

CEO's Report

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The Journey Continues

The conference had the theme "Dare to be Different" and we attempted to give life to the theme in all aspects of the Conference. It was the first time a conference had been held in Bundaberg and the relatively casual venue gave a very relaxed feel to the event. It was also the longest conference yet with the levy payers meeting, AGM and welcome dinner on the Tuesday, two days of conference, an innovative "conference in the field" on day four and rounded it up with farm visits and a lunch at the beach on day five.

There was nothing casual about the presenters, however, or the pace of challenging information they provided. And while not exactly a coincidence, it was pleasing how well the presentations fitted with the strategies of the macadamia Industry Strategic Plan. In the following paragraphs I have tried to collate the messages of the conference with the activities underway in implementing the plan.

Understanding Markets and Consumers

Tom Potter, CEO of Eagle Boys Pizza, spoke of how "sneaky" customers could be and how businesses have to continually be tracking their changing tastes and behaviour. Through the new levy funded Homescan data, the AMS is tracking 10,000 Australian consumers and their actual macadamia purchases. Together with innovative blog-based market research in Japan and proposed market research in the USA, this will give us a vastly improved understanding of our consumers. Lynne Ziehlke presented recent findings on consumer attitudes to macadamias that demonstrate we have a very sound base to work from. The product is special, not just for its taste and texture, but for the entire story of its Australian origins, rainforest habitat and iconic production regions.

Zespri Gold, the New Zealand kiwifruit industry's flagship product, had its entire market development and marketing campaigns based on comprehensive test marketing according to Graham Cathie, one of their largest growers and former Director.

Both Tom and Graham highlighted the dynamic nature of the market place and while a business cannot control a market, it can monitor and anticipate changes. Macadamia levy funded promotion has done that well in the domestic and European markets, riding a crest of interest in whole foods and healthy snacks. The US market still seems based on bakery and confectionary uses of macadamias and any renewed market push there needs to anticipate the pace and extent of shifts in US consumers' tastes.

Lynne, Graham and Tom all illustrated with practical examples, the importance of branding and the need to support the brand with disciplined marketing and attention to quality. Funded by the levy, the development of a new Australian macadamia brand is well underway and should be ready for the 2010 season. Let's hope macadamia marketers show the same support and commitment as Zespri growers and Eagle Boy franchisees. Zespri growers spend a massive 15% of sales on marketing and promotion but with the global market for Zespri Gold now close to \$2 billion, this has been a sound investment.

Meeting Market and Consumer Demand through the Value Chain

It was the centre piece of the Zespri success: consistent premium quality. "We make quality our issue, not our customers". Every other speaker including Akiko Nicholls from Australian Certified Organic, Pacific Plantation's Matt Colahan and CSIRO's Cameron McConchie all reinforced the message that a premium price starts with premium quality. This requires strong standards and the AMS has worked hard over the last 12 months to see international standards for food safety and some quality aspects developed in the macadamia industry. These will compliment the existing Australian standards. It was pleasing to hear both Larry McHugh and Jim Twentyman discuss moves to have payment schemes better aligned to kernel quality and Matt emphasised processors' commitment to assisting growers to maintain quality. Data shows that some growers are throwing out upwards of 17% of all their trees produce. The recent Fact Sheets and MacGroups provided practical actions and outcomes of the levy funded research that growers can take.

Tom and Graham also stressed the need for cooperation and efficiency along supply chains. The AMS work towards establishing IMAC will hopefully see improved communication and efficiencies between all parts of the macadamia supply chain. The new AMS trade updates and market reports begin this

process. Few delegates will forget Tom Potter's examples of persistence and innovation in dealing with financiers or the importance of listening.

Building Grower Productivity, Profitability and Sustainability

Cameron McConchie certainly took the conference theme to heart and challenged many of the current orthodoxies on macadamia production and post harvest handling. Levy funded research is underway on improved canopy and orchard floor management and may soon deliver a measure of shelf life potential that can be applied at delivery to the processor. Robyn Schipp from chemical regulator APVMA highlighted that we are facing changes to chemical availability and use regulations and Craig Maddox and Ruth Huwer reported on levy funded work to develop alternatives to current practices. This is certainly an area where we will need to dare to be different. Graham Cathie, one of New Zealand's largest organic growers, showed that the strict quality criteria of the Zespri brand can be achieved under organic conditions.

Even under current practices, we are a sustainable, responsible industry. The professionalism of the research and technical support the industry has was on display with the presentations from Craig, Ruth, the NuFarm team and our own John Pretorius and Mike Cooper to name just a few. One of the most inspiring presentations was that of Troy Ziesemer. Despite a year long, exhaustive investigation no evidence was found of alleged spray damage and Troy and his staff were commended on their best practice and good record keeping. This should be a lesson to all growers that best practice can not be an option.

The single take home message here was the need for growers to adopt the wealth of practical, often low cost findings of a decade of levy funded research. The AMS will be reviewing all its communication and extension activities to see how they can be made more effective. We would welcome constructive suggestions and ideas.

Building Industry Leadership, Capacity and Confidence

Tom Potter spoke of organisational culture and how important it can be in driving change and renewal. The AMS Board understands this and have worked hard over the last 12 months to build trust, openness, inclusiveness and a focus on results. A new constitution that is clearer, simpler and better defines the roles of members was accepted by members with a vote of over 80% in favour. It is essential that we now turn all our focus and energy to tackling the real issues and opportunities where the AMS and its members have the ability to make a difference. This is not to criticise what has gone before, but rather respond to changing times to ensure that the achievements of the last 30 years are not lost.

Tom Potter spoke about it at a business level and Cameron stressed the need to attract and keep good people in the research sector. There has been much renewal at the AMS over the last year and members are invited to meet the new team; receptionist Sarah Jane Hall, Market Development Manager Lynne Ziehlke, myself and hopefully in the New Year a communications specialist.

As announced at the Conference, Bob Evans has tendered his resignation effective from 15 October. I know all members and especially those that have worked closely with Bob over his seven years with the AMS, will join me in thanking him for the work done and wishing him well in whatever he next takes on.

New Board and IAC responsibilities, a review of all committee terms of reference, membership and a new working relationship with Horticulture Australia are all underway and should make our unified efforts more effective.

One of the strong lessons of leadership that came from presenters was the need to accept mistakes and learn from them. Zespri, despite a single desk marketing arrangement, was on the point of collapse in the mid 90s but persistence, renewal and hard work saw them emerge strong from the trials. Tom Potter, now a very successful businessman by any standard, had been sacked twice before he was 23.

One of the highlights of the conference was the Conference in the Field. Short sharp demonstrations, from a combination of growers, suppliers and researchers, reinforced the *Dare to be Different* theme and provided members with practical examples of the conference messages that could be taken back to their farms and implemented.

Potholes and the Destination

Of course challenges remain and we will need to avoid as many potholes as possible as the journey continues. Consistency of supply and quality will require years of continuing hard work. But we have much of the knowledge we need already. Our excellent environmental credentials will remain under close scrutiny and we need to be able to document our achievements and performance. Accreditation, which could be built into the update of the Code of Sound Orchard Practice, may be a useful approach. The new spirit of cooperation among processors has already led to improvements in data capture and market analysis. This could be a sound platform from which to launch improved supply chain education and efficiencies. And will certainly assist in addressing the lack of coordinated positioning within which we differentiate Australian kernel.

We have an ageing grower base, many with small holdings that make improved efficiencies and cost saving of the kind seen in Bundaberg challenging. Over the next 20 years, this will need attention and some innovative models to ensure that owners can realise their investment while not losing productive capacity.

The journey continues but a successful conference has helped bring the destination closer and clearer: a profitable and sustainable industry supplying quality Australian macadamias for a global market.

Thank you to everyone who contributed, supported and attended. Proceedings will be available as soon as possible but in the meantime I encourage you all to implement at least one thing you learned.