

State of the Industry

2020



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Produce Marketing Association Australia - New Zealand Limited State of the Industry Report 2020

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Executive Summary

In late 2019 PMA Australia-New Zealand (PMA A-NZ) commenced work on the State of the Industry Report 2020. The focus of this report was to be on supply chain inefficiencies based on the need of our members, buyers, and sellers from all segments of the fresh produce and floral supply chain.

With the arrival of the COVID-19 global pandemic, a significant and unexpected new mega driver arrived. It has subsequently changed the way we live, eat, travel, and connect with each other. Resulting in immediate changes to our daily home and work life, plus the emergence of several new trends which impacted society.

PMA A-NZ noted the significance of this event and reset the focus of our 2020 SOI to capture and explore emerging trends being identified globally, with a particular focus on Australia and New Zealand. This led us to concentrate on two distinct yet interrelated parts:

Part A: Future of fresh produce in a post-pandemic world, and

Part B: Analysis of key inefficiencies and opportunities within the supply chain.

Selected elements identified in Part A and Part B are key drivers for success in the fresh produce industry globally. Trends and opportunities observed and identified by participants along the entire supply chain and researchers provide significant data and insights into attaining a more profitable and sustainable future.

Part A was prepared after Australia and New Zealand entered the lockdown phase of the pandemic. It reflects the new normal, in a world which is evolving new ways to address public health, changing food consumption and purchasing patterns, emerging technological solutions, and shifting lifestyles.

The work described in Part B was carried out prior to COVID-19. Importantly, the trends, challenges, and opportunities identified in this section are still relevant and represent valuable resources for industry.

This report provides support for the Australian and New Zealand fresh produce industry to identify, understand and adapt to the transformational trends of COVID-19. It is the starting point for industry, supply chains and businesses to look at the new trends that are shaping our world, factors affecting how we run our businesses, and an understanding of the mindset of the post-pandemic consumer.



Part A: Future of fresh produce in a post-pandemic world

Environmental scan of the emerging trends and future drivers shaping the future of fresh produce in a post-pandemic world .

COVID-19 has driven change at a rapid pace, affecting the way we work, live, eat, move, and use technology. This has accelerated some emerging trends such as the adoption of working from home, focus on public health, and the expansion of food delivery services, while dramatically reduced others like travel.

Health – The global COVID-19 pandemic has spurred a number of health-focussed trends, with an increased emphasis on food safety, occupational health and safety, safe shopping practices and behaviours, good nutrition, and the general health and wellbeing of consumers.

Consumption – Food consumption patterns have changed due to significant disruption during the pandemic. The foodservice and wholesale sectors have been severely impacted during lockdown. Plus, consumers have demonstrated shifting purchasing habits, and a trend toward online shopping and delivery, and the use of contactless payment systems.

Technology – A wide range of technology-focussed trends have emerged as a result of the COVID19 pandemic. With the need to practice physical distancing, there has been increased interest in exploring the potential of robotics in manufacturing and the use of drones. With great interest in the introduction of new information and communication technology such as 5G and Industry 4.0; digitisation along the supply chain and in manufacturing; and 3D printing.

Lifestyle – The global COVID-19 pandemic has disrupted and transformed common lifestyle, whether it be remote working, distance learning, telehealth, online entertainment and our social interactions and relationships with others.



Part A: Future of fresh produce in a post-pandemic world

Shaping the future of fresh produce in a post-pandemic world

Witnessing and experiencing these rapidly changing trends, PMA A-NZ has sought to identify key drivers of the future, highlighting trends and expectations which will transition to the new normal in a post COVID-19 world. These include the following:

Occupational health and safety – Employees must be protected from potential exposure to the COVID-19 virus, necessitating significant reviews and redesign of equipment, facilities, and amenities along the entire fresh produce supply chain.

Purchasing behaviours – With changing consumer behaviours and expectations, retailers will continue to accelerate the transformation of their trading systems to accommodate efficient and transparent online ordering and delivery of goods and services.

Food safety – With widespread concerns about public health, food safety has now become a major focus for consumers and buying public – they want assurances about the origin and integrity of fresh produce, plus evidence that food production, handling, and preparation practices meet acceptable hygiene standards.

Technological developments – the pandemic will see a shift from an analogue to a digital world, with a requirement for accurate and immediate access to information access across the food supply chain, in retail, education, healthcare, and manufacturing.

To function in a post-pandemic world, the fresh produce supply chain must be more flexible and agile, and not rely upon past practices. It needs to identify new ways of working, embrace technology, protect its workers and consumers, and seek partnerships and collaborations that enhance the opportunities.



Part B: Analysis of key inefficiencies and opportunities within the supply chain

PMA A-NZ commissioned Ernst & Young (EY) to explore supply chain inefficiencies within the fresh produce industry of Australia and New Zealand, and to identify opportunities for improvement, and strategies to address consumer trends.

The ability to coordinate demand for fresh produce with supply relies on the effective functioning and connectivity of all components of the supply chain. It is largely influenced by the level of information held by each stakeholder its clear and timely communication.

EY undertook the work in four stages: desktop research and assessment of relevant literature and case studies to determine drivers of supply chain performance; exploration of future trends with a focus on consumer behaviours; a workshop to explore key challenges and improvement opportunities regarding supply chain inefficiencies; and targeted one-on-one consultations with PMA A-NZ members for further commentary and understanding of the key issues and opportunities.

Desktop review

Desktop research including a review of literature and case studies identified key drivers that influence the efficiency of the supply chain. These include the condition and maintenance of facilities, inventory management, transportation and logistics, information and communication. These drivers are often inter-related and can affect efficiency and responsiveness.

A key output was the identification of opportunities to increase the efficiency of the supply chain. They included meeting quality specifications, minimising waste, enhanced cold chain management, improved traceability, more accurate labelling, and managing produce shelf-life.

Consumer trends

The desktop review found a trend towards increasingly sophisticated consumers who are thinking about how and where their food is produced, what's in it, and where and when to eat it. Consumers are increasingly accessing home delivery services using e-commerce, seeking meal preparation kits, demanding high quality fresh produce, and exploring timely meal solutions.

With consumers becoming more health literate and making smarter and healthier food choices, there are both challenges and opportunities for the fresh produce supply chain. Consumers are increasingly demanding local, authentic, transparent, traceable and ethically sourced food products, which have been produced sustainably. This is driven by climate uncertainty and smarter and more demanding consumers. Interest is also growing in the circular bio-economy and how it may address waste management in fresh produce supply chains.

Stakeholders along the fresh produce supply chain need to consider how they will meet these increasingly onerous expectations of the consuming public.



Supply chain inefficiency workshop

A PMA A-NZ facilitated virtual workshop involving 26 members sought to develop an understanding of supply chain inefficiencies and key consumer trends that are likely to impact the industry.

Participants reviewed the drivers of supply chain performance, and factors impacting supply chain efficiency. These included waste creation and reduction, quality and its effect on profitability, price, and visibility and trust from the retailer's perspective. With quality and trust affecting relationships with consumers.

Consultation summary

EY facilitated one-on-one consultations with twelve PMA A-NZ members in order to allow participants to provide further comments on the key supply chain inefficiencies, plus opportunities to enhance supply chain performance and how consumer trends impact businesses.

In summary, the identification of the major drivers of supply chain inefficiency enables stakeholder along the fresh produce supply chain to seek opportunities to reduce or eliminate these impediments, resulting in significant benefits for the industry. This includes improved forecasting of crop yield, enhanced communication between stakeholders, increased utilisation of technology, better understanding of consumer trends, and increased education and training for producers, handlers, processors, and transporters.

Additionally, practices such as bench marking across the supply chain, enhanced use of telecommunications, improvements in cold chain integrity, robust inventory management, and streamlining of information through data collection and sharing will further increase efficiency.

Know your enemy and know yourself and you can fight a hundred battles without disaster.

Sun Tzu, The Art of War (5th Century)

