Fresh Produce Journal
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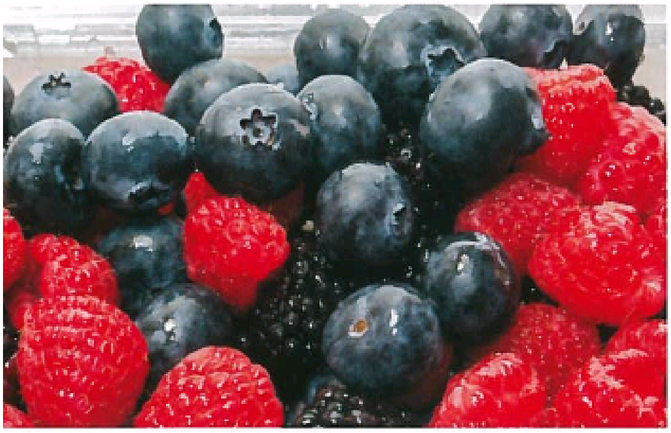
Lisa Williams



LEFT—Growers need to consider a number of different aspects when deciding which markets to supply to
INSET—Hortgro's Jacques du Preez

The right priorities

Lisa Williams, head of agri-food at Promar International, discusses how market prioritisation can assist exporters to make the right business decisions

With an increasing number of emerging markets providing opportunities for fresh produce growers globally, the development of robust market prioritisation strategies will be key to export success, through the strategic allocation of resources.

Historically many businesses have fallen into exports by chance, developing markets over time with little strategy behind them. This often results in businesses exporting small volumes to a large portfolio of different countries.

Although this helps to spread risk, allocated resources such as promotional budgets and human resources are likely to have less of an impact. For this reason, it's often more commercially viable to supply the same level of produce to one larger market rather than five smaller ones.

With increasing levels of competition within the industry, and new markets providing exciting opportunities, the use of data and insight will help ensure that business decisions are being made for long-term security in an ever-changing market.

There is no 'one-size-fits-all' solution when it comes to exports, as every market has different entry requirements. However, market prioritisation allows businesses to take a strategic approach to servicing global markets.

Market prioritisation considers market growth rate, the likely potential market share and the investment required to achieve successful market entry. In addition to these factors, exporters shouldn't overlook consumer preferences. A market may look financially lucrative, but if consumers demand a specific size or variety that is not currently offered, then it quickly becomes a problem if not managed correctly

Market prioritisation encourages businesses to look further into the future, focusing on what the potential market value could be as opposed to what it currently is, using data and insight from a number of sources. Unlike many other food industries, seasonality and the time it takes to bring a new product to market have a big effect on how reactive the fresh produce industry can be. Therefore, businesses should be looking five to ten years ahead, to allow their producers time to adapt to future consumer demand, to make the most of prospective export opportunities.

For example, consumers in Asia demand extremely sweet fruit, so careful consideration will need to be given to the varieties that are planted, and when they are harvested to facilitate supply. If targeting this market, producers may have to make a significant investment in these new varieties, so there may be other markets that are more appropriate.

Businesses also need to strike the right balance between servicing traditional markets and exploring new opportunities. Established markets shouldn't require a large amount of investment, but are highly lucrative. These are the 'bread and butter' markets that are providing exporters with a steady income to reinvest. Although some would consider these as saturated markets, the reduced level of investment means that they shouldn't be overlooked.

After identifying the key opportunities, creating a market entry strategy is the next step. For some, this may be a case of speaking to importers and distributors within the target country to establish new trading relationships, for others it may be focusing on creating a complete marketing campaign.

Politics will always play a part in this, with one of the biggest barriers for export often being market access. The prioritisation model helps provide direction with this process by providing a good case for governments to extend trading relationships. Understanding the potential of a market through prioritisation will allow strategic allocation of resources and the continued success of business.

Barry Wilson's Dairy Industry Newsletter
24th April 2018
Promar International

UK DAIRY PROCESSING INVESTMENT CATCHES UP

The UK dairy industry has invested more in processing over the past few years than other main milk producing countries of the EU. According to analysis undertaken by Promar for AHDB of publicly announced investments, since the end of quotas, major investment in processing in the UK has surpassed €500m. When taking into consideration the volume of milk produced in the country, Ireland still leads the way, having invested €1.2c/litre per year over the 3yrs to 2017. The UK is placed second, well ahead of other main milk producing EU member states. The turnaround is notable given the comparative investment levels that were reported 2yrs ago. Countries such as Ireland, the Netherlands and Denmark invested heavily in processing assets on the run up to the end of milk quotas. These countries have since recorded significant increases in milk production, justifying the heavy investment. Between 2014 and 2017, Irish milk production increased 29%, the Netherlands rose 15% and Denmark 7%. But over the past 7yrs, the UK still sits slightly below the EU average but is no longer bottom of the table in terms of processing investment. In the UK the rise in milk volumes between 2014 and 2017 was a much more modest 2%. However, investment has picked up significantly in recent years, driven on by the big two milk processors; Arla and Müller. This was particularly evident in 2017 and includes investment aimed at displacing imports.