

SUPPLYLINE



NEWS FROM MG MARKETING

INDUSTRY. FIRST FRESH NEW ZEALAND LTD

Gisborne’s claim to fame isn’t just that it’s the first place on earth to see the new day. It also happens to be the home of some of the best citrus on earth and the company that’s taking them to the world – First Fresh NZ Ltd.

First Fresh NZ was founded in 1989 by local orchardist, Bill Thorpe, to service the packing and marketing requirements of growers within the region. Today, the company is largely employee-owned procuring and marketing fresh produce from the region domestically and off-shore, on behalf of more than 150 local growers. As such, it is the largest supplier of citrus to the domestic market and a significant exporter of citrus to Japan, USA and China, and Persimmons to Australia, Thailand, Hong Kong, Singapore, Malaysia, Canada, Indonesia and Taiwan. Access has also recently been granted to the USA and China and these markets are under development.

Long-term sustainability of the local industry and wealth creation for growers is very much

at the heart of why the company does what it does, and the way in which it does it.

“Gisborne is characterised by a mix of larger and smaller growing operations, including many husband and wife teams. Few have the means to get their produce to market on their own, so the ability to band together and present a united brand under the First Fresh label has been the uniting factor for many of the smaller growers”, says First Fresh Managing Director, Ian Albers.

Underpinning First Fresh’s entire approach to business is their commitment to delivering the very finest produce to the end consumer. And it is this commitment that has given rise to the tree-to-trolley concept, whereby the company takes responsibility for the produce all the way

through the supply chain.

Tree-to-trolley is not just a theoretical marketing ploy. The entire business has been structured around this concept and has influenced the make-up of the team, guided the investment in infrastructure, resource and expertise, and directed the brand story behind the First Fresh name. Along with a team of procurement and marketing personnel, the company employs a technical manager to work directly with growers to produce more optimum fruit, along with a compliance manager who assists growers with NZGAP certification, Health & Safety and the requirements of the Food Act. To ensure consistency of quality, all fruit is packed at NZ Fruits Ltd – a world class, multi-crop post-harvest facility in which First Fresh has a shareholding.

“The tree-to-trolley philosophy has enabled us to build relationships right across the supply chain, to support growers, manage quality control from bud burst to delivery and to control the way in which our growers’ produce is positioned to consumers.”

The First Fresh approach has been a resounding success story within the industry, to date. The company was recently named a finalist in the ExportNZ ASB Hawke’s Bay Export Awards, medium to large exporter category and took home the Judges Choice award at the same event.

First Fresh has a long-standing relationship with MG, having supplied them since day one. MG have worked collaboratively with First Fresh on a number of initiatives over the years with the aim of improving grower returns and meeting changing consumer demands. MG further strengthened this relationship by taking a 30% stake in First Fresh as at December 1 last year.

Looking forward, opening up more export markets for both citrus and persimmons is a key focus for the business, prioritising niche, counter-seasonal marketing opportunities primarily in the pacific rim region.

“There’s no question that we can compete on taste, on any given day – especially with our navel oranges. They’re simply one of the best in the world in the flavour stakes. But that given, we have to find ways to get closer to our consumers and keep abreast of what they’re looking for and then find ways of positioning ourselves accordingly, through education and fresh ideas around what to do with the produce.”

And let’s not forget the power of Brand New Zealand on the international stage.

“The opportunity to leverage off the pure green image and local provenance is invaluable when you have consumers on the other side of the world asking where this orange has been grown. We want to tell that grower story.”



Left to Right: David Stevenson, Brian Pepper, Phil Croy, Ian Albers



COMPANY PROFILE. A WORLD OF EXPERIENCE BEHIND EVERY GROWER

Long service is something of the norm when it comes to tenure at MG Marketing. An interesting reflection in a world where the norm is to change jobs and companies on a regular basis. MG defies this norm by retaining most of its key sales, procurement, warehousing and administration teams thereby delivering consistent value for our growers and customers alike.

With more than forty years' service between them, Alan Wake and Mark Middleton have played a significant role in supporting our growers through a forever-changing landscape.

Mark Middleton Marketing Representative Auckland

Mark Middleton could have been the face of sky diving in New Zealand – and to be fair, he was for a while back in his youth – but fortunately for the horticultural industry he chose to pursue a career that would have his feet firmly planted on the ground!

Like many of his colleagues, Mark has vast experience across numerous categories, but today he specialises in the sales of New Zealand grown hothouse produce; specifically, eggplant, capsicum and chillies along with beans, courgettes and sweetcorn.

So, it's not surprising that his day typically starts at 3am, checking orders, matching produce orders for today and tomorrow along with planning for the weeks/months ahead.

Sixty-five per cent of Mark's customers are independent retailers and they all need servicing on a daily basis. It's a very unique position to be in", says Mark. "There are few sales roles in the world where you see many of your customers every day, but the diversity of engagement and strength of relationships that you build with them is awesome."

Alan Wake Marketing Representative Auckland

Alan Wake has been with the company for 22 years. His product focus during most of this time has largely been around sales of New Zealand grown citrus and melons and licensed kiwifruit varieties.

Alan is well versed in the myriad of challenges facing growers over the years, including the impact of the changing demograph of New Zealand consumers has on the popularity of categories and varieties within a category.

"At the end of the day, our game is one of best managing supply and demand. With products that have a short growing season, like melon, the stakes are even higher. It often means navigating your way through some stringent customer requirements on the one hand and an over-supply or scarcity of supply on the other. It's a bit of a well-executed juggling act", says Alan. An art, perhaps, but the importance of working with growers around forward planning, managing costs versus projected sales is all important and can be the difference between remaining a sustainable business or not.

"It's a tight circle between grower, MG and the customers, keeping the lines of communication open at all times. At the end of the day, the secret to success for all is matching growers with customers that will result in a win-win."



COMPANY PROFILE. WORKING MORE CLOSELY WITH OUR GROWER BASE

Some thirteen years ago MG conducted research with their grower base and discovered there was an opportunity to work a lot closer with their growers.

It was decided MG needed to deliver tailored advice and support to the grower base. Areas such as business planning, growing plans, quality assurance, sales planning, and intellectual product development were a few that MG needed to develop the expertise and understanding to increase growers' businesses. To achieve all of this, MG established a Procurement team which would ultimately develop many of the above strategies and be the conduit between grower, MG sales teams and MG customers.

Ian Reisima National Procurement Manager Hawke's Bay

Ian Reisima is one of MG's nine National Procurement Managers. He has a wealth of experience in the industry involving just about every fruit that you'll likely see on the supermarket shelf, from summerfruit, to berries to bananas, to kiwifruit and avocado. He has spent time in sales, managed MG Auckland branch, established and managed a large blueberry growing and packing operation. More recently he's been the force behind the growth and development of MG's kiwifruit and avocado categories.

In his procurement role, Ian is acutely aware of shifts in consumer expectations and how that plays out in terms of customer demands and the response from growers.

"The end consumers are becoming more and more demanding in terms of all-year round availability of many

categories and our customers are working very hard to accommodate that. The impact on growers is significant. What may have been a six or seven-week seasonal crop a decade ago is now expected to be available for much of the year.

"Clearly, that's not feasible for most, so then it comes back to managing expectations on the one hand and staying relevant in order to optimise returns, on the other. The secret to achieving both is communication – at all times and to all parties."

"My advice to anyone is two-fold. Firstly, you can never communicate enough – a no surprises policy. The challenges around delivering the very best value for our growers are likely to only become more complex, however, good communication is at the heart of our ability to place the right product in the right place at the right time."

"And secondly, don't ignore the little things, because an accumulation of them usually ends up leading to a much bigger problem, and potential breakdowns in business."

Looking forward, Ian sees the biggest hurdles of the next few years being consumer pressure around packaging, navigating through the impact of food safety standards, the impact of climate change on fresh produce production, and the increasing threats around biosecurity to the industry.



GROWER PROFILE. MYA ENTERPRISES LTD

It's quite the norm these days to hear of Aucklanders throwing in the city for a simpler life in the provinces; down-sizing the mortgage, finding a work-life balance and maybe buying that quarter-acre plot on which they can grow the odd vege or plant a fruit tree, or two.

What's not quite so common, is throwing in the twenty-something year career altogether to embark on a new life in horticulture. Yet Robyn Wickenden and Aaron Davies did just that. From corporate accountant and IT Manager to becoming tamarillo growers. Having traded in their Auckland home for a 2.5-hectare lifestyle block in rural Whangarei, of which one hectare was an orchard of 2,200 tamarillo trees. Also, within 18 months they were on the executive of the NZ Tamarillo Growers' Association.

"It's been a steep learning curve", says Robyn Wickenden, co-director of Mya Enterprises Ltd, "but we're absolutely loving it! We did originally look at buying an avocado orchard, but we wanted to do something that required more input from us – something where we'd be truly hands on."

And hands on, they've needed to be. The couple's first season on the orchard was something of a dream run, with a bumper crop that produced over 30 tonnes of marketable fruit. Just under one tonne was exported to the USA, and the remainder graced the plates of

kiwis. However, this season hasn't been so bountiful. The impact of unseasonal weather over the summer is likely to almost halve that of last year's harvest. Around one tonne will end up in the USA again but the bulk will be marketed domestically through MG.

"Northland has had significantly fewer sunshine hours this summer and we had a few storms that ripped through, bringing not just high winds but record levels of rainfall which raised the water table – and because tamarillos are shallow-rooted – we lost a few trees. We've also had more frosts this winter which has produced its challenges in keeping the air temperature around the tress up to prevent the tender growth from damage."

"We are certainly watching the European weather patterns at the moment in anticipation of what kind of summer we could be in for and we'll adjust our production regime accordingly. So, we probably won't prune as hard and we'll lay some more drainage just in case we get more of that cyclone weather pattern."

The transition from shopper to grower has brought with it a new respect for what it

actually takes to produce a crop and then get it to market.

"It's been a real eye-opener. As a shopper you don't tend to think about anything other than is it on the supermarket shelf, do I want to buy it and how much is it", says Robyn.

"You often hear people complain about the cost of fruit and vegetables, but they generally don't stop to think about all that goes into getting it on the shelf in the first place, let alone the increasing cost of production, like freight, fertilizer, labour etc."

"We've had friends who have come and helped us on the orchard, and it's been interesting to be able to discuss the whole cost (of produce) thing from a grower's perspective and the amount of work that goes into getting the fruit to market; especially something like tamarillos."

Mya Enterprises are one of only about 30 tamarillo growers in the country. Fifteen years ago, there were approximately 200 growers but when the tomato-potato psyllid, and the associated liberibacter infection it spreads, hit



the entire category was virtually wiped out. With many growers walking away, the volume of produce available today is significantly reduced from that of 15 years ago.

"Brett Reid has been our point of contact at MG, keeping us informed of the current market conditions around the country, and coordinating which branch gets the next shipment during the picking season."

Robyn and Aaron employ a couple of local high school students as seasonal labour, who help out at the weekends, in the height of the picking season. They've also established a nursery onsite, propagating all replacement tree stock for the orchard. And when asked what plans this entrepreneurial couple have for the future, well ...

"As we get older we might get some more help in but we're in it for the long-haul."



2.5 hectares 2,200 trees



INDUSTRY. BIOLOGICAL REPLACEMENT

Noise around the continued widespread use of pesticides in the horticultural industry is at an all-time high. Pressure from consumers, regulators and environmentalists has recently seen the partial ban of key insecticides across many countries in Europe, and growers are now forced to find alternatives.

The topic is one of global concern and is fueled not only by the harmful health-related affects these products have, but the impact they're having on the service that mother nature provides.

Expert in the development of biocontrol best practice is Dr. Steve Wratten, Professor of Ecology at Lincoln University. A keynote speaker at the recent Horticulture Conference 2018, Professor Wratten is widely regarded as the world leader in research around biological pest control and the use of ecological techniques to reduce the decline in populations of pollinators and biological control agents.

Spraying with pesticide has long been the norm in New Zealand. However, Professor Wratten argues that this practice isn't always necessary and, indeed, the lack of natural enemies actually causes outbreaks of pests in crops.

The balance of nature has been thrown out of kilter by modern day cropping regimes. Professor Wratten says growers should be encouraging the natural enemies of pests that attack crops by creating an environment for predatory insects that flanks or crosses the main crop.

"Our viticulture industry has for some time shown interest in the adoption of biocontrol methods to fight predatory and parasitic insects. For example, planting buckwheat between vines creates the ideal environment for predatory and parasitic insects; providing shelter, nectar, alternate food and pollen (SNAP) for the good guys!"

This simple and inexpensive management has been adopted in vineyards worldwide.

Growers of other crops have been somewhat slow to follow the lead of their grape-growing colleagues. Steve suggests that there are seven very good reasons why it's time for growers to re-evaluate whether chemical-based pest management really is best practice. They are:

1. Increasingly, residues of pesticide are being found in food and soils, including in New Zealand honey.
2. The level of resistance of common pests to chemical sprays is higher than ever before. The diamond-back moth, which occurs on New Zealand brassica crops is now the most resistant insect pest in the world
3. Chemical pest control pollutes the environment
4. Governments in the European Union are taking pesticides off the market
5. Some manufacturers are proactively removing pesticides from their range
6. The non-use of pesticides and insecticides will benefit key species within the biological ecosystem; for example, bees, ladybirds and butterflies
7. Tiny quantities of pesticides on bees' bodies changes their behaviour

Steve believes that the industry has reached a fork in the road and must decide at what cost do we continue to produce picture-perfect produce to satisfy the demands of high-end consumers, especially those in key export markets.

"There is no doubt that decades of use of pesticides has finally created a global tension between the horticultural industry, the

environment, health organisations and the end consumer.

While there's a long way to go in educating consumers, especially those in high-end export markets, that perfect produce has baggage associated with it, the industry needs to be taking a more sophisticated environmental view.

As an industry, we need to redefine what is best practice, look to the lessons of nature

and reintroduce the concept of nature's services as a successful form of pest control for our crops. And then take steps to educate consumers around that.

Not only are biocontrol methods of pest management effective, they provide excellent added-value marketing opportunities, as some supermarket chains in the UK have pioneered."



STANDPOINT.

Once again, there are some clear messages in this edition of SupplyLine that will impact everyone within our industry over the next few years. We are heading into a period where we will be confronted with unprecedented change in consumer behaviour and the ongoing unpredictability of mother nature.



How successfully we navigate our way through these challenges will, in my view, be a reflection of how well we work together to find solutions that are sustainable within the context of our industry. There is no doubt that there'll be a paradigm shift required, and we will need to apply fresh and innovative thinking, and perhaps look to best practice outside of horticulture for inspiration.

We are seeing pressure from the public to deliver greater environmental sustainability in business and this affects all of us. We are no longer immune to the very public plastic packaging debate. Finding solutions around alternate packaging that complies with a myriad of challenges, such as food safety, cost and practicality will not be easy. It is a complex discussion and will no doubt take time to develop with the consumer voice having some on-going influence over this.

Climate change continues to have a real impact on everyone in the horticulture business. This will influence where crops are

grown in the future and drive change in agricultural practice. Intellectual Property or Exclusive Varieties are allowing the lengthening of seasons and combating some of the challenges of weather and pests, while some crops are now moving to being grown under cover in order to maintain continuity of supply. Our ability to adapt to mother nature and mitigate against the unpredictability of weather patterns will be the test of our industry. MG continues to work with leaders in this space to deepen our understanding and to evolve best practices for the benefit of our growers.

We will continue to work with our growers and industry to adapt to this changing landscape, providing leadership for mutual success.

Peter Hendry
CEO