

The vegetable industry - exporting for growth

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Introduction

Thank you for the invitation to address your Conference. Firstly I would like to congratulate you on the choice of your theme, "*The Contribution of Plant and Animal Production to the Nation's Environment*". There is no doubt that agriculture has made a huge contribution to this nation and that there are, through the efforts of scientists and technologists, significant advances being made in what we produce and how we produce it.

Before I talk about vegetable exports and the positive contribution that science has had and will have to their development, let me briefly talk about some other contributions that the vegetable industry has made to the nation's environment.

NZ Culture

Where would we be without the chips in those fish'n chips? Would that roast lamb be the same without at least three veg? Puha and pork bones, and fresh green peas for Christmas Dinner. The crisp crunch of an iceberg lettuce with a sausage just off the barbecue. The tomatoes which make Watties sauce and baked beans. Even McDonalds have recognised the vegetable industry's contribution because of course it's the beetroot that makes a Kiwiburger truly Kiwi.

I'm sure you would be able to think of many other examples where vegetables form part of New Zealand's culture.

Health and Nutrition

The great thing about eating vegetables is not just taste, texture and colour, you also get the benefit of improving your health. "5+ a day" is becoming a catch cry not only in New Zealand but internationally. Consumers are being urged to eat more fruit and vegetables, not because someone is going to make a dollar out of it but because it's good for you. Carrots make you see in the dark - it's true. Garlic reduces cholesterol and acts as a natural antiseptic. The Vitamin K in asparagus is essential for blood clotting. Onions protect you from heart disease and more than 150 studies

have shown that people who eat lots of fresh vegetables have the best protection against cancers.

We all know vegetables are good for us and science is playing a huge role exploring the relationships between diet and health and nutrition.

Economy

Vegetables make a huge economic contribution to New Zealand. Sometimes I think we get carried away with looking at our export markets. Perhaps I'm a little guilty of that today. But let's stop and think about the domestic market. Our industry supplies over 95% of the vegetables consumed domestically. We believe that that market is worth over \$1 billion at retail level. What this means is New Zealand doesn't have to spend foreign exchange importing vegetable products, although, in the global market-place if we can't supply what the consumer requires at a reasonable price then we soon see imports arriving. Ensuring domestic demand is met is more important to New Zealand's economy than exports. We not only save foreign exchange we keep New Zealanders working.

Employment

Another significant contribution the vegetable industry makes to our economy is in employment, a relatively labour-intensive industry with 4,300 growers employing an estimated 20,000 people in part or full-time work.

Exporting for Growth

I would now like to focus on exports and the growing contribution that vegetables are making to the nation's foreign exchange earnings. Over the nine years to June 1995, vegetable exports increased by 140% from \$145 million to \$350 million. The big increases have come from onions, increasing from \$13 million to \$92 million, squash \$29 million to \$58 million and frozen vegetables \$34 million to \$102 million.

What I want to talk about today is how science and technology can contribute to continued and increasing growth of vegetable exports. Firstly I want to draw your

attention to the title of my address, which is, "*Exporting for Growth*", a very different thing from growing to export. Quite simply we can no longer afford to produce the product and hope to sell it. We must now find out what the market wants and meet that need.

Consider the story of the Chinese reaction to an unsuccessful sales mission from Europe. You come here, said the Chinese, with your shiny brochures and samples, tell us what we can have and ask us to make a choice. The Japanese on the other hand come here with blank notebooks, ask us what we want and then go away and make it. That is the type of attitude we must adopt if we are to be successful in the long haul. We must become more consumer service orientated and recognise that consumer preferences are constantly changing. Science has a critical role to play in not only meeting consumers' needs but also in determining what they are.

The Opportunity

The major opportunities for increasing New Zealand vegetable exports are in Asian markets. We have all heard something about the rapid development occurring in Asia, but how rapid is this development in an international context? Consider these figures.

Market size

- In 1990 Asia accounted for only 9% of the World's economy compared to the OECD countries' 74%.
- It is estimated that Asia (excluding Japan) will account for 57% of the World's economy by 2050 while the 24 OECD countries which include the US, Japan, most of Europe, Australia and New Zealand will account for just 12%.
- Asia, excluding Japan is expected to overtake North America in economic output in the year 2018 and the European Community in 2022.
- Asia, depending on which countries you wish to include has a population of between 2.5 and 3 billion people. Its population is set to grow by more than 40% over the next 30 years.

While the size of the market itself is staggering, there are a number of other important trends occurring in Asia which make it even more attractive.

Market trends

- While populations in western countries (and Japan) are grey, Asia's millions are young and therefore potentially bigger food consumers.
- Standards of living and earning capabilities in Asian

countries are increasing rapidly and it is expected by the year 2000 Asia will have a market of some 230 million affluent consumers. That is about the same size as currently found in USA or Europe.

- As Asian economies develop, agricultural sectors are declining as a percentage of GDP. Examples of this are countries such as Malaysia, Singapore, Korea, Taiwan and Hong Kong. This decline is resulting in a distinct growth in consumption of imported food.
- Increasingly Asian countries are adopting a more western consumer culture with a trend towards consuming western style foods and this has developed hand in hand with rapid growth in modern food distribution channels.

The Asian market is not waiting for us to make a move. Our competitors are in there already positioning themselves to make the most of the growing market opportunities. New Zealand clearly has a lot of work to do if it is to capitalise on these opportunities.

Achieving Growth

Tradenz 1995 publication "*Stretching for Growth*" observed of the fresh vegetable industry that growth in this sector masked a varied performance. The industry is well aware of this and has identified a number of key issues we need to address if the whole industry is to capitalise on the opportunities that Asia offers.

Leadership and co-operation

The industry needs strategic leadership and must establish joint venture marketing by growers to give exporters consistency of supply and quality.

The establishment of grower marketing groups working closely with exporters also provides the opportunity for vastly improved technology transfer providing information to growers which is specific to their business and customer requirements. Growers, packhouses, exporters and researchers must form strong alliances.

Quality

Quality continues to be a pre-requisite. This is not just simply about grading, it's about understanding what influences the quality of a product both pre- and post-harvest so the industry can take control of the quality issue.

Crop and Food Research are already working with Vegfed on this issue which we believe has a major impact on both domestic and export markets.

At our recent Vegfed Conference one speaker said "Quality is no longer an issue... it gets you into the game, it is expected."

Product differentiation

In increasingly competitive international markets, and I include the New Zealand Market here, we must strive for way to differentiate our product from other suppliers. Whether this is through breeding new cultivars or producing them in a different way, or through branding or processing technologies, there is a huge role for science and technology to play.

For example the "Perfection" tomatoes marketed in New Zealand. I know a lot of research went into their development as a cultivar and how to grow them successfully in New Zealand. This product demands a premium because it offers something different, something consumers want.

If we are to have an edge in our markets in the future we need new ideas. We also need people and in particular a Government which is going to be able to take a punt on some things that might at the outset seem a little bit different.

The restructuring of science over recent years has brought industry and science providers closer together. This is a good thing for both parties, even though we may each have moments of cursing the others. I am sure the scientists commonly say, "I wish they were better organised." And the industry says of researchers, "But what does that actually mean for us." Don't get me wrong, I'm not opposed at all to the relationship between science and industry but I am afraid that we are going to lose the ability to capture some of those real quantum leaps, the ability to develop a completely new product simply because there is no industry to support it. We have to be sure that we don't lose that vision, that excitement and that willingness to take a risk.

Storage technology

It has often been said that New Zealand is on the doorstep of the Asian market. Indeed, some political commentators have said that we are part of the Asian market. All I can say is if we are on the doorstep then some of our competitors are inside the door. Getting our produce to Asian markets is not easy. The lack of air and sea cargo freight space, the cost of that space and the inability of growers and exporters to use 40 foot containers in New Zealand are all impediments.

We need to grasp and develop new storage technologies that would enable us to use sea freight for more of our products and enhance the shelf life of our products once they arrive in Asian markets.

The increased use of interactive packaging and controlled atmosphere storage will have a huge impact on our ability to service markets throughout the world. But first we must understand the physiology of our products, what makes them tick or perhaps what makes them stop ticking.

Our clean green image

Consumers the world over are becoming more environmentally conscious. Our clean green image is important to New Zealand and I believe it has real substance. We have to demonstrate to our markets that our production systems are environmentally friendly and that we are willing to strive for further improvement.

Over recent years the vegetable industry in New Zealand, with the significant assistance of the scientific community, has made a number of moves to reduce chemical usage through a variety of techniques including:

- Pest monitoring
- Development of mechanical weed control
- Introduction of biological controls
- Development of less susceptible and resistant cultivars

As an industry we need to continue to invest in this technology and to widen our net to look at other issues such as water, soil and air quality.

These developments obviously contribute to both New Zealand's economic and physical environment.

Summary

In summary, the vegetable industry has had, and continues to have, a huge impact on New Zealand's environment.

- culture
- health and nutrition
- employment
- economic
- physical environment

The potential to increase the contribution that the industry makes is immense. The key to our success will be well targeted research and development work which responds to market needs, and greater cooperation between all partners within the industry; growers, processors, exporters and researchers. With that the target of \$500 million worth of vegetable exports by the year 2000 must be achievable.