

**Australian Chestnut Industry
Five Year
Strategic Investment Plan
2011 -2016**



June 2011



Strategic Intent

To achieve sustainable and profitable production of a high quality, healthy and increasingly popular food!

Key Aspirations

The Australian chestnut industry aspires to

- *be a growing, sustainable, innovative and profitable industry*
- *deliver a consistent high quality product and increase demand through promotion and consumer education.*

So thatAustralian chestnuts are recognised for their unique flavor and health attributes and, as a fresh product, are sought after in their season.

Objectives

1. Ensure a consistent high quality supply of Australian chestnuts to meet consumer demand
2. To facilitate a sustainable and profitable industry by increasing demand for Australian chestnuts in line with increasing supply
3. To ensure the Australian chestnut industry is appropriately structured and resourced to effectively manage its affairs and the development of the industry

Why a five year Industry Strategic Investment Plan

The Australian Chestnut Industry Strategic Investment Plan for 2011 – 2016 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 \$300,000 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 within three key priority areas:

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

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

- Boosting productivity and adding value to rural production
- Effective operation of supply chains and markets for existing and new products
- Supporting effective natural resource management
- Building resilience to climate variability and climate change, and
- Protecting Australia from biosecurity threats.

The plan also includes investment in skills to undertake research and apply its findings; and promotion of new and existing technologies to address the Government's R&D priorities.

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

Developing the Australian Chestnut Industry Strategic Investment Plan

The following process was adopted to develop the 2011 – 2016 Industry Strategic Investment Plan:

Step 1 – Review of 2005 - 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.

Step 2– Situation analysis

- The industry situational analysis was updated and is presented in the following section.

Step 3 – Plan development

- A planning meeting was held with members of the chestnut industry and the Industry Advisory Committee (IAC) in early February 2011.
- A workshop was held with a broader stakeholder group (members listed in Appendix) in mid February 2011 to identify key industry issues, objectives, strategies and outcomes.
- A draft Plan was developed for consideration by the broader stakeholder group.

Step 4 – Revision and industry endorsement of plan

- After consideration a final draft Plan was released to the industry for review and comment, before the final Industry Strategic Investment Plan was endorsed by the IAC.

About the Australian Chestnut Industry – 2011

Although chestnuts have been grown in Australia for over a hundred years, the commercial industry has existed for little more than 20 years. As the industry grows, it is developing its supply chains and establishing industry standards in relation to varieties and best practice orchard management and product handling practices. Industry members are working hard to continually develop fresh supply chains and build value added businesses around supply.

Production

Ideally chestnuts are grown in areas that are hot in summer and cold in winter and preferably 800 metres plus above sea level. The majority of Australian production, approximately 70%, is grown in NE Victoria. Production also occurs in other parts of Victoria (east of Melbourne), NSW (Batlow, Orange, Canberra, Sassafras and Tenterfield), SA (Adelaide Hills), South West Western Australia and throughout Tasmania. There are estimated to be approximately 300 growers in the industry, of which 111 are members of Chestnuts Australia Inc.

The industry is characterised by a large number of small, family owned farms. There are only a handful of large production businesses that make their primary or significant income from chestnut production.

Plantings are increasing and are currently around 1000 hectares (200,000 trees). Over recent years, production has been impacted by drought, however as the industry emerges from these conditions, the total Australia crop

is estimated to potentially be 2,000 tonnes per annum. Over the next five years, production is expected to increase to 2,500 tonnes as younger plantings come into full production. Plantings are also expected to increase to 250,000 trees. A small number of trees, approximately 4,000, were removed in 2010/11 as a result of an incursion of chestnut blight.

The farm gate value of production is currently valued at A\$9 million. This is expected to grow to more than A\$11 million in 2016.

Product attributes

As a product, the nutritional attributes, uses and versatility of chestnuts are little known by Australian consumers. One particular attribute is its suitability as a food for gluten intolerant people, which is a key strength for marketing purposes. Overall however, the product offering from the industry is not well developed, nor are there strong, recognised brands. Unlike other horticultural products such as apples or potatoes, varieties are not usually differentiated at the retail level.

Markets and customers

Most chestnuts are sold through the wholesale markets in Sydney and Melbourne. Industry estimates that independent retailers achieve the most retail sales, followed by supermarkets, then farmers' markets and other supply chains. Significant volumes are also sold at farm gates.

Rather than seeking specific varieties for their shops, most retail buyers depend heavily on their wholesaler to assist with their purchasing decision. Easy peeling varieties are now highly sought after.

In a nutshell ...

CURRENT PRODUCTION & VALUE (2011):

- *2,000 tonnes per year*
- *1,000 hectares / 200,000 trees*
- *A\$9 million*

PROJECTED PRODUCTION & VALUE (2016):

- *2,500 tonnes per year*
- *1,250 hectares / 250,000 trees*
- *A\$11.25 million*

MAJOR PRODUCTION STATES: Victoria; South Australia; New South Wales; Western Australia.

TOTAL NO. OF GROWERS: 300 approximately

SUPPLYCHAIN: Most chestnuts are sold through Sydney and Melbourne wholesale markets.

Independent retailers dominate sales in the retail sector, followed by supermarkets, farmers' markets and farm gate sales.

There are small but increasing volumes of chestnuts being used in value added products.



The traditional consumers of chestnuts are people with a European or Asian background who have historical links with the product and are familiar with its preparation, benefits and use. In recent years the product has been positioned as an 'aspirational' or gourmet product and has found a niche in the restaurant / fine dining sector of the food service market. By extension it is also sought by dedicated 'foodies'.

Value added products such as frozen peeled chestnuts, flour, cake mixes, purees and beer have also emerged to meet consumer demand. Value added products and improved storage technology mean that the product is available beyond the seasonal production window and this is helping to establish the product on restaurant menus. There is still enormous scope to further develop the demand for chestnuts by introducing new consumers to the product.

The export sector is only small with approximately 1% of production being exported. Fresh product is being sold into Asian markets including Japan, Singapore and the Middle East. There is potential to further develop export markets, but this will be influenced by the competitiveness of the Australian dollar and having access to quality fresh and value-added product.

In recent years there has been significant investment by growers to ensure the varieties that they are producing are meeting customer needs. This includes planting or re-working the preferred varieties and removing or not marketing non-preferred varieties and inferior seedlings.

Supply chain

Overall the production sector has good relationships with its supply chain partners, working well with wholesale and retail businesses. There is, however, still scope for further education of supply chain partners in aspects of product storage, handling, presentation and uses to improve the quality of product and product information being presented to consumers.

Sharing of information along the supply chain is limited. Unfortunately this makes supply planning and marketing more difficult and, as a result, industry members may be missing opportunities to realise greater return on product.

Competitive environment

The diverse and fragmented nature of the production base and the short crop season means that growers lack power in the supply chain and terms of trade are dictated by supply chain partners. There is some cooperation between growers and a number of groups exist for undertaking joint marketing and value adding activities to realise improved returns.

Imports of processed chestnut products add diversity to the market, but could be a threat for the Australian industry if it is unable to effectively position its product in the market.

Notably, the industry is in a strong position to capitalise on the growing demand for healthy and gluten free products.

The Australian chestnut industry has a positive story to tell in regard to its environmental credentials. The crop is low

input and grown with little pesticide intervention.

Industry structures / planning

The peak industry body, Chestnuts Australia Incorporated (CAI), is a national body and an A Class member of Horticulture Australia Ltd (HAL). It is well organised, responsive to industry needs and well supported in terms of membership. Approximately one third of known growers are members of CAI.

Unfortunately CAI has limited resources available for industry R&D and promotion because of the small size of the industry and the relative amount of levy collected.

Given the limited resources, responsibility for many industry development tasks fall on Board and committee members who work in a voluntary capacity. The industry does have a part-time Industry Communications Officer. This role has been invaluable in improving member access to information and in supporting other industry development activities.

Funding

To meet industry R&D needs, CAI continues to explore opportunities to access funds other than through the levy process. For example, the industry benefits from voluntary contributions for R&D which are matched by government funding. CAI has been successful in receiving a National Landcare Program (NLP) grant and the industry has been able to extend its R&D budget through utilising the resources of the education sector.



Major impacts on industry growth

drivers - current

- Strong demand for chestnuts in specific demographic segments (European / Asian consumers)
- Growing demand for chestnuts in other demographic groups. Increasingly chestnuts are being used in fine dining. As a result consumers are being exposed to potential uses and product is slowly entering mainstream cooking
- Health attributes - gluten free / low GI
- Increasing range of value added product being marketed
- Attractive crop for lifestyle landholders - minimal inputs / income potential; environmentally and aesthetically friendly land use
- The industry is becoming more professional and commercially focused
- Industry funding mechanisms (levies)
- Mechanical harvesting increasing profitability of operations

drivers - future

- Increased marketing activity by industry / businesses
- Growth in demand as consumers become more familiar with using chestnuts and the increased availability of value added products
- Demand for food – intrinsic food value in chestnuts
- Increasing demand for 'healthy' foods
- Increasing demand for sustainably produced foods
- Improved varietal selections
- Improved production and handling techniques across the supply chain (clear industry guidelines) leading to improved and consistent quality
- Co-operative marketing structures

constraints - current

- Lack of consumer knowledge about chestnuts impacts demand and price
- Quality variability and internal rot impacts on demand / repeat sales
- Not all varieties supplied to the market meet consumer needs – requirement for easy-to-peel varieties
- Lack of agreed product quality standards and a need for updated best practice guidelines
- Currently limited demand for value added product
- As a small industry there are limited financial resources (levies) to support industry development and marketing activities
- Return on investment / rising production costs
- Strength of the Australian dollar affects export returns for fresh and value added products and helps the price of imported value added products

constraints – future

- Availability of water
- Access to labour
- Climate change
- Traditional and higher volume purchasers of chestnuts are ageing and the younger demographic is not currently embracing the product
- Access to appropriate pest and disease management technology
- Imports – fresh (if import countries meet biosecurity requirements) and processed product
- Competition from other food products with a comparable health profile

An Overview of the Industry Strategic Investment Plan

Strategic Intent

To achieve sustainable and profitable production of a high quality, healthy and increasingly popular food!

Key Aspirations

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- *be a growing, profitable, sustainable and innovative industry*
- *deliver a consistent high quality product and increase demand through promotion and consumer education.*

So that Australian chestnuts are recognised for their unique flavor and health attributes and, as a fresh product, are sought after in their season.

Objective 1

Ensure a consistent high quality supply of Australian chestnuts to meet consumer demand

Strategies

1.1 To ensure that consumers can confidently purchase consistently good quality chestnuts at retail level

1.2 To have appropriate information systems and risk management strategies to underpin supply

Objective 2

To facilitate a sustainable and profitable industry by increasing demand for Australian chestnuts in line with increasing supply

Strategies

2.1 Conduct market research to identify market opportunities and support the positioning of Australian chestnuts

2.2 Drive demand in targeted chestnut segments through effective market development and promotion

Objective 3

To ensure the Australian chestnut industry is appropriately structured and resourced to effectively manage its affairs and the development of the industry

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 Chestnut Industry Strategic Investment Plan objectives and strategies are provided in the following pages.



Objective 1

Objective	Ensure a consistent high quality supply of Australian chestnuts to meet consumer demand	
Rationale	<ul style="list-style-type: none"> • There is a need for improvement in the average quality of product presented to the market. • To overcome constraints to industry development and foster global competitiveness there needs to be ongoing productivity gains at the farm level and along the supply chain • Adoption of best practice production, harvest and postharvest handling techniques are essential to achieve productivity gains • Greater collaboration at production, packing and marketing will assist in achieving productivity gains and maximising supply opportunities • Better industry data is required to inform decision making • Product supply needs to be underpinned by a robust biosecurity mechanism 	
Strategies	1.1 To ensure that consumers can confidently purchase consistently good quality chestnuts at retail level	1.2 To have appropriate information systems and risk management strategies to underpin and secure supply level
Sub- strategies	<p>1.1.1 <i>Update and promote the adoption of best practice production, harvest and postharvest handling guidelines to assist growers in improving farm productivity, quality and sustainability</i></p> <p>1.1.2 <i>Update and promote the adoption of best practice guidelines to assist supply chain partners in optimising product quality and presentation</i></p> <p>1.1.3 <i>Access and adopt new research and technology, systems and / or practices that reduce the incidence of nut rot.</i></p> <p>1.1.4 <i>Update varietal evaluation information and promote adoption of market-preferred varieties</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 chestnut industry has appropriate biosecurity arrangements and resources in place to meet the expectations of levy payers and government</i></p>
Outcomes	<ul style="list-style-type: none"> • Best practice production, harvest and postharvest handling guidelines and varietal evaluation information is updated and there is a high level of awareness of practices and varietal information at the production and wholesale level • The majority of growers indicate that industry data assists with decision making • Effective response to biosecurity issues leading to improved security of and opportunity for the Australian chestnut industry. 	

Objective 2

Objective To facilitate a sustainable and profitable industry by increasing demand for Australian chestnuts in line with increasing supply

Rationale

- There is a need to continue to educate Australian consumers in the use and preparation of chestnuts to drive demand
- There are opportunities to promote a range of health benefits associated with chestnuts
- There is increased availability of value added Australian chestnut products
- Seasonality provides opportunities and challenges
- Limited marketing levy funds dictates that marketing needs to be innovative and resourceful
- The industry has undertaken some media and consumer research in the recent past

Strategies

2.1 Conduct market research to identify market opportunities and support the positioning of Australian chestnuts

2.2 Drive demand in targeted chestnut segments through effective market development and promotion

Sub- strategies

2.1.1 *Validate research into the biochemical properties of chestnuts and their relevance to health and nutrition*

2.1.2 *Conduct market research / access market data to understand the current situation and to identify market opportunities for Australian chestnuts and mitigate risks associated with market development*

2.1.3 *Communicate information about new technologies, research and trends in relation to fresh and value added chestnut products and formats to support the development of new products that meet market / consumer needs*

2.2.1 *Develop and execute an effective marketing campaign, driven by consumer research, which optimises the positioning of Australian chestnuts in existing and emerging domestic channels.*

2.2.2 *Where appropriate, support commercial marketing activities that optimise the positioning of Australian chestnuts*

2.2.3 *Quantify the environmental credentials of the industry to industry stakeholders and consumers*

Outcomes

- In the next five years, to increase per capita consumption of Australian chestnuts in line with increasing supply and at a rate of return equivalent or better than 2010 farm gate prices.

Objective 3

Objective To ensure the Australian chestnut industry is appropriately structured and resourced to effectively manage its affairs and the development of the industry

- Rationale**
- Requirement to deliver the 2011 – 2016 Industry Strategic Investment Plan
 - Requirement to demonstrate a strong ROI of levy funds to meet the expectations of levy payers and government
 - Need for continuous improvement in industry service delivery
 - Increasing demand for financial resources to meet industry needs

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

3.1.1 *Build the capacity of industry and its management through targeted professional development activities*

3.1.2 *Review and align industry structures, support and skills to meet the industry's obligations and needs and ensure a wide cross section of industry is represented at the leadership level*

3.1.3 *Ensure levy rates and RD&E / marketing allocations are appropriate to meet the obligations of industry and expectations of levy payers and other stakeholders; support Levies Revenue Service (LRS) in its collection activities to maximise levy compliance*

3.1.4 *Investigate and seek additional income / funding streams to support industry development*

3.1.5 *Ensure and demonstrate strong return on investment of levy funds through appropriate program / project structures and governance*

3.2.1 *Proactively build relationships with key stakeholders, including government, research organisations, other service providers, and international networks to foster cooperation and partnerships which provide opportunities for the Australian chestnut industry.*

3.2.2 *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*

- Outcomes**
- The majority of surveyed industry stakeholders recognise the industry as having good leadership, appropriate governance structures and delivering a range of valued resources and services
 - A wide cross section of industry stakeholders are represented on the PIB Executive Committee and the IAC
 - The majority of surveyed growers are satisfied with industry communication performance
 - Industry consistently and effectively demonstrates strong return on investment of levy funds.

Contributors

The following people are acknowledged for their contribution to the Australian Chestnut Industry Strategic Plan process:

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