

Australian Passionfruit Industry

Strategic Investment Plan

2012 - 2017



February 2012

An Overview of the Strategic Investment Plan

Strategic Intent: *The Australian passionfruit industry's intent is to be a growing, profitable and united industry that is able to create and capitalise on market opportunities and manage risks appropriately.*

| | | |
|------------------------|--|--|
| Key Aspirations | <p>The Australian passionfruit industry aspires to:</p> <ul style="list-style-type: none"> • Improve the profitability of passionfruit production businesses by maintaining R&D and support services and improving on-farm productivity • Increase demand for Australian passionfruit (and Australian passionfruit products) by: <ul style="list-style-type: none"> ○ Delivering a product that meets customers' requirements and expectations ○ Balancing supply and demand; and ○ Positioning and promoting the product effectively. | |
| Objective 1 | Ensure profitable and consistent availability of Australian passionfruit to meet consumer demand | |
| Strategies | 1.1 To ensure that consumers can confidently purchase passionfruit at retail level | 1.2 To have appropriate information systems and risk management strategies to underpin and secure supply |
| Objective 2 | To facilitate a sustainable and profitable production sector by increasing demand for Australian passionfruit in line with increasing supply | |
| Strategies | 2.1 Conduct market research to identify market opportunities and support the positioning of Australian passionfruit | 2.2 Drive demand in targeted passionfruit segments through effective market development and promotion |
| Objective 3 | To ensure the Australian passionfruit industry has appropriate and sufficient capacity to manage industry affairs and respond appropriately to change | |
| Strategies | 3.1 Ensure the industry has appropriate leadership, structures and resources to provide sound industry stewardship | 3.2 Foster industry cohesion, resilience and capacity through effective communication |

Details of the Passionfruit Industry Strategic Investment Plan objectives and strategies are provided in the following pages.

Why an Industry Strategic Investment Plan

The Australian Passionfruit Industry Strategic Investment Plan for 2012 – 2017 has been developed to provide a clear direction for the industry and define the key outcomes required to advance the industry.

The plan will guide the investment of industry and government monies over the next five years. It is expected that approximately \$1.25 million will be invested into industry research and development and promotion during this period. Hence one of the key roles of this document is to demonstrate to levy payers that their money is being and will be invested in the most effective way to achieve growth, development and increased profitability for the industry. Likewise the Australian Government can be assured that the public monies of industry levies and Commonwealth matching funds are being allocated wisely and are addressing Government research and development priorities.

The plan focuses on the industry's position and strategic needs across three key priority areas:

1. Supply – production and productivity
2. Demand – product marketing and market forces
3. Industry development – industry organisation, resourcing and management.

It also addresses the Australian Government's Rural Research and Development priorities of:

1. *Productivity and Adding Value*
Improve the productivity and profitability of existing industries and support the development of viable new industries.
2. *Supply Chain and Markets*
Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.
3. *Natural Resource Management*
Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.
4. *Climate Variability and Climate Change*
Build resilience to climate variability and adapt to and mitigate the effects of climate change.
5. *Biosecurity*
Protect Australia's community, primary industries and environment from biosecurity threats.

And the additional supporting priorities of:

- Improve the skills to undertake research and apply its findings.
- Promote the development of new and existing technologies.

Additionally, the plan will provide a management framework for Passionfruit Australia Inc., and will guide industry leadership and decision making. It will assist in ensuring investment is targeted and delivering priority outcomes for the industry.

Key abbreviations used in this document

HAL: Horticulture Australia Limited

IAC: Industry Advisory Committee

PAI: Passionfruit Industry Association Inc

R&D: Research and Development

Developing the Passionfruit Industry Strategic Investment Plan

The following process was adopted to develop the 2012 – 2017 Industry Strategic Investment Plan:

Step 1 – Review of 2006-2010 Plan

An evaluation of the previous plan was undertaken to determine the degree to which the objectives of the plan were met and to identify where gaps existed. This involved:

- Assessing the outcomes achieved over the previous five year period against each substrategy in the plan.
- Determining if the outcome achieved was appropriate and met industry's expectation.
- Determining the reasons an outcome was not achieved
- Determining if the industry still needed to achieve an outcome/s from the previous plan and how important these outcomes were to pursue.

As a result of this exercise it was determined that the industry had been successful in:

- Developing and improving efficient and sustainable production systems
- Proactively addressing the need for improved rootstocks and scion material to address industry and consumer needs
- Delivering an effective communications program.
- Developing an industry biosecurity plan.

The evaluation also indicated further work was needed on:

- Providing accurate and timely industry data (plantings and production data)
- Developing and implementing the industry marketing plan and measuring its success.

Step 2– Situation analysis

- The industry situational analysis, based on Horticulture Australia Limited (HAL) guidelines, was updated and is presented in the following section.

Step 3 – Plan development

- The Passionfruit Industry Advisory Committee (IAC) and Passionfruit Australia Inc. (PAI) Board and other industry stakeholders met in October 2011 to discuss the Industry Strategic Investment Plan.
- As a result the key objectives, strategies and actions the industry needed to address over the next five years were developed. An exercise to determine the priority investment areas for the industry was also undertaken.
- A draft Plan, incorporating an analysis of proposed investment, was developed for consideration by the IAC, PAI Board, HAL and industry stakeholders at a planning workshop(November 2011).

Step 4 – Revision and industry endorsement of Plan

- After review of the draft Plan a new version was developed for review and comment by the broader industry including growers, researchers, supply chain partners, and industry service providers.
- After consideration of feedback, a final Industry Strategic Investment Plan was endorsed by the Passionfruit IAC in January 2012.

Implementing the Passionfruit Strategic Investment Plan

Responsibility for delivering the plan rests with Horticulture Australia Limited with the support of the Passionfruit IAC and Passionfruit Australia as the peak industry body for the Australian passionfruit industry. The plan will be used by the IAC to guide investment recommendations over the next five years. The Plan will be reviewed by the IAC at least annually and will be used as the basis for developing the Annual Investment Plans.

Profile of the Australian Passionfruit Industry – 2011

Industry Overview

In Australia the main producing states are Queensland, New South Wales and Western Australia. In Queensland the Wide Bay region is the major production region and is estimated to contribute 35% of national production alone. Other Queensland production areas including far north Queensland (Mareeba, Daintree, Cooktown) and south east Queensland (Nambour and surrounds). In northern New South Wales the majority of production occurs in the Tweed Valley.

Production by growing region (volume)

| Plantings by growing region | % |
|-----------------------------|------------|
| Queensland including | 67 |
| New South Wales (northern) | 27 |
| Western Australia | 5 |
| Other | 1 |
| TOTAL | 100 |

Major growing regions in Australia



Plantings by growing regions

| Plantings by growing region (vines) | 2009 -10 |
|-------------------------------------|----------------|
| Far North Queensland | 60,000 |
| Wide Bay | 100,000 |
| South East Queensland | 40,000 |
| Northern New South Wales | 80,000 |
| Western Australia | 15,000 |
| Northern Territory | 2,000 |
| Victoria | 2,000 |
| TOTAL | 299,000 |

Figures from HAL member Subtropical and Tropical fruit industries: size, value and potential (2010 - 2025)

Data available through various industry sources estimate that the industry has the potential to grow around 400,000 vines by 2025 with an annual farm gate value of up to \$22 million. However the industry is often faced with unfavourable weather events which impact levels of market supply. In an attempt to address this, the industry is continually seeking to develop better varieties. It is also developing systems and measures in an attempt to more accurately forecast production levels and supply.

| Season | 2002-03 | 2004-05 | 2007-08 | 2009-10 | 2015 | 2020 | 2025 |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|
| Production (t) | 2,679 | 2,443 | 3,025 | 3,793 | 3,200* | 3,500* | 4,000* |
| Farm gate value (\$m) | - | - | 9 | 11 | 12 -15* | 15 -18* | 18 -22* |
| No. of growers | - | - | 120 | 130 | 140* | 150* | 160* |

* Estimated values (Figures from HAL member Subtropical and Tropical fruit industries: size, value and potential (2010 - 2025) report)

Passionfruit is predominately consumed within the domestic market and around 15% of this is usually processed into pulp and seeds.

Volatile supply and pricing are considered the main barriers to expanding the Australian passionfruit industry.

Import and Exports

The influx of cheaper processed products (pulp) into the Australian market from suppliers such as Thailand and South America have the potential to affect the long term viability of the Australian industry, which has relied heavily on servicing the domestic pulp and processing market. To date there have been no development with regard to import applications for fresh fruit and it is considered that such a move is unlikely in the short to medium term. However, in the longer term, it is possible that fresh fruit imports may become a reality if the industry is unable to address issues such as volatile supply and high price fluctuations within the domestic market.

Product Overview

Passionfruit is native to Brazil, and was introduced to Australia in the early 1900s. The passionfruit takes its name from the fruit's exotic flower, which is said to symbolise the 'passion of Christ'.

Characteristics

The passionfruit has a round to oval shape, with a diameter of between 4 cm and 6 cm. The fruit's colour can range from yellow to purple and has a strong, leathery skin. The greenish-orange pulp contains a multitude of small, black, edible seeds. It has a distinctive sweet – sour taste with a strong vibrant aroma.

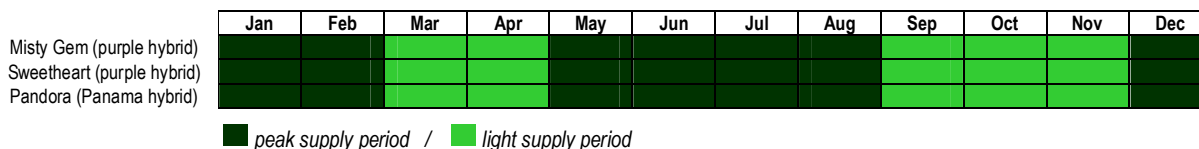
Varieties

In the past, two distinct types of passionfruit were grown, namely purples (*Passiflora edulis*) and Panama (*Passiflora edulis* f. *flavicarpa*) types. Now passionfruit varieties grown in Australia also include yellow, and red types. With recent advances in breeding programs, a number of hybrid varieties are now grown commercially. These include purple hybrids - 'Misty Gems' and 'Sweethearts' which are grown in the sub tropical climates; and the Panama type, 'Pandora', which is predominantly grown in north Queensland.

Queensland accounts for 60 – 70% of plantings of all purple varieties and 95% of planting of Panama varieties.

Seasonality

Passionfruit is available all year round. Peaks in supply occur from May to August and December to February.



Selection and Storage

Fruit weight is an indication of pulp content, hence heavier fruit is desirable. Passionfruit can be stored at room temperature for up to two weeks or refrigerated for up to a month. It is best stored in a plastic bag to prevent dehydration. The pulp freezes and stores very well. Contrary to popular belief, passionfruit does not have to be wrinkled to be considered ripe.

Preparation and Usage

The pulp can be eaten fresh or used in drinks, ice cream, sorbets, cakes and sauces. It enhances the flavour of many other fruits and is often used as a dessert topping.

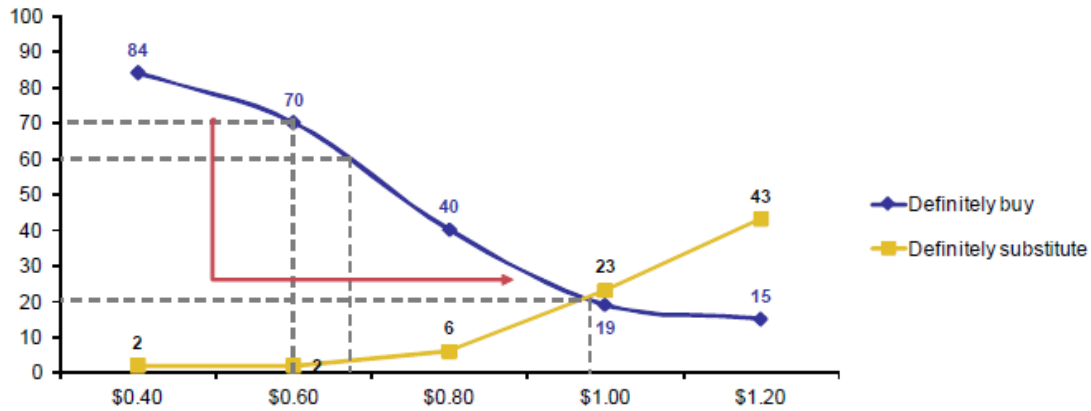
Price Overview

The industry does not currently have access to systems to accurately monitor prices paid at the farm gate and retail store levels. However at wholesale level, pricing data is available that indicates wholesale pricing in the three major wholesale markets (Sydney, Brisbane and Melbourne). The information gathered shows a significant fluctuation in product prices through the year signifying the notable peaks and troughs in supply. The information available at the time of writing this plan shows an average price per carton of \$20 - \$30 during the stable periods and as high as \$100 during low volume periods.

The price surveys suggest that purple passionfruit varieties tend to achieve higher per carton prices than the Panama varieties across the three different markets. Furthermore, Melbourne markets have the highest price per carton for passionfruit when compared with Sydney and Brisbane, which may be due to added transport costs.

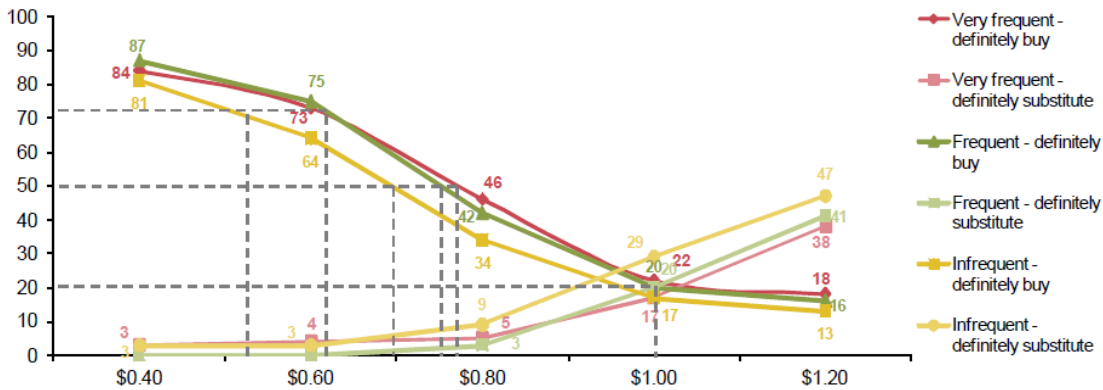
There is an ongoing need to obtain farm gate and retail pricing data to inform industry planning with regard to future production levels and also industry profitability. Price data would also assist in understanding market dynamics in particular the relationship between retail price and consumption. The consumer research conducted in 2011, suggests that consumers become more willing to substitute passionfruit if the price per fruit increases beyond 60 cents per fruit and are 70% more likely to purchase passionfruit when its 60 cents per fruit. Infrequent purchasers are also more price sensitive than the higher frequency segments. These relationships are shown in the graphs below.

**Price sensitivity
(% Main Grocery Buyer passionfruit buyers)**



(source: R. Hegde, Horticulture Australia, 2011)

**Price sensitivity among very frequent, frequent and infrequent purchasers
(% Main Grocery Buyer passionfruit buyers)**



(source: R. Hegdi, Horticulture Australia, 2011)

Supply Chain / Trade Overview

Wholesale

The bulk of passionfruit sales occur through Brisbane, Sydney and Melbourne wholesale markets. The fruit is then on-sold to supermarkets and independent retailers, whilst a smaller amount of fruit is sold to providores, secondary wholesalers and the food service sector. Those wholesalers that stock passionfruit usually carry it on a year round basis. One of the challenges they face is that most buyers (independent retailers) only require one to two boxes a week and as a result there is a need for a large buyer base to keep the product line viable.

In trade focus groups held in 2007, wholesalers identified a preference to purple varieties rather than Panamas due to the consistency of supply, quality, and pulp. However, it is noted that Brisbane market, being in closer proximity to the Panama growing region, tends to specialise in this type, as it is less affected by price fluctuations and buyers preferred the sweeter taste of the fruit.

The trade focus groups also identified the need for improved communication between the production sector and the wholesale markets, highlighting the need for updates on seasonal forecasts and crop supply estimates, particularly when

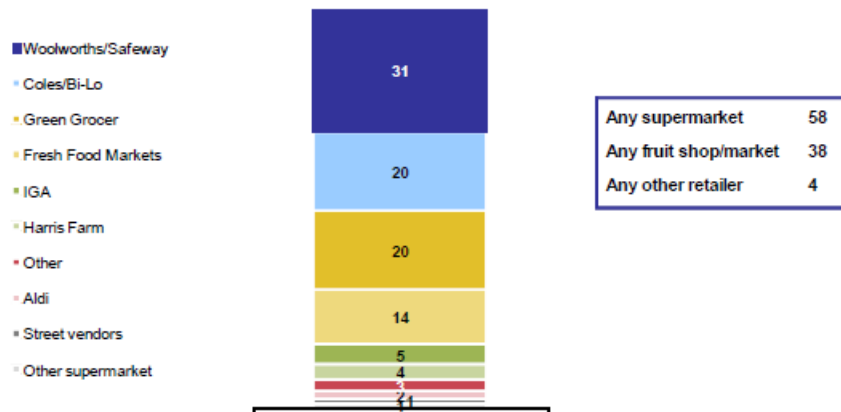
spikes in production were expected. Improving communications would inevitably result in reducing extreme price fluctuations and also assist in coordinated sales programs.

Retail

Passionfruit is sold through 4 key retail segments within the Australian territory;

- Supermarkets (Coles and Woolworths)
- Independent Stores (IGA)
- Green Grocers / Independent Retailers (includes chains such as Harris Farms)
- Farmer’s markets / roadside stalls / weekend markets.

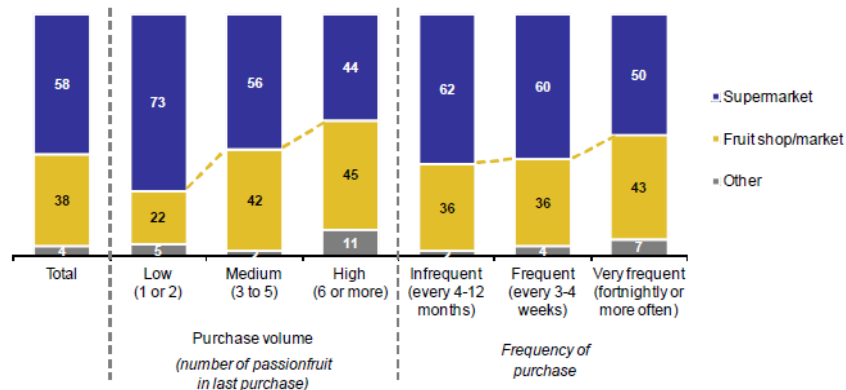
Supply Chain Distribution of Passionfruit
(source: R. Hegde, Horticulture Australia, 2011)



(source: R. Hegde, Horticulture Australia, 2011)

The industry mainly focuses its distribution of product to Queensland and New South Wales markets and to a lesser extent Victoria. Recent research suggests that key retailers Coles and Woolworths are still the main point of purchase for consumers; however, the highest volume of purchase is made in independent and specialist stores.

Purchase Volume and Frequency of Purchase across Key Markets



(source: R. Hegde, Horticulture Australia, 2011)

Retailers have a strong preference for purple varieties, particularly the darker varieties such as Misty Gem and Sweethearts. This is due to their availability, competitive price points and perceived higher pulp content. Panamas are increasing in popularity, but there is a need to educate retailers about the product.

Although passionfruit is in supply year round, retailers note that the demand for passionfruit is higher during summer months and relate this to passionfruit being associated with enjoyment and fun.

Competitor Overview

Passionfruit is not a staple in the weekly shopping basket. Unlike bananas and apples, it has only low household penetration and sales volume. Although there is no immediate substitute for passionfruit, there is however competition for market share with other types of tropical fruit such as mangos, papaya, pineapples and kiwifruit. Although some of these products are only seasonally available, they have considerably greater supply levels and are easily accessible to consumers. With the constant influx of new and alternative fruit options, there is a clear need to establish the uniqueness of passionfruit and breakaway from the more seasonal tropical fruit in the market.

Snack Products

Passionfruit also competes with major snack food brands for share in the consumer's shopping basket. These products normally have relatively larger in-store and promotional expenditure to stay front of consumers' minds. There are a growing number of consumer snack products (i.e. dairy snack products with passionfruit pulp etc) that have the potential to chip away at fresh passionfruit sales. Although these snack foods have traditionally been unhealthy, increasingly they are becoming more nutritionally balanced (whole grain snacks, reduced sugar products etc.) and are maintaining or gaining market share.

Imports

Although Australian passionfruit pulp currently has a dominant position, there is an increasing concern amongst the grower community that imported pulp may gain greater market share due to its lower cost. Australian growers are unable to compete with imported product on price and this is not expected to change in the foreseeable future. There has already been a number of growers who have had significant reductions in their farm income due to reduced demand for locally sourced passionfruit pulp.

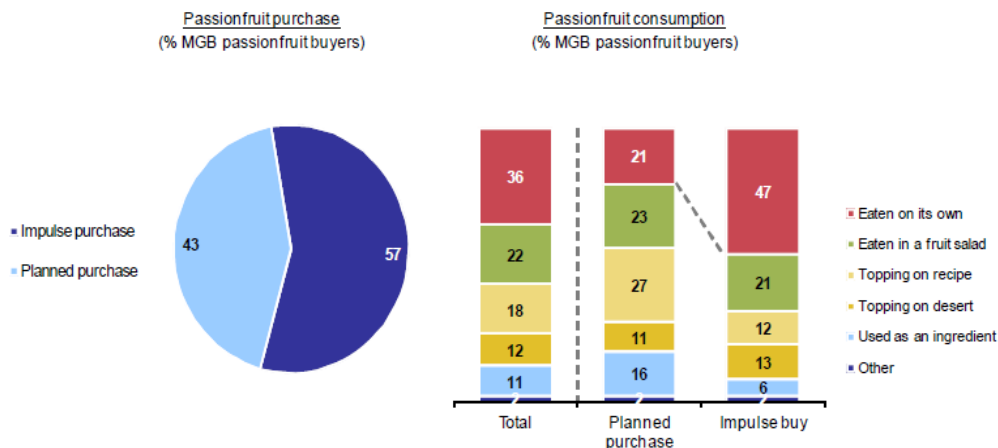
If fresh fruit supply and price fluctuations continue it might also be a trigger for increased imports of fresh fruit to meet consumer demands within Australia.

Consumer Overview

The majority of consumers have a strong positive association with passionfruit. The fruit is predominantly seen as a tropical, delicious, healthy and "fresh" fruit, however it is not as widely consumed as once thought. Most recent research shows that only 27% of Australian consumers purchased passionfruit in the past 12 months. Furthermore, out of this segment, more than 60% of the volume is consumed by less than 28% of passionfruit consumers (8% of MGB's). The average quantity purchased is most often between 3 to 5 fruits, while infrequent purchasers were more likely to pay less (\$3.80) and buy fewer fruit per occasion compared to very frequent purchasers (\$4.90).

Passionfruit purchase penetration is higher amongst more adventurous cooks and those living in the eastern states. It is also skewed towards higher income households, with significantly larger proportion of higher income households in NSW purchasing passionfruit.

Impulse Purchase vs. Planned Purchase of Passionfruit



(source: R. Hegde, Horticulture Australia, 2011)

More than half of all passionfruit is bought on impulse, driven by visibility / availability of fruit in store. Furthermore most impulse purchases are consumed on its own, whilst planned purchases are more likely to be used as an additive or in a recipe. Almost half (48%) of consumers were unaware of passionfruit varieties and of those who did, they considered 'colour' and 'size' to be the key differentiating factors.

Industry Organisation

Passionfruit Australia Inc. (PAI) is the peak industry body for Australian passionfruit growers. It is a not-for-profit national organisation which represents the interests of its members (mainly growers from Queensland and Northern NSW) and the broader passionfruit industry. The Association is managed by an elected volunteer Executive and is supported by a part-time Executive Officer based on the Sunshine Coast.

The organisation has provided leadership for the industry since 1995 and has been successful in implementing an industry strategic plan (Passionfruit Industry Corporate Plan 2006 – 2010) over the last five years.

Alliances

PAI retains alliances and linkages with Horticulture Australia Limited (HAL), Freshcare Ltd; Plant Health Australia (PHA), Biosecurity Australia (BA), the Australian Government, State Governments, universities, other horticulture industry organisations and a number of research delivery organisations.

People

The industry is supported by a range of research and development (R&D) service providers, through the Queensland and NSW State Government departments, and the private sector.

Funding

The industry finances its activities through levies, membership and other initiatives.

Industry R&D and marketing / promotion activities are funded through an industry levy. The passionfruit levy is currently set at 40 cents per 18 litre carton; 40 cents per 8kg, if not in cartons; and 3 cents per kg of processing passionfruit.

Industry levies are imposed, collected and dispersed through Commonwealth legislation. HAL is a not-for-profit industry owned company. Through accompanying regulation, HAL is charged with managing the expenditure of funds collected by the Australian Government on behalf of all levy paying horticultural industries, including the passionfruit industry. When expended on research and development, these funds are matched by the Australian Government. When funds are expended on marketing / promotion activities they are not matched.

HAL is responsible for all decisions relating to the expenditure of levy funds and has obligatory reporting arrangements and accountability to the Department of Agriculture, Fisheries and Forestry (DAFF) with respect to its investment decisions.

The Australian Government is increasingly seeking outcomes from its co-investment that demonstrably meet its National Research Priorities and Rural Research and Development Priorities.

In 2010/11, the total levy collected for the passionfruit industry was \$159,000 and levy investment for the industry was in excess of \$106,000.

Technical Information and Communication

PAI undertakes a range of communication activities on behalf of the industry including:

- Maintaining an industry website
- A quarterly newsletter (The Passion Vine)
- Regular emails and correspondence
- Annual growers' meeting and field visit in conjunction with Levy Payers meeting and PAI AGM
- Conducting / supporting grower and stakeholder meetings when necessary to ensure the industry is informed on key issues.

Biosecurity

The passionfruit industry is currently developing the National Passionfruit Industry Biosecurity Plan. This plan was developed with Plant Health Australia (PHA). PHA is a public company, with members including the Australian Government, all State and Territory Governments, and a range of plant industry organisations. The company was formed to address high priority plant health issues, and to work with all its members to develop a plant health management system that enhances Australia's plant health status and the sustainability and profitability of plant industries.

Biosecurity planning provides a mechanism for the passionfruit industry, Government and other relevant stakeholders to actively determine pests, analyse the risks, put in place procedures to reduce the chance of pests reaching our borders, and procedures to minimise the threat if a pest incursion occurs.

Ensuring the passionfruit industry has the capacity to minimise the risk of pests, and to respond effectively to any pest threats, is critical for the future sustainability and viability of the industry. Through this pre-emptive planning process, the industry is better placed to maintain domestic and international trade, negotiate access to new overseas markets, and reduce the social and economic costs of pest incursions to both growers and the wider community.

Community

Overall the industry has a favourable community image. Whilst some regions are experiencing pressure from urban encroachment resulting in the need to modify / reduce usage of chemicals, the passionfruit industry does not specifically have a reputation of environmental damage or unsafe production systems.

Major impacts on industry growth

| | | | |
|----------------|---|--|--------------------|
| drivers | <p>Supply</p> <ul style="list-style-type: none"> ▪ New varieties ▪ Works with other crop (farm cash flow) ▪ Increased grower numbers - increased number of larger commercial growers / less hobby farmers ▪ Growing guide / field guide / packing guide to assist current and new growers ▪ As a crop, can attract high prices; provides income from small land holdings ▪ Potentially good return on investment for growers ▪ Biosecurity plan ▪ R&D management program <p>Demand</p> <ul style="list-style-type: none"> ▪ Changing consumer demographic - Fusion food / gourmet 'foodies' ▪ Loyal consumers ▪ High profile product – gets good PR in food magazines etc ▪ Product profile: versatility; unique flavor and aroma; seen as fresh and exotic; no substitute, considered healthy ▪ Consumer research ▪ Marketing levy and plan <p>Industry Development</p> <ul style="list-style-type: none"> ▪ Strong grower membership level in PAI ▪ Industry communications program ▪ Good industry alliance (HAL / PHA / Freshcare etc) ▪ Have historically had good research support from various service providers ▪ Some interaction with New Zealand | <ul style="list-style-type: none"> ▪ Inconsistent supply / quality ▪ Weather ▪ Virus / disease ▪ Pest and disease program investment required - ongoing ▪ Difficult to grow ▪ Pollination ▪ Increased cost inputs / irrigation ▪ Labour availability / costs ▪ Transport (small size of industry limits access / increases costs) ▪ Urban encroachment ▪ Cost of land ▪ Regulatory compliance requirements <ul style="list-style-type: none"> ▪ Inconsistent supply ▪ Inconsistent quality ▪ Supply chain handling ▪ Retail presentation / shelf space ▪ Imported pulp (and potentially fresh imports in the future) ▪ Impact of pulp on fresh demand ▪ Competition from other fruits <ul style="list-style-type: none"> ▪ Industry unity ▪ Engagement of growers ▪ Diminishing R&D resources (tech services) extension ▪ Changed funding support from Qld Govt. (DEEDI) ▪ Lack of international network (industry / research) ▪ Ageing growers ▪ Difficulty identifying new / younger growers (succession planning) | constraints |
|----------------|---|--|--------------------|

Source: Summarised from the industry discussions at stakeholder workshop October 2011.

Within the Objectives and Strategies

The industry recognises a number of overarching impacts that will fundamentally influence the way passionfruit are produced and marketed in the future.

Climate Change

Climate change and increased climate variability will present a number of challenges for the passionfruit industry over the next 50 years.

Potentially climate change and variability may impact the growing conditions in established production regions leading to changes in productivity and business viability. Changes in available water for crop production; climate patterns and micro-climates that affect crop set and / or fruit quality; pest and disease pressures; and a range of other factors have the potential to have a positive or negative impact on production.

Adapting to climate change and variability and increasing resilience is seen as critical for the advancement and continued growth of the Australian passionfruit industry.

It is also recognised that businesses within the industry must take responsibility for their environmental impact (greenhouse gas emissions) and seek approaches for mitigating greenhouse gases under the new Clean Futures Australia and carbon tax arrangements.

Aside from the physical impacts of climate change on passionfruit production and businesses, the industry will also be impacted by the global demand for food, increasing demand for productivity growth in response to this global demand, and the impacts of climate change policy.

These challenges are recognised by the industry. The required adaption to climate change and variability is recognised within the industry's production research and development activities, industry best practice production and packing guidelines and the adoption of environmental management systems (Strategy 1.1 and 1.2).

Natural Resource Management

Proper use of natural resources, such as soil and water, are essential to the long term sustainability of any production enterprise. Communities and governments insist that production does not negatively impact on surrounding environments. Customers want assurances that products are grown with a commitment to environmental principles.

An inherent component of the best practice production guidelines for passionfruit (Strategy 1.1.1) and the uptake of environmental management systems (Strategy 1.2.3) is effective long-term management of natural resources, recognising the impacts of climate change and variability.

Transformational Research

One of the challenges for the Australian passionfruit industry is maintaining its global competitiveness in an increasingly competitive market. The industry recognises that to maintain this advantage there is a requirement for ongoing investment in R&D, in particular R&D which is transformational for the sector. Through collaboration with other horticulture and agriculture industries, both domestically and internationally, the passionfruit industry is seeking to identify and invest in such R&D and resultant technologies. The HAL Across Industry Program, in which passionfruit levies are invested, may provide opportunities for the industry to realise the outcomes it is seeking.

Objective 1: Ensure profitable and consistent availability of Australian passionfruit to meet consumer demand

| | | |
|------------------------------|--|--|
| <p>Rationale</p> | <ul style="list-style-type: none"> • <i>There is a need for on-going productivity gains to retain the competitiveness and profitability of the Australian passionfruit industry. It is important that productivity gains achieved through R&D are measured to inform stakeholders and drive industry change</i> • <i>Optimal production capacity can be achieved through improved varieties; access to disease free planting material; and improved agronomic practices including pest and disease, nutrition, canopy and irrigation management</i> • <i>R&D efforts need to recognise the requirement for good natural resource management and the potential impacts of climate change</i> • <i>There is a need to provide growers and other industry stakeholders with better industry information, such as production and supply data, to support investment, management and marketing decisions</i> • <i>There is the need for adoption of appropriate risk management processes on farm to underpin supply, mitigate adverse industry events and / or market conditions, and build confidence in the industry. This includes appropriate biosecurity settings and the adoption of on-farm systems.</i> | |
| <p>Strategies</p> | <p>1.1 To ensure that consumers can confidently purchase passionfruit at retail level</p> | <p>1.2 To have appropriate information systems and risk management strategies to underpin and secure supply</p> |
| <p>Sub-strategies</p> | <p>1.1.1 <i>Update and promote the adoption of best practice production and packing to assist growers in improving farm productivity, quality and sustainability</i></p> <p>1.1.2 <i>Ensure plant health is maintained through R&D; and access to diagnostic services, current and new chemicals, and clean rootstock seed</i></p> <p>1.1.3 <i>Maintain plant breeding programs to address plant health issues and consumer preference requirements</i></p> | <p>1.2.1 <i>Collate relevant industry data in a timely manner to inform business (and industry) decision making in relation to supply (and demand) issues.</i></p> <p>1.2.2 <i>In conjunction with government agencies and PHA ensure that the passionfruit industry has appropriate biosecurity arrangements and resources in place</i></p> <p>1.2.3 <i>Promote uptake of appropriate system such as on-farm OHS, food safety and environmental management to underpin supply</i></p> |
| <p>Outcomes</p> | <ul style="list-style-type: none"> • Best practice production and packing guides are updated and promoted to industry (value of information and uptake is measured by survey to levy payers 2012/13 and 2016/17) • Industry can access diagnostic services, clean rootstock and can cost effectively manage plant health (measured through survey of services; and grower practices and perceptions 2012/13 and 2016/17*) • At least one new variety / rootstock released from breeding program by 2017 • By 2017, at least 80% of levy payers are satisfied with and using available industry data (to be measured by survey 2016/17) • A demonstrated increase in the percentage of growers that have documented OHS, food quality and environmental management systems in place (to be measured by survey to levy payers 2012/13 and 2016/17) • Effective response to biosecurity issues leading to improved security of and opportunity for the Australian passionfruit industry (measured through response to any biosecurity issues). | |

* measured through having access to required diagnostic services and clean rootstock – develop manifest of services and nurseries for monitoring annually; survey growers to determine effectiveness of plant health measures and issues around affordability

Objective 2: To facilitate a sustainable and profitable production sector by increasing demand for Australian passionfruit in line with increasing supply

| | | |
|------------------------|--|---|
| Rationale | <ul style="list-style-type: none"> • <i>Strong product positioning and demand is essential to positively influence the supply - demand relationship</i> • <i>Need for on-going market / consumer research to identify opportunities for and threats to Australian passionfruit industry.</i> • <i>New trends and technologies may provide the opportunity for the Australian passionfruit industry to develop new fresh or value added products that better meet consumer needs, access new markets or extend existing markets, therefore driving demand. Conversely competitors may capture these opportunities. These opportunities and threats need to be understood and responded to appropriately.</i> • <i>There is a need to understand the economics of the relationship between fresh and processed product, and the impact that increasing volumes of imported or local processed product may have on the fresh market.</i> • <i>In light of the above information there is a need to identify uses for lower grade fruit to maximise returns to growers.</i> | |
| Strategies | 2.1 Conduct market research to identify market opportunities and support the positioning of Australian passionfruit | 2.2 Drive demand in targeted passionfruit segments through effective market development and promotion |
| Sub- strategies | <p>2.1.1 Identify the <i>nutritional and bioactive properties of passionfruit and their relevance to market positioning of product</i></p> <p>2.1.2 <i>Conduct market research and access market data to identify market opportunities and potential threats to the Australian passionfruit industry</i></p> <p>2.1.3 <i>Understand the potential impact of processed passionfruit products, whether Australian or imported, on fresh fruit demand – and investigate potential value chain options for low grade fruit, with an aim to maximising return for growers.</i></p> | <p>2.2.1 <i>Develop and execute an effective marketing campaign, driven by consumer research, which optimises the positioning of Australian passionfruit in existing and emerging domestic channels. Monitor as appropriate.</i></p> <p>2.2.2 <i>Investigate the opportunities for cross industry promotion and action if feasible.</i></p> |
| Outcomes | <ul style="list-style-type: none"> • Report product research (Sub-strategy 2.1.1) and market research (Sub-strategy 2.1.2 and 2.1.3) findings to industry when available. Findings are considered in the annual review of the marketing plan by no later than 2014 for product research and 2017 for market research (Sub-strategy 2.1.2 and 2.1.3). • By 2014, increase the number of frequent buyers from 26% to 46% and the high volume purchasers from 19% to 40%, as outlined in marketing plan | |

Objective 3: To ensure the Australian passionfruit industry has appropriate and sufficient capacity to manage industry affairs and respond appropriately to change

| | | |
|------------------------|--|---|
| Rationale | <ul style="list-style-type: none"> • <i>It is important to build industry capacity and resilience to underpin industry development</i> • <i>The industry requires appropriate resources (financial and people) to meet the needs of industry and ensure that investment levels in R&D and marketing / promotion are appropriate to meet the expectations of levy payers and other stakeholders.</i> • <i>To achieve its objectives the industry must promote industry unity and build effective relationships and alliances with strategic partners, particularly in regard to R&D resources</i> • <i>Effective communication with levy payers and other stakeholders is essential to drive industry development; support R&D adoption; and enable businesses to leverage opportunities from industry marketing activities</i> • <i>There is a need to ensure industry stakeholders realise and value benefits from investment of the industry levy</i> | |
| Strategies | 3.1 Ensure the industry has appropriate leadership, structures and resources to provide sound industry stewardship | 3.2 Foster industry cohesion, resilience and capacity through effective communication |
| Sub- strategies | <p>3.1.1 <i>Build the capacity of industry and its management through targeted professional development activities</i></p> <p>3.1.2 <i>Ensure levy rates and RD&E / marketing allocations are appropriate to meet the obligations of industry and expectations of levy payers and other stakeholders</i></p> <p>3.1.3 <i>Investigate and seek additional income / funding to support industry development</i></p> <p>3.1.4 <i>Demonstrate strong return on investment of levy funds through appropriate program / project structures and governance</i></p> | <p>3.2.1 <i>Promote industry unity through improved communications and industry management</i></p> <p>3.2.2 <i>Proactively build relationships with key stakeholders, including government, research organisations, other service providers (e.g. PHA / Freshcare) and international industries (e.g. NZ) to foster cooperation and partnerships which provide opportunities for the Australian passionfruit industry.</i></p> <p>3.2.3 <i>Utilising a range of media and forums, ensure the effective communication of relevant industry information / messages to a range of industry stakeholders including levy payers; service providers; supply chain businesses; government and the community.</i></p> |
| Outcomes | <ul style="list-style-type: none"> • <i>At least 80% of key industry stakeholders are satisfied with the performance of the industry in regard to levy investment and industry communication processes (evaluate by survey of levy payers 2012/13 and 2016/17)</i> • <i>Levy rates are reviewed by no later than 2015 by IAC and PAI Executive</i> • <i>Economic assessment of investments undertaken in 2016 to demonstrate return on investment.</i> | |

Assessment of proposed investment

Investment Priorities

The following table outlines the impact that the proposed strategies / investment will have on the Australian passionfruit industry across a range of indicators, including:

- The impact of the proposed investment on the industry production base
- Change in producer profit expected
- Probability of investment success
- Investment required – by HAL and others
- Lag before producers receive the benefit
- Length of time before benefit decays.

| | 1. Industry production base affected by the proposed investment | 2. Change in producer profit expected | 3. Probability of investment success | 4. Investment required – by HAL and others | 5. Lag before producers receive the benefit | 6. Length of time before benefit decays |
|--|---|---------------------------------------|--------------------------------------|--|---|--|
| Rating | No impact / Low / Medium / High | | | | Actual time | |
| Objective 1 - Ensure profitable and consistent availability of Australian passionfruit to meet consumer demand | | | | | | |
| 1.1 - To ensure that consumers can confidently purchase passionfruit at retail level | High | High | Medium | High | Breeding – long term Best Practice Managmt – ongoing | 20+ years – new plant variety BPM – ongoing / long term |
| 1.2 - To have appropriate information systems and risk management strategies to underpin and secure supply | Medium | Low, unless biosecurity incursion | Medium | Low | Data – ongoing / long term | Ongoing / long term |
| Objective 2 - To facilitate a sustainable and profitable production sector by increasing demand for Australian passionfruit in line with increasing supply | | | | | | |
| 2.1 - Conduct market research to identify market opportunities and support the positioning of Australian passionfruit | High | Medium | Medium | Medium | 1 – 2 years | 5 years |
| 2.2 - Drive demand in targeted passionfruit segments through effective market development and promotion | High | Medium | Medium | High | 1 – 2 years | 3 years |
| Objective 3 - To ensure the Australian passionfruit industry has appropriate and sufficient capacity to manage industry affairs and respond appropriately to change | | | | | | |
| 3.1 - Ensure the industry has appropriate leadership, structures and resources to provide sound industry stewardship | Medium | Medium | Medium | Medium | Ongoing | Ongoing / long term |
| 3.2- Foster industry cohesion, resilience and capacity through effective communication | High | High | High | High | Immediate and ongoing | Ongoing / long term |

Proposed funding allocation across strategies

Below is the proposed allocation of funds over the period 2012 – 2017. This is informed by the priorities of the proposed strategy / investment areas for the Australian passionfruit industry outlined in the table above.

| | | Year 1 2012/13 | Year 2 2013/14 | Year 3 2014/15 | Year 4 2015/16 | Year 5 2016/17 | Total |
|--|---------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Income | | \$ | \$ | \$ | \$ | \$ | \$ |
| R&D Levy income | Matched | 195,000 | 195,000 | 195,000 | 195,000 | 195,000 | 975,000 |
| Marketing Levy income | | 95,000 | 95,000 | 95,000 | 95,000 | 95,000 | 475,000 |
| Total Levy income | | 290,000 | 290,000 | 290,000 | 290,000 | 290,000 | 1,450,000 |
| Available project funding* (see note below) | | | | | | | |
| R&D | | 160,150 | 160,985 | 162,260 | 160,250 | 158,230 | 801,875 |
| Marketing | | 79,645 | 79,445 | 79,237 | 79,021 | 78,797 | 396,145 |

| Project costs | | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total |
|---|--|--|--|--|--|--|---|
| Objective | Strategy / Year | \$ | \$ | \$ | \$ | \$ | \$ |
| Objective 1 - Ensure profitable and consistent availability of Australian passionfruit to meet consumer demand | Strategy 1.1 - To ensure that consumers can confidently purchase passionfruit at retail level | 95,000 ^a 4,150 | 80,000 ^a 24,985 | 90,000 8,260 | 90,000 11,250 | 90,000 2,230 | 445,000 50,875 |
| | Strategy 1.2 - To have appropriate information systems and risk management strategies to underpin and secure supply | 5,000 | 1,000 | 5,000 | 1,000 | 5,000 | 17,000 |
| Objective 2 - To facilitate a sustainable and profitable production sector by increasing demand for Australian passionfruit in line with increasing supply | Strategy 2.1 - Conduct market research to identify market opportunities and support the positioning of Australian passionfruit | 10,000 | 3,000 | 10,000 | 3,000 | 10,000 | 36,000 |
| | Strategy 2.2 - Drive demand in targeted passionfruit segments through effective market development and promotion | 69,645 ^b 10,000 ^c | 69,445 ^b 10,000 ^c | 69,237 ^b 10,000 ^c | 69,021 ^b 10,000 ^c | 68,797 ^b 10,000 ^c | 346,145 ^b 50,000 ^c |
| Objective 3 - To ensure the Australian passionfruit industry has appropriate and sufficient capacity to manage industry affairs and respond appropriately to change | Strategy 3.1 - Ensure the industry has appropriate leadership, structures and resources to provide sound industry stewardship | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 50,000 |
| | Strategy 3.2 - Foster industry cohesion, resilience and capacity through effective communication | 36,000 ^d | 37,000 ^d 5,000 ^e | 39,000 ^d | 40,000 ^d 5,000 ^e | 41,000 ^d | 193,000 ^d 10,000 ^e |

* - Available funding after costs (Levy Revenue Services costs, HAL corporate recovery costs) are deducted. Available funds also includes amounts required for consultation funding under Consultation Agreement with HAL

^a Investment funds already committed to projects/

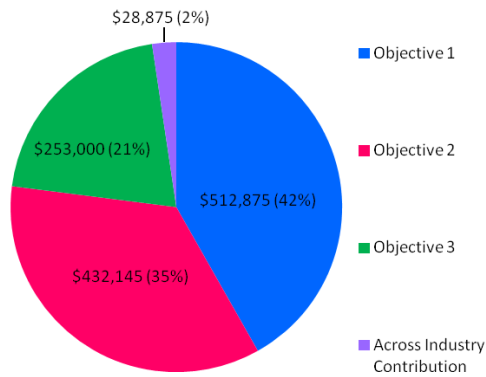
^b Investment will be made from promotions levy

^c Represents consultation agreement and industry report investment for Marketing - investment will be made from promotions levy

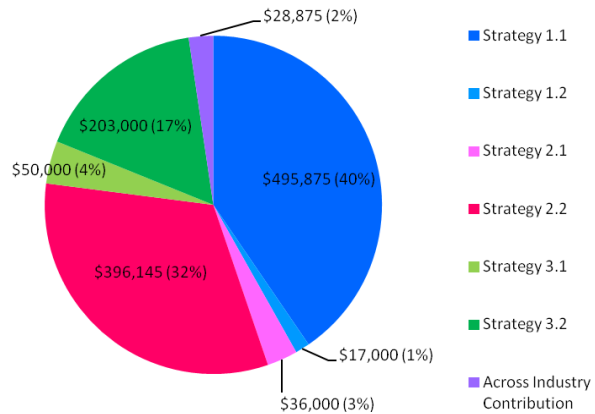
^d Represents consultation agreement and industry report investment for R&D

^e For roadshow activities.

Proposed Expenditure by Objective



Proposed Expenditure by Strategy



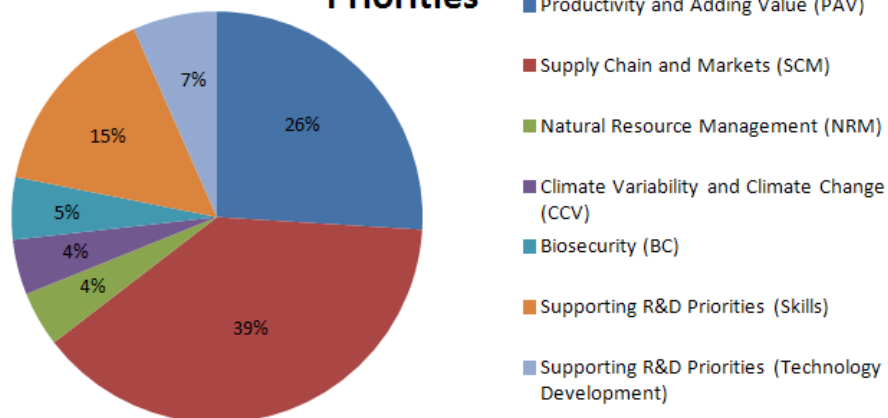
Funding allocation against Govt. R&D priorities

Below is the proposed allocation of funds against Australian Government Rural R&D priorities, based on the Objectives outlined in the Strategic Investment Plan.

| Objective | Total \$ | Productivity and Adding Value | Supply Chain and Markets | Natural Resource Management | Climate Variability and Climate Change | Biosecurity | Supporting R&D Priorities (Skills) | Supporting R&D Priorities (Technology Developmt) |
|-----------------|--------------------|-------------------------------|--------------------------|-----------------------------|--|-----------------|------------------------------------|--|
| 1 | \$512,875 | \$297,525 | \$54,688 | \$51,288 | \$51,288 | \$58,088 | | |
| 2 | \$432,145 | \$10,800 | \$371,827 | | | | \$49,518 | |
| 3 | \$253,000 | | \$40,600 | | | | \$131,200 | \$81,200 |
| Total \$ | \$1,198,020 | \$308,325 | \$467,114 | \$51,288 | \$51,288 | \$58,088 | \$180,718 | \$81,200 |
| Total % | 100% | 26% | 39% | 4% | 4% | 5% | 15% | 7% |

Proposed Investment against Govt. R&D

Priorities



References

The following documents inform this Plan:

HAL Strategic Investment Planning Guidelines (Draft) Version 2, updated 12th September 2011, Horticulture Australia Limited, Sydney.

HAL Strategic Investment Planning Guidelines (Draft) Version 2, updated 12th September 2011, Appendix 11 and Appendix 17 (updated 17th October 2011), Horticulture Australia Limited, Sydney.

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Passionfruit Industry Strategic Plan 2006 – 2010 (updated November 2007); Australian Passionfruit Industry Association and Horticulture Australia, viewed October 2011 at www.horticulture.com.au.

Tropical and sub tropical fruit industries size, value and potential (2010 – 2015), 2010, Horticulture Australia Limited, Sydney.

Appendix 1: Contributors

The following people are acknowledged for their contribution to the Australian Passionfruit Industry Strategic Investment Plan process.

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- Mr Peter Rigden, DEEDI, Queensland Government, Nambour
- Ms Jay Anderson, DEEDI, Queensland Government, Brisbane
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- Ms Jane Wightman, Horticulture Australia Industry Services Manager
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