

UK HORTICULTURE TRADE DELEGATION TO
NEW ZEALAND HORTICULTURE
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1. Executive summary

This report has been compiled in collaboration between the Agriculture and Horticulture Development Board, British Growers Association, National Farmers' Union and the Royal Horticulture Society and reports on findings from a Defra-led trade delegation to New Zealand in 2020.

There are several similarities between the UK and New Zealand fresh produce industries and some significant differences.

Although the two industries are broadly similar in size and value, there are major differences between the relationships with their respective markets. With a very small domestic market (4.8 million people), the New Zealand industry has carved out profitable export opportunities with countries that value provenance and quality and are prepared to pay a premium.

This contrasts sharply with the UK, where most fresh produce is destined for the home market (68 million people) through 10 major multiple retailers, with export in some crop areas, albeit in comparatively smaller volumes.

The biggest issue facing UK horticulture is the cumulative impact of cost inflation, driven largely by escalating labour costs (notably, over the last five years, by the introduction of the national living wage) and the lack of margin, due to the intense competition between retailers for market share.

The New Zealand situation is different. Faced with a small domestic market, it has developed markets beyond its domestic boundaries. Through a government-backed and -driven proactive process of 'in country' research and promotion, growers have found new and more profitable markets in Southeast Asia, capable of delivering attractive returns and creating the right atmosphere for further investment in technology and production systems. This ongoing investment enables New Zealand growers to innovate and invest in new varieties, new production systems and new packing facilities. There is a strong focus on the development of targeted brand marketing to not only open new markets but to retain their position in different markets.

Although, historically, Europe and the UK were important destinations for New Zealand produce, the challenges of dealing with, and lack of margin from, the UK multiple retailers has driven the New Zealand industry to look elsewhere for more profitable returns. In this respect, there are very few parallels between the two industries. With a UK domestic market of 68 million consumers, servicing the home market will always be the priority for UK growers.

There are a couple of questions the UK horticulture industry needs to address:

1. What can it learn from the New Zealand model to understand and access the opportunities for exports to generate more profitable returns?
2. How does the structure of the New Zealand industry support and contribute to the success of New Zealand horticulture?

Structure

The New Zealand industry has an enviable relationship with the Ministry for Primary Industries. There is a sense of a shared vision and shared ambition designed to deliver real benefits for New Zealand growers and the nation alike. While there is relatively little financial support available for the industry beyond the R&D investment in Plant & Food Research, there is a sense the New Zealand government has a shared interest in creating a thriving fresh produce industry capable of satisfying demands in the domestic market and delivering valuable export income from overseas markets.

Sitting at the centre of New Zealand horticulture is HortNZ – an organisation comprising 21 individual crop groups representing all the major products. HortNZ and its constituent organisations perform several roles, including political representation, near-market R&D and export promotion. Like AHDB Horticulture, it is funded through a system of compulsory levies.

This unified structure contrasts with the UK, where, for a variety of reasons, several different organisations represent and promote the UK horticultural interests.

Unlike the highly joined-up approach of the New Zealand industry, the UK industry feels fragmented and at times lacking a joined-up ‘one voice’ approach. The UK situation may be attributable to its profile relative to mainstream agriculture, which, by virtue of its relationship with the CAP subsidy system, has captured most of the political attention over the past 25 years.

The New Zealand structure is clearly defined and incorporates a highly effective, three-way relationship between the New Zealand government, Plant & Food Research and HortNZ. Across New Zealand, there is a strong sense that growers are at the heart of decision-making and that everything is aimed at delivering tangible benefits back to the grower base. This degree of engagement or control, along with clear evidence of tangible returns, creates grower confidence in the principle of a compulsory levy system. This contrasts sharply with the latest position in the UK, where the outcome of recent AHDB ballots on the continuation of statutory levies shows a clear divide in opinion.

The grower-led call for ballots in the UK has opened up a cross-industry debate about the role of applied research and development, innovation and new technology and how this should be funded in the future. It could also open up opportunities for the industry to review the most effective way to promote itself and its interests.

Markets

The successful development of new markets for New Zealand fresh produce is due, in part, to the use of single-desk and grower-owned marketing operations. The best example of this is Zespri – the kiwi fruit marketing organisation which controls every aspect of the New Zealand kiwi fruit operation, from production volumes through to exports. This has allowed Zespri to become a global operation, managing a global demand for New Zealand kiwi fruit valued at NZ\$1.86bn.

A similar situation applies with New Zealand apples, where a small number of marketing desks have created an export market for New Zealand apples valued at NZ\$732m.

It is evident that the New Zealand marketing desks, with grower boards and managed supplies, exert greater grower influence, which ultimately delivers better returns that lead to increased investment. This approach retains their position in a highly competitive global marketplace. It also has to be acknowledged that the single marketing desks are effectively monopolies with the power to exercise significant control over both price and supply.

Labour

The issues facing the UK in accessing volumes of seasonal labour under a new immigration system are well documented. It was interesting to see how New Zealand has addressed a similar need for seasonal labour. Historically, New Zealand relied on the backpacker community for much of its seasonal labour but realised the transient nature of this workforce wasn’t always ideally suited to an industry where commitment, quality and timeliness were of paramount importance.

As with many other countries, New Zealand has developed its own seasonal labour scheme. Details of the Recognised Seasonal Employer scheme (RSE) are explained in Section 5 xv. The existence of the RSE scheme is a clear recognition that it is unrealistic to expect New Zealand horticulture to rely on New Zealand nationals or backpackers for its workforce. Instead, there is an acceptance of the need to have a planned and controlled seasonal worker permit scheme which enables workers from other countries (principally Pacific Islands) to work in New Zealand and benefit not just from the employment opportunities but from cultural and educational opportunities too.

Free Trade Agreement

On the final day of the visit, the group met with representatives from the New Zealand government to discuss the forthcoming negotiations relating to the development of a Free Trade Agreement (FTA) between New Zealand and the UK. Currently, New Zealand has a more developed export system which services fresh produce markets around the world, including the UK. An FTA would help to remove trade barriers between the UK and New Zealand and create better opportunities for New Zealand exporters to access UK markets. Any reduction in tariffs could make New Zealand produce more competitive here in the UK.

In this respect, both countries have a shared interest in making sure the high standards achieved by both countries are not undermined by product imported from countries operating to lower standards or by countries using production techniques identified as environmentally damaging.

Could the UK industry benefit from access to New Zealand markets?

The countercyclical nature of our respective harvests could present opportunities, but with just under 5m consumers, there would need to be substantial justification to choose New Zealand over other countries with higher domestic populations.

However, there may be opportunities arising out of our countercyclical production to partner with New Zealand in proactive exports to new markets. Both countries share an interest in high-provenance and high-quality produce, which commands a premium in some markets. Joint marketing arrangements which satisfy year-round demand for quality produce might represent an attractive proposition in a global marketplace.

Innovation and knowledge

The New Zealand horticultural industry has a demonstrable appetite for knowledge and innovation. The breeding stations and research establishments visited were clearly well funded, well organised and highly motivated. They could see opportunities not just for New Zealand growers but for New Zealand as a country, from a thriving fresh produce industry capable of servicing markets around the world. The New Zealand grower psyche and temperament corresponds closely to our own here in the UK and it was felt that a closer working relationship between the two countries would be a significant advantage to growers on both sides of the equator.



2. Introduction

As the UK leaves the EU and takes back control of its agricultural policy, new opportunities and new possibilities open up for UK horticulture. The future direction of travel for the sector is laid down in the Government's new Agriculture Act. The main focus is a new approach where farmers and land managers are rewarded with public money for delivering public goods. The Act also contains provisions for improving productivity and monitoring the UK's level of food security.

Historically, horticulture has fallen outside main support mechanisms within the CAP. Parts of the industry benefited from funding through the Fresh Fruit and Vegetables Aid Scheme, but in comparison with other sectors of agriculture, UK horticulture has survived on the returns generated from the marketplace, with minimal reliance on the system of CAP subsidies.

Over the past 30 years, the area devoted to fruit and vegetable production in the UK has declined by 30%, but improvements in productivity have resulted in a 36% volume increase in the production of fruit and vegetables. Over the same period, there has been a substantial increase in imported fruit and vegetables.

The growing interest in diet and health is focusing attention on eating fresh, unprocessed food and the vital role of fruit and vegetables in the diet. As a nation, the UK significantly under-consumes fruit and vegetables. The latest National Diet and Nutrition Survey (NDNS) data shows that 33% of children eat less than one portion of vegetables per day.

The UK has started to see an upturn in the consumption of fruit and vegetables and if the nation was to meet the daily Eatwell recommendations for fruit and vegetables, it would massively increase

demand. With the UK's excellent maritime climate, perfect for growing, it makes sense to produce as many fruit and vegetables for UK consumers.

UK horticulture stands at the edge of a major opportunity to deliver not just a continuous supply of high-quality, high-provenance fruit and vegetables, but also play a major part in improving the overall health of the nation.

The big challenge is how?

Part of the UK's exit strategy from the EU is the negotiation of Free Trade Agreements and an FTA with New Zealand is seen as a priority for the UK government. The New Zealand horticultural industry has many parallels with the UK industry. It is broadly similar in size and turnover but services a large export market, in contrast to the UK industry, which is mainly focused on the domestic market.

In March 2020, a delegation of UK industry representatives visited New Zealand to explore the New Zealand horticulture sector, to understand its challenges and opportunities, to examine what could be learnt, what new ideas could be adopted and to explore what new relationships might be possible between our two nations.

Each member of the delegation travelled with a different objective:

- Ali Capper, Grower, Chairman of the NFU National Horticulture & Potatoes Board, Wye Hops and British Apples & Pears Ltd, Director of the British Hop Association, Nuffield Scholar – how to grow the sector, export markets, opportunities, policy issues and solutions, catalysts for change
- Jack Ward, CEO of the British Growers Association, Trustee at PGRO, Nuffield Scholar – how to bring value and profitability back to growers' businesses
- Chris Moncrieff, Head of Horticultural Relations at the Royal Horticultural Society – how to attract, educate, train, develop and retain key staff
- Ruth Ashfield, Horticulture Strategy Director at the Agriculture and Horticulture Development Board – the role of the grower levy, how it is raised, prioritised, managed and spent
- Lucy Jackson, New Zealand lead in Global Trade Negotiations at Defra – wishing to examine and understand the horticulture sector in more depth

3. Recommendations

Vision

1. Create a shared vision for British Horticulture that sets out the challenges and opportunities for the future. It is a competitive sector that has seen a high level of consolidation over the last 20 years and yet remains incredibly collaborative. This collaboration needs recognition, encouragement and support.
2. Identify the significant opportunities for the growth of the UK fresh produce sector, together with the barriers.
3. Work in conjunction with government to identify and create the tools necessary to deliver that vision.

Structure

4. Create an MOU between NFU, British Growers, AHDB, HTA, RHS, BPOA, BSF and BAPL, and other relevant representation bodies in UK horticulture, to provide a unified voice and 'coalition' structure to articulate the best interests of UK horticulture. Ultimately, within three years, we would like to see one organisation responsible for the representation, R&D, innovation and crop assurance of UK horticulture. One issue which a more collaborative, cross-industry approach needs to address is the connection between near-market applied science and the fundamental research base. As food, health and nutrition move up the national agenda, there should be opportunities ahead to close the gap between these two sides of the R&D equation, with mutual benefit for growers, the primary research organisations and society in general.
5. Engage with all sectors of the industry to create the most cost-effective solution for meeting industry needs for R&D, crop protection and off-label plant protection registrations, together with innovation and technical development. Although the Plant & Food Research example may be a step too far as an alternative model for the UK, it provides a useful template for a government/research/grower partnership and what could be achieved through closer cooperation. The current rethink of how best to fund and coordinate grower-led R&D opens up the opportunity for a deeper look across the entire R&D spectrum.

Labour

6. Work with Defra and the Home Office to develop an appropriate seasonal worker permit scheme (based on the existing pilot, taking policy-making lessons from the New Zealand RSE scheme) which provides adequate numbers of permit workers to enable growers to plan and, where appropriate, expand with confidence over the next five years.
7. Assist the Institute of Agriculture and Horticulture and key industry and government stakeholders to establish a one-voice platform to promote careers for the horticultural industry.
8. Continue to support the establishment of career progression routes through the provision of horticultural apprenticeships, T Levels and formal training routes, highlighting, where possible, best practice by existing training providers specialising in horticultural training and development.

Options under the Agriculture Act

The new Agriculture Act has several enabling powers which could be applied for the benefit of UK horticulture.

Where funding is needed, this could come from the new productivity initiative supported with money redirected from the old Basic Payment Scheme.

9. Use the powers under Section 1 (2) to create multi-annual (3–5 years) match-funded productivity support schemes which give growers the confidence to invest over a period of time and allow them to compete with the continued funding available to EU growers through the EU fresh fruit and vegetables regime.
10. Use the powers under Section 27 of the Bill – Fair dealing obligations of business purchasers of agricultural products – to ensure UK growers are fairly treated in dealings with purchasers of fresh produce where a clear imbalance of market power exists.
11. Use the powers under Section 28 of the Bill – Producer and interbranch organisations – to create grower organisations which, through their collaborative nature, can effect real influence and power on behalf of growers in the marketplace.
12. Use the powers under Section 29 – Recognised organisations: competition exemptions and further provision – to support the creation of grower groups which can operate for the benefit of growers in an environment dominated by a comparatively small number of major and extremely dominant purchasers.

Government relations

13. Seek Defra and BEIS (Department for Business, Energy and Industrial Strategy) support and assistance to work with the industry to develop a comprehensive strategy designed to reverse the decline in market share for UK produce in the British market.
14. Work with the Department of Health and Defra on a multi-department strategy to make the consumption of fresh fruit and vegetables a major part of any future initiative to improve the health of the nation.
15. Work with DIT (Department for International Trade) to create a strategy for the proactive export of British fruit and vegetables in specific overseas premium markets.

Promotion

16. Create a coalition of growers, suppliers and retailers to capitalise on the current wave of interest in plant-based foods and the increasing importance of fruit and vegetables in the diet.
17. Seek to change the perception of fruit and vegetables as a commodity product to one of superfood status.

Exports

18. Use the newly formed coalition to create an export brand for British fruit and vegetables and a marketing and sales strategy for the identified target export markets.

Environmental Land Management schemes

19. Create a range of options under the Sustainable Farming Incentive which are accessible and compatible with modern horticultural production and allow growers to participate and benefit from the transfer of funds from the Basic Payment Scheme.

Free Trade Agreements

20. Seek opportunities for British fruit and vegetables in new agreements for premium markets and ensure that Free Trade Agreements do not open the UK market up to unfair competition from imported produce which does not meet the high standards achieved by UK growers.

The industry needs to look strategically at its home-based R&D capability to ensure it has the capacity to provide the necessary pipeline of technical investment and delivery to see the industry through a period of intense change. There is an opportunity to link up applied research needs with

underpinning more fundamental research through government and/or UKRI match-funding any levy collected.

4. Insights

The New Zealand market

- Consumers – 4.8 million consumers at home, 40 million consumers overseas
- Key export markets – China, Asia, Australia, USA, Europe, Japan, South Korea, Taiwan, Hong Kong, Malaysia
- Comparative scale – horticulture is the third-largest primary sector after dairy and meat
- Revenues from exports – NZ\$5.5bn in 2018 and expected to reach NZ\$6.5bn by 2021, led by increases in kiwi fruit, wine, apples and pears

The New Zealand industry

- Modest in global terms but ambitious for growth
- Represented by HortNZ, covering a variety of roles and uniting the industry with one voice
- Growers and grower boards at the forefront of driving the sector
- Continuous focus on agility and innovation delivered with one voice
- High profits in particular crops create the opportunity for high levels of reinvestment
- The focus on future growth has resulted in a thriving and dynamic sector
- The New Zealand grower philosophy: “If we produce to the highest standards, we can choose any market in the world, we have more choice, more flexibility”
- The one-desk approach to exports drives demand, controls supply and ensures a single contact point for all contract negotiations (keeping prices high)

The role of the New Zealand government in New Zealand horticulture

- Government is a significant investor in R&D – government funds 40% of total NZ\$169m annual revenue of NZ Plant & Food (Source: Annual report 2020, Plant & Food Research: <https://www.plantandfood.co.nz/file/annual-report-2020.pdf>)
- Government is a partner in biosecurity – GIA (Government Industry Agreement)
- Government is a partner in trade, providing the framework for industry growth
- Government is a partner in policy development
- Government adopts the approach of ‘Shared Interests’; ‘Shared Space’; ‘Trust in the Industry’; ‘Respect and Recognition’

The partnership in practice

The effectiveness of this partnership is well illustrated in the collective response to the COVID-19 pandemic. The New Zealand government has launched a new plan to boost the country’s primary sector export earnings by NZ\$44bn (US\$28.8bn) over the next decade, while protecting the environment and increasing employment. New Zealand’s horticulture industry is currently worth more than NZ\$6.39bn annually and employs 60,000 people.

The NZ Agricultural Minister Damien O’Connor highlighted the sector’s ability to record 4.5% growth over the last 12 months, despite COVID-19. “We need to create new billion-dollar, category-leading products services for consumers here and overseas, while respecting Te Taiao – the natural world.”

Industry support came from HortNZ president Barry O’Neil, who said, “Horticulture is already well into the journey that has been identified and proposed in these reports, and this journey will continue.

“Our entire industry – comprising more than 20 different fruit and vegetable product groups – worked closely with Government to implement a strategy that will see horticulture spearhead New Zealand’s economic and social recovery from COVID-19.”

Full COVID-19 response for New Zealand Horticulture here: https://www.nzkgi.org.nz/wp-content/uploads/2020/07/2020-07-15-Hort_Strategy_Infographic.pdf



5. About New Zealand horticulture

New Zealand horticulture is a NZ\$6.39bn industry, excluding wine, exporting 60% of total production to over 124 countries.

Horticulture is New Zealand's fourth-largest export industry. Kiwi fruit alone accounts for more than NZ\$1bn in export earnings. Other major exports are apples and pears, avocados, onions, buttercup squash, processed vegetables and potatoes. Citrus, summer fruits (like cherries) and berry fruits are developing export products.

The industry has a reputation for innovation, quality, early adoption of new technology and responsiveness to market demand. New Zealand is home to efficient, flexible producers with the ability to respond quickly to international customer demand.

In the period 2015 to 2019, the value of New Zealand's horticultural exports grew from NZ\$2.7bn to NZ\$4.5bn in 2020, driven by significant growth in kiwi fruit exports. By 2021, the figure is expected to reach NZ\$4.7bn. The industry doesn't see any immediate ceiling on its export potential. An increasing demand for healthy eating is driving international demand for fruit and vegetables.

Key export markets for New Zealand are: China (NZ\$14.4m), Australia (NZ\$4.5m), the United States of America (NZ\$4.2m), the European Union (NZ\$3.1m), Japan (NZ\$2.6m), South Korea (NZ\$1.4m), the United Kingdom (NZ\$1.1m), Taiwan (NZ\$1.1m), Hong Kong (NZ\$1m) and Malaysia (NZ\$1m).

Growers and export desks continuously seek out premium markets and all consider Europe, and, in particular, the UK, as one of the hardest, most costly and least profitable markets to serve. Consequently, exports to the EU and UK are in decline.

New Zealand's horticultural production area uses over 135,000 hectares – just over 1% of the country's total farmed area (12.1m ha). More than 60,000 people are in key growing regions, spread from the north to the south of the country, often close to urban centres.

In 2009, the horticulture industry released its first industry strategy, 'Growing A New Future', with a goal of achieving an industry valued at NZ\$10bn. Their 2020 COVID-19 response strategy is now targeting an industry worth NZ\$20bn.

i. HortNZ

Horticulture New Zealand (HortNZ) is an industry association representing New Zealand's 5,000 commercial fruit and vegetable growers. It sits at the heart of the New Zealand horticultural sector. It controls significant amounts of funding, which enables it to 'get things done'. There is a clear impression that it commands significant grower support. Governance is controlled by growers on behalf of growers, which adds to its credibility in dealing with growers, government departments, research organisations and other key stakeholders.

The HortNZ strategy before COVID-19



Hort NZ's outputs can be summarised as:

- Research and development
- Market and trade research
- Market development and promotion
- Industry promotion – telling the horticulture story
- Development and implementation of quality assurance
- Education, training and attracting people to the industry
- Information and communication
- Health and safety
- Advocacy and grower representation
- Protection and improvement of plant health and biosecurity issues

ii. Key objectives

Industry leadership

HortNZ provides a unifying vision for the horticulture sector, which increases collaboration and enhances the sector's ability to respond to, and influence, decisions affecting the sector. HortNZ is also well placed to develop and encourage industry-wide projects which benefit all growers.

The diversity of horticulture is seen as a strength, not a weakness. While preserving the individuality of product and regional groups, HortNZ tries to unite the industry, encouraging it to work proactively and effectively under a single banner. It is important to recognise that HortNZ achieves this ability to unify the sector through the effectiveness of its performance. HortNZ would probably agree that any organisation in this position is only as good as its latest set of actions. To achieve success, it must be

totally aligned with the needs of its levy payers and then be able to translate its outputs into tangible commercial success.

iii. Industry profile

A key role for HortNZ is connecting New Zealanders with the horticulture sector by highlighting its diversity, innovation, contribution to regional development, the economy and to the health and wellbeing of all New Zealanders.

New Zealand has an international reputation for producing safe, high-quality produce. This has been achieved by growers setting up and engaging with initiatives which demonstrate accountability and environmental best practice. Raising the profile of these aspects of New Zealand production has helped to inspire those currently working with the industry and attract the innovation and talent necessary to ensure its continuing success.

iv. Representing and protecting grower interests

HortNZ is responsible for monitoring changes in government policy on behalf of its members. It aims to be involved in policy creation prior to the public consultation process.

It promotes the development of the horticulture industry, makes submissions to central and regional government, gives policy advice and aims to influence change for the benefit of growers.

HortNZ provides information and support to government agencies, with the clear aim of gaining better market access for horticulture products and the removal of barriers to export development.

New Zealand government officials spoke to the UK delegation about their 'Shared interests' with HortNZ. This builds on a sense of 'Shared Space' and 'Trust in the Industry' and a belief that both government and industry have 'Respect and Recognition' for each other.

v. Positive business environment

HortNZ recognises that improving the business environment for growers helps to increase the profitability and international competitiveness of the industry, as well as attracting new industry participants and new investment. Issues such as seasonal labour demands, carbon tax, compliance costs, increasing 'user pays' charges, R&D policy and border security are examples whereby HortNZ uses its expertise and contact to influence outcomes which support the development of New Zealand horticulture.

An example of the close working relationship is evidenced by the creation of a joint, industry-led and government-enabled, post-COVID-19 HortNZ strategy, which is summarised below.

vi. The HortNZ structure

HortNZ provides an umbrella organisation for 22 product groups (a list of the 22 groups is included in Table 1), involving 5,000 growers. HortNZ is governed by a board of eight: seven are growers, with one independent. It operates with a staff of 26 based in New Zealand's capital, Wellington.

The chairs and managers of the individual product groups regularly meet with HortNZ to discuss industry-related issues and national representation on issues such as resource management planning, biosecurity protection and labour needs.

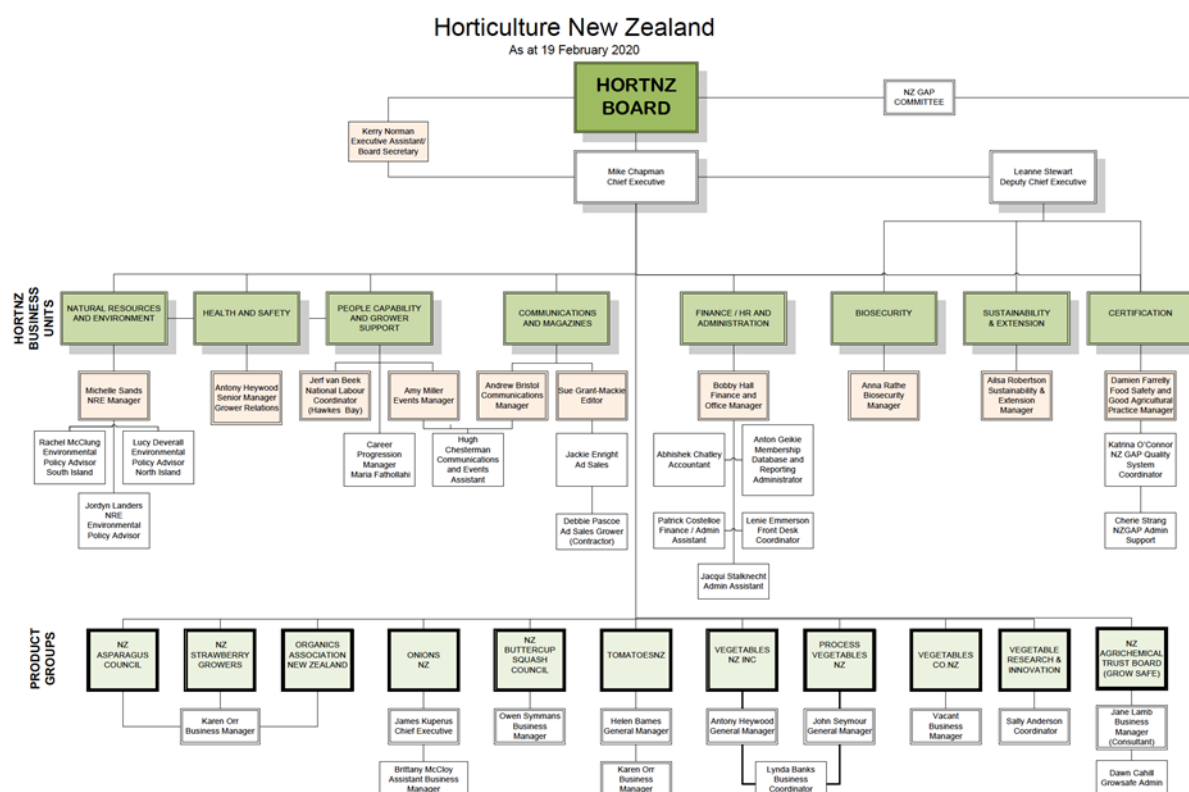


Table 1. The grower associations which make up HortNZ

<i>Asparagus</i>	<i>Avocado</i>	<i>Processed vegetables</i>
<i>Blackcurrants</i>	<i>Blueberries</i>	<i>Summer fruit</i>
<i>Boysenberries</i>	<i>Citrus</i>	<i>Vegetables New Zealand</i>
<i>Export buttercup squash</i>	<i>Feijoas</i>	<i>Potatoes</i>
<i>Fresh tomatoes</i>	<i>Kiwiberry</i>	<i>Strawberries</i>
<i>Kiwi fruit</i>	<i>Nashi</i>	<i>Tamarillos</i>
<i>Passion fruit</i>	<i>Onions</i>	
<i>Apples and pears</i>	<i>Persimmons</i>	

vii. Funding HortNZ

HortNZ is funded by a system of commodity levy orders resulting in a compulsory levy which all growers are obliged to pay. All crops pay the same rate of levy – 0.14% of sales (14 cents per NZ\$100 of sales).

The levies are initiated and developed by the industry organisations and last a maximum of six years. The orders set the maximum levy rates payable and specify the purposes for which levy funds may be spent.

The Commodity Levies Order 2013 imposed a mandatory levy on all fruit and vegetables commercially grown in New Zealand and additional levies on processing vegetables and tomatoes. This order expired in May 2019 and was replaced with four different orders.

The new orders comprise a base levy on fruit and vegetables and three new orders on processing vegetables, fresh vegetables and fresh tomatoes. In practice, these changes were mechanistic in nature and did not change the responsibilities or funding of levy organisations.

In a small number of cases, additional levies are raised by Vegetables New Zealand, TomatoesNZ and Process Vegetables NZ to fund specific product group activity. Different levy rates apply to fresh vegetables that are exported compared with those sold domestically.

Table 2 shows the purposes for which levy money can be spent by HortNZ, according to the requirements of the individual crop organisations.

Table 2. The activities carried out by the NZ crop associations

Levy on vegetables and fruit	Levy on fresh vegetables (HortNZ associated with Vegetables New Zealand)	Levy on fresh tomatoes (HortNZ associated with TomatoesNZ)	Levy on process vegetables (HortNZ associated with Process Vegetables NZ)
research and development			
market development and promotion	market development	market development and promotion	market development and promotion
development of quality assurance			
education and training			
information and communication			
day-to-day administration of HortNZ	day-to-day administration of the product group	day-to-day administration of the product group	day-to-day administration of the product group
grower representation			
	domestic promotion		

The information in the table above corresponds with the provisions of the Commodity Levies Order 2013 and includes the basic levy, plus the additional levy paid by some specific sectors.

The 2019 order covers the basic levy only. The new list of purposes for which levy money may be spent by HortNZ builds on the previous one but with some additional activities (highlighted in blue).

Table 3 shows the combinations of basic levy and group product levy payable by each group.

Table 3. HortNZ levy rates

TABLE 3 – VEGETABLE LEVY RATES, COLLECTED BY HORTNZ

Vegetable	Fresh Vegetables – Domestic	Fresh Vegetables – Export	Potatoes	Fresh Tomatoes	Process Vegetables	Asparagus	Process Tomatoes	Export Squash	Onions
HortNZ	14c	14c	14c	14c	14c	14c	14c	14c	14c
Product Group	30c	20c	*	35c	50c	*	*	*	*
Levy	44c	34c	14c	49c	64c	14c	14c	14c	14c
(per \$100 of sales)	0.44	0.34	0.14	0.49	0.64	0.14	0.14	0.14	0.14
Levy									
(% of sales)									

* = not collected here

HortNZ services

HortNZ provides a range of services to the product groups and district associations. These include:

- Information on legislative and regulatory initiatives from central and local government, and the dissemination of information from product groups and district associations
- A coordination service for product groups and district associations on agreed common public policy issues and interests
- Dissemination of information to product groups and district associations on offshore regulatory initiatives and processing information from product groups and district associations
- Agreeing contracts for the provision of services, to product groups and district organisations

ix. HortNZ strategic review

HortNZ undertook a strategic review of its work with product groups. The aim was to enhance the collective effort by removing duplication and increasing joint-working arrangements.

The strategic review identified where expertise resided in the different organisations and how that expertise could be used for the benefit of the overall grower base. As a result, HortNZ's focus on international trade now sits with the product groups to allow them to pursue their specific sector's needs.

HortNZ continues to part-fund the biennial trade barriers report, which provides a commentary on the current issues facing NZ exporters (see extract below). This is an important reference document used by the Government and industry alike.

"The European Union, India, Japan, and South Korea are the countries we pay the highest tariffs to. With the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) coming into force, tariffs in Japan are eliminated. Also, the Government is involved in trade negotiations with the European Union, India, and South Korea. By the time of the next report, there will be significant improvements."

x. HortNZ publications

HortNZ publishes two industry magazines – *The Orchardist* and *NZGrower*.

xi. New Zealand GAP

HortNZ runs the country's assurance scheme – New Zealand GAP – a product certification programme benchmarked to GLOBALG.A.P. About 80% of the produce grown in New Zealand is covered by this assurance certification programme. The system is intended to allow growers to meet the certification requirements for a range of customers in New Zealand and overseas. It is aligned with New Zealand regulatory standards and includes standards for food safety, health and safety and environmental management. The system also provides a framework to meet local regulatory obligations and enables growers to supply fresh produce to New Zealand customers that require a GAP certificate.

This is an interesting contrast to the UK situation, where growers are faced with a multiplicity of assurance schemes, each one run by a separate organisation.

xii. Plant & Food Research

Plant & Food Research is a New Zealand government-owned research institute. New Zealand has a long history of plant and food research, dating back to the early twentieth century. Plant & Food

Research was established in 2008, following the merger of former CRIs Hort Research and Crop and Food Research.

The agri-food industry is one of its major customers, but the customer base also includes government departments, industry bodies and commercial businesses. It works with its customers to create R&D programmes that help develop the world's best food production systems – addressing challenges including environmental sustainability, enhanced crop production, protection from pests and diseases, reducing waste and understanding the consumer.

Its services are not confined to New Zealand businesses. It has an international network, meaning it can work with global business in overseas markets, helping them to create resilient food supply chains.

The organisation is funded from four major sources: commercial contracts, competitive government funding, core funding from the New Zealand government and commercialisation activities such as royalties.

It works closely with industry bodies, such as HortNZ and Biosecurity and Horticulture Australia Limited, to develop research programmes for the horticultural industry. Consequently, it is a major research provider to grower organisations in New Zealand and internationally.

In addition to funding from customers and government, Plant & Food Research generates revenues from royalties and licensing fees and through the commercialisation of its science. Turnover is around \$NZ170m, split broadly in equal shares between government funding, commercial services and income generated from royalties and other IP.

There is no equivalent of Plant & Food Research here in the UK. Instead, in the UK, R&D contracts are spread across a range of contractors, each with their own motivation for taking an interest in R&D in the fresh produce sector.

Plant & Food Research has a very clear position that science can create a better future. It takes the view that finding smarter, greener options today will help to secure 'the world we want to live in tomorrow'. And by working with partners using world-leading science this will improve the way we grow, fish, harvest and share food. By contrast, most of the fresh produce interactions with research establishments would be more transactional and less aspirational.

Interestingly, the closest example for the role fulfilled by Plant & Food Research would be Wageningen University in the Netherlands, which has a not dissimilar focus on healthy food and a living environment. It is worth making the point that many growers in the UK would regard the Dutch approach to fresh produce production to be world leading.

Both Plant & Food Research and Wageningen University provide each country with a well-resourced R&D base. In contrast, the UK has a fragmented and often underfunded R&D base. This should be an area of real concern for the UK industry, given the scale of future challenges around crop protection, soils, climate change and sustainability.

xiii. Federated Farmers

It is worth including a note about the mainstream agricultural representative organisation – Federated Farmers. Federated Farmers does not directly represent horticultural interests or HortNZ, although some growers pay a voluntary membership, where they have interests not represented by HortNZ, such as dairy and livestock.

xiv. Biosecurity

Biosecurity is a vital issue within New Zealand. Protecting both the nation's natural capital and its economic interests from harm by non-indigenous pests, diseases and plants is a key driver for all interested parties. It is interesting to compare the experience of arriving in New Zealand to arriving in the UK. All arrivals into New Zealand are shown a video outlining the rules on biosecurity and the fines for any breaches. The video is a precursor to a signed declaration of compliance with the country's biosecurity rules. Once off the plane, all visitor luggage is subject to an X-ray analysis.

The reason for this level of attention to movements into New Zealand is the numerous threats to New Zealand's biosecurity, which have cost the New Zealand economy billions of dollars. The spread of *Pseudomonas syringae* pv. *actinidiae* (Psa) in kiwi fruit and the growing threat of the brown marmorated stink bug are two cases in point.

Following the Psa crisis in the kiwi fruit industry, in 2016, the Ministry for Primary Industries and key horticultural partners signed the Government Industry Agreement (GIA) for Biosecurity Readiness and Response. The main objective and outcome was to allow the signatories to work collaboratively to prepare for, and respond to, biosecurity risks. The aim of the GIA is to reduce the risk and actual harm caused by the entry and emergence of unwanted organisms to the New Zealand environment, primary sector and community.

Signatories included: Kiwifruit Vine Health Incorporated & the KVH Foundation; New Zealand Pork Industry Board; Pipfruit NZ; Onions New Zealand; The New Zealand Forest Owners Association; NZ Avocado Growers' Association; New Zealand Citrus Growers; Tomatoes NZ; Vegetables New Zealand; Potatoes New Zealand; and Dairy New Zealand.

The agreement is a further example of the partnership between government and industry which creates a structure to act when outbreaks occur. A key reason for the success stems from an agreement on funding involving a 50:50 government/industry split. The partnership also allows for shared decision-making.

The GIA partnership is a cross-sector organisation responsible for dealing with all pests, diseases and weeds. The costs of NZ\$700K will be funded for the first four years by the New Zealand government and then shared on a 50:50 government/industry basis.

Funds to deal with future biosecurity problems are created by industry, in some instances through the allocation of the government-agreed commodity levy.

The importance New Zealand places on biosecurity is illustrated by the annual New Zealand Biosecurity Awards, sponsored by the Ministry for Primary Industries. The New Zealand government regards biosecurity as an extremely important issue and one to be celebrated by all New Zealanders by protecting their country from a growing number of biosecurity risks.

xv. Access to people – the Recognised Seasonal Employer (RSE) scheme

Access to a sufficient pool of labour to meet growing industry demand was a major issue for most of the businesses visited during the trip. Much of the attention focused on the Recognised Seasonal Employer (RSE) scheme, similar in some respects to the UK Seasonal Agricultural Workers Scheme (SAWS), set up in 1945. The government-approved RSE scheme allows horticulture and viticulture businesses to recruit overseas seasonal employees in the absence of readily available workers from New Zealand.

In 2018, HortNZ conducted an industry-wide survey to determine the scale of the issue, which led to the publication of a model of labour needs for the next five years. The model highlighted the increasing need for labour and the growing reliance on the RSE scheme.

When the scheme was established in 2007, a cap was set at 5,000 places, but the success of RSE has led to demands for an increase in numbers every year and the cap was increased from 5,000 to 14,400 in 2019 and maintained at that level in 2020.

To qualify for the scheme, recruits must generally come from designated Pacific countries, including:

- Fiji
- Kiribati
- Nauru
- Papua New Guinea
- Samoa
- Solomon Islands
- Tonga
- Tuvalu
- Vanuatu

Workers need to meet health and character requirements and provide evidence of arrangements to leave New Zealand at the end of their stay.

RSE employees can stay in New Zealand for up to seven months in any eleven-month period, although workers from Tuvalu and Kiribati can stay for nine months due to the distance from New Zealand and travel costs.

Before the introduction of the RSE scheme, growers relied upon the extensive backpacker and student community, but pickers frequently moved on as the draw of seeing more of the country pulled them away, often after only a few days' work.

A group of Otago growers, disillusioned with the use of backpackers after seeing their crops go unpicked in successive years, set up the first pilot to bring employees from the Pacific Island of Vanuatu. This led to the creation of the RSE. The RSE is the biggest formal overseas worker scheme in the country and operates with two clearly defined aims: 1) to fill the labour gap during the busy harvest seasons, and 2) to boost Pacific economies.

A 2014 study put the total earnings of just Vanuatu RSE workers at about NZ\$130m in a single year. The scheme has enabled fruit and wine producers to double the value of production and exports since the inception of the scheme. One of the highlights of the scheme is the encouragement for returning employees. As a result, some employees are now in their thirteenth season.

Initially, the scheme encountered several problems, including racism and allegations that RSE workers were taking roles away from New Zealanders. Despite these issues, the scheme has proved an overwhelming success, creating a win-win for employees and employers alike. Evaluation of the policy is available here: http://www.cuts-geneva.org/pdf/TAF087_NZ-recognized-seasonal-employer-scheme_policymaking-lessons.pdf

In the report's conclusions, it states: "The Recognised Seasonal Employer scheme is a remarkable example of how evidence-based policy should work and be developed. It represented a fairly fundamental change of direction within New Zealand and has proven both effective and durable."

xvi. HortNZ careers promotion, education and training

The New Zealand education system has many similarities to that in the UK. New Zealand has eight state-funded universities, 16 Institutes of Technology and Polytechnics (ITPs), unified into the New Zealand Institute of Skills and Technology (NZIST), and about 550 Private Training Establishments (PTEs). There are approximately 11 organisations offering post-18 education in horticulture.

New Zealand and the UK share several common issues. Public perceptions of their horticultural industries mean that they are not seen as preferred destinations for first-choice careers. This results in a lack of new talent, particularly at supervisor and management level. New Zealand also mirrors the UK in terms of falling student numbers and the viability of horticultural courses.

6. Key elements of the NZ industrial training scheme

i. Tertiary education

New Zealand tertiary education (ages 13–18) is based on the achievement of the National Certificate of Educational Achievement (NCEA). The UK is soon to launch its new T Level qualification structure with T levels for horticulture. New Zealand offers a similar qualification within its main qualification framework. These qualifications at level 2 and 3 are available to students from 16 onwards. They also provide an entry route to higher qualifications or straight into industry, as well as a taster to the industry. A key aspect of the New Zealand approach is to provide students with an insight to the industry while still within mainstream education.

ii. Further education

The New Zealand horticultural industry has access to a further-educational structure (post-18), based on a structure of technical colleges and technically orientated polytechnics offering practical certificate and diploma-level qualifications from level 2 upwards.

iii. Higher education

Higher education qualifications up to master's and PhD level are provided by several universities, although the majority of students attend either Lincoln or Massey University.

iv. Apprenticeships

Horticultural apprenticeships feature strongly in New Zealand horticulture. Recruitment of both apprentices and employers is managed through the scheme 'Let's Grow', which recruits and places up to 100 apprentices each year. The scheme operates under the Industry Training Organisation (ITO) – a joint government/industry-funded (up to 20%) organisation. Its role is to coordinate training on behalf of industry. The ITO also involves other parties, including education and training providers, funders, as well as government.

A major weakness of the system is the lack of industry promotion, resulting in a lack of new entrants. This is a cause for concern to the industry and associated training and learning organisations – a situation not dissimilar to the UK.

HortNZ secured government funding for a new role of Careers Progression Manager (CPM) in the Northland area of New Zealand. Maria Fathollahi is the first Northland Careers Progression Manager. Her post is funded jointly by the New Zealand government and local horticultural enterprises. The role is based in a centre of horticultural production, with the aim of addressing the gap between secondary education and post-16 training. Ultimately, the aim is to provide both higher- and further-educational establishments and industry with a source of new entrants.



7. Horticulture and potatoes in the UK

UK horticulture is broadly similar in scale to NZ horticulture. It represents 1% of farmed land area and 20% of farmgate value. With the addition of potatoes, the area increases to 2% of farmed land area and 25% of farmgate value. The sector employs over 100,000 people, of which 70,000–80,000 work in seasonal roles. Worker productivity has more than doubled overall between 2000 and 2016.

Over the past 30 years, there has been a significant change in horticultural cropping plans.

i. Changes in UK production

Tables 4 and 5 show the gradual decline in area used for horticulture, and in the case of vegetables, the declining share of the UK market.

Table 4. Field-scale vegetables

Year	Area in 000 ha	Production in 000 tonnes	% age of total supply
1988	175,000	3,287	82%
1995	154,000	2,906	72%
2005	120,000	2,826	59%
2017	146,000	2,840	56%

Source: Defra

Table 5. Fruit

Year	Area in 000 ha	Production in tonnes	% age of total supply
1988	44,000	435,000	17.6
1995	36,000	403,000	14.8
2005	27,000	529,000	10.3
2017	29,000	742,000	16.2

Source: Defra

The lack of subsidy and relentless commitment to reducing costs and increasing productivity has made the sector dynamic, ambitious, forward-thinking and market-focused, but there is a limit to the extent to which the industry can continuously respond to the demand for ever-lower food prices.

The UK has a significant domestic market of 68m consumers, in marked contrast to the New Zealand domestic market of 4.8m consumers. Servicing this domestic market has become the primary focus for the UK horticultural sector. The combination of retail, foodservice, food manufacture and wholesale will account for virtually the entire UK production of fruit and vegetables and significantly more besides. But the main destination for UK produce is the UK multiple retailing sector, generally regarded as one of the most competitive retailing environments in the world.

ii. UK growers' share of the UK market

The graph below shows the level of market share supplied by British Growers Association growers as at 2018.

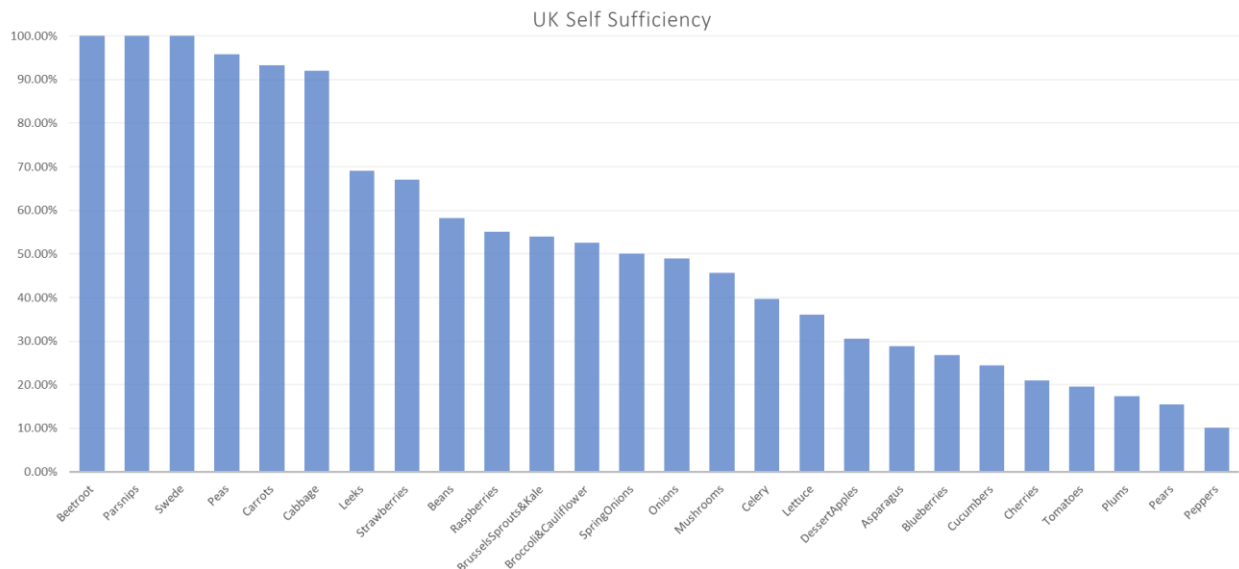


Figure 1. The UK growers' share of the UK market (Source: British Growers)

iii. Imports of fruit and vegetables to the UK

The UK is a net importer of fresh produce. The value of fresh produce imports amount to £6.5bn. Unlike New Zealand, UK exports only amount to £0.3bn. The major exports are seed potatoes, apples and pears and hops.

The graphs below show the value of fresh produce imports and exports for 2014–2019.

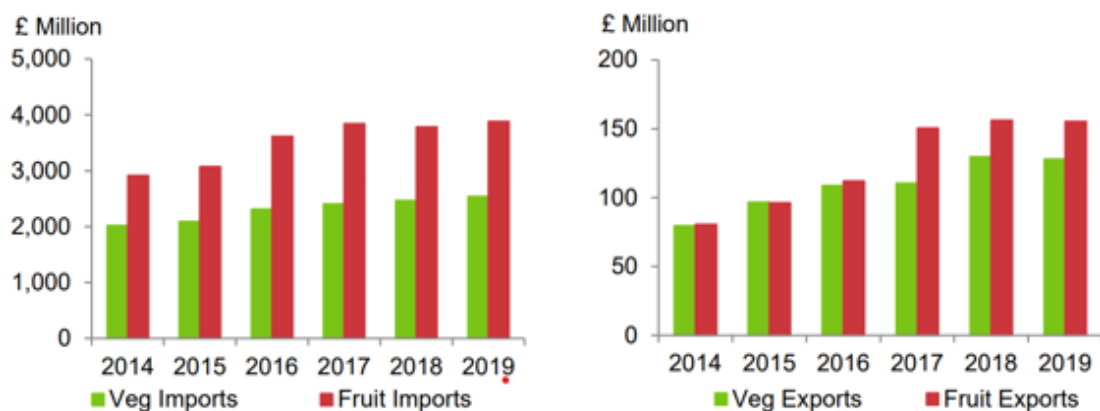


Figure 2. (left) Imports of fruit and vegetables into the UK (Source: Defra)

Figure 3. (right) Exports of fruit and vegetables from the UK (Source: Defra)

iv. Origins of exports to the UK

The graphs below show the main exporters of fresh produce to the UK.

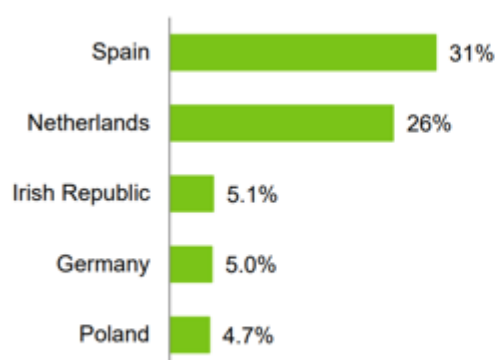


Figure 4. (left) Vegetable imports by country as percentage of total value (Source: Defra)

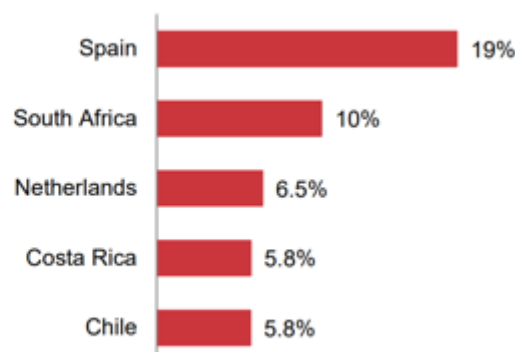


Figure 5. (right) Fruit imports by country as a percentage of total value (Source: Defra)

v. UK self-sufficiency, market share and imports

The current levels of UK self-sufficiency, market share and imports need careful analysis to arrive at the right conclusions and identify where and what the future opportunities are.

Recent policy statements about the need to increase the UK production of fruit, vegetables and nuts (Soil Association 'Grow Back Better' and the Food and Farming Commission report 'Our Future in the Land') deal with the issue in macro terms and certainly point in the right direction of more production. However, a more detailed analysis is required to understand how UK horticulture could, and should, respond to calls for increased production in a sustainable and profitable way.

There are several reasons why the UK has come to rely on a disproportionate amount of imported fruit and vegetables. With a few exceptions, fruit and vegetable production is generally a spring/summer activity, supplemented by increasingly sophisticated storage techniques which enable UK producers to supply products such as onions, apples and pears for the majority of the year. While in normal years there are good supplies of fruit and vegetables in season, once the season ends, the UK switches to imported product to maintain continuity. In addition to the spring crops, we generally have a good supply of overwintered crops, cauliflower, savoy cabbages, kale, Brussels sprouts and leeks.

The UK is a net importer of many key crops, such as mushrooms, celery, courgette, lettuce, beans, apples, asparagus, cherries, cucumber, tomatoes, pears, plums and sweet peppers. With the exception of mushrooms, the simple explanation for importing these products is because the UK season is comparatively short, and while the UK can meet the majority of its demand during the season, consumers expect to see these products in store year-round, hence the need to import from countries with different climates and in different hemispheres.

The UK imports significant volumes of fruit and vegetables for processing and there is a question over why these cannot be produced here in the UK. Generally, it is a price issue. Lower labour costs often mean that produce can be grown more cheaply overseas and, arguably, consumers are less discerning about country of origin once a product has been processed.

Looking at the import and export statistics for fruit and vegetables in the UK, it would be easy to conclude that there is a big opportunity to expand UK production, but for reasons of seasonality and

consumer preference for products out of season, the situation needs careful analysis to ensure any future expansion is viable and profitable and does not result in oversupply.

8. Where are the opportunities for UK horticulture?

i. Diet and health

The UK should be entering a golden era for fresh produce production. The impact of diet on health, how we live and what we eat is becoming an increasing priority for both government and society. With 60% of the UK population classified as clinically obese, there is a big opportunity for the UK to rethink its national diet. We know that only 18% of adults consume the daily recommended amount of fruit and vegetables. The average person consumes 3.7 portions of fruit and vegetables a day, compared with the recommendation of five. And only 18% of children aged 5 to 15 are consuming the recommended amount. In summary, we need to consume more fruit and vegetables and for UK horticulture this should represent an opportunity to increase output.

ii. Import substitution

Figures 1, 2 and 3 (p. 27) underline our reliance on imported fruit and vegetables. As explained earlier, these figures require some interpretation to ensure the right conclusions are drawn. For example, our heavy reliance on imported fruit is due to the most popular fruits consumed in the UK being bananas, grapes and citrus. Increasingly, consumers expect to see a full range of products, irrespective of season and where in the world these are grown.

However, there are examples of crops where the UK could expand its production and reduce reliance on imports. Probably the best example is mushrooms – a crop grown in a controlled environment which doesn't benefit from daylight and where the main competitors for UK market share are Ireland and Poland. Neither country has an obvious climatic advantage, although arguably Poland benefits from lower labour costs.

It is not possible to substitute all our imported product with UK production, but there are opportunities to increase the volume supplied into the UK market by UK growers, thereby reducing the reliance on imports.

iii. Exports

The main focus for UK producers is on the UK domestic market. Historically, our exports of fresh produce have been relatively small compared with imports. However, the UK's reputation as a high-quality, high-provenance producer of food could put it in a commanding position for countries wanting products produced to high ethical and environmental standards. This is particularly true for products which have iconic British status – apples, cherries and asparagus. The New Zealand model which actively promotes New Zealand fresh produce in parts of the world wanting high-quality, high-provenance produce is a good indicator of what could be achieved.

iv. Environmental sustainability

It is worth looking in more detail at those countries which are major suppliers of produce to the UK, and in particular countries classified as water-scarce, and asking if there are opportunities. The average water content of fruit and vegetables is circa 90%. At some point, producers, importers and consumers need to ask the question – is it sustainable to import large volumes of water in the form of fresh fruit and vegetables from countries which are already short of water? Or should that product (as far as our climate will allow) be grown here in the UK, where, in most seasons, there is a reasonable supply of water, or substituted for alternative products which can be grown in the UK?

UK producers are among the best in the world in terms of environmentally sensitive production. That is not to say that more couldn't be achieved, but the UK's system of assurance schemes, coupled with retailer standards, ensures production is carried out in a way which seeks to minimise any negative impact on the environment.

v. Automation

Labour is a significant part of total production costs in fresh produce. For some crops, asparagus and spring onions where most of the work is done by hand, labour costs can represent as much as 60% of total production costs.

Robotics and greater levels of automation are the Holy Grail for many parts of the industry, not just in the UK but around the world.

A major challenge for the wide-scale introduction of robotics and automation is developing systems which are commercially viable for manufacturers, suppliers and growers. The market for automated systems in horticulture is relatively small. In all probability, the infrastructure needed to support automated harvesting systems will mean that this technology will only be available to the larger growers and those with smaller operations will continue to rely on manual labour.

vi. The barriers

Having identified the opportunities, what are the barriers that prevent UK horticulture realising its full potential in fresh fruit and vegetable production?

vii. Labour

The success of some parts of the UK fresh produce industry is highly dependent on the supply of seasonal labour for harvest and various other roles. The industry estimates the number of roles in the fresh produce season is around 70,000. The highest demand for labour during the year is June and July, when berry, salad and summer brassica production reach their peak.

UK producers have become increasingly reliant on Eastern Europe for sourcing seasonal workers. The background to this situation goes back to 1945, and the introduction of the Seasonal Agricultural Workers Scheme (SAWS), which allowed students from designated countries to come to the UK to work on farms. The scheme successfully provided a pipeline of committed and willing staff who could earn substantial amounts of money, which helped fund their passage through university.

With the accession of the A8 countries into the EU in 2004 and the right to freedom of movement, the scheme was scrapped in 2013. Under the freedom of movement entitlement, UK growers (like growers across the EU) were able to attract seasonal staff from Eastern Europe with offers of good pay and conditions.

Since the EU referendum in June 2016, sourcing European staff has become a major issue for numerous UK businesses, and not just those operating in fresh produce. Despite extensive attempts to recruit UK nationals, it is evident that securing and retaining a local workforce is challenging, costly and unreliable.

At the end of 2020, the Home Office and Defra announced an extension of the seasonal worker permit scheme and an increase in the number of permits from 10,000 to 30,000.

There are several parallels with the labour situation in New Zealand, where growers experienced similar issues on labour availability, which led to the creation of the RSE.

viii. Crop protection

The UK operates a highly regulated system of authorising crop protection products, underpinned by alignment with EU principles and regulation. Despite leaving the EU, this approach is likely to last until such time as the UK implements its own registration system. The greatest complaint from UK growers about the current regulatory approach is that it uses hazard rather than risk as the basis for regulation.

Consequently, there has been a steady process of product withdrawal, without equivalent alternatives which offer comparable levels of effectiveness or protection. Without access to a wide range of products with which to combat an extensive range of pests, weeds and diseases, there is a significant increase in grower risk. Establishment costs in fruit and vegetable crops are significant and where crop is lost to pest or disease attack, losses are substantial.

Over the next decade, there is likely to be a switch from conventional chemistry towards an integrated pest management (IPM) approach, with the inclusion of biological controls. However, as with automation, there is a question mark over the commercial viability of registering products for a wide range of fruit and vegetables when the volume of sales will be comparatively small.

The risks associated with fresh produce production are significant. Meeting retailer specifications on size, appearance, colour, quality and freedom from damage is difficult at the best of times. With reduced access to products capable of controlling the full spectrum of pests and diseases, growers face a higher level of risk and greater possibilities of consignments of products being rejected by customers.

ix. Margins

Arguably, the biggest issue facing UK growers is the intense competition among retailers and the relentless downwards pressure on grower returns. The graph below, showing the retail price of the UK's most popular vegetable – peas – illustrates the point.

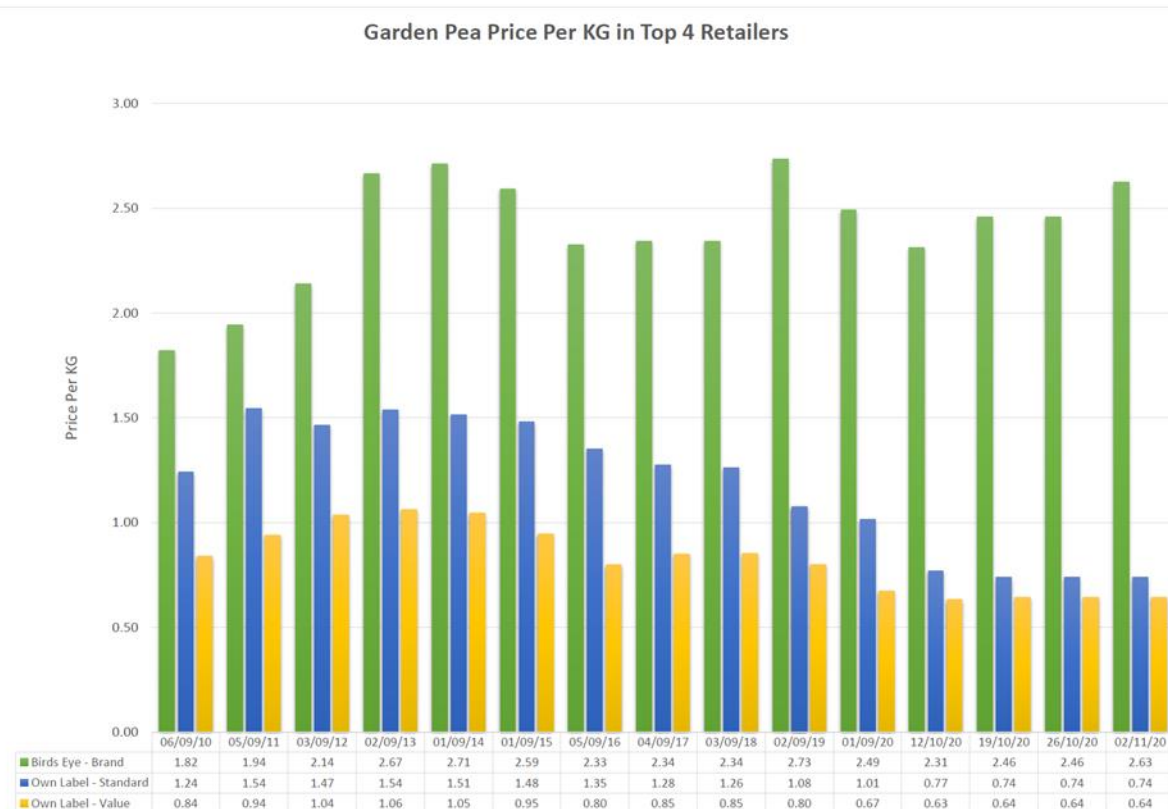


Figure 6. The retail price of garden peas

Although this graph illustrates the price trend in garden peas, a similar pattern would emerge for most crops supplied by UK growers. With increasing year-on-year costs, particularly labour, grower margins are under constant pressure and limit the scope for future investment.

The lack of margin is a significant disincentive for UK growers to invest in the production of fruit and vegetables and a further reason for the high volume of imports to the UK.

Although margins in New Zealand were not universally high, it was evident for crops such as kiwi, apples and hops, where strong export markets and the use of grower-owned and -controlled marketing desks ensured good returns for growers, there was a significant appetite for reinvestment.

x. Trade negotiations

We know that New Zealand, along with Australia and the USA, are priorities for new trade agreements and are likely to be among the first agreements signed by the UK following its departure from the EU.

It is worth reflecting on some of the comments set out in the 'UK approach to negotiating a Free Trade Agreement with New Zealand'.

The Government recognises the concerns about food standards and animal welfare. The Government has offered an assurance that now the UK has left the EU, it will decide how it sets and maintains the UK's standards and regulations and is clear that it will not compromise on the high standards of food safety and animal welfare which exist in the UK.

The UK's reputation for high-quality food and agricultural products is recognised internationally and underpins the UK's success in food exports.

We welcome the Government's commitment that any trade agreement with New Zealand must work for UK consumers, farmers and companies and that the Government will strongly defend its right to regulate in these areas and protect the public interest.

The creation of a new trade agreement with New Zealand and the removal of barriers and tariffs could enable New Zealand producers to supply UK retailers at a lower cost relative to domestic producers.

Although the primary concern is around meat and dairy products, the concerns also stretch to fruit and vegetables, where, according to the Government analysis, New Zealand has a comparative advantage.

Historically, New Zealand producers enjoyed strong links with the UK, but the UK's entry to the EU changed the New Zealand trading relationship, to the detriment of New Zealand producers. New Zealand is an export-orientated country and will certainly look closely at opportunities to regain UK markets once a Free Trade Agreement is in place.

Being countercyclical in seasonal production, New Zealand product coming to the UK would most possibly end up competing with produce imported from one of the 90+ countries which already have access to UK produce markets through existing EU trading arrangements. This potentially makes the UK a less attractive proposition than China and South Asia, where New Zealand produce has found enthusiastic and profitable markets.

While in New Zealand talking to growers and exporters, it did not go unnoticed that they held the same view of the UK retail environment as many UK growers; notably, that it was possibly the toughest market anywhere in the world and there were easier and better markets where New Zealand growers could make a living.

The Government's analysis of the impact of any future trade agreement includes comments from several respondents to the consultation suggesting that imports from New Zealand may compete unfairly due to perceptions of lower production standards in operation there. This was not our experience and, from the examples we were shown, it would be fair to say that New Zealand producers operate to standards comparable to those in the UK. And if and where any changes were necessary, growers were more than capable of adapting to meet those standards.

In many ways, New Zealand growers have similar attitudes to British growers in their determination to produce to the highest standards to build a global reputation for excellence in fresh produce production.

xi. Are there opportunities for UK growers?

With a market of 4.8m consumers in New Zealand and a UK market of 68m consumers, substantially undersupplied with UK produce, the probability is that UK growers will continue to focus on the UK market rather than seeking to compete with New Zealand production in New Zealand markets.

However, our countercyclical production cycles and comparable standards in food safety and sustainability could open up collaborative opportunities to offer 52-week supplies of British and New Zealand fresh produce to new markets looking for high-quality and high-provenance fruit and vegetables.

xii. Effecting change

The combination of the UK's exit from the EU, the creation of a new agricultural policy specifically for the UK and the imperative of improving the nation's diet and health status should represent a golden opportunity for UK horticulture.

This section of the report looks at the practical options open to both industry and government and what changes might be made to realise the opportunities that lie ahead.

xiii. Creating a shared vision

The UK horticulture industry needs a shared vision about the opportunities for the future. This could be achieved by following a simpler strategy model.

Simple strategy model

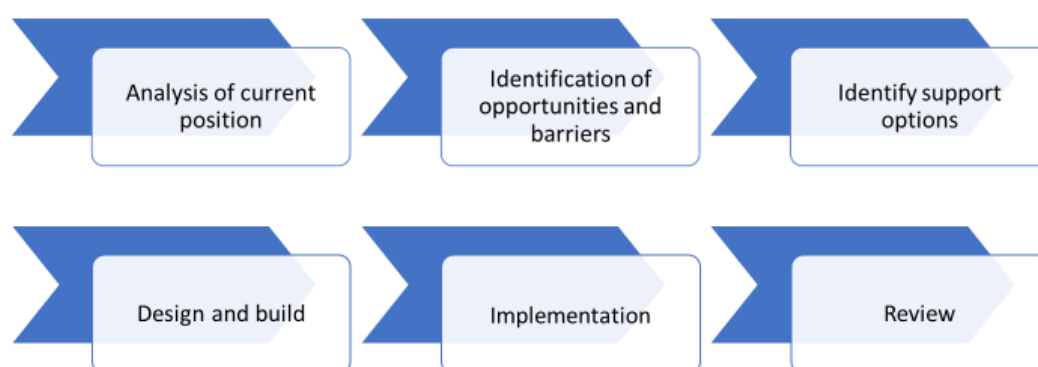


Figure 7. Strategy model of determining a future road map for the UK horticultural industry

To create a strategy and road map for the future, the industry needs a clear view of where it is heading and what its longer-term goals should be. To achieve this, the industry needs to undertake a crop-by-crop analysis to identify the opportunities and barriers. A group of organisations has now started this process and a copy of a working draft of its opportunities matrix is included in Appendix 1.

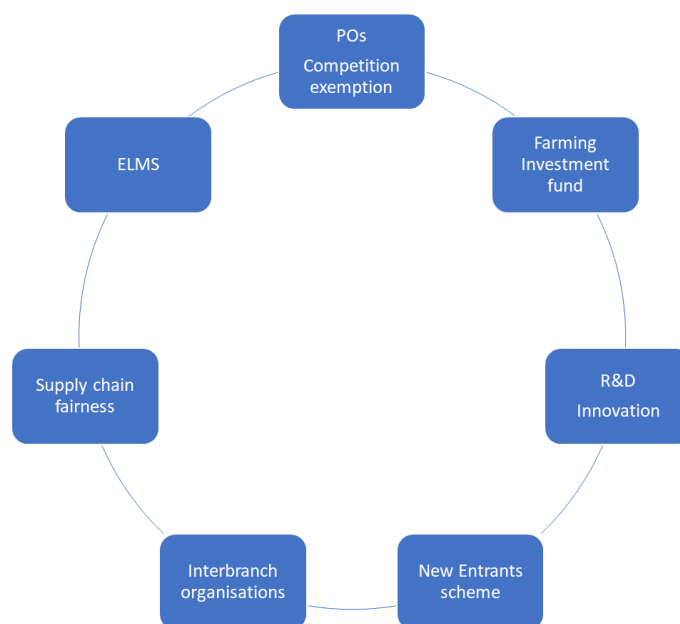
The opportunities matrix should result in a macro overview to guide future support and activity and ensure the maximum return on any publicly funded investment.

Having analysed the current situation and identified the opportunities and barriers, the industry needs to work with government to agree and create the tools necessary to deliver that vision.

xiv. Options under the Agriculture Act

The new Agriculture Act has several elements which could be applied for the benefit of UK horticulture and in support of a wider overarching industry strategy. These can be broadly summarised as in the following graphic.

Agriculture Act Policy Levers



Over the next seven years, funding will be progressively withdrawn from the Basic Payment Scheme and new schemes will take its place with more specific targets and outcomes.

The following sections highlight areas of the Agriculture Act which could be utilised in the delivery of a UK wider horticultural strategy.

Section 1 (2) – Multi -annual budgets

The creation of multi-annual (3–5 years) match-funded productivity support schemes would give growers confidence to invest and allow them to compete with the continued funding available to EU growers through the EU fresh fruit and vegetables regime.

One of the major benefits of the current PO scheme has been the security of funding over a period of time. This approach creates the time and space for the design and implementation of a more strategic approach to investment in the sector.

Under the productivity initiative, the Government has announced a series of support measures through the Farming Investment Fund. This presents a new opportunity for growers to access funds for capital investment. The wider vision for the industry would help to inform which areas of capital investment would deliver the maximum return on these public funds.

Section 27 I – Fair-dealing obligations

One of the biggest challenges facing UK growers is the lack of margin and the pressure created by the competition between the major retailers. This new section in the Agriculture Act creates the possibility of measures to address the imbalances across the supply chain.

Section 28 – Producer and interbranch organisations

The PO system has served parts of the industry well since its introduction in 1998. The industry needs to discuss with government how a new generation of POs could be introduced to continue the successes generated by the EU-funded Fruit and Vegetables Aid Scheme.

The concept of interbranch organisations could encourage better partnerships between growers and processors. Northern Europe has a more advanced vegetable processing operation than the UK. With the right support, it could be possible to replicate that success here in the UK.

xv. Contributing to improvements in diet and health

There should be an agreed collaborative programme of work with industry, NGOs (Food Foundation), the Department of Health and Defra on a multi-department strategy to make the consumption of fresh fruit and vegetables a major part of any future initiative to improve the health of the nation.

xvi. Promotion

Collaboration across all sectors of the supply chain is needed to create a coalition of growers, suppliers and retailers to capitalise on the current wave of interest in plant-based foods and the increasing importance of fruit and vegetables in a balanced diet.

One of the outcomes of the coalition should be to seek to change the perception of all fruit and vegetables as a commodity product to one akin to superfood status.

xvii. Exports

The current export of fresh fruit and vegetables is comparatively small, but as the UK secures new trade agreements around the world, the industry needs to work with DIT to identify new opportunities for the proactive export of UK fruit and vegetables, particularly to specific overseas premium markets.

The industry needs a coalition of growers and marketing desks to create an overarching export brand for UK fruit and vegetables. From here, individual marketing and grower businesses can develop their own marketing and sales strategy for the export markets they want to target.

xviii. Free Trade Agreements

As new trade agreements are negotiated, there will be opportunities for UK fruit and vegetables in these new agreements, particularly where there is a chance to access premium markets looking for high-quality produce from a known provenance. It is also important that Free Trade Agreements don't open the UK market up to unfair competition from imported produce which doesn't meet the high standards achieved by UK growers.

xix. Labour

The New Zealand Recognised Seasonal Employer (RSE) scheme provides a good model for adoption by the UK. A comparable scheme could combine the benefits of time-limited travel and work in the UK and at the same time help to meet the seasonal demand for labour.

The industry needs to work with Defra and the Home Office to develop a seasonal worker permit scheme (based on the existing pilot, taking policy-making lessons from the New Zealand RSE scheme). This should aim to provide adequate numbers of permit workers to enable growers to plan, and where appropriate expand, with confidence over the next five years and at the same time create managed opportunities for overseas workers to come to the UK on a time-limited basis.

xx. Attracting new entrants

The recent launch in the UK of The Institute of Agriculture and Horticulture (TIAH) is the first key step to providing a centralised signposting platform on horticultural careers and jobs and in attracting a continuous stream of new entrants to the industry. The key lesson taken from New Zealand is that there needs to be a single clear voice, speaking for the whole industry. Any organisation needs to speak for the industry if the message is to be clear and understandable to the key stakeholders of school leavers, careers changers, etc. The provision of a centralised organisation that is seen as the clear voice on promoting the industry within the highly competitive careers advice arena is essential, something the HortNZ model offers.

xxi. Training provision for the future

New Zealand has a similar system of further-education and higher-education facilities to the UK and has struggled in the past to provide a steady flow of new entrants to these organisations, leading to the loss of courses and provision. Therefore, a good and continuous flow of new entrants, driven by the activities of a centralised careers advice body, is key to having a successful training provision. This will provide the training establishments with optimism and confidence to enable them to invest in new and exciting provision and resources.

Previous talk has been around the provision of a centralised resource of specialist training provision for the horticultural industry. Such an ideal would potentially allow for more confident and larger investment in state-of-the-art resources required to train future horticulturalists. However, such a centralised resource is not the option favoured by the group, preferring a more distributed and localised offer across the UK that grows organically as the demand for provision grows through the work of TIAH. Such local provision can then adapt to the local horticultural specialism's needs and requirements that are often the accepted business model for that geographical area of the UK.

xxii. Research and development

The latest Government document – 'Pathway to Sustainable Farming' – has some interesting ideas for new and innovative ways of supporting near-market R&D. The announcement of this initiative was concurrent with the development of AHDB's new strategy and the levy payers' call for a ballot on the future of the compulsory levy in both horticulture and potatoes.

Following the outturn of the recent ballots on the continuation of compulsory levies for horticulture and potatoes in the UK, there are lessons to be learnt from the New Zealand experience on the existence of compulsory levies. A recent poll of growers put the support for HortNZ and its funding from compulsory levies at 80%. The reason for the contrast is the perceived sense of relevance and value which HortNZ delivers to its levy payers. This is in marked contrast to criticisms of the AHDB Horticulture system, where a lack of grower engagement and demonstrated value for money were often cited as reasons for rejecting the principle of a compulsory levy.

The industry needs a thorough review of its home-based R&D capability. The horticulture research base has suffered from chronic underfunding for many years, meaning the resources available to tackle practical issues are limited. In the UK, we have access to excellent researchers and world-class facilities, yet the organisations are fragmented and the lack of a joined-up approach to funding basic and applied work proves challenging. Any loss of funding could have serious implications on the future of applied research and development in the UK. If the UK wants to retain a recognised applied R&D base, alternative sources of funding will need to be found. As the industry tackles the key issues of climate change and long-term sustainability, the need for a strong R&D base with the necessary personnel will only become more evident and more important.

It is unlikely that the resources will be available to recreate a Plant & Food Research type organisation here in the UK, but there are lessons to be learnt from the New Zealand example, where a heavyweight and well-resourced organisation is delivering significant benefits to its fresh produce industry.

xxiii. Land management schemes

Under the Sustainable Farming Incentive scheme, it is important that there are options which are compatible with current fresh produce production systems. Top fruit is an obvious example with its virtually permanent rotation and close-to-zero carbon status. Systems need to be carefully worked out with industry to ensure they are relevant and don't fail through lack of engagement because the impact of signing up to the sustainability measures seriously compromise production.

xxiv. Speaking with a single voice

The report has talked about HortNZ sitting at the heart of the New Zealand fresh produce industry. This is not the situation in the UK, where the functions performed by the single HortNZ organisation are carried out by the NFU for representation, AHDB for near-market research and the British Growers Association for the operation of the individual crop associations. With the exception of the British Growers Association, the other two organisations have a wider involvement in conventional agriculture. The perception in parts of the fresh produce sector is that the bigger political priorities are determined by the sectors with the largest numbers (cereals, livestock and dairy), consequently the fresh produce sector is less effectively represented. Following the creation of AHDB and the merger of multiple levies delivering for crops and livestock, there is a perception that the 'voice' of horticulture has become lost in the mix.

When UK agriculture operated under the CAP and horticultural production fell outside its scope, the majority of the industry's political representation was focused on the supported sectors, milk, cereal, red meat and sugar. Interestingly, both poultry and pigs (two more examples of sectors which sat outside the CAP) have dedicated organisations which represent their specific interests.

There is a case for the fresh produce sector to secure a greater degree of autonomy over its affairs and follow the HortNZ model. This would require a significant leap of faith to make it happen. In light of the outcome of the AHDB ballot and the option to create something new has never been more accessible.

To provide the industry with the much-needed single voice, the NFU, British Growers Association and other key organisations should create a Memorandum of Understanding (MO) and act as one and on behalf of the best interests of UK horticulture.

xxv. The main organisations involved with UK horticulture (edible) (this needs to appear as a title rather than a para with a number

xxvi. The NFU

Industry advocacy is led by the National Farmers' Union (NFU) Horticulture and Potatoes Board operating within the Commodity Board and devolved structure of the NFU. The NFU is a membership organisation and growers pay an annual fee based on area and crop type. The board is supported by a dedicated team of three Horticulture & Potatoes Policy Advisers, plus specialist staff providing policy direction for the key cross-product areas, such as EU Exit (Agriculture Bill, Supply Chain Fairness, Trade Deals), Access to Labour, Water, Environment, Plant Health, Plant Protection and Producer Organisations. The NFU also provides retailer advocacy work.

xxvii. British Growers Association

A limited amount of specialist advocacy work and promotion is also carried out by over 20 individual crop associations which come together under the banner of the British Growers Association. These are all membership organisations; some of the larger ones (e.g. British Summer Fruits Ltd and British Apples and Pears Ltd) raise a production-based voluntary levy to fund consumer marketing and promotional work. In addition to the national organisations, there are several regional groups, e.g. Lea Valley Growers, West Sussex Growers, East Kent Fruit Society, West Midlands Top Fruit Discussion Group.

xxviii. The ornamentals sector

The ornamentals sector is supported by the Horticultural Trade Association (HTA), British Protected Ornamentals Association (BPOA), British Flower Growers Association, The Ornamental Horticulture Round Table Group (OHRTG), The Chartered Institute for Horticulture (CIH) and the Royal Horticulture Society (RHS).

xxix. Farm Assurance – Red Tractor

The certification of fresh produce in the UK is carried out by Red Tractor – an independent, not-for-profit assurance certification body. Red Tractor has a Fresh Produce Board (Horticulture & Potatoes) and Fresh Produce Technical Advisory Committee that oversee and deliver the fresh produce standards for the sector. The Red Tractor Fresh Produce standard is equivalent to GLOBALG.A.P.

xxx. AHDB Horticulture

AHDB raises a statutory levy on behalf of the horticulture sector. The current levy rate is 0.45% of turnover and collected from all growers with a turnover in excess of £60K. In 2019/20, the levy income for horticulture was £8.4m. The allocation of expenditure (over 75%) is predominantly invested in grower-led technical programmes (50% on R&D and 26% on Knowledge Exchange programmes). The balance covers communications (publications, events and digital e-comms), market development, export, supply chain integration, market intelligence and sector-specific admin.

The ballot carried out in 2021 calls into question the role of a statutory levy and provides an opportune moment for the sector to rethink and reimagine what it wants from the future and how best to invest in R&D and other activity, such as promotion and/or export.

This may be the moment to reconsider the proposals presented in the Radcliffe report and ask if the current approach is still relevant or if a new approach is required.