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Ridge Partners

FINAL REPORT

The Potential of Australia Tropical Fruits in Important Export Markets

prepared by

CDI PINNACLE MANAGEMENT

7 July 2005

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Our clients are innovators, early adopters and industry leaders and agencies. They are corporations in the food and agribusiness industry, small to medium enterprises (SMEs), individual producer/marketers (and Grower-Packer-Marketers), producer groups, development and Government agencies, and marketers and processors.

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We assist firms, industries and regions to develop and implement a global vision and provide the tools and assistance to achieve success in domestic and international arenas.

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1.0 EXECUTIVE SUMMARY AND RECOMMENDATIONS

This report has sought to develop, firstly, a body of knowledge pertaining to the potential for increased exports of Australian tropical fruits to a selected number of countries and, secondly, the identification of a series of issues and recommendations to how Australian products can enter these markets.

This report aims to provide readers with a detailed understanding of:

1. Key country data including information on population totals and trends, GDP per capita, economic data.

2. Nature and structure of the supply chain for tropical fruits for each country the subject of this study, with a detailed focus on retailer chains. Included in these sections is information on key players, sectoral drivers and key segments for focus right from the point of entry to the consumer.

3. Key data on consumer preferences, both in terms of food drivers in general, in addition to tropical fruit specific data.

4. Seasonality charts for each of the selected crops, by month, for each of the selected crops, by country of origin where available.

5. Key pricing data, in Australian dollars, for Australian and competitor products in each target market, either with CIF values, wholesale or retail level.

6. Statistical data, where available, detailing the volume and dollar value of imports into the target markets, again where available by country.

7. Baseline data pertaining to market access, protocol and phytosanitary arrangements in addition to applicable tariffs, duties, quotas and other taxes for each product into each target country.

This information, in addition to both in-market assessments undertaken by CDI Pinnacle Management and other expert discussions with numerous people involved in the fresh fruit industry, has then resulted in the formation of views concerning the export potential of tropical fruits into the target markets.

The results of CDI Pinnacle Management's endeavours are presented herein this report.

1.1 Factors Impacting This Study

CDI Pinnacle Management in conducting this study wish to acknowledge a number of factors pertaining to the study. These include:

1. Our findings have identified a number of tropical fruits that offer potential for market development, beyond those selected by the TFIPP Steering Committee. These product / market combinations have been discussed.

2. Additional data, beyond that required in the original Terms of Reference, has been supplied, notably in regards to key country data and extended supply chain discussions, as our belief was that it was critical in terms of fully evaluating the market potential for these fruits.

3. The short time frame for this project — in total eight weeks — whilst resulting in an extensive volume of essential information being gathered would have benefited

in terms of its outcomes, with a longer time frame in order to allow improved project planning.

1.2 Key Issues Identified

The key findings / outcomes resulting from this study pertaining to Australian tropical fruits in export markets were:

1. Whilst quarantine issues may be addressed by secondary and tertiary value adding of fruit product, Australia has no visible price and supply competitiveness for value added fruit products into any market. As a consequence value adding of tropical fruits should not be a focus of this industry in export markets.

2. There may exist small scale opportunities for individual producers, but the size of the opportunities in conjunction with the risk involved suggests caution should be exercised in attempting to go down this pathway.

3. In general, Australia has a low level of price competitiveness for fresh tropical fruit products in the majority of markets targeted.

4. In general, Australian products are regarded as being of high quality, although some variations do occur from shipment to shipment. This premise is based on the quality of temperate fruits and vegetables, and not necessarily those from tropical regions.

5. Australia has poor supply chain competitiveness, which is seen by importers as the next most important reason (behind price) why Australian tropical fruits have not developed an international market presence.

6. Cool chain management is a significant issue for Australian produce, particularly in countries well away from Australia.

7. Transport logistics (and associated cool chain) is a critical issue limiting Australia's competitiveness in international markets.

8. Freight cost for many tropical fruit products from Australia comprise a significant portion of the cif price.

9. Generally, there is limited seasonal advantage for the production of the majority of tropical fruits as competitors do exist in South Asia who supply in similar windows.

10. Australia has significant competitors in South Asia, North Asia, China, Thailand, India, Africa and Latin America, the majority of whom supply product which is extremely cost competitive to Australian product.

11. Quarantine issues are impacting adversely on Australia's ability to supply price competitive products (due to added costs from quarantine) and product of comparable quality (due to treatment procedures). Final CIF prices are also impacted in some markets by importing country tariffs, and other duties and taxes.

12. In general, the limited scale of the Australian industry and the ability to support market development expenditure, suggests an alternative focus to export development should be explored, for example, developing more of a domestic market focus.

13. Consumer knowledge of many tropical and exotic fruits, with the exception of mainstream products such as bananas, mango and pineapples, is generally low in most countries (with the exception of the South East Asian countries).

14. Consumer expectations for tropical fruit products are for them to deliver value for money, be convenient to consume, be nutritious or provide added health benefits, be durable (not require special treatment) and be able to be consumed in a multitude of ways. A number of the products that are the subject of this study do not meet these objectives.

15. Tradition, as it relates to food consumption, is a significant driver to demand from consumers in the majority of countries.

16. Climate plays an important role in the demand for tropical fruits by consumers in many market segments.

17. Australia's physical presence in the market place, either to develop consumer knowledge or to manage the relationship side of the business or to assist with the efficient operation of the supply chain is seen by many overseas players as a major limiting factor to demand development for Australian product.

18. The strength of the Australian dollar has adversely impacted on export sales in recent years for all tropical fruit products.

1.3 Comparative Strengths of the Australian Tropical Fruit Industry

The Australian tropical fruit industry does have a number of key strengths or advantages that it should utilise in the positioning of the industry in the eyes of the overseas supply chain and consumers. These advantages are:

1. **Quality of produce**. This needs to be backed up by the ability to supply this high quality product consistently.

2. **Clean / green image of Australian product**. The quality of our quarantine procedures are respected by international countries.

3. **Imagery of Australia**. Australia is regarded fondly as a place of mystique and romanticism and should be a major marketing tool that is used.

4. **Ability to fit into windows**. This is only true for a small number of tropical fruit products in international markets.

5. **Closeness** to some markets allowing for lower costs of transport eg. South Asia and New Zealand.

1.4 Comparative Weaknesses of the Australian Tropical Fruit Industry

Conversely, the Australian tropical fruit industry does have a number of comparative weaknesses that will require addressing before Australia will be regarded as credible supplier of tropical fruit products. These are:

1. **Cost competitiveness**. Generally Australian products are of high cost and so not price competitive to that of other countries. As a consequence competitiveness is a key.

2. **Supply chain competitiveness**. Across a number of areas Australia's ability to deliver products to market in an efficient manner is less than that of its major competitors.

   Further, the level of business 'connect' across the Australian supply chain is limited. Trust and willingness to work together for a common objective is very much evident in many of Australia's competitors.

3. **Quarantine**. Many of Australia's products are not able to gain access to international markets due to quarantine restrictions. Cost of quarantine also impacts on Australia's ability to compete in terms of price.

4. **International Thinking.** Perceptions of the Australian supply chain by others are that the tropical fruit industry is not committed to export market development, longer term thinking and relationship development. These perceptions adversely impact on the preparedness of others to work with Australian producers.

5. **Supply Volumes.** The limited volumes of some tropical fruit products do not in the eyes of some importers warrant the investment in business development.

6. **Single Product Focus.** Each industry tends to be product centric with limited co-ordination between sectors. There is extensive evidence to show that international competitors handle a variety of products that increase the 'value perception' in the eyes of their customers.

7. **Commitment.** Australia has a poor image of being an 'in and out' market supplier based on the performance of the domestic market or other export markets.

8. **Inadequate Resourcing.** The majority of Australia's international competitors are able to commit far greater volumes of resources, both human and financial, to developing new markets and promoting awareness of product etc. Australia can not do this due in part to the small size of many of Australia's industries, but also due to relatively limited government support which is provided to small, 'emerging' industries.

1.5 Developing Successful Export Outcomes for Tropical Fruit

There a number of issues that must be addressed by the Australian tropical fruit industry and their sub-sectors at a domestic supply chain level (within Australia) if it is to have any chance of success in developing new markets overseas. These factors include:

1. Growers and their marketers needing to become more proactive, longer term focussed and have a greater level of focus on factors other than price.

2. The level of 'connect' between growers and exporters / marketers must be significantly improved. The majority of our overseas competitors are either grower, marketers and exporters or the level of business integration between them is high. As a consequence their supply chains operate at a greater level of cost and operational efficiency. Perhaps unkindly, some importers regard Australia's supply tropical fruit chain as one of the least effective in modern horticulture.

3. Growers need to be committed towards developing export markets or otherwise not start. It is acceptable of course to remain as a spot supplier to markets but in the long run do not expect to have a significant share of the market.

4. Growers must assume a higher level of responsibility and greater involvement with others in the chain, in regards market and product development. Australian growers, in general, do not look beyond the farm gate or if they do it is normally only at the domestic market. The exceptions to this generalisation have been the lychee and rambutan industries. That said, even their level of involvement in the chain needs to increase.

5. Resourcing over an extended period: Without exception all of the strategies that are presented in this document for overseas market development will require extensive financial and human resourcing. In particular, it is apparent that the smaller industries have limited financial resources currently.

6. Matching of opportunity to supply capability: A number of the Australian exotic fruit industries have limited capacity to supply volumes of product over the period of time that it is required by particular markets. Whilst this issue was not considered as part of our brief, durian, longan, passionfruit and mangosteen are industries which, by world standards, are very small. As a consequence a number of the opportunities that will be discussed in the coming sections may be in fact be limited by Australia's ability to supply, either immediately or over time.

7. Australia's cost competitiveness with international competitors is hampered by its:

   a. **Higher input costs** (eg. cartons). The first issue can only be solved by negotiation with Australian and international suppliers.

   b. **Relatively high labour costs**. Little can be done in terms of labour costs, except growers may need to explore arrangements to employ more productive labour.

   c. **Distance to market** (resulting in loss of opportunity to use sea freight).

   d. **High costs of transportation** (due to distance from many markets). This issue can be addressed if Australia is able to co-ordinate freight movements in an improved fashion and / or develop a scale of operation that enables for charter operations to be established.

   e. **In some cases availability of transportation**. Again similarly to costs issues, transport availability can be solved if the volume and level of regularity of freight movements from Australia will give confidence to transport operators to provide larger and more regular services.

1.6 Opportunities for Australian Tropical Fruits

This study has concluded that there are a number of opportunities available for some sectors in the Australian tropical fruit industry to either develop an increased presence in overseas market or develop new business opportunities.

Our report details a six-level priority 'ranking' to the various combinations of fruits and countries that were the subject of this study. These are:

1	Target – High Priority
2	Target – Low Priority
3	Non Target – High Priority

4	Non Target – Low Priority
5	No opportunity
6	Not assessed

In analysing these opportunities, the TFIPP Steering Committee identified a number of 'Product by Country' targets. These combinations in terms of market potential have been ranked in order of having a high priority (1), low priority (2) or no opportunity (5). Further, as part of our investigations where possible CDI Pinnacle Management assessed the potential of products that were initially not targets for the TFIPP Steering Committee. These were ranked as either high priority (3), low priority (4) or no opportunity (5). A number of products were not assessed either because they weren't a priority for the TFIPP Committee or CDI Pinnacle Management was not able to provide solid conclusions in regards their market potential.

Our conclusions in regards what tropical fruit products offer the 'best bet' opportunities for future development (and those that don't) and the priority that should be afforded them are detailed in Table 1 on the following page.

Individual country strategies are too voluminous to discuss in this Executive Summary and so the reader is recommended to read each country strategy the location of which is also indicated in Table 1.

Table 1: Ranked Priority Assessments for Australian Tropical Fruit Products into Selected Overseas Targets

	Country												
Product	Japan	Taiwan	Hong Kong	China	Singapore	USA	European Union	New Zealand	Middle East	Vietnam	Malaysia	Korea	Indonesia
Custard Apple	4	5	4	6	4	5	5	2	4	6	4	5	5
Mango	3	2	2	2	4	5	2	1	2	6	2	1	4
Lychee	2	2	2	2	4	2	2	1	1	2	4	4	4
Passionfruit	4	6	4	6	4	5	5	5	5	6	4	4	5
Papaya	5	6	5	6	5	5	5	5	5	6	5	4	5
Melons	2	2	4	2	4	5	5	1	4	6	4	3	4
Pineapple	5	5	5	5	5	5	5	5	5	5	5	5	5
Longan	5	5	5	5	5	5	5	5	5	5	5	5	5
Rambutan	1	6	4	5	4	5	5	2	4	6	4	4	4
Durian	5	5	5	5	5	5	5	5	5	5	5	5	5
Mangosteen	1	6	4	6	4	5	4	4	4	6	4	4	4
Avocados	2	6	4	2	4	5	3	1	2	6	4	4	4
Bananas	5	5	5	5	5	5	5	5	5	5	5	5	5
Niche Bananas	4	6	5	5	6	5	5	4	5	6	5	6	5

Item	Rank
Target – High Priority	1
Target – Low Priority	2
Non Target – High Priority	3
Non Target – Low Priority	4
No opportunity	5
Not assessed	6

1.6.1 HIGH PRIORITY PRODUCTS

Those countries (target or non-target) which appear to offer the greatest potential – high priority (subject to conditions) for future market development include:

Country	Product/s
Japan	Mango, Rambutan, Mangosteen
New Zealand	Mango, Lychee, Melons, Avocado
Middle East	Lychee
Korea	Mango, Melons

New Zealand has been afforded a high ranking for a number of products for a variety of reasons, not necessarily connected to the volume of the opportunity that may be afforded by this market. The reasons are:

1. The Australian tropical fruit industry would benefit greatly by developing an international market culture and skills in a country such as New Zealand before it 'tackles' larger and more competitive market places overseas;
2. The supply chain has already been established for many products into New Zealand, including some tropicals and so a new 'business approach' is not required;
3. The closeness of the market does present some competitive advantages to it from competitors;
4. The closeness of the market also allows for market development initiatives to be more closely monitored;
5. New Zealand is an English speaking country;
6. The logistics system is well established between the two countries; and,
7. There is ongoing dialogue in regards quarantine matters.

1.6.2 LOW PRIORITY PRODUCTS

On the basis of the size of the opportunity, marginal competitiveness and other factors such as quarantine etc., there are a number of opportunities that have been identified which have a lower level of priority to that of those presented in Section 1.6.1. These are:

Country	Product/s
Japan	Custard Apple, lychee, passionfruit, melons, avocado, niche bananas
Taiwan	Mango, lychee, melons
Hong Kong	Custard apple, mango, lychee, passionfruit, melons, rambutan, mangosteen, avocados
China	Mango, lychee, melons, avocados
Singapore	Custard apple, mango, lychee, passionfruit, melons, rambutan, mangosteen, avocados
United States	Lychee
European Union	Mango, lychee, mangosteen, rambutan avocadoes
New Zealand	Custard apple, rambutan, mangosteen
Middle East	Custard apple, mango, melons, rambutan, mangosteen, avocados
Vietnam	Lychee
Malaysia	Custard apple, mango, lychee, passionfruit, melons, rambutan, mangosteen, avocados
Korea	Lychee, passionfruit, papaya, rambutan, mangosteen, avocados
Indonesia	Mango, lychee, melons, rambutan, mangosteen, avocados

Note must be taken that a number of Country by Product combinations investigations were not undertaken for reasons previously described.

1.7 Key Recommendations

This study has highlighted that Australia's tropical fruit industries are operating in a highly competitive international market environment, where any increases in sales will be 'won' on the back of good research, hard work and the co-operation and funding of numerous members of the supply chain.

This report has highlighted that there are a number of products in many markets which do not offer any potential in the short or medium term to be developed into viable export opportunities. We have highlighted these 'non-opportunities' and so feel that these sectors should not waste any further effort in working in these markets.

Further, there are a number of products which were not evaluated in this report as potential export opportunities, in particular Taiwan, China and Vietnam. Both China and Taiwan warrant a close eye as those economies begin to open there borders to foreign trade in fruits.

This report will make a number of generic and country specific recommendations for consideration by the TFIPP Steering Committee, into how it or its predecessors may be able to support the achievement of increased sales of tropical fruit products.

Identification of specific players to whom individual products may be targeted have in most instances not been recommended. It was not possible given the short time frame associated with this study to enable the consultants to feel confident enough to justify that a specific potential project partner has skills and abilities to become a potential supply chain partner. Rather our study has identified supply chain segments that should be targeted. CDI Pinnacle Management have however recommended that target countries should be regarded as "Chain Projects", with one element of the recommended methodology to develop trade in this markets identification of "good fit" partners.

1.7.1 GENERIC RECOMMENDATIONS

1. Investigate the feasibility of establishing a national tropical fruits industry association to (amongst other activities not relevant to this report) work with government as a single force on matters such as:
   - market access facilitation and prioritisation;
   - international chain development projects (sourcing of funding and prioritisation development);
   - supply chain education and awareness (whole of Australian chain);
   - research and development prioritisation and funding;
   - consumer education and marketing assistance information gathering and data collection;
   - develop generic promotional material;
   - funding and sourcing of funding for other projects as determined by the association.

2. Using the raw data supplied as a result of this research and others complete an investigation into the industry cost competitiveness of the various tropical industries in Australia. Further, use this information where appropriate to further qualify the recommended priority lists developed as a result of this report.

3. Develop a series of "Commercial Chain Awareness and Development Workshops" aimed at growing sectors of the tropical fruit industry. These workshops are to provide a series of commercially relevant case studies to highlight to participants, firstly, the need to develop a whole of chain focus to business development and, secondly, success stories / case studies on how other growers were successful.

1.7.2 COUNTRY SPECIFIC RECOMMENDATIONS

Table 2: Country Specific Recommendations

Country	Recommendation/s
Japan	1. High priority targets for the Japanese markets are mango, rambutan and mangosteen, with low priority products being custard apple, lychee, passionfruit, melons, avocado, niche bananas. 2. Identify a short list of tropical fruit importers who have the willingness and ability to work on a long term market development project focussing on the high priority products initially and the lower priority products over time. Strong consideration should be given to exploring linkages with Diamond Star to extend their product range from Australia. Other project partners will then be identified following the recruitment of the correct importer project partner. 3. Form a representative steering committee of those products identified as priority markets to work co-jointly with Japanese MAFF, AQIS and HMAC to establish protocols associated with gaining entry for those selected products into Japan (see 1.6.1 and 1.6.2). 4. Seek assistance from the Australian government to develop a Chain Market Development project involving commercial players from the growing, Australian marketing, quarantine agencies (MAFF and AQIS), logistics providers, specialist Japanese importers (interview process to select) and retailers. The initial focus of the project to identify chain specific opportunities with ongoing funding for chain development and optimisation to occur over an extended period. This project should focus on where possible the development of an “Australian Tropical Fruit Basket” approach to product offer. 5. The above project to seek to develop an “in-market” presence to the project at least over the period of supply through the recruitment of a chain manager and project manager. 6. Complete details of the recommended entry strategy for Japan are provided in Section 4.3.6.
Taiwan	1. Form a representative steering committee of those products identified as priority markets to work co-jointly with Taiwanese quarantine agencies, AQIS and HMAC to establish procedures associated with gaining entry for those selected products into Taiwan (see 1.6.1 and 1.6.2). 2. Seek assistance from the Australian government to develop a Chain Market Development project involving commercial players from the growing, Australian marketing, quarantine agencies (MAFF and AQIS), logistics providers, specialist Taiwanese importers (interview process to select) and retailers. The initial focus of the project to identify chain specific opportunities with ongoing funding for chain development and optimisation to occur over an extended period. 3. The above project to seek to develop an “in market” presence to the project at least over the period of supply through the recruitment of a chain manager and project manager. 4. Complete details of the recommended entry strategy for Taiwan are provided in Section4.4.6.
Hong Kong	1. TFIPP Steering Committee or predecessors to maintain a ‘watching brief’ on the Singapore market and to assist where possible any business

Table 2: Country Specific Recommendations

Country	Recommendation/s
	development initiatives which may become apparent. 2. Australian tropical fruit producers to develop a profiling document on the Australian tropical fruit industry and capability to be circulated to the main retailers in Hong Kong (as discussed) and importers (as discussed). Additional information on representative contact points for trade enquiries should also be provided. This data to be circulated on an annual basis. 3. More complete details of the recommended entry strategies for Hong Kong are provided in Section.4.5.1.
China	1. Form a representative steering committee of those products identified as priority markets to work co-jointly with Chinese quarantine agencies, AQIS and HMAC to establish protocols associated with gaining entry for those selected products into China (see 1.6.1 and 1.6.2). 2. Seek assistance from the Australian government to develop a Chain Market Development project involving commercial players from the growing, Australian marketing, quarantine agencies, logistics providers, specialist Hong Kong importers (interview process to select) and retailers. The initial focus of the project to identify chain specific opportunities with ongoing funding for chain development and optimisation to occur over an extended period. 3. The above project to seek to develop an “in market” presence to the project at least over the period of supply through the recruitment of a chain manager and project manager. 4. More complete details of recommended entry strategies for China are provided in Section 4.6.7.
Singapore	1. TFIPP Steering Committee or predecessors to maintain a ‘watching brief’ on the Singapore market and to assist where possible any business development initiatives which may become apparent. 2. Australian tropical fruit producers to develop a profiling document on the Australian tropical fruit industry and capability to be circulated to the main retailers in Hong Kong (as discussed) and importers (as discussed). Additional information on representative contact points for trade enquiries should also be provided. This data to be circulated on an annual basis. 3. Complete details of the recommended entry strategy for Taiwan are provided in Section 4.7.1.
United States	1. TFIPP Steering Committee or predecessors to maintain a ‘watching brief’ on the United States market and to assist where possible any business development initiatives which may become apparent. 2. Complete details of the recommended entry strategy for the United States are provided in Section4.8.7.
European Union	1. Provide ongoing funding to the Market Commercialisation projects currently being undertaken by the Australian Outback mango project. 2. TFIPP Steering Committee or predecessors to maintain a ‘watching brief’ on the European market and to assist where possible any business development initiatives which may become apparent. 3. Complete details of the recommended entry strategy for the European Union are provided in Section 4.9.6.
New Zealand	1. Form a representative steering committee of those products identified as priority markets to work co-jointly with New Zealand quarantine agencies, AQIS and HMAC to establish protocols associated with gaining entry for those selected products into China (see 1.6.1 and 1.6.2).

Table 2: Country Specific Recommendations

Country	Recommendation/s
	2. Seek assistance from the Australian government to develop a Chain Market Development project involving commercial players from the growing, Australian marketing, quarantine agencies, logistics providers, specialist Australian exporters (interview process to select) and retailers. The initial focus of the project to identify chain specific opportunities with ongoing funding for chain development and optimisation to occur over an extended period. 3. The above project to seek to develop an "in market" presence to the project at least over the period of supply through the recruitment of a chain manager and project manager. 4. Complete details of the recommended entry strategy for New Zealand are provided in Section 4.10.7.
Middle East	1. Seek assistance from the Australian government to develop a Chain Market Development project involving commercial players from the growing, Australian marketing, quarantine agencies, logistics providers, specialist Hong Kong importers (interview process to select) and retailers. The initial focus of the project to identify chain specific opportunities with ongoing funding for chain development and optimisation to occur over an extended period. 2. The above project to seek to develop an "in market" presence to the project at least over the period of supply through the recruitment of a chain manager and project manager. 3. Complete details of the recommended entry strategy for the Middle East are provided in Section 4.11.6
Vietnam	1. TFIPP Steering Committee or predecessors to maintain a 'watching brief' on the Vietnamese market and to assist where possible any business development initiatives which may become apparent. 2. Complete details of the recommended entry strategy for Vietnam are provided in Section 4.12.2.
Malaysia	1. TFIPP Steering Committee or predecessors to maintain a 'watching brief' on the Malaysian market and to assist where possible any business development initiatives which may become apparent. 2. Australian tropical fruit producers to develop a profiling document on the Australian tropical fruit industry and capability to be circulated to the main retailers in Hong Kong (as discussed) and importers (as discussed). Additional information on representative contact points for trade enquiries should also be provided. This data to be circulated on an annual basis. 3. Complete details of the recommended entry strategy for Malaysia are provided in Section 4.13.2.
South Korea	1. Form a representative steering committee of those products to work co-jointly with South Korean quarantine agencies, AQIS and HMAC to establish protocols associated with gaining entry for those selected products into China (see 1.6.1 and 1.6.2). 2. Australian tropical fruit producers to develop a profiling document on the Australian tropical fruit industry and capability to be circulated to the main retailers in Hong Kong (as discussed) and importers (as discussed). Additional information on representative contact points for trade enquiries should also be provided. This data to be circulated on an annual basis. 3. Complete details of the recommended entry strategy for South Korea are provided in Section 4.14.3.

Table 2: Country Specific Recommendations	
Country	Recommendation/s
Indonesia	1. TFIPP Steering Committee or predecessors to maintain a 'watching brief' on the Singapore market and to assist where possible any business development initiatives which may become apparent. 2. Australian tropical fruit producers to develop a profiling document on the Australian tropical fruit industry and capability to be circulated to the main retailers in Hong Kong (as discussed) and importers (as discussed). Additional information on representative contact points for trade enquiries should also be provided. This data to be circulated on an annual basis. 3. Complete details of the recommended entry strategy for Taiwan are provided in Section 4.15.2.

1.8 Chain Market Development Projects

This report has recommended for a number of countries the formation of Chain Market Development Projects, which involve a number of parties involved in the supply chain. As discussed previously CDI Pinnacle Management has not made specific recommendations regarding specific chain partners to each project. The following section however outlines a methodology that has been used previously by CDI Pinnacle Management on a number of supply chain development projects involving agricultural producers. Such projects have been developed using a 10 step approach which is described herein.

Each of the activities are best undertaken utilising the services of a project manager who is independent to the group and who has the ability and available time resources to undertake specific project activities.

1. Define Goals, Aspirations, Commitment of the Initial Group Members

- Prepare a charter
- Recruit initial members who share the same vision for the project
- Define goals, aspirations and committment
- Gaining producer financial commitment in addition to identifying other sources of potential project funds eg. federal and state government, other elements of the chain
- Establish a code of conduct for the group

2. Awareness and Understanding

- Identify specific learning materials / project mentors that exposes the group to specific learning materials, issues and information sources that will be important, including:
  - ✓ About group dynamics and working in groups
  - ✓ About communications and, new information and communication technologies (e.g. email, e-commerce, internet research)
  - ✓ about markets and marketing
  - ✓ about processing and quality control
  - ✓ about organisations and legal entities
  - ✓ about the nature of domestic / export chains from consumer all the way back to producer
  - ✓ other topics that will build a common level of knowledge about the business system that the group is deciding to enter in a more vigorous fashion

3. Commercial Capacity

- Auditing the production capacity of each participant and combine into a group picture, listing the normal / average for each, using measures including and not limited to:
  - ✓ Hectares / acres owned
  - ✓ Amount of production of key farm outputs, that generates farm turnover
  - ✓ Growth in turnover (past five years)
  - ✓ Projected growth (next five years)
  - ✓ How outputs are normally sold
- Identifying the key strengths that will make the group successful in the future (*Strategic Competitive Advantages*)
  - ✓ What makes the group special in the eyes of customers and consumers
  - ✓ Why will customers and chain partners find it beneficial to do business with this group of producers as a single supply source, how will you add value to the chain
- Identifying the Unique Selling Points of the group, these will differ in form for the different parties in the chain, some may be specifically aimed at processors, others at marketers, others at retailers and consumers.
- How to make decisions about branding and branding strategies if they are to be employed.
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4. Partner Search

- Defining type of organisation (s) that will be sought as a partner or partners
- Defining criteria for selecting chain partners
- Applying criteria and identify a group of prospective partners
- How to undertake a process of meetings, discussions, selling the group and the vision to prospective partners and seeking critical information from prospects

(including information that will enable group to evaluate prospects based on the agreed criteria

5. Chain Analysis

- How to undertake visits by producers and partners, to research and understand the whole chain together
- How to build a common level of knowledge about the whole chain including logistics, cold chain, processing, marketing, information flows, consumers, segments, and retail, food service and further processing sectors, markets and chains for by-products

6. Partner Selection

- Selecting a partner or partners and presenting the opportunity to those selected (judging how they react to selection and making a final decision based on how important / exciting the opportunity is to them is an important aspect)
- How to present your desired process from here
- How to agree a process for continuing with the selected partner (s) that reflects how the group and the partner (s) adopt and utilise the remainder of the steps

7. Chain Design

- How to decide how the chain will look and operate when business begins, key aspects include:
  - ✓ number of parties in the chain,
  - ✓ products and product specifications,
  - ✓ quality systems and standards,
  - ✓ processing steps,
  - ✓ packaging and handling,
  - ✓ cold chain and logistics,
  - ✓ information flows and how and what information will be shared (e.g. defining feedback systems to producers),
  - ✓ markets and market segments to be targeted,
  - ✓ demographics and attributes of target segments, method of transacting, by-products transacting, there are many others.

8. Solving Bottlenecks (an ongoing repetitive process)

- Identifying areas where change needs to occur to current way business is carried out (to supply target customers and consumers) and transacted
- Identifying the order in which the bottlenecks will be collaboratively addressed
- Identifying changes to roles and responsibilities of parties and what must be done to effect the transition
- Identifying how systems and processes can change to improve efficiency, quality, care, freshness, presentation, value, consistency, segmentation of markets and differentiation of products and others
- Prioritising these into an action list for addressing
- Having decided what changes are planned how to go about addressing those that are to be addressed first

9. Trial Trade (an ongoing repetitive process)

- Reaching agreement on how to commence trial shipments / processing / marketing
- Agreeing all of the parameters of trial transactions
- How to ship, follow and monitor trial shipment(s)
- How to evaluate process and outcomes and identify new / recurring bottlenecks that need to be addressed

10. Commercial Trade (ongoing process)

- Setting Up and Managing the "Trade–Review–Trade" cycle that should continue for all product-market opportunities indefinitely, a Continuous Improvement Process applied to doing business together in order to satisfy ever-changing customer and consumer expectations
- Focusing on the "Themes of Chain Management": Driving the process in which the chain operation, managed by the efforts of all chain participants, will continuously seek to optimize the three core themes of effective supply chain operations, being:
  - ✓ Segmentation and Differentiation (tailored packages to specific customers and consumers)
  - ✓ Chain Optimization (cost and time efficiency)
  - ✓ Chain Care (quality, freshness, environmental care, animal welfare).