



# Partnering for Customer Value case study:

Sun Lychee & Exotico

Prepared by Dr David McKinna and Catherine Wall, MCKINNA *et al*



**Business**  
Sun Lychee & Exotico  
**Location**  
Queensland  
**Product**  
Tropical fruit





## The collaboration

By global standards Australia is a minuscule producer of tropical fruits in every category; even Australia's large banana industry is dwarfed in the global context. Most of the more exotic tropical fruits such as lychee, passionfruit, persimmon, custard apple, rambutan and others are relatively undeveloped industries in Australia (banana and pineapple industries are the exceptions) and so the total volumes of production are small.

Small volumes coupled with the fact that seasons are short means collaborations and aggregation of the crop are critical to achieve the volumes needed to build viable export markets. Not only are the harvest seasons in each region short, the time of harvest and the yield can vary significantly from season to season. This inconsistency means that it would be near impossible for an individual grower to build an export customer base in their own right. A wide geographic spread of production is needed to extend the seasons for long enough to sustain export markets and, in the case of lychees, to align with the profitable Chinese New Year trade.

The reason that exporting is important in tropical fruit is that the domestic market is very thin with relatively low domestic consumption and it is very easy to flood the market. Taking even a small quantity of this fruit off the domestic markets during periods of oversupply has a big impact on returns to growers over the entire season. Exporting is therefore a critical element in the overall marketing mix as managing the distribution to domestic and export markets during periods of high supply can significantly impact market price.

Tropical fruit industries operate in remote locations from far north Queensland to northern New South Wales. This presents logistical challenges for



exporters of highly perishable and temperature sensitive products, requiring growers to be on top of their game and focusing on product quality during the season. To have that focus, they need a reliable partner to manage the sales, marketing and export logistics on a daily basis.

This case study reveals how two tropical fruit collaborations in Australia are building their export markets by leveraging a strategic alliance with an exclusive marketing partner, but with different business models. One collaboration markets under the growers' collectively owned brand and the other under the marketer's brand. This story illustrates that there are a number of models under which the grower/marketer collaboration can work. Commitment to the alliance is the common element to both these collaborations as, unlike the traditional practice where fruit growers simply send their harvest to the wholesale markets and hope for a reasonable price, a commitment to each other and the marketing alliance has grown the volume and value of export trade and had a direct impact on raising the domestic market price. The fruit consigned for export from both these collaborations never hits the wholesale market floor. A beneficial mutual dependence has evolved between the growers and their marketers based on each party understanding their role in the supply chain and their different strengths.

The intention of this case study is to profile two different but similar approaches to export market development within the fledgling tropical fruit industries. In both cases the product is marketed under a common brand, supported by quality and compliance standards.



The case study illustrates how small businesses can derive premium pricing by working together to support a brand, which would not be possible without collaboration. It also illustrates the power of export marketing to significantly lift domestic prices and improve overall returns. Through collaboration the group can extend their marketing season by several weeks and generate the critical mass needed for a successful export program.





**TABLE 1.** Summary of key elements of collaboration in the tropical fruit industry.

<b>The collaboration</b>	<p>Collaboration has been essential to achieve sufficient volumes to sustain a viable export program in tropical fruits. Two such collaborations are Sun Lychee, a grower owned brand for lychee exports and Exotico, an agent's exclusive brand under which a range of tropical fruits are marketed. Both these collaborations work in a strategic alliance between a committed group of growers offering exclusive supply and a marketing partner.</p> <p>Through crop aggregation and common branding both groups achieve the volumes required to secure export contracts over a longer season than usual for tropical fruit. Without collaboration it would not be economically viable for the individual growers to export directly. Furthermore, the investment required to develop new export markets would be cost prohibitive for growers individually.</p>
<b>Catalyst for collaboration</b>	<p>Both of these collaborations came about by the marketers being actively involved in industry development activity and forming close working relationships with groups of growers. These growers and marketers committed to formal and informal agreements overtime, recognising that by shifting what was once a traditionally adversarial relationship to one where they could best leverage their differing skills and help each other's businesses to grow through collaboration everyone would benefit. The resulting better management of the seasonal supply by the collaborations ensure that the domestic market is not flooded at any time.</p>
<b>Entity structure</b>	<p>Sun Lychee is a registered not-for-profit company owned by a group of growers. The industry company engages a marketer to manage and market their crop under the Sun Lychee brand on their behalf for a set, per kilo marketing fee. The Sun Lychee growers own the fruit throughout the supply chain, but their marketing partner facilitates all of the trade and invoices the grower for the volume based marketing fee at the end of the season.</p> <p>By contrast, Exotica is a brand owned by a private trading company (JE Tipper) who consolidates a number of tropical fruit varieties to market them all under the common Exotica brand. In this case, the marketer owns the fruit throughout the supply chain and carries the market risk. Growers are paid at a formula based on market rates, but their returns are improved because the fruit is traded outside the market system which keeps prices higher than they would otherwise be.</p>
<b>Governance</b>	<p>The Sun Lychee group is governed by the grower owned entity and the accounts are audited annually with the reporting presented at an AGM for review. Office bearers are elected at each AGM.</p> <p>The Sun Lychee group has a detailed manual to ensure grading standards meet the expectations of the brand. A secondary brand is used to avoid direct competition in some markets.</p> <p>The Exotica model is owned and managed by the marketer who also has agreed product standards. In some instances, this marketer also packs the fruit on behalf of industry at their warehouse. As one of the industry's leading wholesalers, this entity has a professional board of directors who provide governance.</p>

<b>Business model</b>	The basis of both business models is a strategic alliance and an agreement to offer exclusive supply between the groups of growers and their marketing agents. These alliances vary in their business model and trading structures, but still achieve the same aim. In the Sun Lychee model, the growers own the brand and the financial entity and contract an experienced agent to facilitate all export and domestic transactions. In the Exotico model, the marketer owns the brand and sources the fruit from a committed group of growers at a price formula based on market price. This marketer value adds by providing a common carton, a strong brand and packing services in some instances.
<b>Markets &amp; channels</b>	Both these grower collaborations centralise all trade for domestic and export markets through their marketing partners. In the domestic market, tropical fruit is stronger in independent retail channels rather than supermarkets. Supermarkets find the more exotic tropical fruits difficult to manage in a national ranging strategy because of the highly variable supply and quality and the short shelf life. In the export market, trade is generally with importers in the destination markets because in most instances, the tropical fruit volumes are too small to deal directly with importing supermarkets.
<b>Supply chain model</b>	<p>Sun Lychee fruit is shipped direct from farm to either the domestic customer or the freight forwarder.</p> <p>Depending on the category, Exotico fruit is shipped to a central warehouse in Brisbane for grading, repacking or consolidation with other fruit orders.</p>
<b>Financial model</b>	<p>Sun Lychee growers pay a fee to the marketer on a volume toll basis and retain ownership of the fruit in the supply chain.</p> <p>Exotico pay the growers a price based on market rates for the fruit but carry the market risk in the supply chain, including quality deterioration during shipment, and the cost of developing the brand and post warehouse logistics.</p>
<b>Risks</b>	The risks to both these models are growers dropping out of the exclusive supply agreements and splintering to form other marketing groups which will effectively elevate the competition and dilute prices across the entire category. Growers working outside the collaborations are too small to export in their own right but even with relatively small volumes they can flood the domestic market with fruit and significantly devalue the market for all.







## The export market context

Tropical fruit is highly labour intensive, so it is predominantly produced in developing countries where labour and production costs are low by Australian standards. Consequently, Australian tropical fruit cannot compete in export markets on price alone. Australian tropical fruit does have a number of points of competitive advantage outside price that can justify a price premium including:

1. Product superiority (superior eating quality, unique genetics, higher quality standards).
2. Counter seasonal supply windows.
3. More reliable supply; although Australia is exposed to cyclones during tropical fruit seasons, it is less so than other competitor countries such as the Philippines and has a wide geographic production area.
4. Australia's reputation for food safety and product integrity.
5. Location advantage for freight services to some markets.

6. Strong, established trading relationships in the target markets; Hong Kong, Singapore and New Zealand are prime target markets.
7. Fair trade; employment and environmental practices in competitor countries are generally poor.
8. Tourism synergies; tropical fruit is grown in parts of Australia that are well known to Asian consumers such as the Sunshine Coast or around Cairns.

One of Australia's strongest advantages across the tropical fruit industries is that there is usually a seasonal production window that differs from that of competitor countries. Even in categories and markets where there are southern hemisphere suppliers such as New Zealand and South Africa, Australian tropical fruit usually enjoys a period of exclusivity. In many cases, Australia has the market to itself in a particular window, which enables premium pricing relative to the market.

In some cases, the supply window coincides with the Chinese Lunar New Year (e.g. lychees and persimmon) where there is potentially heightened demand at premium prices with Asian consumers. Lychees in particular have limited competition during their seasonal window, with an almost exclusive supply period between November to March.

Despite the niche opportunities, the challenges are many in exporting Australian tropical fruit with market access blockers, biosecurity treatment issues and very small volumes of high value, highly seasonal fruit which require temperature controlled supply chains with expensive road transport from the remote growing regions and air freight.

In the face of competition from lower cost producers in the Asia Pacific region, Australian tropical fruit exporters have had to be highly strategic in their approach, targeting premium markets and small seasonal windows where they can be competitive.

The supply chain logistics need to be very tightly controlled due to the small



seasonal window and temperature sensitivity of the fruit.

Because of the short season of the more exotic tropical fruits and the low consumption in Australia, even a small amount of fruit landing on the wholesale market floor can significantly dampen prices. Therefore, it must be emphasised that exporting is crucial because it plays a critical role in putting a floor in domestic prices in these categories.

Export marketing involves a whole new layer of risk over and above the domestic market.

#### Export risks include:

- **Quality risk:** Fruit can break down in transit if the cold chain is broken. For example, if a flight gets delayed and fruit in transit loses temperature range it will deteriorate very quickly.
- **Trading risk:** Often export trading terms involve Carriage and Insurance Paid (CIP) whereby the exporter is not paid until the fruit is delivered. Many circumstances can cause the customer to reject the delivery on the basis of a real or fake quality claim, which is difficult to dispute at long distance in the middle of the season.
- **Financial risk:** Bad debt and slow payments often occur, particularly for inexperienced exporters who have not checked the financial credentials of the customer. In some markets 90 day payments terms are the norm.
- **Markets access risk:** Fruit shipments can be rejected from entering the port because of noncompliance with market protocols. Even slight errors or omissions on documentation can cause a rejection.







## The role of market agents

“I can’t be sitting on the phone all day trying to sell the crop. I need to be out there getting it packed during the season. I rely on the expertise of our marketing partner. It is a professional skill set that I simply don’t have.”

**Passionfruit Grower**

Historically, growers are highly skeptical of marketing agents and the role that they play in exporting. In the eyes of growers, this is on the basis that they believe that they take a disproportionate share of the profit pool without being seen to assume any risk. Distrust of marketing agents, consolidators and marketers is one of the key drivers for cooperatives and collaborative marketing programs. But the approach of many marketing agents is changing. It is for good reason that most of the current export trade in tropical fruit is handled by marketing agents rather than a situation where growers trade directly with importing customers. It is not until an industry becomes mature in exporting, e.g. citrus, that growers tend to deal directly with export customers. This usually comes at the point where volumes are significant and where closed loop supply chain models and programmed supply with large retailers can be implemented.

Exporting requires particular skill sets in compliance paperwork, sales, marketing, negotiation techniques and cultural understanding, plus freight and logistics management. Most smaller horticulturalists do not have these skill sets or the time to manage the global marketing of their products during the thrust of the season. It would not be economical to have staff in-house to manage these functions when the seasons are so short.

In the early stages of an industry’s export development cycle, marketers/agents and consolidators perform a number of critical roles which include:

- Identifying and networking with a customer base; many are actively promoting themselves in the markets they trade with by displaying at international trade shows or visiting trading partners in the markets.
- Matching available fruit to customer preferences and providing feedback



back to growers about the desired product requirements.

- Negotiating the trade and allocating fruit to where it will get the best price.
- Facilitating supply chain logistics including biosecurity treatment, packaging, freight forwarding and documentation.
- Consolidating shipments, managing freight and logistics, getting the lowest freight price and securing freight capacity when required which can be difficult in peak times when higher value freight such as seafood gets priority.
- Managing the significant risks inherent in exporting including the client relationships.

Most successful international fruit marketers are dealing with their buyers on a daily basis as they trade a number of fruit or vegetable categories throughout the year. Therefore, over time these marketers have formed trusted relationships with buyers and become very important supply chain partners.

Many are so important that the buyers would not risk losing the relationship by questionable rejection of fruit. Conversely, growers who produce highly seasonal crops and are only in the markets for a matter of weeks or a few months are more dispensable to importers in far off markets and risk being exploited if they try to trade directly.

**Growers tend to grossly underestimate the value that marketers bring to the trading relationship in exporting.** The management of export programs, organising promotions and accurately completing logistics documentation requires skill and resources that small horticultural businesses do not have. All of this activity happens at the height of the season when growers need to be on farm managing the quality of the picking and packing. Realistically, exotic tropical fruit industries could not be exporting without a marketing partner.





## The evolution of the two collaborations

“We take great pride in the fact that the Sun Lychee model is owned by the growers, but it relies strongly on the successful relationship we have had with our marketing partner for many years.”

**Sun Lychee Grower**

The Sun Lychee collaboration was formed more than 25 years ago when the industry association appointed an exclusive marketer to market their entire crop in a ‘single desk’ style arrangement on the basis of a set, transparent marketing fee, with the margin profits retained by the growers. The primary objective of the group is to achieve the best possible return for its grower members. The marketing fee negotiated was substantially less than a traditional market agent and a holistic exporting service was expected as part of the arrangement. Over time, the arrangement has changed to a core group of around a dozen suppliers and it functions separately to the peak industry body. A number of growers left the collaboration over the years based on differing views about the industry directions and a lack of commitment to exporting, but the remaining members remain highly committed to the collaboration.

The marketer has worked closely with industry on seasonal planning and to continuously improve the effectiveness of the collaboration, playing a key role in the strategic direction of the group. The group also has a dedicated freight forwarder who is effectively part of the export alliance although trading independently.

By contrast, the Exotico collaboration is a newer alliance which came out of a commitment from Australia’s largest passionfruit wholesaler to become more involved with the passionfruit industry in its development activity, rather than functioning as just a buyer of its fruit. One of the directors of the company that owns the Exotica brand (JE Tipper) has served on the Passionfruit Growers board for over 15 years and on many of the industry project committees and advisory groups.



The philosophy of this marketing company is proactive and engaged with industry. Many of the senior staff members spend time to help the growers of papaya, passionfruit, lychee and other tropical fruit varieties to improve their supply chains and participate in their industry development activity. This significant financial commitment has indicated to growers that there is a genuine motivation to work with them as supply chain partners rather than simply trading their fruit. The Exotica branding concept is still being refined but consists of common brand applied to a number of categories of tropical fruit with the intention to build this into a strong export brand. The marketers created the initial Exotico brand concept because they could see the need for stronger branding and better carton design.

These very small growers from very small industries could not justify the design costs or marketing efforts to build a brand in their own right and with the short season of many of the tropical fruits, it made a great deal of marketing sense to build one umbrella brand across a range of fruits which are commonly merchandised together.

Although these two collaborations have both experienced much realignment and changing of collaboration partners as they have evolved, they both break down the stereotypical view that growers and their market agents are adversaries. Both collaborations support the fact that a recognition of mutual need and respect for the differing specialist skills between grower and marketer can reap rewards for all.

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“The best advertisement for an agent is a happy grower.”

**Marketing Partner**

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## The differing collaborative models

### The Sun Lychee model

The Sun Lychee model started out as a single desk marketing function for the industry association and still functions with a similar philosophy, although with a smaller but highly committed group. There were once 60 growers in the group but many have left the industry and some of the larger growers have become bigger.

Under the model the marketing partner markets all of the group's lychee crop in both domestic and export markets, enabling the placement of the fruit in the market where it will achieve the best price for growers.

Because the group is active in export markets their negotiating power with Australian retailers is significantly enhanced. They are able to demand higher prices according to the strength of the export market. Because the group collectively holds a substantial share of the total Australian crop (Sun Lychee is believed to represent around a quarter

of the national lychee crop), they have further market power and can resist the comparison of their pricing to that of a single grower trading small tonnages on the market floor.

The whole lychee season only lasts between five to eight weeks in each region but when marketed together across all growing areas of Australia, the group can assure four months of supply. The Australian lychee season is actually one of the longest in the world, lasting from late October to late March. While individual growers are only in the market for a few weeks, their marketer is able to offer buyers consistent supply for the full four months. This is a critical advantage in that the marketing partner offers ongoing supply and a single point of contact with buyers for the whole season. This daily contact with overseas buyers over four months builds strong trading relationships. Some of Sun



Lychee's trading relationships have been sustained over decades.

Managing the supply of fruit from around the extended growing region is an important skill set that the marketer brings to the collaboration (Figure 1). Coordinating the seasonality and the mix of varieties from each area with the shifting demand from both export clients and domestic retailers requires daily communication with growers and a careful juggling of supply priorities. There is much variation in the varieties of lychee offered and the smaller seed varieties do command a higher premium in export markets.

Unlike the growers who individually have relatively short seasons of around five weeks, their marketing partner manages the flow of product from the north to the south growing regions over the entire Australian season from October to March. Grower crop estimates for each of the multiple varieties grown come in a few weeks beforehand so the season's sales can be planned to some extent, but there is an element of daily interaction between growers and marketers, with each able to focus on their urgent issues in their domain.



After more than 25 years of trading, the recognition of the Sun Lychee brand is high in many of the export markets. They are marketed in a distinctive yellow carton, which the group orders collectively to reduce costs.

The brands are underpinned by formal product quality standards which are self-audited by the growers. The trust in the self-auditing process is important because product moves directly from the grower to either the retailer or the freight forwarders in Brisbane and Cairns for export. The growers own a smaller

**FIGURE 1. Key lychee production areas in Australia**

Source: Hort Innovation, Strategic Investment Plan, 2017



**Australia's lychee production area extends over a 1,900 km stretch across subtropical Australia from Atherton tablelands to Byron Bay.**





second tier brand as well and the business entity invoices and collects the sales revenue for both. Having a second brand is often important in export markets because two customers in the same market usually want to be seen to have an exclusive brand.

The group finances are subject to an independent audit every season by an accounting firm and an annual general meeting is held to review the season's results. The association elects office bearers each year at the AGM. There is a small contribution for membership fees.

The marketer invoices the grower entity at the end of the season for their total fee. The marketing fee is substantially lower than a traditional market agent commission, which is possible because the growers own the fruit in the supply chain and therefore wear the risk for exports. The marketer also benefits by having a substantial volume and large market share of the Australian lychees to trade. This delivers value to their buyers with whom they trade other products throughout the year.

A further benefit of the collaboration is that the agent is able to negotiate a better rate on export freight compared to what the growers could independently because of the volume of fruit traded.

The agent is able to buy marketing materials cost effectively on behalf of the group and represent them as their exclusive marketer at important international trade shows such as Asia Fruit Logistica, which individual growers would not be able to fund.

Personality differences have meant membership of the collaboration has changed over the years. As noted by Nuffield Scholar John Gladigau, personality issues are the most common cause of breakdowns in farming collaborations.

Prior to the 2020 season, Sun Lychee effectively functioned as a separate business unit that was managed within the marketer's office. The group had total control over the relationship with its agent because they own the brands and the operating entity. There was much goodwill invested in the collaboration and the remaining growers value the loyalty and deep engagement that had grown over the years. Each year the market priorities were determined by discussions between the growers and the marketer. The marketer also collected the industry R&D levies and prepared the accounting documentation.

Change to the industry is imminent with the new regulations for air freight inspections and the growers in this collaboration are approaching the 2020 season with a different marketing strategy.





### The Exotico story

The Exotico brand was devised by fresh fruit marketing company JE Tipper to bring together a range of exotic tropical fruit including lychee, passionfruit, papaya, rambutan, custard apple and others. Individually, each of these industries were too small and in the market for too short of a period to sustain a brand with any effect and most of the growers do not have branding or marketing skills.

JE Tipper are currently reviewing Exotico brand strategy, but a cross commodity, cross season, umbrella brand will remain part of the strategy. The intention is to package all of the fruit varieties in a commonly branded box. Currently, some of the fruit such as passionfruit are regraded and repacked in the JE Tipper warehouse. There is provision for the grower's name on the common box because both marketer and grower believe that the farm provenance is important. Ultimately, the intention is

to add even more information to the carton with QRC linkages on pack because market feedback tells them that Asian consumers want this type of visual traceability.

The financial arrangement between the grower and marketer is based on a shed door pricing model linked to market price. This relationship is deeper than a simple marketing transaction. Although the Exotico brand is new, the relationship has been built over many years. The JE Tipper team spend time on farm helping growers with feedback and process improvement, as packing shed processes are critical in soft tropical fruit. The marketers remain heavily involved in the passionfruit industry research and development activity in particular.

The passionfruit industry has export market potential but requires the guiding hand of professional marketers to get any volume of trade started. The





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When the growers are 100% committed to a supply chain relationship we can trade much more strategically on their behalf. Otherwise, growers are just competing with each other and driving the price down.”

**Marketing Partner**

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passionfruit industry is highly disparate — the industry does not even have a complete database of growers as only a few of the passionfruit growers are of a commercial size.

The brand value is not always understood by growers but this group is coming to appreciate that fresh fruit marketing is moving more and more towards Fast Moving Consumer Goods (FMCG) principles and that marketing and branding knowledge and investment are required to add value to the fruit, and that value increases over time as the brand awareness grows.

The Exotico marketers realise domestic market consumption of tropical fruit is relatively low and see the market dynamics of domestic and export supply being closely linked. In Australia most retailers struggle with the tropical fruit

categories and it is one of the last fresh food categories to adopt retail planning principles. For this reason, independent outlets are stronger in tropical fruit than supermarkets.

Because they are small industries, oversupply happens very quickly due to low consumption — less than 8% of Australians eat tropical fruit. Retailers are locking in monthly prices to try to get some stability in the category so that they can build consumer loyalty.

The marketers see export and domestic trade as being critical to manage together and as an established trader in the fresh fruit sector, they are on top of the daily marketing and sales trends and are close observers of innovation in fruit packaging around the world. Their grower partners, many of whom are located in remote areas, do not have the same exposure to this market information.

Having one party managing both domestic and export trading allows them to manage the supply to ensure that no particular market becomes oversupplied, which would have a dilutive effect on returns.

At the time of writing, JE Tipper were considering a new marketing model where they form a joint venture marketing company with growers. In this situation, the brand would be owned by the company and both parties would share the marketing risk as well as the upside of the marketing gains.



## The case study learnings

The key reason why both of the collaborative marketing models in this case study work is that there is trust between the growers and the agent marketers and a high degree of transparency. The growers also need to have trust with each other. For example, there needs to be a commitment from everyone to pack the fruit to the brand specifications to avoid doing damage to the brand on which they all depend for better pricing.

A partnership with the right agent or marketer can have an important role to play in new startup export industries, particularly in categories where there are small volumes and short seasons. Because marketers trade a diverse product range, they can sustain buyer networks on the year round basis. Marketers also have the professional resources and business presence that makes new buyers trust that they are an established, professional operation to deal with.

It is important to note that exporting per se is not always a prime reason

for the collaboration — it is a tool that marketers can use to maximise price. The prime motivation for exporting in this case study to manage domestic market supply and therefore maximise grower returns. In this situation, exporting is a means to an end. There is a long standing saying in the wholesale markets that “a 10 per cent oversupply results in a 50 per cent drop in price.” For a thinly traded category such as tropical fruit, this effect is amplified significantly. Even one extra pallet of tropical fruits landing on a capital city wholesale market floor has a diluting effect on market price. Exports will only ever be a small part of tropical fruit production, but nevertheless a critical one.

The business models outlined in this grower/marketer collaboration could be applied to any small horticultural industry considering exporting, particularly for highly seasonal products. Marketing collaborations work over time to reduce costs and increase customer value (Figure 2).

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“Industry discipline in the domestic market will help develop improve returns from exporting.”

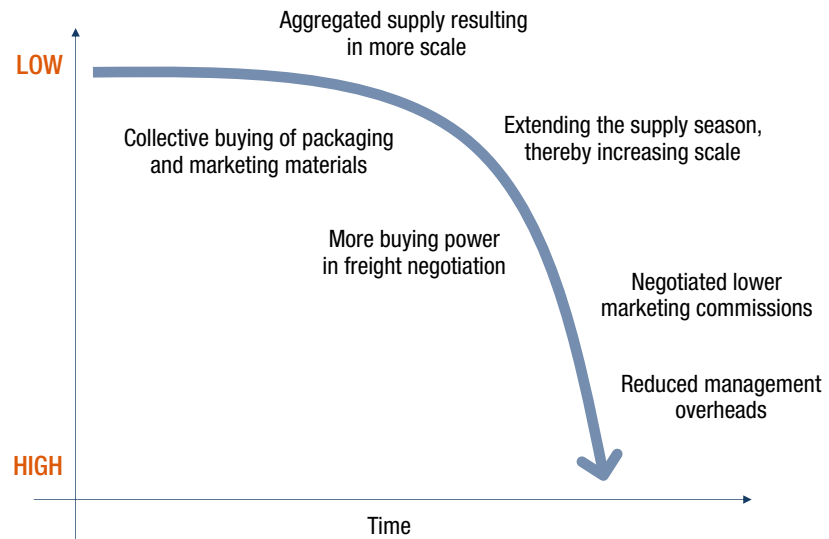
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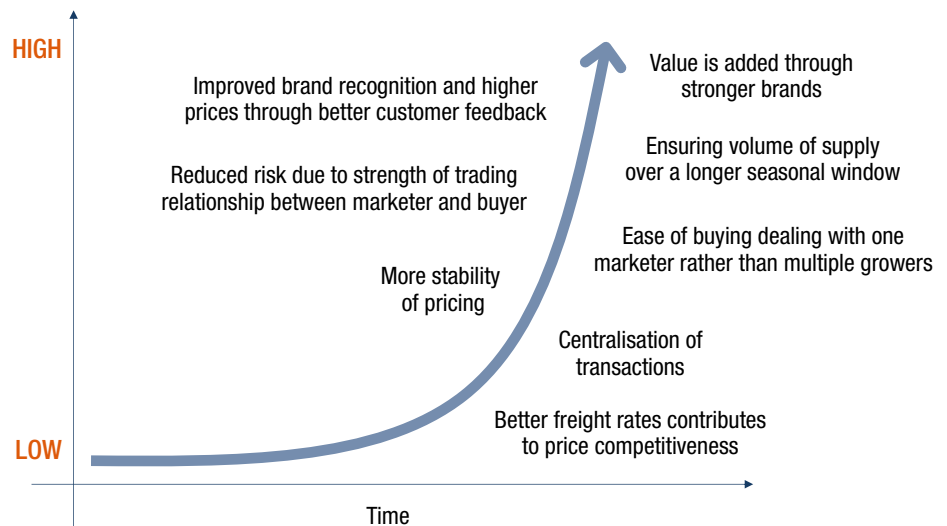




## CONTRIBUTION TO COST REDUCTION



## CONTRIBUTION TOWARDS CUSTOMER VALUE



**FIGURE 2.** Tropical fruit marketing collaborations



### Benefits of this collaboration to growers

- ✓ Growers are able to participate in export markets because collectively they have sufficient volume. Realistically, very few of the tropical fruit growers have the critical mass and continuity of supply required to be sustainable exporters in their own right.
- ✓ Domestic prices remain more buoyant during the season because exporting helps to avoid an oversupply of fruit on the domestic market, which would have a major devaluing effect on price due to the low consumption levels in Australia.
- ✓ Marketers are able to direct the fruit to the buyer where it will get the best price for the grower and at the same time control over supply.
- ✓ Growers get direct and immediate feedback from the markets during the season with daily feedback from the marketers, which drives continuous improvement in product improvement to meet market requirements.
- ✓ Partnering with established and experienced produce marketers who are actively engaged with industry plays a major role in building industry export readiness and capability.
- ✓ Growers are able to have their product profiled to overseas buyers through the networks and promotional activities of the marketer.
- ✓ A significant saving through freight consolidation is possible through collaboration. Because the marketers are buying freight throughout the year, they can negotiate better rates and be assured of capacity during peak times.
- ✓ Carton costs can be reduced by buying collectively through the collaboration.
- ✓ Export risk is reduced because the marketers are trading with these buyers regularly on a range of crops so the buyers cannot afford to risk the relationship by putting forward false rejection claims.

### Benefits of this collaboration to marketers

- ✓ Marketers have access to a crop that increases the breadth of their range offering to buyers.
- ✓ While each grower has a short production season, with a marketing alliance the marketer is able to assure extended supply to export customers over a longer seasonal window.
- ✓ Marketers are able to sustain a brand and fund marketing materials and attendance at trade shows to promote the product.
- ✓ The marketer gets access to better quality fruit because it is grown to agreed brand standards. Fruit from the market floor tends to be inconsistent, with too many traders who are all too small to deal with individually.
- ✓ Marketers are able to sustain their buying power with freight and transport companies.





## Challenges

- A break down in trust between parties.
- Tropical fruit growers are all very remote from each other geographically and do not talk to each other often — many are not able to monitor the drivers of market price because of this isolation.
- Many growers do not have professional business skills and do not understand how global supply chains function so they do not understand the importance of brands or that selling directly to the wholesale markets can have a devaluing effect on their crop value.
- While there are legal constraints around single desk trading it does make sense in exporting, but reaching industry agreement on aggregation is difficult in new industries.
- Personality clashes that prevent growers from leveraging the benefits of collaboration with each other.
- A culture in the fresh fruit industries where relationships between marketers and growers have traditionally been adversarial and there is lack of mutual respect for each other's skills.

## Key learnings

1. There are multiple models through which such collaborations between grower groups and marketers can be structured, but commitment, transparency and a recognition of mutual dependency is fundamental.
2. Through crop aggregation and common branding, small industries can become sustainable exporters.
3. Small businesses can derive the benefits of premium pricing through branding when they collaborate to achieve the volume and quality disciplines as well as an extended season.
4. In small industries, collaborating gives growers the power of using export markets to prevent oversupply in the domestic market and preserve pricing through the season.
5. Strategic alliances work best when partners bring different skill sets to the table. The growers in these collaborations recognise the value that marketers contribute through their professional skills sets and networks and acknowledge that it allows them to concentrate on production excellence during the height of the season.
6. Agents and marketing partners need to engage closely with grower groups and invest the time to work with new industries to improve their supply chain and develop their export potential.



## Partnering for Customer Value

The Agribusiness Food and Trade (AFT) directorate of the Department of Primary Industries and Regional Development (DPIRD) works to enable growth in the value, competitiveness and diversification of the WA agrifood sector through facilitation of value adding, investment and export for the benefit of the community.

As part of this work, Partnering for Customer Value is providing research and business intelligence on practices that lead to international competitiveness and improved export capacity. A portfolio of cross-sector case studies shows real world examples of how businesses can build strategic relationships by delivering true value to their customers.

### For more information

➔ [agric.wa.gov.au/p4cv](https://agric.wa.gov.au/p4cv)

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Phone: +61 1300 374 731  
Email: [enquiries@dpiird.wa.gov.au](mailto:enquiries@dpiird.wa.gov.au)

[dpiird.wa.gov.au](https://dpiird.wa.gov.au)