

Apple Futures

A cross-regional case study involving Hawkes Bay, Otago and Nelson

This case study was presented at the EDANZ national conference in August 2009, by Janet Takarangi, GM of Venture Hawkes Bay, in collaboration with Bill Findlater (Nelson Economic Development Agency) and New Zealand Trade and Enterprise.

Apple Futures is a strong example of a cross-regional, large scale project that has strengthened industry and regional relationships around a sector that generates over \$360 million per annum in exports, with a forecast value of \$425 million in 2012.

It is a public-private partnership between PipfruitNZ (PNZ), pip fruit growers and exporters, New Zealand Trade and Enterprise (NZTE), and the regions of Hawkes Bay, Otago and Nelson. Venture Hawkes Bay was nominated as the contract holder due to its role in working with PipfruitNZ on an earlier project which led to Apple Futures. It is the designated contract manager via an independently chaired Governance group.

In August 2008 MAF (Ministry for Agriculture and Fisheries) indicated that the New Zealand apple industry must think smarter if it is to maintain major export markets in the UK and Europe. Consumers there were demanding fruit that is safe to eat and produced in a sustainable environment.

The Apple Futures Project is an example of rallying to solve this export challenge. It was designed to start the move towards an integrated process for the marketing of NZ Apples using the development of low residue fruit to meet market demand in Europe in particular through an integrated fruit programme (IFP). (Ultra low residue fruit is achieved through precise and early timing of sprays.) The process was initiated to also cover sustainability, carbon footprint and other issues that may be identified by the market in the future and which are often raised as non-tariff barriers to market access.

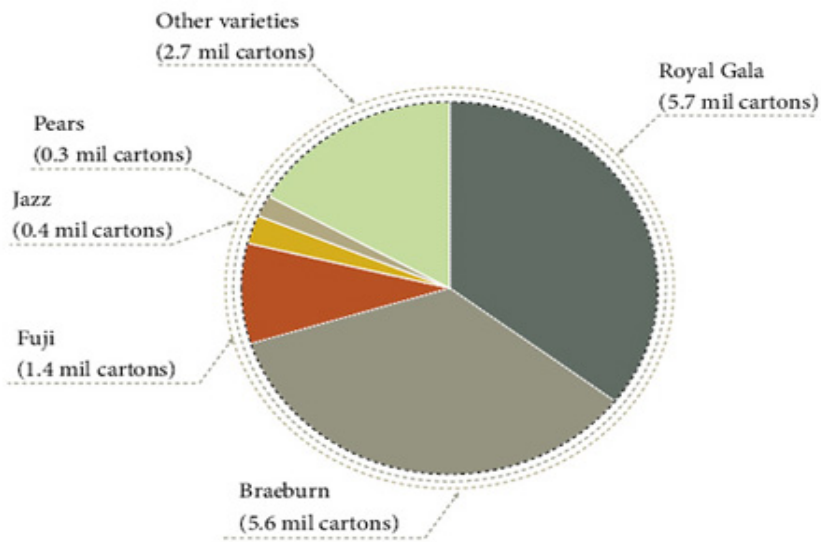
The challenge for the industry had been that while growers pack houses and exporters were active across the country, research showed that 85% of exported apples came out of three regions: Otago, Nelson and Hawkes Bay with the most coming from Hawkes Bay, the region where PNZ was also based.

It became clear that Venture Hawkes Bay could help facilitate this project by developing strong regional relationships and a strong partnership with PNZ to take this to the next level building on the work done via IFP

After securing a \$2 million grant from New Zealand Trade and Enterprise's Major Regional Initiative Fund and financial support from Pipfruit New Zealand along with regional support, the concept was trialed by growers in the Hawkes Bay and Central Otago in the winter of 2007. In 2008, it was extended to Nelson.

These three regions now drive the project. Venture Hawkes Bay holds the contract on behalf of the partners and a project group within Venture Hawkes Bay drives the project on a day to day basis. Team members are both staff members and contractors. John Austin Smith is the Project Manager.

Exports as at 31/3/2008



The short-term objective for July 2008 was that 10% of all export certified non-organic orchards in Hawkes Bay and Central Otago would have adopted the Apple Futures programme. 75% of fruit produced would be marketable as having no detectable chemical residue. The medium term objective is identified for July 2010 by which time 60% of all export certified conventional apple orchards will have adopted the Apple Futures regime and 75% of fruit produced will be marketable as having no detectable chemical residue.

In the long term the NZ Apple Industry will have positioned itself to rebuild a premium position in the Europe-UK markets.

Unique characteristics

This project is unique in that the partnership offers both an immediate focus on day to day orchard practices using already established practices set up by PNZ under their Integrated Fruit Programme but uses established regional development networks and processes to get uptake from orchards, to build in ongoing sustainability of effort, to link the project to established regional economic development strategies (all three regions are strongly based on the primary sector) and to build regional awareness. This project was able to add value in different ways.

Although each region had participated in NZTE funded projects before we had not worked together before and so it was important that a capability phase was developed as a lead in to build the relationships and to assess the scope of what was required. Hawkes Bay was fortunate in that it had the experienced business person John Austin Smith as the project manager to provide continuity for both stages.

A distinct aspect included the development of a Governance Board with an independent Chair. The Board was made up of parties from across the partners and industry members. There is a strong audit trail for decisions taken, regular budget monitoring, the results and implications of those results are assessed, the overall objective of delivering a premium fruit to meet European customer demands is kept as the key focus and new marketing developments such as the NZ Apple Story have a solid base to write Chapter 1.

The Challenges

There were challenges in getting this project off the ground. The biggest one was getting positive acceptance that the Pipfruit industry was able to be strengthened and was an important sector. Many people felt apples were finished “a sunset industry”.

When the project was first mooted the Food and Beverage sector was not being given any attention as a key sector by national agencies. Arguments had to be mounted around how long a Growth and Innovation Framework (GIF) project would take to replace a \$360 million per annum industry. It was argued that it made sense to at least maintain that sector whilst new sectors were being developed.

This required a lot of discussion and push back from regions who needed to be able to highlight the key role of the primary sector in regional economies, the need for cross regional and industry collaboration and the need to start “with the end in mind” to quote Covey. (The Seven Habits of

Highly Effective People, Steven R Covey “Habit 2: Begin with the End in Mind: Principles of Personal Vision”)

Alongside this was the fact that the industry had gone through change over the last 10 years. During that time, the land area under apples had gone from about 14,000 ha to 9000ha. Our method of collecting the data had become much more accurate, and the decline in land in orchards was in part offset by increased productivity. Grower numbers had shrunk from more than 1400 to a little more than 400, although this is due to aggregation and consolidation. (Source: Peter Bevan CEO PipfruitNZ)

Key outcomes

Apple Futures builds scale and supports the Industry body PNZ to strengthen its role in re-positioning the Pipfruit industry. It also means that regional development collaborative practices are much stronger and more sustainable than by going it alone.

We have identified that the international levels set by markets for residue levels are higher than what we are now producing here in NZ and so we have bought a strategic advantage in European markets. We know however that it will only be a matter of time before Asia and the US follow by setting levels for those markets, New Zealand is now ready to meet these new standards..

Conclusions

Projects like this need time to mature to be a success. This was started in 2005/6 with first a capability project, which proved that there was a case for intervention and that all key players would support the project financially and with in-kind contributions. A concept was approved: a business case was developed and submitted and approved by NZTE.

Ultimately this project provides an innovative NZ Inc approach which is often talked about but hard to pull off. It is a model within NZTE for the horticulture sector. The approach is seen to have validity and whilst other regions may not have had a long investment in science and IFP development they are keen to learn any lessons from Apple Futures.

It has built good will between the Industry and regions, and has led to brand development with 100% Pure NZ Apples. (Part of the government’s policy is to extend the 100% Pure Brand into sectors other than tourism)

The project - together with the way the industry is restructuring itself means that key areas have come together in new ways that enable the industry to rethink its value in global markets. We also know that residues are just the beginning of non tariff barriers to trade food miles, carbon foot printing, sustainability and being able to show traceability from orchard to mouth are all emerging areas

While development continues, results have confirmed that it is possible to produce apples with very low residue. The next step is to create a marketing and promotional strategy to take overseas.

The goal for 2010 is to have Apple Futures reintegrated back into PipfruitNZ as core business. HorticultureNZ is exploring the approach for other sectors and regions.

The relationship is now different between the industry and regions, between sector and regions and between regions and there are now linkages from a regional project to a whole sector approach.

Without support from New Zealand Trade and Enterprise it is hard to see how this project would have got off the ground. Having a regional development agenda and budget made developing a business case more focused. Now with the demise of all regional funding other than the Enterprise Development Fund, regional work needed to build capability a cross regions on projects of national significance will be more difficult to develop and to "sell" to parties involved.

It is hoped that this large export earning industry is now well positioned to be engaged in established and emerging markets and that the regional capability and networks are in place to develop Chapters 2, 3 and 4 for the continuing Apple Futures Story.

Ends