

# CUTTING Edge

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Quality plays a part in the “building demand with value” equation.



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

The avocado business in New Zealand is undoubtedly growing. Growers remain ever confident and optimistic, some caught up in the hype admittedly, as they continue to plant new acreage. All the time the national acreage committed to avocados increases. In fairness this is a global trend. At a meeting organised by the Avocado Marketers and Producers Working Group (AMAPWG) in Spain in October, all producing countries present indicated an increase in planting with the exception of Mexico and South Africa. The delegates from all countries reported that their industries were either optimistic or very optimistic. Volumes have grown from 2 million metric tonnes a few years ago to an estimated 2.7 million metric tonnes (2002). Globally the avocado business is growing and quickly too!

Undoubtedly as the business becomes more global, growers will have to compete. Despite the overall market pie increasing, there will be strong competition for the more lucrative “slices” of the pie. This is natural, healthy and a fundamental of the “free market economy”. Admittedly there are still some market distortions in terms of tariff, quota, phytosanitary and other trade barriers but these are being systematically dismantled by producer countries. I see the long term message for the future as “**become**

*globally competitive (using whatever advantages you have) or get out”.*

This brings me to the New Zealand situation and our domestic market. It is still our biggest single market in that we sell more fruit in New Zealand than we sell in Australia, Japan or the USA. That may change in the future but whatever happens New Zealand will remain an important slice of our pie. What is important is that New Zealand growers have almost complete exclusivity in this market, due to a combination of local production, market size and phytosanitary barriers.

It remains important that New Zealand avocado growers systematically build market demand and at the same time to do it with static, or preferably, increasing values. New Zealand per capita is consumption is increasing (despite the decline this year as the industry struggles with a low crop year). In reality it is approximately 1.5kg per person based on declared packed volumes. So what is the AGA doing to build the market, what can we do, and more importantly what should we be doing?

Before we get involved in the nuts and bolts of what we do, I believe that it is important that we at least consider likely future trends in relation to fresh produce, particularly fruit. Recently I came across a summary of a future orientated trends speech given by Rob Shewfelt of the University of Georgia at a “**Quality and the Supply Chain Conference**” in the Netherlands earlier this year and kindly printed in the *Produce Knowledge Quarterly*. The presented predictions were based on research and analysis of

current trends. It makes for fascinating reading. Unfortunately, it does predict that the regulatory, consumer and customer demands for assurances will become an ever increasing and much larger part of our industry. I won't go into all of the summary but the following are important excerpts and will impact on everyone in the fresh fruit business.

- **Less total consumption of fresh fruits and vegetables and more emphasis on quality.** Fruits and vegetables will become high value speciality items and will increasingly be used as ingredients and less as side dishes and salads. Consumers will also demand consistent high quality with a guarantee of safe food whether food safety, GMOs or terrorism is the risk. Reduced pesticides will become much more important. Increasingly, consumer and customer decisions will be based upon information and not a power base.
- **Less emphasis upon fresh and natural products and more emphasis on local production.** "Fresh" and "natural" are abused terms and are losing their meaning to consumers. The threat of interrupted supplies in an increasingly uncertain global market will provide greater incentives to produce food locally and reduce dependence on imported crops.
- **Less emphasis on extended shelf life, the same emphasis on purchase quality and more emphasis on consumption quality.** A long shelf life will be considered a negative attribute of product as the market changes from product driven to consumer driven. The demand for consumption quality, such as flavour, volatiles and mouth feel, will increase and terms like fresh and natural will be superseded by a true appreciation of flavour. Consumers want flavour and

texture and these are the main causes of consumer dissatisfaction. Fruit will need to be harvested in a more advanced state of maturity and ripeness to meet consumer demands. Consumers also want and will demand appealing looking vegetables.

- **Less concern about low price and more emphasis on value.** Consumers will pay more for higher quality and the consistency of the quality will be critical. Consumers will also demand more information on best storage practices within the home.
- **Less emphasis on low cost production and more emphasis on sustainable production techniques.** Governments will begin to insist on better accounting of longer term (5-20 years) costs to the environment. There will be more restrictions imposed for greater sustainability of crops and the additional costs are likely to be passed onto consumers as higher prices.

At a personal level we may or may not agree with what Rob Shewfelt predicts will emerge over time. Undoubtedly some of the predictions are already clear trends such as environmental sustainability, regulatory compliance and technological solutions. However one aspect of his prediction is already our reality – the issue of fruit quality which is never far away. As is normal every year the industry offices have been besieged by complaints from angry, dispirited and dissatisfied avocado lovers. Clearly we are faced with some challenges as we build demand for avocados in New Zealand. This is an ideal opportunity to inform growers about the existing goals and strategies and exactly who we aim our market-building activities at.

***The goal remains very clear "to build consumption demand for fresh avocados in New Zealand with value (either static or***

*preferably increasing per piece value)*".

The long term strategy is to “**position avocados as an everyday, essential, but expensive, component of the healthy Kiwi diet and lifestyle**”. The short term strategies and activities we are using to achieve this growth are generic promotion activities built around health and lifestyle and aimed at the purchaser, fruit quality and product support.

So who is the average avocado purchaser? Based on survey work both here in New Zealand and survey data from the USA and Australia this is what we think and occasionally what we know about avocado purchasers. We think it is a woman between 25 and 50, well-educated, mostly likely with a post-school degree or diploma. We know they are busy and most likely in employment either full-time or part-time. They are A and B income earners or part of A and B income families (\$37,000 plus per year). We know they are knowledgeable about health and diet and understand the key health issues around fats and heart disease. We know that they understand and value the Pick the Tick endorsement and logo. We think they exercise moderately and regularly and enjoy an active lifestyle. We believe they are excited about food and experiment with different cuisines. We know they are sceptical about fruit quality and are periodically disappointed but are lovers of avocados and do return to purchase after a “cooling off” period. We know that they have a preference for pre-ripened fruit. We also know that our “average” purchaser purchases avocados quite regularly.

There is quite a bit that we know about our consumers but there is clearly quite a bit we only think we know. We need to more completely understand consumers so that we can better develop programmes that result in more committed and long-term avocado consumers. However one thing we do know with certainty and that is that they are periodically disappointed with fruit quality. We need to do something and be

very serious about it. Nothing should be too hard, rather we need clear strategies and commitment. If New Zealand avocado growers do not deliver good quality fruit to New Zealand consumers someone else will. It will truly be a sad day if the only effective driver for an improvement in fruit quality on offer to New Zealand consumers was the importation of cheaper better quality fruit. It should not come to this and I hope it won't but it remains an option we all need to be aware of and give some serious consideration!

Have a very merry “quality” Christmas and I wish all avocado growers and their families the very best for 2004. And while I am on enjoyment – you should enjoy this fruit set – it truly appears to be one out of the ordinary!