

STANDPOINT by Peter Hendry

After 90 years of growth, the future looks bright



The market gardeners who founded MG Marketing in Wellington in 1923 would be hard pressed to recognise the scale and diversity of the Co-operative's fresh produce business of today.

From a modest start in an auction shed, our enterprise has grown and changed vastly to encompass a national branch network, export and import lines, packhouses, retail support services, an Australian operation and new produce categories. In our 90th year of operation it is timely to reflect on how MG has evolved into an organisation of over 600 staff committed to the success of grower-suppliers and the needs of domestic and international customers. The keys to this productive expansion have relied on grower loyalty and support within our co-operative structure, coupled with the skills of MG staff and management, all working in a consistent direction towards shared objectives.

To achieve our current standing MG has continually adapted its operations to meet changing market demands and create new sales opportunities. In this respect our past is very much a pointer to the future and how we can further secure our business prospects in the decades ahead.

Certainly there will be more changes at every level of our business. In particular, these will impact on all facets of the produce supply chain, from growers through to retailers and ultimately the buying public. It is worth looking at each of these in turn. For growers, it will be imperative to interact with markets more closely through information sharing. Crop forecasting, ordering and transaction systems will need to be highly dependable and accurate in order to deliver the best results. The ability to maintain and enhance produce quality, continuity and price competitiveness will also rely greatly on pooling our awareness and understanding of market trends.

The same principle will apply to existing and prospective customers across our marketplaces. We will have to develop closer working relationships with retailers as they adapt to meet consumers' needs. New direct or indirect selling methods will evolve, each requiring appropriate levels of support from MG as the distributor.

Developing new products will inevitably be an important part of this process.

Consumers' needs and preferences will also change over time, as they invariably do. We will need to be constantly alert to emerging buyer patterns and to respond correctly with new products, extended seasonality, innovative packaging concepts and a focus on consistently high quality and taste.

Overall it will be our innovation, flexibility, service and efficiency that will drive our organisation to future success. As a Co-operative enterprise, we are in a strong position to keep growing together and to meet the changes ahead.

In this issue of SupplyLine we feature two enterprising growing initiatives as well as a profile on our Hamilton branch. I hope you enjoy reading this edition and gain some valuable insights to assist you in your own decisions in the future.

BRANCH PROFILE

Experience underpins Hamilton team's success

Not many produce distribution centres can claim the depth of staff experience at MG Marketing's Hamilton branch, where loyalty and co-operation are the hallmarks of its trading success.

Since MG moved into the fully cool-chained centre a decade ago, business volumes have grown significantly under predominantly the same team of sales, stores and administration personnel. Most staff at the Pukete Industrial Estate premises can measure their experience in the produce sector not just in multiples of years, but in decades. Hamilton's branch manager Brian Dale is no exception, having started out at the age of 17 as an auctioneer back in the 1960's. When MG acquired Central

Produce Distributors from Brian in 2001 he agreed to continue as the manager under new ownership.

Keeping things in the family, his wife Marilyn also opted to continue as the branch administration manager.

"As a team we have a great sense of pride in our track record and a close understanding of our respective roles on behalf of growers and customers," Brian says.

"Many of our sales people such as George Homik with over 40 years in the industry, Roger O'Sullivan with 30 years (the assistant

manager), David Spedding with 27 years and Grant Caddigan with 20 years have been with us for the long haul.

"Our warehouse supervisor Sean O'Neill has also been part of the team for 20 years, so there is a real depth of experience across all our operations."

Brian says they have seen and adapted to major progressive changes in the industry from a largely retail chain-driven model to a total customer-responsive marketplace.

As a full-service branch responsible for covering a highly productive catchment area, the team relies heavily on its hard-won knowledge of the region.

"We look after a substantial geographic area, from the Bombay Hills to the north across to the Coromandel and Bay of Plenty, right down to Taupo and across to Raglan in the west," he says.

"Such a large region encompasses a very diverse growing environment and includes many different sub-tropical, stone and pip fruit, root crops, greens and speciality lines."

The variety and quantities of vegetables and fruit sourced make MG's Hamilton operation

the largest fresh produce wholesale distributor in the go-ahead Waikato and Bay of Plenty regions.

Currently with a total of 17 staff, it has kept pace with regional population and urban growth by more than quadrupling its volume of produce traded over the past decade or so.

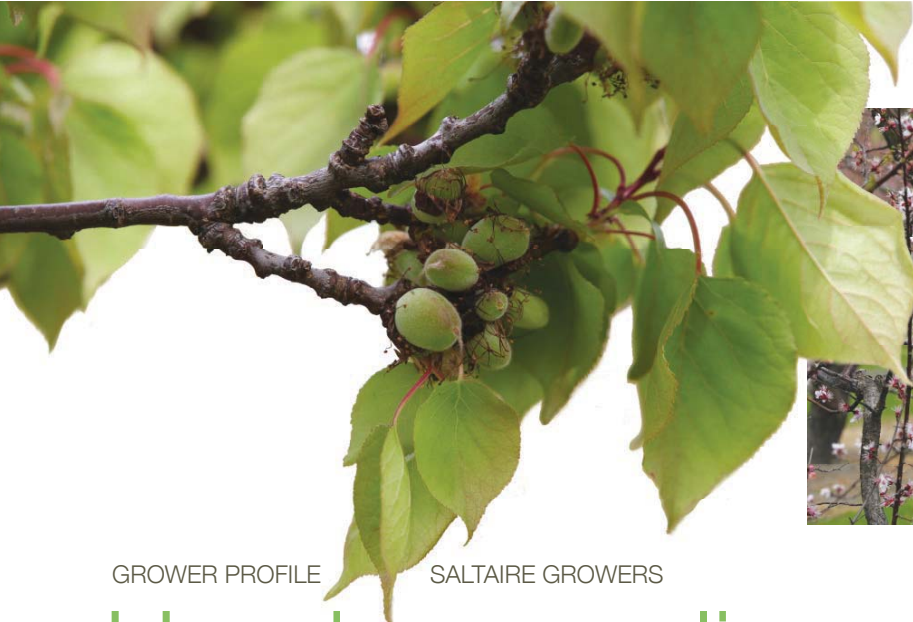
Brian says the branch has developed an expansive network of over a hundred customers, many of them small to medium-sized independent outlets, as well as larger retail chains.

"We have built good trading relationships over the years which stand us in good stead and underpins our business growth," Brian says.

"One of our motivating factors of late has been the performance of the Chiefs in the Super 15 competition, and we take great pride in supporting them. That extends to inviting many of our clients to Chiefs' home games, where we really do enjoy the fruits of successful teamwork!"



1. Blair Fisher 2. Standing: Grant Caddigan, David Spedding, Warrick Gibson Seated: Roger O'Sullivan 3. Tom Blakeborough 4. Maria Henry, Marilyn Dale 5. Back Row: David Spedding, Blair Fisher, Middle Row: Warrick Gibson, Dane McCollum, Roger O'Sullivan, Tom Blakeborough. Front Row: Maria Henry, Marilyn Dale, Grant Caddigan, Sean O'Neill, Brendan O'Neill. Front: Brian Dale.



Chris Brownlie

GROWER PROFILE SALTAIRE GROWERS

Hands-on policy pays dividends for apricot growers

Chris and Sally Brownlie are showing that a hands-on approach to apricot growing can pay long term dividends for their thriving Hawke's Bay orchard.

As third generation growers the couple opted to specialise in apricots, with Chris working full-time on pruning, thinning and harvesting, while Sally manages the packhouse operations.

By giving their continuous attention to these on-farm tasks, critical factors such as fruit size, flavour, quality and presentation are optimised to achieve higher returns in the market place.

Such a hands-on philosophy is important, Chris says, as apricot production is a distinctly long-term project requiring seven years from first planting to attain a reasonable production level.

Sited on the coast at Bayview north of Napier, the apricot orchard trades, appropriately, under the name of Saltaire Growers.

The warmer coastal conditions and fertile soils make the location ideal for early production, a potential advantage in terms of being first to market.

MG Marketing has been distributing on the Brownlie's behalf for the past six years.

As one of the largest Hawke's Bay apricot growers, Saltaire is looking to double its current volumes with new plantings coming into production over the next five to seven years. The Brownlies are certain that the best way to successfully grow apricots is to produce the largest fruit possible with the best eating qualities.

At the same time, they are testing a few different apricot varieties, believing that consumers will react favourably to seasonal produce offering new tastes and improved keeping qualities.

"One of our new varieties went to market in limited volumes last year and achieved considerable initial success," Chris says.

As the Saltaire operation grows in size and sales volumes, they are conscious of the need to do things smartly and get everything done right the first time.

Helping attain this goal is their use of remote technology, such as weather stations in orchard blocks for better management of irrigation and spraying, and harvesting. Data recorded over time assists them make decisions on what varieties to plant in specific locations, as soils and climatic conditions vary across the entire property.

The Brownlies enjoy the lifestyle of being orchardists, despite the many business challenges and occasional problems caused by adverse weather.

"Being a seasonal pursuit, we really appreciate having time off each year for our leisure activities, including mountain biking and tennis," they say.

"Our long term objective is to keep expanding our operation and investing in the future of the business, as our children are keen to become involved."

That would result in a fourth generation of growers on what is already a highly productive tract of Hawke's Bay coastline. 🌱



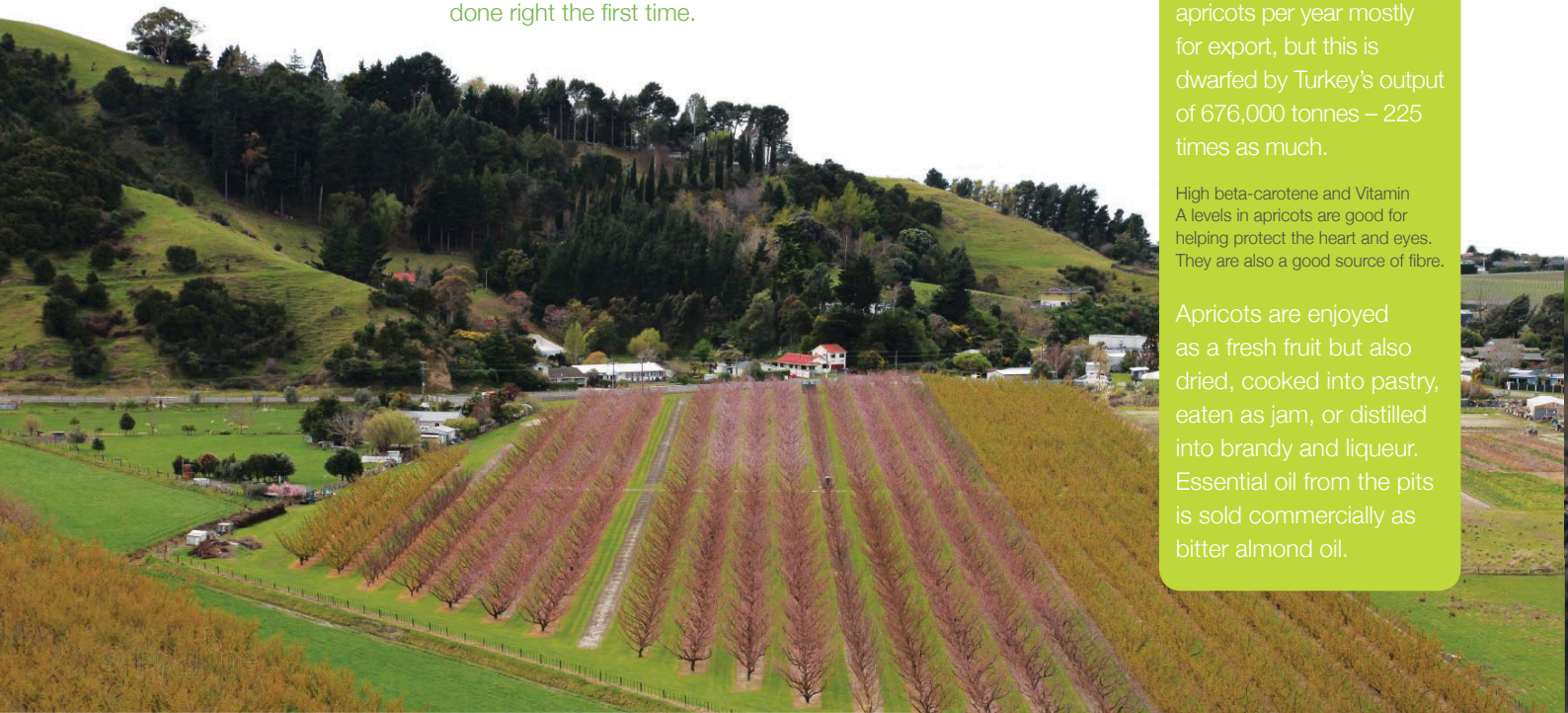
Did you know?

The apricot got its botanical name 'Prunus Armeniaca' in the belief it came from Armenia. Today its origins are thought to be China, where the fruit has long standing medicinal and educational associations.

New Zealand produces about 3,000 tonnes of apricots per year mostly for export, but this is dwarfed by Turkey's output of 676,000 tonnes – 225 times as much.

High beta-carotene and Vitamin A levels in apricots are good for helping protect the heart and eyes. They are also a good source of fibre.

Apricots are enjoyed as a fresh fruit but also dried, cooked into pastry, eaten as jam, or distilled into brandy and liqueur. Essential oil from the pits is sold commercially as bitter almond oil.





GROWER PROFILE – ROPER AND SON

Category development request a catalyst for growth

Fifteen years ago former MG Marketing sales representative Roger Geddes asked grower Lance Roper if he could supply a quantity of then uncommon red peeled onions for sale.

At the time, the Canterbury onion grower was finding it tough going to make a return on the local market and exports were producing some of their worst ever returns. That invitation was an opportunity Lance grabbed with both hands and subsequently Roper and Son went on to expand the red peeled onion category with great success. Currently the Roper's 62-hectare property near Lincoln produces over 500 tonnes of red peeled onions a year, in addition to growing squash, pumpkin, peas, barley and wheat.

Since helping stimulate the category expansion, MG has built an on going supply relationship with Lance and his partner Makereta and seen their business go from strength to strength.

From their first packhouse in a converted Halswell gazebo, the Ropers established a four-bay facility in Lincoln in 2001. "Within a couple of years it was clear Makereta was needed to work on the farm as production was increasing rapidly," Lance says.

"She gave up her job at Christchurch Polytechnic and took over running the office and packhouse, going from high heels one day to gumboots the next."

This then let Lance focus on growing and harvesting crops, using skills gained from the age of 19 when he worked on the Tucker family's market garden for over a decade before venturing out on his own. The Ropers feel especially indebted to the Tuckers for the knowledge they openly

shared whilst Lance was working for them plus all of the time and guidance they have shown since.

In 2007 the Ropers purchased a defunct chicken farm and built a purpose designed peeling plant and a new packhouse. They have invested heavily in technology to ensure they produce the highest possible quality of red onions for today's discerning consumers.

A key component of the category's success is the ability to convert red onions to a peeled condition with no blemishes or damage, and to do it repeatedly and cost-effectively.

In this respect, Lance and Makereta say the technical input provided by MG has been invaluable, as has been the role of local sales staff, especially Dave Barrie.

Both Lance and Makereta are closely connected with the wider community and run numerous fundraising events to support their local school and Scout group.



With two of their three children at school and the eldest Alisha making her career in the hospitality industry, the family still finds time for hunting, fishing and diving trips together. The younger sons Lincoln and DJ also do their fair share of work on the farm when not at school and will hopefully take on more of the business in future years.

As a fourth generation grower in the district, nothing would please the Ropers more than the prospect of continuing with the family tradition in horticulture. 🍅



Unlocking consumer demand for fresh produce

WORKING THROUGH RETAILERS TO BOOST DEMAND

Much has been spoken about the need for fruit and vegetable suppliers to develop their own insights into their consumers, whether collaboratively at the industry level or individually at the supplier level for those more integrated into the supply chain. But supply chain dynamics also matter, and finding the right channel partners downstream in the supply chain and understanding their needs can be equally as critical in determining success.

In the grocery channel, the importance of fresh produce in a retailer's overall offering is being increasingly emphasised. Retailers are dedicating more time and resources to fresh produce categories in an attempt to deliver a higher quality offering that entices more customers to spend more money more often in their stores. At the heart of this strategy is the realisation that fresh produce, and everyday fruits and staple vegetables in particular, are a key driver of shopper

footfall/patronage, and ultimately how much money is spent in-store. If a grocery retailer can capture a shopper's fresh produce purchases, then they are much more likely to capture the remaining purchases on their shopping lists and ultimately drive up average basket sizes.

The importance of fresh produce to the grocery shopping experience has shown through in market-wide consumer surveys. From a recent survey conducted in the Australian market it can be seen that everyday fruits and staple vegetables rate very highly relative to the average of roughly 160 other categories in the grocery store in terms of helping to grow store traffic, average customer spend, and customer loyalty.

A further reason why fresh produce holds particular appeal for major grocery retail chains is the fact that independent 'high street' operators still hold an unusually high market share in this space. In Australia, for example, around 15 percent to 25 percent of the value of grocery trade in fresh fruits

and vegetables remains in the hands of independent retailers (Nielsen, 2012).

By improving the quality and range of their fresh fruit and vegetable offer, major grocery retail chains are seeking to lure shoppers away from their independent competitors with the convenience of their wider offer. At the same time, independent operators are having to up the ante when it comes to the quality and personalised service they are able to provide in order to better differentiate their offer. But the high cost nature of this business model often means that this offer is becoming increasingly confined to those who can target a more affluent customer base that is both willing and able to pay for the privilege.

With the frontline in the raging battle for grocery shoppers shifting to the fresh produce category, both major chain and independent retailers are placing more and more importance on suppliers that can help to improve the efficiency of their supply chain and/or the relative quality and diversity of their current offering. The growing demands on produce suppliers to deliver growth means that those who best understand the needs of their consumers and can stimulate demand will also be afforded the best route to market.

forgiven for just getting on with the difficult business of efficiently supplying a world class standard of produce. For all intents and purposes, keeping tabs on the underlying consumption of their products was simply too difficult with the everyday ups and downs of produce markets and fragmented nature of produce industries. Basically whatever was produced all seemed to get sold at one price or another, and that price was assumed to vary mostly due to the seasonal level of supply in the market.

The job of affecting change to the demand side of the equation is indeed difficult, but critically necessary. The reality is that continually driving up productivity to combat rising input costs is becoming equally difficult and can no longer be solely relied upon as a long-term recipe for success. Ample opportunities exist for fresh fruit and vegetable suppliers to boost demand, but the competition has become more intense and much less obvious than it once used to be. With the days of the 'mass market' behind us, those suppliers who are best able to understand the increasingly diverse needs of their consumers and supply chain partners will ultimately be best placed to optimise the use of precious marketing levies to stimulate consumer demand, and ultimately exercise greater control over the value of their industry into the future. 🌱

SUMMARY AND CONCLUSIONS

For a long time fruit and vegetable suppliers across Australia and New Zealand could be



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The above is from the Rabobank report "Agriculture in Focus – Unlocking consumer demand for fresh produce," Winter 2013. To obtain the full report, contact Rabobank on 0800 722 622.





Win for MG at Foodstuffs Fresh Expo

MG Marketing was awarded the Overall Best Fresh Food Display and Best Produce Display at the 2013 Foodstuffs Fresh Expo. The Expo, which is held bi-annually, provides the opportunity for MG Marketing to showcase products to Produce Managers, Store Owners, Buyers and departmental staff from around the country. The aim of our stand was not only to inform attendees but also to provide a positive and memorable experience with competitions and entertainment.

The theme this year was 'Meet the Growers' so the stand included an impressive 11m wide screen to display photos and videos of our grower's farms and plantations. Both domestic and Dole growers from the Philippines joined MG personnel on the stand. This was a fantastic

opportunity to share growing expertise, answer questions and help understand the growing process and its challenges. A competition was held throughout the two days where attendees were timed to pack up a box of bananas. One on one packing races were held between colleagues and competitors, creating some friendly rivalry and drawing some great crowds of supporters.

On the stand was also a screen with an Xbox set up to play 'Fruit Ninja' and a whole stem of bananas on a pulley where attendees guessed the weight to win prizes. We also served up fresh Dole fruit including a very popular Tropical Gold 'Mocktail.' The expo was a great success for MG Marketing as this was the second year running we have won these awards. 🌱







