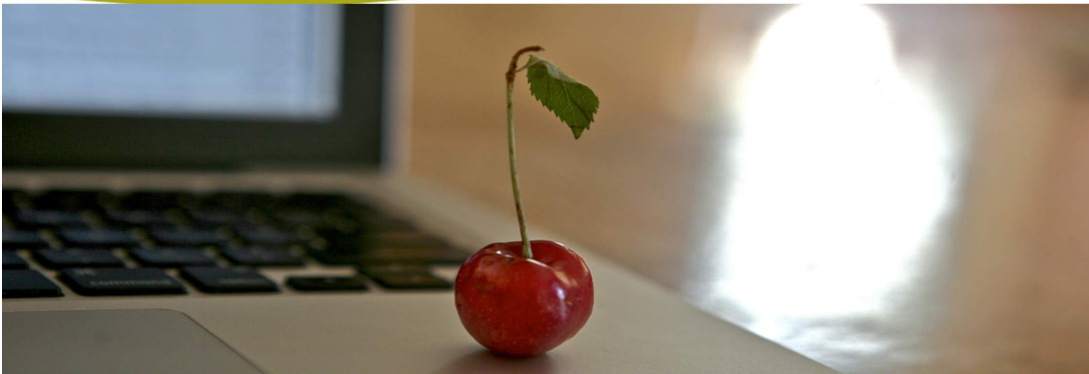


Australian Cherry Strategic Investment Plan 2012-2017



Horticulture Australia



Strategic Intent

The best quality Australian cherries to meet consumer needs!

Key Aspirations

The Australian cherry industry aspires to grow the industry to capture domestic and export market opportunities through the development of efficient and effective supply chains, which maintain industry profitability and consumer confidence.

It aims to ensure that, throughout the Australian season, consumers can purchase a quality cherry product that meets or exceeds their expectations.

Objectives

1. To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level.
2. To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply.
3. To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion.

Why an Industry Strategic Plan / Investment Plan

Strategy has been described as “the direction and scope of an organisation over the longer term, which achieves advantages for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations.”

Good strategic planning and investment planning is fundamental to the success and development of any business, organisation or industry. Apart from providing a clear direction (strategic intent) and defining the key outcomes required to advance the industry, it is important that an industry strategic plan and investment plan defines how these outcomes will be monitored or evaluated, and where monies will be invested.

The document will guide the investment of industry and government monies over the next five years. It is expected that \$6 - \$7 million will be invested in industry research and development and marketing / promotion during this period. Hence one of the key roles of this document is to demonstrate to levy payers that their money is being and will be invested in the most effective way to achieve growth, development and increased profitability for the industry.

Likewise the Australian Government can be assured that the public monies of industry levies and Commonwealth matching funds are being allocated wisely and are addressing government research and development priorities.

The Plan will also provide a management framework for Cherry Growers Australia Inc. (CGA) and will guide industry leadership and decision making. It will assist in ensuring investment is targeted and delivering priority outcomes for the industry.

Structure of the Cherry Industry Strategic Plan / Investment Plan

The Cherry Industry Strategic Plan / Investment Plan has been written as the overarching document to guide industry direction and investment. There are a number of subordinate plans that sit below this document and support the implementation and evaluation process. These plans include:

- Industry Research and Development Plan
- Export Roadmap
- Industry Communications and Extension Plan
- Strategic Marketing Plan / Investment Plan

These subordinate plans will be managed by CGA and Horticulture Australia Limited (HAL) and will assist the industry in directing its efforts and achieving the overall outcomes of the Industry Strategic Plan / Investment Plan.

Developing the Australian Cherry Industry Strategic Plan / Investment Plan

The following process was adopted to develop the 2012 – 2017 Industry Strategic Plan / Investment Plan:

Step 1 – Review of 2008-2013 Plan

- An evaluation of the previous plan was undertaken to determine the degree to which the objectives of the plan were met and to identify where gaps existed.

Step 2– Situation analysis

- The industry situational analysis, based on Horticulture Australia Limited (HAL) guidelines, was updated and is presented in the following section.

Step 3 – Plan development

- The Cherry Industry Advisory Committee (IAC) and Cherry Growers Australia Inc. (CGA) Board met in February 2011 to discuss the Industry Strategic Plan / Investment Plan.
- As a result the key objectives, strategies and actions the industry needed to address over the next five years. The IAC, its committees and the CGA Board were asked to provide input and feedback to this process by mid April 2011.
- A draft Plan was developed for consideration by the IAC and CGA Board (June 2011).
- In parallel with this CGA conducted a survey of growers to ascertain their priority issues in regard to research and development and marketing / promotions. This will be used to inform the actions and investment priorities of the Plan.
- After review of the draft Plan a new version was developed for consideration by a broader industry stakeholder group which included researchers, growers, retailers and industry service providers.

Developing the Australian Cherry Industry Strategic Plan / Investment Plan - continued

Step 4 – Revision and industry endorsement of Plan

- After consideration a final draft Plan was released to the industry for review and comment, before the final Industry Strategic Plan / Investment Plan was endorsed by the Cherry IAC and the CGA Board at the end of July 2011.

Step 5 – Development of Complementary Plans

- Following endorsement of the Plan, CGA and HAL, in consultation with key stakeholders, developed a number of subordinate plans to support the implementation and evaluation of the Industry Strategic Plan / Investment Plan. See section “Structure of Cherry Industry Strategic Plan / Investment Plan” above.

Key abbreviations used in this document

CGA: Cherry Growers Australia Inc
IAC: Industry Advisory Committee

HAL: Horticulture Australia Limited
R&D: Research and Development

Profile of the Australian Cherry Industry – 2011

Characteristics of Australian Cherry Production

Cherries are produced in six states, with New South Wales, Victoria and Tasmania being the three largest producers. Tasmania has had a rapid expansion in plantings in recent years and has a strong export focus due to its relative pest and disease freedom. Both Western Australia and Queensland are small producers and their primary focus is on local markets.

There are a number of factors which influence production timing and volumes: Different varieties have different maturity times and many growers select early, mid and late varieties to spread the harvest window and mitigate the risks associated with rain damage at harvest.

Fruit grown in warmer areas matures much earlier than the higher cooler regions. Hence the combination of different varieties and production regions gives a spread of Australian production from mid October through to late February.

Production levels can be significantly impacted by climatic conditions. Frost during flowering can severely reduce the harvested crop. The effect of rain during harvest is one of the greatest challenges for industry as it can have a detrimental impact on production volume and fruit quality.

Due to seasonal influences, yields of early maturing cherries tend to fluctuate more and are often lower than later maturing varieties. Early varieties do however command a premium market price.

There is a large number of varieties grown across the industry. Characteristics such as yield, fruit size, time of harvest and resistance to cracking are considered. Poorer performing varieties are being replaced as buyers demand improved quality and longer shelf life.

Commonly grown varieties include: Merchant, Bing, Supreme, Empress, Stella, Lapin, Sweetheart, Simone, Kordia, Van and Ron's Seedling (Young, NSW). In all areas new varieties are being planted.

Older orchards are traditionally based on the free standing open vase system. However growers are increasingly adopting modern production systems, with most new plantings being medium to high intensity and trained to open bush systems or trellising systems. Orchards are irrigated using low flow systems and growers are extremely conscious of the need to improve orchard soil management practices.

In the last 5 years, the area under production has remained relatively constant although the number of production enterprises has fallen from approximately 700 to 500. In the same period, production has grown from 7,000 tonnes to 13,000 – 15,000 tonnes (depending on seasonal conditions). The industry is looking to maintain this position and over the next 5 years increase supply in line with domestic and export market growth.

Profile of the Australian Cherry Industry – 2011 – continued

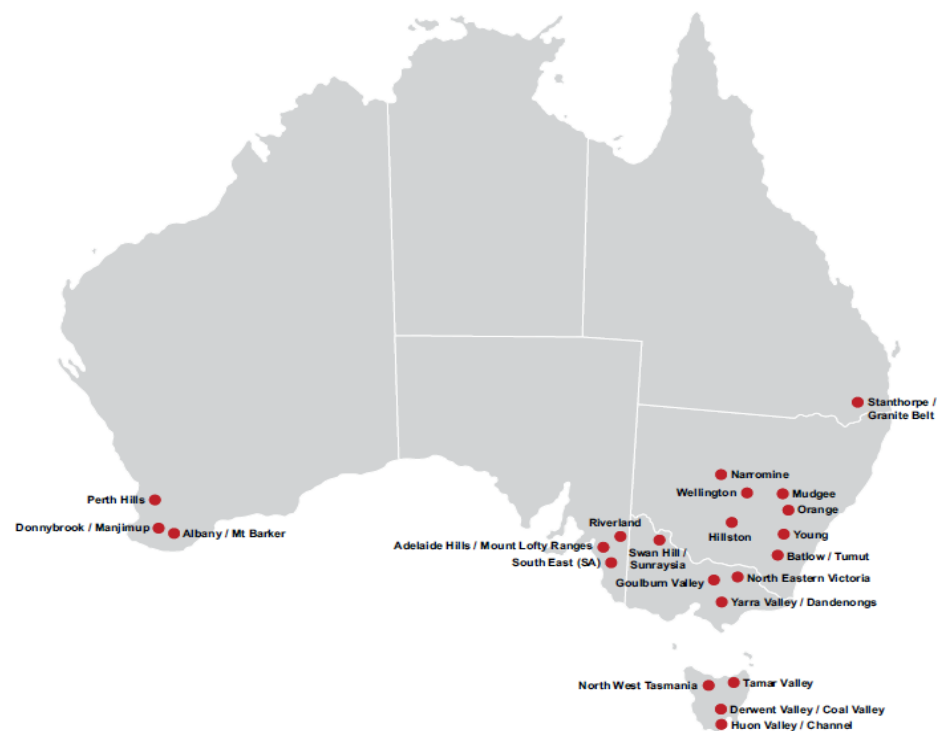
The following information provides a brief synopsis of the industry situation in each cherry producing state

State	No. of Enterprise	Hectares (estimate)	Maximum Production*(tonnes)
Victoria	95	800	4,500
NSW	108	800	4,407
South Australia	118	590	1,500 – 1,800
Tasmania	76	560	4,000
Western Australia	70	70	500
Queensland	18	20 – 25	36
TOTAL	485	2,845	15,000*

Table 1: Enterprise numbers, area and maximum production volumes by State based on 2010 figures.

* Maximum production includes all production inclusive of non-marketable product / waste.

Profile of the Australian Cherry Industry – 2011 – continued



#	October				November				December				January				February			
Victoria																				
NSW																				
South Australia																				
Tasmania																				
Western Australia																				
Queensland																				

Table 2: Harvest windows by State: darker shades represent main crop volume.

NEW SOUTH WALES

The main cherry producing areas of NSW have traditionally been around the centres of Young and Orange. Newer areas include Hillston, Mudgee, Wellington, Tumut and Batlow. These new areas have started growing cherries to try to extend the NSW cherry season. Hillston and Narromine regions aims to produce the earliest cherries in Australia. Wellington and Mudgee are also considered early maturing areas. Early maturing cherries may have greater fluctuating yields (seasonal influences) or may not yield as much as later maturing varieties but do obtain market premium prices. Other regions around central west NSW are being developed to ensure continuity of supply. This region of NSW offers a diverse range of suitable micro climates and elevations that assist the continuous production of good quality fresh cherries.

Production Characteristics

The cherry season in NSW starts around late October (Hillston and Narromine) and continues through Christmas finishing around mid January. A number of varieties and growing areas are used to achieve this extensive spread in fruit maturity. Most farms will select early, mid and late varieties so that if a rain event hits one of the varieties there are others that may cover these crop losses.

The main varieties grown vary by district. The Orange variety mix predominately comes from Summerland (Canada). Young also grows similar varieties but Ron's Seedling is the dominant variety. Key varieties in Orange are: Merchant, Van, Kordia, Lapin, Simone, Sweetheart, Ranier and Bing. Key varieties in Young are: Empress,

Burlat, Supreme, Rons Seedling, Stella, Lapin, Sweetheart. Less widely grown varieties include Simone, Sylvia, Black Star, Stella, Earlise, Early Sweet, Tulare, Brooks, Chelan and Sweet Georgia.

VICTORIA

The main cherry growing regions of Victoria are located in north eastern Victoria, Goulburn Valley, Upper Goulburn/Strathbogie and the southern Victorian area. These areas produce approximately 85% of Victoria's cherry production. Other smaller areas are located throughout Victoria in areas such as Bendigo and Kerang.

Production Characteristics

The main production season is mid November to late January, with some early varieties starting in early November and can last until late February with later varieties. Because of the wide range of climate growing areas local growers can produce fruit for about three months of the year from November to February. Northern Victorian area fruit matures much earlier than the higher regions, especially Tolmie, which can still be harvesting up to late February. Current production is estimated at approximately 4,500 tonnes, although this figure is highly dependent on climatic conditions such as frost during flowering and rain during harvest which can severely reduce the harvested crop.

Production Systems

Modern production systems are used in orchards with most of the newer plantings being trained to open bush systems. Orchards are irrigated using low flow systems and growers are extremely conscious of the need to improve their management practices related to orchard soil management.

More than 50 varieties are currently being grown. However as buyers are starting to demand improved quality and longer shelf life many of the older and poorer performing varieties are being replaced. Merchant, Bing, Supreme, Empress, Stella, Lapin, Sweetheart and Van are the main varieties grown. A large number of other varieties have been introduced recently. The best performing of these are Ferprime, Simone, Early Sweet, Royal Rainier, Sweet Georgia, Kordia, Chelan, Earlise and Australise.

TASMANIA

The Tasmanian cherry season commences mid to late December and continues through to late February. The peak of production is through mid to late January. Tasmania has a strong export focus, enhanced by its relative pest and disease freedom. Tasmania has national and international recognition for Area Freedom status for Fruit Fly. This recognition provides access to a number of international markets where stringent import regulations are in place including Japan, South Korea and Taiwan.

As an island, and with the strict quarantine controls, Tasmania is also recognised free from a number of important pests and diseases including fire blight. Reduced pest and disease pressure means low level use of chemicals. Cherries are grown in most regions of the state including Huon/Channel, the south east districts (including the Coal River Valley and Sorell), Derwent Valley, Tamar region and north west coast at Spreyton and Ulverstone.

Production Characteristics

Due to the fact that Tasmania is an island, it is largely influenced by a temperate maritime climate. This ensures that the fruit has a long gentle growing period which allows the fruit to develop slowly and become full flavoured. Immediately after harvest cherries are hydrocooled and packed on state-of-the-art specialist cherry grading equipment. Cherries are typically packed into 2kg and 5kg cartons designed to meet export market protocols.

Tasmania cherries are currently exported to over 20 countries across the world including into Asia, Middle East and Europe. Cherry growers and packers are typically accredited to a recognised food safety and quality assurance system.

Production Systems

All new orchards are medium to high intensity plantings. Varieties planted are chosen according to good bearing ability, good-sized fruit, time of harvest and particularly resistance to cracking. The main varieties (bulk of production) grown in Tasmania are Lapin, Simone, Sweetheart, Sylvia, Regina and Kordia, new varieties including Sweet Georgia.

SOUTH AUSTRALIA

There are 3 cherry production areas in South Australia. The major one is the Mount Lofty Ranges (commonly referred to as the “Adelaide Hills”). The other 2 are located in the Riverland region and the South East of South Australia. The “Adelaide Hills” is the most significant region producing approximately 90-95% of the state’s cherry production. This area is subdivided into several smaller areas which have all developed to take advantage of specific microclimate and maturity niches. Although geographically small in area the maturity times within the Adelaide Hills can vary by up to 2-3 weeks for the same variety. Sub-regions include Montacute (earliest area), Cherryville, Norton Summit, Basket Range, Summertown, Uraidla, Forest Range, Lenswood, Kenton Valley and Gumeracha. A small area south of the Adelaide Hills known as the Fleurieu Peninsula also has a small amount of cherry production. The South East region is a relatively new area that focuses on local region sales. The “Riverland” region, to the north east of Adelaide is an early production area focusing on producing early fruit for the eastern states and Western Australian markets.

Production Characteristics

The main production season is mid November to mid January, with some early varieties starting in mid October (Riverland). It can last until late January with the newer later maturing varieties.

Production Systems

More than 50 varieties are currently being grown. However as buyers are starting to demand improved quality and longer shelf

life many of the older and poorer performing varieties are being replaced. Stella and Lapin are the dominant varieties grown. There is a wide range of other varieties grown based primarily on the market niche a region/grower has. Overall Merchant, Stella, Lapin, Sweetheart and Simone are the main varieties grown. Bing, Supreme, Empress, Van, Summit, Sunburst, Kordia, Vista and Lambert have had varying levels of production but are declining in popularity. Rainier is only grown by a few specialist growers. Rons Seedling is still grown by a number of growers. A large number of other varieties have been introduced recently. The best performing of these include Black Star, Earlisweet, Sweet Georgia, Chelan, Earlise, Australise, Santana, Samba, Sylvia and Regina.

WESTERN AUSTRALIA

The main cherry growing regions in WA are located in a narrow growing belt stretching from Donnybrook to Pemberton in the south west of the state. This region involves some larger growers in the Donnybrook/Kirup and Manjimup/ Pemberton areas and smaller ones through the Balingup and Bridgetown shires. This belt produces approximately 85% of WA cherries.

Other smaller areas are located between the Mt Barker and Albany region with a few growers in the Dwellingup area and Perth Hills.

Production Characteristics

The main production season is mid December to late January, with some early varieties starting in early November and can last until February with later varieties.

Production Systems

Free standing open vase is the main production system used, with some newer plantings using the open Tatura. Bing, Stella, Lapin, Sweetheart and Van are the main varieties grown. Other 'older' varieties grown include Merchant, Supreme and Empress. A large number of other varieties have been introduced recently. The best performing of these are Ferprime, Simone, early Sweet, Royal Rainier, Sweet Georgia, Kordia, Stella, Chelan, Earlise and Australise. There have been a lot of new and untried varieties planted across the growing regions. These include Sandra Rose, Sweet Early, Red Crystal, Celeste, Samba, Index and Symphony

QUEENSLAND

The main cherry growing area of Queensland is the Granite Belt region of south east Queensland, centred around Stanthorpe. This region mainly involves smaller growers who use cherry production to supplement other farm income. Only a small number of enterprises use cherries as their main income source. Main production is in the Glen Aplin and "The Summit" districts of the Granite Belt, with smaller producers in the Amiens, Pozieres and Severnlea areas. This area produces 100% of Queensland cherries.

Production Characteristics

The main production season is late October to late December, with some early varieties starting in mid October with later varieties lasting until late January.

Production Systems

Free standing open vase is the main production system used, with some newer plantings using the open Tatura trellis system. Some growers are experimenting with other trellising systems. Bing, Stella, Lapin, Brooks and Early Sweet are the main varieties grown. Other varieties grown include Early Burlat, Burgsdorf, Supreme and Empress. Varieties under test include Australise, Earlise, Kordia and some of the varieties from the Australian Breeding Program including Sir Tom, Sir Don, Dame Nancy and Dame Roma.

Profile of the Australian Cherry Industry – 2011 – continued

About the product and its markets

Australian cherries are predominantly grown for the fresh market and are available from October through to February.

The current per capita consumption level of Australian cherries is approximately 600 grams per annum.

Fruit quality continues to be an issue, although the industry is investing in fruit quality programs to address this.

CONSUMERS AND CONSUMER RESEARCH

Research shows that consumers consider cherries to be healthy and nutritious. They are most commonly consumed as a snack and are also used in fruit salad or in desserts and baking. One aspect of the seasonality of the fruit is that it has a strong association with the summer / Christmas period.

Recently completed research also showed that:

- Most consumers are satisfied with the quality and size of cherries available
- Price is a barrier to purchase, as is the fact that consumer 'didn't think about them'
- Most decisions to buy cherries occur at Point of Purchase (70%)

- For higher frequency purchasers, price and quality limited more frequent purchasing
- Between 31 - 38% of consumers do not know the origin of the fruit they buy
- Many Australian consumers only purchase cherries during the Australian season
- During the Australian season 3 in 4 consumers purchase cherries
- 2 in 3 consumers know that cherries are a good source of Vitamin C, potassium and fibre
- Supermarket and green grocers are the main purchase channels.

The top five influencers on the purchase of cherries are:

- The quality of the cherries
- The price of cherries
- Firmness of the cherry
- Amount of blemishes / bruising
- 'It was Australian cherry season'

Profile of the Australian Cherry Industry – 2011 – continued

MARKET AND TRENDS

Cherries are sold on both the domestic and export markets. Most cherries are marketed as fresh whole fruit, either as loose or packaged (punnet) product.

Approximately 80% of the Australian cherry crop is sold through domestic channels. Major sales segments include:

- Supermarkets – 40%
- Independent retailers – 27%
- Farmers' markets / farm gate – 10 %
- Processing – 3 %
- Export – 20%.

Food service and export are emerging market segments that are becoming increasingly important value chains for the industry. Industry investment is supporting growth in these sectors. The market for processed product continues to be niche and driven by commercial entities.

Australia exports cherries to more than 30 overseas markets, the main markets being Hong Kong, Thailand, Singapore and Taiwan. There is still significant export potential for Australian cherries across a range of markets including China, South Korea and Japan.

The main impediment to export market growth is market access. It is critical for the industry to maintain and secure improved access to current and new export markets with workable protocols. The industry continues to work with all the key organisations to achieve market access improvements.

Over the last 5 years export has grown from 1100 tonnes to approximately 2000 tonnes (2008/09 & 2009/10).

Changes to Taiwanese import protocols in 2003 had a significant impact on the industry and as a result the market was lost until 2010 for mainland Australian cherries.

Macro-trends impacting the sector include: population growth; changes in family structure; an emphasis on health properties of food driven by an ageing population and increasing obesity levels; and more discerning consumers who are showing interest in emotional, ethical, aesthetic or ecological factors when purchasing food.

New technology is facilitating the development of improved products that are better meeting consumer needs - for cherries, this includes innovatively packaged and processed products.

Profile of the Australian Cherry Industry – 2011 – continued

MARKETING AND MARKET DEVELOPMENT

The objective of the industry promotion campaign is to increase consumer knowledge and demand for Australian cherries in line with increasing production. This is being achieved by investments in both domestic and export programs.

The domestic program includes a full range of advertising and product placement projects. This is currently under review due to the new consumer research findings. As a result, a new campaign will be rolled out that will coincide with the timeframe of this Plan.

The export program involves a mix of initiatives including trade show representation and individual companies working in particular markets. The industry also works with Horticulture Australia Limited (HAL) and the Department of Agriculture, Fisheries and Forestry on trade shows and other marketing opportunities where there is a fit with strategic direction.

Beyond levy investment, marketers and supermarkets also invest heavily in cherry promotion. Exporters are also undertaking specific in-country education and promotions activities to grow the export sector.

The industry has also invested in research to identify other potential value adding activities for the sector and is looking to develop appropriate plans for realising these opportunities.

Competitors and the Nature of Competition

THE GLOBAL MARKETPLACE FOR CHERRIES

Australia is a very small player in the world cherry market, with less than 1% of world production and less than 0.2% of world exports in 2011.

THE AUSTRALIAN MARKETPLACE

From October to February the Australian market is predominantly supplied by local production. In recent years there have also been small volumes of fruit imported from New Zealand.

From June to September, the market is supplied by product from the USA with about 1500 tonnes imported in 2010.

Processed cherry products can be imported into Australia without restriction and the majority of processed product utilised through the food service market is imported from the United States and New Zealand.

Profile of the Australian Cherry Industry – 2011 – continued

EXPORTS MARKETS FOR AUSTRALIAN PRODUCT

Currently the Australian cherry industry exports 20% of its crop. Its aim is to increase this level to 50% of its crop by 2017.

In export markets, Australia's main competitors are other southern hemisphere producers, in particular Chile and New Zealand. Argentina and South Africa also have a small but growing presence in export markets and could be greater threats in the future.

Chile has implemented a major expansion program over the last few years and indications are they continue to oversupply northern hemisphere markets with lower priced fruit.

To command premium prices in overseas markets the Australian cherry industry needs to focus on ensuring its export product is of the highest quality.

Operating Systems

MARKETING SYSTEMS AND STRUCTURES

Cherry producers are price takers. The majority of cherry production businesses pack their own fruit and market through the wholesale sector.

Factors that impact the efficiency and growth of these supply chains have previously been identified as:

- Inconsistent fruit quality

- Inadequate production forecasting
- Lack of consolidation of fruit volumes
- Lack of training of supply chain staff, particularly at retail level.

Growers often view the increasing market power of the retail sector negatively. However, opportunities exist for the Australian cherry industry to develop advantageous relationships with the retail sector and drive domestic demand for cherries through promotion.

TRENDS

Food manufacturing, distribution and retailing are becoming increasingly dominated by a relatively small number of firms, globally and locally. As a consequence, marketing channel options for cherries are declining, particularly for small to medium-sized growers who lack the scale to interest larger buyers.

Increasingly innovation and productivity improvements are being driven by commercial value chains and as a result there is a need for growers to develop relationships with and participate in these supply chains to gain access to markets and technology.

At the same time, governments are becoming less involved in industry development and more involved in issues relating to consumer protection.

Profile of the Australian Cherry Industry – 2011 – continued

Industry Performance and Organisation

PERFORMANCE

The industry has been undergoing significant growth for more than a decade – doubling in volume in the last 10 years. Based on 2010 figures, the gross value of production of Australian cherries is approximately A\$120 million, of which A\$30 million is attributable to export sales.

Australian growers have over the last 5 years had a period of diminishing terms of trade impacted by increasing supply and lack of access by some mainland States to key export markets. Contrastingly, for Tasmanian grown fruit there has been improved market access and markets have opened up due to the State's fruit fly free status.

During the period from 2004 to 2011 there were a significant number of new plantings. As a result there has been a significant growth in the production since 2008. The current growth cycle is set to continue and there continues to be increased plantings in the main growing regions.

INDUSTRY ORGANISATION

Cherry Growers Australia Inc. (CGA) is the peak industry body for Australian cherry growers. As a national organisation it represents the interests of its member states and cherry growers from around Australia.

CGA is a not-for-profit entity which was established some 40 years ago. It has as its members the state cherry growing associations (Victoria, NSW, SA, WA and Tasmania) on behalf of the 500 cherry growers across the country. The Association is managed by an elected Executive comprised of members from all cherry producing States. The Executive provide their services on a voluntary basis. CGA is also supported by a full time CEO who is based at the Association's office in Hobart.

The organisation has provided leadership for the industry and has been successful in implementing an industry strategic plan (Cherry Industry Corporate Plan 2008 – 2013) over the last five years. As a result it is well supported by membership and recognised by industry as the peak representative body for the industry.

Within its resourcing budget the industry continues to develop skills and capabilities of its stakeholders in collaboration with State Associations.

ALLIANCES

CGA retains alliances and linkages with Horticulture Australia Limited (HAL), Plant Health Australia (PHA), Biosecurity Australia (BA), the Australian Government, State Governments, universities, other horticulture industry organisations and a number of research delivery organisations.

Profile of the Australian Cherry Industry – 2011 – continued

PEOPLE

The industry is supported by a range of research and development (R&D) service providers, through all State Government departments and their respective research organisations, and the private sector.

FUNDING

The industry finances its activities through levies, membership and other initiatives.

Industry research and development (R&D) and marketing / promotion activities are funded through an industry levy. The cherry levy is currently set at 4 cents / kilogram for R&D and 3 cents / kilogram for marketing / promotion.

In 2010/11, the total investment of funds administered by HAL for the cherry industry was A\$1.1 million. In 2009/10, it was in excess of A\$1.3 million.

Industry levies are imposed, collected and dispersed through Commonwealth legislation. HAL is a not-for-profit industry owned company. Through accompanying regulation, HAL is charged with managing the expenditure of funds collected by the Australian Government on behalf of all levy paying horticultural industries, including the cherry industry.

When expended on research and development, these funds are matched by the Australian Government. When funds are expended on marketing / promotion activities they are not matched.

HAL is responsible for all decisions relating to the expenditure of levy funds and has obligatory reporting arrangements and accountability to the Department of Agriculture, Fisheries and Forestry (DAFF) with respect to its investment decisions.

The Australian Government is increasingly seeking outcomes from its co-investment that demonstrably meet its National Research Priorities and Rural Research and Development Priorities.

TECHNICAL INFORMATION AND COMMUNICATION

CGA undertakes a broad range of communication activities to cater for the range of stakeholders and communication channels in the industry. These activities include:

- Publishing a bi monthly magazine for all cherry growers from September 2011. Prior to this industry information was published in the 'Tree Fruit' magazine
- Maintaining an industry website
- Regular e-newsletters / emails and correspondence
- Hosting an annual industry conference
- Conducting / supporting grower and stakeholder meetings when necessary to ensure the industry is informed on key issues.

CGA also recognises the important role that State Associations play in industry cohesion and the communication processes and will continue to work with these organisations to increase industry capacity and deliver industry outcomes.

BIOSECURITY

The cherry industry launched the National Cherry Industry Biosecurity Plan in July 2011. This plan was developed with Plant Health Australia (PHA). PHA is a public company, with members including the Australian Government, all State and Territory Governments, and a range of plant industry organisations. The company was formed to address high priority plant health issues, and to work with all its members to develop a plant health

management system that enhances Australia's plant health status and the sustainability and profitability of plant industries.

Biosecurity planning provides a mechanism for the cherry industry, Government and other relevant stakeholders to actively determine pests, analyse the risks, put in place procedures to reduce the chance of pests reaching our borders, and procedures to minimise the threat if a pest incursion occurs.

Ensuring the cherry industry has the capacity to minimise the risk of pests, and to respond effectively to any pest threats, is critical for the future sustainability and viability of the industry. Through this pre-emptive planning process, the industry is better placed to maintain domestic and international trade, negotiate access to new overseas markets, and reduce the social and economic costs of pest incursions to both growers and the wider community.

COMMUNITY

Overall the industry has a favourable community image. Whilst some regions are experiencing pressure to reduce usage of chemicals, the cherry industry does not specifically have a reputation of environmental damage or unsafe production systems.

Major Impacts on Industry Growth

drivers - current	<ul style="list-style-type: none"> • The industry is becoming more professional and has strong leadership / vision • Strong demand for product in domestic markets • Ability to produce a consistent high quality product to meet consumer needs • Improved varieties / national breeding program • Export market potential 	<ul style="list-style-type: none"> • Lack of strong marketing campaign to drive demand and mitigate oversupply situations • Lack of robust industry data (production / marketing) on which to make informed investment decisions • Lack of coordinated industry supply – domestic and export markets • Lack of competitiveness with other southern hemisphere production countries • Restricted market access to northern hemisphere markets • Culture of industry: fragmented, lack of export ethos • Lack of understanding / adoption of best practice production, harvest and post-harvest techniques along the supply chain • Access to research and extension resources (people) • Costs of production / financial viability of production enterprises • Impacts of climatic events - frost / rain • Access to processing supply chains 	constraints - current
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Major Impacts on Industry Growth - continued

drivers - future	<ul style="list-style-type: none"> • Increasing demand for 'healthy', sustainably produced foods • Growing economies in Asia and counter seasonal opportunities in Northern Hemisphere markets • Export market opportunities / improved market access e.g. China, Korea, Taiwan and Japan. • Improved domestic and export marketing models / integrated supply chains • Improved varietal selections / national breeding program • Potential of extended season-long supply • Improved production and handling techniques across the supply chain (clear industry guidelines) leading to improved and consistent quality • Value added and improved product offerings • Understanding consumer requirements and the triggers for increased consumption • Capacity of the grower to be better managers / risk managers 	<ul style="list-style-type: none"> • Export market access with workable protocols • Access to and cost of resources: water / labour (inflexibility of current Horticulture Award) • Access to appropriate pest and disease management technology • Fragmented fruit fly research • Climate change and variability • Potential impacts of carbon tax • Under-resourced industry organisation • Varying skill sets amongst industry participants • Poor supply chain management in certain circumstances (i.e. domestic product finishing up in export markets) • Poor negotiating position for growers with retailers • Multiple sellers • Lack of communication with other southern hemisphere countries 	constraints – future
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Source: Updated and summarised from the Australian Cherry Industry Corporate Plan 2008 to 2013

Within the Objectives and Strategies

The industry recognises a number of overarching impacts that will fundamentally influence the way cherries are produced and marketed in the future.

Climate Change

Climate change and increased climate variability will present a number of challenges for the cherry industry over the next 50 years.

Potentially climate change and variability may impact on the growing conditions in established production regions leading to changes in productivity and business viability. Changes in available water for crop production; climate patterns and micro-climates that affect crop set and / or fruit quality; pest and disease pressures; and a range of other factors have the potential to have a positive or negative impact on production.

Adapting to climate change and variability and increasing resilience is seen as critical for the advancement and continued growth of the Australian cherry industry.

It is also recognised that businesses within the industry must take responsibility for their environmental impact (greenhouse gas emissions) and seek approaches for mitigating greenhouse gases under new the Clean Futures Australia and carbon tax arrangements.

Aside from the physical impacts of climate change on cherry production and businesses, the industry will also be impacted by the global demand for food, increasing demand for productivity growth in response to this global demand, and the impacts of climate change policy.

These challenges are recognised by the industry. It is inherent in the production research and development activities and the development of best practice production and handling guidelines (Strategy 1.1.and 1.2) that the required adaption to climate change and variability is recognised.

Within the Objectives and Strategies – continued

Natural Resource Management

Proper use of natural resources, such as soil and water, are essential to the long term sustainability of any production enterprise. Communities and governments insist that production does not negatively impact on surrounding environments. Customers want assurances that products are grown with a commitment to environmental principles.

An inherent component of the best practice production guidelines to be developed for cherries (Strategy 1.1) is effective long-term management of natural resources, recognising the impacts of climate change and variability.

Transformational Research

One of the challenges for the Australian cherry industry is maintaining its global competitiveness in an increasingly competitive market. The industry recognises that that to maintain this advantage there is a requirement for ongoing investment in research and development (R&D), in particular R&D which is transformational for the sector. Through collaboration with other horticulture and agriculture industries, both domestically and internationally, the cherry industry is seeking to identify and invest in such R&D and resultant technologies.

An Overview of the Strategic Plan / Investment Plan

Strategic Intent: The best quality Australian cherries to meet consumer needs!

Key Aspirations	<p>The Australian cherry industry aspires to grow the industry to capture domestic and export market opportunities through the development of efficient and effective supply chains, which maintain industry profitability and consumer confidence.</p> <p>It aims to ensure that, throughout the Australian season, consumers can purchase a quality cherry product that meets or exceeds their expectations.</p>		
Objective 1	To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level		
Strategies	1.1 Continuously improve the efficiency of cherry production and packhouse systems	1.2 Improve post harvest handling and presentation of fruit	1.3 Implement appropriate information systems and risk management strategies to underpin supply
Objective 2	To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply		
Strategies	2.1 Conduct research to inform marketing strategies and identify opportunities for product development	2.2 Drive growth in targeted domestic and export market segments through effective market development and promotion	2.3 Increase consumer confidence in Australian cherries through managing product issues effectively

An Overview of the Strategic Plan / Investment Plan - continued

Objective 3	To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion		
Strategies	3.1 Develop appropriate leadership, structures and resources to provide sound industry stewardship	3.2 Improve industry communication and extension to facilitate improved outcomes for industry and industry investors	3.3 Ensure the industry has appropriate resources / risk management strategies to function effectively

Details of the Cherry Industry Strategic Plan / Investment Plan objectives and strategies are provided in the following pages.

Objective 1: To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level

Investment Rationale

- **Increasing competition in global and local cherry markets**
- **Need for on-going productivity gains and innovation recognising the need for good natural resource management and the potential impacts of climate change**
- **Increasing need for supply chain collaboration and education**
- **A requirement that productivity gains are measured to inform stakeholders and drive change in the industry**
- **Need for improved industry information systems**
- **Robust biosecurity settings to underpin supply and confidence in the industry**

As supply and competition increases in global and local cherry markets, it is essential that Australian cherry producers remain competitive and profitable through productivity gains at the production level and through the supply chain. This will enable the industry to be in the best position to continue to provide a sustainable and competitive supply of quality Australian cherries to meet consumer needs.

Competitors in export markets and potential suppliers to the Australian market, have a number of competitive advantages over Australia, particularly in regard to the cost of labour / production. It

is therefore essential that the industry continuously seeks to improve its production and marketing systems to remain globally competitive. This can be achieved through innovation, including new product development, and the utilisation of new and emerging technologies that have the potential to deliver a competitive market position for Australian cherry producers.

Optimal production capacity, increased supply, superior varieties, improved quality and related productivity gains can be achieved through a range of measures such as breeding and improved agronomic practices, including pest and disease, nutrition, canopy and irrigation management. This is within the context of good natural resource management and the potential impacts of climate change.

Likewise supply chain productivity gains can be realised to improve the competitive position of Australian cherries. This may include educating the supply chain in improved handling practices and encouraging greater collaboration at the production and packing level to realise economies of scale. Through greater collaboration, market opportunities can be maximised, markets can be serviced more efficiently and costs in the supply chain minimised.

Productivity gains must however be sustainable and best practice guidelines need to recognise the need for improved economic, social and environmental outcomes at a business enterprise, industry and community level.

It is essential that the changes in practice, which underpin increases in productivity, and the resulting outcomes are measurable and comparable, so that individual business enterprises and the collective industry can determine where the most significant improvements and return on investment can be made. By doing so, industry can also demonstrate to its stakeholders, including Government and the community, that their contribution to the industry is yielding wider benefits.

It is important that industry also invests in the collection and dissemination of industry data to assist businesses in making better informed decisions in regard to enterprise management and product supply.

Importantly the integrity of the production system which serves to provide the sustainable and competitive supply of Australian cherries needs to be underpinned by robust biosecurity mechanisms. CGA, on behalf of the Australian cherry industry, has a biosecurity plan in place, however constant and vigilant monitoring is essential. Any breach of biosecurity has the potential to impact not only on the supply of Australian cherries, but also the livelihoods of producers, their workers and supply chain partners, and local communities and economies.

Objective 1

Objective	To build a competitive supply of quality Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level		
Strategies	1.1 Continuously improve the efficiency of cherry production and packhouse systems	1.2 Improve post harvest handling and presentation of fruit	1.3 Implement appropriate information systems and risk management strategies to underpin supply
Sub- strategies	<p>1.1.1 Develop and promote adoption of best practice production guidelines to assist growers in improving farm productivity, fruit quality and environmental outcomes</p> <p>1.1.2 Increase productivity and percentage of marketable fruit by accessing or developing, through industry research and development activities, new varieties, technology, systems and / or practices</p> <p>1.1.3 Develop appropriate pest and disease management protocols to support market access</p>	<p>1.2.1 Develop and promote adoption of best practice handling guidelines to improve handling practices through the supply chain to optimise fruit quality</p> <p>1.2.2 Improve the fruit quality by: accessing or developing, through industry research and development activities, new technology to increase fruit robustness and improve harvest and post harvest systems</p>	<p>1.3.1 Collate relevant industry data in a timely manner to inform business (and industry) decision making in relation to supply (and demand) issues.</p> <p>1.3.2 Ensure an effective biosecurity plan is in place to secure consistent supply of Australian cherries to meet consumer demand</p>

Objective 1 - continued

Outcomes	<ul style="list-style-type: none">• To increase marketable yield per hectare and reduce per unit cost of production over the next five year period• To increase the percentage of fruit sold at retail level meeting consumer requirements (as quantified by industry research studies) from current levels in 2012 to 90% in 2017• By 2017, at least 80% of key industry stakeholders are satisfied with available industry data• Effective response to biosecurity issues leading to improved security of and opportunity for the Australian cherry industry
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Objective 2: To facilitate a profitable industry by increasing demand for Australian cherries in line with increasing supply

Investment Rationale

- **Strong product demand is essential to positively influence the supply - demand relationship**
- **Need for on-going market / consumer research to identify opportunities for and threats to Australian cherries**
- **Essential that the product has a strong position in the market to drive demand**
- **Requirement for improved market access and better export marketing models, to maximise returns to the sector**
- **Need to ensure strong consumer confidence in the product by managing product issues effectively and demonstrating the ethical and environmental credentials of the industry.**

A focus on driving consumer demand is integral to the success of the Australian cherry industry. By increasing product demand, albeit in the context of increasing supply levels, the industry has the ability to positively influence prices and therefore profitability of production enterprises.

To achieve this, the industry needs to invest in on-going market and consumer research both in local and export markets, so that consumer trends are identified and new opportunities captured. Conversely research will assist in identifying threats which may impact the demand for product and allow early intervention by the industry.

In recent years the cherry industry has invested in consumer research to:

- Inform market development / promotion programs for the key cherry market segments, including retail, food service and export.
- Develop a profile of cherry consumers including their attitudes to and usage of cherries, purchase frequency, average spend etc.

Although per capita consumption of cherries has doubled over the last decade, consumption rates are still relatively low by comparison to other fruit. Consumer research indicates that through effective positioning and promotion of the product, it should be possible to continue to significantly grow demand.

Over the last 5 years the industry has undertaken significant market research into export market opportunities. This research has underpinned the drive for improved market access to countries such as China and importantly maintaining access to the countries to which the industry currently exports.

New trends and technologies may provide the opportunity for the Australian cherry industry to develop new fresh or value added products that better meet consumer needs, access new markets or extend existing markets, therefore driving demand. Conversely new trends or technologies may also provide opportunities for

competitors to capture market share and erode existing market potential. It is therefore imperative that these potential impacts are understood and responded to appropriately.

Other issues that may have a negative impact on demand for Australian cherries also need to be examined and suitable management strategies adopted. The integrity of the cherry industry from a food safety perspective is paramount. Examples from other fresh produce industries overseas demonstrate how devastating a food safety breach can be on an industry. A comprehensive risk assessment and food safety management plan to address this should be developed for the industry to manage and mitigate risks.

Increasingly consumers are also concerned with the ethical and environmental aspects of the foods they eat. The industry needs a positive story to convey to consumers and should continue to document and communicate its credentials.

The industry needs to build on its demonstrated record of success in marketing its product and continue to drive product demand. It needs to ensure that Australian cherries have appropriate market access and are appropriately positioned in the existing and emerging market channels, be they domestic or export, to maximise the profitability of Australian producers.

Objective 2

Objective	To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply		
Strategies	2.1 Conduct research to inform marketing strategies and identify opportunities for product development	2.2 Drive growth in targeted domestic and export market segments through effective market development and promotion	2.3 Increase consumer confidence in Australian cherries through managing product issues effectively
Sub- strategies	<p>2.1.1 Undertake market and consumer research to provide regular information on market conditions / trends and consumer attitudes and behaviour.</p> <p>2.1.2 Investigate the health and nutrition properties of cherries and cherry products</p> <p>2.1.3 Track research and new technologies to support the development of new products that meet market / consumer needs</p>	<p>2.2.1 Develop and execute an effective marketing campaign, driven by consumer research, which optimises the positioning of Australian cherries in existing and emerging domestic and export channels.</p> <p>2.2.2 Develop and implement an Export Development Roadmap, incorporating industry development and market access requirements, to maximise market opportunities and returns to growers; and mitigate market / business risks.</p>	<p>2.3.1 Develop a comprehensive issues management plan, which incorporates food safety, to ensure ongoing consumer confidence in Australian cherries</p> <p>2.3.2 Quantify the ethical / environmental credentials of the industry and lead initiatives to enhance the reputation of the industry</p>

Objective 2 - continued

Outcomes	<ul style="list-style-type: none">• Report ongoing market and consumer research findings to the industry on a regular basis• In the next five years, increase per capita consumption of Australian cherries in line with increasing supply and at a rate of return equivalent or better than 2011/12 farm gate prices• Effective response to market access issues leading to improved security of and opportunity for the Australian cherry industry• Increase export levels from 20% of the Australian crop in 2012 to 50% of the Australian crop in 2017
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Objective 3: To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion

Investment Rationale

- **Need to ensure industry stakeholders realise and value benefits from investment of the industry levy**
- **It is important to build industry capacity and resilience to underpin industry development**
- **To achieve its objectives the industry must build effective relationships and alliances with strategic partners**
- **Effective communication with levy payers and other stakeholders is essential to drive industry change**
- **Need for effective risk management strategies to mitigate adverse industry events and / or market conditions**

Over the last five years Cherry Growers Australia (CGA), as the peak industry body for the Australian cherry industry, has provided industry leadership and has worked with Horticulture Australia Limited (HAL), growers and other industry stakeholders to address the strategies outlined in the Cherry Industry Corporate Plan 2008 - 2013.

It is imperative that this achievement is built upon and industry stakeholders continue to realise and value benefits that an industry levy can deliver.

To provide the necessary industry stewardship and achieve optimal outcomes for its stakeholders, CGA needs to:

- Continue to build capacity and resilience of the industry and its leaders
- Build relationships and alliances with strategic partners to meet industry objectives and in particular to find solutions to the diminishing R&D resources available to industry
- Communicate effectively with key stakeholders / investors including growers, supply chain partners, service providers, consumers, government and the community
- Support relevant policy development dialogues and advocate on behalf of the industry

Of course none of this is achievable if adequate resources (people and financial) are not available to industry and for CGA to perform its duties as the peak industry body. Hence CGA with the support of HAL need to monitor the future needs of industry and ensure that investment levels in R&D and marketing / promotion are appropriate to meet the expectations of levy payers and other stakeholders. Aligned to this is the requirement that industry demonstrates a strong return on investment of levy funds through appropriate governance, program / project structures and outcomes for levy payers, Government and the community.

One of the greatest challenges for industry over the next five years will be accessing suitable R&D resources. The ongoing withdrawal of government services in this area has resulted in a lack of

appropriately skilled researchers and extension staff through the traditional channels. This has resulted in a paradigm shift in how R&D will be accessed by the horticulture / agriculture industries. At this time future delivery mechanisms are not clear. It is however imperative that the cherry industry, through CGA, is part of the debate to ensure that outcomes appropriately reflect the needs of industry.

The industry also faces a number of other potential challenges in the years ahead which have the potential to impact the viability of the industry and for which appropriate risk management strategies should be developed. Of critical concern is competition in export markets and the failure of Australia to gain market access to key export markets.

Objective 3

Objective	To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion		
Strategies	3.1 Develop appropriate leadership, structures and resources to provide sound industry stewardship	3.2 Improve industry communication and extension to facilitate improved outcomes for industry and industry investors	3.3 Ensure the industry has appropriate resources / risk management strategies to function effectively
Sub- strategies	<p>3.1.1 Assess industry capacity and performance and build the capacity and resilience of industry and its management, through appropriate development activities</p> <p>3.1.2 Collaborate across the horticulture / agriculture sector and with key stakeholders / international partners to ensure the mechanisms for delivery of R&D are appropriate and there are sufficient resources and skills available to meet the current / future R&D and biosecurity needs of industry</p> <p>3.1.3 Continue to proactively develop international networks, and foster co-operation and partnerships to improve global market intelligence and opportunities for the Australian cherry industry</p>	<p>3.2.1 Utilising a range of media and forums, ensure the effective communication of key messages to a range of industry stakeholders including levy payers; service providers; supply chain businesses; government and the community</p> <p>3.2.2 Ensure and demonstrate strong return on investment of funds from all sources through appropriate governance, program / project structures and outcomes</p>	<p>3.3.1 Ensure levy structures and rates are appropriate to meet obligations of industry and expectations of levy payers and other key stakeholders</p> <p>3.3.2 In regard to industry operations, formalise appropriate governance guidelines which reflect the industry's obligations to levy payers, government and other key stakeholders, particularly in regard to expenditure of levy funds.</p> <p>3.3.3 Develop a comprehensive risk management strategy for industry which considers key issues that may impact the viability of the Australian cherry industry</p>

Objective 3 - continued

Outcomes	<ul style="list-style-type: none">• At least 80% of key industry stakeholders recognise the industry as having good leadership, governance structures and delivering a range of valued resources and services (evaluate 2012 / 2014 / 2017)• At least 80% of key industry stakeholders are satisfied with industry communication processes (evaluate 2012 / 2014 / 2017)• Industry consistently and effectively demonstrates strong return on investment of levy funds• Risk plans are current and adequately resourced
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Assessment of proposed investment

Investment Priorities

The following table outlines the impact that the proposed strategies / investment will have on the Australian cherry industry across a range of indicators, including: the impact of the proposed investment on the industry production base; the change in producer profit expected; the probability of investment success; the investment required – by HAL and others; the lag before producers receive the benefit; and the length of time before the benefit decays.

	1. Industry production base affected by the proposed investment	2. Change in producer profit expected	3. Probability of investment success	4. Investment required – by HAL and others	5. Lag before producers receive the benefit	6. Length of time before benefit decays
Rating	Low (L) / Medium (M) / High (H) / Very High (VH)			Short (S) / Medium (M) / Long (L) Term		
Objective 1 - To build a competitive supply of quality Australian cherries to ensure that consumer can confidently purchase consistently high quality fresh cherries at retail level.						
Strategy 1.1 - Continuously improve the efficiency of cherry production and packhouse systems	M	M - H	M – H	H	S - M	L
Strategy 1.2 - Improve post harvest handling and presentation of fruit	H	M - H	H	M	S - M	L
Strategy 1.3 - Implement appropriate information systems and risk management strategies to underpin supply	M	M	M	M	S - M	M

Investment Priorities - continued

	1. Industry production base affected by the proposed investment	2. Change in producer profit expected	3. Probability of investment success	4. Investment required – by HAL and others	5. Lag before producers receive the benefit	6. Length of time before benefit decays
Rating	Low (L) / Medium (M) / High (H) / Very High (VH)			Short (S) / Medium (M) / Long (L) Term		
Objective 2 - To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply						
Strategy 2.1 - Conduct research to inform marketing strategies and identify opportunities for product development	M	L – M	M	H	S - M	M
Strategy 2.2 - Drive growth in targeted domestic and export market segments through effective market development and promotion	H	M	M – H	H	S	M
Strategy 2.3 – Increase consumer confidence in Australian cherries through managing product issues effectively	H	L - M	M	H	S - M	L

Assessment of proposed investment – continued

Investment Priorities

	1. Industry production base affected by the proposed investment	2. Change in producer profit expected	3. Probability of investment success	4.Investment required – by HAL and others	5. Lag before producers receive the benefit	6. Length of time before benefit decays
Rating	Low (L) / Medium (M) / High (H) / Very High (VH)			Short (S) / Medium (M) / Long (L) Term		
Objective 3 - To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion						
Strategy 3.1 - Develop appropriate leadership, structures and resources to provide sound industry stewardship	M	M	M	H	M	L
Strategy 3.2 - Improve industry communication and extension to facilitate improved outcomes for industry and industry investors	M – H	M	M	H	M	M – L
Strategy 3.3 - Ensure the industry has appropriate resources / risk management strategies to function effectively	L - M	L - M	M - H	M	M	L

Available Funds

Below is a table outlining available R&D investment funds and allocated funds over the period 2012/13 – 2016/17. The levy income figures used in these calculations are conservative. If the industry has a number of reasonable production years levy investment funds are likely to increase significantly.

	Comments	Year 1 2012/13	Year 2 2013/14	Year 3 2014/15	Year 4 2015/16	Year 5 2016/17	Total
<u>Income</u>		\$	\$	\$	\$	\$	\$
R&D Levy income		400,000	400,000	440,000	480,000	520,000	2,240,000
R&D Levy matched	Matched	800,000	800,000	880,000	960,000	1,040,000	4,480,000
Marketing Levy income		300,000	300,000	330,000	360,000	390,000	1,680,000
<u>Costs</u>							
R&D Costs	Levy Revenue Service Costs	4,482	4,617	4,755	4,898	5,045	23,797
	HAL Corp Cost Recovery (CCR)– based on 10.9%	87,200	87,200	95,920	104,640	113,360	488,320
	Total R&D administration	91,682	91,817	100,675	109,538	118,405	512,117
	Across Industry Contribution 2012/13 - 4%; 2013/14+ – 5%	32,000	40,000	44,000	48,000	52,000	216,000

Available Funds - continued

	Comments	Year 1 2012/13	Year 2 2013/14	Year 3 2014/15	Year 4 2015/16	Year 5 2016/17	Total
Marketing Costs	Levy Revenue Service Costs	3361	3462	3566	3673	3783	17845
	HAL CCR	32,700	32,700	35,970	39,240	42,510	183,120
	Total Marketing administration	36,061	36,162	39,536	42,913	46,293	200,965
Available project funding*	Indicative R&D funds (matched)	676,318	668,183	735,325	802,462	869,595	\$3,751,883
	Minimum funds already committed	747,333	503,000^a	558,000^a	273,000^{a b}	288,000^{a b}	\$2,369,333
	Indicative unallocated R&D funds (estimate only)	-	165,183	177,325	529,426	581,595	\$1,453,565
	Indicative available marketing funds	263,939	263,838	290,464	317,087	343,707	\$1,479,035

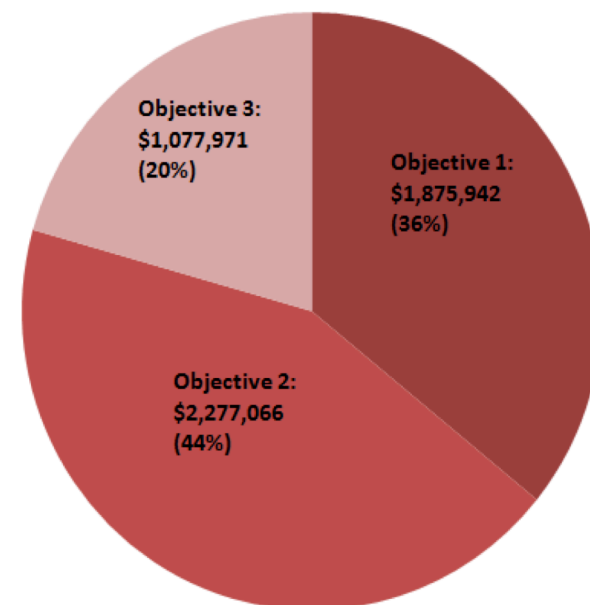
^a includes \$100,000 consultation agreement funding and \$8,000 Cherry Industry Annual Report funding ^b includes \$80,000 communications funding

Investment Allocation by Objective

The following table shows the proposed R&D levy (matched dollars) and Marketing levy investment for each Strategic Investment Plan Objectives over the five year period from 2012/13 to 2016/17. This is informed by the investment priorities. The table also shows current committed funds and unallocated funds over this period.

Objective	Current allocated funds	Unallocated funds	Total Proposed Investment	Percentage of levy (%)
1 To build a competitive supply of Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level	\$1,007,575	\$868,367	\$1,875,942	50% of R&D levy
2 To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply	\$350,887	\$587,084	\$937,971	25% of R&D levy
			\$1,339,035	95% of Marketing levy
			\$2,277,066	
3 To ensure the Australian cherry industry has appropriate and sufficient capacity to manage change and industry expansion	\$1,002,689 ^a	0	\$937,971	25% of R&D levy
			\$140,000	5% of Marketing levy (contribution to Consultation Agreement funding)
			\$1,077,971	

Proposed allocation of R&D and Marketing Levy by Objective



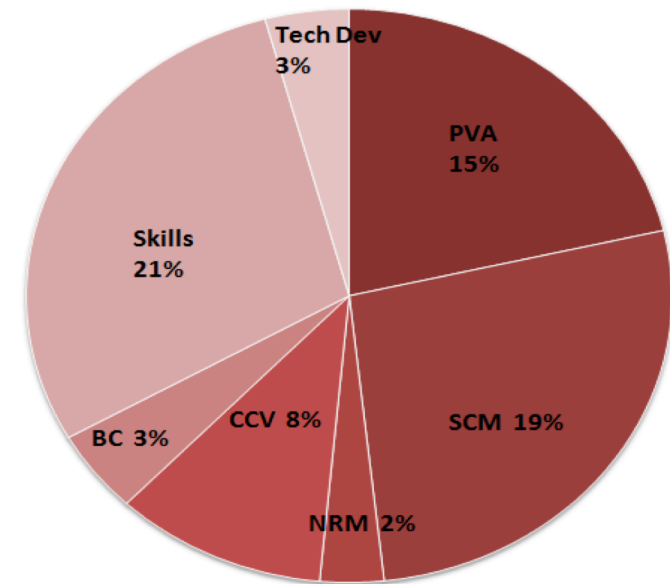
Proposed R&D levy (matched dollars) and Marketing levy investment by Objective for the period 2012/13 to

Funding allocation against Government. R&D priorities

Below is the proposed allocation of R&D funds against Australian Government Rural R&D priorities, based on the Objectives outlined in the Strategic Investment Plan.

Objective — Government R&D Priority	1	2	3	Total	Percent
Productivity and Adding Value	\$800,942			\$800,942	15%
Supply Chain and Markets	\$200,000	810,000		\$1,010,000	19%
Natural Resource Management	100,000	20,000		\$120,000	2%
Climate Variability and Climate Change	\$400,000			\$400,000	8%
Biosecurity	\$175,000			\$175,000	3%
Supporting R&D Priorities (Skills)	\$100,000	50,000	937,931	\$1,087,931	21%
Supporting R&D Priorities (Technology Development)	\$100,000	57,971		\$157,971	3%
Total \$	\$1,875,942	\$937,971	\$937,971	\$3,751,884	

Proposed investment of R&D Levy against Government R&D priorities



- Productivity and Adding Value (PVA)
- Supply Chain and Markets (SCM)
- Natural Resource Management (NRM)
- Climate Variability and Climate Change (CCV)
- Biosecurity (BC)
- Supporting R&D Priorities (Skills)
- Supporting R&D Priorities (Technology Development)

References

The following documents inform this Plan:

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Sprout Research 2011, *Cherry Industry Report*, draft copy provided by Horticulture Australia Limited 25 May 2011.

Appendix 1: Contributors

The following people are acknowledged for their contribution to the Australian Cherry Industry Strategic Plan / Investment Plan process.

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References - continued

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