

CUTTING Edge

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Marketing for the Future



The Cutting Edge is a regular article written by Dr Jonathan Cutting for the New Zealand avocado industry magazine, AvoScene.

The New Zealand avocado industry is on the move. It is on the move in terms of growth and, probably more importantly, a grower attitude shift. The grower preoccupation for the past decade has focused largely on production and, more recently, quality issues. We are now reaching the point where market development is important. The goal is not just the building of demand for our avocados but rather how we build demand with value. It is very important that we work hard to ensure grower profitability as we embark on dramatic industry growth.

How do we achieve this?

Firstly it is important to realise that we function in an environment of multiple exporters each of which in their own way and style infuse creativity and opportunity into our industry. How do we as an industry support and ensure exporter success? This is hard to answer but over the past few years the avocado industry has developed formal industry structures, which have a large part to play in developing the environment and an industry framework, within which our exporters can work and be most effective. This includes high levels of industry transparency and two-way communication.

Exporters are involved in, or should be involved in, new market development. There are several reasons for this. These include less harvesting flexibility as the crop grows and surplus harvest and packing capacity becomes more harmonised with need, the shift from market under supply to something more akin to optimised-supply, and the increasing power of the retail chains.

The terrible terrorist events of 11th September in the USA have served as a powerful catalyst for our industry. In some ways I believe our industry will never be quite the same again. The dramatic “vapourisation” of a significant portion of the USA market before our eyes has forced a deep re-think by growers, in particular, of the way we do our business. We have seen a healthy service sector in the USA contract rapidly as tourism and the hospitality trade suffer and orders for the supply of fresh produce shrink. The big loser in the USA since September 11th has been imported fruit as the Californian late season crop has opened up a price differential of up to \$15 per lug over imported fruit.

The most important change in our habits has been the necessity and willingness to cooperate and share information. Some of this information by its very nature is sensitive and therefore needs to be treated both confidentially and respectfully. In parallel to the cooperation of exporters with industry is a renewed drive of cooperation between exporters themselves as they work in both cooperation and competition to develop new markets and build industry value. Growers must support this cultural shift.

A second attitudinal shift is in relation to the marketing decisions in our industry.

For a large portion of our industry growers have historically made the key marketing decisions in relation to supply. Growers determine when fruit is harvested and to which market fruit is supplied. For many years and with almost a decade of under supply growers have become “masters” of spot marketing. The exporter was merely the vehicle (in terms of logistics and payment) to achieve an export sale and many growers achieved great personal satisfaction in the post-season payment analysis with their neighbour, particularly when they did well and poorer returns were inevitably blamed on the exporter. This approach to “market development” must, and is, changing.

Exporters must play a far more dominant role in the marketing decisions. This is important as exporters develop marketing programmes built on committed supply. Programmed growth is near impossible without committed and dependable supply. The attitude shift that is occurring includes packing houses and harvesting contractors as programmed coordinated crop flow develops as one of our key marketing strategies. This strategy covers all exporters, pack houses and growers. There will always be a few “weakest links” but as our industry transparency levels increase they are exposed and they can be marginalized.

A third attitudinal shift is in relation to new market development. This is an increasingly important activity and can only be undertaken by exporters. However, growers are the funders of such activity. There are many markets available in a global village but New Zealand does have a few challenges. Firstly we are remote and far from large markets. Certain new technologies are required and must be researched and developed in order to become practical tools so that we can reliably deliver fruit of acceptable quality into these markets. In order to undertake such a complex research and technical development programme the limiting causes of long distance carriage failure need to be identified and quantified. This requires an appropriate forum. Some exporters have

suggested such a forum and it is hoped that a “New Export Market Development Forum” will be launched in the next few months to both harvest ideas and focus energy into this activity.

All industry stakeholders must remain aware that we are in the international fresh produce commodity business. It is also important that we add value and create premiums for ourselves to ensure a competitive and continued profitability for growers. How do we add value? I contend that the primary way of achieving this is through relationships (both commercial and political), fruit quality and supportive delivery systems so that we add value through what we do. This will differentiate New Zealand avocados and reduce the substitution imperative with other country of origin fruit.

In a nutshell we require co-opetition – both co-operation and competition, within all levels of our industry. This will preserve the entrepreneurial and creative flair necessary for marketing and the addition of new markets to our exporters. In addition, it will provide for discipline, planning and new market development. Equally importantly it will allow exporters rather than growers to be the marketers and reduce the requirement of exporters to secure and manage crop volumes and flows through the political process. Growers in turn can concentrate on being growers and set themselves the goals associated with producing some of the world’s finest avocados. The industry structures can focus on all stakeholders being profitable. I leave you with these thoughts to ponder as you harvest this crop through the summer.

The staff of the AIC wish each and every grower a very merry Christmas and a focused and profitable new year. If you fish we hope you catch the big one this summer!

Acknowledgements to Jeremy Olphert for introducing me to the very new word “co-opetition”