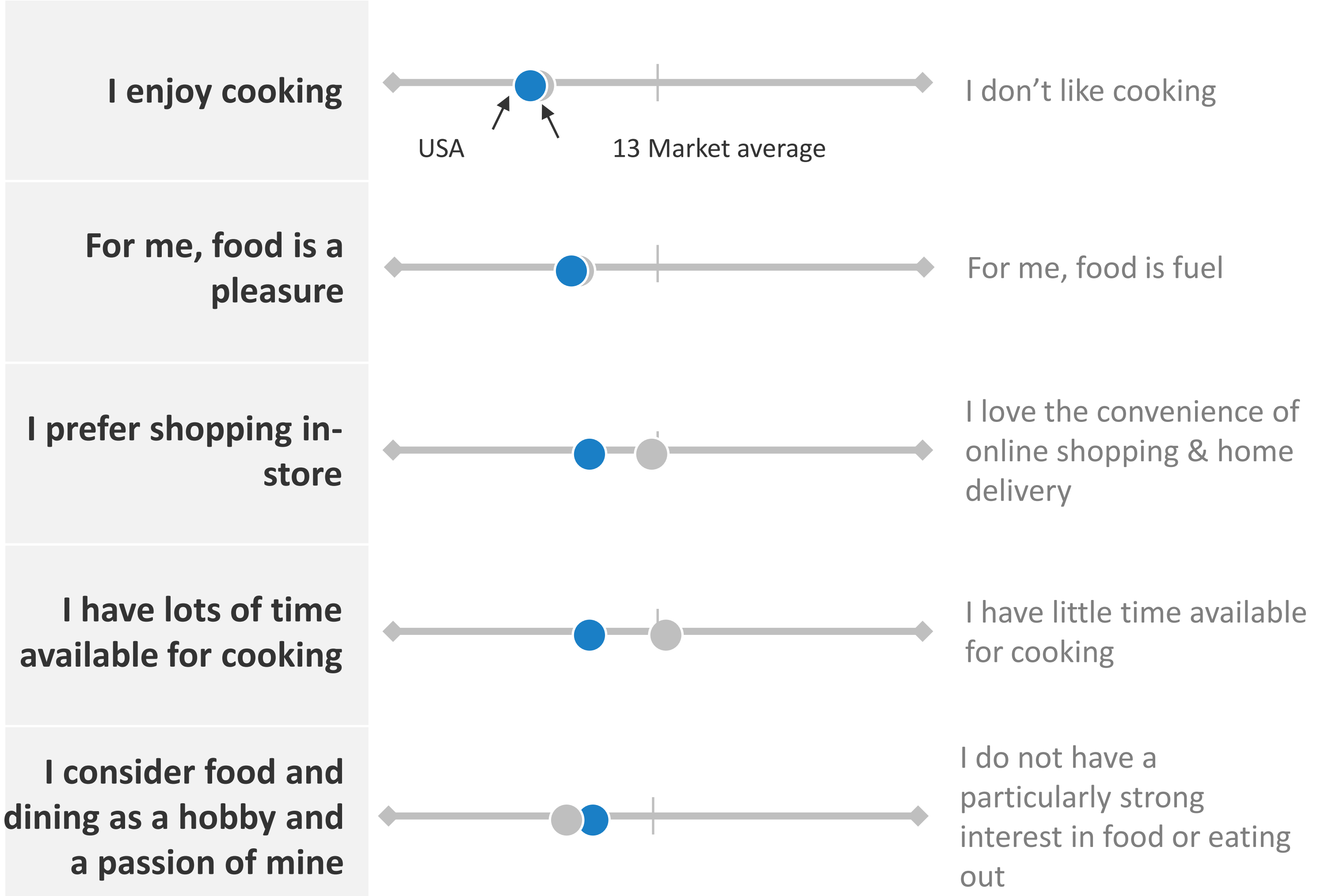
Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4101

“I love cooking, which I have lots of time for.

I find great pleasure in food, it is a passion of mine”

Attitudes & values related to

Food & Cooking



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4101

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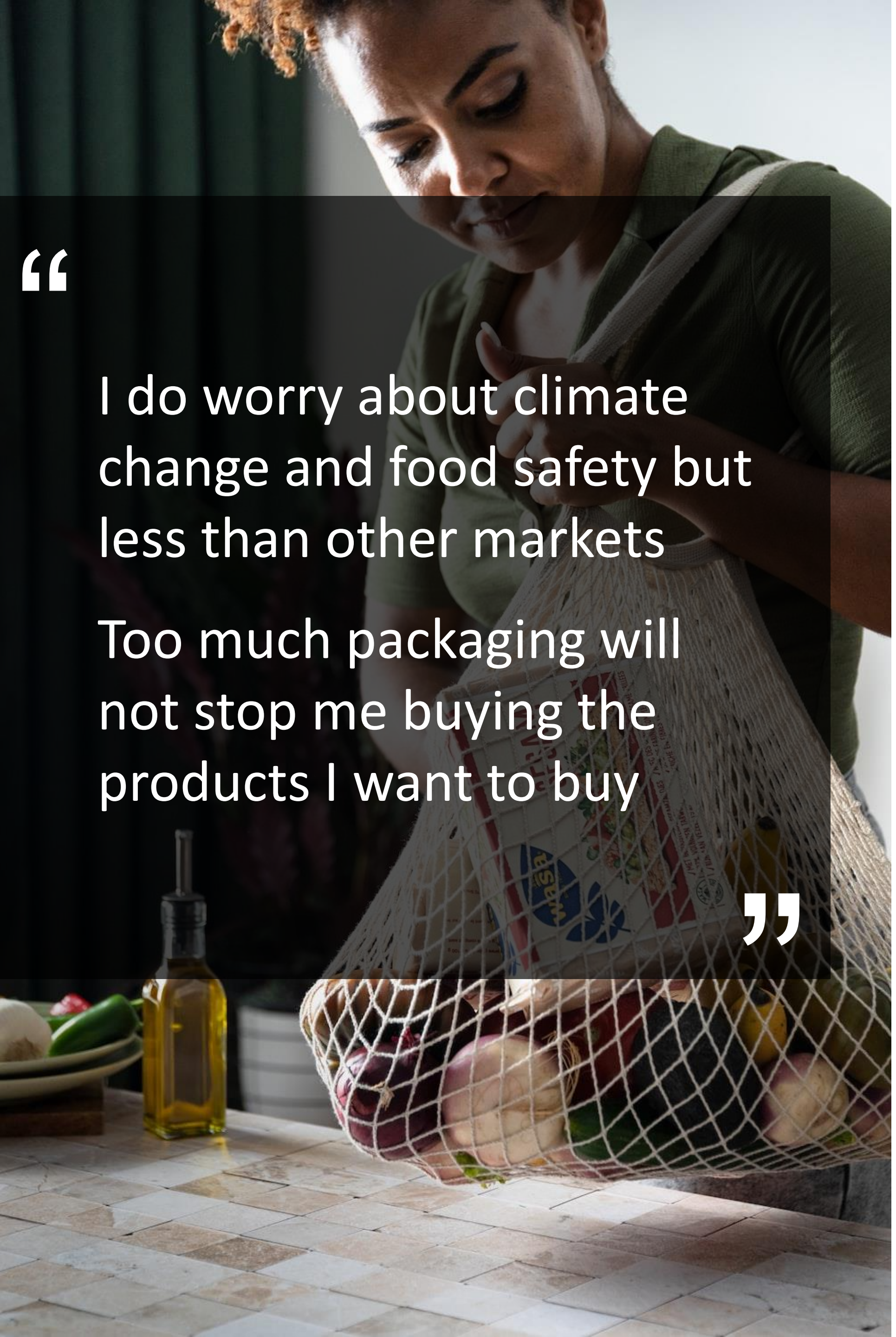
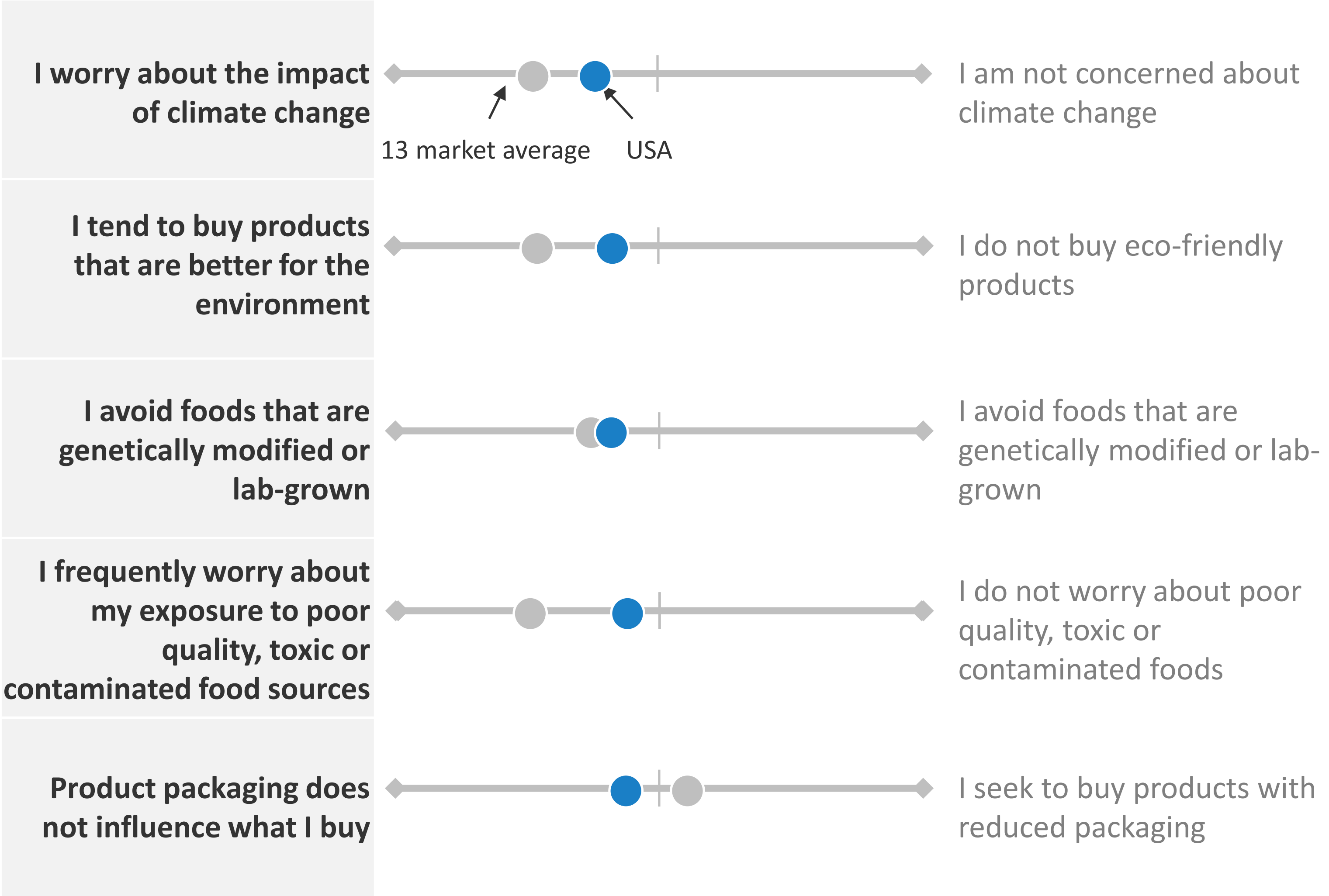


Attitudes & values related to

Safety & Sustainability



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4101

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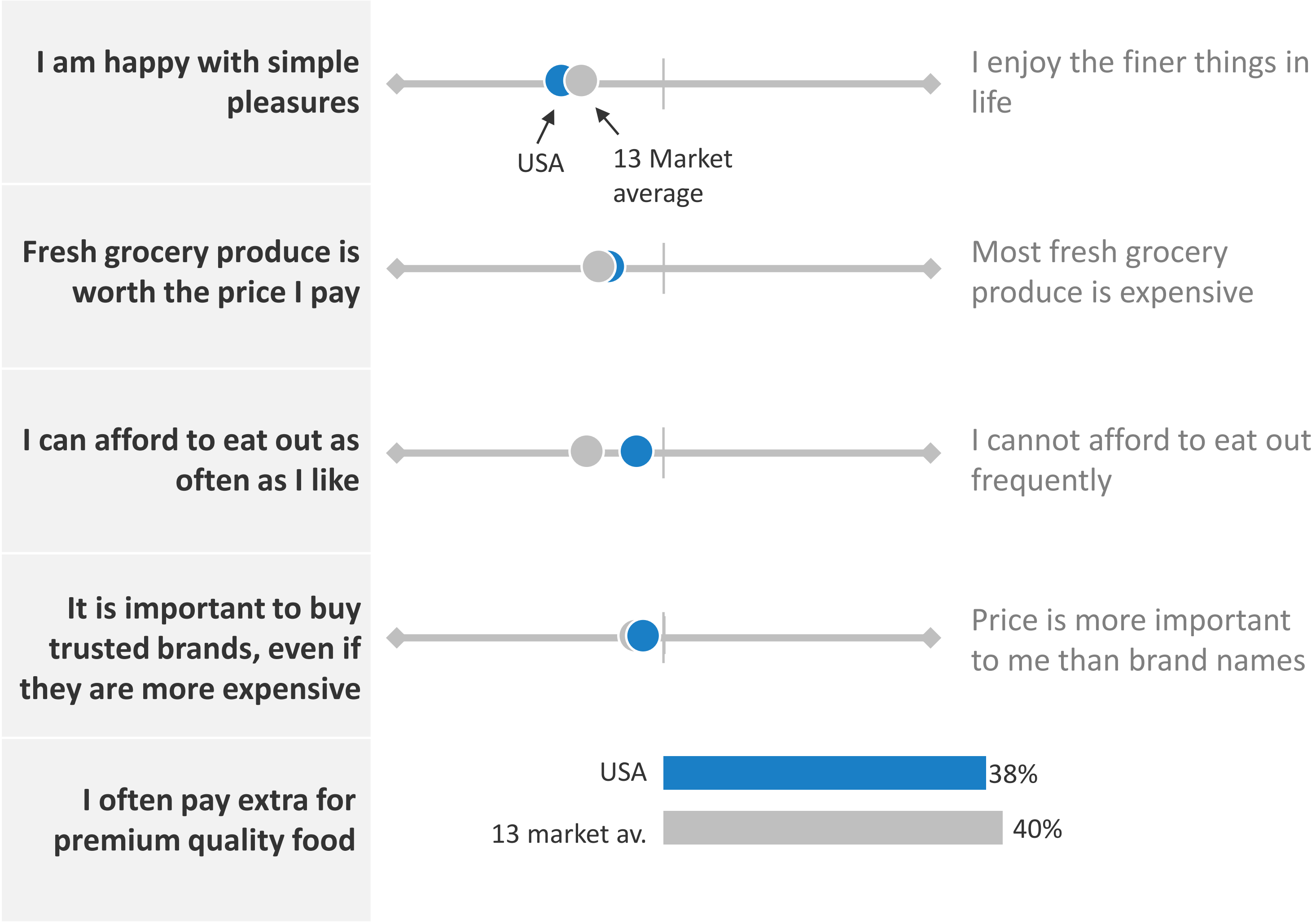
"I like simple pleasures but can afford to eat out if I like.

Overall, I generally feel I pay a good price for fresh produce, even if that produce means paying more for trusted brands"

Attitudes & values related to

Premium vs. Value



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 4101

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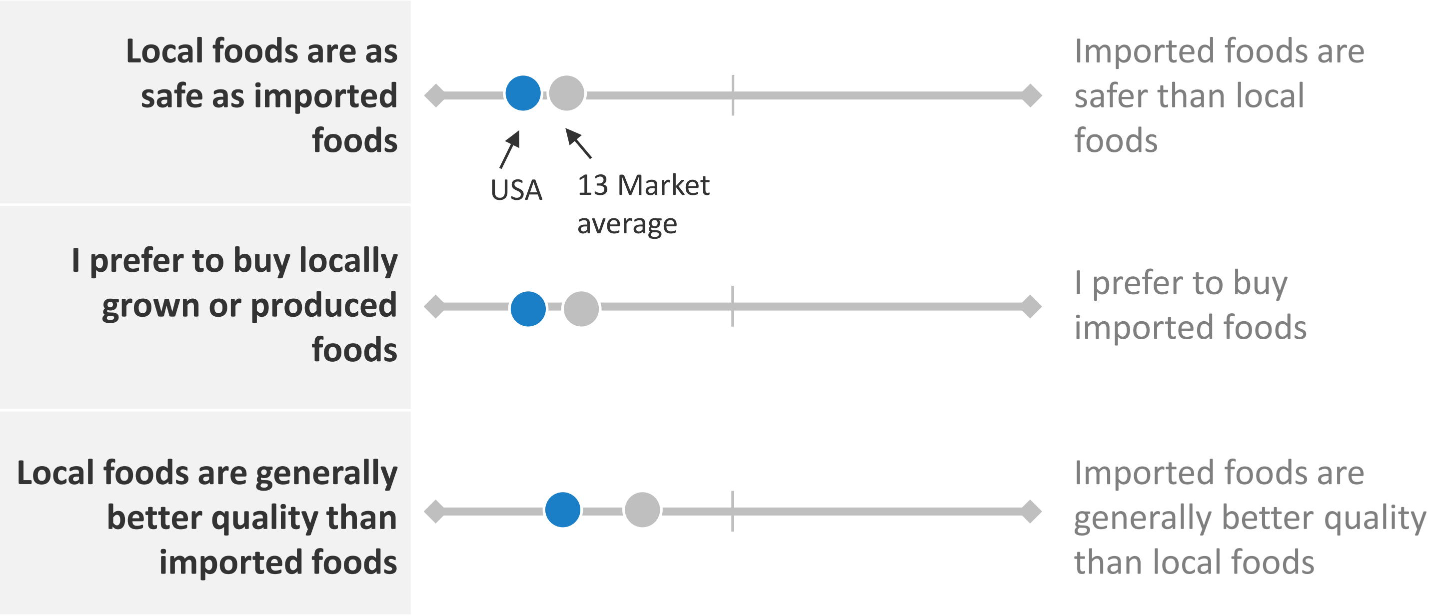
Attitudes & values related to

Local vs. Imported



Question: Which of these statements appeals to you more?
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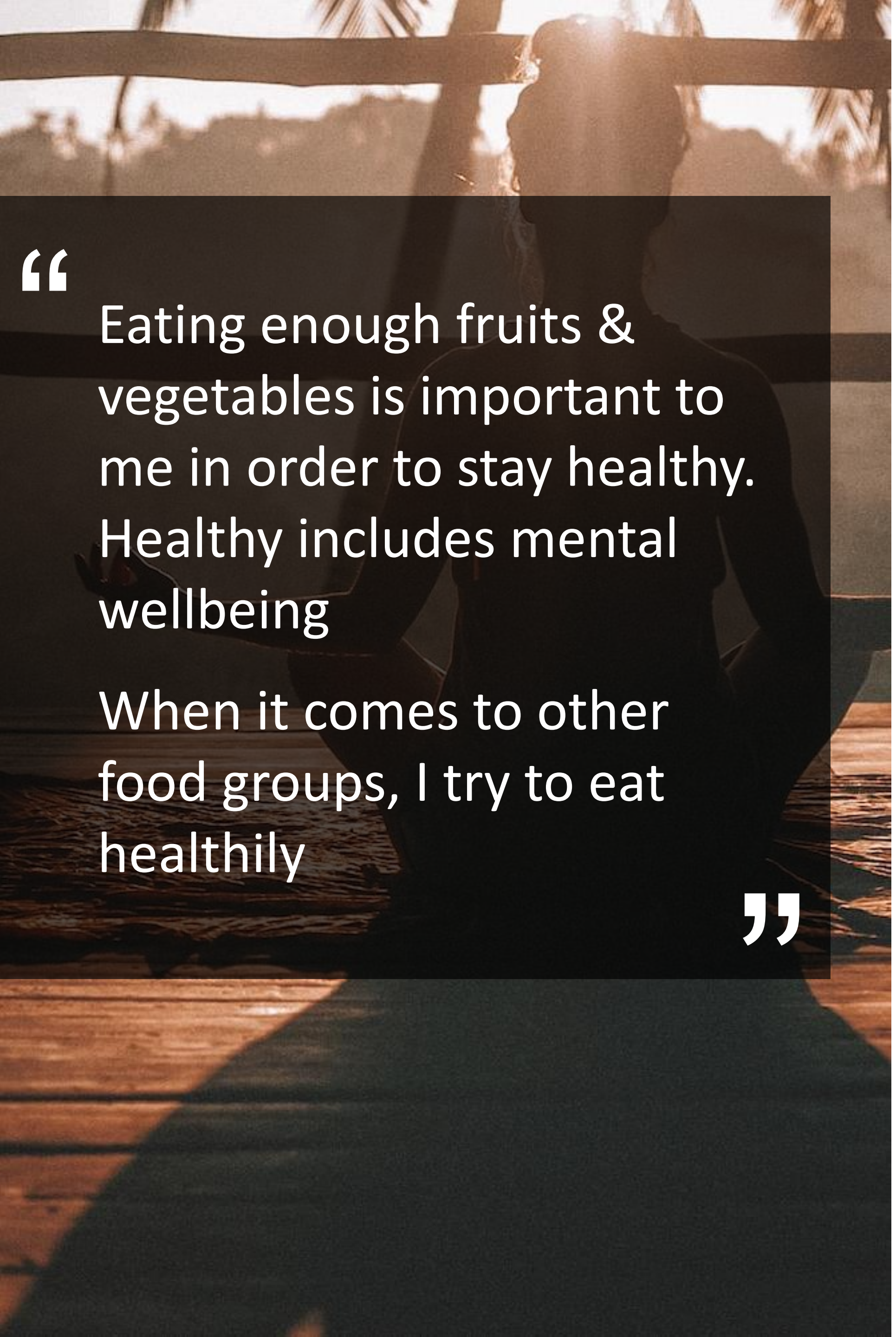
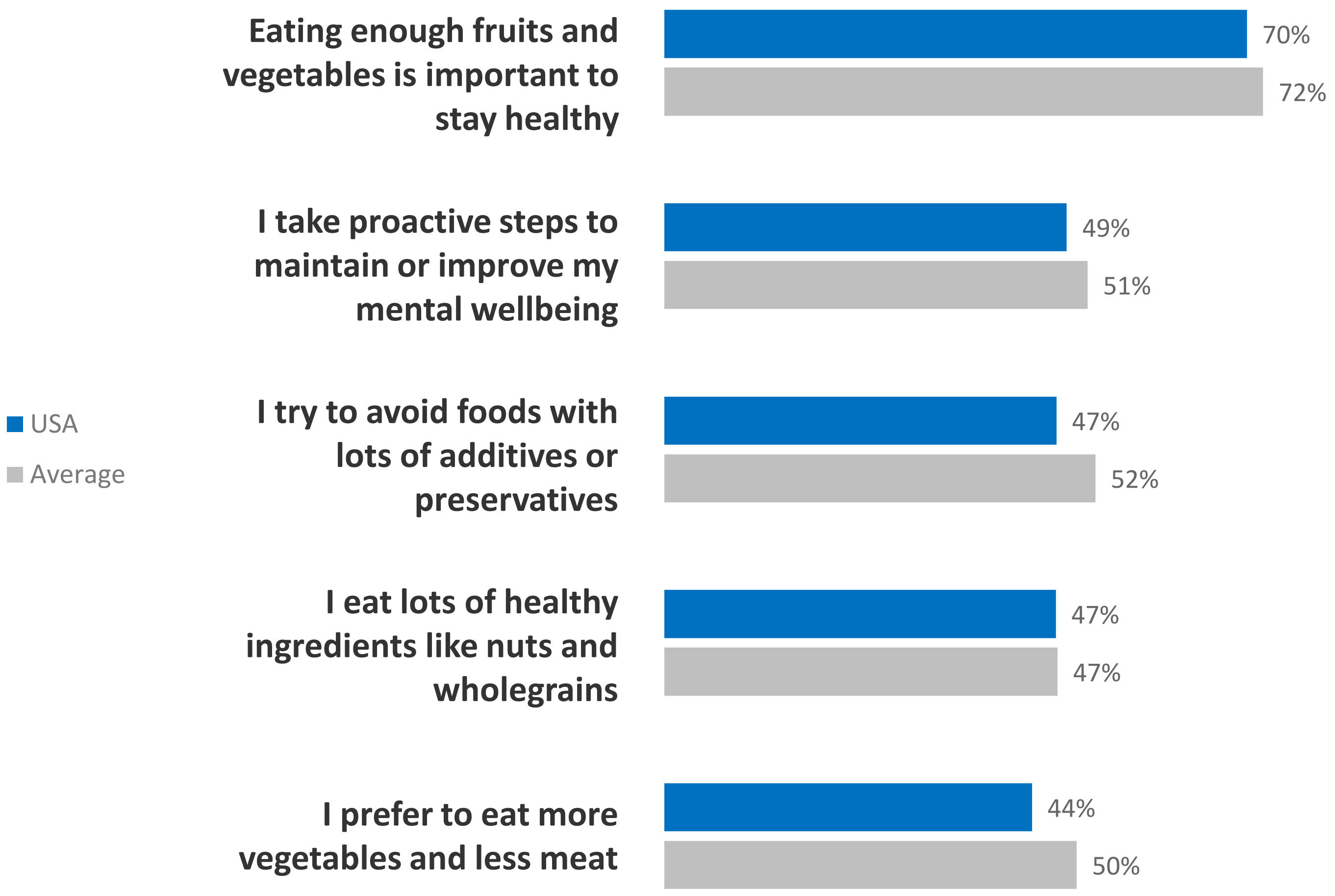


"Eating enough fruits & vegetables is important to me in order to stay healthy. Healthy includes mental wellbeing

When it comes to other food groups, I try to eat healthily"

Attitudes & values related to

Health & Wellbeing



Question: To what extent do you agree with the following statements?
Source: Kantar HIA International Demand Study 2022
n=4101

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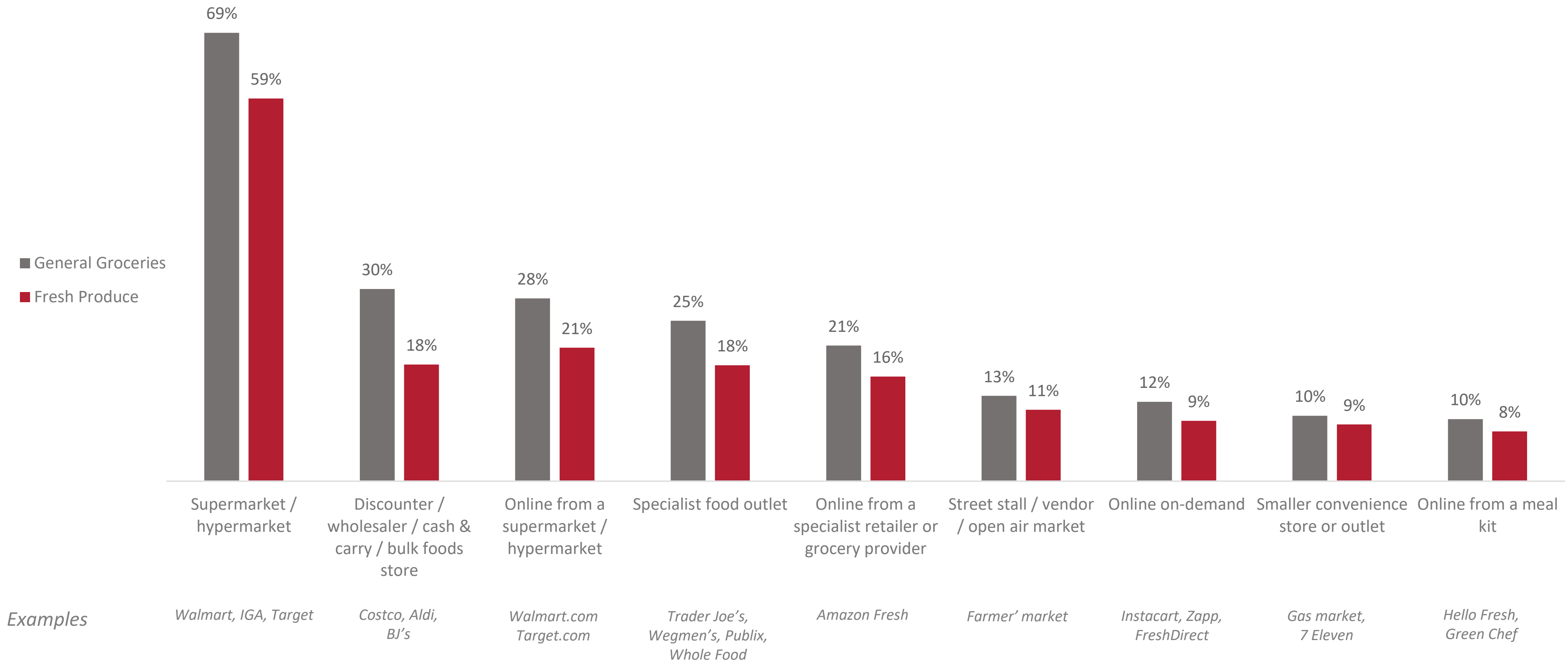
Now we know a little about what motivates US consumers we will dive into how they shop

Supermarkets (including online) and discount bulk food stores are the predominant channels for purchasing fresh produce



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Source: Kantar HIA International Demand Study 2022
N=4069

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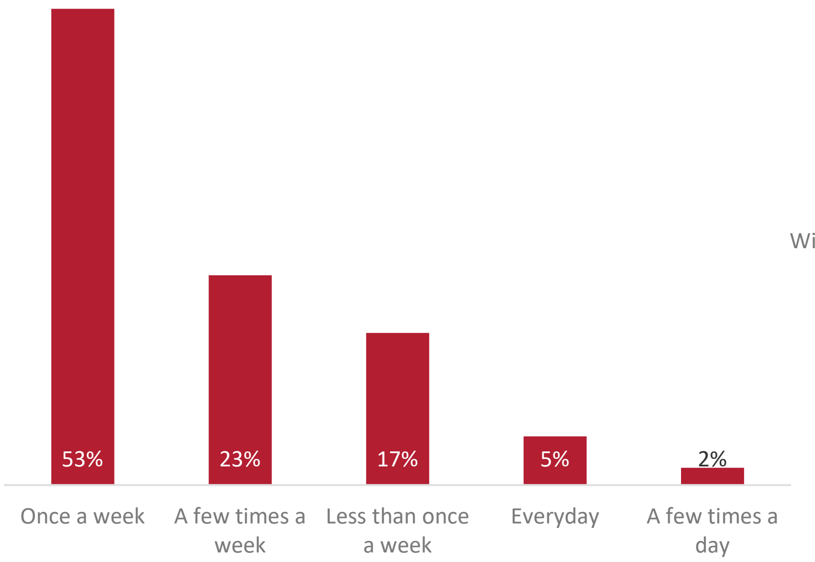
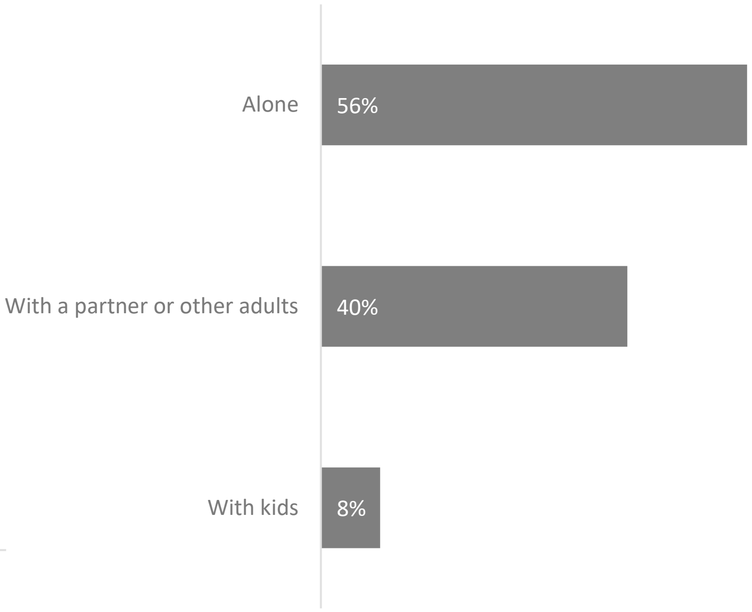
Most people (59%) are shopping once a week and a further third go more frequently. Adults typically shop alone, but where they have under 18's in the household, a third of fresh produce is for them

How often do you shop for fresh produce?



With whom?



How much are the kids having?

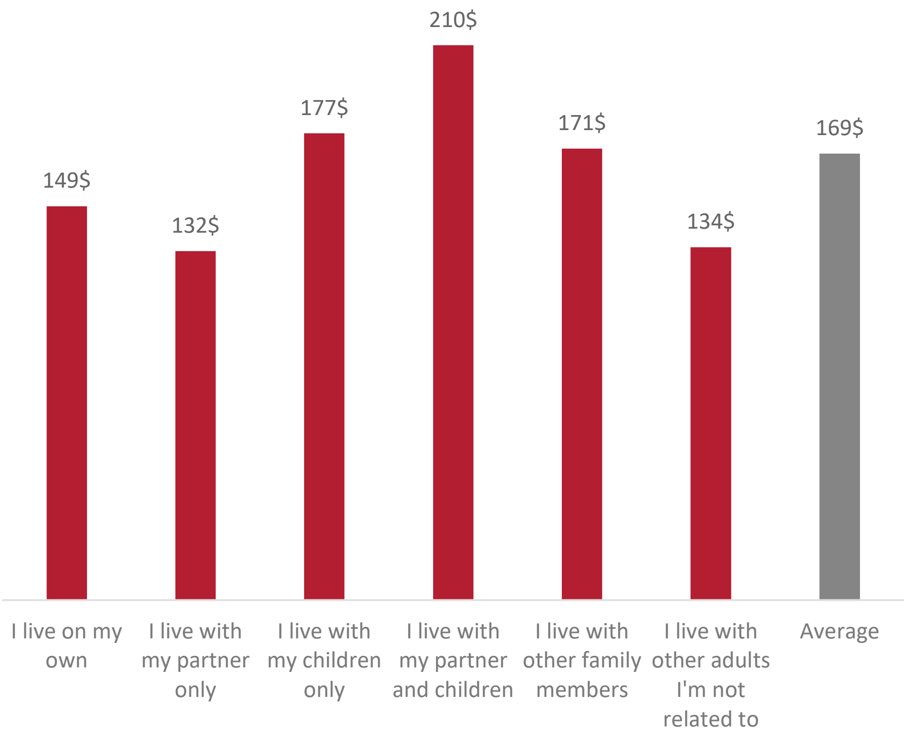
46%

Estimated share of fresh produce bought by the household that is eaten by people under the age of 18

1 Amongst households that have kids under 18, n= 2165
Source: Kantar HIA International Demand Study 2022; N=4069

Most households are spending less than £100 (approx. $180 AUD) on groceries a week, of which about a third is on fresh produce

In a typical week, how much do you spend on groceries (by household structure)?



How much do you spend on fresh produce?

36%

Estimated share of grocery cost spent on fresh produce specifically in a typical week

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Source: Kantar HIA International Demand Study 2022
N= 4069

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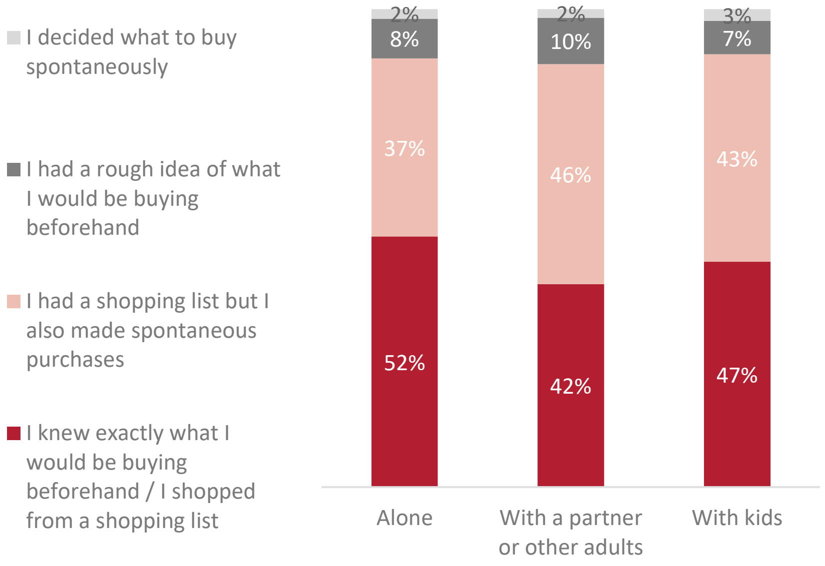
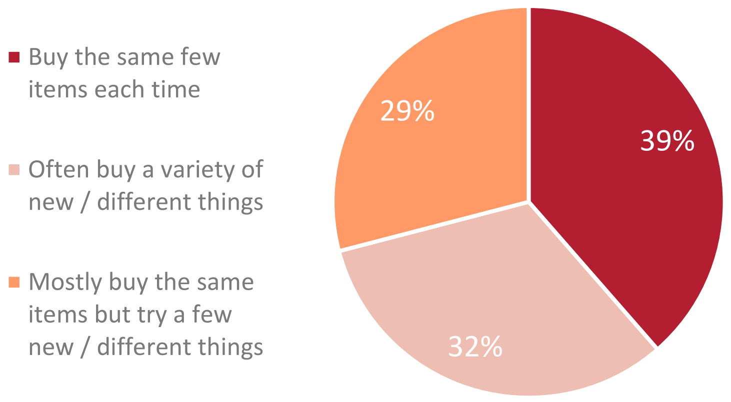
Consumers are typically shopping from a list, regardless of who they are with. **When it comes to fresh produce, there's a relatively even split between people buying the same items vs. trying new things.**

Which would you say describes your shop when shopping…



When shopping for fresh produce do you…



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Source: Kantar HIA International Demand Study 2022
N=4069

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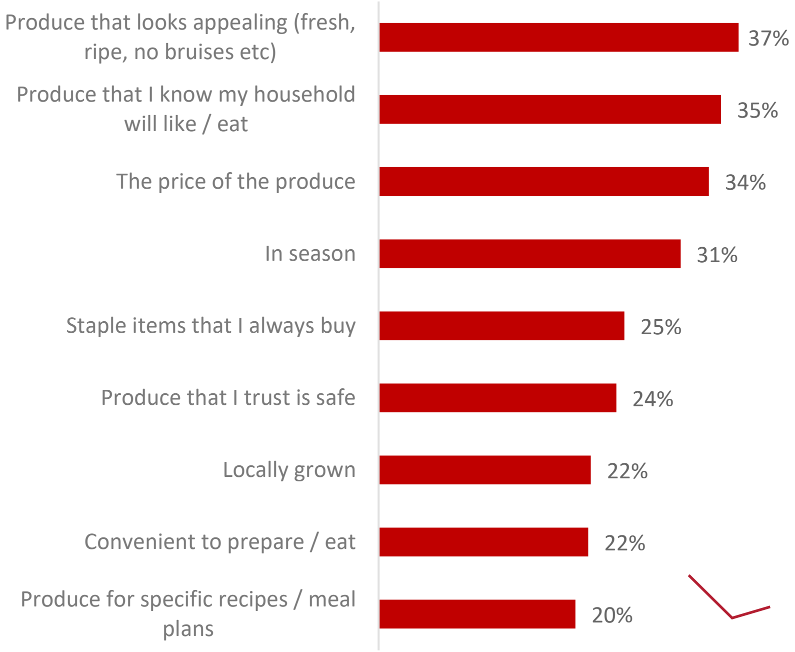
Price is the strongest driver of fresh produce purchase. But consumers are also buying to both satisfy the household and experiment with recipes.

When shopping for fresh produce what determines your choice?



Gifting is not a strong driver of choice in the US. Only 5% of people buy commodities ‘for a gift’.

What would encourage you to purchase fresh produce you wouldn’t normally buy?

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Source: Kantar HIA International Demand Study 2022
N=4069

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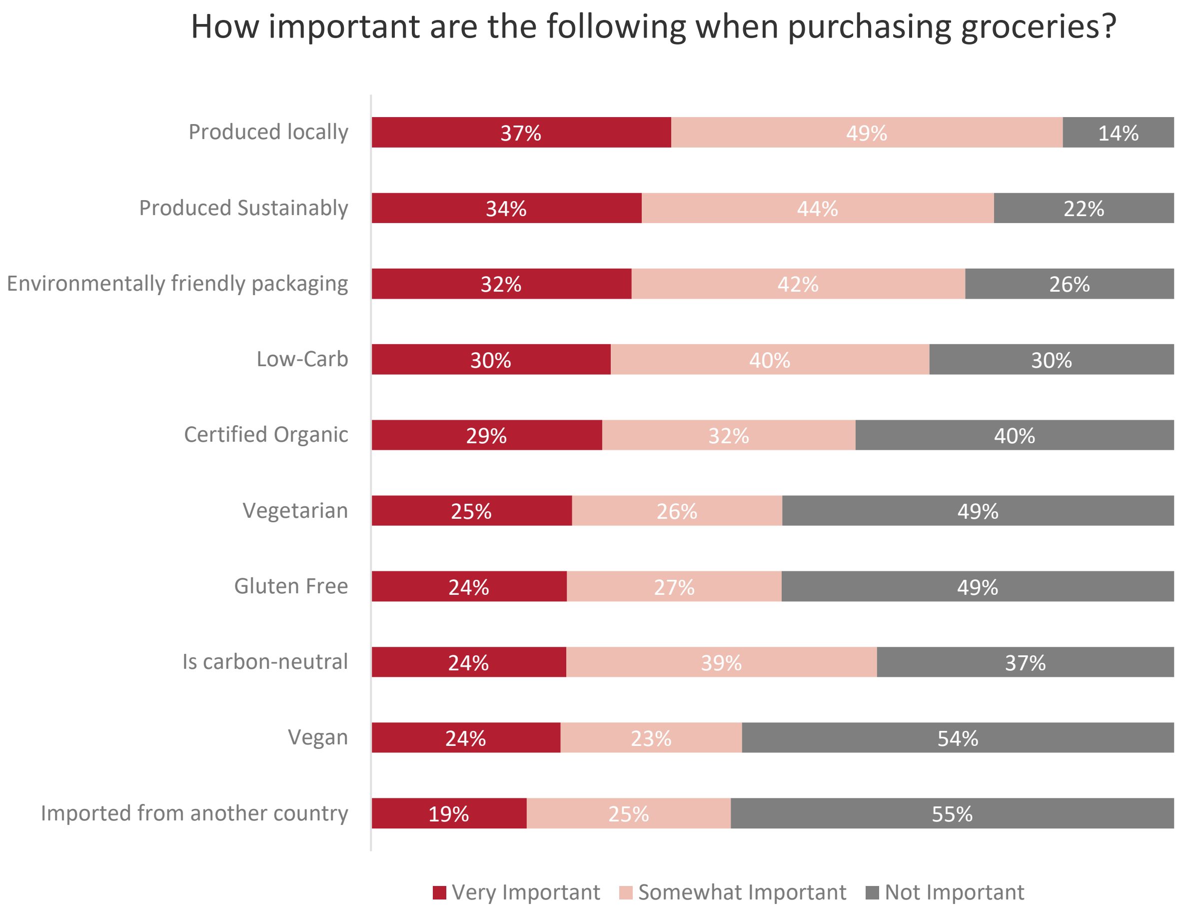
'Eco' factors are important for people when purchasing groceries. Environmentally friendly packaging, sustainable and local production are the top ranked factors



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Source: Kantar HIA International Demand Study 2022
N=4069

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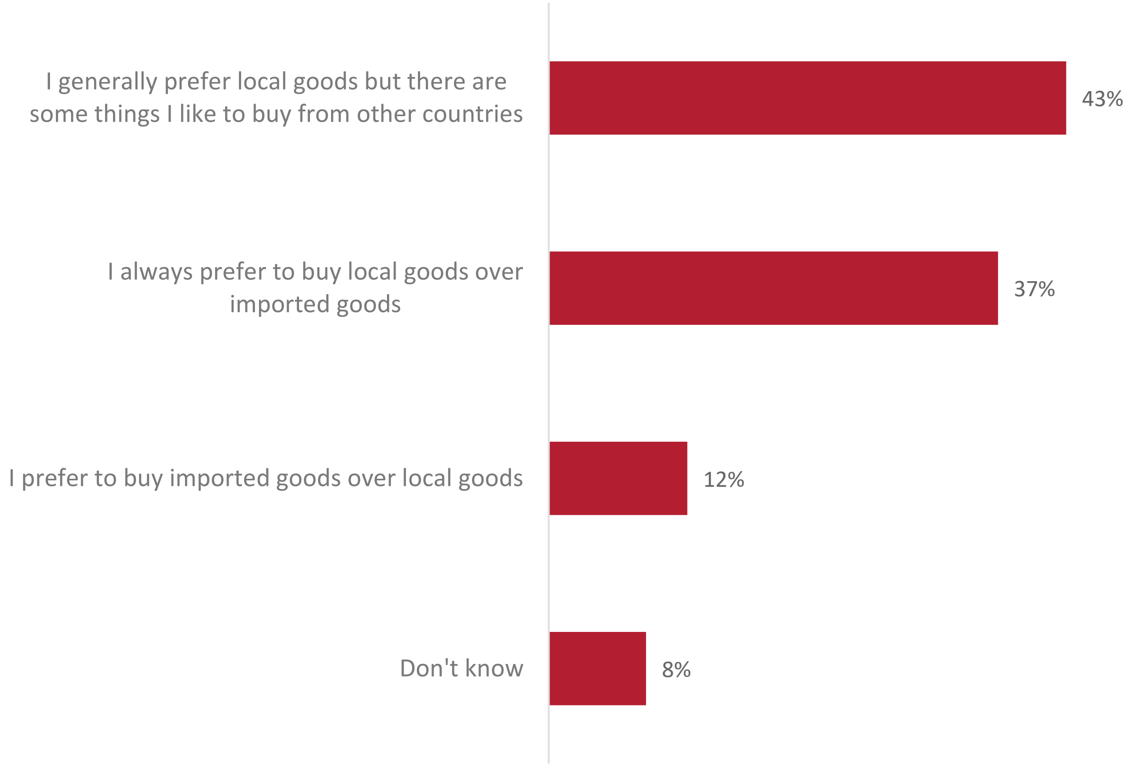
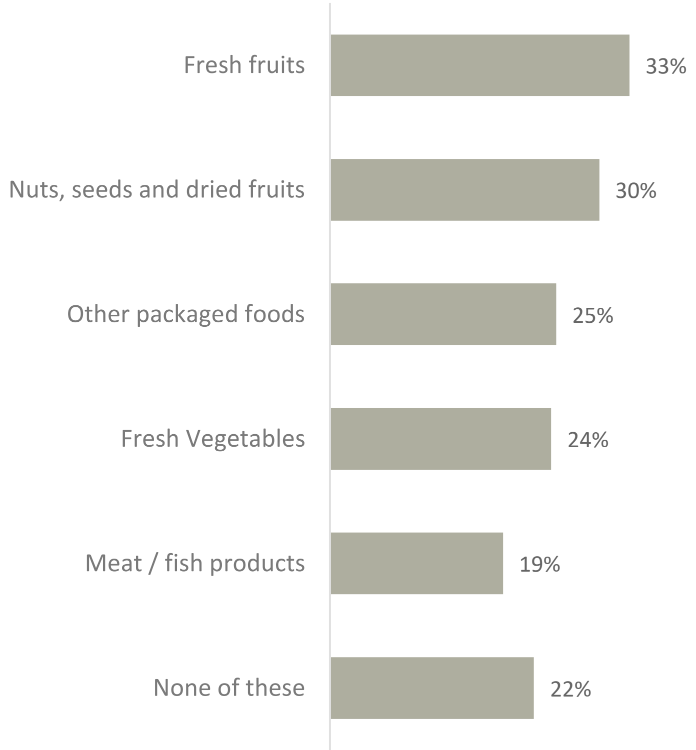
Half of US consumers claim to have a preference for local goods, but only a quarter <u>always</u> prefer to buy local.
Fresh fruits are the most popular choice of imported produce

Preferences for Import vs Local



What food products are you most likely to choose an imported option?



KANTAR

Source: Kantar HIA International Demand Study 2022
N=4069

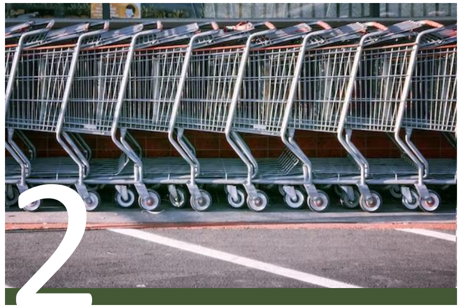
Hort Innovation

Key consumer take-aways

1

US consumers do enjoy cooking, when it comes to fresh produce, they do claim to favor the quality of locally grown

Unlike other markets, they don’t worry about contaminated or toxic food sources



2

Unsurprisingly supermarket dramatically dominate both grocery and fresh produce

However, discounters are also popular and online channels rank #3 where people claim to shop

3

US consumers do claim to worry about the impact of climate change

However, concern for the environment won’t necessarily impact what they buy, or the packaging they come in

4

Produce that looks appealing is the number one driver of fresh product purchase

Having produce that the whole household will eat is the #2 ranked factor. Both are more important than price or seasonality

5

People are open to buying imported products and generally

Consumers are still most likely to buy imported fruits over other kinds of produce (incl. vegetables, meat and packaged food)

4. Commodity Consumption

Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market

Key Findings Commodity Consumption

	FRUITS	NUTS & SEEDS	VEGETABLES
How often	86% penetration	83% penetration	92% penetration
When	As a snack (41%) or with a meal	Mostly as a snack (54%)	Mostly at dinner (58%)
How	Fresh on its own	Fresh on its own, as part of a snack	As an ingredient in cooking, fresh as part of meal
Where	At home	At home	At home
Who with	By myself, with my spouse/partner	By myself, with my spouse/partner	With my spouse/partner

Source: Kantar HIA International Demand Study 2022
Penetration = Includes everyone who consumed commodity (ie excluding 'never')

The 13 fruits of interest

Apple & Pear

Blueberries

Cherry

Citrus

Lychees

Mango

Melons

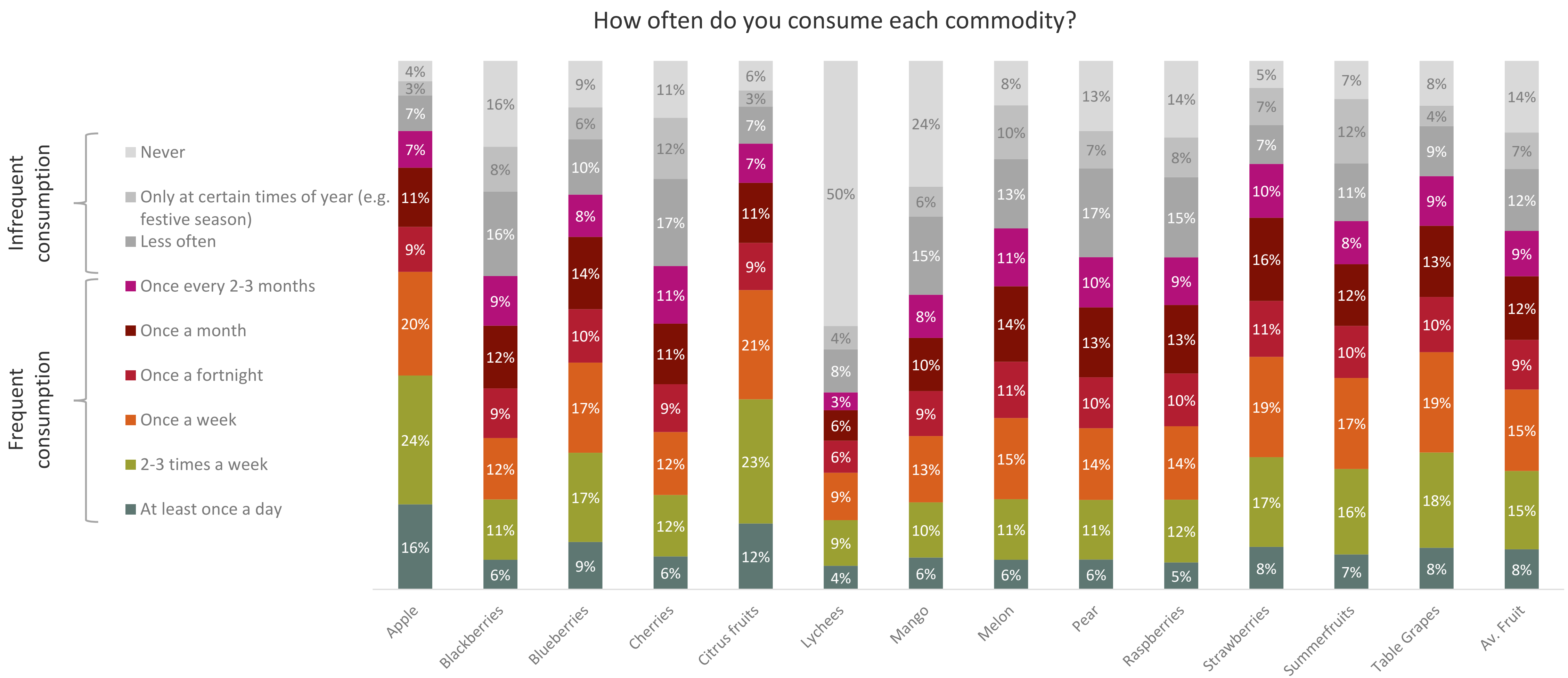
Raspberries
& Blackberries

Strawberries

Summer fruit

Table Grapes

Most fruit commodities are commonly eaten in USA and are highly penetrated, especially apples & citrus. By contrast, half of the population never eat lychees

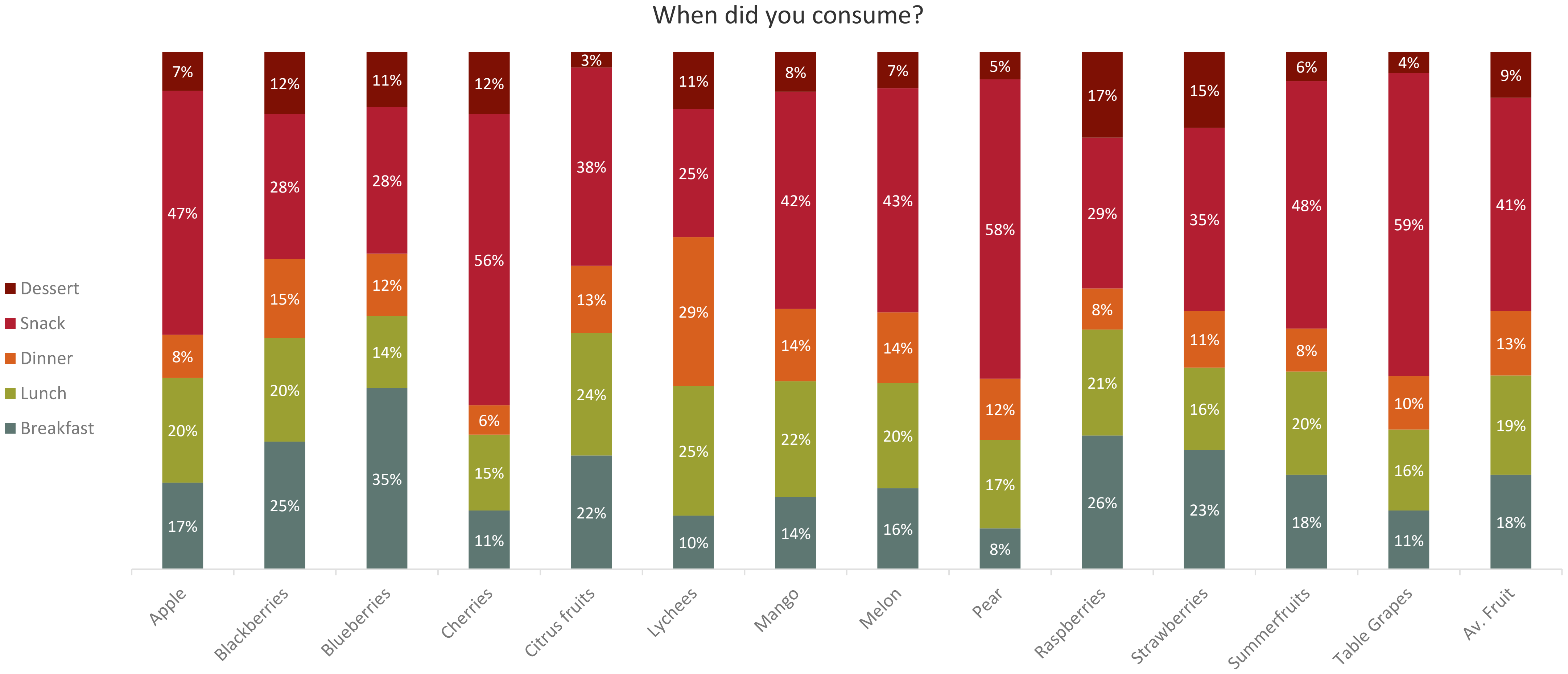


KANTAR

Source: Kantar HIA International Demand Study 2022
N=4139

Hort Innovation

Fruit consumption differs at different mealtimes and throughout the day; for all fruits, snacking accounts for the largest proportion of consumption



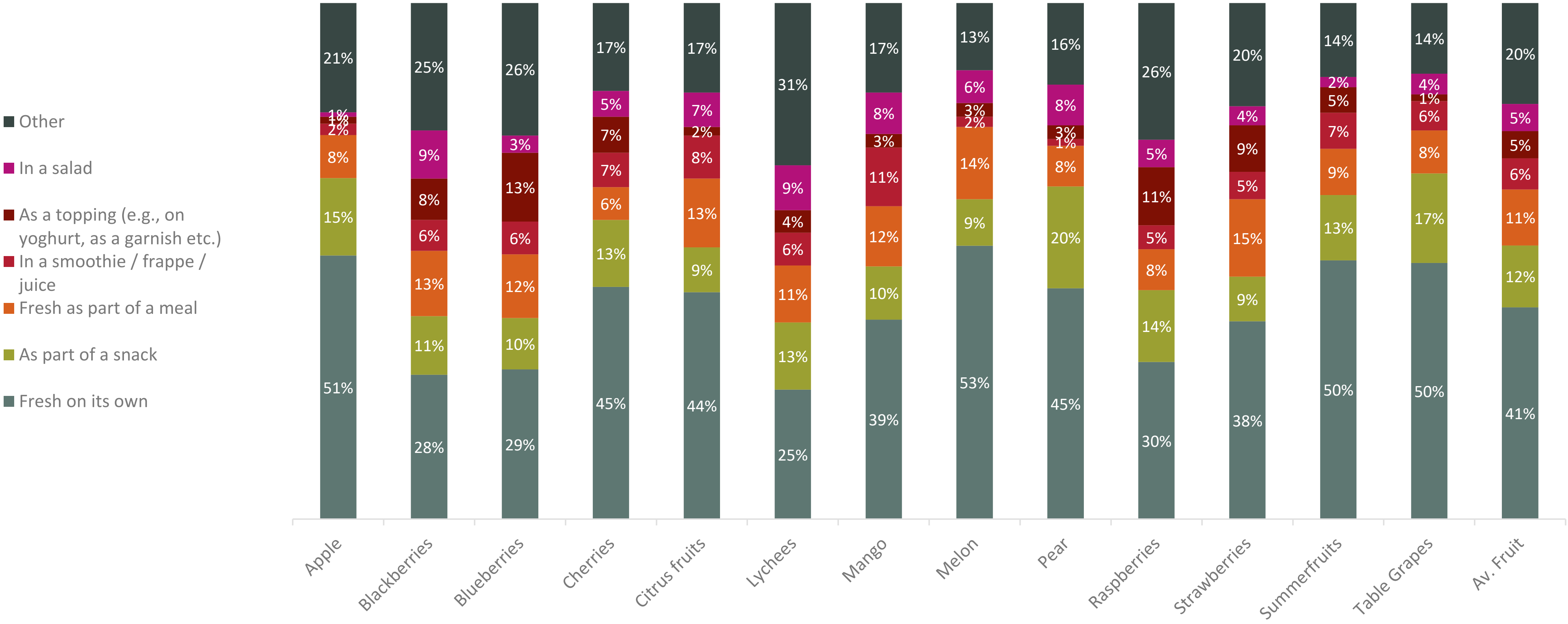
KANTAR

Source: Kantar HIA International Demand Study 2022
N=3304

Hort Innovation

Fruits are most often consumed fresh on their own, especially apples, melons, summerfruits and grapes. However, they may also be part of a snack, or meal

How did you consume?



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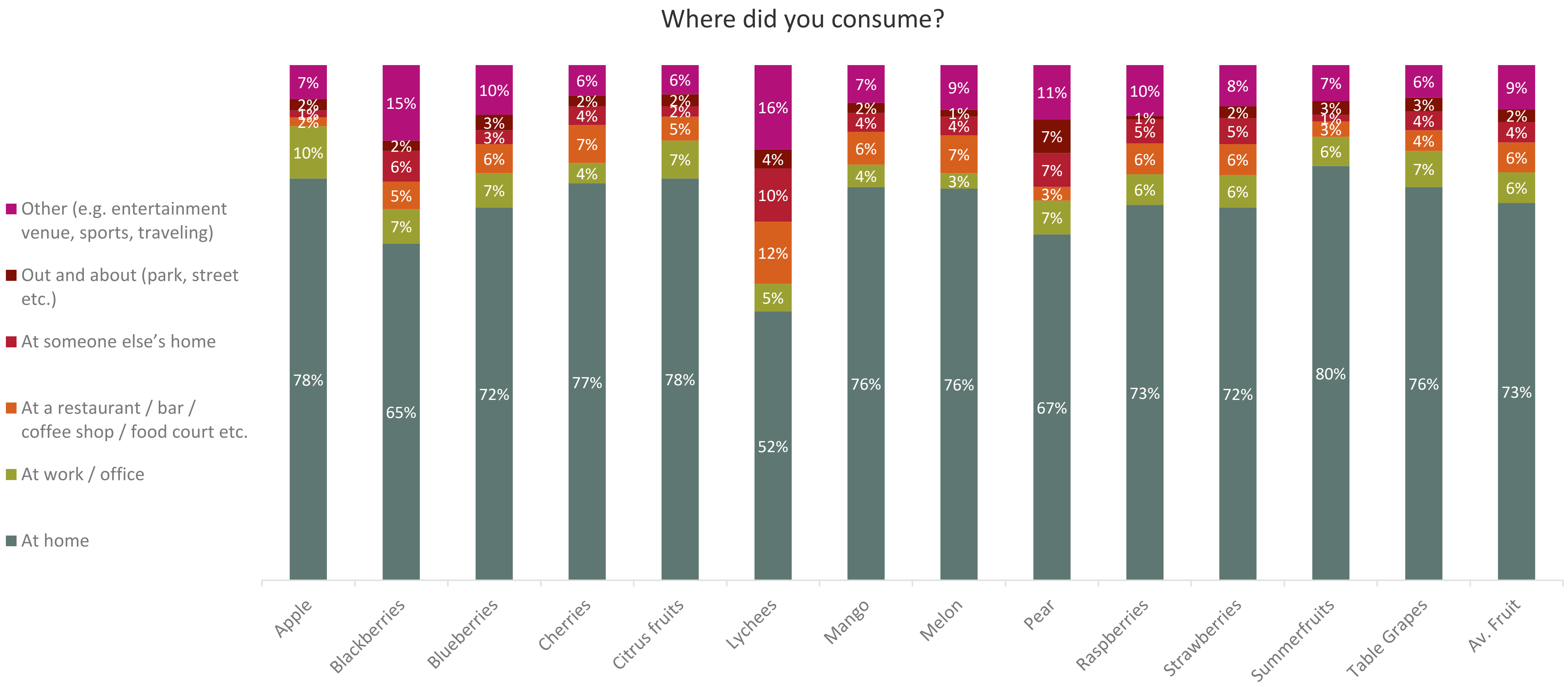
Source: Kantar HIA International Demand Study 2022
N=3304

Hort Innovation

Fruit in USA is mostly consumed in the home

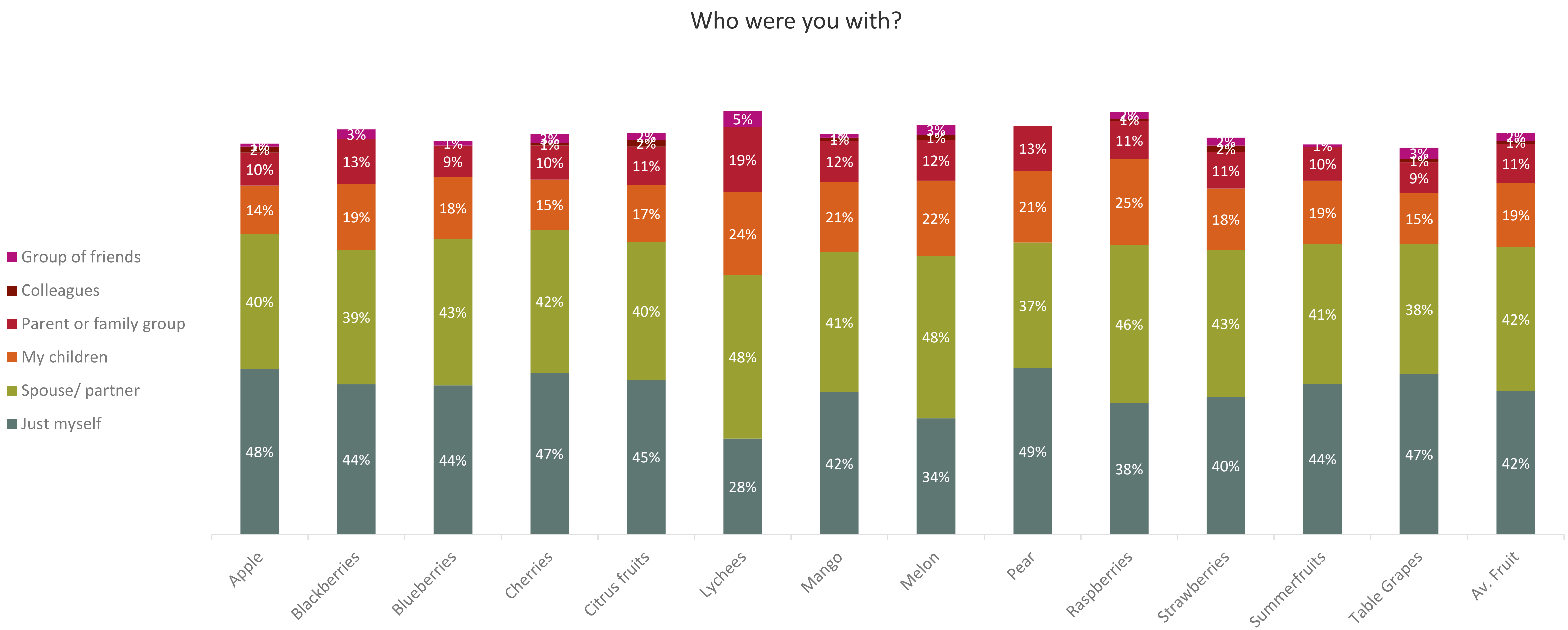


KANTAR

Source: Kantar HIA International Demand Study 2022
N=3304

Hort Innovation

Fruit is consumed either alone, or when consumers are with a spouse or partner, this varies only very slightly by commodity



Source: Kantar HIA International Demand Study 2022
N=3304

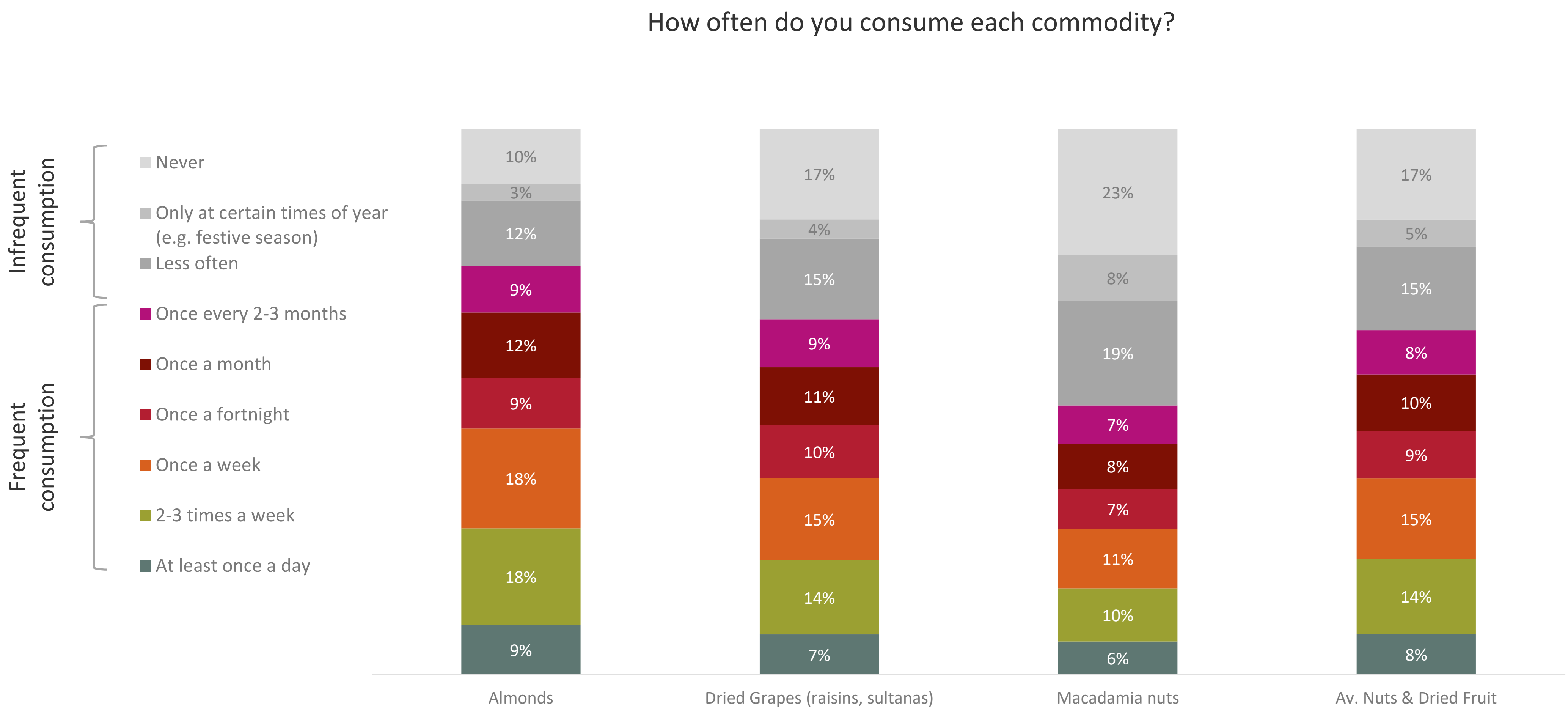
The 3 nuts & dried fruits of interest

Almond

Macadamia

Dried Grapes

Nuts and dried fruits are highly penetrated in USA, especially Almonds which are consumed at least weekly by almost half of consumers

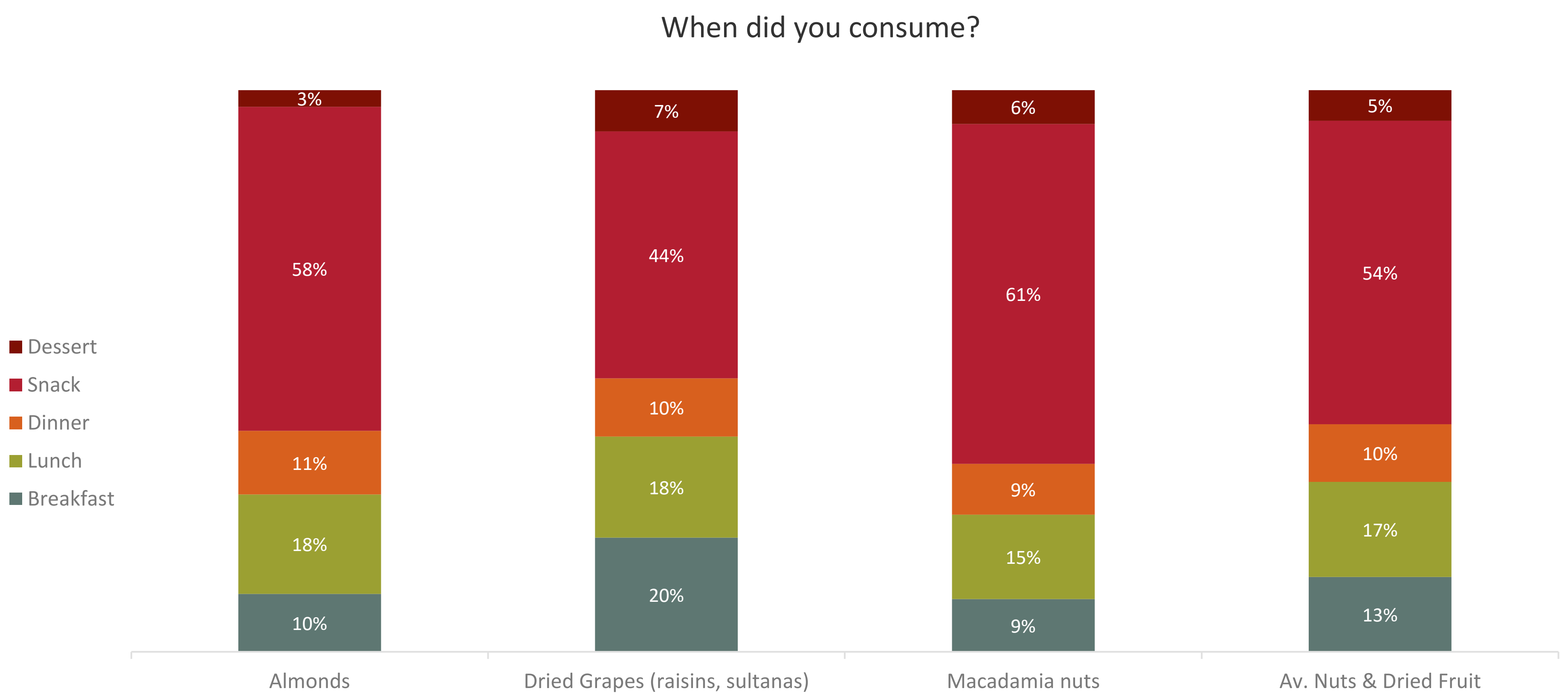


KANTAR

Source: Kantar HIA International Demand Study 2022
N=4139

Hort Innovation

Nuts and dried grapes are predominantly snack foods, especially macadamias; though dried grapes also feature at breakfast



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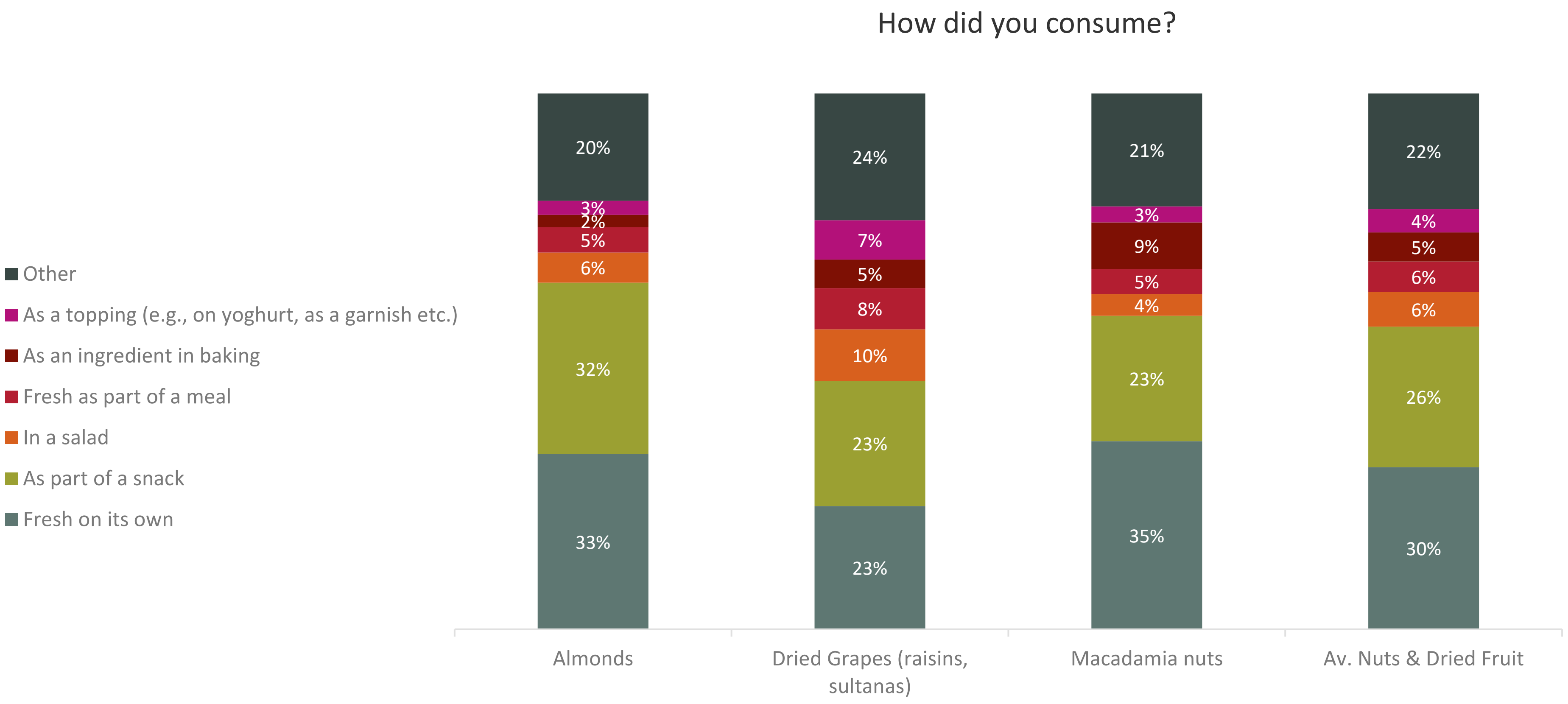
Source: Kantar HIA International Demand Study 2022
N=899

Hort Innovation

Compared to fruits, nuts & dried fruits are consumed in a greater variety of formats and are more likely to be 'as part of a snack'

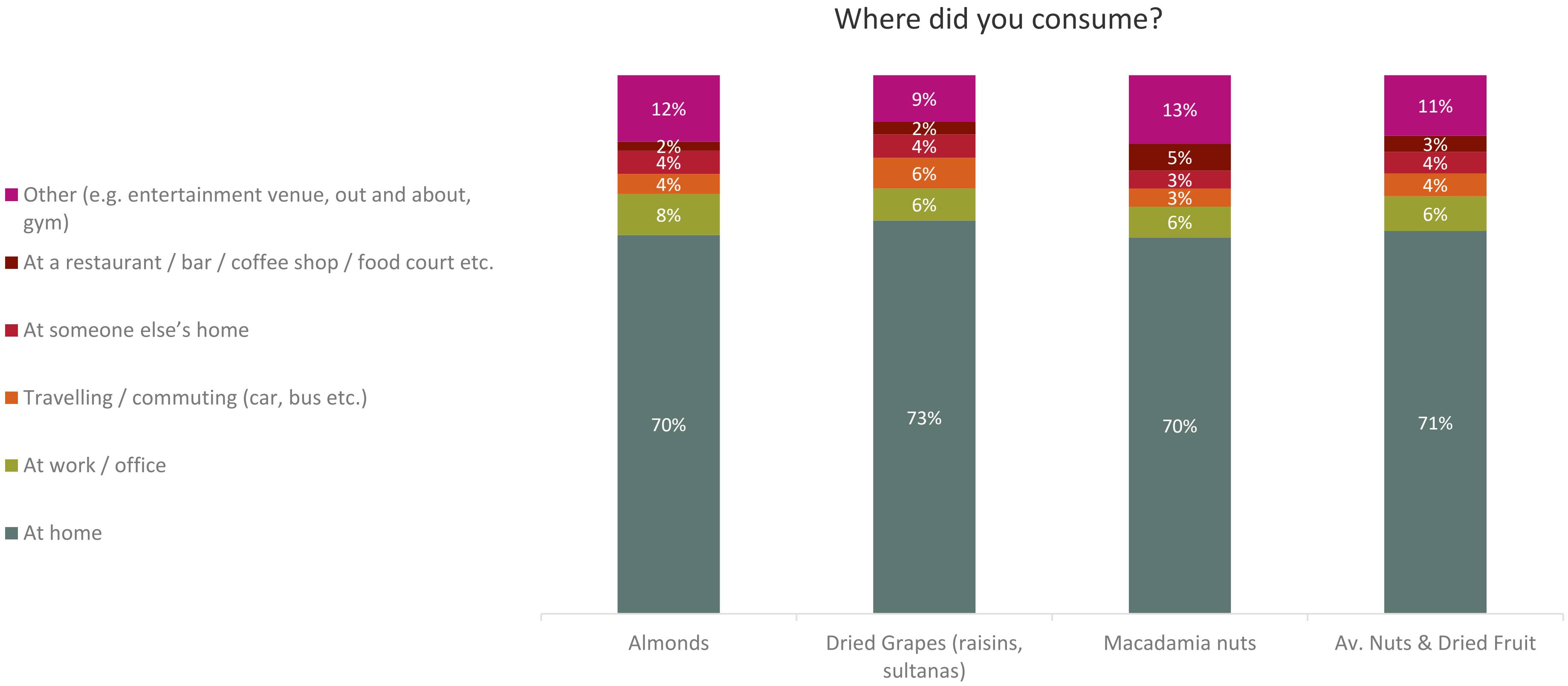


KANTAR

Source: Kantar HIA International Demand Study 2022
N=899

Hort Innovation

The majority of consumption of nuts and dried fruits is in the home

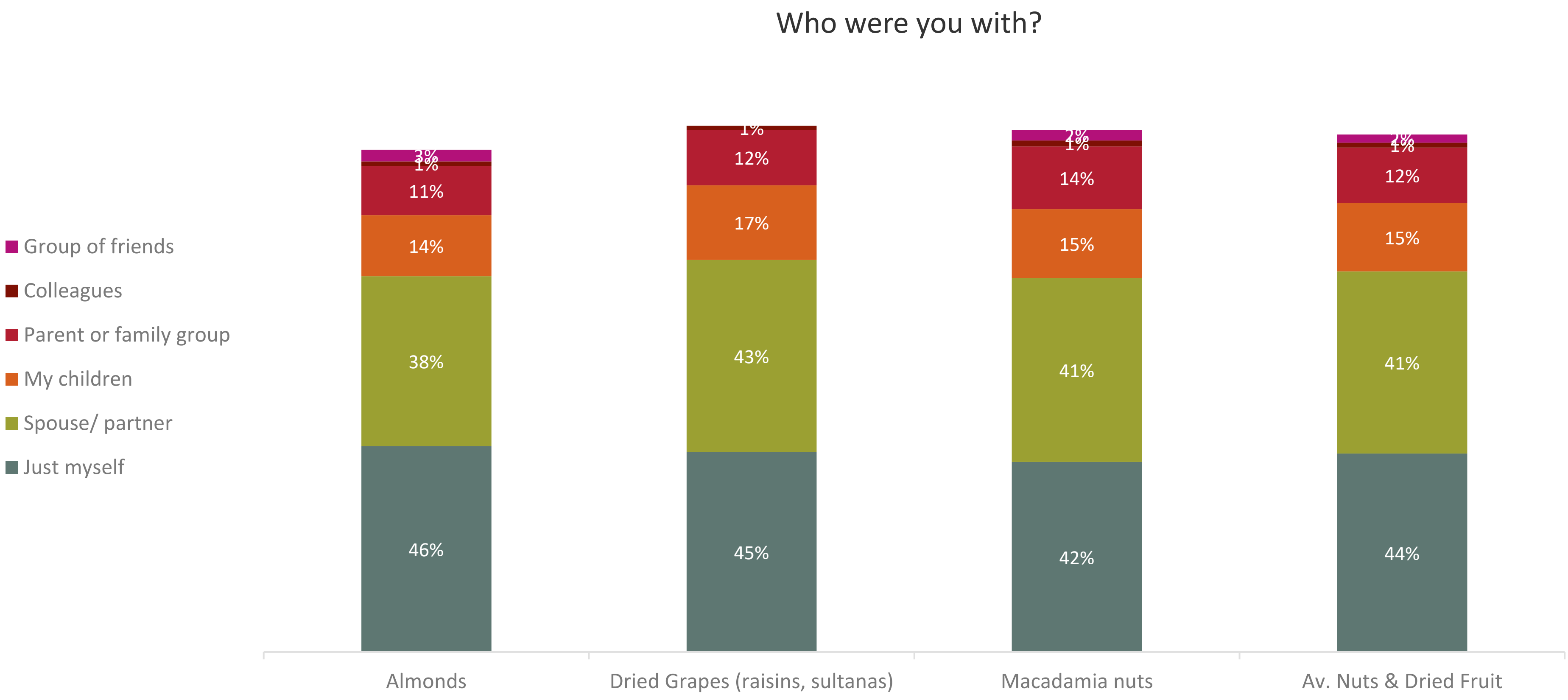


KANTAR

Source: Kantar HIA International Demand Study 2022
N=899

Hort Innovation

Like fruits, in USA people eat nuts alone or when they’re with their spouse/ partner



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Source: Kantar HIA International Demand Study 2022
N=899

Hort Innovation

The 6 vegetable groups of interest

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables.

They are widely consumed with savoury foods and the substitute set is vegetables, hence they are included here.

Avocado

Olives/Olive Oil

Onion

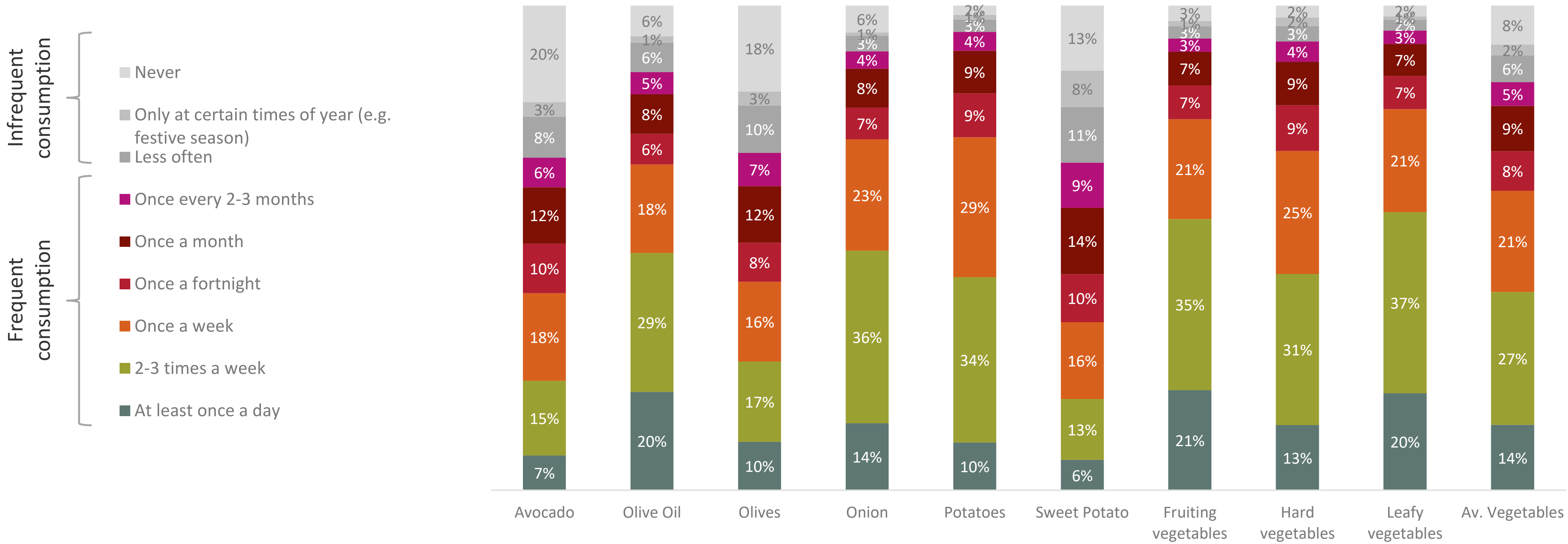
Potatoes

Sweet Potato

Hard Veg,
Fruiting Veg & Leafy Veg

Leafy, fruiting and hard vegetables, olive oil, onions and potatoes are common in USA and highly penetrated. Avocado, olives and sweet potato are less penetrated

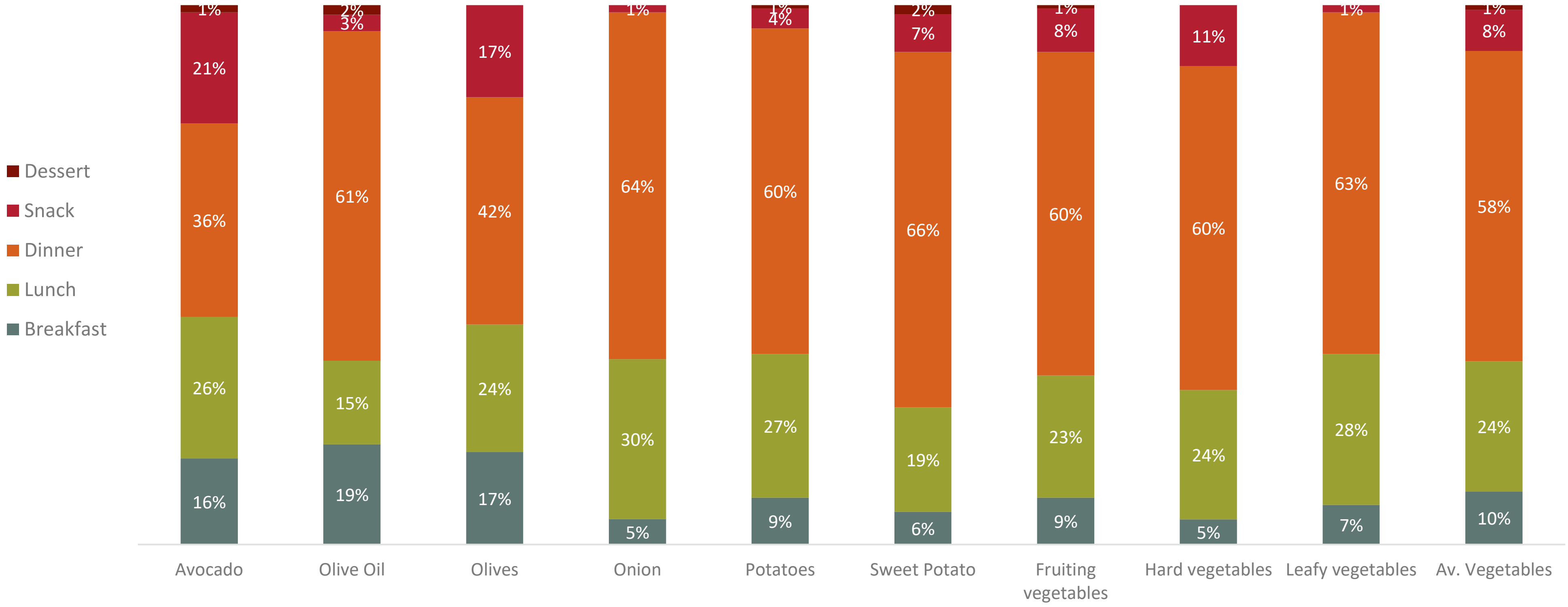
How often do you consume each commodity?



Source: Kantar HIA International Demand Study 2022
N=4139

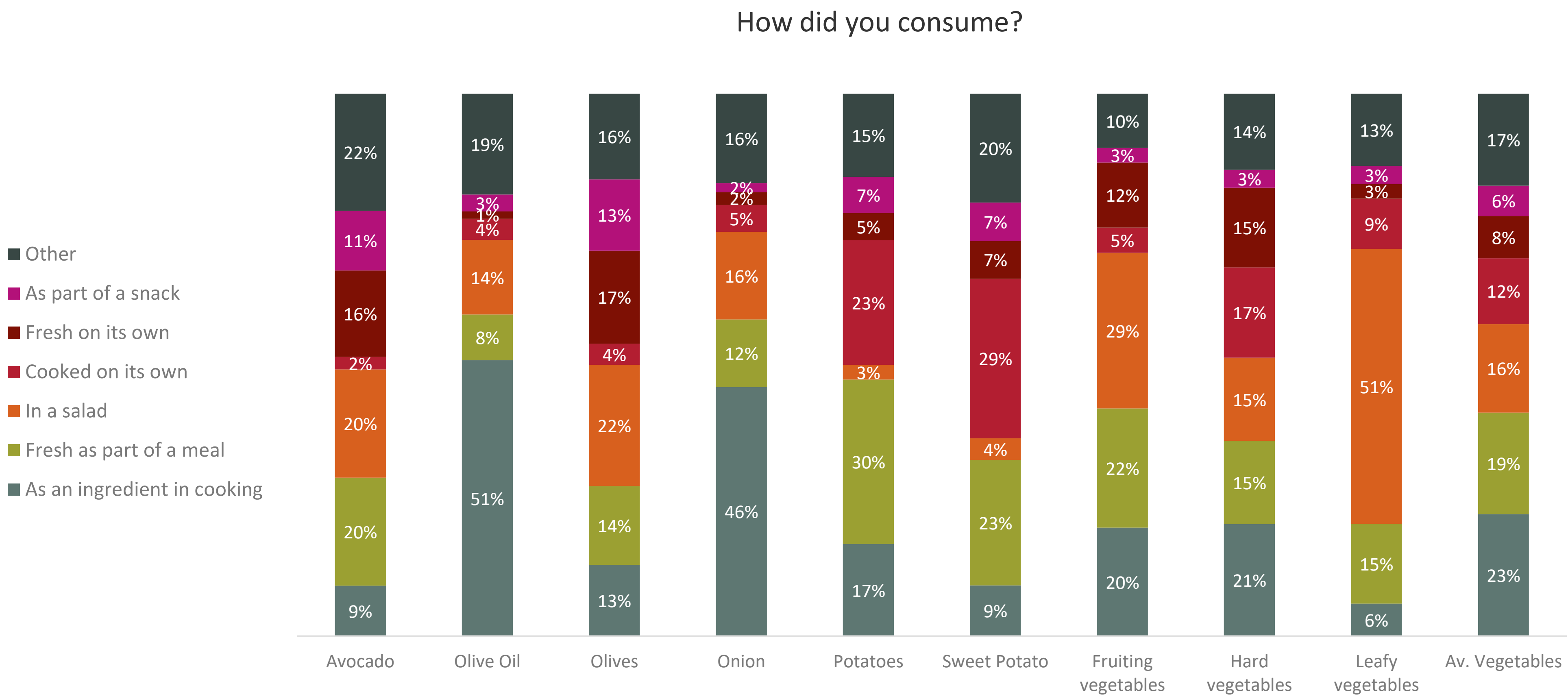
Most vegetables are consumed at meals, mainly at dinner. Avocados and olives are more spread throughout the day, including as a snack.

When did you consume?



Source: Kantar HIA International Demand Study 2022
N=1950

The majority of vegetables are used as part of a meal, either as an ingredient in cooking or fresh. Fruit and leafy veg is more likely in a salad



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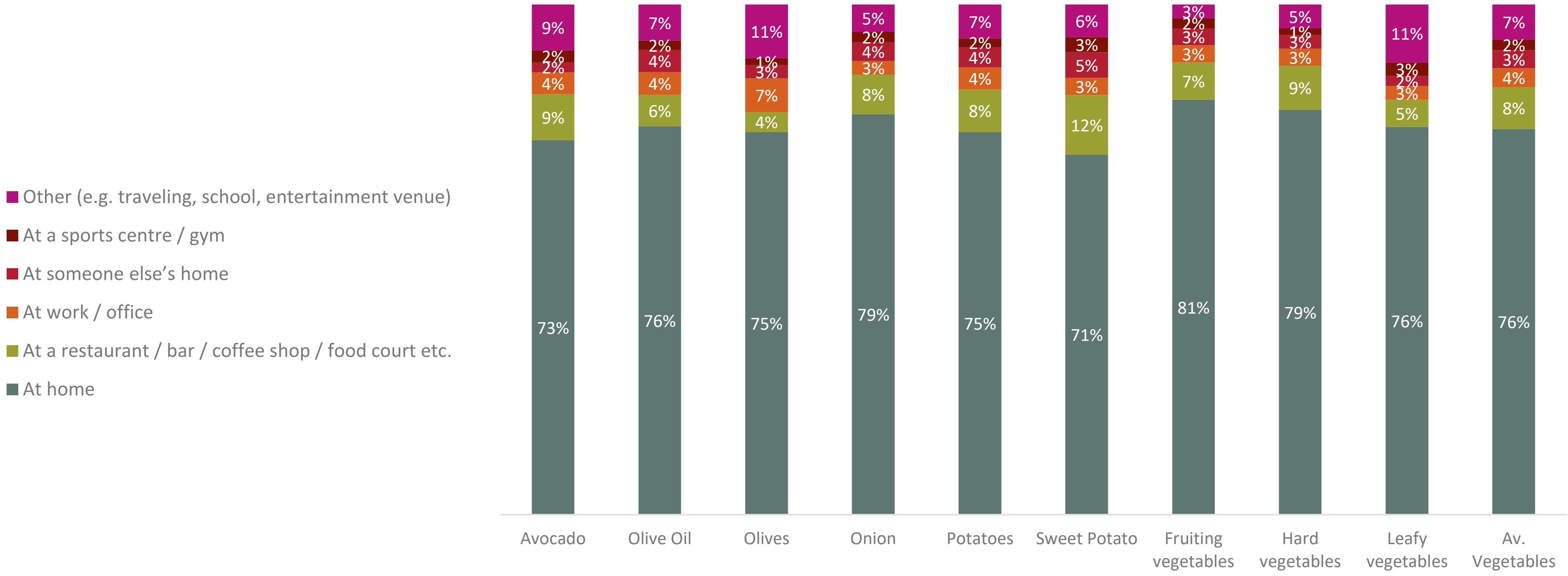
Source: Kantar HIA International Demand Study 2022
N=1950

Hort Innovation

The average vegetable is consumed mainly in home

Where did you consume?



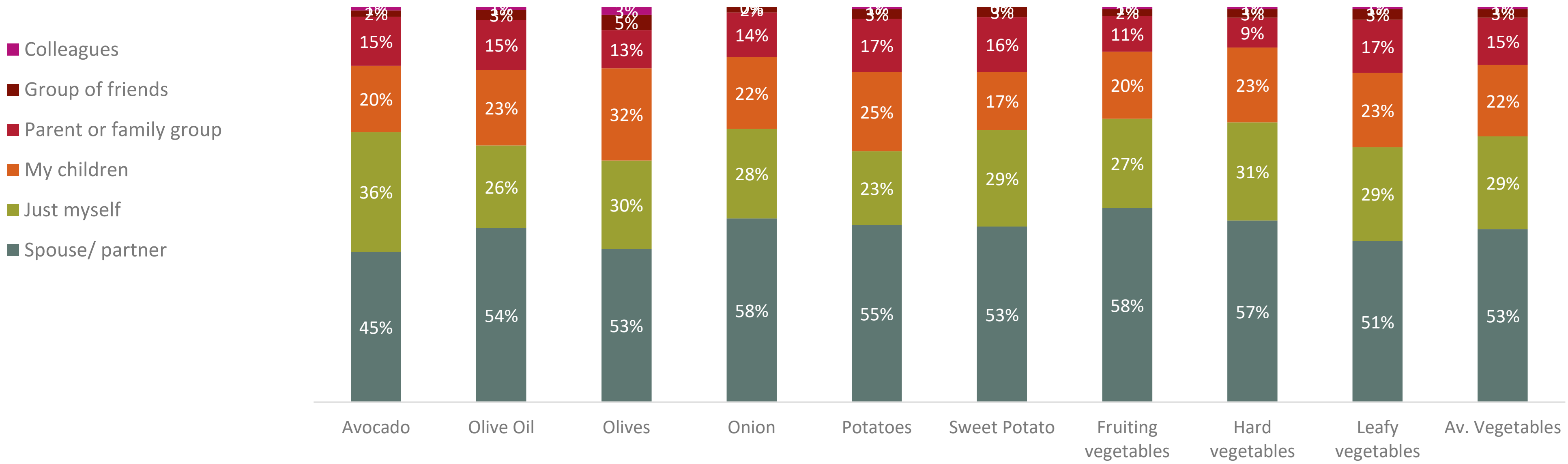
KANTAR

Source: Kantar HIA International Demand Study 2022
N=1950

Hort Innovation

Compared with fruits and nuts, vegetable consumption is less likely to be a solo activity with eating with spouse / partner most frequent

Who were you with?



Source: Kantar HIA International Demand Study 2022
N=1950

5. Commodity prioritisation

Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception.

The strategic objective:

To determine – from a consumer perspective only – which commodities represent the strongest growth opportunities for Australian exports based on commodity usage, Australian appeal & the ability to command a premium

This analysis provides the consumer lens and is not intended to cover the totality of factors that influence the attractiveness and addressability of a market (e.g., supply chain, regulatory environment etc.).

The aim is to identify the most attractive Australian export commodities for US consumers and **there are two key axis on which we will evaluate each commodity to determine the priorities.**

Commodity Attractiveness

+

Australian Appeal

How attractive is the consumer opportunity for a commodity?

How appealing is Australian or premium produce?

Commodity Attractiveness and Australian Appeal are each determined by two factors. Each factor carries a different weight reflecting their relative importance

Commodity Attractiveness + **Australian Appeal**

Penetration (consumed at least once a week)	Likelihood to pay at least 1.5x premium	Likelihood to purchase Australian	Ability to command a premium
30%	70%	40%	60%

Commodity Attractiveness determines the size of the potential opportunity for a particular commodity

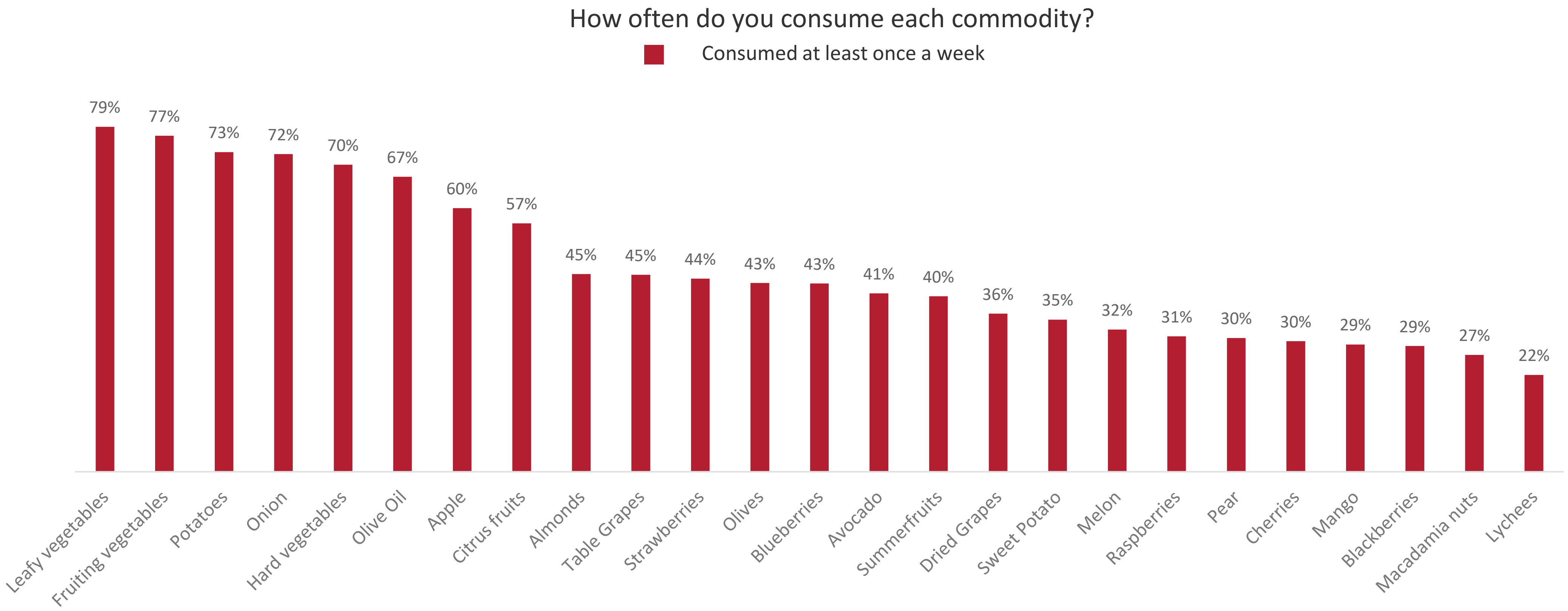
nmodity Attractiver

Metric	Question	What this gives us
Penetration Once a week or more	*How often do you consume each commodity?*	Existing commodity penetration that represents an indicative size of the opportunity
Likelihood to pay premium 50%, or 1.5x, more	*Would you be willing to pay more for a premium quality commodity?*	The commodities for which consumers are willing to pay more & are an attractive opportunity

KANTAR

Hort Innovation

Vegetables, including potatoes and onions are the most highly penetrated commodities, followed by olive oil, apples & citrus. Snacking fruits and nuts such as almonds, grapes and strawberries are also regularly consumed



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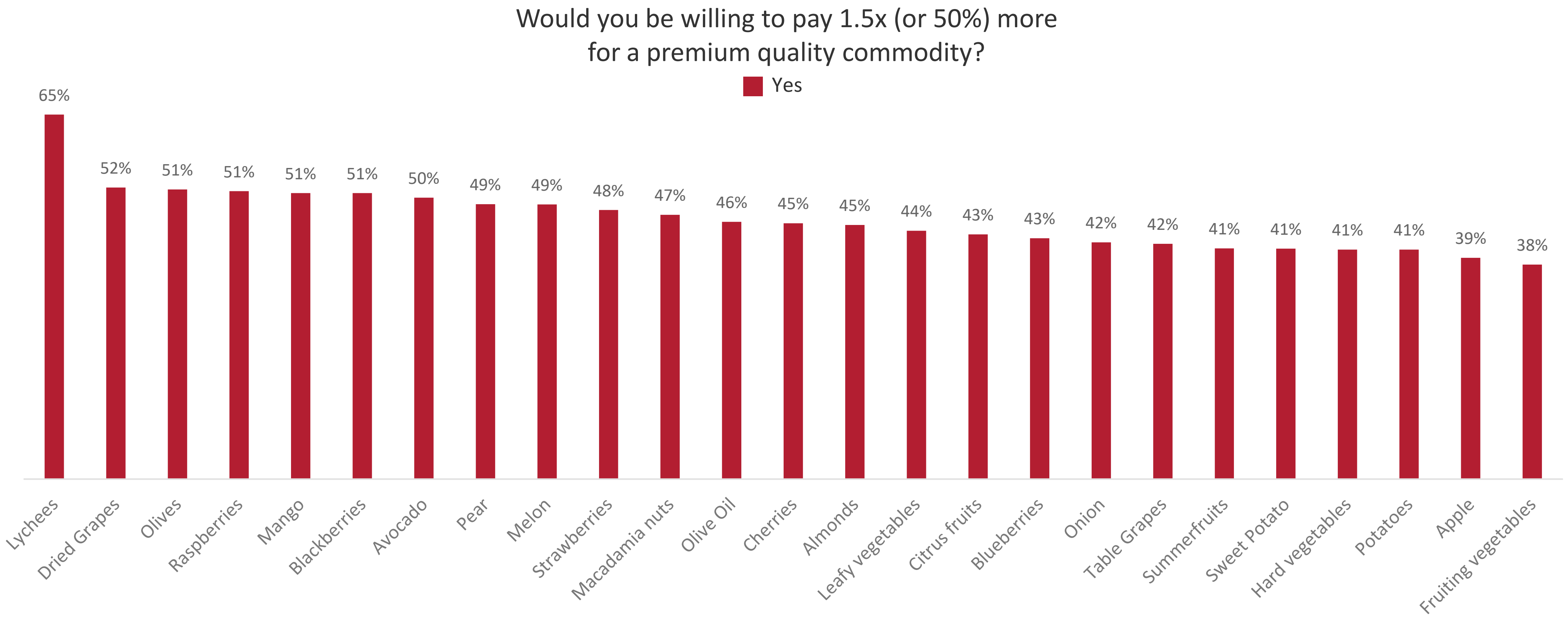
Source: Kantar HIA International Demand Study 2022; n=4139

Hort Innovation

Lychees especially have the potential to command a premium price. However, all commodities have some potential in the US



Source: Kantar HIA International Demand Study 2022, n=4139

Australian Appeal provides an indication of the potential to realise the export opportunity based on how likely consumers are to purchase Australian or pay a premium for quality

Australian Appeal

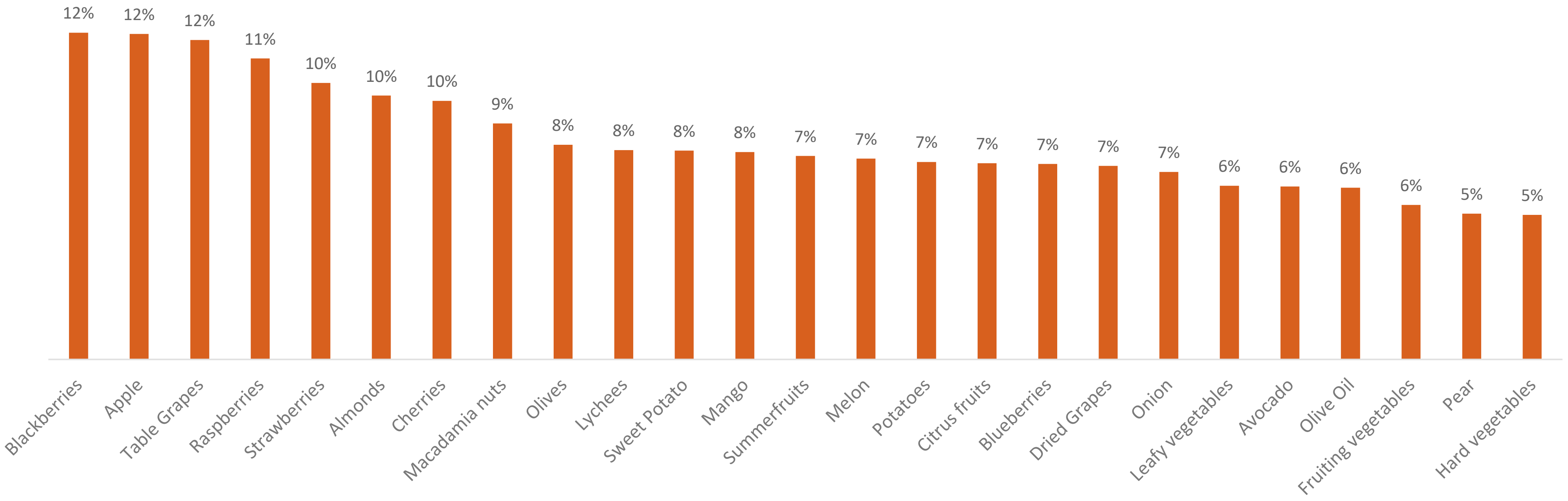
Metric	Question	What this gives us
Likelihood to buy Australian	*Which would you be most likely to buy imported from Australia?*	The commodities for which Australian origin is appealing
Ability to command a premium	*How willing would you be to pay more for a premium quality commodity?*	The commodities for which there is untapped premium opportunity

KANTAR

Hort Innovation

Snacking fruits such as blackberries, apples and grapes have strong Australian appeal for US consumers, as do raspberries, strawberries, almonds and cherries

Which of the following would you be
most likely to buy imported from Australia?

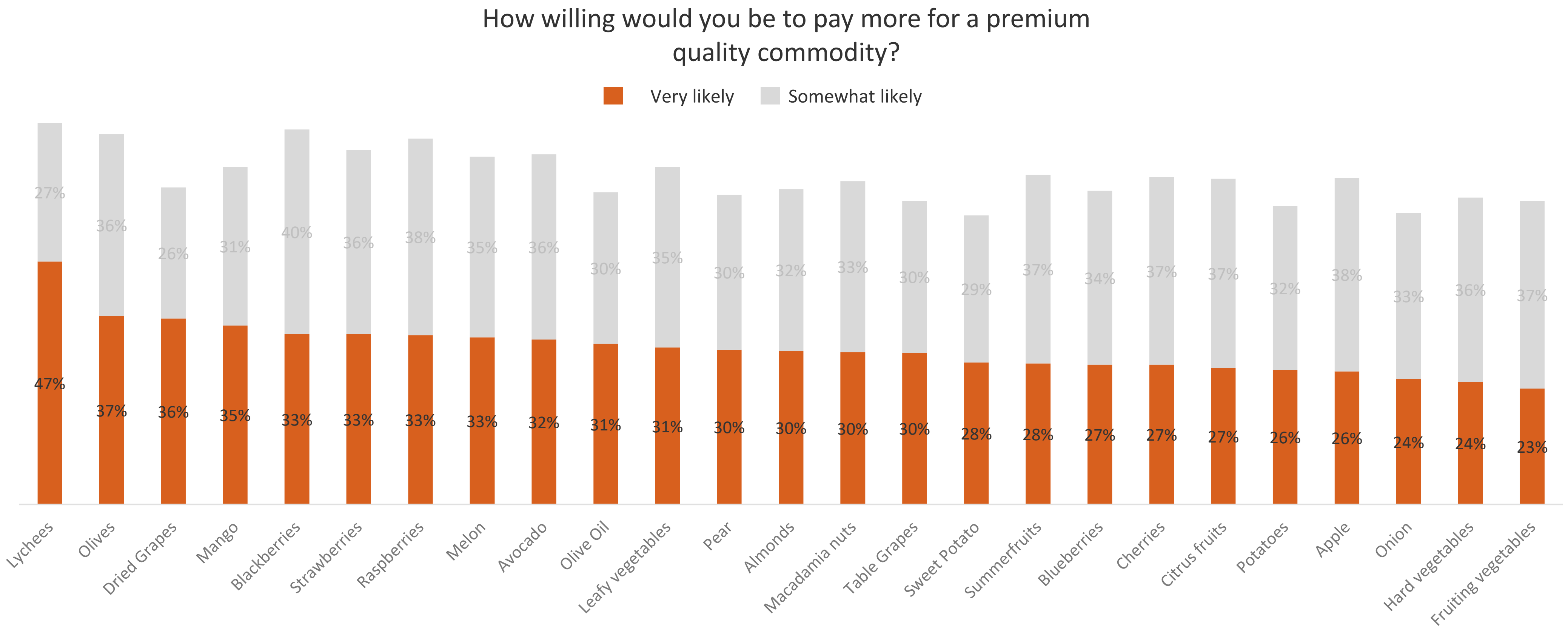


KANTAR

Source: Kantar HIA International Demand Study 2022, n=4139

Hort Innovation

Lychees are the strongest ranking for likelihood to pay more for a premium commodity, followed by dried grapes, mangos and other fruit known for flavour



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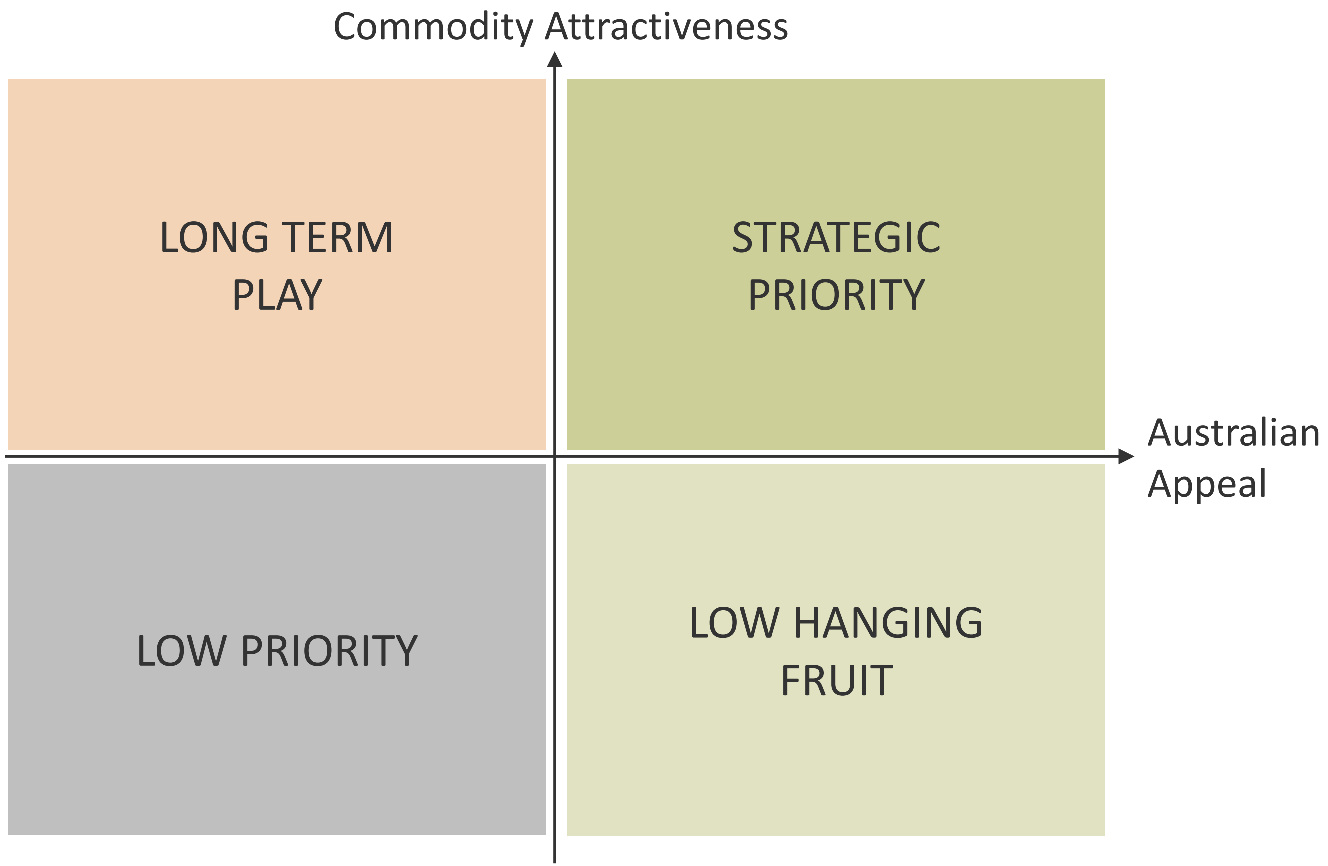
Source: Kantar HIA International Demand Study 2022, n=4139

Hort Innovation

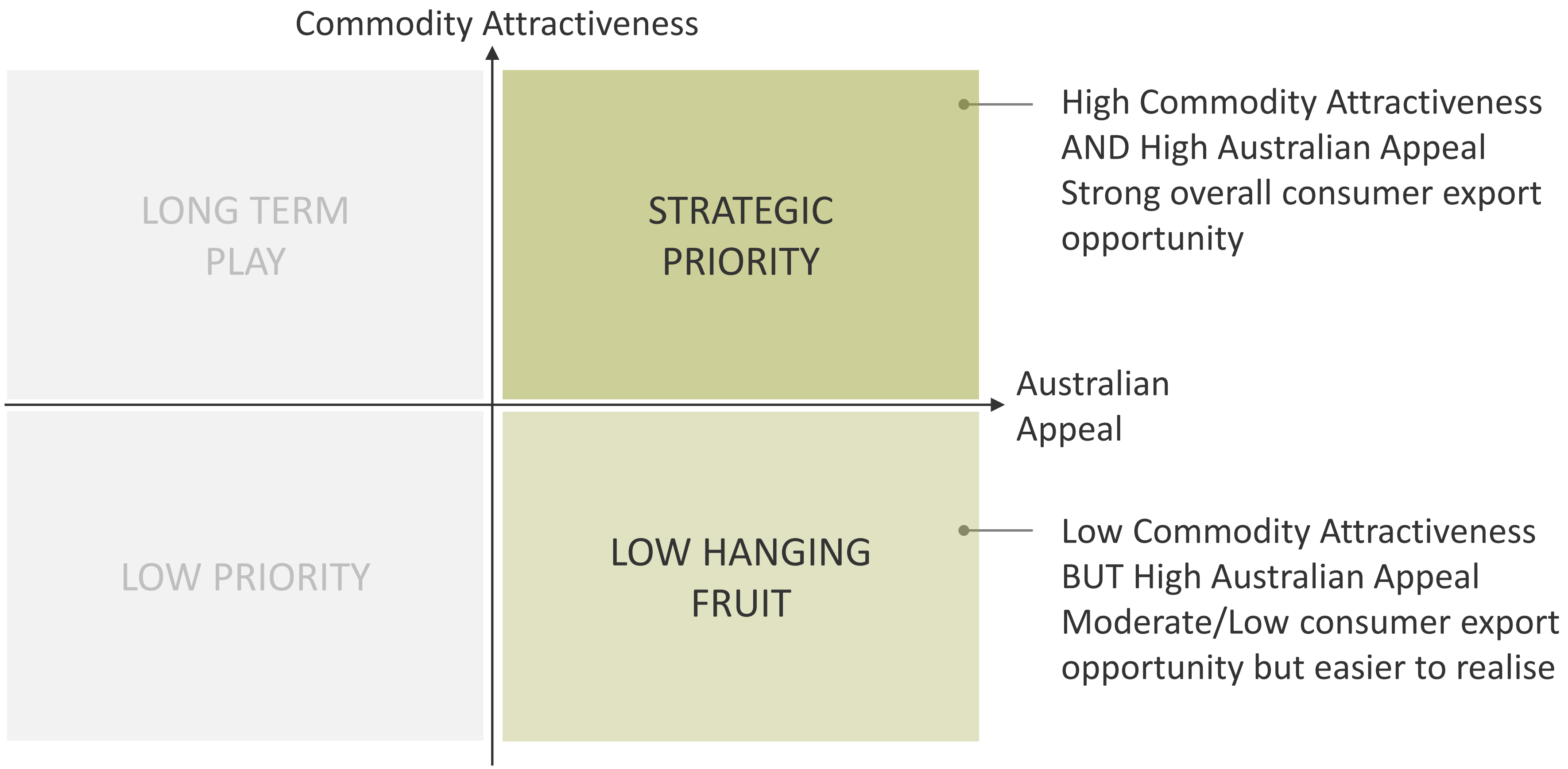
We bring this data together into a prioritisation matrix

The matrix will enable us to determine which commodities represent a strong consumer opportunity for Australian export

We plot each commodity's metrics on a strategic matrix to identify priority opportunities based on consumer preference and behaviour



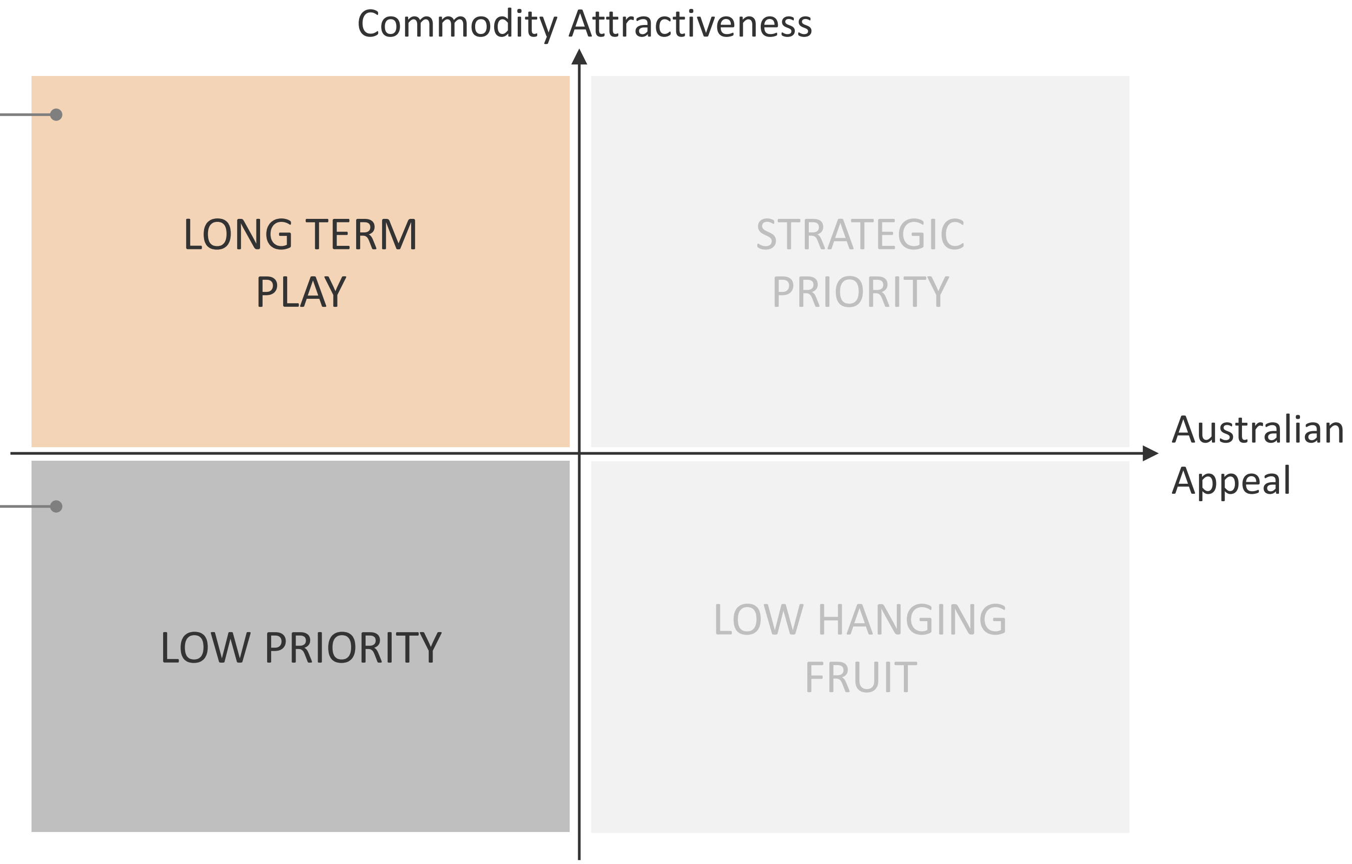
Commodities on the right-hand side of the matrix represent more attractive consumer opportunities for export and investment is more likely to generate a return



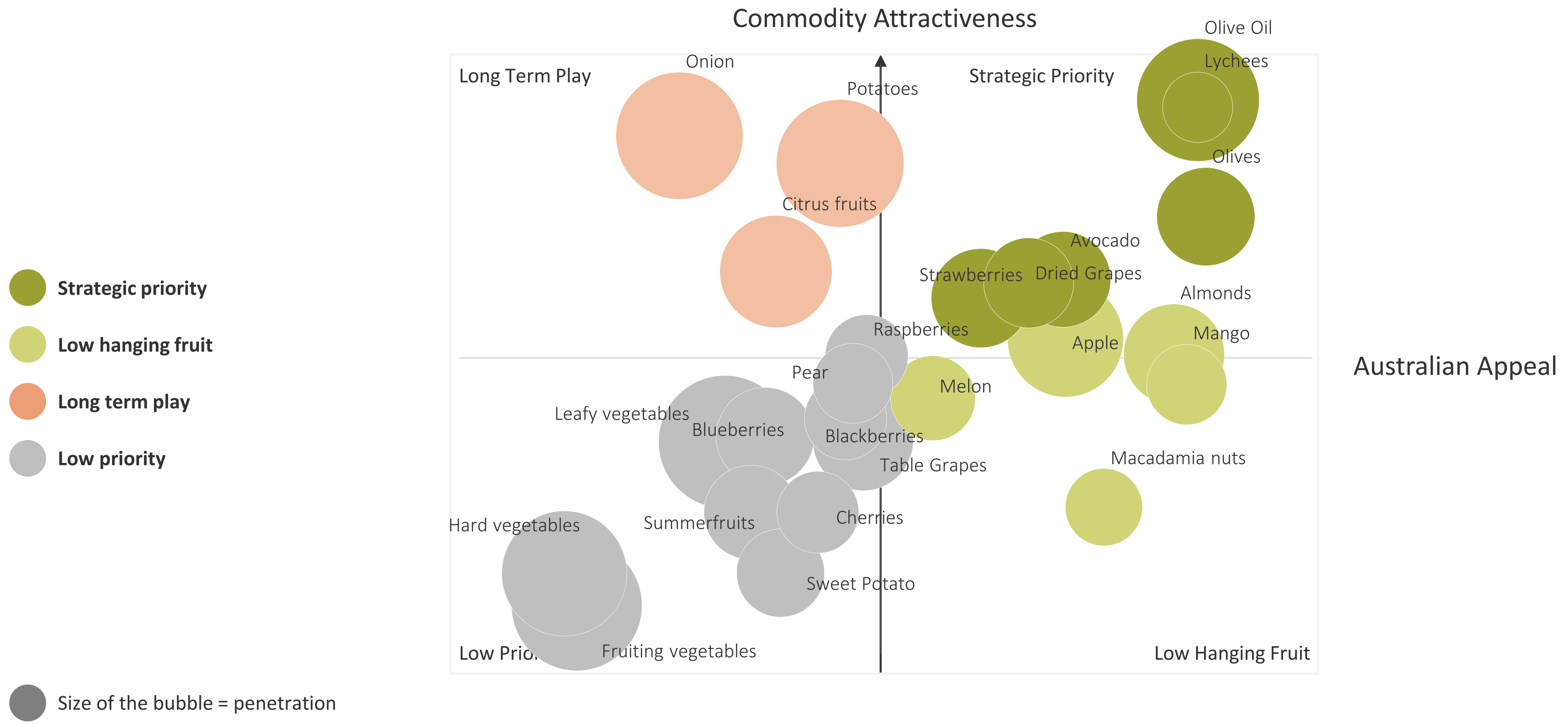
By contrast, commodities on the left-hand side of the matrix may require more investment with a longer term pay-off or minimal to no returns

High Commodity Attractiveness
BUT Low Australian Appeal
Moderate consumer export opportunity and potentially more investment to realise

Low Commodity Attractiveness
AND Low Australian Appeal
Low consumer export opportunity and any investment may not generate a return



We have identified 6 strategic priority commodities that represent the most attractive and appealing export opportunity, based on consumer preference and behaviour



Source: Kantar HIA International Demand Study 2022

USA: Summary of Strategic Priorities

	 Olive Oil	 Lychees	 Olives	 Avocado	 Dried Grapes	 Strawberries
STRATEGIC IMPLICATIONS	Olive oil widely consumed and so despite low Australian appeal, the premium nature of the product makes it an attractive export opportunity	Lychees are unusual in the US; hence they have a very high premium appeal and people are extremely likely to pay more for them, despite moderate Australia appeal	Olives are less likely vs. other fruit and veg to be consumed weekly, but they have high premium and quality appeal hence have potential to be a lucrative export	The US grows a high proportion of its own Avocados, hence Australia appeal is low. However, there's moderate penetration and a strong premium opportunity	Whilst not as widely consumed as other commodities, dried grapes have a very high premium quality appeal since consumers are willing to pay more for quality	Strawberries have high Australia appeal and strong premium-quality appeal, however, penetration is moderate
ATTRACTIVENESS	• Strong penetration (two thirds consume weekly) • Moderate willingness to pay 1.5x more	• Lowest penetration of all commodities • Very high likelihood to pay 1.5x more (highest of all commodities)	• Moderate penetration • High likelihood to pay 1.5x more	• Moderate penetration • High likelihood to pay 1.5x more	• Moderate penetration • High likelihood to pay 1.5x more (#2 ranking commodity behind lychees)	• Moderate penetration • High likelihood to pay 1.5x more
ADDRESSABILITY	• Low Australian appeal • Moderate premium quality appeal	• Moderate Australian appeal • Very high premium quality appeal (#1 ranking commodity)	• Moderate Australian appeal • Very high premium quality appeal (#2 rank)	• Low Australian appeal • High premium quality appeal	• Moderate Australian appeal • High premium quality appeal	• High Australian appeal • Moderate premium quality appeal

6. Appendix

The following groups of fruits, vegetables and nuts are included in the study

Fruits


Apple & Pear


Blueberries


Cherry


Citrus
(e.g. orange, lemon, lime, grapefruit)


Lychees


Mango


Melons


Raspberries & Blackberries


Strawberries


Summer fruit
(e.g. apricots, nectarines, peaches, plums)


Table Grapes

Nuts & dried fruits


Almond


Macadamia


Dried Grapes
(e.g. raisins, sultanas)

Vegetables


Potatoes


Sweet Potato


Avocado


Olives/Olive Oil


Onion


Hard Veg
(e.g. carrots, sweet corn, pumpkin, cauliflower, cabbage, beetroot)


Fruiting Veg
(e.g. tomatoes, capsicum, cucumbers, zucchini, eggplant)


Leafy Veg
(e.g. salad greens, broccoli/broccolini, fresh herbs, lettuce, leafy Asian greens, spinach, silverbeet, kale

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables. The substitute set is vegetables, hence they are included here.