



Potato Processing Association Australia



Horticulture Australia

Australian Processed Potato Industry Strategic Investment Plan 2012 - 2017

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Australian Processing Potato Industry Strategic Plan, 2012-2017

Final Report For



Potato Processing Association Australia

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Executive Summary and Summary of Recommendations

Introduction, Vision and Mission Aiming to guide 2012 R&D investment decisions, and to give direction to the challenged but committed Australian Processing Potato Industry, this Plan's Vision is "To have a sustainable Australian Processing Potato Industry that is established on a strong, profitable and forward-looking business basis". The Mission is "To be a market-oriented, state-of-the-art, well-trained industry". The true source of criteria for R&D investment is an understanding that being sufficiently competitive and supported to stay viable in the marketplace is the way forward for the industry.

The reference points that dominate the plan are that the industry is at risk because of imports; the importance of a business approach throughout the industry; and the need for a more united and cohesive industry approach. Total Australian potato production, around 1.25m tonnes p.a., is some 0.35% of world production. Massively increasing imports highlight the need to be internationally competitive. Potato production is rising in Europe and Asia, with China producing 73m tonnes p.a.

Situational Analysis This Processing Potato SIP parallels a new Fresh Potato SIP. Both industries would benefit from closer collaboration and working together. There are more than 1,000 potato growers in Australia, but the number is falling.

Effective R&D is vital for Australia's Processing Potato Industry, with science increasingly important in agriculture. Yields need to be around 70 tonnes per hectare rather than the current average of under 40. Costs in Australia are considerably above those of some competing countries. Water, fertilizer, transport and land costs are hurting as well as labour costs and the high \$A.

The current \$1 per tonne R&D levy, with matching Commonwealth funding, provides some \$1.5m pa, which mainly goes to a five year APRP2 program. This well-regarded program concludes during the term of this plan, so a new program will be required, plus renewed action to maximise farmer benefits from APRP2 findings. A lot of work is going into industry communication and development, especially through the Potato Industry Extension Program. There is some support, especially from processors, for increasing the levy.

On the structural and organizational side, the industry is historic, fragmented, multi-layered and diffuse: it is hoped that a strong industry perspective can emerge. There are multiple deep-seated issues – including scale, training, ageing, and difficulties in adopting a business perspective. The Processing Potato Industry is dependent on two dominant international processors, the viability of whose continuing operations in Australia may require far-reaching improvements in grower productivity and competitiveness. Relationships between growers and processors are generally described as ‘up and down’, and the report makes the point that granted the industry is at risk, a more united and cohesive approach seems essential for survival.

On the ‘Markets and Marketability’ side, and recognizing that the processors see the marketing of processed potato products as their domain, per capita consumption of processed potatoes in Australia through the later years of the last decade was basically static. But the standout reality is the upward trend in imports in the last ten years, highlighted by the fact that imports in the last six months of 2011 (77,200 tonnes) were little short of imports in the whole of the previous twelve months (82,900 tonnes).

From the viewpoint of markets and marketability, the plan notes a number of grower perspectives, including the issue of demand, the fact that growers who meet the needs and wants of the processors do well, and the uncertain or ambiguous value of being “Made in Australia”. The Report is led to the observation that the matter of support in the marketplace for Australian grown processed potatoes must be an ongoing and high priority ‘work-in-progress’ for the industry. Overall, the situational analysis portrays an industry with a lot of work ahead of it.

Objectives Moving from ‘where we are’ to ‘where we want to be’, this Strategic Investment Plan recommends four main objectives: (1) to increase competitiveness, including increased productivity and reduced costs; (2) to increase usage of practical research findings, (3) to improve communication and market awareness across the industry, and (4) to advance more effectively the cause of the Australian Processing Potato Industry.

The specific components of these objectives are spelled out, in the form of ‘SMART’ imperatives – four or five imperatives for each objective – under the Summary of Recommendations heading below. **The recommended apportionment of the available R&D levy funds, assuming the required portion of total funds will have been taken out to cover administrative and overhead type requirements, is: 44% for Objective One; 22% for Objective Two; 29% for Objective Three; and 5% for Objective Four. These apportionments need to be related to the specific components and SMART imperatives for each objective that are spelled out below.**

Strategy The strategy - the high-level guiding idea – proposed to get from 2012’s reality to the 2017 objectives is to engage the industry’s energy and belief to achieve its objectives – and secure its future. This strategy includes getting industry players to work together to overcome the industry’s weaknesses, to deal comprehensively with systemic problems such as scale, to ensure a focus on issues that will produce right decisions in relation to the R&D program to follow APRP2, to train and attract new generation leaders to step forward.

Action Plan A package of six initial action points is proposed to start the industry on its strategic journey, namely to:

- get recognition that the industry has a problem;
- raise the industry profile;
- generate some dynamism;
- determine and communicate where the bar is set for the future;
- get a standout practical research result out to the paddock; and
- get recognition that the industry can give itself a future;

Together, these points will provide a basis to engage with this SIP.

In concluding this Executive Summary, we thank everyone who has supported the production of this strategy plan, and wish the industry every success in making the plan its own, engaging with it, and achieving as the outcome a strong and secure future.

Summary of Recommendations The four recommendations, each with several ‘SMART’ imperatives, are as follows.

1. Increase competitiveness, including increased productivity and reduced costs.
 - (i) Increase average productivity (tonnes per hectare) to 55 tonnes per hectare.
 - (ii) Reduce average costs of production (\$A per hectare) by 15%
 - (iii) Seamlessly complete and evaluate APRP2, develop and institute a fresh program of R&D to follow it.
 - (iv) Establish (in collaboration with the Fresh Potato Industry) an accessible potato industry training program to Certificate IV level in collaboration with a quality dual-sector University or VET provider.

2. Increase usage of practical research findings.
 - (i) Identify the top four 'game-changing' practical research outcomes from APRP2, APRP1, and/or other available research programs.
 - (ii) Operationalize these outcomes into packages that growers can use without specialist knowledge.
 - (iii) Communicate and advocate the packages to all growers both directly and indirectly, conduct forums on the packages for all growers, provide backup support on request for grower implementation of packages.
 - (iv) Crystallize in an implementable format other practical research outcomes from APRP2, APRP1, and if worthwhile from other research programs.
 - (v) Build grower belief in the practical value and usability of the industry research program to the point where 85% of growers are prepared to implement the recommended measures.

3. Improve communication and market awareness across the industry.
 - (i) Foster a more professional business approach and attitudes through a targeted training program delivered to at least 150 growers.
 - (ii) Develop a grower-friendly online communication network with more than 200 regular grower users.
 - (iii) Build and circulate (in collaboration with the Fresh Potato Industry) a benchmark body of generic information about consumer/ community/ government attitudes, behaviours, etc. towards the industry and its products, including comparative international and industry information, by which the industry and individual growers can measure themselves and lift their game.

(iv) Circulate to growers benchmarking information about potato growing, desirably in a case study style, and including inspiring examples.

4. Advance more effectively the cause of the Australian Processing Potato Industry.

- (i) Have the industry giving positive and united support to its agreed objectives and strategic direction.
- (ii) Have regular media stories about research and other matters that are positive for Australian processed potatoes as distinct from processed potatoes from other countries.
- (iii) Have the Australian potato industry recognised as a valuable, forceful and iconic farming and manufacturing player.
- (iv) Have an established information resource – such as a website or pamphlet – available to support the industry and industry advocacy, and to underpin the industry’s position.

Section 1. Introduction, Vision and Mission

This strategic plan has two purposes, which are distinct but interrelated.

- The first is to provide guidance, with an economic basis, for decisions on future R&D investment of grower and processor levies, including Commonwealth matching funds. In regard to this purpose, the project brief calls for 'SMART' objectives, a clear rationale for investment decisions, the allocation of resources against objectives, and economic analysis of investment decisions. In practical terms, this means providing economic bases for allocating funds to various R&D areas.
- The other purpose is to give direction to Australia's Processing Potato Industry. Times are not easy, and industry members have requested a strategy that sets a direction. They are aware of the realities that dominate the industry. They know that competitiveness and sustainability are issues, and that something needs to be done. They would like a way to get ahead.

We hope this plan will help them – particularly industry bodies and the industry as a whole - in their business decisions. The project brief calls for spelling out what the industry is trying to achieve, and recommending on the scale of action required. In simple terms, this means developing a strategy for competitiveness, which is a precondition of a sustainable future for the industry.

In consequence of these purposes, this plan is about the Processing Potato Industry itself, and about competitiveness, productivity and marketability. These are the real priorities. Looking towards the year 2017 and the ongoing challenge of sustainability, this quadruple focus points the way to the necessary strategic direction for Australia's Processing Potato Industry. **Boiled down to essentials, the Industry's way forward is to get Australian fries and crisps sufficiently competitive and sufficiently supported to stay viable in the marketplace.** If this can be done, the Industry can be profitable and sustainable. An understanding of these fundamentals is the true source of criteria for R&D investment.

Three points of reference dominate this plan.

- The first is that Australia's Processing Potato Industry is at risk.

- The second is the importance of a business approach throughout the industry.
- The third is the need for a more united and cohesive industry approach.

The Vision that we propose for the industry is: “To have a sustainable Australian Processing Potato Industry that is established on a strong, profitable and forward-looking business basis.” The concepts employed in this vision statement are clear and simple yet encompassing and compelling. The concept of sustainability is given pride of place in recognition that the industry needs to give itself a secure future. Anchoring the future to a business basis commits the industry to being realistic about its future. Requiring that the business basis must be strong implies productivity, competitiveness, and risk avoidance. Requiring that the business basis must be profitable will ensure that the industry will attract people with capacity. Requiring that the business basis must be forward-looking will enable the industry to thrive on change.

The Mission Statement that we propose for the industry is: “To be a market-oriented, state-of-the-art, well-trained industry.” The concepts employed in this mission statement are demanding and precisely focused. A market orientation is the only guarantee of responsiveness to demand and other realities. To be state-of-the-art is the only way to be up with the game, or ahead of it. To be well-trained is the only way to do a proper job.

As demonstrated below, this plan comes at a critical time for Australia’s Processing Potato Industry. Levy-funded R&D - likely to total \$7.5m over the 5-year life of the plan - is essential to the industry’s future. But R&D is unlikely to be enough of itself to make the industry sustainable. As current reality has been explained to us, the industry must urgently make swift and far-reaching changes in order to give itself a future. A priority concern for the industry is the widely known and often demonstrated fact that a lack of competitiveness is a terrible killer in Australian manufacturing. It is not too much to say that the industry should be ready with a good answer to the question ‘what are you doing to help yourselves’ in case it might ever need to ask government to help secure its future.

This plan is being prepared in parallel with a corresponding plan for the Australian Fresh Potato Industry. The two ‘industries’ are in a sense parts of the larger ‘Australian Potato Industry’. There are various perspectives on how similar or different the two ‘industries’

are. Those who grow both fresh and processing potatoes are no doubt conscious of many similarities – particularly in the growing phase – as well as a number of differences. On the other hand, processors say the two industries have very little in common. Without dwelling too much on the similarities and differences, one undoubted difference is that the Fresh Industry is far less vulnerable to international competition than the Processing Industry. Another is that in the Processing Industry, the processors and the growers both pay the R&D levy of 50 cents per tonne, whereas the growers are the only levy payers in the Fresh Industry.

Whatever view be taken of the similarities or differences or relationships between the Fresh and the Processing Industries, it is our view that they would both benefit and be significantly strengthened if they would collaborate and work closely together, particularly in the implementation of their respective strategy plans. A number of the specific objectives in both strategy plans are explicitly proposed as collaborations.

It is useful at the outset to give some perspective on Australia's potato industry as a whole.

- In broad terms, Australia's total levied potato crop – both processing and fresh - in the years leading up to and following 2010 was fairly constant at around 1¼m. tonnes per annum. This was down some 10% from the early years of the decade.
- Australia has about 0.35% of world potato production and was the 35th largest producer in 2008¹. The largest producers at that time were China (73m. tonnes), Russia (36m tonnes), India (25m tonnes), the Ukraine and USA (each 19m. tonnes).
- World potato production is around 325m. tonnes per year. Potatoes are in the big league, with meat production at something over 200m. tonnes per year, rice at around 550m. tonnes per year, and wheat at something over 600m. tonnes per year.
- Australia's potato crop is worth around \$480m., although good statistics are elusive.
- Potatoes are produced in all Australian states, and distance is an issue. Different states have different issues, e.g. productivity in one, land sustainability in

¹ According to the 2008 Australian Year Book

another, shelf life in a third. Crisping plants use a large diversity of sources of supply, and bring product from far and wide at different times of the year from different parts of Australia.

- According to ABS figures there were 1,176 growers in 2009-10, but there are industry observers who believe this could understate the reality by as much as 50%.
- The crop is grown on around 36,000 hectares of land with an average yield of something over 36 tonnes per hectare².
- There are two major international potato processing firms operating in Australia, one with plants in multiple states; there are two major potato crisping firms; in 2010-11 there were also some 37 smaller processors.
- Processing potato production is moving towards 60% of Australia's total potato crop – 744,842 tonnes (59.2%) in 2010-2011, up from 738,595 tonnes (58.6%) in 2009-2010, and 706,011 tonnes (55.3%) in 2008-2009³.
- Imports of processed potato product are large and growing. Imports grew from 15,000 tonnes in 2003 to over 100,000 tonnes in 2008.⁴ In July 2011, some 10,000 tonnes of frozen potato product was imported into Australia, followed by 12,000 tonnes in August, 9,000 tonnes in September, 11,000 tonnes in October, nearly 17,000 tonnes in November, and 18,000 tonnes in December⁵. We understand that manufactured crisps were imported for the first time in 2011 for Home Brands, the weight/volume ratio having previously been a natural trade barrier.

The massive growth of imports of frozen potato product is a standout fact for the industry. Its significance is analysed later in this report. It is compelling evidence that there is a serious question about what the Australian Processing Potato Industry can do to secure its future.

² We understand that general yields for French Fry varieties would be over 50 tonnes per hectare.

³ Seed is around 8% of Australia's total crop.

⁴ Only processed potato was imported, due to quarantines.

⁵ Frozen imports come as product, not whole potatoes. As a rule of thumb, it takes roughly 2 tonnes of potatoes to make 1 tonne of frozen potato product such as fries.

The structure of this strategy plan is illustrated in the following indicative flow chart, which aligns with the HAL Strategic Planning Guidelines approach.



A separate section of the plan is devoted to each of these elements, and the structure of the plan plays out as follows.

- Section One, entitled “The Situational Analysis”, sets out and explains where we are as an industry in 2012. This scene-setting section is designed to provide as much information as possible which is salient to the later sections of the plan. The situational analysis needs above all to inform the strategy.
- Section Two, entitled “Objectives”, sets out, amplifies and explains the Australian Processing Potato Industry’s objectives, and particularly its objectives for the five years from 2012-2017. These objectives must not only be aspirations. They must also be practical goals which can be given specific meaning and realistic form.
- Section Three, entitled “Strategies”, is a broad proposal for getting from “where we are” to “where we want to be”. This proposal is the high-level “How-To” guiding idea that forms the heart and soul of any strategic plan.
- Section Four, entitled “Action Plan”, spells out and explains in detail the specific things that need to be done in order to implement the strategy, to achieve the objectives, and thus make them into reality.

In turning to the substance of this strategy plan, we are acutely conscious of its potential importance to the individual people, and the companies, that make up Australia’s Processing Potato Industry. One thing that stands out to an observer coming to grips with the Australian Processing Potato Industry is the combination of hard work and dedication displayed by the people who produce these remarkable foods. The human side is inescapable, despite the fact that everyone knows that potato production in the twenty first century has to be a business rather than a way of life. With this in mind, we start with an analysis of the industry’s current situation.

Section 2. Situational Analysis

This section of the report describes and explains the current situation of the Australian Processing Potato Industry under four headings. First – and foremost – there is the matter of competitiveness and productivity. Second – and crucially – there is the matter of Research and Development (R&D). Third – and challenging in its potential – there is the matter of industry communication and cohesion. Fourth – and fundamentally – there is the matter of markets and marketability. As noted earlier, the aim is to include in this situational analysis everything about the current situation that is salient to the proposed industry strategy and action plans.

This analysis portrays a good deal of gloom, and does not run away from the possibility of doom. But it also portrays rays of light, and grounds for hope. One certainty is that the industry has much to do, and quickly.

Productivity and competitiveness

‘Productivity’ in the potato industry commonly refers to the yield in terms of tonnes per hectare. With this meaning, productivity becomes a clear and simple benchmarking measure in most contexts, although it may oversimplify in some contexts. The low average yield is certainly a problem for the Australian Processing Potato Industry – and in some areas and with many growers the current yields are a recipe for unsustainability. We understand that steps are being taken widely, with pressure from processors, to increase productivity substantially. For example, one target is 70 tonnes per hectare by 2020. Some growers have already achieved this target, and have thus demonstrated that adaptation to change leads to success. Incremental mechanisms to achieve the target include irrigation, nutrition, larger scale production, changes in cultivars and combinations of cultivars. This target stands in sharp contrasts to the current national average of less than 40 tonnes per hectare⁶. If anything is clear in the Processing Potato Industry, it is that productivity must be constantly, substantially and rapidly increased.

Production and yields are not the whole story in relation to competitiveness, however, even when considering only the growing side of the Processing Potato Industry. The big

⁶ Averages vary significantly between states

picture point in this regard is that there is a world market in processed potato products, and the costs of growing processing potatoes in Australia are significantly higher than the costs in a number of other high production, export ready parts of the world including Europe and the United States. It seems clear on a number of measures that Australia's Processing Potato Industry is not internationally competitive, although it should be noted that there are serious limitations in the availability of robust and/or comprehensive data, especially of a comparative nature. In the picture that follows, specifics should be treated with caution, and more convincing evidence and detail of the suggested trends is greatly to be desired. That said, we understand that Australia has become uncompetitive over the last eight years or so – if increased imports are any guide, this timeframe looks right. Anecdotal evidence such as the following provides an apparently compelling picture of a variety of factors in the potato growing part of the industry which impact adversely on competitiveness⁷. Subject to the qualifications above, relevant factors include:

- Australian potato production costs per tonne being high in world terms;
- Australia being considerably off the pace in competitiveness internationally;
- Australian potato production costs per hectare being high compared with some competing producers;
- Components of relatively high Australian costs including not only labour, but also land, seed, fertiliser, water, interest, overheads, transport⁸;
- Since at least 2009, the largest exporter of processed potato product to Australia had been New Zealand until the last few months of 2011, when the United States, Netherlands, Belgium, - and Canada in one month – all sent significant exports.

It is one thing to demonstrate Australia's lack of competitiveness, another to identify the factors which may help in addressing it. It needs to be understood that addressing Australia's lack of competitiveness is not just a matter of playing catch-up, because overseas competitors are continuing to improve their own practices and to introduce new efficiencies.

⁷ It is of course relevant to keep in mind that Australia suffered major droughts and floods through many of the years since 2003.

⁸ We understand that red tape, while bad and costly, is not as bad in Australia as in Europe.

With the profound and ongoing transformation of horticulture, a major issue in looking for the important factors relating to improving Australia's competitiveness is the need to be on the right wavelength. One requirement in order to be on the right wavelength is acceptance that "farming is largely science, and the science must largely be accessed by technology". The following 22 February 2012 story from *Stock and Land*, while not specifically about potatoes, broadly illustrates what science is doing:

Long ignored by conventional farming practices, soil microbes are now in the spotlight as the key to new productivity breakthroughs for agriculture.... Biophysicist Iain Young forecasts a time when knowledge of how soil microbes work will lead to "designer soils". "Soil is the most complex biomaterial on the planet, and it's because of that complexity that we survive," he said. "In a handful of fertile soil there are more organisms than all the humans that have ever lived. We know, because we have counted them." Microbe counting and identification has only recently become possible using new molecular tools, which is why around the globe, scientists are modifying the long-held view of soil as a bucket, readily topped up with a nutrient cocktail when depleted, with the understanding that soil is an ecosystem. "When you understand soil as an ecosystem, you realise that if you alter one component of the system, it has knock-on effects," said soil microbiologist Pauline Mele. "Ten years ago, we only knew about one per cent of the organisms in the soil. The new tools are showing us the other 99 per cent."

The fact that farming is science indicates there may be fewer limits to potential in terms of production and suchlike outcomes than are generally thought.

It seems that the essence of a second requirement may be found in the following formula for successful farming, which was suggested to us by a leading primary production and farming figure – not actually a potato grower:

- "You have got to increase your productivity,
- you have got to reduce your costs,
 - you have got to increase your acreage, and
 - you have got to keep doing it year after year."

Even on its own terms this formula is not easy, but it becomes even harder with the extra requirement that "you have got to sell at a decent price".

In the light of the above, and putting aside until the next sub-section issues relating to soil and plant health, factors which seem relevant in regard to explaining and helping address Australia's lack of competitiveness include the following.

- Scale of production: In the main, Australian processing potato growers are small-scale producers. Processing potatoes are grown under contract, and we understand that Australian contracts vary from a few hundred to tens of thousands of tonnes, with the average for most areas between one and two thousand tonnes although this may be higher in South Australia. This Australian average compares with around seven thousand tonnes in New Zealand, and fifteen to twenty thousand tonnes in Idaho in the United States. It is easy to illustrate the impact of big scale production in reducing costs when we compare countries that use one or two row potato harvesters with countries that use six or eight row harvesters. A serious consideration of “scale” includes not just acreage and tonnages, but also matters of the investment, technology, machinery, and ‘big picture approach’ that are required to enter or stay in the big league. We note the following points that have been brought to attention and/or appear relevant.
 - In growing for processing, some of the small scale production as it currently operates cannot remain or become competitive.
 - Scale is not only a problem in relation to small growers: the larger issue is the importance of achieving economies of scale in the whole supply chain.
 - “Rationalisation of growers” is one proposed means to increase overall industry competitiveness, and it is already taking place. E.g. we understand that in one area, the number of growers has been reduced from 100 to 30, with further reductions still required.
 - Small-scale growers may be able to become more efficient and competitive by collaborating; but individual farmers would need to make the decision to collaborate. This may provide some necessary opportunities to work at efficiency where there is over-capitalisation.
 - “Leasing land is a good option to increase a young grower’s scale of operations.”
 - Across the whole Australian potato industry, and depending *inter alia* partly on location and also the risk profile of individual farmers, there is considerable variation as to rotational practices and requirements. We understand that in the Processing Industry, however, potatoes can be planted in the same ground only once every five years because of

rotation requirements due to the soil. The feasibility of improving seed or soil to a degree where more frequent plantings might become the norm in Australia (as we understand happens in some countries where the ground freezes in winter) seems not to be in contemplation in Australia.

- We understand that there is no known (or possibly universal) answer to the question of what scale of processing potato production is the most efficient. Additional factors that will need to be brought into the equation in particular cases include the utilisation of land, capital, machinery, labour and skills matched to land suitability.
- Industry education and training: “There is a terrible lack of training in the industry.” This comment is a dagger for the future as well as for the present.

A number of people we have spoken to in the course of our consultations have made the comment that there is a low level of training in Australia’s Processing Potato Industry. We are aware also that there are a number of highly trained and extremely well-educated industry players. When training has been discussed in the course of our consultations, it has almost always been in the context of courses such as chemical user certification, and seldom – if not never - in the context of the education and/or training programs that would be appropriate for a person wanting a career in the potato industry.

To check the situation we made a Google search of ‘Potato industry training courses’. This search came up with no first page entries for courses in Australia – there were one or two courses in Europe, South Africa and the UK, but none of the other first pages entries were about potato industry training at all. By contrast, when we made a Google Search of ‘Dairy industry training courses’, all but three of the first page entries in were for dairy industry courses in Australia – a dozen or more.

The reality appears to be that, for whatever reason, education and training is not a priority in the Australian potato industry – indeed, it is not on the radar. Modern agriculture being what it is, a lack of education and training inevitably becomes a huge barrier to catching up with current industry practices in some other

countries. Continuing inattention to education and training would surely be a knockout against Australia ever advancing into the main international game of competitive processing potato production.

- Uptake of technology: “Technology is a big thing, but it is hard.” “The industry needs to be at the forefront of technology by 2016.” “Industry players need to be expert with problems.” These comments may sound fatalistic, but they may also be statements of resolve.

Tomorrow’s – even today’s – technology is mostly unimaginable – someone spoke to us of an app on the mobile that lets the grower know when one of his rows is getting dry. Whether this is today’s or tomorrow’s app is beside the point – which is that growers simply must take advantage of both today’s and tomorrow’s technology.

From one perspective, it is amazing how much technology has already come into the industry. An example is precision agriculture like yield mapping and variable rate irrigation which can give a 360 degree turnaround in yield. At the other end of the scale, we understand there are still some growers who do not see the need to have a mobile phone.

Our impression is that few things are of greater practical importance in the industry – or more achievable – than success in fostering the mindset that technology is every grower’s friend.

- Business approach: ‘All farmers know that farming is a business, but many farmers find it hard to be totally businesslike in the running of their farms.’ While more and more farmers are recognising the importance of a business approach, this statement still appears to encapsulate a significant reality which is not without dangers for potato growers at a time when competitiveness is king.

There appears to be a continuum – some growers are business savvy, others need to have their hands held. Three separate comments made in the course of

our consultations provide a useful indication of the general level of business competence across the Processing Potato Industry.

The first was that “Time management sheets help growers to organise themselves. A grower with time to talk to a field officer is a grower who is on top of his business”.

The second was that “Benchmarking shows growers where they are falling short, and it needs to become standard”.

The third was that “Growers who do what the processors want are enjoying success”.

It seems clear that in the emerging world of agriculture, there is a major challenge yet to be fully met by a number of growers for the Processing Potato Industry to be ‘in the game’ from a business point of view. Putting it differently, while it is known that a business approach is crucial, there are growers who find it hard to make the change, or even know what it really means. Related is that potato growers need to make every post a winning post to improve their competitive position, and this calls for practical management skills of a high order. The third of the comments highlights the critical importance of the market perspective at every stage of business, and we come back to it later.

The big processors say their role includes working with growers to improve their business skills and utilize information as well as trying to partner with them. It has been suggested to us that growers could learn from a better understanding of the processors’ way of thinking, and that this would lead to better collaboration between growers and processors.

With relatively small family farms still widespread in the Australian industry, the further imperative of marrying business skills with farming skills – and being able to keep up with advances in both – only adds to the pressure.

- Availability of expertise: “Last year, there were twice as many advertisements for agronomists as there were graduates.” Statements like this can be misleading, but there is no doubt that agricultural expertise – both in general and specifically

in the potato industry – is in critically short supply. The situation is deteriorating, with technical and scientific experience being lost as agriculture experts are not replaced, e.g. in state and federal government departments and agencies. There are very few agriculture students in universities, and despite governments recognising the problem, there is no evidence of any turnaround. It is not just expertise in agronomy and related agricultural science areas that is in short supply, but we understand there is tremendous difficulty in finding appropriately qualified people for a range of managerial positions, including in businesses of various sizes in the potato industry.

We understand that a limited number of scholarships exist to attract future experts into the potato industry, and in particular to give interested young people some overseas experience or even training. It is difficult though obviously important to give sufficient priority or resources to such initiatives – and not clear how effective the approach may be in the longer term.

The further aspect of expertise – which relates of course to research – is considered in the R&D analysis in the next sub-section.

- The Australian dollar: Like other manufacturing industries, Australia's Processing Potato Industry is vulnerable to adverse exchange rates. The industry's competitiveness is damaged when the \$A is high against international currencies, particularly in Europe and America as well as New Zealand. It is important to be aware that import contracts are likely to run for 12 months or more, meaning that the benefit to the Australian industry of any fall in the \$A would at best flow through slowly.

Without prejudice to what may happen to international exchange rates, there is little doubt that it would be risky for an Australian Processing Potato Industry that wants to be competitive and sustainable to factor expectations of a lower \$A into a 5-year strategy plan.

The above six factors relating to the Australian Processing Potato Industry's lack of competitiveness reflect the grower's side of the industry. With regard to productivity and efficiency on the processor side, sources of information are more scarce. With regard to

optimising the 'recovery rate', i.e. the yield of processed product from raw potatoes, one comment was that 55% is 'good'. The other was simply an indication that technological development can make a difference on the processing side, peeling machines being the notional example. Processors say that their firms commit large expenditures to the development and upgrading of processing plant and equipment. Snippets like these are useful in bringing to attention that productivity and competitiveness are issues for processors as well as growers, although they are not focussed upon in this plan.

It is fitting to conclude this sub-section by noting some interrelated aspects of the relationship between growers and processors which relate to competitiveness and productivity. An obvious and fundamental feature of the Processing Potato Industry is that while growers and processors need each other, they also have an entrenched conflict of interest because while growers want to sell their potatoes for as much as they can, processors want to buy them for as little as they can. Processors pay levies to help keep growers costs down, because high costs for growers end up as high costs for producers. We understand that more than 50% of the value received by processors for their product goes in what they pay the growers for their potatoes, and – although we do not have the figures – that this is making the processors uncompetitive. Contract growing arrangements help to smooth much of the divergence of interest. But boilovers have occurred, and there are sometimes issues such as overproduction in which 'management' is required to finalise prices.

If the big point about competitiveness is that it is an unremitting imperative, the next sub-section addresses a key area for achieving the best possible outcomes.

Research and Development – Pests and Diseases

Pests and diseases – which are often carried in the soil – are a scourge in the potato industry. Some potato growers doubt they could ever manage pests and diseases. Some, particularly in the Fresh Industry, have the view that it is best to live with them. In the Processing Industry, however – perhaps because the effects of pests and diseases are more visible – there is a strong belief in, and commitment to, R&D. Both growers and processors are solid backers of research. They are committed to making it effective and practical. They want concerted efforts to get research into the paddock, using

agronomists and field officers as well as publications like *Potatoes Australia*, forums, and other mechanisms. Currently, of course, the threat of Zebra chip crossing the Tasman weighs heavy on the Australian industry.

In Australia, there is an R&D levy of \$1 per tonne on processing potatoes, half paid by the growers and half by the processors. In 2010-2011, this levy totalled \$744,842 – up 2% from the previous three years, down 7% from the four years before that.⁹ With matching Commonwealth funding this levy provides funds of just under \$1.5m. per annum. These funds can be used to fund projects “with the objective to improve efficiency, product quality, sustainability and the ability to supply and respond to market needs”¹⁰. The funds may be used for market research, but they cannot be used for marketing. A separate marketing levy would be required for marketing. We understand there is no industry interest in a marketing levy, and indeed there appears to be a broad industry view, which is strongly adhered to by the processors, that no levy funds should be used for market research either¹¹. However the processors have expressed interest in an increase to the existing R&D Levy. Voluntary R&D contributions can also attract matching Commonwealth funding. Occasionally there are opportunities to leverage funding and develop shared projects.

Effective R&D on pest and disease control, and on broader matters including land use and irrigation, is seen by Australia’s Processing Potato Industry as having a key role in increasing productivity, reducing costs, and making the industry more competitive. Although the processing firms pay a levy, they do not seek to use levy funds on R&D in processing.

Not surprisingly, there is a variety of perspectives on the practical value of R&D. It is accepted that the *raison d’être* of levy-funded R&D is ‘practical benefits to the farmer’. R&D inevitably has disappointments, and there are never guarantees, but we have been advised that there have been a considerable number of wins and benefits. Examples of practical benefits to farmers from R&D in the last few years include control of common scab disease, which has saved a lot of money; rhizoctonia control which has been useful

⁹ With regard to 2011-2012, the July to December levies were \$375,567, down 6.46% on the previous year.

¹⁰ Quoted from AUSVEG website page “The Levy System”.

¹¹ Market research is considered further in the later sub-section headed Markets and Marketability.

in relation to rotation; development of green manure which is valuable for a number of growers; the timing and application of irrigation, which has caused some big turnarounds in productivity; controlled traffic which has reduced the damage caused by soil compaction; DNA work has been very successful, including international collaboration in particular cases of soil DNA, where Australian R&D workers have been able to access and make use of research in other countries which had isolated problems which are actually being experienced in Australia. (Pursuing the international aspect briefly, international collaboration of this kind must obviously be a two-way process, and Australia needs to be willing to give back as well as take. Given the international nature of potato research, it is important that appropriate levy funding is allocated for international liaison. Australia's potato industry benefits from our attendance at international meetings (such as the World Potato Congress and International Potato Group), growers' tours of international facilities and farms, and researchers being able to work with their international counterparts (as was seen in collaborative work undertaken between Australia and New Zealand on Zebra chip). Such opportunities allow the Australian potato industry to broaden and enhance its research and development activities. Furthermore, international liaison allows the Australian industry to compare and contrast our own policies and practices with those of international counterparts – it provides a measuring stick or a gauge whereby we can remain up-to-date with the latest R&D developments and technological innovations. Through overseas opportunities, international R&D is more easily disseminated to Australia for practical implementation.) It is of course important to be aware of the steady contribution of agronomists - whether they be independent, employed by growers or processors, or tied to rural service providers - in the process of translating R&D to growers.

On the other side of the ledger, we have been told – obviously realistically – that soil amendment programs have been hard, but 'you must keep trying'. Perhaps the best evidence of the value of R&D over recent years is the increases in yields achieved by a number of growers who have taken research seriously, and have found ways to use it in their paddocks. It is these growers who have been lifting their yields to 60+ tonnes per hectare.

Our consultations have provided useful insights into the process of 'getting research into the paddock'. For example, practical benefits from potato R&D cannot be expected to

come on a platter, and a cargo cult mentality is not helpful. Some people say that 'getting research to the paddock relies on a researcher being a champion'; some that 'growers who have given samples to researchers need to hound them for results'; some that 'more active participation by growers in the research process will lead to better results'; some that 'growers need to take some responsibility for applying research results'.

None of this detracts from the responsibility of researchers to help growers, for researchers to be aware of the importance of communication strategies, and for researchers to endeavour to communicate R&D in a lucid and intelligible manner. Researchers today know that they need to have an eye to practicalities, and the good ones welcome this.¹² But while research needs to yield practical benefits, the question of how to secure the information and get it to the farmer may be something else. We are told that sometimes the line runs from researcher to chemical company to processors to growers.

It seems to be accepted that a lot of successful earlier research was never translated into action on the ground, although this is difficult to quantify.

What comes out of this account of getting research into the paddock is that there needs to be a renewed emphasis on ensuring that 'benefits to farmers' actually accrue. We shall return to this issue after examining what is currently happening in the "R" part of "R&D", because the approach there has implications for the question of how to get practical outcomes.

The Processing Potato Industry adopted a 5-year program approach to R&D some six or seven years ago, in place of the previous shorter term 'separate projects' approach. The program approach is better aligned with the previously discussed reality that 'farming is science', and more in line with the dominant trend in scientific research which involves teams working across areas rather than individuals working on separate projects. The program approach fosters collaboration, and enables advantage to be taken of

¹² A Cambridge agricultural researcher recently noted that 'it's exciting to see the immediate effects and impacts of the science'.

connections between different projects and lines of inquiry, including getting the benefit of international connections of the kind noted in an earlier paragraph.

The 5-year program approach to R&D sees the Processing Industry in effect taking a leadership role for the whole industry, and it does this on the basis of getting more substantial research completed, getting longer-term commitment from researchers, and stretching the value of levy dollars.

Known as the Australian Potato Research Program - Phase 2 (APRP2), and running from March 2010-2015, this program comprises 5 projects, most of which have further sub-projects within them. Broadly, the subjects being researched are:

- (i) methods to control potato psyllid (zebra chip) if it reaches Australia;
- (ii) applications of DNA testing to enable growers to predict the incidence of diseases;
- (iii) soil testing to assess the risk of disease incidence;
- (iv) strategies to control soil-borne diseases by manipulating nutrients and soil health factors; and
- (v) getting a practical understanding of potato early dying syndrome (PED).

APRP2 does not absorb the totality of levy funds allocated to research. Processing Levy programs and expenditure that are additional to APRP2 include new cultivar evaluation; Zebra Chip Awareness; Controlled Traffic Farming; Nematode R&D; reports, conference and meetings; publication and distribution of *Potatoes Australia*.

With APRP2 now approaching its half-way mark, it is too early to forecast research outcomes. It is however possible to make a number of strategically relevant observations, some of them relating to earlier R&D.

- APRP2 is a complex program and has experienced a number of administrative problems, some of which are still being worked through. Bureaucracy needs to keep the researchers happy! But we understand there are indications of some useful and promising results, together with an emergence of some esprit among the researchers.
- It is widely agreed that over a considerable number of years, and doubtless for a variety of reasons, significant findings in potato research have not been effectively 'got out into the paddock'. There are divergent views on whether older

research still has practical relevance. But what is not in dispute is that delivering practical benefits to farmers must be a priority. The newly created position of Potato Industry Extension Program Manager, which is referred to again below, is a major response to this challenge – both in relation to earlier research, and upcoming research findings.

- The program and team approach has the potential to make potato industry R&D more outward looking and more user-friendly. Having said this, it needs to be recognised that the translation of research findings into more productive farming is a sometimes fraught and often complex process. Fraught if only because there is no guarantee that extraneous factors will not intervene and bring disaster. Recognised steps in the process include communication, trust, technology transfer, extension. Farmers need to be satisfied that researchers know what they are doing, and that field trials have been sufficient. Information must not only be ‘put out there’, it must also be understood. Users need to know what new ways will do for them, and the limits of what is being offered. Technology – eg “Apps” – needs to be, or become, familiar to users.

It is clear to us that considerable effort and understanding needs to go into getting the fullest benefit out of APRP2, recognising that its extent and complexity are taking the industry into uncharted territory, and that lessons must be learned, and accommodations made all round. It also seems clear that when it comes to the next round, there will need to be great attention to getting the full and earliest benefits not only from whatever program follows APRP2, but also from the completed APRP2 itself.

The newly created Potato Industry Extension Program will need to play a pivotal role in getting good outcomes in both these areas. The Potato Industry Extension Program will help raise awareness of R&D, and help communicate it to growers and processors in a lucid and intelligible manner, with a particular emphasis on highlighting the productivity benefits of R&D, and providing information so it can be used on a practical level in either the short or long term. Additionally, the Extension Manager will provide advice on the work of researchers and the uptake of R&D by growers and processors, including in relation to the continuation of the APRP program.

The larger point, of course, is that the responsibility for getting practical benefits to growers is shared. For example, as noted earlier, researchers also have responsibilities in regard to helping growers in a practical and immediate way. Researchers need to use the communication channels available to them, and there is clear benefit in them using AUSVEG programmes to reach growers. In the modern world of team approaches, all those who are involved in industry R&D must work together to secure practical benefits to growers. "Benefits to Growers" is the real litmus test in relation to these issues – and underlying this is the ultimate litmus test of making the industry more competitive.

In concluding this sub-section, it is appropriate to comment that the operations and success of any industry R&D program will inevitably be connected with the way the industry is structured and organised, and this leads to the next sub-section of this situational analysis.

Structure and organization

Australia's Processing Potato Industry is historic, fragmented, multi-layered and diffuse. It is important to be aware of some of the factors that are present and at work.

- There are hundreds of growers: fifth generation growers, and new growers; growers who produce a few hundred tonnes, and growers who produce tens of thousands of tonnes.
 - There are growers dropping out of the industry or falling by the wayside, and ageing is a reality, but young leaders are emerging as well.
 - There are true-believers – growers see themselves as producing one of humanity's great staple foods – and growers who see their job as little more than grinding work.
 - Some growers see farming as a way of life and find it difficult to adopt a business perspective – other look only at the dollars.
 - There are deep-seated issues with inadequate training, but many growers are smart and switched on.
 - Some growers produce only for a processor, and some for both processing and fresh markets - but the only outlet for processing potatoes is the processor with whom the grower has a contract.

- Change is sweeping through the industry, but we are told the industry does not like change.
- The Processing Potato Industry is heavily dependent on two dominant processors – both overseas multinational companies.
 - These processors are currently committed to Australia, and adding to their investment. But how can they survive unless they can remain competitive? People are conscious of closures and cutbacks in other sectors of Australian food manufacturing.
 - It seems to be widely accepted that looking out no more than three or four years, far-reaching improvements in grower productivity and competitiveness are a precondition of continuing processor viability in Australia. The industry is not privy to how 'operations in Australia' are viewed at head office in either of the processing companies.
 - It seems to be widely accepted that cutbacks in processor production would almost certainly mean starting on a slippery slope, although we doubt that this can be known for certain.
- There are tensions and pressures within the Processing Potato Industry, and levels of trust do not appear to be high.
 - It is a two speed industry, with some successful growers too busy to talk about strategy, and other growers too busy keeping their heads above water to think about it.
 - There are divergent views about the value of the levy, how it should be spent, and how to bridge the gap between research and growers.
 - Relationships between growers and processors are generally described as 'up and down'. This is not surprising in a situation of mutual dependence with both parties under the pump. Overall – though not at all times – the processors are the dominant partner. Processors see themselves as trying to do the right thing by their growers, and sometimes try to involve them. Growers see the processors as having their problems too. Sometimes things boil over. The general rule applies, that relationships are easier for the good operators.

- A lot of work is going into industry communication and development. This work points to progress and an increasing level of commitment, although it may be necessary to move up a gear or two – or three – to get through the ‘crisis of competitiveness’.
 - *Potatoes Australia* is an important voice for the industry. It is widely distributed and read; it is informative and useful; it communicates industry messages.
 - AUSVEG is attracting greatly increasing media coverage: it is recognised as a potent vegetable industry advocate, a strong and leading voice for primary industry across Australia, and it is influential in the political arena and with governments.
 - The Potato Industry Extension Program is giving new impetus in enabling growers to access technology and practical research benefits.
 - Young leaders are being fostered, and industry bodies are on the lookout for ways to work co-operatively and advantageously for their members.

- There are many potato industry bodies across Australia – state and regional as well as national bodies; specialist as well as general industry organizations; government departments, bodies and authorities.
 - The Processing Potato Industry Industry Advisory Committee (IAC), under Horticulture Australia Limited (HAL), is the industry advisory committee charged with making recommendations on R&D expenditure on behalf of the industry. AUSVEG, which represents the growers, and the PPAA (the Potato Processors Association of Australia) which represents the processors, sit on the IAC. AUSVEG is an active industry spokesman and provides the IAC Secretariat.
 - Grower group activity is a reality, an important resource and potential.

In considering future imperatives, particularly in connection with the threats and difficulties that are facing the industry, it is essential to have a view to these industry features and dynamics. They come sharply into focus in considering the third point of reference in the Introduction, namely “the need for a more united and cohesive industry approach”.

In a desperate situation, division is death: there is no doubt that a cohesive and united industry has a greater chance of securing its own survival. By a 'united and cohesive industry', we mean one that can speak with an undivided voice, and bring concerted weight to bear in overcoming problems and grasping opportunities. We mean an industry in which all members and sectors contribute, where all count, where all take responsibility, where all carry risks, where all may – but will not necessarily – be winners. We mean an industry which makes business decisions for the industry, which accepts change and is committed to making change a friend rather than an enemy. We mean an industry which accepts that improvement must be constant; that differences of interest must be recognized and worked through; that conflict must be handled; that issues must be managed; that some members may not survive.

Our view is that if Australia's Processing Potato Industry is at risk – as we believe it is – a more united and cohesive industry approach along these lines is essential for survival. It will, e.g., be required for any advocacy campaign, or in any campaign for assistance or support to the industry. This is a central point about the current situation which was summed up in the comment during one of our meetings that "We had better stop arguing in order to survive".

In the end, of course, all these matters come down to selling the potatoes that the growers grow, and selling the potato products that the processors manufacture. This is the subject of the next sub-section of this situational analysis.

Markets and Marketability

In preparing this strategy plan, we are conscious that Australia's potato processors see the marketing of processed potato products as their domain and not a concern for the industry as a whole. While understanding this and not taking issue with it, we are also conscious that a processing potato strategy that made no reference to what we refer to as 'markets and marketability' would rightly be criticized as ignoring an important part of the picture. Accordingly, this sub-section does its best to steer a course that examines aspects of markets and marketability that are relevant to industry strategy while keeping clear of marketing matters that are outside its domain.

Estimates of per capita consumption of processed potatoes in Australia need to take account (i) that it takes around two tonnes of actual potatoes to produce one tonne of “Processed potato product” (such as chips), and (ii) that imports are measured in tonnes of “Processed Potato Product”. Keeping these considerations in mind,

- In 2008-09, Australian processing potato production was 706,011 tonnes. This translates into 16.1kg consumption per capita of Australian processed potato product. Imports in that year were 88,000 tonnes, which translates into 4.0kg consumption per capita of imported processed potato product.
- In 2009-10, Australian processing potato production was 738,595 tonnes. This translates into 16.5kg consumption per capita of Australian processed potato product. Imports in that year were 80,000 tonnes, which translates into 3.6kg consumption per capita of imported processed potato product.
- In 2010-11, Australian processing potato production was 744,842 tonnes. This translates into 16.5kg consumption per capita of Australian processed potato product. Imports in that year were 83,000 tonnes, which translates into 3.7kg consumption per capita of imported processed potato product.
- In July-December 2011, Australian processing potato production, at 375,557 tonnes for the six months, was broadly in line with the totals for the previous three years. Assuming a similar population as for 2010-11, this translates into the same consumption rate of Australian processed potato product as for 2010-11. But imports for this six month period, at some 72,000 tonnes, had almost doubled from the previous year on an annualised basis.

Thus per capita consumption of processed potatoes in Australia through the later years of the last decade was basically static. But the increase of imports, not only in the second half of calendar year 2011, but also since the early years of the last decade, is ominous. Per capita fresh potato consumption and total potato consumption both fell in Australia through these years.¹³ Declining fresh potato consumption added to a growing differentiation between the two potato ‘industries’.

Impressionistically, the standing of potatoes relative to other vegetables in Australia has changed substantially in the last 40-50 years. Potatoes are not the widespread staple

¹³ Our estimates of per capita fresh potato consumption in Australia are: 23.9kg in 2008-2009, 21.2kg in 2009-2010, and 20.6kg in 2010-2011. In the Fresh Potato Industry, the issues of wastage are different.

that they once were. Rice and pasta have made inroads, and although potatoes remain Australia's largest vegetable crop, they do not share the healthy image of vegetables.

The 2008 Year Book Australia feature article on potatoes makes two interesting observations regarding these matters. In the first place, it suggests that the probable causes for the decline in potato consumption are 'lifestyle changes, take-up of well marketed substitute products and dietary factors'. But it then goes on to say that the average potato, if eaten with the skin, provides a similar amount of potassium to a banana, and more iron and Vitamin C than half a cup of spinach! While processed potatoes do not include the skin, and while they do include fat, it seems that potentially market relevant information like this – which also appears on a generic website about Idaho potatoes¹⁴ – should very much be on the table in developing an industry strategy such as this.

Taking this further, it is not obvious to us that a better understanding of market needs – including attitudes to processed potatoes and their elements – would not be helpful to the industry as a whole in the current environment. There is currently no generic market research R&D on processing potatoes taking place in Australia. As with any R&D project, quantifiable benefits would need to be demonstrated in regard to any new proposal. With regard to accessing such material, we have been advised that the Australian Processing Potato Industry could tap into, and possibly translate for the Australian context, large and well-funded consumer research that is being undertaken in the US and the UK. It is a moot question whether this approach would provide the information that would be useful in the strategic context.

We will attempt to elicit some facts about markets and marketability likely to be relevant to an industry strategy by drawing out the implications of various comments that have been made in the course of our industry consultations.

To begin with, the following three comments can be considered together:

- “Demand constantly faces the vegetable (including the potato) industry.”
- “We could grow half as many potatoes again, if we could sell them.”
- “You can make money out of initiatives.”

¹⁴ www.idahopotato.com

Taken together, these statements portray an industry that is tough, not without hope, and needing to be energised. It is interesting that we have received little input about potential new markets for processed potatoes; about possible new processed potato products; about why people like processed potato products and eat them, or don't like them or don't eat them. From the perspective of strategy planning, the response to the fact of this comparative silence is that if you don't know the story, you can't know whether it is good news or bad news.¹⁵

Next, a statement which could almost be a tag-line for marketing itself:

- “The growers doing well are those who are meeting the needs and wants of the processors.”

While this comment was made about grower rather than processor marketing, its point is equally relevant to both. It puts market awareness upfront and centre in relation to this strategic planning exercise, and it could almost be restated as “The way for an industry to become competitive (do well!) is to become market oriented”. With its implication that an industry needs to know what its customers “need and want”, it raises the question of what the Australian Processing Potato Industry – as an industry – knows about the needs and wants of its customers – who these customers might be, both actually and potentially – even why some customers have dropped off. There would surely be ‘whole of industry’ aspects of such knowledge. Furthermore, the getting and the having of such knowledge is surely a legitimate interest of growers as well as processors. To give just one example, we understand that processors are happy for growers to put new varieties to them, difficult as this might be: but how could a grower who wanted to do that get past first base without knowing something about the end market?¹⁶

Then another group of three statements:

- “It should be simple to enforce ‘Australian made’ labelling, and that would make a difference.”
- “There should be regional labelling.”
- “I could make a potato stamp.”

¹⁵ One suggestion that has been put to us in this connection is that the apparent disinterest in potential new markets, and the fact that change is not being driven, may (i) indicate that the industry is in something of a holding pattern, and/or (ii) reflect uncertainty about the industry's future.

¹⁶ It is interesting that the breeding program has ‘consortiums’ investing in new and interesting varieties (i.e. unusual colours)

So far as we are aware, new market research would be required to assess the potential benefit of generic promotion of Australian processed potatoes. We have been advised that “Made in Australia” is ‘not worth a cracker’. But we also understand that one of the processors is extending its ‘Australian grown’ label to include potato products, and this labelling is certainly widely used in supermarkets. And if the industry knew that voters want Australian grown product on shelves, that knowledge could be relevant in an industry advocacy campaign. Revealingly, Market Research findings on consumer attitudes towards alternatives to Dimethoate and Fenthion for treatment of fruit fly (conducted in March 2012 as part of an AUSVEG project) illuminated that 80% of respondents would purchase Australian produce because they wanted to support Australian farmers – they wanted Australia to have a viable agricultural industry. The majority of those surveyed were passionate about country of origin, and 67% stated they would pay more for Australian grown produce.¹⁷

Finally, a group of phrases have been raised for discussion, including:

- ‘taste and texture’;
- ‘McDonalds liking less chemicals’;
- ‘health concepts’, and
- ‘whether Governments would be willing to have all our food imported’.

Without research, it is an open question whether there is anything in any of these notions for the Australian Processing Potato Industry from an industry advocacy point of view. As to whether it would be worth finding out more about any of them, ‘you can’t say if you don’t know’.

Reviewing this whole tricky and tendentious issue of markets and marketability, and accepting that the marketing of their Australian processed potato products is the domain of the processors who have made them and are selling them, we are led to the observation that the matter of support in the marketplace for Australian processed potatoes must be an ongoing and high priority ‘work-in-progress’ for the industry. For example, the substantial recent growth of imports – no doubt largely at the expense of Australian product – is surely a whole of industry concern, and cannot be separated from

¹⁷ HAL Project No. VG11031 - *Alternative Options to Fenthion and Dimethoate Education Project*, The Klein Partnership (Market Research Consultants), AUSVEG Fruit Fly Study, Full Report, March 2012, pp.49, 79.

considerations of markets and marketability. To take another example, the issue of how to work with retailers – and indeed fast food chains – is indeed an issue for processors: but growers – particularly those who grow in both potato industries – face the same issue. Whether – and if so to what extent – the challenge of growing markets should be an industry affair appears to be a different matter.

Following on from the above observation, the elements of ‘support in the marketplace’ would need to be understood. Markets and threats must be known. Consumers must be understood. Opportunities must be investigated. Market needs must be addressed. The industry must be proactive. The drivers of ‘support in the marketplace’ must be relentlessly worked on. It would be risky for industry, as an industry, to fly blind in relation to matters of markets and marketability.

Concluding comment

The foregoing situational analysis is designed to be an encompassing snapshot of where Australia’s Processing Potato Industry is, looking at current reality from a strategic point of view. The next step in this plan is to develop appropriate objectives for the industry. These objectives are the subject of the next section of this plan. Once these objectives are determined, we will know where Australia’s Processing Potato Industry wants to be. We will then be in a position to devise strategies for getting from where we are to where we want to be.

Section 3. Objectives

Since Australia's Processing Potato Industry is at present considerably behind the world in competitiveness¹⁸, the minimum overall objective for this 5-year plan is that Australia should, by 2017, at least catch up to where the world is now. Indeed, without putting too fine a point on it, the industry may actually need to go further, and catch up to where the world will be by 2017!

Present reality is that the Australian industry needs to play catch-up because it fell behind over the last eight years. In proposing the above overall objective, we are presuming the Australian industry at least wants to get back into the game, and perhaps become a leader. As discussed in the previous section, Australia's Processing Potato Industry could fall over altogether if it does not get back into the game extremely rapidly.

Four broad and interrelated objectives are proposed for the five year period from 2012-2017, in order to deliver on the industry Vision set out in the Introduction, namely: "To have a sustainable Australian Processing Potato Industry that is established on a strong, profitable and forward-looking business basis." These objectives also align with the character and approach set out for the Industry in the Mission Statement in the Introduction, i.e.: "To be a market-oriented, state-of-the-art, well-trained industry." These objectives also align, within the limits of the industry having no marketing levy, with HAL's standard objective areas, viz. increasing demand for the product, increasing production efficiency, and ensuring an effective operating environment. In turn, each of the four broad objectives is subdivided into a number of components, which are designed to align with the SMART idea that objectives should be specific, measurable, achievable, realistic, and time bound.

Objective One: The first 2017 objective is to bring about increased industry competitiveness, including increased productivity and reduced costs¹⁹. The four components of this objective are as follows.

¹⁸ See page 14 above

¹⁹ This objective, together with the associated strategies, action recommendations, etc., is developed only in relation to the growing side of the processing potato industry: matters such as processor competitiveness, etc., fall outside the scope of the project.

- (i) Increase average productivity (tonnes per hectare) to 55 tonnes per hectare.²⁰
- (ii) Reduce average costs of production (\$A per tonne) by 15%²¹.
- (iii) Seamlessly complete and evaluate APRP2, develop and institute a fresh program of R&D to follow it²².
- (iv) Establish (in collaboration with the Fresh Potato Industry) an accessible potato industry training program to Certificate IV level in collaboration with a quality dual-sector University or VET provider.

Objective Two: The second 2017 objective is to bring about increased usage across the industry of practical research findings. The five components of this objective are as follows.

- (i) Identify the top four 'game-changing' practical research outcomes from APRP2 and/or from APRP1 and other available research programs.
- (ii) Operationalize these outcomes into packages that growers can use without specialist knowledge.
- (iii) Communicate and advocate the packages to all growers both directly and indirectly, conduct forums on the packages for all growers, provide backup support on request for grower implementation of packages.
- (iv) Crystallize in an implementable format other practical research outcomes from APRP2 and APRP1, and if worthwhile from other research programs.
- (v) Build grower belief in the practical value and usability of the industry research program to the point where 85% of growers are prepared to implement the recommended measures.

Objective Three: The third 2017 objective is to bring about improved communication and market awareness across the industry. The four components of this objective are as follows.

²⁰ Noting current variations, etc, in yields across districts and growers, implementation will require detailing of requirements to attain aggregated average.

²¹ While recognising how hard it is to increase yield and decrease costs of production at the same time, it seems clear that to achieve the productivity (outputs over inputs) gains required to make the industry internationally competitive, costs as well as yields will need to be tackled. The balance between the proposed cost savings and yields in this and (i) above may require adjustment in the course of implementation.

²² It may be noted that the PPAA wants an APRP3 model to follow on.

- (i) Foster a more professional business approach and attitudes through a targeted training program delivered to at least 150 growers.
- (ii) Develop grower-friendly online communication network with more than 200 regular grower users.
- (iii) Build and circulate (in collaboration with the Fresh Potato Industry) a benchmark body of generic information about consumer/ community/ government attitudes, behaviours, etc. towards the industry and its products, including comparative international and industry information, by which the industry and individual growers can measure themselves and lift their game.
- (iv) Circulate to growers benchmarking information about potato growing, desirably in a case study style, and including inspiring examples.

Objective Four: The fourth 2017 objective is to bring about more effective advancement of the cause of the Australian Processing Potato Industry. The four components of this objective are as follows.

- (i) To have the industry giving positive and united support to its agreed objectives and strategic direction.
- (ii) To have regular media stories about research and other matters that are positive for Australian processed potatoes as distinct from processed potatoes from other countries.
- (iii) To have the Australian potato industry recognised as a valuable, forceful and iconic farming and manufacturing player.
- (iv) To have an established information resource – such as a website or pamphlet – available to support the industry and industry advocacy, and to underpin the industry’s position.

We propose the following apportionment of the available²³ R&D levy funds between the four broad objectives: 44% for Objective One, summarized as increased industry competitiveness (and including APRP2 and 2-3 years of the program that follows it); 22% for Objective Two, summarized as increased usage of practical research findings; 29% for Objective Three, summarized as improved communication and market awareness; and 5% for Objective Four, summarized as more effective advancement of

²³ The following allocation assumes that the required portion of the total funds will have been taken out to cover administrative and overhead type requirements.

the cause of the industry. These calculations are based on relative cost estimates as follows. First, an apportionment is required because there would be insufficient funds to warrant development of a zero-based budget. The calculation boils down to estimating the relative cost of achieving the desired results for each of the four broad objectives, and for the purposes of this calculation we summarize these as the cost of (i) producing worthwhile information; (ii) making the information usable; (iii) persuading growers that the information is worth using; and (iv) convincing growers to make the decision to use the information. Since achievement in all four objectives needs to play a part in Australia catching up with the rest of the world, and accepting the inappropriateness of looking for greater precision in calculating the respective allocations than the subject allows, the bases for our estimates are as follows: 44% for production of worthwhile information and 22% for making the information usable, on the rule of thumb that ‘you’re more than half way there when you have the information’²⁴; 29% for persuading growers that the information is worth using, on the basis that this non-discretionary communications component currently requires 26% of levy payments and needs boosting; and 5% for convincing growers to decide to use the information, on the basis that ‘you’re home and hosed when the grower knows the information is worth using’.

The degree to which these proposed objectives are genuinely ‘achievable’ and ‘realistic’ depends in large measure on the resolve, the commitment, the energy, and the spirit of co-operation with which they are pursued by industry members, and driven by industry leaders and representatives. These considerations lead to the question of strategy, and the next section of this plan.

²⁴ While noting that the cases are not the same, we are encouraged in recommending this allocation by the fact that a major medical institute functions, apparently pragmatically, with a broadly similar allocation, inasmuch as its allocation of funds for research is approximately double that for development of clinical applications.

Section 4. Strategy

Strategy is described in the introduction as the “high-level ‘how-to’ guiding idea” for getting Australia’s Processing Potato Industry from where it is in 2012 to where it wants to be in 2017. Our view is that strategy is the most challenging component of this plan. The challenge arises because on the one hand there is a chasm between the industry’s very serious current situation and its very ambitious objectives, and on the other hand the industry appears to be fragmented.

Once it is put this way, the challenge in fact suggests the solution. The strategic solution is conceptually simple, even though it is not easy to see how it can be brought to life and made to work. In essence, the strategy which we propose to get from 2012’s reality to 2017’s objectives is to engage the industry’s energy and belief to achieve its objectives – and secure its future. We come to this determination:

- First, because it is unlikely that the objectives can be achieved by ordinary efforts;
- Secondly, because the industry’s historic and iconic character is symptomatic of a capacity to dig deep; and
- Thirdly, because there are no white knights or other assistance waiting in the wings.

In contending that the strategy is for the industry to engage, we are not suggesting that sentiment should take the place of business decisions, or that each player’s pursuit of his or her interests should take a back seat. What we are suggesting is that all players need to be conscious that the industry is at risk, that they should be willing to work together for common interests as well as their own interests, they should not let sentiment get in the way of efficiency or productivity, that those with a capacity to provide some leadership should step forward.

Putting it differently, the journey that this plan proposes for the Processing Potato Industry is one that the industry must itself take. There is no bus or aircraft to board, no government body or supporting organization that can deliver the outcomes – and individual industry players, whether growers or processors, cannot do it on their own either. It is not just particular actions that need to be taken: general problem issues such

as scale of production will somehow need to be dealt with in a comprehensive way. There will be little or no room for error – e.g. it will be imperative to make the right decisions both about the program direction and the most useful project areas in setting up the R&D program to follow APRP2.

In short, the ‘high-level ‘how to’ guiding idea” to achieve the ambitious objectives set out in the previous section is for the industry to engage. It should be kept in mind that these objectives themselves are user-friendly so far as ‘industry engagement’ is concerned. For example, the communication network, the training program, widespread grower adoption of practical research findings, etc., all tend to foster stronger engagement, as will getting the benefits of improved practices.

This strategy obviously puts a great deal of weight on the action plan, which is the subject of the next and final section of this plan.

Section 5. Action Plan

This brief Action Plan is designed to start the industry on the long and complex journey that will be involved in securing its future. The plan is necessarily limited in its scope. This is because a detailed “To Do” list would rapidly become a straitjacket. Indeed, those charged with responsibility for following the strategy may well find that specific action or outcome proposals require modification from the start. These action steps are broad, and will themselves require further specification in due course.

1. The first thing to do is to get recognition that the industry has a problem. Until such recognition is widespread across the industry, the need to take action will not be apparent, and a plan such as this will be unable to gain traction.
2. The second thing to do is to raise the industry profile. This will help in getting industry players to engage.
3. The third thing to do is to generate some dynamism. Without dynamism, there will be no impetus to action.
4. The fourth thing is to determine and communicate where the bar is set for the future. People cannot get into the game unless they know the level at which it is being played.
5. The fifth thing is to get a standout practical research result out to the paddock. People need to start getting beneficial changes.
6. The sixth thing is to get recognition that the industry can give itself a future. That will provide a basis to engage with this SIP.

In the course of our consultations, people have been saying that a strategy needs to give the industry a direction that will take it to a viable future that is worth being part of. We conclude with this observation, because it goes to the very heart of the matter by saying that the industry is in sufficiently good shape for people to be willing to line up alongside the right strategy and run with it. We thank everyone who has supported the production

of this strategy plan, confirm our willingness to assist in its implementation, and wish the industry every success in making the plan its own, in engaging with it, and in achieving outcomes that will secure its future.