



# **Hort Innovation: Draft Industry Strategic Investment Plans 2022 - 2026**

**Feedback on Draft SIPs**

June 2021

## About the Australian Fresh Produce Alliance

The Australian Fresh Produce Alliance (AFPA) is made up of Australia's key fresh produce growers and suppliers. The members include:

- Costa Group
- Perfection Fresh
- Montague
- One Harvest
- Pinata Farms
- Fresh Select
- Mackay's Banana Marketing
- Driscoll's
- 2PH Farms
- LaManna Premier Group
- Rugby Farming
- Freshmax
- Fresh Produce Group.

These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - \$4.5 billion of the \$9.1 billion total
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total
- more than a third of fresh produce exports - \$410 million of the \$1.2 billion export total
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and up to 25,000 employees in the grower network.

The key issues the AFPA is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The AFPA's aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by AFPA Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Broccolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok



## Summary

The Australian Fresh Produce Alliance (AFPA) comprises of 13 of the largest companies in Australia's fruit and vegetable industry and advocates for policies which grow a healthier Australia for families, consumers, people working in the industry and farmers.

In terms of the way forward for the Australian fruit and vegetable sector, the AFPA have outlined 10 key recommendations in a 2019 White Paper, and subsequently identified five areas for levy investment that would drive an increase in the economic, environmental and social benefits of agricultural production; meeting the purpose of the levy system. These five areas would form the basis of a horticulture or whole of industry investment framework. These areas are: Sustainability, Trade, Biosecurity, Food Safety and Pollination.

As the designated Research and Development Corporation for Australian Horticulture, Hort Innovation has a key role in supporting industry to grow sustainability over the next 10 years. Hort Innovation receives more than \$50 million in grower levies, and significant Commonwealth Government investment annually. It is imperative that this investment by farmers and taxpayers delivers real value and real returns over the short, medium and long term.

In order to best support industry growth, Hort Innovation must implement a whole of horticulture investment framework. This framework will better prioritise and drive investment and outcomes for levy payers. A broader investment framework is important in the context of each levied industry's Strategic Investment Plan (SIP); without an investment framework the SIP becomes a list of issues, with no methodology to prioritise investment. The current outcomes in each SIPs are identical (Industry supply, productivity and sustainability; Demand creation; Extension and capability and Business insights) and are not aligned to industry needs, rather are areas of activity undertaken by Hort Innovation currently. In order to effectively guide investment each individual draft SIP needs an overarching investment framework which prioritises investment over a mid-term (3-5 year) horizon, sequences different broad themes for investment and is informed by consultation with industry.

With regard to the release of the draft SIPs, a more appropriate timeframe for review and feedback should be considered. The current drafts also do not appear to incorporate the input from industry bodies and/or levy payers.

The lack of focus on core areas of investment that will drive industry forward is also reflected in the proposed Hort Frontiers funds. The themes within Hort Frontiers should be reframed to address current industry priorities. Sustainability and Biosecurity are critical priorities, while the Future Farms area encourages additional productivity at a time when the industry is already oversupplied. This oversupply is not addressed in the Future Markets theme which should focus on the immediate need for more market access to both alleviate short and medium term over supply challenges while also addressing the main area of growth (export) of industry.

The way forward for industry investment is an investment framework that captures key areas of focus and priorities according to levy payers.



## Future of Australia’s horticulture industry

The Australian Fresh Produce Alliance (AFPA) comprises of 13 of the largest companies in Australia’s fruit and vegetable industry and advocates for policies which grow a healthier Australia for families, consumers, people working in the industry and farmers.

In late 2019 the AFPA released a White Paper ‘The Fresh Produce Industry Roadmap’ to provide an industry perspective on the way forward. The White Paper includes 10 recommendations to grow the value of the fresh produce industry to \$20 billion by 2030 and outlines a way forward that will support the R&D and marketing required by the fresh produce industry to meet this ambitious growth target. Based on the recommendations outlined in the White Paper, AFPA members have identified the following key strategic issues that require investment in order to grow the horticulture industry:

1. Sustainability
2. Trade
3. Biosecurity
4. Food Safety
5. Pollination

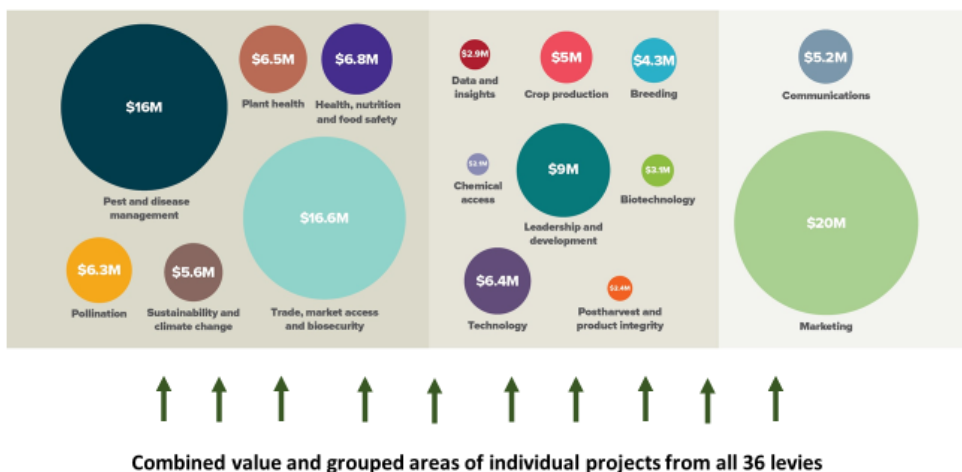
These five areas have been outlined as they are both priorities for industry moving forward, but most importantly they are areas of investment that best meet the purpose of the levy system that is to increase the economic, environmental and social benefits of agricultural production to farmers and the community. These strategic issues have the ability to encompass diverse projects, foster collaboration across different industry levies and critically will deliver results that individual levy payers are unable to fund alone thereby delivering benefit across all sizes of levy payers.

## Need for a whole of industry investment framework

Currently, there is no strategic investment plan for the horticulture industry; that is a plan that outlines where the industry is currently, where the industry needs to be in the short medium and long term and how levy investment can assist in growing the value of the sector.

Currently Hort Innovation’s investments across industry (both R&D and Marketing) are across 16 areas of investment.

### Overview of Hort Innovation’s total investments



Currently, the absence of a whole of horticulture investment framework that outlines the objectives of each of these portfolios and how they work together is creating a lack of focus across total investment.

An overarching investment framework that is more narrowly focussed on industry priorities and desired outcomes is vital as it will provide greater direction for individual industries' Strategic Investment Plans (SIPs) as well as Hort Frontiers.

The AFPA would propose that an Industry Investment Framework was based around investment in Sustainability, Trade, Biosecurity, Food Safety and Pollination and that outcomes in industry's SIPs identify how industry investment is addressing these key areas.

## **Separation of Investment Priorities and Organisational Priorities**

The draft Strategic Investment Priorities appear to blend the proposed investment priorities for the horticulture industries with the Hort Innovation organisational priorities. As a research and development corporation prescribed under the relevant legislation, Hort Innovation exists to provide research and development and marketing services to levy payers and taxpayers – through the investment of funds. This AFPA submission outlines a perspective on investment priorities for horticulture – which must be the focus of the Strategic Investment Plans (and the equivalent documents for Hort Frontiers).

The Hort Innovation Strategic Investment Plans provide a framework for investment, as part of Hort Innovation's role as a fund manager. That is to say, Hort Innovation's organisational structure and organisational priorities should support the delivery of investments in line with industry priorities – industry's investment cannot be directed to fit Hort Innovation's organisational structure.

## **Feedback on Industry Strategic Investment Plans (SIPs)**

The four (4) outcomes outlined in each industry SIP (Industry supply, productivity and sustainability; Demand creation; Extension and capability and Business insights) are not aligned to industry needs, rather are solely areas of activity undertaken by Hort Innovation currently.

These four outcomes have been included due to the absence of an overarching investment framework at the whole of horticulture level (as detailed above) and then within the individual industry. An overarching investment framework that prioritises investment priorities over a medium term (3-5 year) horizon is critical. Currently, the SIPs are shopping lists of issues rather than a sequenced and prioritised framework for investment.

In the event an investment framework is developed and included, likely outcomes that would come from this framework and prioritisation are profitability, sustainability, market development, and industry capability.

In terms of consultation, publication and review of the SIPs; the delay in the formulation of the SIPs couples with the short timeline for review are of concern. On review, the draft SIPs also appear to not incorporate the input from industry bodies and levy payers. The lack of input from levy payers is reflected in the lack of clear direction of industry priorities outlined, for example, a number of industry's growth is focused on export yet trade makes up a relatively small part of most SIPs.



## Feedback on Hort Frontiers

The draft Strategic Investment Plans outline Hort Frontiers strategic investment theme clusters:

- Leadership – building capacity
- Sustainable Hort – ensuring sustainability
- Biosecurity and food safety preparedness – managing risk
- Future farms – stimulating productivity
- Future Foods and Markets – driving growth and competitiveness

Sustainability and biosecurity are key strategic priorities for all horticulture industries – they are foundational areas which underpin industry success. The investment priorities for these areas must address the critical priorities which allow horticulture to continue to grow and develop as an industry. The remaining themes need to be reframed to address current industry priorities. The Future Farms theme encourages additional productivity at a time when the industry is already oversupplied. This oversupply is not addressed in the Future Markets theme which should focus on the immediate need for more market access to both alleviate short and medium term over supply challenges while also addressing the main area of growth (export) of industry.

The Future Farms theme should be reframed for grower ‘profitability’ rather than ‘productivity’ – there is no point growing production if it means declining profitability. Sustainable economic growth of our industry is contingent on improved profitability. The Future Foods and Markets must be overwhelmingly focussed on export market access, particularly technical market access, to support the growth ambitions of the majority of horticulture levy paying industries.

Leadership is a key element part of industry’s growth plans however ‘leadership’ must be embedded in the strategic investment themes. Existing leadership programs have not delivered the returns sought by levy payers – the way forward is to embed leadership across the other strategic investment theme clusters. For example, for Biosecurity we need to train and develop new and emerging scientists; for Future Markets we need to train and support new and emerging international trade professionals; and for ‘Profitability’ we need to train and support new and emerging mid-level business managers to manage businesses and innovate. Embedding leadership through the investment priorities will deliver tangible returns to individual businesses and industry more broadly as we build industry’s human capital in areas of key need.

