

A woman with long dark hair, wearing a black and white striped shirt, is looking at fresh produce in a market stall. The stall is filled with various vegetables, including carrots, leeks, and radishes. The background is slightly blurred, showing other market stalls and hanging produce.

Fresh Produce Industry: State of the Industry Report

Produce Marketing Association Australia-New Zealand Ltd

Final report

20 June 2019


AUSTRALIA+NEW ZEALAND


Building a better
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Glossary

The following key terms have been used to measure the economic profile of the Fresh Produce industry.

Term	Definition
ANZSIC	Australia New Zealand Standard Industry Classification (ANZSIC) is a well recognised method of classifying industries. There are six levels of granularity beginning at 1 digit (least granular) and ending at 6 digit (most granular). Most ABS, NZ Stat, and IBIS world productions are at either the 1 or 4 digit level.
Business	A division that is separately managed and keeps management accounts. Each business consists of one or more establishments that are under common ownership or control.
Consumer	The person or individual who consumes the final product (the end of the supply chain).
Customer	The purchaser of Fresh Produce and may sit anywhere within the supply chain such as a wholesaler.
Employment	The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.
Establishment	The smallest type of accounting unit within a business, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up a business.
Fresh Produce industry	The production, wholesaling, and retail components of the fresh fruit, fresh vegetables, and cut flowers supply chain in the Australian and New Zealand economies.
Gross Domestic Product	The total value of goods produced and services provided in a country during one year.
Industry Value Add	The market value of goods and services produced by the industry minus the cost of goods and services used in production. Industry Value Add (IVA) is also described as the industry's contribution to Gross Domestic Product, or profit plus wages and depreciation.
International Trade	The local currency value of importing and exporting activity occurring in an industry or sub-sector.
Turnover	The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the business (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.
Wage Growth	The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.

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1. Executive summary



This report

The purpose of the report is to gain an understanding of the size and scale of the Fresh Produce industry and understand the consumer trends likely to impact the industry in the future. To do this, this report is divided into three sections which focus on:

1. Defining the Fresh Produce industry.
2. Providing an economic profile of the Fresh Produce industry by outlining the key economic indicators over the last five years: Turnover, Number of Firms, Industry Value Add, Employment, Wage growth, and Trade.
3. Identifying consumer trends likely to impact the Fresh Produce industry going forward.

This is the first time the industry has been defined as a specified industry and the first time the size and scale of the industry has been measured in this way. A key part of the report's development has been understanding the parameters of the industry (i.e. drawing conclusions as to what products are part of or are excluded from it). PMA A-NZ represents the supply chain for fresh fruit and vegetables and cut flowers in Australia and New Zealand.

PMA A-NZ members are:

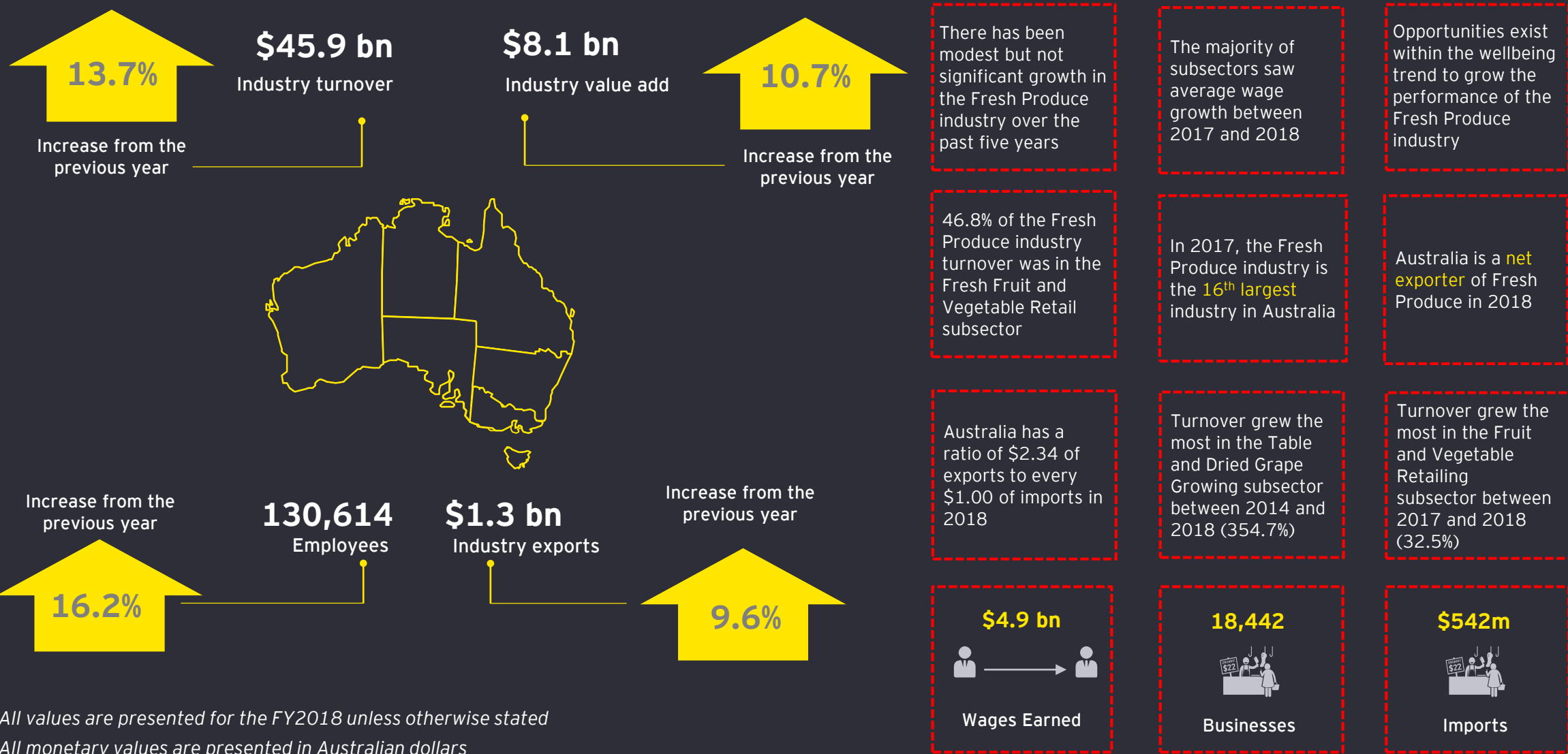
- ▶ involved in operations across the supply chain.
- ▶ located in both Australia and New Zealand.

The industry definition process therefore involved identifying which subsectors make up this supply chain and which products within each of the subsectors represent a part of PMA A-NZ's membership base, given that this is not an industry that has been defined previously. The Australia New Zealand Standard Industry Classification (ANZSIC) was used to identify the subsectors covered by PMA A-NZ's members.

For the purpose of this report the Fresh Produce industry is defined by the aggregation of identified subsectors. This is depicted at a high level in the diagram below. The details of the definition process can be found in Part 2, page 10 of this report. In the supply chain diagram below, the green boxes are included in the analysis while the grey box is excluded. The Food Services industry is not included as PMA A-NZ does not directly represent this industry, however it is noted that Fresh Produce is a key input into this sector.



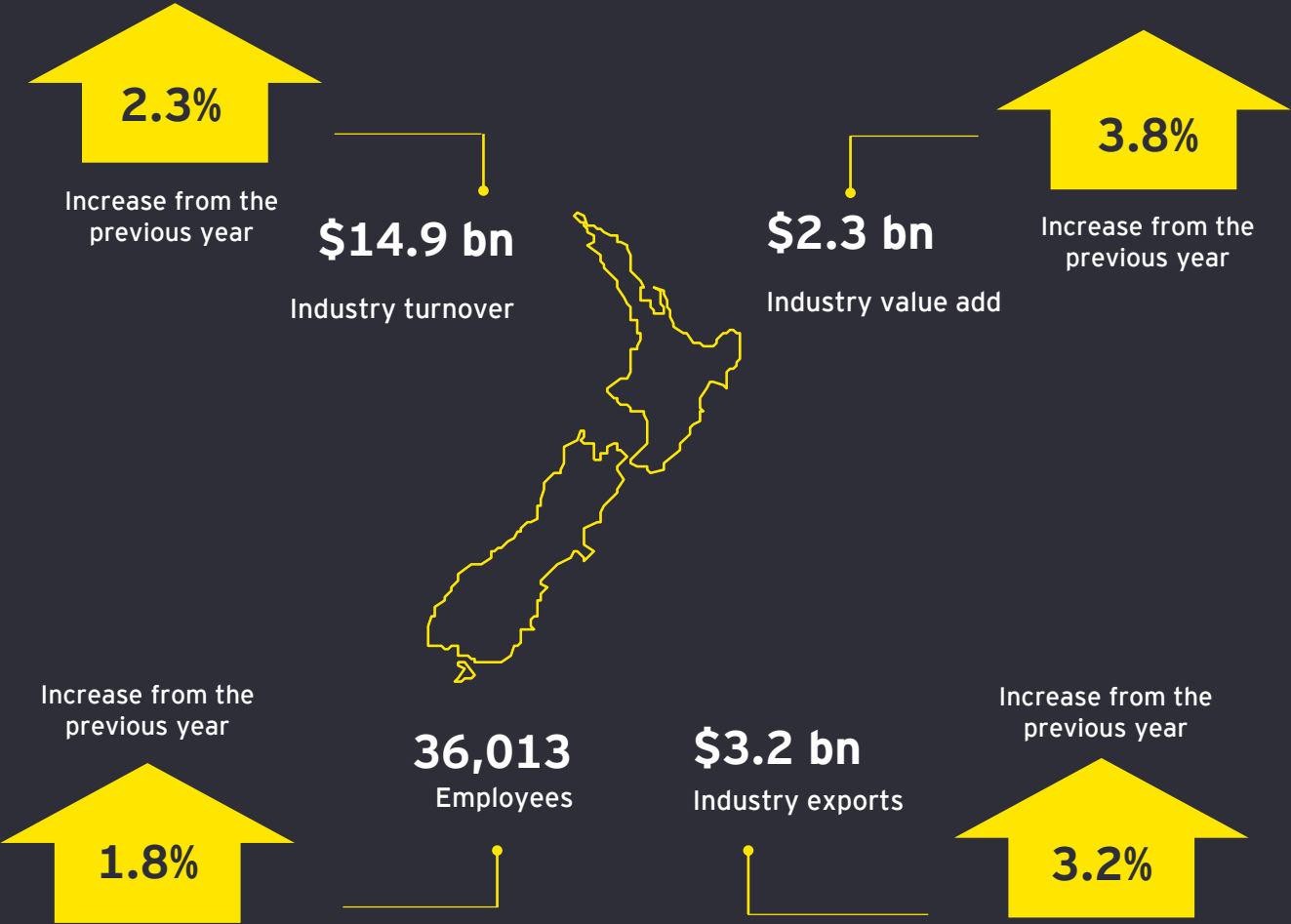
Summary of industry indicators - Australia



All values are presented for the FY2018 unless otherwise stated

All monetary values are presented in Australian dollars

Summary of industry indicators - New Zealand



New Zealand is a mature export market and is more trade focused than domestically focused

New Zealand is a **net exporter** of Fresh Produce in 2018

In 2018, New Zealand had a ratio of \$11.86 of exports to every \$1.00 of imports

New Zealand has a narrower export product range than Australia and is mainly focused on Kiwifruit and Berry Fruit

In 2018, for every \$1.00 of Revenue earned there are \$0.22 of exports

In 2017, the Fresh Produce industry is the **11th largest** industry in New Zealand

Kiwifruit and Berry Fruit Growing has the fastest growing turnover of the subsectors between 2014 and 2018 (64.5%)

Vegetable Growing has the fastest growing turnover of the subsectors between 2017 and 2018 (3.0%)

57.7% of industry turnover was in the Fresh Fruit and Vegetable Wholesaling subsector in 2018

\$1.1 bn

Wages Earned

6,245

Businesses

\$273 m

Industry Imports

All values are presented for the FY2018 unless otherwise stated
All monetary values are presented in New Zealand dollars



Consumer trends impacting the Fresh Produce industry

The majority of the industry trends identified have emerged over the last 10 years and remain present within A-NZ and the global market. During this period, there has been a dramatic change to all industries with the rise of social media, an increased focus on health and the environment and the advancement of technology. These changes have occurred quickly and are anticipated to grow exponentially over the next decade.

The rise of snacking vegetables, home delivery services, meal preparation kits and superfoods in the consumer market shows a growing desire for high quality fresh produce to be conveniently packaged for increasingly time poor consumers. Businesses have shown increased adoption of technology including robotics, blockchain, and software to create leaner supply chains, reduce costs and provide tailored products and experiences to consumers.

The use of Internet of Things and the increasing use of Artificial Intelligence technology will be integral to both the production and consumption of Fresh Produce products. As more consumption data becomes available, tailored products can be provided to consumers to meet the growing need for convenience of fresh produce. Additionally, the increased demand for data about the products being consumed will require producers to be efficient in their data collection and sharing.

Figure 1 depicts a snapshot of the future influences, ideas and thoughts that were discussed at the FutureConsumer.Now workshop held as part of this project to identify consumer trends impacting the Fresh Produce industry. It is noted that this illustration is not all encompassing and a number of consumer trends that have impacted the industry previously have now become assumed by consumers and are therefore expected, rather than been front of mind when asked about preferences and priorities. They were therefore not identified during the workshop but are still important. These include clean, green, and safe product characteristics. These trends are discussed further in section 4, page 33.



Figure 1: FutureConsumer.Now output - See the Future: Set the context