

# From Disaster to Recovery.

## Lessons from the New Zealand kiwifruit industry

*Lain Jager, CEO, Zespri*

A resilient, cohesive kiwifruit industry has staged an incredible recovery from the devastating impact of the Psa that struck in late 2010. Support from the government, decisive action on biosecurity, and a pathway out of Psa with the SunGold variety underpinned the result.

Today, the industry is delivering rapid growth in kiwifruit volumes, led by SunGold expansion, and Zespri delivered over \$2.2 billion in global sales in 2016. Zespri's mission is now to grow global sales to \$4.5 billion by 2025, with production from locations outside New Zealand growing rapidly to support a 12-month supply strategy. Meanwhile, Zespri's investment in innovation continues to target new successful varieties to expand the kiwifruit category globally.

Turn the clock back nearly seven years and the outlook was very different. When Psa was discovered in New Zealand in November 2010, it is hard to describe just how devastating it was.

The industry had followed news of the bacterial diseases cutting across France and Italy and observed the lack of a coordinated response in those locations. Following the incursion of Psa in New Zealand, there was fear that we might not continue to grow kiwifruit profitably. It was heart breaking to watch the progression across kiwifruit-growing regions, especially as Psa practically destroyed our higher-value Gold kiwifruit.

The response however was determined. Within a few weeks, the industry had formed a response plan. We made a request to government for \$25 million in funding to be matched dollar for dollar by the industry. We set up an independent body, Kiwifruit Vine Health, to manage the research programme and biosecurity response, and to implement an aggressive containment strategy. This was only possible because of the united nature of our industry. New Zealand now leads the world in Psa research.

Quick decisions were made early, led by the Industry Advisory Council, made up from representatives among growers, post-harvest and Zespri. Cohesion allowed us to talk and deal with uncertainty. The initial focus was on urgently understanding how widespread the issue was and mitigating the risk of spread through orchard hygiene. We had strong two-way industry communication and wider stakeholder communication. We also implemented a pastoral support programme for the most-affected growers.

In this presentation I will tell the story of Psa, and also talk about our industry's current state, our future and our possible different challenges ahead.

We are an industry of 2,500 growers, 12 post-harvest companies, and a single desk for export. The industry is a great New Zealand success story, generating regional economic growth and providing

10,000 permanent jobs. Around 80 percent of production is from the Bay of Plenty, but kiwifruit are also grown in Northland, Waikato, Hawkes Bay, Gisborne and Nelson.

The industry is unique in its structure, with Zespri as the single desk to drive a premium branded strategy and create long term value for growers and shareholders. Our competitive disadvantages through distance to market and cost of production mean that only a collective strategy can succeed. The single desk, set up by growers in 1988, and supported by 97% of growers in a vote in 2015, has helped to create one of the best fruit brands in the world. This has been achieved through strong investment in marketing and sales support and a relentless focus on supplying the highest quality kiwifruit to our customers 12 months of the year.

This translates to strong returns to growers: at over \$50,000 a hectare for Green and nearly \$100,000 a hectare for Gold last season. Industry returns have risen 47% between 2014 and 2016. SunGold in particular has transformed the industry following Psa and continues to help drive growth with strong consumer liking and great agronomics. SunGold is an outstanding result of Zespri and Plant & Food Research's new cultivar development programme, and is expected to generate around \$40 billion of revenues over the life of the plant variety right.

Over the last two seasons, Zespri has licensed a further 800 hectares of SunGold to help fulfil demand, through a tender process. This attracted very strong participation and strong bids. One challenge this raises is around smaller kiwifruit growers being able to participate in the opportunity. However, around 60 percent of growers in the industry do already grow both green and a PVR variety.

Among some other challenges ahead, I see the inevitable concerns that come with rapid change. We are seeing more investment in kiwifruit, with licences and orchards attracting strong prices. A one-hectare SunGold orchard has sold for \$800,000 – two to three times the amount five years ago.

Industry succession and capability is another important issue, with an increasingly ageing demographic among kiwifruit growers.

A broader challenge is sustainability. The kiwifruit industry needs to continue to develop ways to reduce its environmental footprint and maintain its licence to operate. For example, the use of agrichemicals is one area of focus. Sustainability isn't only about the environment, but about people too and the highest labour standards are critical to the integrity of our reputation and brand. Strong performance in sustainability will support our brand and attract more consumers to our product.