

## Carnarvon Growers Association Incorporated

### Analysing supply chain opportunities for Carnarvon horticultural produce

### Stage 3 – Supply Chain interviews to test opportunities for regional branding

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a project funded by



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## Promoting Carnarvon produce in existing markets and linking with a regional brand

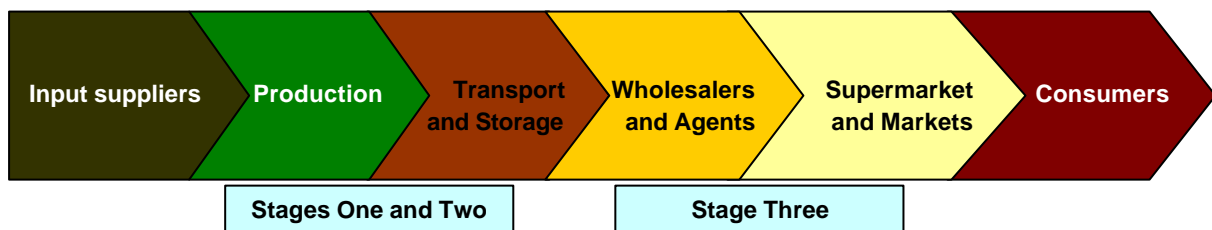
In June 2009 the Carnarvon Growers Association (CGA) commissioned agribusiness consultancy *Agknowledge*<sup>®</sup> to determine how to develop a sustainable competitive advantage for the growers of the Gascoyne and members of the CGA.

The aim of the project was to find ways to achieve a better return for produce marketed from Carnarvon. The CGA Management Committee determined the propositions that could be challenged by the study were:

- Carnarvon produce needs to be clearly identifiable, and systematically promoted as being preferable to produce from elsewhere.
- Consumers are willing to pay a premium for Carnarvon produce due to its superior quality and recognition.

The outline of the study followed some essential steps which build on a range of projects underway across the Gascoyne. The study process developed by working with the supply chain to test a range of recommendations and implementation opportunities which could assist the emergence of a more effective and viable Gascoyne horticultural industry.

### Supply Chain



The project commenced with a desktop review (June 2009) to deliver a detailed examination of the WA horticulture industry in the Gascoyne: with a description, situation analysis, price and cost analyses, supply and demand forces including seasonality. The second stage (July 2009) was to develop a series of relevant supply chain case studies. This stage investigated different business models which have successfully integrated primary producers into consumer-aligned systems. The report provided information covering inter-relationships between the supply chain parties, the product/service mix in the market and the capabilities required by each player, allowing CGA to understand business models for each market and category.

Through the initial desktop review and case studies, *Agknowledge* identified that:

- There is support from some sectors of the horticultural supply chain for Carnarvon to build a regional brand.
- There is a strong consumer push to know more about the origin of fresh produce purchases.
- Retailers are acting on this by buying more fresh produce grown in WA.
- There are some horticultural products more suited to 'branding' than others.
- Partnerships through the supply chain are necessary to drive brand development.
- Major barriers to the development of a local brand include:
  - lack of consistency, quality and volumes of supply.
  - the ability to differentiate a product.
  - the necessity for a robust quality assurance system.
  - a lack of local infrastructure.
- But it was identified that these obstacles could be overcome to develop a regional brand.
- Grower cooperatives/groups need to be cohesive and quick to take action.
- There are some good local business models that other products could replicate and/or leverage off.

Following presentation of the first two reports, *Agknowledge*<sup>®</sup> validated the background and direction with the CGA Management Committee (August 2009). The third phase of the project has been to seek more in-depth information from 'the market' about the potential development of a regional brand for Carnarvon and/or the Gascoyne area.

*Agknowledge* conducted interviews with 16 supply chain participants for this stage of the project and their comments are outlined later in this report. (Page 7)

## Horticulture and Fruit Production – Situation Analysis

### Overview of global market opportunities

- World horticultural trade will experience sustained growth until 2020.
- There is growing demand for year-round supply of fresh produce to developed Northern Hemisphere markets that Australian producers could fill in the counter-season.
- China and other Asian developing markets are also seeking year-round supplies of horticultural produce.
- Australia will soon benefit from a Free Trade Agreement signed with the Association of South East Asian Nations (ASEAN) that will significantly reduce or eliminate tariffs for about 95 per cent of goods that are traded.
- Other priority export markets based on volume, competitive pricing and traditional business for fresh produce include New Zealand, the US and the EU.
- Australia needs to be ahead of its major competitors - New Zealand, South Africa, Chile and Argentina - to supply these markets.
- Economic and/or population growth in developing markets will drive market growth for fresh produce.
- Australian horticulture cannot compete on high volume, low cost products. But it is well positioned as a high quality, premium producer of many product lines.
- Australian grown fruit and vegetables will need to be positioned on non-price attributes including quality, food safety, innovation, origin and environmental and social responsibility, to build a recognised and reliable brand identity in export markets.

### Overview of domestic market opportunities

- The Australian market is expected to expand by around 3 million people by 2020.
- Domestic demand drives the Australian horticulture supply chain, as about 88 per cent of total fruit and vegetable production is consumed locally.
- Rising imports of fruit and vegetables and slower exports have made Australia a net importer of horticultural produce.
- Wellbeing trends will result in per capita consumption of fresh produce increasing.
- Consumers are demanding more value-added products that appeal to health/wellbeing, convenience/practicality and experience/taste).
- Increasing specialisation into niche products is likely to result from any restructuring in the industry.

### Overview of the Carnarvon horticultural industry

- Horticulture is the biggest agricultural industry in the Gascoyne.
- 1,030ha of land is under horticultural production in the region.
- There are about 150 growers on properties ranging in size from 5 to 60 hectares.
- Gross value of horticultural production in 2008 was \$72.8 million, down 20 per cent on the previous year largely due to a reduction in tomato production.
- Gross volume of horticultural production in 2008 was 34,493 tonnes, slightly down on 2007 levels but an increase on 2006 production.
- Bananas are the highest value fruit crop and tomatoes and capsicum the highest value vegetable crops.
- A recent study (GVAP) found the top 11 lines suitable for production in Carnarvon based on marketing, financial and agronomic merit are: bananas, tomatoes, capsicum, grapes, oranges, cucumbers, melons, avocado, mandarin, watermelon and pumpkin.

### Demand factors

Fresh fruit and vegetables are the most frequently purchased, freshest items in the shopping basket. Despite the profile given to the fresh produce industry, it is estimated at only 4.5 per cent of consumer food expenditure. Increased spending is due to better range and availability, and increased focus on health and nutrition in food, yet per capita consumption is now flat after a period of growth.

Time-poor consumers are driving the need for more convenient products and convenient shopping locations. Consumer expectations continue to rise with the growing availability of high quality alternative health and snack food offers. There is a challenge for the fresh produce sector to retain consumer loyalty, especially amongst the young, as there is a wide array of new health, snack and other product alternatives supported by highly competitive marketing.

## Supply chain management

Wholesale markets remain a major function within the chain where the majority of prices through the chain are set or directly influenced. This is despite an increasing percentage of business direct to supermarkets to support their fresh product image and customers, and to obtain greater stability of returns. This practice varies by category based on the volume of individual commodity lines and the scale and sophistication of the enterprises.

The size of the consumer markets accessed by major supermarket chains has applied pressure for coordination of facets of supply activity (eg. quality management). However, the range of buying options reduces the scope for other forms of integration between producers (such as the use of open-price supply agreements and mixing supply between direct sources and purchases off the market floor).

The main drivers of price through the chain are:

- Retail prices are influenced by the seasonal costs of supply but also by the level of spending by the consumer. The consumer is sensitive to the cost of fresh food items that go into the shopping basket.
- As with other categories, retailers seek a target margin to achieve corporate and/or business targets but also to cover losses associated with produce spoilage, clearance discounting and the labour-intensive business of putting fresh food appeal into practice with stock display replenishment and adequate turnover of bay space.
- Wholesale prices are generally set in the fresh wholesale market system which exists in capital cities and limited other major urban centres.
- Seasonal crop variations resulting from climatic change and other natural events are generally the greatest single production factor to affect prices. Such variations affect: higher/lower output than the normal crop; smaller/larger fruit size; climate/storm damage; and crop disease and pest damage.
- The wholesale price setting mechanism is not set to pay the highest for best quality but to clear all product that is supplied. At times it pays low prices for high quality and vice versa.
- A major weakness in the fresh food market system is the lack of discipline that is sought by the supplier to the market and the general lack of complete information on the supply and satisfied demand. Market pricing is therefore open to manipulation by the intermediary and to a lesser extent by major buyers due to the lack of total market visibility. A major fresh food market is a place for the well informed buyer and seller.
- Supply is still the largest driver of price. Markets are relatively uninformed with minimal credible forecasting data or an understanding of the volume/price relationship.
- More organised fresh categories which provide participants with good information as to total crop forecasts, market conditions and product availability over a season are far better at managing the risks that arise from poor information.

## Price setting in wholesale markets

There have been many allegations from the production sector of the horticulture industry that wholesale markets are the source of profit-taking at the expense of fresh produce suppliers.

The wholesale markets are claimed to be the best example of what is called 'the perfect market', where price discovery occurs with the fair and free exchange of information about supply and demand. The major difficulty that faces many participants supplying fresh food markets is that the state of competition in the fresh food sector requires much more skill on the part of a seller than in the past.

Modern trading conditions require not only that a producer has the obligation to ensure that the quality and presentation of their fruit is of highest possible quality but that they make themselves fully aware of the market conditions prior to the time of harvesting and packing. It is clear from the nature of the information available that it is not enough to simply read the market reports: it requires a close relationship with the traders, as well as having one or more options for the sale of produce to the retail market.

## Ongoing relevance of the markets

It is arguable also that the wholesale market system does not accurately reflect consumer demand. Markets are driven by short-term pressure to clear the fruit which is on the floor and they do not respond directly to consumer demand for fresh food. This frequently creates demand aberrations (oversupplied or poor quality non-preferred apples, oranges or other perishables become in demand through short-term price discounting) which flow through into the retail product.

Wholesale markets continue to maintain a relevance to new forms of retail supply and supply chain management. It is largely against a wholesaler's interests to bypass his investment in the wholesale market structure by helping to improve the quality of the connection between supplier and retailer.

Supermarkets maintain significant facilities in wholesale markets to support procurement and distribution of many major lines of fresh fruit and vegetables while it suits their risk management in terms of cost, security of supply and quality. They will do so as long as direct supply of produce fails to provide the security of quality, volume and cost.

## Fresh fruit and vegetables: Major drivers of prices and costs

The fresh fruit and fresh vegetable category is highly diverse in terms of the product groups, scale of enterprises in farm production and extent of integration that exists through the chain. The sector is strongly driven by the competition at retail level between major supermarkets and other outlets for a share of the consumer dollar.

### 1. Farm production factors

- Production volume is highly volatile and seasonal which has a major bearing on the volumes coming to market, resulting in large fluctuations in wholesale and retail prices.
- High perishability and limited shelf life of product requires timely access to market once crops are planted and picking time committed.
- Pressure for water-use efficiency has improved yields over time.

### 2. Value-chain integration

- Increasing scale efficiency and integration of growing/packing and brand marketing activities by larger growers.
- Increasing incidence of direct supply by integrated growers/packers to chain retailers, providing stable pricing in order to secure long lines of consistent quality product.
- Pressure on wholesale/agency enterprises through growth in direct supply business.
- Juice fruit availability and returns have strong bearing on returns to the citrus sector.
- Increasing scale efficiency of growers and packing houses.

### 3. The marketing approach

- Increasing branding of product by grower/packer has impact on market access to more stable returns at retail and wholesale.
- Limited branding of fresh food at point of retail sale.
- Increased use of fresh food retail themes and systems by major chain retailers as a point of differentiation has driven strong supply and quality management disciplines back through the value chain to suppliers and logistics systems.

### 4. Regulation and compliance

- Increasing costs of doing business in farm enterprises to meet environmental, product integrity and food safety demands.
- A few other regulatory barriers to value-chain profitability.
- Meeting ethical and product integrity demands.

### 5. Trade impacts

- Export volumes are increasing in scale but based on market windows into premium fresh markets in Asian cities.
- Potentially strong impact of fruit imports in certain areas (bananas, table grapes, apples) is currently adversely affecting confidence for further investment to maintain economies of scale in production enterprises.
- Limited influence of vegetable exports on domestic market dynamics, as volumes are generally minor.
- Limited overall influence of vegetable imports or prevailing commodity prices.

### 6. Technology and innovation

- Increasing capital intensity in large-scale production and in packing house efficiency is changing operating cost structures.
- Limited transparency of market prices and costs through the wholesale market sector.
- Greater investment in innovation to improve production consistency and quality, varietal performance and handling efficiencies in harvesting, grading, transport and packing.
- Innovation in minimal processing and pre-preparation of fresh fruit for more convenient end use in home and food service.

### 7. Retail market dynamics

- Strong competition at retail level between major chains and between chains and other forms of convenience and specialty retail.
- Competitive pressure from food service.
- Greater demand for convenience and lifestyle solutions in meals and food preparation.
- Greater preference for consistency of product availability and quality in retail presentation.

## Stage One – Preliminary Desktop Review Report

The key recommendations made in the first stage of the project to ensure a sustainable competitive advantage for horticultural producers in the Gascoyne/Carnarvon region included.

### 1. The Supply Chain - Production

To some extent, producers can control the four marketing variables in the supply chain - price, product, place and promotion – to potentially increase demand/returns for their produce.

**Price:** Identify products grown in lower volumes with high potential for price influence: niche, specific benefits, targeted at high-income earners. More alignment of producers to increase product consistency and volume.

**Product:** Carnarvon horticultural industry assess crops and markets with potential for value-adding or value-adding to lower quality 'second' grade produce through post-harvest handling, processing, packaging or marketing.

**Place:** Investigate other outlets for place of sale including food service, airlines, restaurants (could be included in scope of previously mentioned research project into product development).

**Promotion:** Consider ways to improve quality and consistency, including managing volumes supplied to market, as this is the key to any successful promotion and marketing. Further investigation of direct promotional opportunities with independents, local fruiterers or service sector such as restaurants, cafes etc.

Consider creating stronger relationships with wholesalers and exporters who amass small lines of variable quality product and try to develop longer lines of consistent quality for on-sale to supermarkets, fruiterers, the food services sector and in some cases for export. Some of these agents are evolving into 'category managers' who may be able to establish the scale to innovate and develop markets.

Investigate processor relationships, but look where the regional identity can be easily maintained through processing as this is their scope for high value adding. Otherwise they face strong import competition. Investigate opportunities where working tightly as a group will be possible, as this will be most effective.

### 2. The Supply Chain - Consumers

Three major trends in consumer preferences are now influencing the demand for fruit and vegetables by Australian consumers: *Convenience*, *Experience* and *Wellbeing*.

Increased consumer spending on fruit and vegetables is largely expected to be driven by better range and availability of produce and an increased focus on health and nutrition in food. Time-poor consumers are driving the need for more convenient products and shopping locations and their expectations continue to rise, wanting high quality alternative health and snack food options.

### 3. The Supply Chain - Wholesalers and Agents

Market City is the Perth central market and \$350-450 million worth of fresh produce is traded through its central trading area annually. The market has about 600 customers, including major supermarkets, independent supermarkets and food service, catering and producer suppliers. There are 23 primary wholesalers and 30 secondary wholesalers, providers, distributors and food processing facilities.

### 4. The Supply Chain - Retailers/supermarkets

The two retail giants in Australia, Coles and Woolworths, dominate the national supermarket supply chain and typically source about 50 per cent of their fresh fruit and vegetable requirements directly from growers and the remainder from wholesalers.

If they are direct suppliers, growers are typically able to negotiate on a weekly, seasonal or year-to-year basis the volume of product with certain specifications, such as size, shape, colour and weight, they will supply. As more fresh produce volumes are being bought direct by supermarkets and retailers, there is increasing pressure on producers to enhance their product and varietal differentiation, information and supply management systems.

### 5. The Supply Chain - Transport/storage/packaging

It appears all transport systems need to be further developed to assist with any major future expansion of the horticultural precinct in Carnarvon to improve profitability.

### 6. The Supply Chain - Exporters of fresh and processed produce

Carnarvon-produced table grapes and mangoes are the only significant fresh produce to be exported from the region and it appears these are marketed through agents in Perth, not sold direct into the export market.

## Stage Two – Relevant Supply Chain Case Studies

To determine whether producer groups can benefit from the development of consumer aligned fresh food systems, the study looked at international case studies that covered a range of business designs with different approaches to integrating primary producers. The main conclusion was that primary producers do benefit from supplying supermarket-aligned systems. The case studies explored in the report investigate the inter-relationships between the three levels of competition in the market:

1. Product/service mix – visible to competitors and relatively easy to copy.
2. Capabilities to deliver the product and associated services – less visible to competitors and more difficult to copy.
3. Business design – this sets the foundation.

The case studies most relevant to the Carnarvon Growers Association (CGA) and local Carnarvon fresh produce growers outline the relationship between business design, capabilities and the product/service mix offered to consumers. Business design innovation encourages capability development and this in turn leads to a superior product for consumers.

### Critical Success Factors for CGA from the Case Studies

- There is no single perfect business design.
- The key is to develop and execute a business design that makes sense for each market and category.
- Farm accreditation schemes do provide some consumer risk management, but on the whole they do not provide a point of retail differentiation.
- Neither retailer nor industry-driven farm accreditation schemes are central to overall branding strategies nor do they provide any competitive advantage.

### How Producers can Benefit from Supply Chain Participation

1. **There is a need to create value for the end consumer**
  - ✓ Producers in these case studies placed strong emphasis on being part of a system that would be competitive in the long term.
  - ✓ Value needs to be created for the end consumer: the only point where money enters the system.
  - ✓ For most of the case studies this meant supplying a premium segment of the market, although this does not always have to be the case.
  - ✓ Branding, either retailer or supplier, is an integral part of developing systems that are aligned to the end consumer. The brand captures the promise to the consumer.
2. **There are rewards for developing new capabilities**
  - ✓ Businesses/groups are rewarded for developing a bundle of capabilities that are difficult for their competitors to copy.
  - ✓ Producers need to develop new skills in production, supply forecasting, recording systems etc.
3. **Partners are important**
  - ✓ Creating value is not just about vertical supply chains: developing horizontal alliances to create a network are increasingly important.
  - ✓ Most producers in these case studies did not liaise directly with the retail/supermarket customers.
4. **Payment systems are important**
  - ✓ There were increased costs of production, around 7-10 per cent, arising from participation in retailer-aligned fresh food systems.
  - ✓ Producers need to monitor costs of production and ensure the payment system covers the whole crop or farm production.
5. **There are risk management benefits from retailer-driven supply chains**
  - ✓ Producers in these case studies viewed supermarket accreditation schemes as a consumer risk management tool.
  - ✓ Retailers or suppliers are better placed to invest in a brand that will differentiate a product and provide a promise to consumers.

[\(The full reports from Stages One and Two of this project are available on request\)](#)

## Stage Three – Regional Branding, market survey

### Regional Branding Opportunities

Regional branding as a concept has been around for some time. One of the aims of regional branding is to establish a regional, national and sometimes international reputation for products that possess or offer a unique flavour or characteristic.

This report identified the need to discuss the 'candidate' products for a regional brand and determine from interviews the support for developing a regional brand and what issues to consider in the formulation of a future strategy.

The connection between food and health, food and culture, and food and tourism is becoming more understood and regional centres are developing initiatives that provide benefits for their local and visiting populations. The Gascoyne Development Commission is investing in a food trail using local produce to link in with tourism and hospitality in the Gascoyne region.

### September 2009 'Market' surveys

This phase of the project sought more in-depth information from the market about the potential development of a regional brand for the Carnarvon / Gascoyne area. *Agknowledge* conducted telephone interviews with 16 supply chain participants for this part of the project and their comments are outlined in this report.

The summary of comments is presented as a table of Opportunities and Barriers to establishing a brand for the region. Each interviewee was asked about their views on the value of a regional brand for Carnarvon/Gascoyne, what they considered were the barriers and opportunities and their opinion on the naming between Gascoyne or Carnarvon. The interviewees included:

#### Wholesalers

- Ben Tanner, Fresh Exchange
- John Mercer, Mercer Mooney
- Chris Langley, Quality Produce International
- Rick Conti, Key Produce

#### Market City

- Norm Carroll, Carroll Services
- David Anderson, PMA marketing operation

#### Industry

- Noelene Swain, Fresh Finesse
- Mike Littley, DAFWA

#### Retailers

- Matthew Trichet, Woolworths senior buyer WA
- Coles trading manager
- John Fewster, IGA Fresh state manager
- Michael Pember, Boatshed owner
- Michelle Clapper, Herdsman Fresh
- Fresh Provisions

#### Restaurateurs

- Chris Taylor, Frasers Restaurant
- Kate Lamont Lamonts Restaurants

## Executive Summary

Two of the four wholesalers surveyed were positive about the development of a regional brand for Carnarvon or the Gascoyne area. One wholesaler said it would not work because the region's grower base was too diverse and not cohesive. He suggested a better option would be for Carnarvon to sub-brand under the Buy West, Eat Best campaign. One wholesaler said putting the name Carnarvon on all bulk boxes/packaging was sufficient branding.

Carnarvon was seen as a preferred brand, rather than Gascoyne.

Both of the experienced horticultural representatives from Market City were positive about Carnarvon having its own regional brand. They said the brand could capitalise on the region's winter supply window ie. provision of local fresh produce out-of-season.

Five out of six retailers surveyed, including Coles and IGA, said there was good potential for Carnarvon to have its own regional brand.

The other retailer, Woolworths, said supply volumes were insufficient and it preferred to promote WA-grown, rather than individual regions.

All retailers said their customers were increasingly aware of the 'origins' of their food and this trend was not likely to abate. As a result of this, retailers are providing as much information as possible to their customers about where their fresh produce is grown.

All retailers surveyed were participants in the Buy West, Eat Best campaign and they said it was working well. Some suggested Carnarvon develop its brand as a 'tag' to this scheme.



Fresh produce promotional company Fresh Finesse and the DAFWA representative were positive about the potential for the Carnarvon region to develop a brand. Again, it was suggested the region could capitalise on the existing Buy West, Eat Best campaign. A long term commitment was needed for brand development and establishment.

The restaurateurs were positive about Carnarvon having its own regional brand, one suggesting good quality produce would sell itself.

### Summary of comments

Opportunities for establishing a brand	Barriers to establishing a brand
<p><b>Image and values</b></p> <ul style="list-style-type: none"> <li>• Carnarvon has a marketable image of ‘freshness’.</li> <li>• Exploit the ‘freshness’ of Carnarvon produce but overcome some quality issues.</li> <li>• Differentiate products that have a guaranteed quality or flavour.</li> <li>• Higher prices can be achieved for growers if the quality systems are right.</li> </ul> <p><b>Candidate products</b></p> <ul style="list-style-type: none"> <li>• Candidate products for a brand include persimmons, stone fruit, grapes, citrus, bananas, mangoes, papayas and melons.</li> <li>• Product development for red grapefruit, sweetcorn, avocados, tomatoes, capsicums.</li> </ul> <p><b>Value adding</b></p> <ul style="list-style-type: none"> <li>• Value adding by packaging premium products.</li> <li>• Value adding requires further investigation of opportunities for the region.</li> <li>• Value-adding potential with cut vegetables and with better packaging.</li> </ul> <p><b>Cooperative development</b></p> <ul style="list-style-type: none"> <li>• Growers working in cooperative arrangements.</li> <li>• CGA could sponsor retailers to visit growers in the Carnarvon region annually.</li> <li>• Establishing closer supply chain relationships with wholesalers and retailers.</li> <li>• Promotion direct with retailers.</li> </ul> <p><b>Branding</b></p> <ul style="list-style-type: none"> <li>• Branding is important for the export trade.</li> <li>• Co-branding with existing campaigns, such as Buy West, Eat Best.</li> <li>• Need to work closely with retailers in brand development and promotion.</li> <li>• Supplying the ‘home’ brand market for major retail supermarkets.</li> </ul>	<p><b>Supply</b></p> <ul style="list-style-type: none"> <li>• The ability to supply consistent volumes and quality was challenged.</li> <li>• Carnarvon could cater for the volumes required by the end market and economies of scale could be achieved with pooled production, however a more coordinated and cohesive approach was needed to boost volumes.</li> <li>• Seasonal conditions are a limiting factor.</li> <li>• Inconsistent weather/seasonal conditions. This needs a risk management strategy.</li> </ul> <p><b>Quality</b></p> <ul style="list-style-type: none"> <li>• A good brand needs a robust, commercially-driven quality standards system adhered to by all brand participants to deliver consistent quality.</li> <li>• A QA scheme is necessary, along with group standards.</li> <li>• All growers contributing to the brand need to have uniform standards.</li> </ul> <p><b>Brand</b></p> <ul style="list-style-type: none"> <li>• Knowledge of the target market/consumers is essential.</li> <li>• It is not necessary to have a brand, but preferable to have top quality produce that will ‘sell’ itself.</li> <li>• A range of brands may be needed for a range of products and markets.</li> <li>• Branding only helps when prices are low. Buyers would buy regardless of brand when the market is buoyant.</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• A high standard, centralised across-commodity packing shed is needed, but this could add to grower costs.</li> <li>• Current available land is being under-utilised and producers could be encouraged to try different crops at different times of the year.</li> </ul> <p><b>Relationships</b></p> <ul style="list-style-type: none"> <li>• There is a current lack of grower follow-up of their product to the central markets, which inhibits feedback and development of relationships with wholesalers.</li> <li>• Central marketing does not build good supply chain relationships and prices should be monitored more closely by Carnarvon growers.</li> <li>• Overcoming the mentality of ‘best price’ supply.</li> </ul>

## Report on discussions across the supply chain

### Wholesalers

#### Ben Tanner, Fresh Exchange (a division of Costa Exchange)

Fresh Exchange is WA's biggest fruit marketer operating out of Market City. The company sources and markets about 50 per cent of total table grapes and 50 per cent of total bananas produced in Carnarvon. It has developed a strong relationship with Sweeter Banana Co-operative during the past 6-8 months, resulting from an invitation to assist the group's marketing sub-committee.

#### Views about regional branding proposal

If Carnarvon growers work together and go down the path of regional branding for selected products, it should help their businesses. I think regional branding is a very positive step forward for that region. There has been strong recognition from retailers not just about the importance of 'buying local', but also the importance of a regional brand.

I think the factors that will make it work are:

- consistent volumes.
- quality produce.
- an identifiable brand and market.
- a promotional strategy to promote their region and the brand.

The branding process would be driven by partnerships between producers and retailers. If you want to promote your region, you would go to the retailer with a plan and some marketing strength behind you.

As the middle agent, we would not be involved in the development of the branding process.

#### Carnarvon vs Gascoyne brand

I think Carnarvon would be more identifiable by retailers and consumers and that would be my preference over a Gascoyne brand.

#### Barriers to regional branding for Carnarvon

##### Supply

I would say the major barrier is supply. I think Carnarvon growers could improve the coordination of their supply.

It wouldn't hurt for the table grape growers to be more united in developing and coordinating a market and brand for their product.

Grower groups or grower co-operatives would work best. They would form a brand, set specifications, make sure these standards were being met and source good knowledge about their markets.

##### Consistent quality

Quality assurance is a minimum necessity for individual growers involved in branding. QA or a set of standards would be required for grower groups or co-operatives. The group would set the standards and make sure product specifications were met before the produce left the region.

##### Infrastructure

I would think Carnarvon needs a central, coordinated packaging facility if it wants to promote its regional produce.

##### Pricing

Pricing is a difficult area and varies depending on the product. For example, grapes are stored up to 2-3 weeks prior to sale and ultimately the market will determine the price.

#### Opportunities for regional branding for Carnarvon produce

##### Value-adding

How much potential there is for value adding, I am not sure. I am not a big advocate of processing because there are often high costs with minimal returns. I would say the best value adding potential for the Carnarvon area would be packaging premium products and branding them.

##### Promotion

I would say there are opportunities for direct promotional activities in partnership with retail outlets. I think with a regional brand, it will be more important to build relationships with the end consumer. Currently there is not a lot of consumer recognition of local brands. There needs to be good identification on-shelf, whether it is through packaging or stickers or in-store tastings.

## Candidate products

Grapes, citrus, bananas – although the Sweeter Banana Company has that market mostly covered. (I don't deal with vegetables, so can't comment on that side of things.)

Private 'home' brand labelling: there would be opportunities there with Coles, but Woolworths is moving away from that.

Coles is very keen on identifying the region/source of production.

## John Mercer, Mercer Mooney

Mercer Mooney is the biggest privately-owned fruit and vegetable operation in WA and the biggest business based at Canningvale's Market City. It prefers to deal with large scale individual producers who can supply big volumes of product.

Eighty per cent of Mercer's fresh produce comes from 20 per cent of growers. The company also likes to deal with grower groups, if they are cohesive and on-the-ball. (John said he was keen to see key industry groups get together with Carnarvon producers to discuss the way forward for the region.)

## Views about regional branding proposal

I can't see Carnarvon being able to develop a regional brand because its growers can not work together. And the key to a brand's success is a commitment by its owners to work cohesively. The Carnarvon growers are not cohesive. There are too many individual groups and too much of a cultural mix, with groups not getting along.

It is a very, very challenging environment. We tried many years ago to build a brand in the Carnarvon region, but it didn't happen because there wasn't any cohesion amongst the growers.

Even the best brand in the region – Sweeter Bananas – is being stuffed up. I think that brand is about to die.

## Barriers to regional branding for Carnarvon

Lack of cohesion. As I have said, lack of cohesion in the grower community.

Price, quality and availability are the keys to a brand's success, but Carnarvon growers are beyond coordinating to do anything. Consistent quality. Minimum standards should be FreshCare and then if they were aligned to Buy West Eat Best, the rest would take care of itself.

## Opportunities for regional branding of Carnarvon produce

### Co-branding

I think the best way forward for Carnarvon growers in terms of branding is to tag on to the Buy West Eat Best campaign. This is a food-specific brand that clearly identifies WA food products and is managed and controlled by the Department of Agriculture and Food WA (DAFWA). In my opinion, the CGA should align its products with the Buy West Eat Best logo and enhance it with a Carnarvon or Gascoyne 'tag' specifying that the produce was grown in the Gascoyne region.

My preference would be Carnarvon over Gascoyne as a brand name.

Such a co-branding move would give the group more traction than trying to develop its own brand – that simply won't work in practice.

### Branding specific products

I don't think there is any potential for them to go down that path with other products or product lines. For example, with table grapes, Carnarvon growers are the only ones supplying at that time of the year - so there is no point spending money on a brand when buyers are buying the product anyway. Tomatoes are marketed on price alone, so it's not necessary to have a brand for those.

I don't think branding in fruit and vegetables is a big issue at all. Sweeter Banana has been a reasonably good brand but, as I said, they are even stuffing that up.

### Value-adding

I would say there is minimal opportunity for value adding in Carnarvon – it is simply too far away from Perth.

## Chris Langley, Quality Produce International (QPI)

Quality Produce International is a major wholesaler of fruit and vegetables at Market City and deals with Carnarvon growers in a wide range of produce. It describes itself as a banana and mango specialist.

It prefers to deal with smaller, boutique growers who grow and pack their own fruit. This ensures good two-way communication between producer and wholesaler and any future problems can be dealt with well in advance. It also ensures the company has a good handle on quality and consistency issues.

**Views about regional branding proposal**

I am unsure if there is a potential for the Carnarvon region to have its own brand – there are pros and cons.

Sweeter Banana Company has the banana market covered and it has established a good reputation for its product. Other products could leverage off that good name.

**Lack of grower cohesion**

The biggest problem in getting a brand established is getting growers to unite to make it successful. A lot of growers or commodity groups have their own brands, especially Sweeter Bananas.

**Supply**

Carnarvon is as seasonal with supply and quality as all other regions – no worse or better. They have just as many obstacles in getting around that as any other growers and I think retailers in WA accept these limitations.

**Infrastructure**

Carnarvon is like all areas that have small acre producers: a lot of growers have small sorting and packing sheds etc. on-property.

Logistically, it could be better for all of us if there was a central, coordinated handling/sorting/packaging shed in Carnarvon. But its success would depend on who was running it. We recognise that such a system could increase costs for producers if they had to pay for handling that they have been doing on-property.

**Opportunities for a regional brand for Carnarvon produce**

Take a 'grown in Carnarvon' approach. I think the name Carnarvon is a brand in itself.

As market agents, we have our own bags that we send out to our growers, so by default we end up with uniform lines of products that are bagged up for retailers with the origin on the bag. We find that retailers like branding. But we are sales people, not marketers, so that is not really up our alley.

**Rick Conti, Produce Sales, Key Produce**

Key Produce is a WA fruit and vegetable wholesaler based at Perth Market City. It deals in a wide range of Carnarvon produce, including tomatoes, grapes, capsicum, cucumbers and melons.

**Views about regional branding proposal**

I think overall the idea of a regional brand for Carnarvon produce is a good one. But there are pitfalls. At the most basic level, if it is to go down this path, the CGA needs to decide if it:

- a. wants to establish a generic brand for all produce from the region, in which case it will really be selling the packaging, or
- b. if it wants to brand and market produce to its best advantage through to retail/consumer.

In our experience we have found branding only helps growers when prices are low. When prices are high, the brand has no effect in the market. Also it takes a good three to four years to get a brand name well established and recognised in the market before you see much return for effort. It is a long-term commitment.

**Barriers to a regional brand for Carnarvon****Central packing**

There are two main pack houses in Carnarvon and the brand will only be as good as these facilities and the people working in them. If the packers are having a bad day, it impacts on the quality of the produce by the time it gets to market.

Carnarvon is one of only a very few growing regions where there are many small plantations side-by-side, three major transport carriers and two central pack houses (plus Sweeter Banana). We are receiving a mix of produce at the Perth central market that has been packed either at the central locations or on the grower's property. And with such a multi-grower base and some growers using a mix of central and on-property packing, the quality standards and grades are often all different – even from the same grower.

If the CGA wanted to develop a 'brand to market', it would need to ensure vigorous quality control of the product that is going into the pack and that the product was being consistently graded to the brand standards.

**Quality**

I think the Carnarvon district needs a quality safety net. Production standards in the region are high and growers are producing consistent lines of produce. Quality standards would depend on the type of branding they decide to go with: packaging or marketing of a branded product to consumer end.

## **Opportunities for a regional brand for Carnarvon produce**

### **Supply chain relationships**

There is merit in Carnarvon growers more closely aligning themselves with agents or retailers, such as Loveapple and Gascoyne Gold have done. But, again, if they are going to develop a brand it needs strict quality specifications. The volumes are there, but it would be difficult to get the Carnarvon grower group as a whole to agree on such quality standards.

### **Direct wholesaler relationships**

Our preference is to deal directly with individual growers. Then we can establish close relationships and deal one-on-one on a daily basis.

My specialty is grapes and I give my growers feedback from the buyers on the trading floor. It is important to give them that feedback so they can develop their product.

### **Visit the markets**

I would like to see Carnarvon growers be more pro-active in following their product to the central markets at Canningvale. A very large percentage of growers have never been here to see the selling of their product. It would be good for them to see their competition and I think it is a limiting factor that they don't do that.

## **Norm Carroll, Carroll Services**

Norm has a long history in WA's fresh produce sector. In his early career he was a major buyer for Woolworths fresh produce and now he works at Market City providing market reports to the Perth Marketing Authority. He also works with Sweeter Bananas providing them with a watching brief and daily price information, and some Carnarvon grape producers.

### **Views about regional branding proposal**

I think there is definitely good potential for the Carnarvon region to have its own brand, especially for the produce that is sold on the eastern seaboard like tomatoes, capsicums and zucchinis. There is a lot of value in promoting the area in the eastern States. And from a local retailer point of view, consumers don't know the area of origin of their produce. I think Carnarvon should promote that it is supplying fresh produce during the winter months.

The region would be best to leverage off the Sweeter Banana Company brand because it is so well known in the market. That brand works because the bananas have such a unique flavour and taste. They are different to bananas you will taste from any other region in Australia.

### **Barriers to a regional brand for Carnarvon**

#### **Quality**

If you are going to brand and market a product, it needs to be the right quality and it needs to look good. For example, most of the tomatoes produced in Carnarvon are now graded through a central packing shed and the quality is uniform. It is computerised and it produces a consistent product.

Central packing is a key issue to achieving consistent product standards, but it is not the paramount issue.

What is paramount is that all growers have the same quality standards. To achieve that, they need to work together more closely and that will be a big challenge for the Carnarvon region. There are some consistently good growers who have been in the area for a long time and then there are newer growers who have a different philosophy and just want to make some quick money.

It will be very challenging to get the various groups working cohesively. But Sweeter Banana Company has done it, so it is possible to achieve.

#### **Supply**

Major retailers in WA want to buy locally produced product. For any retailer, cost is the least consideration. They want continuity of supply and quality. Carnarvon can achieve on both of these levels.

### **Opportunities for branding Carnarvon produce**

#### **Products**

The red grapefruit from Carnarvon has a small window of opportunity in the market. There is a particular grower who is recognised in the buying trade as having the best tasting red grapefruit in Australia. There would be good potential to brand that product and promote it.

There is another Carnarvon grower who grows the best sweetcorn, which is preferred by buyers, but it is not branded or labelled as coming from Carnarvon at the retail level.

## **Working with retailers**

Working with retailers to promote the region and any brand it develops will be the key to its success in the market.

The grower group will need to work with all sectors of the supply chain to get the brand name out there and recognised.

## **David Anderson, Perth Marketing Authority Market Operations Committee Member**

Perth Marketing Authority (PMA) operates WA's central market, Market City, in Canningvale. More than \$350-450 million worth of fresh produce is traded through the central trading area annually. The market has about 600 customers, including major supermarkets, independent supermarkets and food service, catering and producer suppliers. There are 23 primary wholesalers and 30 secondary wholesalers, providers, distributors and food processing facilities. The PMA market operations committee investigates strategic policy for the PMA and David Anderson has a horticultural farming background.

### **Views about a regional branding proposal**

I can see some distinct advantages for the Carnarvon horticultural sector having its own regional brand. Consumers in WA are savvy about where their produce comes from. There are inherent problems, but as a generic campaign I think it is a good idea.

Carnarvon and Gascoyne growers provide Perth and the South West with a lot of fresh produce between April and August-September, so the area has specific value in filling that market over the winter months.

The south coast region has already successfully gone down the path of establishing a regional brand with 'Rainbow Coast' and Western Potatoes is a well-known brand that markets a specific product for its growers right across WA.

There may well be a gap that a Carnarvon brand could fill. A Carnarvon brand could exploit the area's unique environment. Gascoyne Gold is well known in packaging, so a brand incorporating Gascoyne could be a better way to go than Carnarvon. I like the fact that Gascoyne is a bit broader.

### **Barriers to regional branding for Carnarvon**

#### **Quality and supply**

Consistent quality and supply are crucial to the success of a brand. For example, Carnarvon-grown tomatoes are packed centrally and arrive in Perth as a good consistent product because they have gone through that process. I think consistency improves if a region can source and pack its own products.

#### **Volume**

Consistent volumes are also critical, especially for Carnarvon given it is 1,000km away from the central market. There are economies of scale to be achieved in transport, cold storage and refrigerated trucking with high volumes of supply. I think Carnarvon would have sufficient volumes of supply of things like tomatoes, mangoes and eggplants for a brand to be successful.

### **Opportunities for branding of Carnarvon produce**

#### **Specific products**

I think 'candidate' products for a regional brand from Carnarvon could include avocados, mangoes, tomatoes and capsicums. But with tomatoes, for example, as Carnarvon supplies diminish and Perth producers come on-line, the metropolitan producers would benefit from any marketing/promotional campaigns conducted by the Carnarvon industry. I think producers would have to take the good with the bad in that respect.

Quality Assurance is vital: everyone expects it these days.

#### **Branding**

Don't re-invent the wheel. There are many opportunities for Carnarvon growers to leverage off existing brands and marketing schemes. Use things like the Buy West Eat Best campaign and find as many more of these programs to be involved in as you can.

Private 'home brand' labels: the supermarkets are big volume customers and their private 'home brand' labels are a fact of life. Growers can take advantage of that market, but need to be prepared to give the retailers some say in the packaging.

#### **Promotion**

To be effective, promotional campaigns for a new regional brand have to be vertically integrated through the supply chain.

## Pricing

Pricing is an issue for Carnarvon growers especially because they are paying out \$120-140/tonne in freight costs that need to be added to the price of produce. Market agents and consumers need to expect to pay more for produce from the region.

## Value adding

I think there is certainly potential for value adding in Carnarvon. The more value adding you can do in the region or in a rural town, the better it is for the local community. It invests money into the local economy, instead of shipping those extra returns to Perth with the produce.

## Cooperatives

I think there is more force in grower groups or cooperatives and these need to work together and be united in their positions.

## Retailers

### Matthew Trichet, Senior Buyer Woolworths

Typically over the winter months Woolworths sources a big percentage of its vegetables from Carnarvon because of its key seasonal supply window. In November and December we have high volumes of Carnarvon grapes coming through and we take Carnarvon bananas year-round.

We prefer to deal direct with growers because it benefits us in:

- having guaranteed fresh and quality produce.
- being able to work closely with the producer on quality issues.
- providing price advantages for us and the grower because there is no middleman.

## Views about regional branding proposal

Woolworths does not identify a 'region of origin' at point of sale for fresh produce because we find we can not rely on regions to fill supply.

We do take as much produce as we can from Carnarvon because it is beneficial for us to do so: it is fresh, it is close by (as opposed to the eastern States) and it costs less because of shorter freight distances. But we couldn't rely on the region to supply us 100 per cent of the time and that is why we can't put the Carnarvon name on the produce ticket in store.

There is not a lot of fresh produce that has a regional brand. I guess with pre-packed products, we could do that, but fresh supplies are still hit and miss. We do support the Buy West, Eat Best campaign and we are driving that logo for local/WA growers.

We also are required by legislation to have country of origin labelling, which identifies imported produce and produce grown/made in Australia.

Consumers are becoming increasingly aware of where their food is grown and that mood is only getting stronger. It is largely being driven by the media. We recognise that trend and so we do try to educate consumers where we can.

I don't know if there is value in Carnarvon having its own regional brand for fresh produce. It would increase consumer awareness of the region, but for us, we have taken a stance on having a WA approach: supporting State-wide local production.

## Barriers to a Carnarvon regional brand

### Quality and supply

If Carnarvon did develop a brand, it would need consistent supply and quality. Supply would be a major hurdle for the area. The brand would have to be backed-up by a quality or flavour stance, where it differentiated Carnarvon produce from other regions with an advantage in flavour or another attribute. For example, Mt Barker free range chickens.

It would need the whole industry in Carnarvon to deliver a quality product to meet brand standards.

## Opportunities to brand Carnarvon produce

### Candidate products for branding

Nothing immediately springs to my mind that would particularly suit a regional brand. But, if the CGA did come up with a product that could be successfully branded, its success would lie in having a guaranteed quality or flavour. That would be the key criteria.

All growers supplying produce for the brand would need to cooperate with the agreed standards and cut out all second grade produce.

**Value adding**

The biggest hurdle in value adding in the Carnarvon/Gascoyne region would be the distance to Perth versus the shorter shelf life of pre-cut or processed products.

It would also need a big investment in infrastructure. A central sorting/grading/packing facility would need the latest technology and that would be costly: it might not be worth the effort financially.

We do most of our cut produce on site at Woolworths stores and I can see we will need to continue doing so until someone develops the right technology and systems to store and transport produce to us successfully within a 24 to 48-hour window.

**Coles – A Trading Manager’s Perspective**

Coles spends about \$120 million annually on WA grown fresh produce. It has a preference for sourcing WA-grown product where possible and about 80 per cent of its fruit and vegetable purchases are grown in WA.

The trading manager said there was definite potential to grow that figure and Carnarvon producers could be part of that expansion. Coles sources about 40 per cent of its weekly fruit and vegetable purchases from the central market system, but the trend to source produce direct from growers is increasing. Direct relationships are preferred because quality is more consistent, it is easier to control supply, the company can better strategically plan production with suppliers and it can better analyse base volumes, future production and growth potential.

Coles tends to deal with producer groups or small groups of suppliers growing the same product rather than with individual producers, mainly to ensure sufficient volume and staggered supply of product.

**Views on regional brand proposal**

The Sweeter Banana Company is the best example in WA of a collaborative marketing approach, incorporating the producer group, the retailer and the consolidated agent.

It is important to have a third-party agent in this process because it improves the working relationship of the supplier and the seller. We would like to develop this exact type of relationship with other products.

This would probably not add value to the supply chain for fruit and vegetable staples; instead it would be better to concentrate on mid-tier and premium product lines.

We would be enthusiastic about development of a regional brand for Carnarvon fresh produce, if the produce to be supplied was supplied consistently and had consistent quality. Such branding is something our company would certainly take all the way through to the consumer, who is increasingly seeking locally-grown fresh produce.

**Barriers to a Carnarvon regional brand****Supply and quality**

Any move to set up a regional brand would require efficient supply and improved quality, where quality is not necessarily related to appearance or aesthetics, but could focus on flavour or juiciness. An example of this would be the recent move by Sweeter Banana Company into ‘Smoothie’ bananas that are not first grade, but have targeted a specific market. The response to this product has exceeded everyone’s expectations and supply can not keep up with store orders across the State.

Carnarvon could capitalise on this potential, but generally, growers in the region need to concentrate on overcoming inconsistencies in produce quality and supply and overcome a mentality of ‘best price’ supply.

Growers really need to have a clear understanding of where they want to go and look at developing clear strategic relationships for the long-term.

**Opportunities to brand Carnarvon produce****Value adding**

There are opportunities for value adding and product differentiation through Coles in the long-term. But Carnarvon growers need to concentrate on first getting the basics right for consistent supply of good quality produce.

**John Fewster, State Manager IGA Fresh**

IGA stores are individually owned and run and managers can choose whether they want to use IGA Fresh. IGA Fresh is a separate division of the IGA retail network. It buys fresh produce direct from producers and through Market City and then places that product into the IGA retail supermarket network.

IGA Fresh does service the bulk of IGA stores in WA, supplying fresh produce to 115 of the 220 stores. About 70 per cent of its produce is sourced direct from growers.

The company provides its prices to the stores daily and they place their orders for delivery that day.



### **Views about regional branding proposal**

There are not many regional brands in WA. The most predominant WA brand for fresh produce, in the minds of consumers, would be Sweeter Banana Company.

There is certainly value in having brands. WA consumers are focused more than ever on supporting produce that is grown or made in their state.

IGA has recognised this and we undertake a massive marketing campaign in September focusing on WA produce. Just last week we had a two-page print media spread devoted to Carnarvon produce. Our month-long promotion coincides with the Perth Royal Show so that customers get the links of seeing the product at the show, talking to producers at the show and then being able to buy the product in-store at their local IGA.

We really aim to push WA product and I would think we would be a leading retailer in such efforts in WA. We have had some support from growers and their agents in these advertising campaigns and we offer the opportunity of featuring growers in our catalogues. IGA is driving this process, not producers.

I think any move by the CGA to establish a regional brand would be beneficial for both them and IGA in our campaigns that are targeted at getting consumers to buy local produce.

### **Barriers to a Carnarvon regional brand**

#### **Supply**

IGA Fresh is very open to working with individual growers and grower groups, but we want them to be able to provide consistent high volumes of supply.

#### **Quality**

Quality standards are very important. CGA would need to be highly aware of the quality specifications their customers would demand.

### **Opportunities for a regional brand for Carnarvon produce**

#### **Marketable image of 'freshness'**

I think Carnarvon has a very 'marketable' image. When consumers see Carnarvon they immediately associate that with 'new season'. There is an inherent element of knowing that Carnarvon produce is fresh and I think that is the biggest advantage the region could exploit.

Also it has the quality of produce that would be needed for a brand campaign.

I think there would be a lot of opportunities for joint promotional initiatives between the grower groups and IGA if we became involved with the brand development.

#### **Value adding**

Consumers are certainly seeking pre-packed items for convenience and I would think there would be opportunities for the CGA to investigate opportunities in this area. It would probably be better suited to vegetables, which have a longer shelf life when cut than fruit.

### **Michael Pember, Owner The Boatshed, Cottesloe**

The Boatshed in Cottesloe is renowned for stocking premium quality produce. It aims to buy the best quality produce that it can, the bulk of which is sourced through the central markets at Market City.

Currently only 20-25 per cent of our fresh produce supplies come in direct from growers, for example lettuce, because we are a one-store business and it is difficult to have trucks coming in from all over the place. We are keen to create more direct links with growers, but we would only build relationships with those growers who shared our philosophy on quality. We have good relationships in the Canning Vale markets.

### **Views about regional brand proposal**

I think there is value in having a regional brand for Carnarvon produce.

The more information we can pass on to our customers, the better. We are increasingly giving our consumers more product information about the specific region of origin. There is value in that knowledge for consumers, who are definitely paying more attention to where their food comes from and how it is grown.

I think there is value in letting consumers know that a big percentage of their fruit and vegetables is coming from Carnarvon at this time of the year.

### **Barriers to development of a regional brand for Carnarvon**

#### **Quality**

The major factor underpinning a brand is quality and we would only work with growers who shared our philosophy on that.

We would need to ensure the integrity of the quality system and the product. In effect, the growers/grower group would be the quality controllers of the product before it arrived to us and then they would be rewarded for their efforts with higher prices.

At present we have to scour the central markets to find produce to meet our quality standards. If we could work with a regional group that had a top quality product and eliminated the need for us to scour the markets, it would be a win: win for both parties.

### **Seasonal conditions**

Seasonal conditions are out of anyone's control, but they are a factor when it comes to supply of consistent quality produce. I would think that would be the biggest barrier to brand development. And I don't know how you overcome that.

### **Opportunities for a regional brand for Carnarvon produce**

#### **Close relationships**

The CGA would need to work in partnership with retailers in the development of its brand. We would be open to that possibility.

We want to deliver better outcomes for our customers and would work with growers in provision of information and promotions. We would be keen to help growers as a means of developing our business and we see there is a lot of value to be had in sharing information and feedback through the supply chain. Such information sharing will help us as retailers and producers as suppliers.

#### **Candidate products**

There are definite possibilities for branding, including Morels papayas, mangoes (which Carnarvon is well known for) and melons.

I don't think there is as much opportunity for vegetables because consumers don't tend to pay as much attention. But there would still be value in promoting the region of origin.

### **Michelle Clapper, Herdsman Fresh Marketing**

Herdsman Fresh is another retail outlet renowned for its premium, fresh produce. It buys a significant percentage of its fruit and vegetables from the Carnarvon region, especially during the winter months.

At Herdsman, we love to support our growers and buy direct from the farm at every opportunity we get. If we can't buy direct, we go through Market City.

#### **Views about regional brand proposal**

There are a few brands in the market for fresh produce and I think there is potential for a Carnarvon brand. Consumers are seeking to know the origin of their produce and will look for locally-produced product.

It would need to be underpinned by high quality standards, consistent quality and steady supply. Unfortunately this needs to be done in the face of seasonal conditions and the problems that nature throws at producers.

In our stores we have A4 size signage that mentions the location of production and we mention the origin of products that we promote through our advertising campaigns.

We do belong to the Buy West Eat Best campaign and I think that is going well. A bonus is that through that campaign, there are in-store tastings. That always goes down well with consumers and is very effective marketing.

#### **Barriers to a regional brand for Carnarvon**

##### **Quality**

This could be an important issue. We have noticed lately that the quality of produce coming from Carnarvon has been a bit inconsistent. I don't know if it is weather factors or not, but it could be something to watch out for. If Carnarvon did have its own brand, it would need to have product specifications that the growers worked to. For example, we work directly with a citrus grower and we set the specifications he needs to meet before we will put our logo on his product.

#### **Opportunities for a regional brand for Carnarvon produce**

##### **Partnerships**

If CGA was to develop a regional brand, we would look to work with them to get that brand promoted and established.

## Fresh Provisions

Fresh Provisions specialises in stocking a wide range of gourmet, unique, hard to find and everyday products in its three retail outlets across Perth. This includes a vast range of products grown in WA, alongside its imported product range. It does not have a private, or 'home' brand. It does not deal directly with growers, preferring to use marketers at Market City. That is unlikely to change.

### Views about regional branding proposal

I think there would be good value in having a Carnarvon brand. We buy a lot of produce from Carnarvon through our Market City wholesalers. We don't use a grown in Carnarvon brand in store, but we do use the Buy West East Best brand/logo.

The bulk of fresh vegetables coming into our stores in the winter months, I would say at least 70 per cent, comes from Carnarvon and I think it would be worthwhile for consumers to know that.

We get less fruit from Carnarvon than vegetables, but Carnarvon bananas make up the bulk of our supplies.

I don't think it would make a big difference if the brand used Carnarvon or Gascoyne: either would work.

### Barriers to a regional brand for Carnarvon

#### Supply and quality

Supply and quality underpin any brand. If people enjoy eating a product, they will come back again to buy it. People need to be able to recognise the product if they are going to be able to repeat buy it. I would say generally that we have had good supply volumes and consistent quality from the Carnarvon region: no problems there.

#### Recognition

With fresh produce, there is not good recognition of brands. People will know particular types of products, but their knowledge is fairly limited.

### Opportunities for a regional brand for Carnarvon produce

#### Promotion

I don't think the CGA would need to undertake a massive promotional campaign if it developed a new regional brand. I think just providing consistently high quality produce through the brand would be sufficient marketing. People will come back for more if they enjoy the product.

#### Value adding

Adding value through packaging would be a positive step. We do a lot of cut produce in store and we may be able to promote 'Carnarvon produce, cut in store'.

I think the distance from Carnarvon to Perth could be problematic in the cut veg/fruit market if they wanted to value-add before product was sent to Perth.

## Industry Groups

### Noelene Swain, Fresh Finesse

Fresh Finesse has been in operation in WA for the past 16 years and has established a niche market in providing promotional services to the fresh food industry, predominantly horticultural producers. It works with grower associations to design and implement promotional activities.

Recently it has undertaken promotional work for the Australian Mushroom Growers and it also works for groups on smaller budgets.

Fresh Finesse coordinates media public relations, it has a weekly media information service, it supplies information for the print and electronic media and supports its activities with the release of recipes into various outlets.

The company also has a field team of people who will go into supermarkets/retail outlets to undertake product tastings and then provide feedback to the organisation/group involved. This includes trialling point of sale material and reporting back.

The company works in schools and at community events and coordinates focus groups and group facilitators.

### Views about regional branding proposal

There are not a lot of regional brands in WA out there in the market at present. We have dealt with products, such as citrus, where growers from all over the state will band together to provide sufficient volumes for specific campaigns.

Carnarvon growers have a somewhat tarnished reputation and for them to develop a brand, I think they will need to start right at ground level. Otherwise, what are they branding?

The Buy West Eat Best campaign run by DAFWA has been well funded by the government and seems to be well supported by retailers. I was surprised to see how extensive the subscriber list to this program was. I think it would be something the CGA could capitalise on.

If the CGA was to establish a brand, I think the word Carnarvon would be better suited than Gascoyne. Carnarvon is easier to spell and say and I would say Perth consumers would not have a clue about where or what the Gascoyne was.

### **Barriers to a regional brand for Carnarvon**

#### **Supply**

As individuals it is hard to supply big retailers, but as a group it is possible.

#### **Timing**

Establishing and developing a brand is a long process. There has to be a real commitment by growers to make it work. It will take more than 12 months. Often I see grower groups that make a positive initiative and then committees change and other people don't follow through. It is a commitment by the group for many years.

### **Opportunities for a regional brand for Carnarvon produce**

#### **Unique characteristics**

The value of having a brand is having a unique product, or a product with a unique value to the consumer, and then connecting that with a positive consumer perception. Carnarvon produce does have a strong value to the consumer because it is being supplied fresh out-of-season.

But, because of the long distances it has to travel, the quality is not always top notch. And that is always going to be a problem for the growers in the region. Solving this problem requires some brainstorming and possibly inputs from focus groups.

#### **Consumer preferences**

The current mind of the consumer is to buy fresh, local and direct from the farmer if possible, hence the recent success of growers' markets. This stems in part from increased awareness of food miles and carbon footprints. But, it is also overlaid with the slightly recessionary times we are in, with people still being very price conscious.

The CGA will have to work through all of these issues with its branding strategy.

### **Mike Littley, Manager Carnarvon Research Station, Department of Agriculture and Food WA (DAFWA)**

#### **Views about regional branding proposal**

I think a regional brand for Carnarvon is a very good idea. But it needs to be backed-up by a robust quality assurance system that is adhered to by all growers who sign up as suppliers.

Get away from SQF and FreshCare and get a system of commercially-driven quality standards that actually guarantees the quality of the product going out to the market. SQF and FreshCare have no real emphasis on the quality of the end product. They are more about food safety. And, while food safety is important, you also need the consumer to be confident in the product and the repeatability of its good eating experience.

If you can get that right, you will boost consumption of that product by 300 per cent every time. I would say this is especially important for products such as melons and strawberries.

#### **Barriers to a Carnarvon regional brand**

##### **Productivity**

There is a lot of land in Carnarvon that is under-utilised or not used at various times of the year because growers are aiming for market peaks. They could be producing more. I would say the region is operating at only 70 per cent of its production potential on current land availability.

I do concede that freight costs are prohibitive to growers in boosting production outside of their traditional market peaks, but better land use could significantly increase the volumes of supply coming out of the region and create more marketing opportunities. The challenge is to prove to growers that they can make money by trying other crops at other times of the year than what they have traditionally grown.

And you need to get around the language barrier for various cultural groups.

##### **Central marketing – Market City**

Central marketing does not build honest relationships between growers and retailers or growers and consumers.

Distance is another factor that disadvantages Carnarvon growers in the marketing system.

They are not in the face of the wholesalers and it is difficult for them to keep track of their competitors.

It would be beneficial for the CGA, or any central/regional group or packing operation, to have a representative based permanently at the Canningvale markets to keep an eye on the whole range of produce coming from Carnarvon and its prices. This would be across commodities. Such a system could watch wholesaler operations and prices as well as help to weed out growers who do the wrong thing by the industry.

Carnarvon is a well defined growing area and if it does the right thing, it will get a good name – and vice versa.

### **Infrastructure**

It would be handy to have centralised packing for mangoes. But that would have to be balanced against the supplies coming through: it may not be viable.

The Sweeter Banana Company system works really well and other products would be well placed to leverage off its success. Such a system could work for local citrus, stonefruit and grape producers.

### **Opportunities to brand Carnarvon produce**

#### **Product candidates**

There is brilliant potential for stone fruit, which I have a personal passion for, and Carnarvon should 'own' the early stone fruit season market in WA. It is not currently doing so.

Stone fruit from Carnarvon, when grown well, is a great product and better than the Gingin produce which currently corners the early market window. There are tools such as sugar testing that can be used to help growers achieve high stone fruit production standards.

Persimmons are another fruit that can be produced in Carnarvon to hit the Perth market early in the season and the climate in the Gascoyne is well suited to their production.

Grapes are very successfully grown in Carnarvon and some producers could brand their product along a similar line to the Sweeter Banana Company.

Mangoes grown in Carnarvon are of superb quality, but there is a lot of work to be done in marketing. At this stage the market is demanding Kensington Pride, but there are a lot of other promising varieties being trialled at the Carnarvon Research Station that are high quality with an excellent taste. There is an enormous opportunity to build a direct relationship with a Perth retailer to market these varieties to consumers. But consistent quality would be needed.

#### **Building relationships**

It would be a good thing if the CGA, or a central pack house or any other central grower group that forms in the region, pays for a major retailer or the 'retailer of the year' to visit Carnarvon annually. The only point where money enters the supply chain is at the consumer end and producers need to work with retailers, and vice versa, to maximise their share of those dollars.

## **Restaurant Trade**

### **Kate Lamont, Lamonts**

From humble beginnings as a family winery in the Swan Valley, Lamonts has expanded and built a well known West Australian brand based on premium wines, food and service. Sisters Kate and Fiona Lamont oversee this wine and food business that now encompasses a 10,000 case winery, two cellar door outlets and four restaurants in East Perth, the Swan Valley, Cottesloe and Margaret River.

Kate is also the chairperson of Tourism WA and on the board of Tourism Australia.

I am unsure if our restaurants purchase fruit or vegetables from Carnarvon, as I am not personally responsible for that part of the business. I think it is likely some produce comes from that region, as purchases for our four restaurants are made three times per week. But I wouldn't say that I have seen anything really outstanding from the region that has prompted me to find out where it came from for repeat purchases.

Our business is not 'manic' about the region of origin of our produce, only that it must taste and look good. We do have a system of regular, consistent suppliers. We use three main direct suppliers for our vegetables and they know they need to send us good quality produce. We don't go through the Canningvale markets.

### **Views about regional branding proposal**

It is interesting to me, both as a restaurateur and in my tourism roles, that WA regions want to go down the 'brand' path.

I would say the value in the Carnarvon growers having a brand would depend on who they want to have a brand for. They need to decide which consumers they are targeting: retail or restaurant or wholesale.

I would say that, broadly, WA consumers would be aware that bananas are grown in Carnarvon. But I would think there is pretty low awareness of other products that are grown in the region.

I think having a brand is a bit over-rated. Invariably, brands are about individual products.

If you get your quality right, people will buy your product.

The Carnarvon growers could end up spending a lot of money on developing a brand and marketing that brand when it is not deemed as important by the buyers of their produce.

### **Barriers to regional branding for Carnarvon**

#### **Choose a target market**

Decide what your brand will represent – expensive quality or inexpensive volumes.

The region might find it needs different brands for different products targeted at different markets.

For example, Penfolds as a brand is put on bottles of wine that range in price from \$600 to \$6. The brand has price points to appeal to different consumers.

#### **Opportunities for a brand for Carnarvon produce**

##### **Exporting**

I think having a brand is important on the export market and if Carnarvon was looking to do that, I would encourage them.

### **Chris Taylor, Fraser's Restaurant**

Chris Taylor spends a lot of time working with a wide range of producers and production suppliers to develop brands and markets for their produce.

He has worked with beef companies, Meat and Livestock Australia, Margaret River wine companies, Ferguson Valley producers and Kununurra producers, and many more.

#### **Views about regional branding**

The regional push for branding is a very positive one and I would be keen to be involved with the Carnarvon producers if they decide to proceed with a regional branding strategy.

Chris was reluctant to comment further but said he would be interested in being involved in further workshop sessions or consultations on the branding issue on a consultancy basis. He would bring much experience to the table in this arena.