



Rabobank

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Australasian horticulture – shaping up to meet today’s consumers and global trade

Suppliers of horticultural produce across Australia and New Zealand are having to come to terms with an ongoing evolution of consumers, grocery retail market dynamics and global trade, according to a new industry report released by Rabobank.

In its report ***New Zealand and Australia horticulture***, Rabobank says that despite the profile of producers being quite diverse across both countries, the supply chain and end markets in which they all operate have evolved markedly in recent times, and now require participants to think strategically about how they might need to adapt for long-term success.

The retail landscape

The report shows how heightened competition in the grocery retail sector is also spreading to the produce category.

Report co-author, Rabobank senior analyst Marc Soccio says major grocery retailers are placing more emphasis on the fresh produce category in an attempt to improve and differentiate their customer offerings.

“In Australia in particular, the majors have been taking significant share from independent high-street operators in recent times. And while this trend is less evident in New Zealand, large retailer Progressive Enterprises has been the market mover,” he says.

Mr Soccio says successful suppliers and retailers are continually responding to changes in consumer preferences and circumstances. Rising income levels and fundamental shifts in how people live in today’s society will continue to drive changes in consumer behaviour.

“The rise in households of couples without children and single person households, for example, will support demand for more value-added and premium quality produce,” he says.

Global and trans-Tasman trade

The relative competitiveness of horticulture suppliers around the world is increasingly being brought into focus, the report says, as increased global trade flows are made possible by improved logistics and the growing reach of global food marketers.

Mr Soccio says this has resulted in some producers in Australia and New Zealand suddenly finding themselves in more direct competition.



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“New Zealand produce and produce marketers are in Australia to compete like never before, and gaps in the global competitiveness of Australian horticulture have been brought into focus,” he says.

Recent examples include the relocation of Australian-based vegetable processing facilities to New Zealand and the lifting of the import ban on New Zealand apples in Australia. “While Australian apples will enjoy a freight cost advantage in their local market, Australian suppliers are likely to face downward pressure on pricing from import competition,” Mr Soccio says.

The greater orientation of New Zealand suppliers towards export markets has driven that country’s surplus trade balance in horticultural produce in recent years.

“Unfortunately, recent threats to increased trade have emerged, such as the high New Zealand dollar and the incursion of pests and diseases such as the Psa bacteria currently affecting the kiwifruit industry,” Mr Soccio says.

“Australia, however, now operates a deficit in horticultural trade, also impacted by exchange rate pressures, but additionally by the recent drought and growing imports in categories such as processed vegetables and fresh fruit.”

Adding value back at farm gate

The Rabobank report shows horticulture producers are seeking strategies to add value to their produce in the face of rising input costs and downstream buyer power.

Mr Soccio says: “In many cases it’s as much about communicating value as it is about delivering value to modern day consumers.

“Categories such as almonds and mushrooms have benefitted from well-resourced and executed marketing programs, whereas organic producers seem to be finding it difficult to reinforce their message with mainstream consumers.”

Mr Soccio says not only do horticultural producers need to continue to make fruit and vegetables more convenient to consume, they also have to consider how they organise themselves to best maximise the resources and relationships at their disposal.

“It seems old-fashioned to talk about cooperatives, but when they’re managed well, they can clearly add significant value for primary producers,” he says.

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Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 48 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

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