

Cherry

Strategic Investment Plan

2022-2026



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EXECUTIVE SUMMARY

The overarching strategic intent of this Strategic Investment Plan (SIP) is to optimise profitability and sustainability of the Australian cherry industry through export market access and consistent high-quality production.

The cherry SIP 2022-2026 provides a roadmap to guide Hort Innovation's investment of cherry industry levies and Australian Government contributions, ensuring investment decisions are aligned with industry priorities.

The Australian cherry industry situation in 2019/20 is described on **page 4** with further information provided in **Appendix 1**. The cherry industry is in a strong growth phase with increased plantings occurring predominantly in Tasmania and Victoria. The orchards are being developed to service the anticipated demand increase from China. Cherry production volumes historically fluctuate significantly from year to year due to climatic factors.

The strategic intent of the cherry SIP provides a summary of how the cherry industry will drive change over the life of the SIP. This will ultimately come about by growers having access to the tools required to increase their profitability and sustainability, and to meet the quality and volume demands of consumers in both domestic and export markets.

The financial estimates give an indicative overview of the funding availability for the period of FY2022-FY2026.

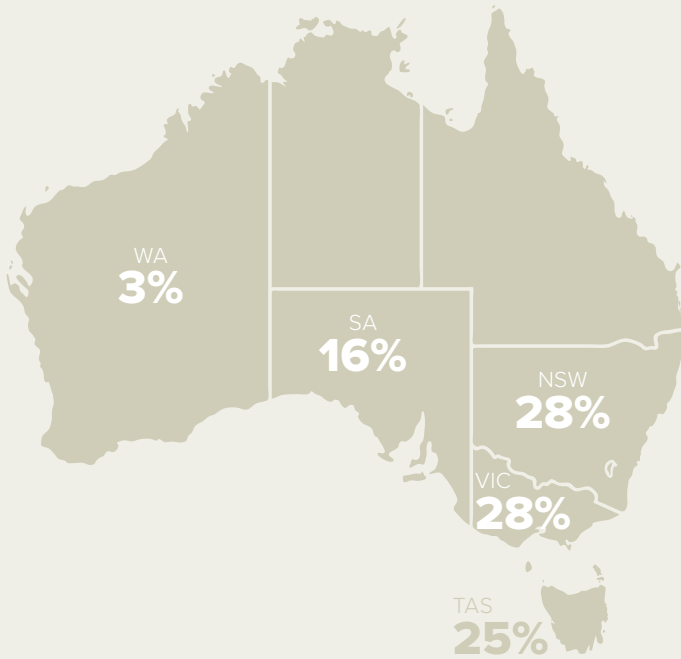
Currently there is funding available for research and development (R&D) investments. Funds to invest in marketing is decreasing due to the grower-raised statutory cherry R&D levy and a decrease on the marketing levy.

The four outcome areas of this SIP cover significant themes under which programs and investments will be focused. These are listed in priority order for the cherry industry. Demand remains the primary focus with a goal to improve market access and develop new markets. This is followed by productivity, supply and sustainability, which requires focus on innovative orchards and responding to environmental change and climate variability.

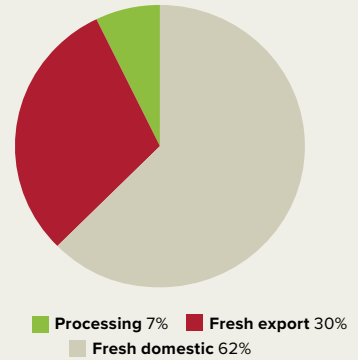
The key performance indicators (KPIs) detail how the impact of each strategy will be measured, for example, key drivers of orchard system profitability including superior rootstock and scion varieties, as well as orchard design, crop management and resource use efficiency (including labour), with the aim of providing new knowledge that will drive orchard system profitability in collaboration with growers.



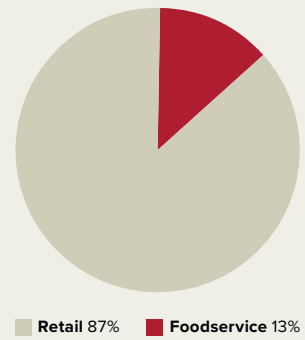
PRODUCTION REGIONS:



FRESH EXPORT/FRESH DOMESTIC/PROCESSING:



DOMESTIC RETAIL VS FOODSERVICE:



PRODUCTION WINDOW:



October to February

PRODUCTION VOLUMES:



20,000 tonnes

in 2020/21

FARMGATE VALUE OF PRODUCT:



\$184 million

in 2019/20

PER CAPITA CONSUMPTION:



0.43kg

in 2019/20

GROWTH TRENDS:



SINCE 2012/13...

VALUE +\$51M
p.a.

VOLUME +1572 tonnes
p.a.



Strong demand growth from export markets – increase in exports from **2,888 tonnes** (\$31m) in 2012/13 to **4,460 tonnes** (\$82m) in 2019/20

THE CHERRY STRATEGIC INVESTMENT PLAN

This SIP is the roadmap that will guide Hort Innovation's oversight and management of the cherry industry's investment programs. It lays the foundation for decision-making in investments and represents the balanced interest of the whole industry. The important function of the SIP is to ensure that the investment decisions align with cherry industry priorities.

Hort Innovation has led the process for preparing the cherry SIP, listening, and engaging with levy payers and key stakeholders including Industry Representative Bodies (IRBs) and expertise available through advisory mechanisms and delivery partners. The renewal process involved consultation with and input from a wide range of levy payers, objective analysis of performance and learning from the previous SIP, as well as environmental scanning to identify emergent trends and issues that could impact on industry profitability and sustainability.

Hort Innovation has valued the support, advice, time, and commitment of all stakeholders that contributed to producing this SIP, especially cherry growers.

The whole-of-company approach taken by Hort Innovation to produce this SIP has harnessed existing external and internal knowledge, learning, partnerships and relationships. The output is a tailored plan with which the cherry industry can be confident of its strategic intent, including visibility on how investment impacts will be identified. Specific investments to address the SIP strategies and align with industry strategic priorities will be outlined in detail via the cherry Annual Investment Plan (AIP). The AIP will be published each year over the lifespan of the SIP and detail the investments that will be prioritised based on potential industry impact, as well as the availability of levy funds. Hort Innovation will advise industry stakeholders when the AIP has been published via established communication channels each year. The AIP will be developed with input from the cherry Strategic Investment Advisory Panel (SIAP), IRBs and other key stakeholders.

Producers in the cherry industry pay levies to the Department of Agriculture, Water, and the Environment, which is responsible for the collection, administration and disbursement of levies and charges on behalf of Australian agricultural industries.

Agricultural levies and charges are imposed on primary producers by government at the request of industry to collectively fund R&D, marketing, biosecurity, and residue testing programs.

Levy is payable on cherries that are produced in Australia and either sold by the producer or used by the producer in the production of other goods. The grower-raised statutory cherry R&D levy is set at 5 cents per kilogram effective from 1 April 2021. The marketing levy is set at 1 cent per kilogram effective from 1 April 2021.

Hort Innovation manages the cherry levy funds proportion directed to R&D, separately Plant Health Australia (PHA) manages plant health programs (0.003 cents per kilogram). The cherry industry levy funds 0.007 cents per kilogram to the Emergency Plant Pest Response (EPPR). This funding will revert to R&D at the conclusion of repayment of debt for EPPRD costs incurred for the cherry industry's contribution for costs for pest responses including Varroa mite and brown marmorated stink bug (BMSB).

Hort Innovation has developed this SIP for the cherry industry to strategically invest the collected cherry levy funds into the priority areas identified and agreed by the cherry industry.

This SIP represents the Australian cherry industry's collective view of its R&D and marketing needs over the next five years (2022-2026). Learning, achievements and analysis of the previous SIP, consultation with Australian cherry levy payers, and synthesis of various strategic documents have been incorporated into the development of this SIP.

Appendix 3 acknowledges the people who were consulted in the preparation and validation of this SIP. Statistics and data within this publication are sourced from the Australian Horticulture Statistic Handbook 2019/20 and other documents unless stated otherwise and are listed in **Appendix 4**. A list of acronyms used within the document is available in **Appendix 5**.

Financial estimates

The annual revenue from levy income and Australian Government contributions for eligible R&D set the overall budget parameters for the cherry SIP. Importantly, a portion of these funds is already committed, as the industry has current multi-year projects for R&D and marketing activities. In addition, the levy income from year to year will vary due to changes in seasonal and market conditions.

The indicative financial estimates used for the purposes of developing this SIP are presented in **Table 1** below. These figures are regularly reviewed to reflect the latest information and statistics for the industry and any changes in investment priority. Further details will be available in the AIP each year.

TABLE 1. Indicative financial estimates for the cherry SIP over the life of the SIP

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$
R&D					
Balance end FY2021	666,098				
Estimated levy funds (growers)	760,000	760,000	800,000	800,000	800,000
Australian Government contribution	837,209	1,261,628	1,081,977	1,091,860	1,091,860
Current investments	840,000	770,000	361,000	378,000	378,000
New investments	600,000	1,400,000	1,500,000	1,500,000	1,500,000
Total project investments	1,440,000	2,170,000	1,861,000	1,878,000	1,878,000
CCR	234,419	353,256	302,953	305,721	305,721
Projected end balance	570,000	405,500	340,000	260,000	210,000
MARKETING					
Balance end FY2021	873,017				
Estimated levy funds (growers)	130,000	150,000	150,000	150,000	150,000
Current investments	300,000	–	–	–	–
New investments	–	300,000	175,000	150,000	150,000
Total project investments	300,000	300,000	175,000	150,000	150,000
CCR	62,319	62,319	36,353	31,159	31,159
Projected end balance	400,000	172,000	88,000	32,000	33,000

Disclaimer: All figures are indicative only and may change depending on actual income and expenditure.

Balance end FY2021 – The closing balance of the fund as at 30 June 2021

Estimated levy funds – Net levy income/revenue that is generated and collected by levy revenue services (LRS)

Australian Government contribution – Amount of contribution from the Australian Government on R&D levy-funded expenditure

Current investments – Current estimated value of contracted projects

New investments – The estimated dollar value that is available for potential new investments for industry subject to industry advice

CCR – Corporate cost recovery: the cost to implement and manage R&D and marketing investment programs for each industry

Projected end balance – Forecast of the anticipated final position of the fund

CHERRY INDUSTRY OUTCOMES



The overarching strategic intent of this SIP is to optimise profitability and sustainability of the Australian cherry industry through export market access and consistent high-quality production.

Industry outcomes

Outcome statements as identified and prioritised by the cherry industry have been prepared under four key outcome areas: demand creation; industry supply, productivity and sustainability; extension and capability; and business insights.

OUTCOME 1: Demand creation

Contribute to increasing consumer knowledge, attitudes, and purchase intent to drive volume growth.

Demand creation will support industry to develop existing and future domestic and international markets. This will contribute to improved consumer knowledge and attitudes, in addition to encouraging purchase intent to drive category volume growth.

The strategic intent of this outcome is to maintain and strengthen export markets and consumer demand as the foundation for sustainable expansion of production and consumption in domestic markets. It means the industry is investing to:

- Improve market access and develop new markets
- Raise awareness of opportunities for businesses to be involved in meeting demand in new export markets
- Raise consumer awareness of Australian cherries so they are more top of mind and purchased more often.

OUTCOME 2: Industry supply, productivity and sustainability

Improve industry productivity (inputs/outputs) to maintain local and international competitiveness, while maintaining viability and sustainability of supply.

Supply and productivity will be supported through improvements to production efficiencies, which will drive profitability outcomes while ensuring long-term sustainability outcomes.

The strategic intent of this outcome is to accelerate the application of production practices that optimise returns and reduce risk to growers. Achieving the outcome will involve:

- Innovative orchards
- Responding to environmental change/climate variability
- Developing and optimising fit-for-purpose, sustainable pest and disease management strategies for cherry production systems
- Enhancing crop pollination and resilience through improved pollination security
- Improving industry preparedness and resilience to biosecurity threats, particularly exotic and endemic fruit flies
- Improving labour efficiencies
- Proactively monitoring potential crop protection regulatory threats and having access to a broader suite of effective, socially acceptable and environmentally sound crop protection solutions.

OUTCOME 3: Extension and capability

Building capability and innovative culture.

Building capability and an innovative culture will support industry cohesion and increase the use of investment outputs across the supply and demand initiatives to better manage risk and create positive change for the cherry industry.

The strategic intent of this outcome is to manage knowledge, relationships, systems, and processes required to communicate effectively with internal and external stakeholders directly associated with the cherry industry, supporting the adoption of new technologies and innovations by growers and other supply chain stakeholders. Achieving the outcome will involve:

- A change in knowledge, attitude, skill, aspiration (KASA) and practice for grower and industry profitability and sustainability through use of best practices and innovating
- Growers, value chain, media and governments being well informed on industry initiatives and achievements as a vital part of regional communities and networks
- Improving networks and cross-industry collaboration to increase the use of R&D outputs and build a stronger, more resilient industry
- Improving industry cohesiveness, with most businesses and the industry supply chain actively engaged in implementation of this strategy
- Proactive strategic and evidence-based decision-making in businesses and for industry on investment, priorities and risk management.

OUTCOME 4: Business insights

Measure industry supply (production) and demand (consumer behaviour) data and insights to inform decision-making.

Business insights will support the industry to remain aware of market and industry trends to drive informed decision-making.

The strategic intent of this outcome is to deliver data and insights which is foundational to achieving success in the other three outcome areas of demand creation; supply, productivity and sustainability; and extension and capability.

Achieving the outcome will involve reliable baseline data and analysis to provide insights and understand current and emerging trends. Key investments will support the provision of consumer knowledge and tracking, benchmarking production statistics, forecasting and independent reviews to enable better decision-making process at industry level and individual businesses.

These investments underpin and are complementary to delivery of the other outcome areas.



“The important function of the SIP is to ensure that the investment decisions align with cherry industry priorities.”



CHERRY INDUSTRY STRATEGIES

Strategies to address industry investment priorities

The tables below describe the strategies and identified impacts for each of the four key outcome areas. The highest priority investments lay the foundation for the SIP and its implementation will require a balanced approach to ensure the industry has a high likelihood of success over the short (0-3 years), medium (3-5 years) and long term (5-10 years).

The ability to deliver on these strategies (and subsequent investments) will be determined by the ability of the statutory levy to provide adequate or sufficient resources. Further resources and efficiencies may become available through alternative funding sources such as Hort Frontiers strategic partnership initiative, external grants and/or cross-industry initiatives.

OUTCOME 1: Demand creation

Demand creation supports the Australian cherry industry to develop existing and future domestic and international markets.

STRATEGIES	POTENTIAL BENEFIT OR IMPACT
1. Develop workable market access protocols to assist with maintenance and expansion of export markets	<ul style="list-style-type: none"> Higher impact with market access and exports for the industry as a whole
2. Increase domestic and international consumer demand for fresh, quality Australian cherries through improving knowledge, attitudes and purchase intent	<ul style="list-style-type: none"> Increased consumer demand for Australian cherries
3. Monitor the consistency of fruit quality throughout the season along the supply chain	<ul style="list-style-type: none"> Increased industry alignment with quality and brand-positioning opportunities



OUTCOME 2: Industry supply, productivity and sustainability

The Australian cherry industry has increased profitability, efficiency and sustainability through innovative R&D, robust industry biosecurity and improved orchard systems.

STRATEGIES	POTENTIAL BENEFIT OR IMPACT
1. Support national fruit fly management across all horticulture industries and state governments to access existing and new markets	<ul style="list-style-type: none"> Reduced impact of fruit fly, improving productivity, reducing costs and support of market access
2. Identify technologies and approaches to improve labour use efficiency by investigating and assessing current and alternative practices	<ul style="list-style-type: none"> Increased labour options for cherry production systems Accelerated innovation with labour use efficiency
3. Innovative orchards: Develop improvements to orchard systems through superior varieties, orchard design, crop management and resource use efficiency (including labour)	<ul style="list-style-type: none"> Increased orchard system profitability, and opportunities for new technology including protected cropping Reduced risk and increased confidence when adopting new varieties during planting and replanting
4. Improve industry preparedness and resilience to biosecurity threats, particularly exotic and endemic fruit flies	<ul style="list-style-type: none"> Improved industry biosecurity preparedness to reduce the impact of an incursion
5. Equip industry with the tools to understand and respond to the impact of climate variability and extremities	<ul style="list-style-type: none"> Increased resilience to climate variability, improved understanding of chill hour and mitigation
6. Prioritise the major crop protection gaps through a Strategic Agrichemical Review Process (SARP)*	<ul style="list-style-type: none"> Available registered or permitted pesticides are evaluated for overall suitability against major disease, insect pests and weed threats. The SARP aims to identify potential future solutions where tools are unavailable or unsuitable
7. Provide regulatory support and co-ordination for crop protection regulatory activities with the potential to impact plant protection product access, both in Australia and internationally*	<ul style="list-style-type: none"> Regulatory Risk Assessments have informed proactive strategic priority setting to avoid pest management gaps in the event access or use is negatively impacted
8. Generate residue, efficacy and crop safety data to support applications to the Australian Pesticides and Veterinary Medicines Authority (APVMA) that seeks to gain, maintain or broaden access to priority uses for label registrations and/or minor use permits for crop protection needs*	<ul style="list-style-type: none"> Crop protection solutions meet industry priority needs as identified in the industry SARP or biosecurity plan
9. Enhance crop pollination and resilience through improved pollination security	<ul style="list-style-type: none"> Sustainability of honey bee health that supports productivity

“This SIP is the roadmap that will guide Hort Innovation’s oversight and management of the cherry industry’s investment programs.”

OUTCOME 3: Extension and capability

Improved capability and an innovative culture in the Australian cherry industry maximises investments in productivity and demand.

STRATEGIES	POTENTIAL BENEFIT OR IMPACT
1. Provide opportunity for engagement between industry, across industry members and with stakeholders throughout the supply chain	<ul style="list-style-type: none"> Improved networks and cross-industry collaboration to increase efficiencies and use of R&D outputs that build a stronger, more resilient industry
2. Strengthen industry leadership through initiatives and training	<ul style="list-style-type: none"> Proactive strategic and evidence-based decision-making in businesses and for industry on investment, priorities and risk management
3. Deliver communication and extension capability to support positive change in the priority areas for the cherry industry that is supportive of maximising sustainable profitability, driving export opportunities, biosecurity, and product integrity	<ul style="list-style-type: none"> A change in KASA and practice for grower and industry profitability and sustainability through use of best practices and innovating (e.g., optimising sustainable and profitable production systems, export readiness/capability programs)

OUTCOME 4: Business insights

The Australian cherry industry is more profitable through informed decision-making using consumer knowledge and tracking, trade data, benchmarking, production statistics and forecasting, and independent reviews.

STRATEGIES	POTENTIAL BENEFIT OR IMPACT
1. Use trade data to guide ongoing export development opportunities*	<ul style="list-style-type: none"> Increased knowledge and scientific/research capacity
2. Increase industry alignment with quality and brand-positioning opportunities driven by consumer insights*	<ul style="list-style-type: none"> Provision of business insights to deliver against demand, trade, supply and extension outcomes
3. Use production benchmarking activity to measure and track industry productivity and profitability	<ul style="list-style-type: none"> Improved data on cost of production across enterprises of different scales Opportunities for cost reduction
4. Use production forecasts to inform long-term and/or in-season market planning and supply strategies	<ul style="list-style-type: none"> Increased industry or other stakeholder capacity (e.g., export capacity)

* Foundational investments provide data and information that underpin the delivery of other SIP outcome areas and will be aligned to this strategy. Foundational investment areas include:

- Consumer behavioural data
- Consumer usage and attitudes, and brand health tracking data
- Impact assessments
- Trade data
- Crop protectant data.





CHERRY SIP MONITORING AND EVALUATION

The cherry SIP Monitoring and Evaluation (M&E) Framework development has been informed by Hort Innovation’s Organisational Evaluation Framework.

Progress against the SIP will be reported in Hort Innovation publications and through industry communication channels. The SIP outcomes and strategies are used to inform KPIs that in turn drive the investments and individual projects to deliver on the SIP. Projects responsible for delivering the strategy aligned with each KPI will collect the data.

An M&E and reporting framework is shown below. The framework shows what will be measured to demonstrate progress against the SIP and how metrics will be tracked. Reporting on KPIs will be processed through various formal channels to inform industry and government investors of progress, performance, and impact. Data sources to support M&E will be identified and collected as part of the requirements for each levy investment.

Hort Innovation will facilitate the regular review of the SIP to ensure it remains relevant to industry.

Cherry SIP Monitoring and Evaluation framework

The cherry SIP M&E Framework is shown below. It includes KPIs that are measured to each SIP strategy and will be driven by the levy investments.

OUTCOME	STRATEGIES	KPIs
Demand creation		
Outcome 1: Demand creation supports the Australian cherry industry to develop existing and future domestic and international markets.	1. Develop workable market access protocols to assist with maintenance and expansion of export markets	<ul style="list-style-type: none"> Market access opportunities are prioritised on national benefit and an evidence-based export strategy Support of technical access to selected export markets (e.g., relevant datasets developed)
	2. Increase domestic and international consumer demand for fresh, quality Australian cherries through improving knowledge, attitudes and purchase intent	<ul style="list-style-type: none"> Demonstrated increase in consumer knowledge and positive attitude leading to purchase intent Use of nutritional information to support consumer demand Positive shifts in brand tracking
	3. Monitor the consistency of fruit quality throughout the season along the supply chain	<ul style="list-style-type: none"> Management of the cherry category to increase knowledge on best quality and merchandising practices for growers and retailers Positive shifts in cherry quality at the store level

OUTCOME	STRATEGIES	KPIs
Industry supply, productivity and sustainability		
<p>Outcome 2: The Australian cherry industry has increased profitability, efficiency and sustainability through innovative R&D, robust industry biosecurity and improved orchard systems.</p>	1. Support national fruit fly management across all horticulture industries and state governments to access existing and new markets	<ul style="list-style-type: none"> Input into the strategies and programs of the National Fruit Fly Council and participation in implementation of initiatives
	2. Identify technologies and approaches to improve labour use efficiency by investigating and assessing current and alternative practices	<ul style="list-style-type: none"> Technologies and approaches to improve labour efficiency are identified and shared with growers
	3. Innovative orchards: Develop improvements to orchard systems through superior varieties, orchard design, crop management and resource use efficiency (including labour)	<ul style="list-style-type: none"> New knowledge to drive orchard system profitability with grower collaboration New knowledge on Australian regional performance of superior varieties
	4. Improve industry preparedness and resilience to biosecurity threats, particularly exotic and endemic fruit flies	<ul style="list-style-type: none"> Maintenance/tracking of the implementation of an industry biosecurity plan Development of risk analyses of high priority pests including entry pathways, establishment and spread potential
	5. Equip industry with the tools to understand and respond to the impact of climate variability and extremities	<ul style="list-style-type: none"> Strategies identified to manage climate variability risks in collaboration with growers
	6. Prioritise the major crop protection gaps through a SARP*	<ul style="list-style-type: none"> Coordinated industry priority setting with a clear outlook of gaps and risks in existing pest control options Industry priority needs published and shared with stakeholders, including registrants
	7. Provide regulatory support and co-ordination for crop protection regulatory activities with the potential to impact plant protection product access, both in Australia and internationally*	<ul style="list-style-type: none"> Regulatory Risk Assessments maintained
	8. Generate residue, efficacy and crop safety data to support applications to the APVMA that seeks to gain, maintain or broaden access to priority uses for label registrations and/or minor use permits for crop protection needs*	<ul style="list-style-type: none"> Data to support applications to the APVMA and the establishment of Maximum Residue Limits (MRLs)
	9. Enhance crop pollination and resilience through improved pollination security	<ul style="list-style-type: none"> Evidence of sustainable honey bee health through surveillance data



OUTCOME	STRATEGIES	KPIs
Extension and capability		
<p>Outcome 3: Improved capability and an innovative culture in the Australian cherry industry maximises investments in productivity and demand.</p>	1. Provide opportunity for engagement between industry, across industry members and with stakeholders throughout the supply chain	<ul style="list-style-type: none"> • Grower satisfaction with growth in cooperation with industry and across industries leading to adoption of innovative practices and outcomes benefiting multiple stakeholders along the supply chain
	2. Strengthen industry leadership through initiatives and training	<ul style="list-style-type: none"> • Increased participation in industry leadership initiatives
	3. Deliver communication and extension capability to support positive change in the priority areas for the cherry industry that is supportive of maximising sustainable profitability, driving export opportunities, biosecurity, and product integrity	<ul style="list-style-type: none"> • Establishment of a baseline and then demonstrate increased share of industry (ha) with positive change in KASA and implementation in targeted high-priority areas (e.g., registering for export, export capability, consistent high quality)
Business insights		
<p>Outcome 4: The Australian cherry industry is more profitable through informed decision-making using consumer knowledge and tracking, trade data, benchmarking, production statistics and forecasting, and independent reviews.</p>	1. Use trade data to guide ongoing export development opportunities*	<ul style="list-style-type: none"> • Trade data maintained, and data outputs supplied that meet stakeholder needs
	2. Increase industry alignment with quality and brand-positioning opportunities driven by consumer insights*	<ul style="list-style-type: none"> • Delivery of consumer insights strategy • Evidence that consumer insights inform strategic market engagement (e.g., case studies) • Availability of new consumer knowledge for growers
	3. Use production benchmarking activity to measure and track industry productivity and profitability	<ul style="list-style-type: none"> • Availability of data that supports extension activities and individual grower decision-making • Evidence that data is used to support industry-level decision-making and grower practice change
	4. Use production forecasts to inform long-term and/or in-season market planning and supply strategies	<ul style="list-style-type: none"> • Availability of production forecasts • Evidence that production forecasts support marketing and production decisions

* Foundational investments provide data and information that underpin the delivery of other SIP outcome areas and will be aligned to this strategy. Foundational investment areas include:

- Consumer behavioural data
- Consumer usage and attitudes, and brand health tracking data
- Impact assessments
- Trade data
- Crop protectant data.



Reporting framework

Hort Innovation will use dynamic reporting aligned to the Organisational Evaluation Framework to report regularly on progress and performance. Reporting will be processed through formal channels to inform industry and government investors.

A review of investment performance against the respective industry outcome and/or strategy-level KPIs for the cherry SIP will be completed annually as the primary reporting mechanism. The SIP performance report will provide:

- Evidence of progress towards achieving the industry-specific outcomes and strategies through an assessment of the KPIs identified in the SIP
- Evidence of progress towards cross-industry investment strategies and outcomes. This will involve Hort Innovation's whole-of-horticulture reporting obligations and corporate plan, annual reports and Hort Innovation's Annual Operating Plan.

SIP performance reports will also inform the Australian Government of progress towards achieving government priorities. In particular, reporting will support Hort Innovation to meet the Performance Principles and requirements contained in the [Deed of Agreement 2020-2030](#).



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COLLABORATION AND CROSS-INDUSTRY INVESTMENT

Based on advice from industry throughout the engagement process, Hort Innovation understands that Australian horticulture industries have common issues, and in turn have identified prospective areas for collaboration and cross-industry or regional investment.

These opportunities have been included as strategies across multiple industry SIPs where relevant and required. By delivering targeted multi-industry collaboration in research, development and extension (RD&E), marketing and international trade, Hort Innovation aims to support more effective and efficient outcomes for growers and the wider horticulture sector. This includes driving investment through the Hort Frontiers strategic partnership initiative. Importantly, while this approach acknowledges there is value in solving issues across industries and regions, it does not reduce the importance of industry-specific initiatives.

Cross-industry/regional R&D opportunities identified for the cherry industry include:

- Support for the National Fruit Fly Strategy to support fruit fly R&D, management and control, and to support access to new and existing markets
- Export development and export-ready programs
- Consumer insights.

Cross-industry areas of collaboration for demand driving outcomes provide the opportunity to advance the prosperity of the sector through gaining efficiencies in the delivery of the program and contributing to stronger overall outcomes.

By collaborating as one sector to win the hearts and minds of the consumers, in addition to individual demand driving programs, there is the potential to enhance the total category value proposition, contributing to driving returns for Australian growers.

Areas of consideration for collaboration for demand-driving outcomes across the lifespan of the cherry SIP 2022-2026 include:

- All-of-horticulture consumer marketing campaigns designed to drive awareness, consideration, and purchase behaviour change, supported by consumer insights that are delivered consistently across the sector
- Communications to bring horticulture to top of mind (saliency) and reposition the benefits they provide to Australian and international consumers
- Retail partnerships to advance total category and shopper demand-driving programs
- A global brand platform to reinforce the unique selling proposition of Australian-grown horticultural produce and drive preference with international consumers.



Strategic science and research focus

The cherry SIP takes into consideration the research priorities of various industry stakeholders, including Cherry Growers Australia Inc. (CGA) and Australian Fresh Produce Alliance (AFPA), and acknowledges the representation of these organisations. In developing the strategies presented within the cherry SIP, **Table 2** lists the strategic research areas that were considered.

TABLE 2. Cherry research priorities

CGA priorities	AFPA strategic priority areas
Advocacy	Sustainability (climate change, water, packaging and shelf life)
Export and trade development	Trade (market access, industry capability development, technical exchange with export markets)
Provision of best available resources, networks and market information to assist Australian cherry growers	Biosecurity (managing pest and disease, integrated pest management (IPM), chemistry)
	Food Safety (systems and technology)
	Pollination (bees and flies, alternate pollinators, pollination in production systems)

Collaboration across the agriculture research community is also essential, including with organisations such as universities, private enterprise and state government agencies. Hort Innovation is a member of the National Horticulture Research Network (NHRN) together with other senior horticultural R&D representatives from state and Australian Government agricultural agencies. The NHRN is responsible for the development and implementation of the broader Horticulture RD&E Strategy under the National Primary Industries RD&E Framework.

During the engagement process, key delivery partners were contacted including lead agencies within the NHRN Framework as well as specific delivery partners for each industry. The lead agency involved with the cherry industry investment program, NSW Department of Primary Industries (NSW DPI), was engaged during the development of this SIP to ensure consideration and strategically aligned priorities for the cherry industry. The Tasmanian Institute of Agriculture (TIA) was also engaged due to their previous and ongoing research in the cherry industry. In addition, priorities and opportunities identified within the strategic plans of national and state agencies and research organisations have been considered in the development of Hort Innovation's SIPs where applicable.

TABLE 3. Government and key agency priorities

NSW DPI priorities	TIA priorities	Rural RD&E for Profit priorities	Australian Government Science and Research priorities
Evaluation of the available training systems on new varieties	Production yield and quality	Advanced technology	Food
Market access	Protected cropping	Biosecurity	Soil and water
Market expansion	Mechanical pollination – de-risks fruit set	Soil, water and managing natural resources	Advanced manufacturing
	Irrigation management for drought mitigation	Adoption of R&D	Environmental change
	Biosecurity		Health
	Big data		

This SIP has been developed alongside the government and key agency priorities listed in **Table 3**, with consideration of issues faced by the cherry industry. These strategic areas further emphasise the opportunity and importance of cross-industry and regional collaboration. All the priority areas are of importance to Australian horticulture, and these will play a role in driving the efficiency and effectiveness of investment across the sector.

Annual investment planning

Specific investments to address the SIP strategies and align with industry strategic priorities will be outlined in detail each year via the cherry AIP. Investment decisions are guided by the SIP and prioritised based on potential industry impact, as well as the availability of levy funds each year. The AIP will be developed with input from the cherry SIAP, which is made up of growers and other industry representatives as well as IRBs and other key stakeholders. Wherever possible, investments will be aligned to form multi-industry projects to increase the efficiency of funding availability. Details of the SIAP can be found on the Hort Innovation website [here](#), and the AIP will be published on the same page each year.

Investment opportunities through Hort Frontiers

Innovation is key to the future success of Australian horticulture. The next evolution of the long-range, higher risk and transformational R&D that has the potential to make a significant impact will be possible through Hort Innovation's Hort Frontiers strategic partnership initiative.

Hort Frontiers is a strategic partnership initiative that facilitates collaborative, cross-industry investments focused on the longer term and more complex themes identified as critical for Australian horticulture by 2030. The partnership framework is currently being established and will include a number of key investment themes for potential investment to guide the initiative and drive transformational R&D across horticulture. Key investment themes will include:

- Environmental sustainability (water, soil and climate)
- Pollination
- Green cities
- Biosecurity
- Health, nutrition and food safety
- Advanced production systems
- International markets
- Leadership
- Novel food and alternate uses (waste reduction).

The development of these areas for investment will benefit all of horticulture, with support from partners with aligned priorities to co-invest in deliverables identified that require alternative funds available outside the levy. Hort Frontiers is being developed to align with the Australian-grown Horticulture Sustainability Framework and invest in specific impact areas to drive innovation and sustainability initiatives.

The cherry industry views a number of these investment areas as opportunities for success into the future, including:

- Environmental sustainability (water, soil and climate)
- Pollination
- Biosecurity
- Health, nutrition and food safety
- Advanced production systems
- International markets
- Leadership.

Partnering with Hort Frontiers on these areas would provide the cherry industry with opportunities for access to world-class research, specialised project management teams and large-scale R&D.



Australian-grown Horticulture Sustainability Framework

Hort Innovation has developed the Australian-grown Horticulture Sustainability Framework report, aiming to strengthen the horticulture industry’s sustainability to meet the changing expectations and needs of growers, consumers, the community, investors and governments. The report applies across the whole of Australian horticulture, including fruits, vegetables, nuts and nursery stock. Through widespread consultation with industry and external groups, proposed sustainability goals and indicators were identified and are detailed within the framework. The framework is aligned to the UN Sustainable Development Goals.

Four key pillars were identified in the framework (*Figure 1*).



The report should be cross-referenced when undertaking prioritisation of investments. At the time of publication, Hort Innovation is working with industry groups regarding the overall responsibility for the framework, setting and reporting progress against the framework targets and performance measures.

View the Australian-grown Horticulture Sustainability Framework on the Hort Innovation website [here](#).

Table 4 provides an example of a cherry SIP strategy that illustrates how the industry is already aligning to the framework.

TABLE 4. A cherry SIP strategy example showing how the industry is already aligning to the Australian-grown Horticulture Sustainability Framework

STRATEGY	IMPACT	SUSTAINABILITY GOAL
Identify technologies and approaches to improve labour use efficiency by investigating and assessing current and alternative practices	<ul style="list-style-type: none"> Increased labour options for cherry production systems Accelerated innovation with labour use efficiency 	People & Enterprise

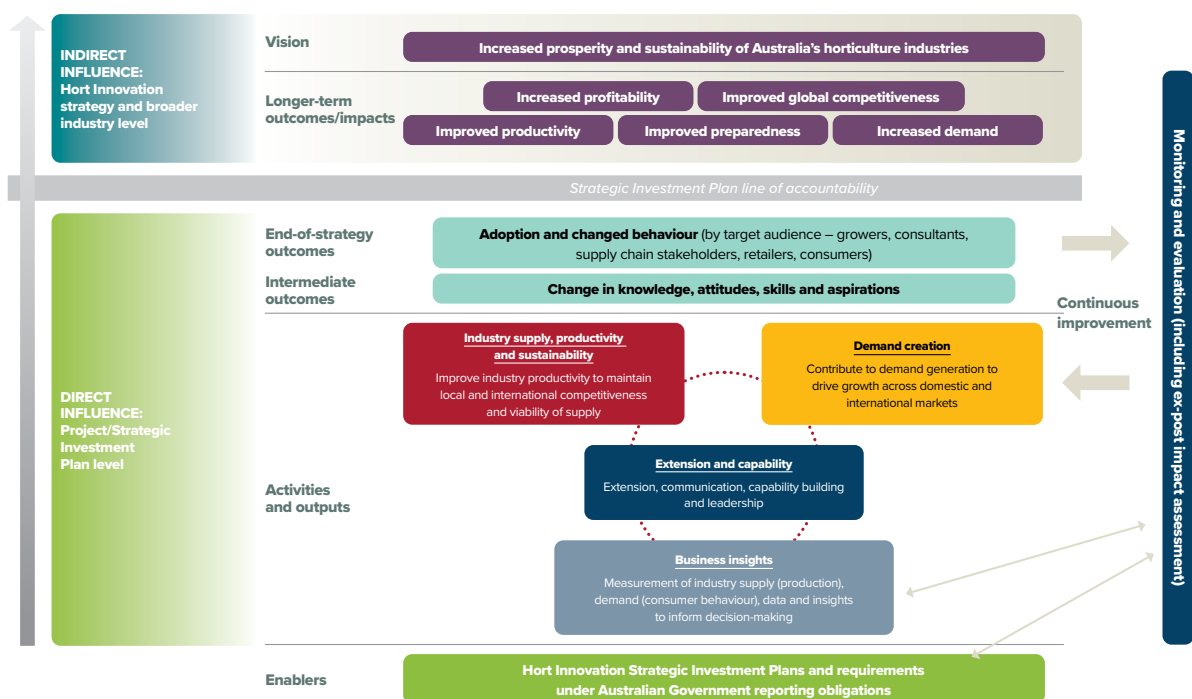
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Strategic Investment Plan logic

The SIP logic (**Figure 2**) identifies how investment activities and outputs (delivered through each SIP outcome area) will support changes in industry KASA, which drive adoption and behaviour change. Beyond the SIP, investment will contribute to driving longer-term impacts for the sector like increased preparedness, demand, productivity, global competitiveness and profitability. Realising these impacts will support Hort Innovation’s vision of increased prosperity and sustainability of Australia’s horticulture industries.

FIGURE 2. Strategic Investment Plan logic



Aligning to Hort Innovation investment priorities

Hort Innovation is committed to sustainable growth in horticulture, with the overarching aim of increasing the sector’s value to \$20 billion by 2030. We will do this through implementing the SIP and investments against the three core pillars, committed to:

1. Drive knowledge and innovation into horticulture industries
2. Deliver the highest value R&D, marketing and international trade investments across industries now and into the future
3. Enable activities that drive all strategic imperatives.

Hort Innovation is governed by a Deed of Agreement with the Australian Government, which allows for the transfer and investment of levies and Australian Government

contributions. As a Research and Development Corporation (RDC), Hort Innovation is able to leverage industry levy investments in RD&E with Australian Government contributions up to a value of 0.5% of the industry’s gross value of production. All investments made by Hort Innovation are thoroughly considered to ensure they contribute to the guiding performance principles:

- Productivity
- Profitability
- Preparedness for future opportunities and challenges
- Competitiveness
- Demand: demonstrates how productivity, preparedness and demand lead to profitability and competitiveness and sustainability.



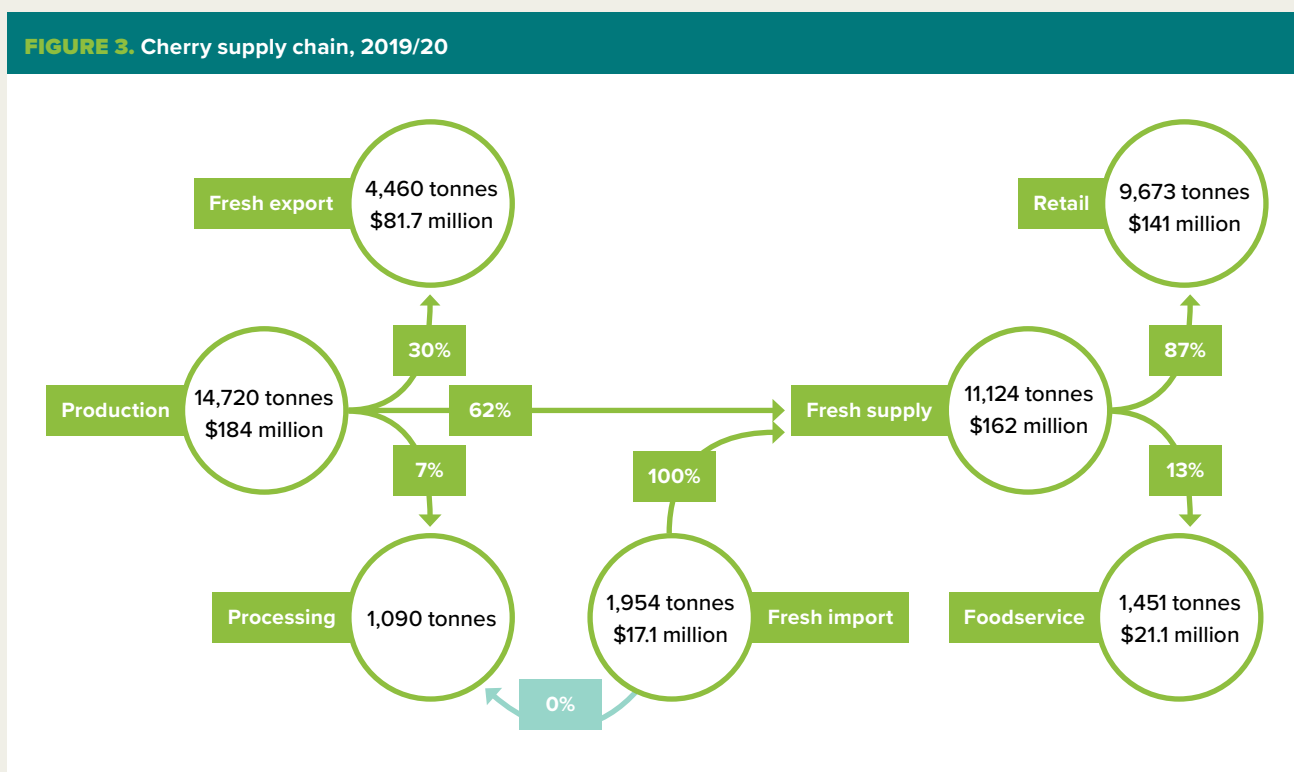
APPENDICES

APPENDIX 1: Industry context

Industry supply chain

The cherry industry is in a strong growth phase with increased plantings, predominantly in Tasmania and Victoria. These orchards have been developed to service the anticipated demand increase from Asia, enabled by access to new markets

FIGURE 3. Cherry supply chain, 2019/20



Source: Australian Horticulture Statistics Handbook (2019/20)

About one-third of cherries are exported, with just under two-thirds sent to the fresh domestic market and the balance to processing. Of fresh supply, 13% is sent to foodservice, and imports make up 18% of fresh supply during the domestic off-season from March to September.

Domestic consumers and drivers of demand

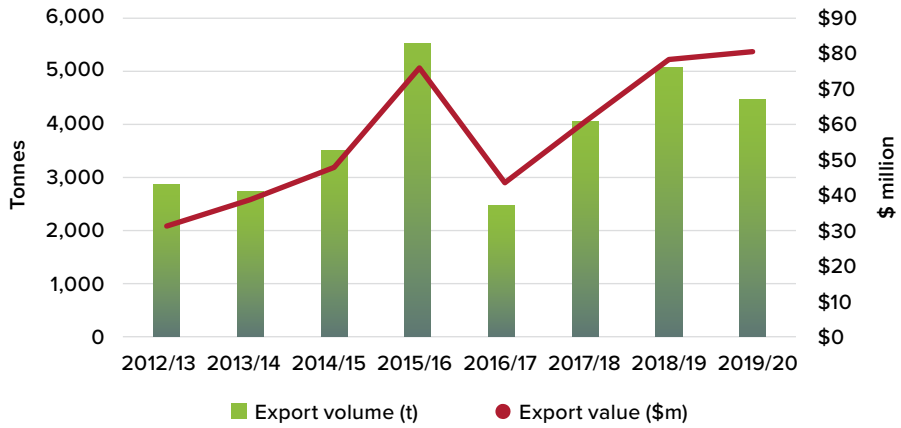
Cherries compete strongly against other summer season fruits, so there is a high level of price sensitivity within a large cohort of consumers. Cherries experience a demand spike in the weeks leading up to Christmas.

Consumer research has also shown that in most cases, cherries are an impulse purchase rather than a planned purchase. Given the predominance of impulse purchases as indicated, fruit quality and shelf presentation are likely to be critically important and therefore in-store category management must play an important role in the marketing strategy.



Export markets

FIGURE 4. Cherry exports, 2012/13 to 2019/20



Source: Australian Horticulture Statistics Handbook (2019/20)

Cherry exports have fluctuated significantly over the past five years, with a low of 2,462 tonnes in 2016/17, less than half the high of 5,593 tonnes in 2015/16. This has been driven primarily by available supply, with the proportion of production volume sent to export at 30% in 2015/16 and 2019/20. This proportion averaged 25% from 2016/17 to 2018/19, indicating stronger domestic market in these years.

Cherry production in the southern hemisphere (mostly Chile) is only a fraction of the size of the northern hemisphere. Cherry production is in the same seasonal window as Australia. New Zealand is suited to cherry production, and it competes with Australian production.

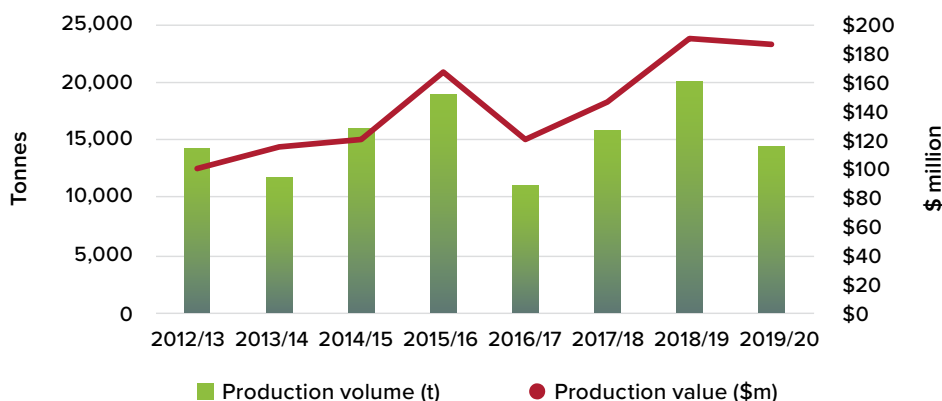
Export has been the focus area for investment for the cherry industry. This has included international marketing activities such as the Hort Innovation project *Taste Australia retail program* (MT17020) and biosecurity projects such as *Developing US market access based on irradiation and methyl bromide* (CY16012). The major projects in the trade portfolio, however, have been *Cherry market access and trade development* (CY18002) and its predecessor *Export readiness and market access* (CY16004). All the work in these projects has been designed to help cherry growers take advantage of export opportunities through initiatives such as the Cherry Export Manual.



Industry production

Cherry production levels can be significantly impacted by climatic conditions. Wind or frost during flowering can severely reduce the harvested crop. The effect of rain during harvest is one of the largest challenges for the industry as it can have a detrimental impact on production volume and fruit quality. The impact of temperature, chill factor and micro-climatic impacts on tree physiology, flower initiation and fruit set are also critical in a climate change context.

FIGURE 5. Cherry production, 2012/13 to 2019/20



Source: Australian Horticulture Statistics Handbook (2019/20)

Cherry production volumes have fluctuated significantly from year to year. The smallest year-on-year change over the past eight years was 17% from 2014/15 to 2015/16, which is still a significant change compared to most other horticulture industries. On the other hand, production value has been more stable, with year-on-year changes for production value lower than the year-on-year changes for production volume on average. For example, production volume decreased by 27% from 2018/19 to 2019/20, but production value only decreased by 3%, demonstrating that reduced volumes increase the corresponding unit, value stabilising the overall production value.

TABLE 5. Fresh cherry seasonality by state

STATE	19/20 TONNES	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Victoria	4,151					High	High	High	High				
New South Wales	4,070				Low	High	High	High					
Tasmania	3,695						Low	High	High				
South Australia	2,311				Low	High	High	High					
Western Australia	456					Low	High	High	Low				
Queensland	37				Low	High	High	High	Low				
Imports	1,954	High										High	High
Availability legend		High			Medium			Low				None	

Source: Australian Horticulture Statistics Handbook (2019/20)

APPENDIX 2: Cherry industry situation analysis

At the time of refreshing the SIP in 2021, the global coronavirus (COVID-19) pandemic continues to affect horticulture industries to varying degrees. Although the outcome and ultimate impact of the pandemic are unknown, areas of investment across horticulture that may be influenced over the period of this SIP include export and trade relationships, domestic and international demand, logistics and supply chain, labour supply – all having potential impacts on grower profitability.

Environmental, economic and social sustainability are vitally important to Australian horticultural growers and industries. Customers, consumers, and investors also seek information about the sustainability and ethics of how their food is produced. Sustainability is particularly crucial as topics such as climate variability, health and ethics continue to shape the social, environmental, and political landscape for agricultural industries. The impact of these issues may have influence on a whole range of investment areas for horticulture from production practices and land management, demand and reputation of products, quality expectations and cultural/community engagement.

Strengths, weaknesses, opportunities and threats

Table 6 has been used to analyse the cherry industry's strengths, weaknesses, opportunities, and threats (SWOT). The SWOT tool assists the industry to build on what works, observe what is lacking, minimise risks, and take the greatest possible advantage of chances for success.

TABLE 6. Cherry SWOT analysis

The cherry industry	
Strengths	<ul style="list-style-type: none"> • Capability to produce high-quality cherries • The mainland industry hold priorities for market access progression to the USA, Philippines and Thailand • Some state-of-the-art packing facilities • Geographic spread extends the length of the season • Proximity and good connectivity to Asian growth markets with a southern hemisphere seasonal advantage • Recognised pest free and fruit fly free areas (Tasmania and Riverland, South Australia) • Australia's global reputation for safe food with integrity in supply chain • The Australian cherry industry has repeatedly demonstrated its readiness and maintains an export trade of roughly a third of its production
Weaknesses	<ul style="list-style-type: none"> • Higher input costs relative to competing countries, particularly in labour
Opportunities	<ul style="list-style-type: none"> • Take advantage of the growing demand from the Asian markets • Improve price competitiveness driven by the recent signing of Free Trade Agreements (FTAs) in China, South Korea, UK and Japan • Potential to leverage Australia's horticultural levy system to grow skills • De-commoditise and reposition cherries in the domestic market as a luxury item (e.g., special event gift giving such as 'New Year')



The cherry industry

Threats

- More frequent and damaging adverse climatic events due to climate change
- Global oversupply and dumping in the Australian market eroding prices
- Appreciation of the Australian dollar which impact on price competitiveness in the more price sensitive markets
- Increasing competition from other southern hemisphere producers particularly Chile
- Food safety, particularly with respect to maximum residue limits (MRLs)
- Chilean air freight access to China
- Labour availability



APPENDIX 3: People consulted

The following people are acknowledged for their contribution to the cherry SIP development process.

NAME	INDUSTRY ROLE	REGION
Michael Rouget	Grower; Packer; Exporter	Victoria
Alison Jones	Grower; Packer; Exporter	Victoria
Hugh Molloy	Producer; Wholesaler; Exporter; Importer	New South Wales
George Grozotis	Grower	Western Australia
Tom Eastlake	Cherry Growers Australia Inc.; Grower; Packer; Exporter	New South Wales
Nic Hansen	Grower	Tasmania
Stephen Riseborough	Grower; Packer; Exporter	Victoria
Tony Hannaford	Grower	South Australia
Andrew Hall	Grower; Packer; Exporter	Tasmania
Peter Cornish	Fruit Growers Tasmania	Tasmania
Michael Tarbath	Fruit Growers Tasmania	Tasmania
John and Gil Cowling	Adelaide Hills Cherry Growers' Association	South Australia
Susie Green	Adelaide Hills Cherry Growers' Association	South Australia
Darren Graetz	Adelaide Hills Cherry Growers' Association	South Australia
Craig Harris	Grower	South Australia
Wayne Altmann	Grower	South Australia
Tony and Coral Gallasch	Grower	South Australia
Grant Wotton	Grower	South Australia
Paul Shanks	Grower	South Australia
Joe and Anna Ceravolo	Grower	South Australia
Helen Lindon	Grower	South Australia
Phil Marriott	Grower	South Australia
Nick Noske	Grower; Cherry Growers Australia Inc.	South Australia
Steve Chapman	Grower	Victoria
Charlotte Brunt	Cherry Growers Australia Inc.	Victoria
Bob Barnard	Grower	South Australia
Fiona Hall	Grower; Packer; Exporter	New South Wales
Dugald Close	Researcher	Tasmania
Tim Jones	Grower; Packer; Exporter	Victoria
Josefine Pettersson	Australian Organic Limited	Queensland

APPENDIX 4: Reference material

Australian Fresh Produce Alliance, 2019, Growing a Healthier Australia: The Fresh Produce Industry Roadmap From \$9 billion to \$20 billion in 2030, White Paper 2019

Cherry Growers Australia Inc., 2021, <https://www.cherrygrowers.org.au/>

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Horticulture Innovation Australia Limited, 2019, Growing into the Future: Strategy 2019-2023

Horticulture Innovation Australia Limited, 2020, Australian Horticulture Statistics Handbook 2019/20

Horticulture Innovation Australia Limited, 2021, Australian-grown Horticulture Sustainability Framework

APPENDIX 5: List of acronyms

AFPA	Australian Fresh Produce Alliance
AIP	Annual Investment Plan
APVMA	Australian Pesticides and Veterinary Medicines Authority
BMP	best management practice
CGA	Cherry Growers Australia Inc.
CSIRO	Commonwealth Scientific and Industrial Research Organisation
FTA	Free Trade Agreement
FY	financial year
GI	glycemic index
IRB	Industry Representative Body
KASA	knowledge, attitudes, skills and aspirations
KPI	key performance indicator
M&E	monitoring and evaluation
MRL	Maximum Residue Limit
NHRN	National Horticulture Research Network
NSW DPI	NSW Department of Primary Industries
PHA	Plant Health Australia
R&D	research and development
RDC	Research and Development Corporation
RD&E	research, development and extension
SARP	Strategic Agrichemical Review Process
SIAP	Strategic Investment Advisory Panel
SIP	Strategic Investment Plan
SWOT	strengths, weaknesses, opportunities and threats
TIA	Tasmanian Institute of Agriculture



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