



REGIONAL HERBAL INDUSTRY

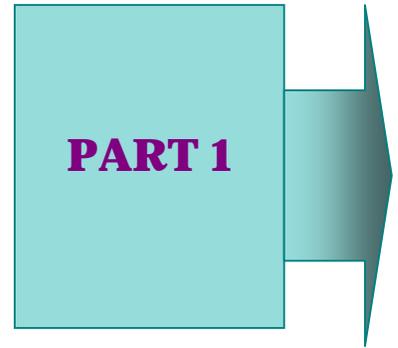
STRATEGIC DEVELOPMENT PLAN

A project of Invest Northern Rivers in partnership with the Area Consultative Committees, the NSW Aboriginal Lands Council, the Department of Transport and Regional Services and the NSW Department of State and Regional Development.

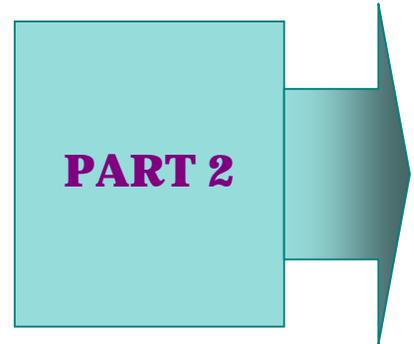


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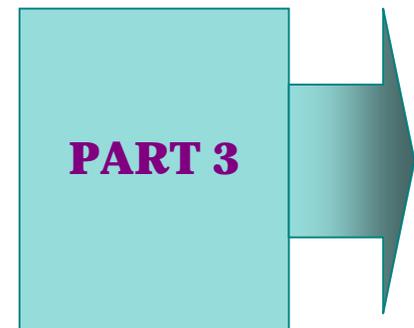
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REGIONAL HERBAL INDUSTRY STRATEGIC DEVELOPMENT PLAN



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PART 1

INDUSTRY DEVELOPMENT

OVERVIEW

Industry Development Overview

Background to Plan Development

This Industry Development Plan relates to the establishment of an integrated and coordinated herbal industry across three regions of Northern New South Wales. The regional areas are Northern Rivers, Australia's Holiday Coast and the North West New England.

The production of herbs for culinary and medicinal herbs has been practised for some time in the regions. The Northern Rivers has been the driver for the development of Organic herb growing practises and the diffusion of these to other parts of Australia. There have been a number of developments in recent years relating to the production of medicinal herbs with echinacea being the major initiator. The New England has a small number of relatively large production units for the growing and drying of medicinal herbs that are supplied to the producers of herbal medicines.

The coastal regions have seen considerable activity in emerging new crops including the production of traditional Western crops but more noticeably in the use of endemic plants. These endemic plants have been cultivated for essential oil, fruit, herbs and medicinal extracts. Two crops Tea Tree (*Melaleuca alternifolia*) and Lemon Myrtle (*Backhousia citriodora*) are well known and have reached significant commercialisation. However there are many others that are developing some market interest due to the efforts of local pioneers.

While the regions have been recognised as having the potential to become a significant supply source of herbs and herbal extracts there has never been a significant supply chain developed to service the various market segments and compete with the imported products. This Industry Development Plan was initiated as a means of bringing together stakeholders who could contribute to the creation of a planned approach to long term Industry Development as a coordinated supply chain. The initial focus was on medicinal herbs and particularly their placement of imported products. As the first phase of the project unfolded as an Issues Paper it was agreed that the Development Plan needed to include culinary herbs and spices in order to provide a spread of risk and have an expanded market where competitive advantage could be exploited.

The project was initiated by a consortium consisting of:

- Northern Rivers Area Consultative Committee
- Northern Rivers Regional Development Board (INVEST Northern Rivers)
- Australia Holiday Coast Area Consultative Committee
- Northern Rivers Land Council
- North West New England Area Consultative Committee
- ATSIIC
- Southern Cross University
- Department of State and Regional Development

The major sponsor of the project was the Commonwealth Department of Transport and Regional Services with co-sponsorship from State and Regional Development and ATSIC. Project Management was overseen by a Steering Committee and day to day activities were managed by the Northern Rivers Regional Development Board.

The project was executed by a consulting team led by Excel Consulting Group (Qld) and supported by Celect Management, Australian Phytochemicals Ltd, Dhugamin CDEP, Liza Collis, Michael Rooney and Beth Mitchell. A three-stage approach methodology was used to deliver an Issues Paper, a Marketing Plan and the final Industry Strategic Development Plan. An initial study was made on issues relating to Indigenous Communities and as the project developed these were amalgamated into the overall plan.

Market Situation Summary

The original project aim was to achieve import replacement of medicinal herbs. The medicinal herb market was quantified during the development of the issues paper as having a retail value of \$ 120 million and an estimated requirement for dried herbs and herbal extracts of \$ 4.5 million to \$ 9.0 million. The market was dominated by 10 herbal product that were predominantly mainstream Western products having considerable international competition or were already being in part supplied from local sources. The largest retail product group was based on echinacea and this was already being supplied from local sources. The marketing study was expanded to include various culinary products and to develop longer-term strategies for the introduction of highly differentiated herbs and herbal extracts derived from endemic plants.

A number of issues arose across all market segments. While these may appear to be negatives they are in fact market guidelines for success. Specific areas that required attention were:

- ✓ Drying of herbs was inconsistent and created quality problems with processors during storage and extraction.
- ✓ Retailers needed a reliable supply source that could provide long runs of consistent fresh produce.
- ✓ Herbal product manufacturers wanted to deal with a single agency that could guarantee the content of active principles in dried and extracted products. In this regard standardised extracts were the preferred option.
- ✓ Organic was seen as an advantage but supply consistency and accessibility was limiting and quantity often restricted a retailers ability to promote the category. In mainstream retail markets there exists some consumer resistance to the price of organic product.
- ✓ The introduction of new products required considerable consumer education and this was not necessarily a retailer's role.

- ✓ Retailers and wholesalers were reducing the number of suppliers and focussing these suppliers on supply chain development to achieve consistency of quantity and quality.
- ✓ Organic growers needed to change the perception of major retailers with respect to organic growers being a serious supply source.
- ✓ Suppliers of dried product had a reputation for being unreliable in their dealings with wholesalers and sometimes went direct to the wholesaler's customers.
- ✓ Purchasers of medicinal herbs had a reputation for lacking loyalty to local suppliers if the imported product price was more competitive. There were also issues of payments to growers being slow.

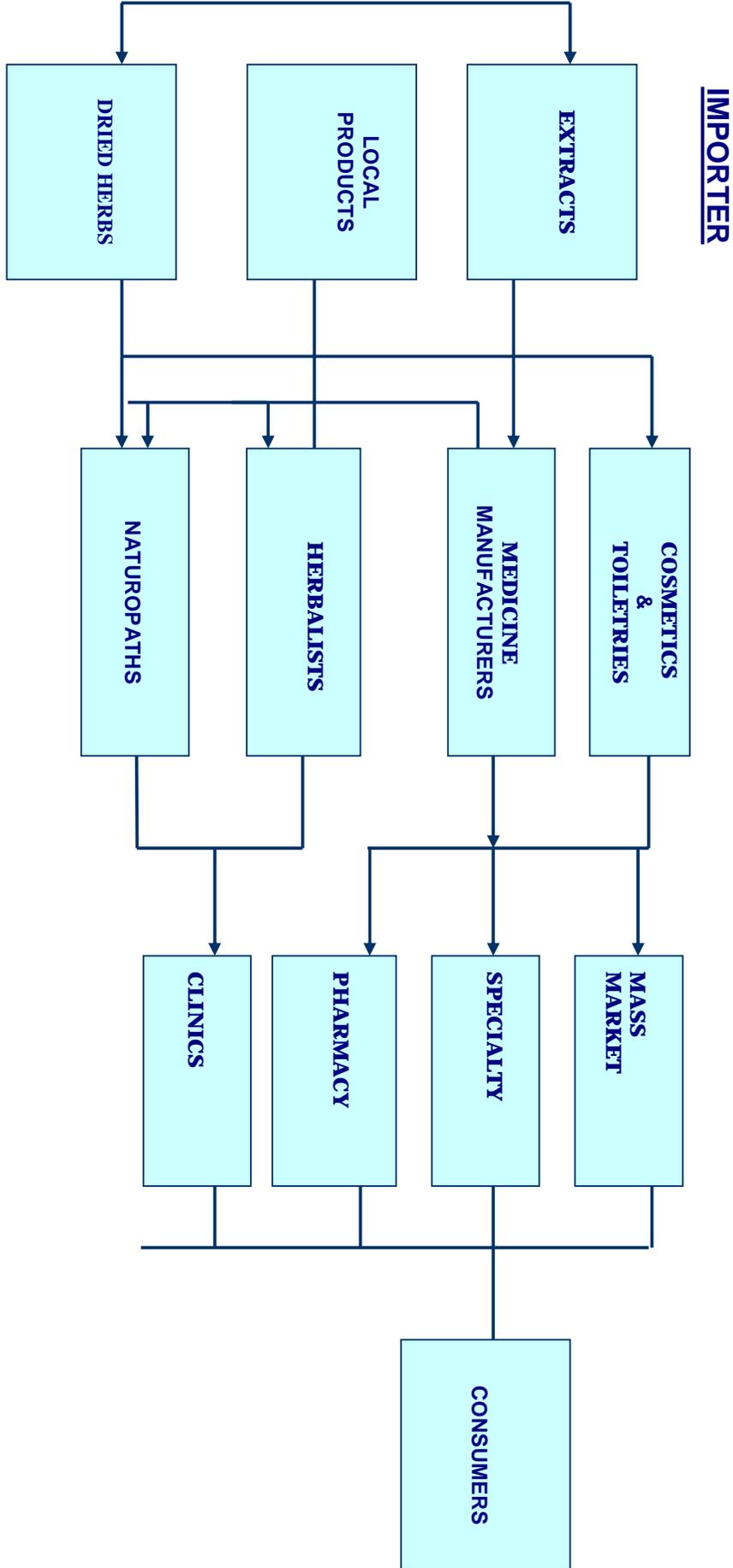
There were some positive indications for the future of a developed supply chain. In South Australia a Co-operative was successfully producing paprika as a substitute for Hungarian imports. Moree and Sth Australian producers have successfully produced coriander as an import replacement. A Co-operative at Biloela in Queensland has created a market niche with a major retailer. A revival of medicinal herb production has occurred in the New England and includes some sophisticated infrastructure. Producers of processed chilli have established export and local markets. There was an overall acceptance and support for the establishment of a wider industry.

Each market segment and supply chain operates with considerable autonomy and a small number of wholesalers, retailers and manufacturers dominate each segment. In developing the Industry Plan each of these markets was assessed for chain linkages and the value / volume of product flowing through the chain. These are shown in the diagrams and descriptions below.

Medicinal Herbs and Herbal Extracts used in Cosmeceuticals, Pharmaceuticals and Nutraceuticals.

These are somewhat difficult to partition due to definition and so estimates have been made and discussed with various industry sources in order to achieve some degree of uniformity and estimate agreement. They do not include essential oils such as tea tree and lemon myrtle oil. The channels, values and volumes are shown below:

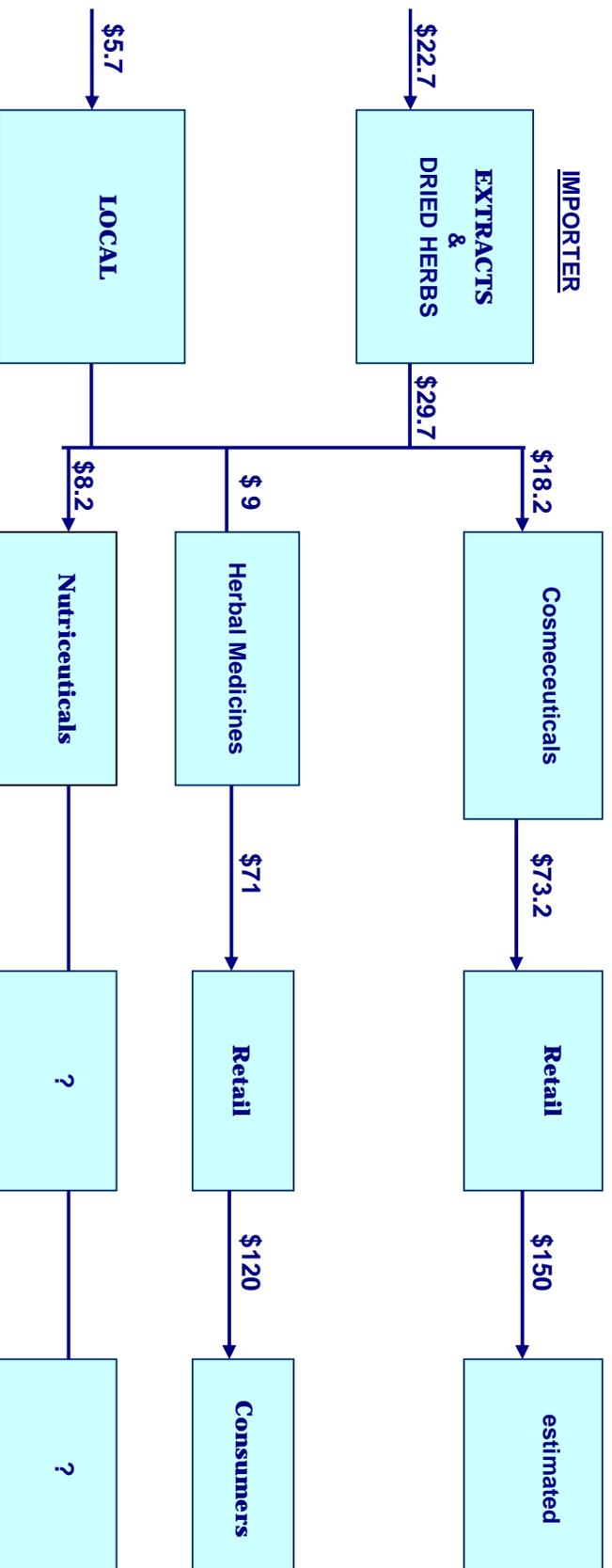
MEDICINAL HERBS AND EXTRACTS



Medicinal, Cosmeceutical, Nutraceutical

Value Chain Estimates

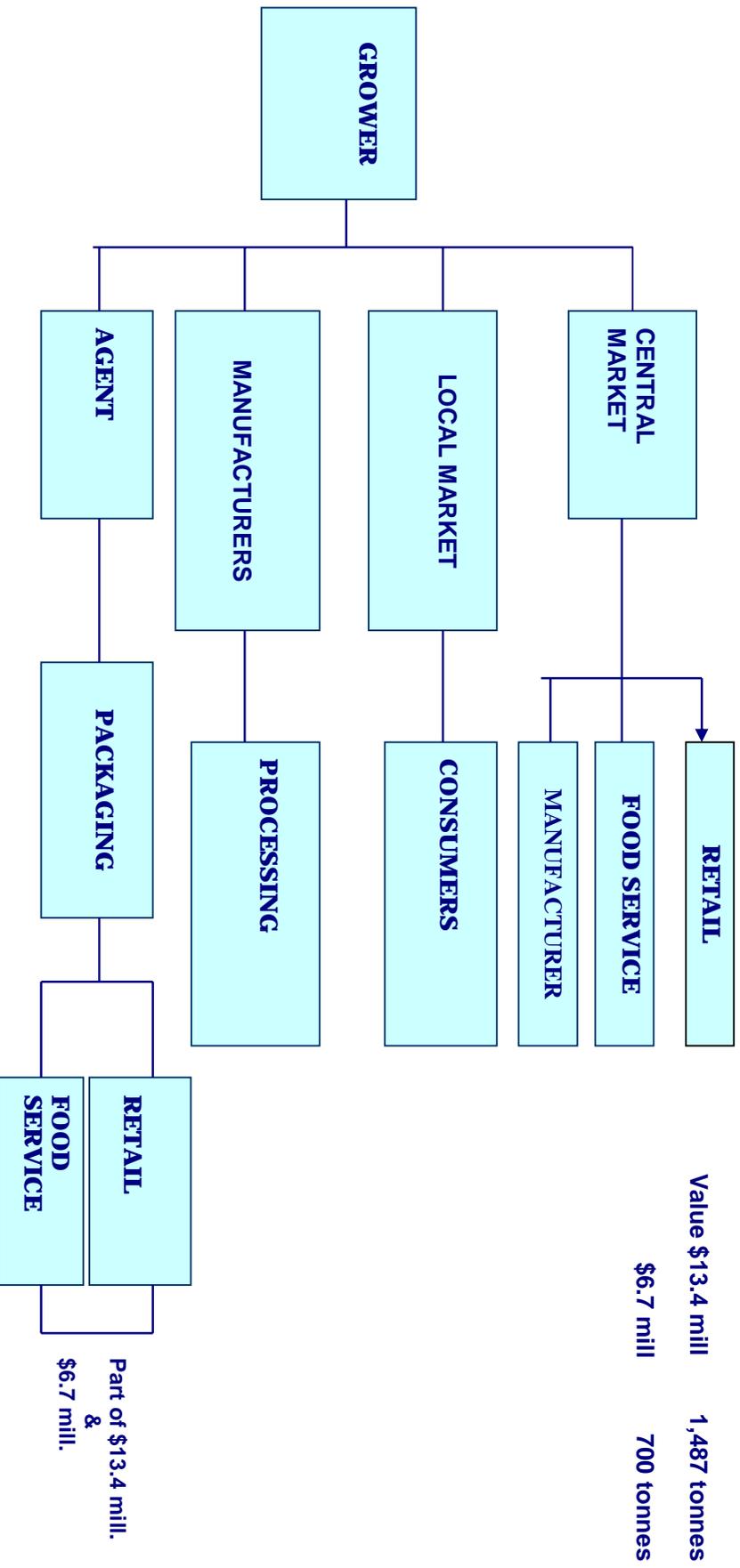
▪ (\$ Values in millions)



Fresh Culinary Herbs.

A lot of the detail surrounding varieties are included in the report "Culinary herbs: a market assessment" by Grant Vinning and Ian Hemphill (RIRDC Publication No 01/167). The data below indicate that there is a considerable fresh culinary herb market that is growing at a reasonable rate. The segment could be developed into a direct to retail chain through long lines of supply of selected product sold through a central point. Recent trends in value adding have contributed to the achievement of retail prices of \$ 70 / kg over a wide range of packaged herbs. The climatic diversity of the regions allows for a long seasonal supply.

Fresh Culinary Herbs – Supply Channels



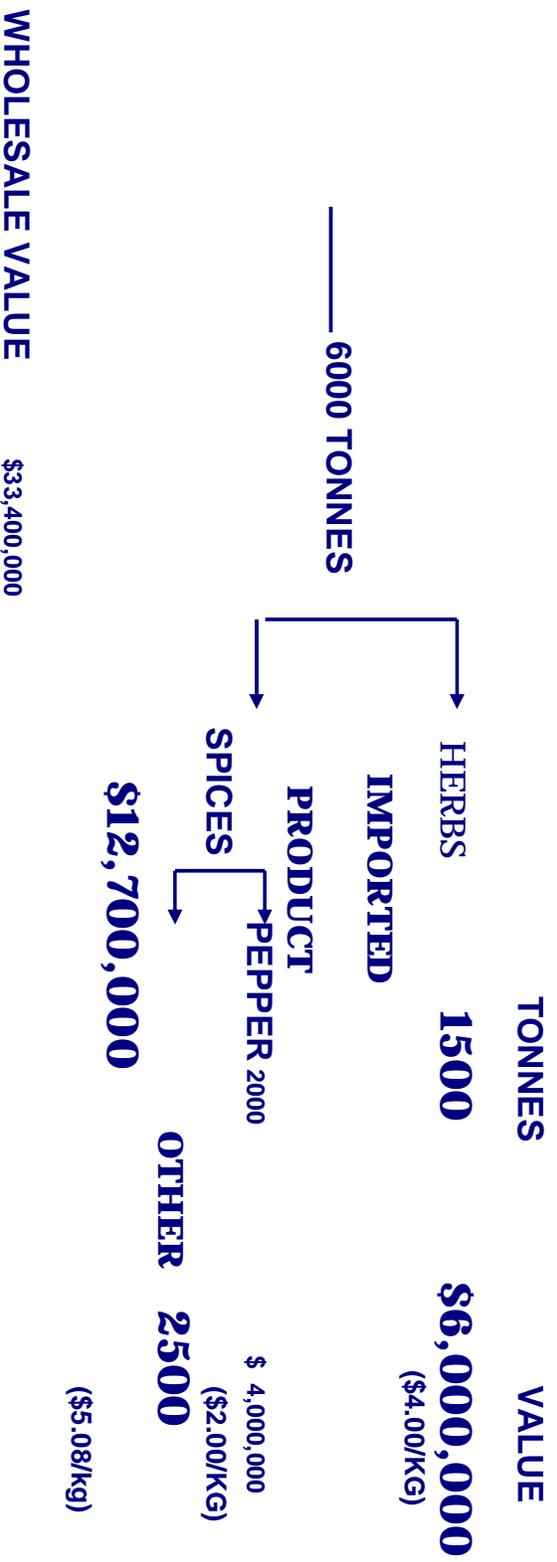
Frozen Culinary Herbs

These are imported primarily as instant quick frozen (IQF) product for use in the food manufacturing and food service sectors. There is also a volume of freeze dried product being used in these sectors as well as the further processing sector.

Dried Herbs and Spices

This is the largest volume of herbal product imported into Australia. It is generally a low value product although there are some exceptions. The industry is dominated by one major player, Waters Trading. Despite the relatively low prices aspects of quality may be used to gain market position. This has previously been referred to for paprika and coriander. There are exporters of endemic herbs who have shown that differentiation can create new markets (e.g. Lemon myrtle, *T.lanceolata*)

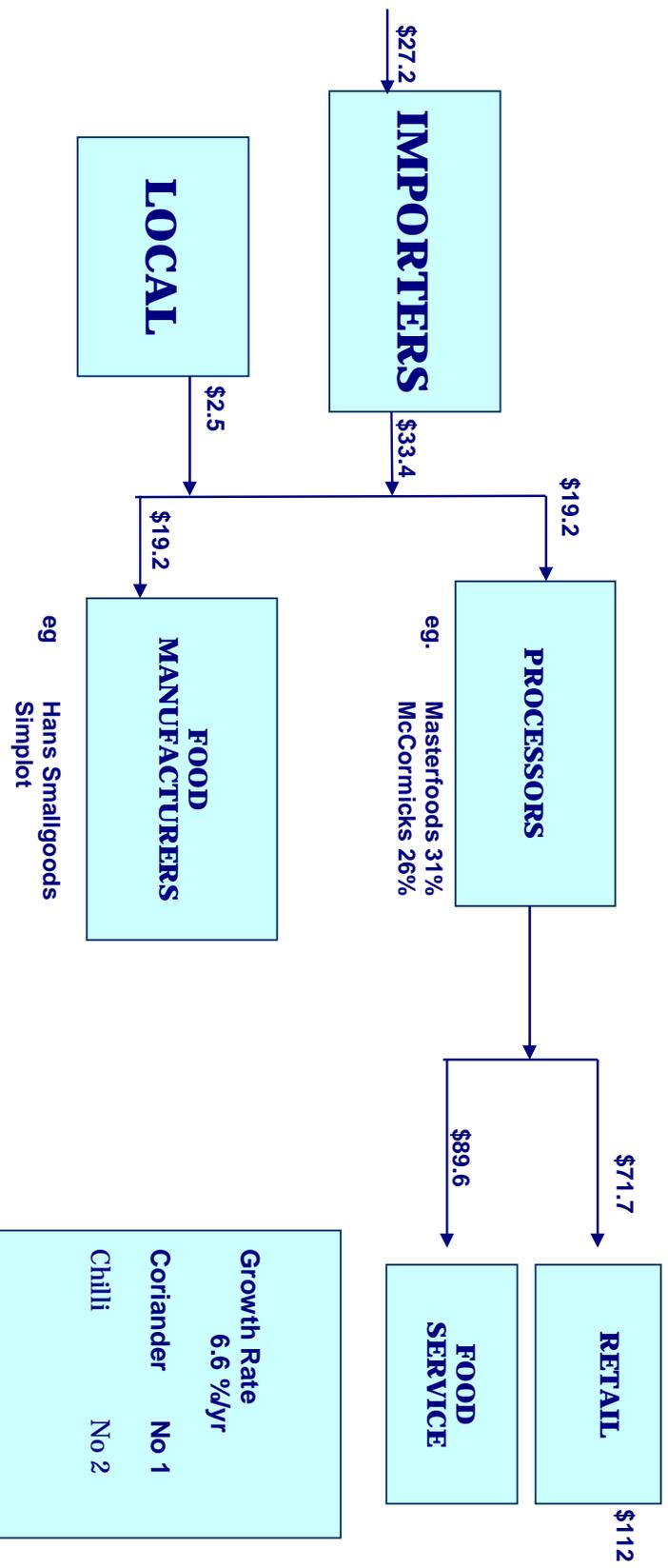
Dried Herbs and Spices



Dried Herbs and Spices

Segmented Value

▪ (\$ Value in millions)



These market segments and the proposed entry strategies are described later in the Industry Marketing Plan.

Issues Summary

A full description of the Industry Issues may be found in the Issues Paper. The content of the Issues Paper has been used for the development of the strategies in the Agribusiness and Agronomic Plan. These strategies are about developing internal capability and together with the people development plan are aimed at removing barriers to industry development as well as formulating competitive advantage. The critical success factors have been used as the building blocks for strategy and tactic development. In the summary below Indigenous Issues are delineated. In the body of the Industry Development Plan these have mostly been integrated into strategies that support a cohesive industry. The exceptions to this being a specific section of the people development plan and a specific role described within the Industry Development Model.

Issues Summary

Key Issue Area	Issue	Critical Success Factors
Other Regions	Competitive Advantage	<ul style="list-style-type: none"> ▪ differentiation of product using the natural climatic advantages. ▪ selection of genotypes most suitable to the natural climatic and soil advantages.
	Coordinated Supply	<ul style="list-style-type: none"> ▪ establishment of a single desk marketing system that has contractual arrangements with manufacturers and the supply chain. ▪ investment in infrastructure at a commercially viable level.
Economics	Venture Capital	<ul style="list-style-type: none"> ▪ <i>need to seek external capital and technology to meet market direction.</i> ▪ <i>need to match investment with market quantification</i>
	Infrastructure	<ul style="list-style-type: none"> ▪ technology review to determine the most appropriate technologies to suit the marketing strategies. ▪ <i>assessment within regions of existing and useful capacity.</i>
	Farm Returns	<ul style="list-style-type: none"> ▪ <i>need to develop agronomic practices for "broadacre" type production.</i> ▪ <i>need to develop/select genotypes for highest active ingredient/ha.</i> ▪ <i>need to develop an on farm diversity to reduce risk & ensure viable returns.</i>
	Government Role	<ul style="list-style-type: none"> ▪ <i>provision of an agronomist from the Dept. of Ag.</i> ▪ <i>"selling" of Gov. services & financial support as being an integral part of the Industry Developmt. Process.</i>
Social	Regional Culture	<ul style="list-style-type: none"> ▪ develop regional pilot trials to demonstrate sustainable industry growth. ▪ develop HR strategies to train individuals in group behaviour. ▪ use optimists & promote success to overcome negative attitudes.
	Leadership	<ul style="list-style-type: none"> ▪ development of an Industry Leadership Development strategy & implement it on a project rather than theoretical basis. ▪ external project assistance from DSRD & Steering Committee.
	Labour & Attitude	<ul style="list-style-type: none"> ▪ negotiate with ATSIC on funding selected Indigenous Projects on a new basis of employment. ▪ appoint an agronomist ▪ prepare submission to indigenous Land Corp. for pilot trial funding. ▪ develop agronomic practices for lower labour inputs ▪ introduce work for the dole as a pilot trial
	Individual & Information	<ul style="list-style-type: none"> ▪ appoint full time agronomist ▪ develop regional pilot projects ▪ controlled industry growth strategies to limit boom & bust ▪ group behaviour training to improve interaction, group process development & communication ▪ Introduce work for the dole as a pilot trial
Regional	Climatic Diversity	<ul style="list-style-type: none"> ▪ Integration of climatic diversity as a marketing competitive advantage for range of varieties, width of window and long term product differentiation.

Market Trends	Marketing Relationships	<ul style="list-style-type: none"> ▪ development of formal vertical integration strategies & contractual arrangements. ▪ relationship marketing training along value chain. ▪ development of formal relationships & market forecasts for stable production.
	Price & Volume	<ul style="list-style-type: none"> ▪ more data/information required on the total market as part of the development of a cohesive industry strategy. ▪ assessment of this market value & volume with projected new products as per Dr Leach's report. ▪ investigation of export markets for existing & new products as part of an industry expansion.
Production Capability	Volume & Value Farm	<ul style="list-style-type: none"> ▪ development of agronomic practices. ▪ product differentiation to change the dynamics of competition. ▪ long term R&D on new products. ▪ development of benchmarks & standards of best practice for the whole demand chain.
	Value Add.-High End	<ul style="list-style-type: none"> ▪ attraction of a multi-disciplined extraction facility. ▪ strategic alliance development between existing product manufacturers & the processor. ▪ strategic alliances at international level with major end users of phytochemical extracts.
	Supply Arrangements	<ul style="list-style-type: none"> ▪ a structured supply system based on forecast of both demand & supply changes that may occur due to normal seasonal variation. ▪ market research to define existing relationships, volume & value parameters & strategies for opportunity capture.
	Quality Assurance	<ul style="list-style-type: none"> ▪ development & implementation of a relevant QA system to facilitate market entry. ▪ education of all value chain members in the relationships of organic certification, quality control, quality assurance & HACCP.
Business Structures	Industry Model	<ul style="list-style-type: none"> ▪ establishment of a marketing desk to sell to major retailers, food processors & herbal distributors. ▪ attraction of a regional high tech entity having existing business. ▪ solving all the issues previously described. ▪ establishment of a Metaprocess to manage the Industry
Indigenous Issues		See Separate Table below:

Indigenous Issues Summary

Key Issue Area	Issue	Critical Success Factors
Infrastructure	Infrastructure Availability	<ul style="list-style-type: none"> ▪ need to fund underdeveloped communities ▪ need to develop a cooperative approach to resource sharing ▪ need to have formal business instruments to prevent conflicts relating to shared infrastructure
Employment	Sustainability of employment	<ul style="list-style-type: none"> ▪ <i>connect CDEP to seamless entry into business enterprise</i> ▪ <i>use incremental replacement of CDEP positions with wage position</i> ▪ <i>review Job Network policies and procedures for relevancy</i> ▪ <i>provide accommodation for some CDEP workers where appropriate</i> ▪ <i>develop meaningful work that matches community work ethos</i> ▪ <i>develop high labour input enterprises if appropriate</i> ▪ <i>increase CDEP access for new enterprises</i>
Training and Education	Skill Development	<ul style="list-style-type: none"> ▪ need to extend on site skilling with TAFE participation ▪ need to develop on the job management training ▪ need to develop cross enterprise and cross community exchanges ▪ need to address school to work transition and attitude development ▪ need to involve industry expertise
	Education	<ul style="list-style-type: none"> ▪ exploration for the development of an indigenous centre for higher learning ▪ integration of existing on the job TAFE training with the college concept
Leadership and Motivation	Motivation	<ul style="list-style-type: none"> ▪ establishment of a mentoring program for a specific outcome orientated project ▪ day to day support during the development phase to create internal confidence and skill
	Leadership	<ul style="list-style-type: none"> ▪ need to develop a leadership program across all communities that is outcome orientated ▪ need to introduce leadership concepts within the traditional leadership framework that will sponsor and encourage situational leadership

Land	Land Availability and Suitability	<ul style="list-style-type: none"> ▪ determine the availability and suitability of land required for establishing pilot and commercial trials for herb growing
Conflict Resolution	External Conflict	<ul style="list-style-type: none"> ▪ strategic placement of funding and resources to minimise external conflict ▪ promoting involvement of all interested organizations in the development of the regional industry framework
Business Structures	Business Development Model Business Development Management	<ul style="list-style-type: none"> ▪ development of business structures that are compatible with the industry ▪ development of models suitable for local and regional development ▪ long-term R&D on new products. ▪ development of benchmarks & standards of best practice for the whole demand chain. <ul style="list-style-type: none"> ▪ ownership and management skills for running cooperatives ▪ who will manage the process? ▪ who will lead the process? ▪ how will this be done?

Industry Development Model

In considering the historic development of the industry and the issues confronting the establishment of a structured industry a number of criteria were set down for the design of an Industry Development Model. These summarised many of the issues and were:

- ⇒ a market orientation through a Marketing Entity for fresh, frozen and dried products.
- ⇒ a high technology entity having a strong market orientation for standardised and/or purified herbal extracts.
- ⇒ an R&D connection to support long-term product development and supply proof of safety and efficacy.
- ⇒ a well-organised series of cooperatives and/or proprietary entities, regionally located but contractually and equity connected to the selling desks.

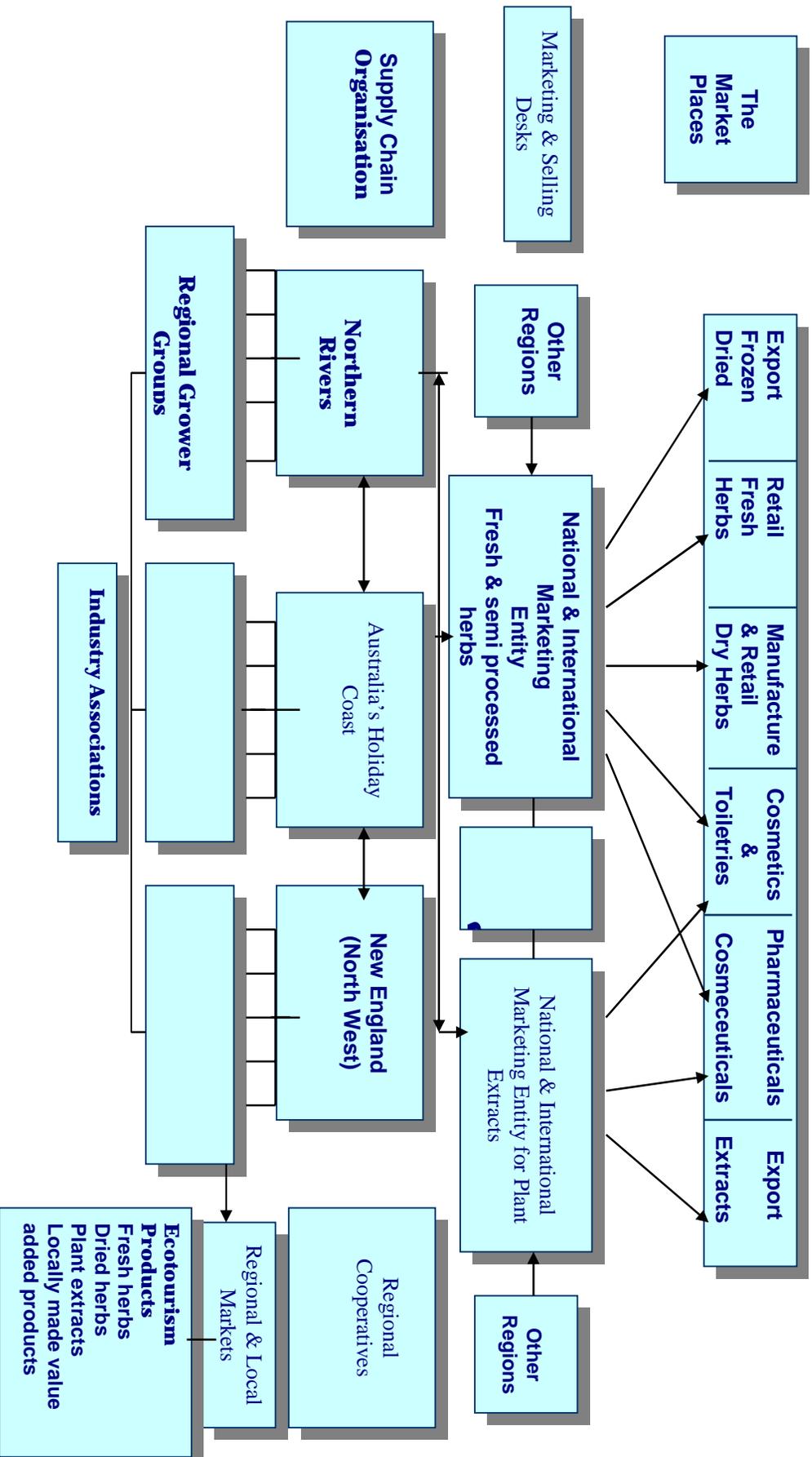
Note:

Although the product diversity is greater it was similar to the successful model used in the Rice Industry and that currently evolving for the Tea Tree Industry

- ⇒ participation by growers, grower groups and communities as owners of the cooperatives.
- ⇒ suitable for Indigenous involvement as parallel development of cooperatives or as part of a single cooperative.
- ⇒ accommodation of existing business without change to current local or regional business activities.
- ⇒ linkages to the existing industry associations.
- ⇒ linkages to other regions for access to or supply of products.

Industry Development Model illustrated below:

Industry Development Model



The model assumes that there will be a future development into export markets and this will be the way for market expansion using highly differentiated products that will achieve premium returns. The marketing of all products will be through two designated entities. This is similar to the model developed by the rice industry. In this way historic difficulties of growers participating in the marketing process are limited and a professional front-end entity is used as the interface between the co-operative and the market place.

As there are two distinct market areas – high tech plant extracts and minimally processed herbs – there would be a separation of the marketing processes. A proposed extraction facility will be developed as a multi capability plant near to Southern Cross University. It will have its own processing requirements and will contract extract and/or supply for the Cooperative marketing function.

Research and Development will be a key role for enhancing the production characteristics of conventional products, determining the safety and efficacy of new products and process development for extraction and standardisation of extracts.

Linkages to other regions are seen as a means of achieving extension of the supply line for seasonal or specific product supply. When the branding strategy for fresh product is developed an all year capability for a wide range of products will be required. Regional linkages may also be beneficial for obviating climatic effects.

Supply chain organisation and management is a major weakness of Australian agribusiness. A long history of competitiveness between growers and a lack of understanding of supply chain requirements has established a number of barriers to orderly marketing. In this model there would be three commercial entities, probably as Co-operatives, that would be interlinked in a direction and operational sense. The difficulties of achieving this are well understood. Without this level of cooperative activity the market requirements will not be achieved. It is also a risk minimisation strategy. The details of this Industry Development Strategy are provided in the Agribusiness and Agronomic Development Plan.

The tyranny of distance, the diversity of Indigenous Communities and the need to coordinate production for the multiple market segments requires a secondary level of grower organisation. The Victorian Dairy Industry has used the method of discussion groups and regional committees to achieve a grass root level of communication and coordination and this will be adopted in a suitable form. It will be a powerful means of diffusion of technology, adopting uniform QA, R&D outcome adoption and being linked to the market place in terms of competitive action and forecasts. It is expected that considerable lag time will occur before this becomes an operational reality.

The intent of the Co-operative system is to target the larger markets with regional grower groups or large-scale growers being contracted to produce specific crops at specific times. There are at present multiple products being

produced in localities for targeting the local tourist market or small niche markets. The intent is to avoid competition with these activities and to use the strengths of a particular group to test market new products or marketing techniques.

Industry Associations have been the main drivers of the Australian Herb Industry. In general they have been non-commercial in their activities and acted as independent sources of information for growers. The Organic Herb growers have been the most organised as a national body. These Industry Associations are seen to be an important component for information and technology diffusion across growers and as such would be sponsored by the Co-operatives.

Industry Steering Committee

The formation of a large Interregional Industry from a number of disconnected growers, wholesalers, manufacturers and retailers into a cohesive supply chain delivering multiple products to several markets and market segments is a challenging task. The establishment of this project required the inputs of many stakeholders and this theme will be continued for some time. This includes an ongoing role of the Area Consultative Committee, DSRD, ATSC and Invest Northern Rivers to facilitate formation of the business structures, access finance, provide on the ground support for Industry Plan Implementation and creation of an environment of cooperative business activity. However it must be seen to be a Grower Driven Industry strongly connected to the overall market place.

Leadership of the Industry Development Process will come from Growers and be supported by all other stakeholders. This implies that members of the supply chain need to be involved as part of the early development process. The constituents of the steering committee will include representation from Growers, Wholesalers, Retailers and Manufacturers in addition to the Government and quasi-Government members.

Within each region there will be a formation Board that will have the responsibility of implementing the Industry Development Plan within the region. This will have cross community representation including representation from Indigenous Communities. It will then be dissolved and an elected Board will be established. Each regional Board will have a Director from each of the other regions to assist in uniformity of direction and conflict resolution.

The Steering Committee will have the responsibility for the establishment of the Marketing Entity. This will include the management structure and the Board. The latter will be constituted from Co-operative Directors and external Directors having financial and marketing skills. The chair position will be a person having independence from the Industry.

When these activities are complete the Steering Committee will be dissolved. It is expected that an ongoing input will be made by DSRD for business development and the Dept of Agriculture for agronomic support.

Indigenous Business Development

The Indigenous Issues study indicated a wide variation in business capabilities between communities. It is not intended that those in forward positions be held up from becoming supply groups. It is intended that those who lack the ability to make early entry will be adequately resourced and enter the supply stage at an appropriate time. Those entering at an early stage will be treated as pilot trials and models for continuous improvement of the Indigenous Business Development Process.

The production of herbs is relatively labour intensive. In the Issues Paper this was seen as a positive for the future employment of Indigenous people. It was also highlighted as being an area where traditional ATSI investment criteria and policies may need to be re-evaluated in terms of job creation rather than be applied in terms of return on investment. This will be required for the initial development of infrastructure where there will be a lag between the time of acquisition and the realisation of business outcomes.

As the R&D plan unfolds it is expected that product differentiation will increase with the use of endemic species having proven safety and efficacy for medicinal purpose or exciting sensory characteristics for culinary purposes. This will take advantage of the climatic diversity and the production of endemic species that naturally occur in a particular area. It is anticipated that these products will be a major part of the future export plan. To begin the process niche opportunities will be developed using wild harvest from Indigenous lands. This will allow manageable market testing and at the same time provide background for the definition of agronomic practises.

A model for Indigenous Business Development at the Community level was provided by the Dhugamin CDEP and presented in the Issues Paper. A similar development has been evolving with Indigenous Communities and TAFE at Kempsey. These developments will provide the basis for Indigenous Business Development and the seamless transition of Indigenous people from School to Enterprise operation.



PART 2

INDUSTRY DEVELOPMENT PLAN SUMMARY

Industry Vision

Our Vision

“We will become a cohesive herbal industry recognised for our innovations and market position and our capability to deliver a wide range of quality herbal products to the markets of the World “

Reaching Our Vision

Our First Year:

We started slowly due to the difficulties of getting the stakeholders together to form the steering committee. Thanks to DSRD and Dept of Ag., the Steering Committee had available significant resources in the form of a Business Development Manager and an Agronomist to assist day to day operations and start a momentum of interest and activities.

The formation of the interim Boards for the regional Co-operatives disclosed a number of conflicts of interest as historic supply by individuals met the collective supply strategy. This was not fully resolved but market forces are beginning to lean toward the larger and more consistent Co-operative source. Fence sitters were abundant and historic positions of status and ego were somewhat challenged. Thanks to the strength of leadership provided by some individuals and the support of the Steering Committee progress was made.

Indigenous Communities took some time to decide where they would start. This was also related to the time to develop budgets for infrastructure development. Leadership issues and conflicts arising from change had to be negotiated and still require considerable inputs. The issue of employment raised in the Issues Paper was not resolved, as it required the Bureaucracy to consider a number of policy matters. Progress was made as the lead communities developed fresh herb production.

Starting R&D proved somewhat difficult due to the lack of R&D Start Grants and the inability of industry to provide some matching funds. This was not a major stumbling block and some aspects were funded separately by private enterprise. A commercial extraction facility was established and provided trial extraction for market samples of new products used in the pharmaceutical and cosmeceutical sectors. Next year will see a considerable increase in these products.

Creating a marketing entity was not easy. Funding was an initial problem but the real problems related to direction and the cultural differences between the Growers and the “outsiders”. These were resolved and the focus was on establishment of linkages and the supply of fresh culinary products. Trial marketing of plant extracts was made and we await the developments of these.

Considerable effort was made to define the future training needs and develop a more flexible training and education system involving on site training within Indigenous Communities.

Our Second Year

Critical mass was achieved this year. Marketing were able to secure a supply program with major retailers, This was translated into a production plan extending across all regions. There were some quality issues due to the difficulties of achieving uniformity. Two Indigenous communities made a significant contribution. Two new products were supplied and trial marketing of native ginger was made in specialty retail stores.

Infrastructure development proceeded fairly rapidly with drying facilities being established in a number of locations. Three areas now have IQF capability and these were used to advantage at the end of each region's growing season and during two wet periods when fresh quality was affected.

Herbal extracts made a significant surge in conventional areas. This was in part due to a change requiring imported dry product to be steam heated rather than ethylene oxide sterilised. It is expected that this will contribute to the growth of dried and frozen product. The export-marketing plan was completed and alliances have started to form with overseas companies. Further samples were despatched during the year.

A uniform QA system was developed and integrated Organic concepts into the HAACP requirements of major fresh buyers. A major project was undertaken to standardise growing practises and define agronomic requirements for many crops. There were increases in Organic production as buyers gained confidence in the supply capability. A major international market shift occurred as the USA entered the organic herbal medicine segment in a serious manner.

R&D started in collaboration with Southern Cross University. Some Category III products were cleared for safety and efficacy. Category IV endemics were selected for future production after proving trials were completed. Bush harvest product from Indigenous sources was used to set up trial extraction and storage methods.

The steering committee was dissolved and formal elections were made to the various Board positions. The DSRD position was absorbed into the Marketing Company while the Dept. of Ag continued to support the Agronomist's position. An application was filed to have this established as an Industry Officer.

The financial position improved slightly as levies for marketing and R&D were provided from sales. The R&D Start grants were accessed for safety and efficacy research over the next two years.

Our Third Year

An extended winter drought impacted severely on the supply capability for fresh product. Use of linkages with other regions allowed us to supply under our brand through contract supply. This has initiated a regional consultation on the supply and application of water. Despite this market share approached 15% and quality issues were much fewer. The increasing spread of markets proved to be a good risk aversion strategy. Products were supplied as dried, frozen and extracts into the food manufacturing, food service, pharmaceutical, cosmeceutical and nutraceutical segments. Exports steadily improved for frozen, dried and herbal extracts. The increasing revenue from levies allowed a much larger marketing effort and the first international exhibition was held in Germany.

Production of endemic plants for food and medicinal extracts increased this year although there is a lot of development work to be done with respect to growing methods. Some Indigenous Communities have become specialists in this as the market has been grown for native foods. A major focus has been on the training and education of growers in production and quality. This was extended to supply chain participants in order to ensure some control over the chain.

Regional facilities for drying and freezing have been expanded to accommodate the growth. Contract manufacture has continued for extraction and this has extended to a joint marketing venture with the manufacturer. This increased market exposure and showed the benefits of using the Internet as a means of communication.

The Herb Conference and Field Days, held in conjunction with the Industry Associations, were a great success this year and were coordinated with SCU's workshop and seminar on Trends in Herbal Medicines. The latter gained considerable international attention.

The first elections for the rotation of Directors were held. The continuity of Directors showed considerable stability in the direction. Completion of Director training was accomplished and had the effect of improving decision making and professionalism at Board level. The Industry Leadership program has shown some response within the grower groups and this has improved communication and cohesiveness.

Key Result Area Summary

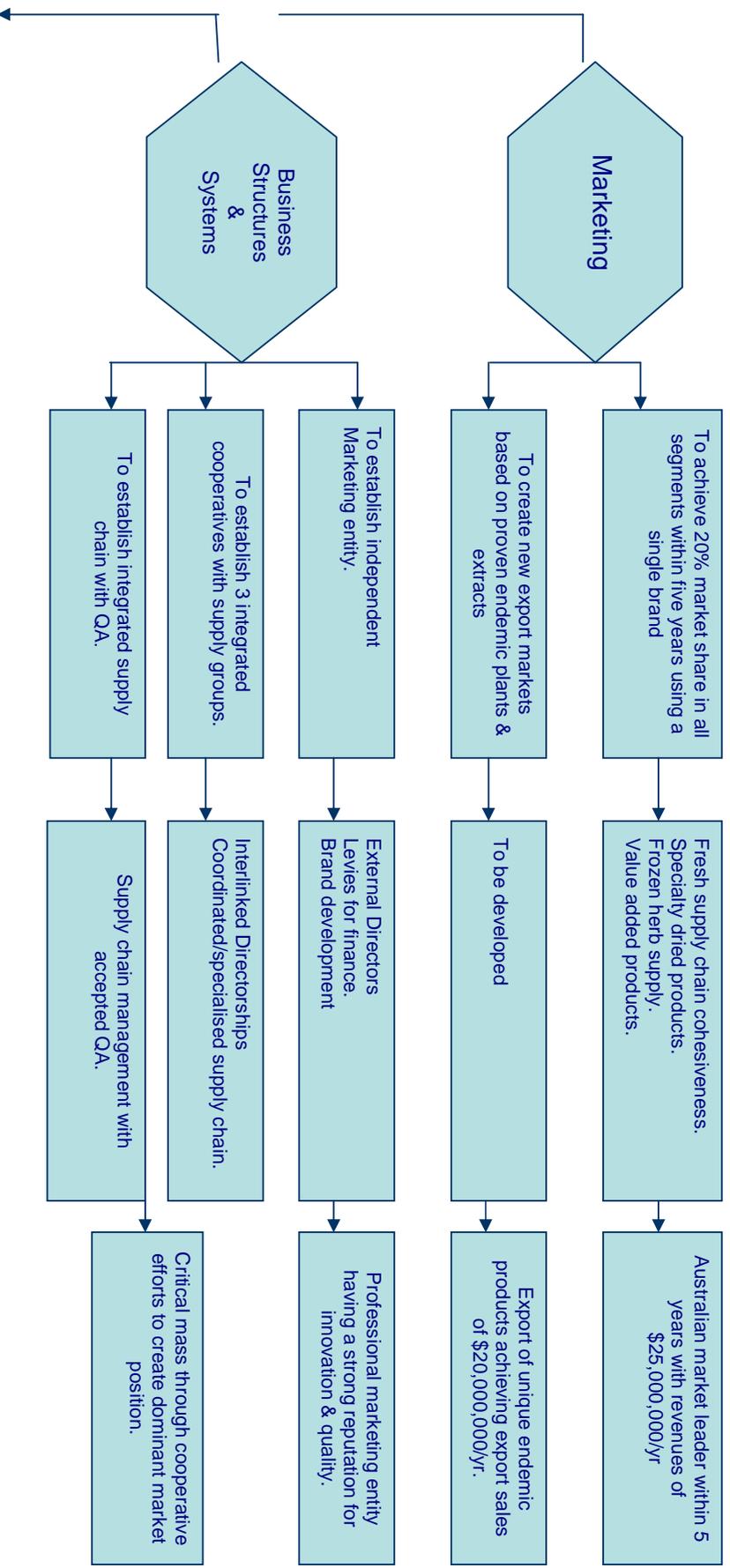
The following pages are a summary of the Goals, Major Strategies and Outcomes for each of the Key Result Areas (KRA's). The content of these is developed within the various sections of the Industry Development Plan and include the critical success factors identified in the Issues Paper.

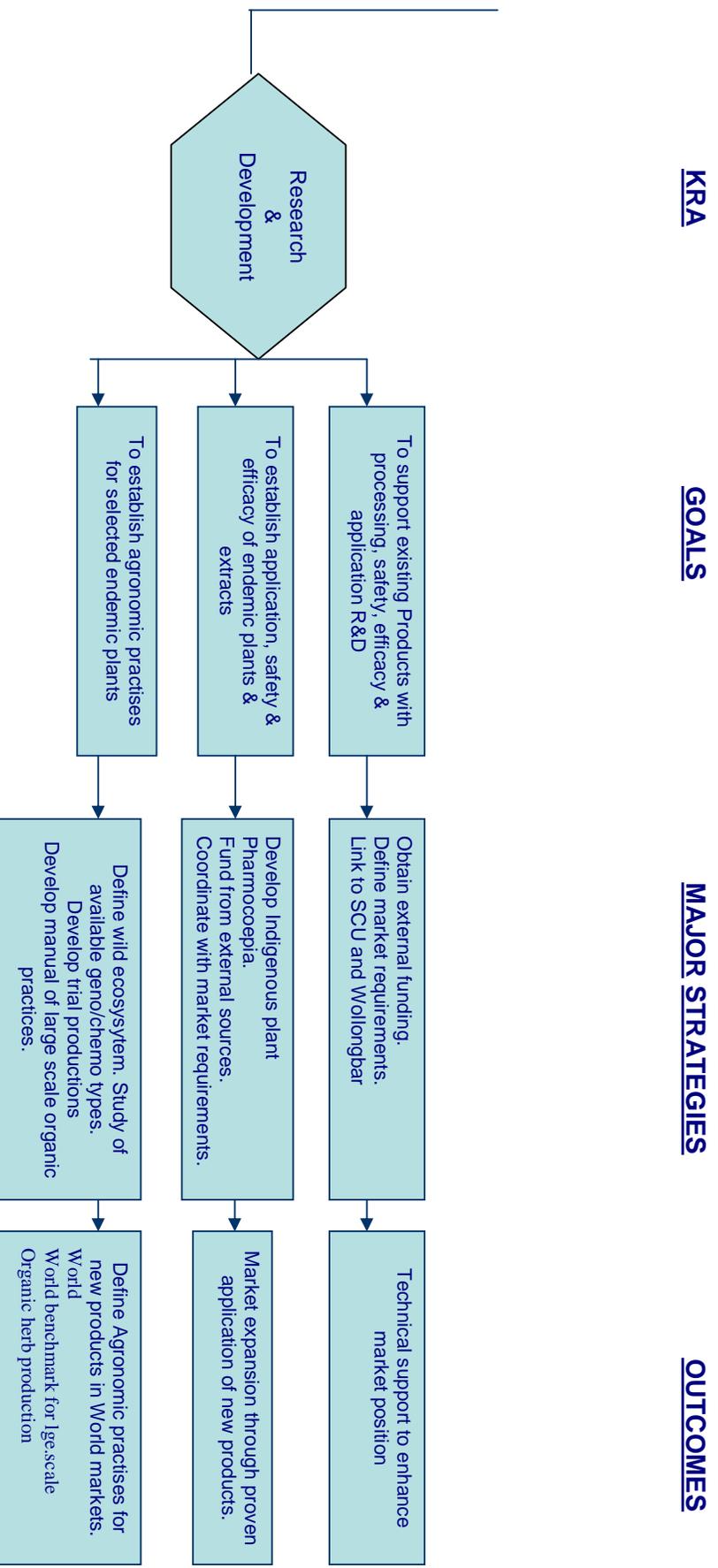
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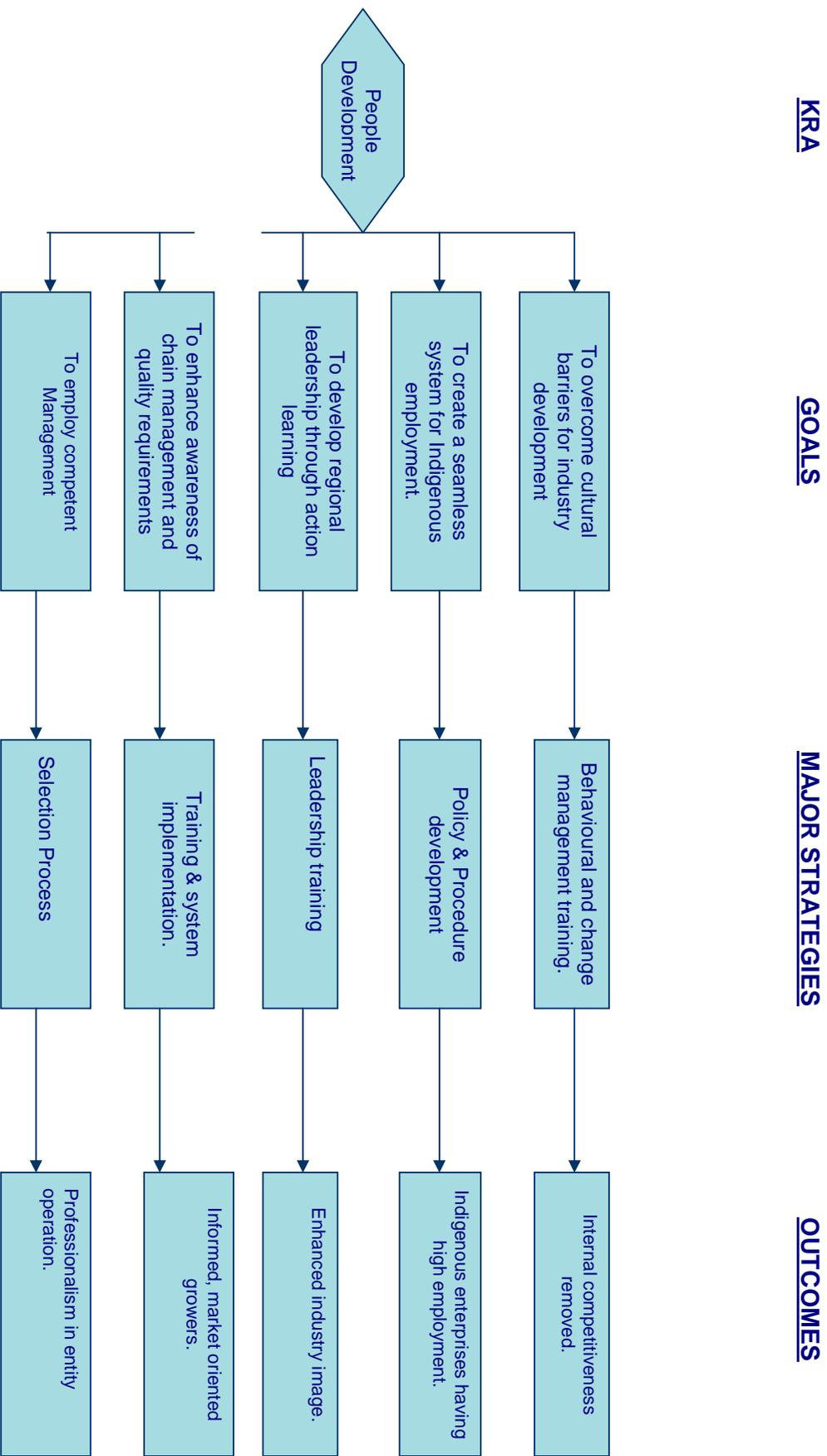
GOALS

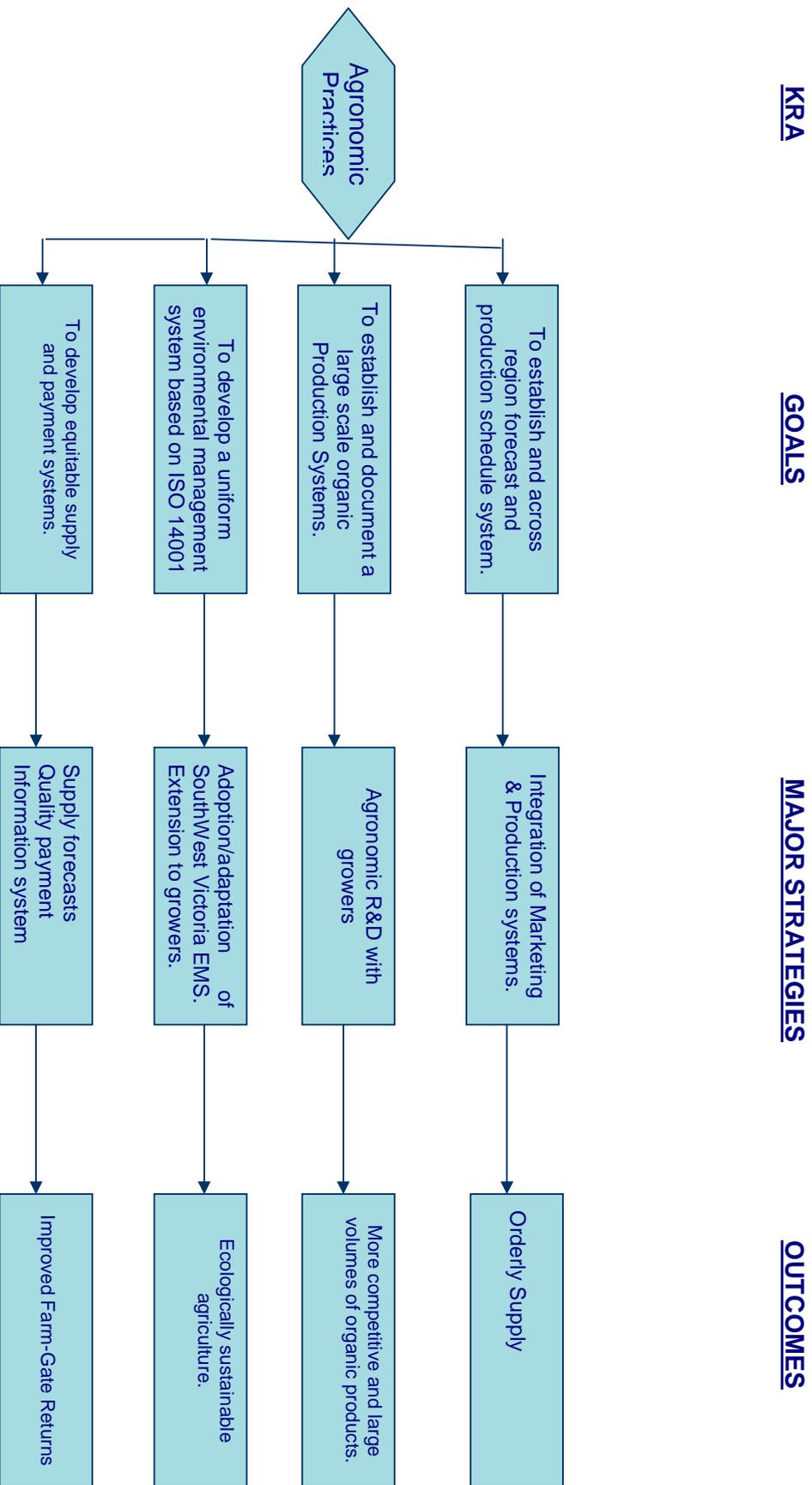
MAJOR STRATEGIES

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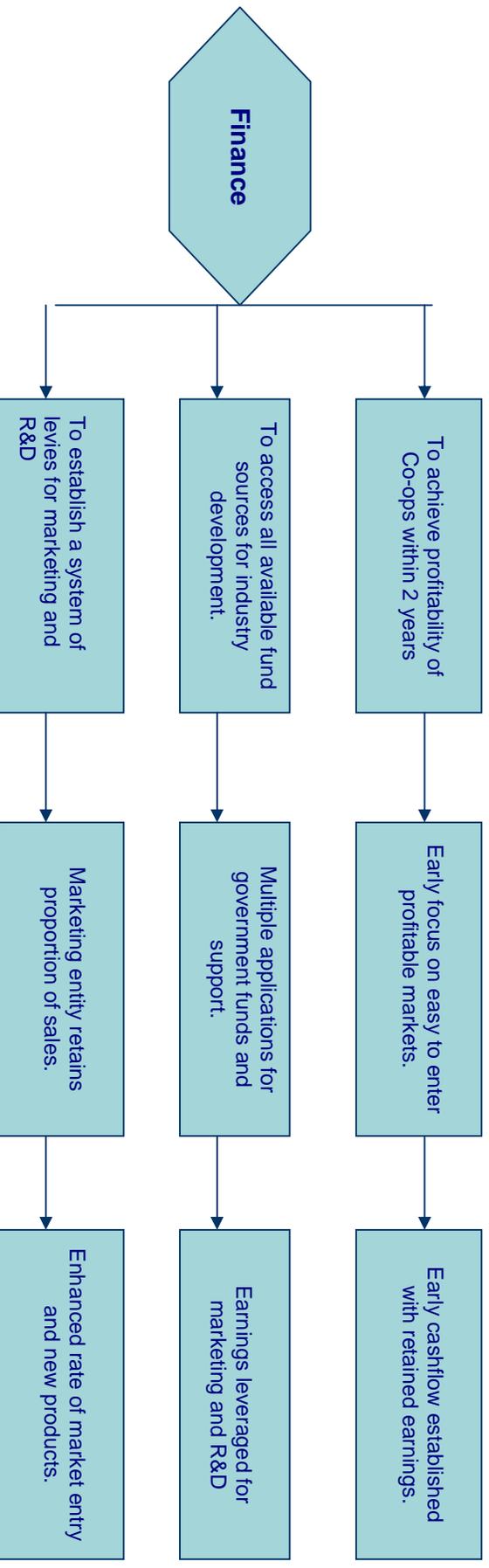


KRA

GOALS

MAJOR STRATEGIES

OUTCOMES





PART 3

KEY RESULT AREA

GOALS and STRATEGIES

Industry Marketing Plan

Key Result Area Industry Marketing Plan

Marketing Goals and Policies

The Industry Marketing Plan is based on a study that provided a basis for developing an integrated Regional Industry for the growing of herbs and identified the market channels most likely to provide sustainable business for the Growers. The marketing report followed accepted principles of marketing and addressed these principles as they relate to both product type and marketing channels. In outcomes the report addressed the product, brand and capability development for industry sustainability.

Of interest in the report was the preparedness of many of the industry key customers to embrace the concept of a consistent and constant supply from Australian suppliers. This occurred across all channels studied. While none were prepared to speculate on the volume and timing of their entry as customers, they were, despite prior disappointments positive about the Herbal Industry Development Project.

The market place was found to be highly fragmented, both collectively and within channels, so the most appropriate method of marketing analysis has been to concentrate on single channels. The channels selected for the report are:

- ⇒ Fresh Culinary
- ⇒ Frozen Culinary
- ⇒ Dried Herbs (& Spices)
- ⇒ Medicinal (including nutraceutical & cosmeceutical markets and based on herbal type categories)

The numerical calculations on the market indicated that given a realistic share there is sustainable business for the region. The underlying requirements are obvious but possibly managerially difficult to achieve. The quantity and quality of the region's supply must be consistent and managed to the benefit of the customer. Pricing appears to be flexible if the previous criteria are met. The key element is the decision on what channels to pursue and in what product types.

There are literally hundreds of small growers servicing parts of the Australian market. The fragmentation of the industry is a benefit to this project as it means the market is open to a creative combined and organized approach. The imported product is in the hands of a few key importers who have stabilized their product ranges and reduced their creativity in marketing. This can again be an advantage as the organized group can compete against parts of their business and take share before they have time to react.

The Marketing Goals:

To achieve sales of \$45 million within five years from the sequential development of all market channels.

To establish across the regions a common nationally recognised brand under which all products will be sold.

Major Marketing Policies :

All products will be sold by a single Marketing Entity under a common brand irrespective of which region is responsible for production. This policy allows for the development of a substantial market presence and will contribute to competitive advantage through cohesiveness in a market that is currently viewed as being fragmented.

All major market channels will be entered during the planning cycle and the rate of entry will be driven by market requirements. This policy is aimed at reducing the boom and bust cycles through forecasting and changing the product mix by processing technology and the multiple entry of market channels.

Research and Development of products shall be directed by the Marketing Entity in order to ensure a market focus is maintained. This policy aims to reduce wasted effort and bring products to market in an orderly fashion. It also provides for a single entity to negotiate with external funding agencies as well as other commercial entities.

The financial returns from products sold through the Marketing Entity shall be levied from funds to carry out marketing activities and R&D. Without adequate funding for R&D and marketing activities competitive advantage will be overtaken. A major strength of Co-operative marketing is that of providing sufficient funds for such activities.

Functional Area Structure of the Plan

The plan is directed at a common brand entry strategy into all of the major channels. The volumes, values and strategic advantages available to the region within each channel are described under the following:

- Channel universe of customers
- Channel values
- Channel volumes
- Channel growth and potential
- Key elements for marketing
 - Product
 - Pricing
 - Position
 - Placement
- Channel Strategies

For each channel a summary and recommendations list is shown.

Functional Area

Fresh Culinary Herbs

Channel Universe of Customers

The fresh culinary herbs are an active daily market requiring constant attention and very secure supply lines. The market is impossible to measure accurately but the research to date has given enough information to extrapolate an estimated market value.

The complexity comes from the lines of supply into the capital city central markets. While there are usually only one or two agents handling the bulk of the product movement, the existence of the 'growers markets' within the central market area enables product to be sold but not measured. The main purchasers through the major fresh markets are:

- Suburban shopping centre fruit shops
- Restaurant chefs and purchasing managers
- Food Service Providers
- Small Business producers of foodstuffs (including cottage industry)
- Small Retailers with F&V sections
- Household shoppers bargain hunting

The fresh herbs are sold in 'bunches' usually at a set price per bunch. This indicates that most varieties are not separated for individual marketing, something that can be considered at a later date. Interestingly there is no set standard for the bunch size. In Sydney bunches are about 50% of the size of bunches in Brisbane. The prices are however relative with the Brisbane price being based on \$1.00 units. Herb customers, buy/order in bunch lots per herb variety. It is rare for a customer to purchase by the carton.

The second major part of this channel is the pre-pack supply to the major retail outlets. While some of this is conducted through leading central market agents, the majority is done by direct supply agreements. This market is estimated to be equal to the central market sales in volume but will vary in value due to the packaging requirements for each supermarket chain. The details of this market segment are still in research.

Channel Values

There are statistics available that quantify the inward movement of stock to the key agents and give the value averages over a monthly period. This data is included below:

Central market fresh value	\$13.4 million at inward value
Monthly average per kg	\$7.70
Price range per kg	\$6.60 to \$12.29
Major retailer value	\$13 to \$17 million p.a.

Channel Volumes

There are statistics available that quantify the inward movement of stock to the key agents and give the volume averages over a monthly period. This data is included below:

Central market fresh volume	1843 tonnes p.a.
Monthly average in tonnes	154 tonnes
Volume range in tonnes	95 – 241 tonnes/ month
Major retailer volume	1250 tonnes

Channel Growth and Potential

The market continues to grow and figures based on the Brisbane Central Market show high growth rates year on year. For the first three months of 2002 the volume through Brisbane was 50% up on the same three months of 2001. The volume is tied to the most used varieties and they account for about 90% of all movement of herbs. They include:

- Rocket
- Angelica
- Basil
- Chives
- Coriander
- Dill
- Lemongrass
- Rosemary
- Parsley

Based on this growth level the market should continue to grow for several years although not necessarily at this level. The indicators are that the market will remain viable and supply will be more valuable than price. There has been no single event in Queensland to affect this volume increase and other market studies suggest that lifestyle changes are the major influence. Using a sliding scale of growth over the next five years the Brisbane market would grow to 725 tonnes, about 2.5 times it's current level.

Key Elements for Marketing

- **Product**
To create any impression on the industry the combined growers group must attack the volume end of the market first. This provides several advantages, the primary one being turnover. While the market at this level is competitive the region has the opportunity to be an immediate major supplier with around 20% of the market. At this level all the key players will be interested in a single supply situation provided quality and all year supply capability are developed. Once commercial viability is confirmed the movement into specialization can begin with the support of marketing and trade relationships.

This segmentation by specialization helps to avoid price competition and expands the market on a varietal usage basis. The coriander and paprika groups are excellent examples of this marketing option. Taking over a market segment, particularly if the chosen segment is a growth area can help to make your group resistant to attack from less organized growers or grower groups.

○ **Position**

Once the first wave products have been determined the next phase is to establish the positioning of the product within the market place.

The major positioning strategies will be developed around:

- ✓ Regional Branding
- ✓ Quality and consistency of supply
- ✓ Cohesiveness as an industry sector

These positioning strategies will be developed in detail by the Marketing Entity in conjunction with channel players before the first supplies are dispatched. Clear definition of market positioning in the minds of agents and traders will be used for differentiation and prevention of commodity selling.

The fragmentation of the market would suggest that a common brand, quality product with a consistent supply capability would have the best opportunity in the market.

○ **Promotion**

The identity of the region and its natural environment will be used as the promotional platform. It will be necessary to construct a regional promotional package that addresses the product and positioning elements discussed above. This package will then be directed at the target markets through both media and personal presentations. Once the region has recognition then the balance of the promotional activity can be created, with a product or brand focus.

The fresh culinary herb market is almost devoid of any promotional marketing. This in its simplicity can be a short or long term opportunity area for the region. The opportunity to provide collective promotion heavily targeted at specific market segments will lead to market leadership.

○ **Price**

Until the product positioning is ascertained the price remains in the background.

Until the product quality and consistency are guaranteed the price remains in the background.

Until the promotional aspects are created the price remains in the background.

When price does come to the fore it will be based on the total package for the region and suited to the target markets. When the region has created a novel and sustainable reason to trade then the price will be relevant to the negotiations and strategies that have been employed.

The market's price sensitivity is unknown and therefore the elasticity is also unknown. We do know that in the months where volume is high average prices per kilogram are lower. We know that those price fluctuations are not consistent. This indicates that more than just more than just the fresh market traders influence supply and demand factors. Price will be driven by strategy and by innovation.

Channel Strategies

Market Selection:

The two key elements are the central markets and the major retailers. Either could be the correct strategic decision and either could reduce the opportunity to take market share. For continuity of supply line and some security over price the major retailers will be the first consideration given their strategy to reduce the length of the supply chain. For volume opportunity through access to other segments and some control over the market the central agents will serve a useful purpose. Strategically the major retailers are a stronger option for grower groups as volume and consistency of supply are of interest to the retailer.

Positioning:

Strategically it would be astute to try and position the product at the premium. This may make market penetration more difficult but it helps to develop the concept of good quality from the region. Taking a premium stand also enables the negotiation on price to be more relative to supply and less relative to other Grower's crops, i.e. avoiding the 'auction' system for central market sales.

Timing:

A strategy to launch off-season will be developed by the Marketing Entity in order to provide Growers with confidence and to ensure the market is ready and willing to participate. This will enable the contacts and supply lines to be created when the expectation of the Growers is on future business and not on today's price.

Innovation:

We will introduce innovation in terms of standards, packaging, delivery systems, crop style and wider growing windows through professionally managed innovation strategies.

Functional Area

Dried Culinary Herbs

Channel Universe of Customers

The dried culinary herbs are directed to several major wholesalers depending on the market for which they are intended. In the case of herbs going to re-packers such as Masterfoods and McCormick's, the supply chain is the same. The customer base includes organizations that dry, organizations that repack and mix and organizations that purchase for internal use. The market measurement is relatively accurate and the research to date has given solid information from the larger wholesale operations. The scope of usage of dried culinary herbs is relatively large with companies such as smallgoods manufacturers using considerable quantities. In this case, and many others, the product is imported pre-mixed or mixed in Australia from imported herbs.

The strategy will be to develop relationships with these larger operators for several reasons:

- the potential to supply
- the information on the market
- the information on changes in the market
- the innovations that are being introduced.

Most of the supplies to these operators are imported. It is in their interest to handle the locally grown crops so that they can have the best mix from all the available sources. Failure to manage local supply would leave them open to challenge from new players in the market.

Local products have been welcomed by some of the largest users who, like the fresh herb market, require consistency and quality for the following:

- Branded product manufacturers for retail
- Branded product for food service
- Housebrand products
- Private label product
- Pre-mix product for special customers

The dried herbs are sold in various weight packs depending on the customers need. The largest single customer of dried herbs takes 150 tonne per annum across a wide range of herbs. This would suggest that their peak purchases for any variety would be about 1.5 tonne per month. Marketing in this area is minimal with the wholesalers leaving the consumer based activity to their customers. The marketing for in-market activity will be based mainly on relationships and on timely delivery across the range of herbs.

Channel Values:

The statistics available have enabled the accurate quantification of the market in both imported value and in customer off-take. This data is included below:

Imported market value	\$27.2 million at inward value
Local Production value	\$ 2.5 million per annum
Ex Wholesaler value	\$33.4 million per annum
Sales to Processors	\$19.2 million per annum
Sales to Food Manufacturers	\$16.7 million

Major retailer value in Dried Herbs (inc. Spices) is \$112.2 million. Assuming 20% of the market is Herbs, the retail value will be estimated at \$22.5 million. This is consistent with the off take from major supermarkets that vary from \$300 to \$800 per store per week.

Channel Volumes:

There are statistics available that quantify the inward movement of stock to the key wholesalers/importers. This data is included below:

Imported Dried volume	1500 tonnes p.a
Imported Spices Volume	4500 tonnes
Key items in tonnes - Pepper	2000 tonnes

Paprika and Coriander are successfully grown in Australia under grower groups. These products now supply the bulk of Australia's needs and export a large proportion of their crop, either as herb or as seed for spice mixes.

Major retailer volume for Dried Herbs (inc. Spices) is measured in units. The current annual sales are 26.7 million units, growing at 4.3% per annum.

Channel Growth and Potential:

The market is growing in both value and volume with value growing faster. This indicates that the premium end of the market is dominating and further indicates the consumer's preference for quality. In published segment figures¹ Premium accounts for 62.8% of total sales and Super Premium 5.2% of total sales.

No information on varietal volumes was available but store research indicated that the following were the major sellers. They include:

- Chilli Powder
- Coriander
- Oregano
- Black Pepper
- Thyme
- Basil, etc.

The recorded level of sales indicates that the consumer interest in herbs is increasing despite the trend towards eating away from the home. This same trend is likely in the food service market as the end-users change menus to attract more customers. In this market the grower relies on the manufacturer to market the product and to produce growth.

Key Elements for Marketing:

- **Product**

The product will be of consistent quality and depending on the strategy taken aimed at the premium end in price. The product will be differentiated as much as possible to create the sustainable point of difference. The point of difference will be in variety, packaging, delivery systems, guarantees or promotional support and continuous innovation. In this case research indicates that there is no particular preference for Australian grown product so the promotion of the local product is a strategic opportunity.

The product offer will cover the top end of the market and have a suitable offer on the wider range of herbs. The addition of new and more marketable herbs will be an advantage.

- **Position**

The region's production will be positioned in two ways. Firstly, by the quality image of the region being aimed at the premium end of the market to attract the bigger end-users. Secondly, by the delivery of quality to a level where the customer is prepared to accept a guarantee from the Growers on the consistency of the product. The positioning will be:

- Product is grown under QA regimens
- It will be consistently premium quality
- It will have sustainable and predictable volume
- We will promote to market targeted end-users
- We will use our natural sustainable advantage

- **Promotion**

This is also an area that requires its promotion to be corporate in nature. The identity of the region by the quality and regularity of supply is key to the success of the product. In this market the promotion to the consumer is the domain of the major manufacturers and the retailers. Promotion by the region will be aimed at creditability on all levels.

- **Price**
Price will be heavily dependent upon the wholesaler's method of operation and their interest in seeing the Industry flourish. If the wholesalers are proactive then they will market the quality and not the price. If the wholesalers continue to auction the local and imported product then price will be a constant pressure on the growers.

The region will need to allow the Marketing Entity to monitor price and negotiate against the supply levels. Control of the flow of product is essential to stop oversupply from causing a downward spiral of prices.

Channel Strategies:

The strategic direction for the Dried Herb market will be:

Market Selection:

The Marketing Entity will adopt a strategy to sell to the top wholesalers and to the major end-users in parallel. This will reduce the level of price trading and allow the region to promote effectively on quality. Allowing the market to have any exclusivity in the supply chain will only damage the ability of the region to create growth. While there may be some wholesaler backlash, the direct supply to major users will create competition, focus and acknowledgment of the region's quality.

Positioning

Taking a premium quality position will allow the region to move either way if the barriers to market entry are high. Premium stance allows for a secondary entry with grade two products, without the loss of potential at the higher level. Entry at the lower level also influences the price positioning at both levels. The benchmark will be the maintenance of perceivable quality differences at the premium end.

Timing

This market will require the region to be able to cover all seasonal windows. This may require a strategy to buy from non-region growers to cover the off-season or maintain stocks,

Innovation

The dried market is reasonable stable in product variants. A strategy to introduce new herbs every 6 to 12 months would keep the interest in the regions output and lift the overall market viability. Such innovation would require promotion to the food preparation users at all levels to introduce the new products and their values.

Functional Area

Frozen Culinary Herbs

Channel Universe of Customers:

The Frozen culinary herb market has been difficult to research. Contact with major end-users such as Simplot and McCain's have drawn only limited response. What is notable though is their desire to continue using frozen herbs. In most cases their system of manufacture is more suited to the frozen product, but only where IQF has been used effectively. Quick freeze systems have provided better quality of leaf and better colour than dried product and this is sufficient for the decision to continue with these style of herbs. Most of the major brands produced in Australia have a significant component of herbs. Brands such as Leggo's, Lean Cuisine, Kantong, Maggi, Kraft, Birdseye and many others are local and volume users.

It is also possible that the full range of customers for this product has not yet been secured leaving opportunity for faster growth than the other herb styles. If this is the case then the region will need to look at the production and marketing of frozen herbs as a strategic priority.

Channel Values:

Accurate data has been difficult to obtain for this channel. Extrapolation of reliable data suggests that the value is of the order of \$1 million/yr but growing relatively rapidly.

Channel Volumes:

There are no statistics available that will quantify the inward movement of stock to the key wholesalers/importers.

Channel Strategies:

The strategic direction for the frozen market requires growing and processing abilities within the group.

Market Selection:

Marketing for the region strategically should be focused on the food processing and production companies who produce for retail and food service markets. While the herb component of meals is small the total value of these markets is growing.

- Frozen meals - \$300 million retail growing at 18%
- Pizzas - \$400 million retail (growing at 7.4% supermarkets)
- Hot Pack meals - \$42 million minimal growth
- Asian /Mexican Foods - \$100 million at 10% growth
- Pasta and Sauce - \$79 million at 7.4%
- Gravies and Sauces – 6.4 million at .5%
- Italian Meals – \$207 million at 9.1%

Creating a presence in these markets as a key supplier will build strong and sustainable business for the region. As is the case previously, the entry barriers will be high but the potential is also high.

Positioning:

The opportunity to 'own' this segment exists. The inclusion of IQF facilities and the innovation of new herbs will suit this market. In this case strategically the region will target the continuous supply and allow the quality image to be secondary. Many of these companies are relying on wholesale providers and a direct local supply would be preferable. In this environment price will be negotiable and less important than supply. The positioning will be as the most favoured supplier.

Timing:

The frozen herb market should be an immediate target, as the opportunity may not remain long-term.

Innovation:

Create a standard of IQF free-flow product that will be better than any other offer in the market. Add new herbs that will react favourably to IQF.

Functional Area

Medicinal Herbs

Channel universe of customers

The medicinal herbs are on the surface directed to a small number of key market players. These key players have created dominant brands that have taken leading positions in the key retail markets. The markets are supermarkets, pharmacy and health food stores and herbal practitioners. There are numerous small specialty stores. Additionally, the distribution of the herbs from the wholesale level has been accumulated to incorporate medicinal, nutraceutical and cosmeceutical applications. These individual markets have no specific measurement and will only be split by internal sales data.

The major brands in the market such as Blackmores, Fauldings/Bullivant, Greenridge and Nature's Own use wholesale suppliers for their raw material. In the main they do not require any specific point of origin, but they do require QA assurance for all orders. Collectively these manufacturers hold around 80% (est.) of the Australian market and they cannot be left out of any marketing plans.

The customer base for the collective medicinal herbs is no doubt much greater than those mentioned in number. Interestingly in research both current and non-current purchasers of Australian grown medicinal herbs support the expansion of the local supply. Inherent in this however is a far greater assurance of quality than required for fresh and dried culinary product. Much of the imported supply comes from Germany because they are able to satisfy the need for QA assurance. The wholesalers tend to sell in two ways,

- Unbranded product manufacturer's own use
- Branded product with the wholesaler's own brand designation
- Pre-mix product for special customers can be either but usually the wholesaler's own brand

Channel Values:

The available statistics have enabled the quantification of the market in both imported value and in customer off take. This data is included below:

Imported market value	\$22.7 million at inward value
Local Production value	\$ 5.7 million per annum
Ex Wholesaler value - Cosmeceutical	\$12.2 million per annum
Ex Wholesaler value - Nutraceutical	\$ 5.7 million per annum
Ex Wholesaler value – Medicinal	\$ 9.0 million

The value of herbs ex-manufacturer is increased by an estimated 600 % through the value adding process. The retail margins vary between 35% margin and 200% margin depending on the outlet type. Promotional costs in these markets are high and the level of competition is rising.

Channel Growth and Potential:

The medicinal herb market is growing and there are anecdotal reports suggesting that as the traditional medicine providers embrace some of the herbal theories the growth will continue. One of the potentials is for the market to become more competitive and for the cost of herbal remedies to be lowered at the retail level. If the major chains can, over the next few years, incorporate pharmacy into their supermarkets then the herbal market will be boosted. The space allocated at retail level for herbal products is increasing because they provide a less competitive, high margin, alternative for the retailer. If the market shifts in price and becomes competitive then the volume will increase as more consumers accept the value proposition.

Manufacturers such as Blackmores are increasing their advertising spend and they are targeting consumers in more specific ways. Osteoporosis, menopause, Skin conditions and scalp treatments among the most promoted. This activity will continue as they fight to maintain market share. As retailers merge and consolidate this promotional activity will increase as the competition grows. It is in this area that the need to keep increasing the offer to the market will be realised. The introduction of consistent supply of more of current offer or new products added to the offer will keep the market alive. The region should have a focus on endemic herbs and a plan to introduce more of them in suitable quantity to both local and export markets.

In the medicinal herb markets the export potential remains high as Australia has the reputation of being a cleaner raw material environment. Attacking this market will require a clear strategy on product type to ensure the market is captured.

Key elements for marketing:

- **Product**

The opportunity to provide product as either dried medicinal herbs or herbal extract needs to be heavily researched. There is some indication that the export markets particularly will move toward the extracts as they provide better consistency and ease of use. Dried herbs will be used where the visual effect is part of the product offer.

The product offered by the region's Growers must not only be of consistent quality but it must be the product that the market wants. This means constant observation and research to ensure that the targeting is truly focused.

A five year strategy to introduce supply of endemic products (as per the list by Dr David Leach Category III & IV) will give the region a better market penetration and greater reputation for product offer. Additionally this concept keeps the business in growth mode and reduces the pressure on existing competitive market situations.

While some significant research is required at market level to evaluate the starting point, the phased introduction of profitable endemic plant extracts is a sustainable proposition. If the region has selected markets for these products then the strategy has taken them away from the competition into relationship-supply marketing.

The product offer will need to cover both the top end of the market and the volume areas of the market at the same time. Again, the addition of new and more marketable herbs will be an advantage.

- **Position**

The medicinal herb production will need to be positioned after the research on the target markets is completed. Direct research to date confirms that Australian product will only be used once the relevant QA and TGA style clearances are confirmed. This may take some time and a high cost. In positioning the product in the early market penetration the mid to low market options may be the more astute option. Gaining entry will be more difficult than changing up to a premium product position.

- **Promotion**

This is also an area that requires its promotion to be corporate in nature. The identity of the region by the quality and regularity of supply will be key to the success of the product. In this market the promotion to the consumer is the domain of the major manufacturers and the retailers. Promotion by the region will be aimed at creditability on all levels.

- **Price**

Price will be heavily dependent upon the wholesaler's method of operation in local and imported herbs and their interest in seeing the industry flourish. If the wholesalers are growing then they will market the quality and not the price in the hope of attracting new customers. If the wholesalers continue to mix the local and imported product then price will be a competitive issue.

Channel Strategies:

The strategic direction for the Dried Herb market needs careful consideration and the development of a number of strategic alliances.

Market Selection:

The Marketing Entity will adopt a strategy to sell to the top wholesalers and to the major end-users in parallel. This will reduce the level of price trading and allow the region to promote effectively on quality.

The introduction of the five-year plan to supply endemic plants and plant extracts will form part of this market selection strategy. The strategic consideration for both supply and the potential sustained business will depend upon the quantity and quality of the products. There may also be influences on the strategy based on the ability to gain supply from other regions to improve the window of opportunity.

Positioning:

Taking a premium quality position will allow the region to move either way if the barriers to market entry are high. Premium stance allows for a secondary entry with grade two products, without the loss of potential at the higher level. Entry at the lower level also influences the price positioning at both levels.

Timing:

This market is prime for an aggressive marketing operation. The current dominance by imported, verified product leaves the door open for a strong local supply. If the program is to include an increasing level of endemic product then the strategy can have numerous angles. The key is to attack quickly and establish a supply position

Innovation:

The dried market is reasonable stable in product variants. A strategy to introduce new herbs and extracts every 6 to 12 months would keep the interest in the regions output and lift the overall market viability. Such innovation would require promotion to users at all levels to introduce the new products and their values.

Functional Area

Market Surveillance

To maintain share in a complex market the management of market position is paramount. Markets such as the herbal industry, with numerous sales channels and middlemen require complete knowledge. Part of the strategy for the region will be the employment of a system that watches each and every sales channel and provides feedback that keeps the Marketing Entity at the top of the market.

When you consider the size of the sales universe for herbs it is extraordinarily wide. Dried retail, dried food service, dried medicinal, extract nutraceutical, extract medicinal, fresh bulk, fresh bunch, fresh markets, frozen manufacturer, frozen retail plus others, cover a multitude of user customers. To keep at the 'cutting edge' a focused market surveillance program is an immediate necessity.

This surveillance is not strictly market research, although the similarity is great. The surveillance is on the immediate trends in the market and the information flow that enables the region to react in either proactive or reactive ways. An example would be the knowledge that a skin care producer has discovered a new use for fennel in skin creams. Having the knowledge quickly would enable the region to make approaches on supply even if the product was only in research mode. Quickness to market can be a significant advantage.

To produce surveillance over all the markets would require a service that is experienced in the herbal market and capable of representing the region without conflicting interests. If the region goes to single desk marketing then this role should form part of that activity.

Functional Area Market Research

Market research, in conjunction with the surveillance will form a large part of the regions sustainable market position. Many of Australia's grower regions and grower groups sell products without any analytical knowledge of the market in which they trade. In this scenario they are constantly vulnerable to their agents and customers decisions on price and on supply levels. To have up to date market information, off-take data, regular surveillance and internal sales data without full-scale analysis is poor management.

In the development of the region the use of marketing assistance to provide the analysis will be a priority. In this report the principles of the marketing plan have been on product, position, promotion and price. These are the base components of marketing. In the strategic comments the development of market position relies on branding, promotion of the region, advertising, new product launching and many other aspects. All of these activities are the domain of marketing.

(We should be clear that this is not the 'marketing' commonly referred to as taking your product to the markets).

Properly managed these marketing elements form an alliance, with the region's ability to produce consistent supply and quality, to create the regions sustainable advantage. Having strategies fully documented, linked and focused will be the region's strength. To do this you need to be using the management team's decisions and the Marketing expertise to dictate the direction of the region.

.Functional Area

Export Market Development

The opportunity to take Australian produced herbs overseas is both real and productive. The Australian coriander producers export 90% of their crop, in seed form to various markets. The acceptance overseas of Australia as clean growing environment is a benefit many of our agricultural producers have failed to make use of. To produce and send local product to international markets will however take some time and some investment to achieve. The upside is that if successful the returns are consistent and profitable and the off-season growing times can add considerably to that benefit.

The steps to developing a successful export market require the following:

- Study of imports and the countries supplying the world market
- Research into the major world end users markets
- Research into the growth of varieties in sales and popularity
- Research into the markets with best growth potential
- Research into the style of product most required on world markets
- Research into world prices and ability to compete
- Establishment of agents and customers overseas
- Trial shipments and packaging
- Food approvals from various bodies

While this sounds daunting, the assistance of various Australian Government bodies, the use of ABS data and the Internet can produce some of the information quickly and accurately. There will be a need to send a suitable researcher to look at the overseas potential first-hand, as the face-to-face understanding is critical.

Strategically the region should see export among its first priorities as the knowledge of which markets can be the fastest to establish is a key element in success.

Sequence of Market Entry

The marketing plan sets out the rationale for entering each channel. The sequence that will be used to achieve this is illustrated below.

Market Channel	YEAR				
	1	2	3	4	5
Fresh culinary					
Fresh culinary value added					
Frozen culinary					
Frozen culinary value added					
Dried culinary herbs					
Dried culinary value added					
Dried medicinal category I/II *					
Dried medicinal category III					
Dried medicinal category IV					
Herbal extracts category I/II					
Herbal extracts category III					
Herbal extracts category IV					
Export Markets					
Frozen culinary					
Frozen culinary value added					
Dried culinary					
Dried culinary value added					
Dried medicinal category I/II					
Dried medicinal category III					
Dried medicinal category IV					
Herbal extracts category I/II					
Herbal extracts category III					
Herbal extracts category IV					

Business Structures and Systems

Key Result Area Business Structures and Systems

This section of the Industry Development Plan relates to the establishment and operation of structures and systems to support the marketing strategies outlined in the Industry Marketing Plan. It brings a focus to the development of internal enterprise capabilities required for organisation direction and managing multiple supply chains through a series of strategies formulated from the critical success factors identified in the Issues Paper.

The plan addresses many of the limitations imposed by Co-operative Structures as well as the difficulties of having producers working together to create a critical mass of product and being able to influence the Demand Chain. The market research and RIRDC publications clearly indicate the need to achieve this if marketing is to be successful in all segments.

Within this section is a specific objective for the establishment of Indigenous Community Business Entities for the production of herbs and the possible wild harvest of endemic plants for extracts and food production. Within the Industry Development Plan these Community Business Entities would be connected through membership of the Co-operatives to the larger markets. This does not preclude local business activity for tourism or similar activities.

The Goals for Business Structures and Systems:

- ◆ To establish three integrated regional Co-operatives having organised supply wards and related Directorships.
- ◆ To establish an independent Marketing Entity, owned by all three Co-operatives but overseen by a Board containing Independent Directors.
- ◆ To establish an integrated Supply System having uniform Quality Assurance and an equitable system for distributing returns to Growers and Asset Ownership.

Functional Area : Regional Business Entities

Objective : Co-operative Business Structure

To establish three regional Co-operatives by December 2002 as the primary business structures for organising the interregional production of herbs for a number of markets.

Background : Co-operatives are an egalitarian mechanism for allowing the broader community to participate equally in an industry. The herbal industry is currently dominated by a number of small growers who have little coordination and exert little influence along the supply chain. There is a number of large growers, particularly in the production of herbs for medicinal and specialist culinary purposes. Given that competent Directors are elected and skilled Managers are appointed a Co-operative can be a formidable business entity. Examples are most obvious in the Dairy Industry, Rice Growers and Golden Circle. An excellent RIRDC report "International Trends in the Structure of Agricultural C-operatives" describes many of the difficulties associated with Co-operatives and some of the solutions available for modern operation.

Critical Success Factors :

- ◆ Selection of a flexible Co-operative model.
- ◆ Selection of credible interim Boards.
- ◆ Critical number of active growing members.
- ◆ Sufficient capital to develop early market entry.

Strategies :

- ◆ Establish three interim Boards having cross membership between regions and independent Board Members
- ◆ Develop Memorandum and Articles as a flexible means of membership with rotational election of members to ensure continuity of direction and reduce the effects of factions.

Develop a two tier system of shareholding whereby Class A shares bestow equal voting rights and Class B shares apportion asset ownership on the basis of the quantity of business conducted by a member on an annual basis.

- ◆ Implement a Director's Training Program such as the UNE Program to enhance the level of professionalism and ensure Directors are aware of their responsibilities and liabilities.
- ◆ Develop an inter-region communication plan including methods of implementation.
- ◆ Develop a plan for the electoral process including time lines for the first AGM and election of Directors.
- ◆ Develop a ward system based on supplier groups as a means of facilitating communication and creating a spread of member's representation on the Board.

Outcomes :

- ◆ An integrated Co-operative system will be functional within two years
- ◆ Within five years we will have a pool of paid Directors having the skills and experience to lead the Industry.
- ◆ We will have a Co-operative system that acknowledges a member's contribution through both supply contribution and equity in assets.
- ◆ We will have a rapid communication system that keeps members informed of marketing activities and other operational matters.

Functional Area : Regional Business Entities

Objective : Interregional Organisation

To establish an inter-regional management system to facilitate operation of the Co-operatives and their connection to the Marketing Entity.

Background :

Co-operatives often have the difficulty of separation of roles between Management and Directors. There has been a tradition of selection of lower paid management and thus this leads to lower managerial skill levels.

In the development of a regional industry based on three Co-operatives and having the necessity to coordinate activities for supply, processing and infrastructure development considerable managerial skills will be required as well as a practical understanding of the technologies involved. In addition there has to be a close association between the Co-operatives and the Marketing entity.

Critical Success Factors :

- ◆ Selection of skilled managers
- ◆ Provision of appropriate remuneration.
- ◆ Definition of Roles and Responsibilities.

Strategies :

- ◆ Define the position requirements, remuneration package and use an external agency for manager selection.
- ◆ Develop the inter regional management process for coordination of all Co-operative activities
- ◆ Develop the inter-regional reporting process to ensure each Board is receiving consistent information.

Outcomes :

We will have skilled Managers using common processes to achieve coordinated activities across the Co-operatives.

Functional Area : Regional Indigenous Business Entities

Objective : Indigenous Business Entities

To establish within each interested Indigenous Community a business entity for the production of herbs and the harvest of endemic plants for plant extracts and food products.

Background :

The Issues Paper presented a Model used by the Dhugamin CDEP and highlighted evolving business structures and activities within the regions. A feature of these the creation of a means for transition from a CDEP position into full time employment within the Community Business. Coupled with this were the concepts of starting the employment process at school and providing an ongoing skill development within the Community Business through on the job and within Community TAFE training and education.

Critical Success Factors :

- ◆ Ensuring adequate skilled resources are provided for the management of Business Entity development.
- ◆ Ensuring adequate funds are available for the purchase and operation of production infrastructure.
- ◆ Ensuring skill development is targeted at business outcomes requirements.

Strategies :

- ◆ Develop a business model that is relevant for the region and trial it at selected Communities.
- ◆ Develop and implement an alternative ATSIC Business Investment Policy aimed at increasing employment.
- ◆ Provide feedback on the Job Network Process, on the issue of achieving a seamless transition from School to full time employment within the Community Business or within the employment opportunities created by the Regional Co-operatives.

Increase the resources available to manage the Business Development Process by Community Managers.

- ◆ Integrate Business Development with formal TAFE qualifications and apprenticeship programs for skill and education.
- ◆ Increase Managerial and Leadership training to ensure succession and stability within the Business.
- ◆ Promote leading and qualified Community Members to become Directors of the Co-operatives and Marketing Entity.

Outcomes :

- ◆ We will have a business model that can be adopted across Communities.
- ◆ We will have a skilled workforce in full time employment.
- ◆ We will be integrated into the Herbal Industry while maintaining our own cultural values.
- ◆ We will be participating in all levels of the supply chain.

Functional Area : Integrated Marketing Entity

Objective : Marketing Plan Implementation

- ◆ To establish an independent marketing entity that will have the responsibility for marketing all products and be governed by a Board having Independent and CO-operative Directors.
- ◆ To develop and implement a specific marketing plan for each market segment indicated in the Industry Marketing plan.

Background :

The marketing study and a number of RIRDC reports refer to the fragmented nature of the Industry. They also indicate how Growers need to improve quality, develop a consistent market presence and act in a more unified manner in order to achieve a market presence. In the Issues Paper it was noted that Growers were not always paid on time and sometimes crops of medicinal herbs were not taken.

Achieving a critical supply mass and creating a recognised market position / brand are key factors in being successful. The strategies set out below are aimed at achieving a focal point for positioning the three Co-operatives as market leaders under a single brand.

Critical Success Factors :

- ◆ Achievement of common branding strategies across the Co-operatives targeted at the channels identified in the Marketing Plan.
- ◆ Integration of the marketing function with the supply capability and forecasting systems.

Strategies :

- ◆ Selection of external Directors and Co-operative Directors having marketing and sales skills.
- ◆ Market testing brand and image development for each market channel.
- ◆ Develop channel specific marketing plans for existing products.

- ◆ Define market requirements for future products emanating from the R&D Plan.
- ◆ Develop an export marketing plan for appropriate channels based on the export market research.
- ◆ Develop a data base and communication plan for relationship building with both customers and growers.

Outcomes :

- ◆ We will have a strong brand recognised Nationally and Internationally as a symbol of quality and consistency.
- ◆ We will have a fully integrated market and production forecasting system.
- ◆ We will have a niche export market based on new products that obviate mainstream competition.

Functional Area : Integrated Marketing Entity

Objective : Forecasting and Contracts

To establish a demand forecast system and, wherever possible develop contractual supply arrangements for all market segments.

Background :

Forecasting is a difficult art form and in agriculture may only be as accurate as a weather forecast. Market forecasts for retail fresh products are somewhat more reliable as the major retailers develop more direct supply chains with growers. A forecasting system has to be in touch with both the current market and the competitive pressures operating along the supply chain. The Industry Development Model is designed to assist in the levelling of the highs and lows of the production and demand cycles. This is achieved by diversion of product into alternative channels or storage as frozen or dried product. The use of contractual arrangements assists in the levelling of demand but does not always provide for excessive or low seasonal production. Again the Industry Development Model provides for alternative channels and through relationships with other regions can better manage the supply situation. The key factor being the level of responsiveness to market and supply information.

Critical Success Factors :

- ◆ Development of a market surveillance and rapid response information system.
- ◆ Development of a regional and inter regional supply estimates system to assist in determining the best product mix and the pricing structures.

Strategies :

- ◆ Development of a supply requirement forecasting system in conjunction with major buyers and, where ever possible establish contract supply arrangements.
- ◆ Develop a product mix matrix that will allow prediction of the optimum mix to achieve the best returns for a given set of market and supply variables.

Establish an information system to monitor the estimated supply capability of other regions and other

countries and integrate this with the Co-Operatives' production scheduling.

Outcomes :

We will achieve the best possible returns for growers through the use of information and forecasting to provide the optimum product mix.

Agribusiness and Agronomic Practices Plan

This Key Result Area is about the development of a sustainable supply system that is based on the very best management practices for producing consistent quality and quantity of products. It is closely linked to the marketing plan and underpinned by a market driven R&D program. Within the five year planning cycle the product mix is expected to change but there will be a core range of products aimed at the fast growing fresh and frozen product sectors. The major changes will come from the introduction of a range of endemic species that will allow differentiation in the higher value sectors of pharmaceuticals, cosmeceuticals and nutraceuticals as well as introducing new food products. There are strategies for achieving these changes in product mix over time through the integration of Indigenous Community business activities with the Co-operatives.

The Goals for the Agribusiness and Agronomic Practices Plan :

- ◆ To establish an equitable supply system based on market forecasts and regional supply capability.
- ◆ To establish in each of the three regions a processing capability that will allow best practice post harvest care of produce.
- ◆ To create a Grower communication system network through a discussion group method to ensure rapid diffusion of technology and market information using conventional and Internet techniques.
- ◆ To establish an Environmental Management System, based on recognised International Standards and Organic Production Practices across the Industry
- ◆ To ensure future viability through the application of a market oriented R&D program for existing and new crops.
- ◆ To facilitate the development of a World class extraction facility as an enabling process for the Industry to access future high value National and International markets for plant extracts.
- ◆ To develop and implement a uniform quality system based on accepted International Standards and World's Best Practice for Organic Production.

Functional Area : Agronomic Practices Plan

Objective : Production Forecasts

To establish an annual production forecast and allocation system that will be equitable across all regions and all growers.

Background :

The intent of the production forecast is to increase the certainty that a grower will receive a profitable return for a given crop. As the major retailers have streamlined the supply chain they have been able to provide the selected suppliers with a more accurate demand forecast. While this assures an off take it does not always translate into profit as other supply sources can reduce market prices.

By adjusting the product mix / supply channel at the time of harvest there will be some influence exerted on the market and the prices achieved in any particular segment. This also relates to issues raised in the Issues Paper with respect to the (payment or lack of) for medicinal herb production. It would be necessary to devise contractual arrangement with manufacturers of herbal products to reduce the level of uncertainty.

Critical Success Factors :

- ◆ Integration of the marketing forecast with production scheduling.
- ◆ Real time market information system to determine time of harvest and method of processing.
- ◆ Development of a crop allocation and payment system that is equitable across all members.

Strategies :

- ◆ Develop and continuously update a database for grower capability in each of the product areas.
- ◆ Develop a system for matching and equitably allocating production requirements to capability.
- ◆ Develop a system for the collection of wild type endemic species against a forecast of requirements.

- ◆ Develop a multi point payment system for each product group based on quality requirements, production to allocation surplus production and allowance for price fluctuations over time.

Outcomes :

- ◆ Market requirements are matched to capability and Growers are rewarded for quality and consistency.
- ◆ Equitable payment is achieved across all Growers and reflects the degree of difficulty and risk taken.

Functional Area : Agronomic Practices Plan

Objective : Supply Schedules

To develop a supply schedule that is integrated with the market-forecast system and seasonal intake from other regions.

Background :

A critical factor in the market place is that of being able to supply over a long period product of uniform quality at a significant level of market quantity requirements. The three regions are relatively well placed to achieve this but there are products that may grow better in other climates or at particular times to achieve a longer seasonal supply window. An example of this being the avocado supply season. This begins with the Atherton supply in February and continues Southward to the Australia's Holiday Coast until about October. After this supply comes from New Zealand and WA for the summer months. A few large supply sources dominate this market.

Linkages to other regions will become an important factor in the establishment of an all year brand presence in the market place.

Critical Success Factors :

- ◆ Establishment of an all year supply capability
- ◆ Development of uniform standards for product description and QA
- ◆ Development of inter regional supply connections
- ◆ Development of standards and measurement capability for "markers" in dried medicinal herbs and extracts.

Strategies :

- ◆ Audit the existing and potential supply capability and create an annual supply matrix for the combined regions. From this define the gaps within the regions and the need for accessing product from other regions.

- ◆ Establish supply arrangements with other regions to fill the gaps and maintain brand presence in the market place.
- ◆ Develop product descriptors to AUF National Product Description Language, incorporate content of RIRDC Report No.01 / 167 and define market requirements.
- ◆ Develop uniform QA system as per later strategy and integrate with HR strategies.
- ◆ Communicate strategies to all members and support this with Internet system for Grower access to market requirements and supply development.
- ◆ Develop standards and measuring capability for “markers” in conjunction with major manufacturers.

Outcomes :

- ◆ Consistency of supply in the market place.
- ◆ Uniformity of product supplied to the markets.

Functional Area : Agronomic Practices Plan

Objective : Industry Communication

To establish an industry communication network using discussion groups, Internet connections and Industry Associations to maintain an up to date information system on marketing and agronomic developments.

Background :

The Issues Paper and subsequent meetings with growers defined the cultural issues relating to the difficulties of information sharing. This has previously been defined by AFFA as a major limitation to the development of rural industry sectors. The development of open information systems that may be accessed by members is seen as an important part of the decision making process across the emerging industry. At present this role is the province of the Industry Associations and in any expanded system it would be wise to enhance these communication channels. The most advanced appears to be that of the Organic Herb Growers who have a national membership of about 800 members. As some of the Co-operatives' information would have commercial sensitivities access may be restricted to Co-operative members.

The discussion group has been a successful method for the rapid diffusion of information across Growers. It also provides grass roots structure for the development of future leaders and provides a feedback mechanism for the forecast system.

The intent is to create an open participative information system that will contribute to both Grower and Marketing strengths of the Co-operatives.

Critical Success Factors :

- ◆ Formation of discussion groups as subregional groups.
- ◆ Establishment of an interactive web site.

Strategies :

- ◆ Seek local leaders to form discussion groups and act as the interim "glue" until others gain confidence with the process.

- ◆ Develop a web site for the transfer of information and to act as a bulletin board for supply, agronomic practices and a Grower Forum for the exchange of technology.
- ◆ Institute training program for use of the Internet (where required) as a communication tool and for the development of behavioural change to achieve openness.

Outcomes :

A subregional structure having trained members who interact for the exchange of technology and production information and can access up to date market information for decision making.

Key Functional Area : Agronomic Practices Plan

Objective : Role of Government

To define the role of Government and seek every possible assistance from State and Federal sources.

Background :

The State and Commonwealth governments have made a substantial contribution to the development of this industry sector and have indicated an on going support. Specific contributions have been the establishment of a Business Development position for the Northern Rivers and an Agronomist to work across all regions. Further contributions are expected for the development of an export plan, research and development and business planning for each of the Co-operatives.

DSRD will provide from the Ballina office a project specific business development support for the Northern Rivers and by diffusion the other Co-operatives. Business development capacity also exists in the other regional offices at Kempsey and Armidale and, while not project specific are available for business development support.

DOTARS applications may be made to relevant other funding sources (both Federal and State) for potential funding towards the continuation of the Industry Development Plan.

There is a number of indigenous programs that will need to be accessed, including ATSIIC investment in infrastructure to meet the start up objectives for the Agronomic Plan.

Critical Success Factors :

- ◆ Achievement of seed funding to establish the Industry Development process.
- ◆ Achievement of business development grants for business and market planning, including export market plan development.
- ◆ Achievement of Indigenous funding for pilot projects
- ◆ Accessing R&D start funds

Strategies :

- ◆ Steering Committee to achieve appointment of DSRD and Dept. of Ag appointments to the project with reporting responsibilities.
- ◆ Co-operatives and Marketing Co. access DSRD funding for business and market plan development.
- ◆ Seek assistance from Area Consultative Committees to jointly access relevant Federal and State funding sources including DOTARS for potential funding for export market plan and plan implementation.
- ◆ Steering Committee negotiates with ATSIC for specific funding of pilot Indigenous projects, particularly for infrastructure development.
- ◆ Indigenous Communities apply for business development funding for pilot business plan development.
- ◆ Gain Invest Northern Rivers support for accessing the Board of Vocation, Education and Training.

Outcomes :

- ◆ Sufficient funds are available to support the implementation of the Industry Development Plan.
- ◆ Future export market developments have a planned market entry strategy.

Functional Area : Agronomic Practices Plan

Objective : Equitable Payment

To establish an equitable payment system across all market segments that will provide for minimum payments and assist the farm production budgeting process for all members.

Background :

Equitable payment systems are integral to the production system and the establishment of consistency of supply in the market place. There will be some products that are more profitable to produce and at the same time there will be a finite amount required for the market. Hence not all producers can produce such a product as their sole crop.

As new crops are developed by the R&D program there will be the need to grow trial quantities while the agronomic techniques are being refined for practical application. This may be expensive and certainly has associated risks. In the longer term all Growers will benefit but there needs to be flexibility in the payment system to accommodate start up production. It would be expected that new products being trialed would achieve higher prices and price would decrease as the sales volume builds up.

The intent of the Industry Development Plan is that of bringing cohesiveness and consistency to the Herbal Industry. An equitable payment system will contribute to this intent. The difficulty in this instance is the multi channels of marketing and the potential of this to create perceptions of inequality in the payment system. This is also compounded by the international supply of dried herbs, herbal extracts and frozen herbs that results in price fluctuations.

Critical Success Factors :

Agreement between Growers and the Co-operatives that the payment system is equitable for all channels of marketing and accommodates the inherent risks of a particular cropping system.

Strategies :

- ◆ Develop a computer model for each product channel that will provide for a rolling average farm gate price for each type of herb grown.
- ◆ Test the model against historic market data of Grower members and where available industry data such as central market and import prices.
- ◆ Develop a farm production model for each crop as a benchmark for determining product mix parameters and predicted average returns for the product mix.
- ◆ Communicate the model to all Growers through the Grower Discussion Group structure and use the web site as a means by which Growers may develop on farm budgets for their own specific production conditions.

Outcomes :

An equitable and transparent payment system

Functional Area : Agronomic Practices Plan

Objective : Indigenous Agronomic Plan

To establish and implement an Indigenous Agronomic Plan that will facilitate commercial participation in the Herb Industry through the harvest of wild endemic plants and development of farm production techniques for such plants.

Background :

The development of the “Bush Tucker” ingredients for niche cuisines has led to the production of endemic species under farm conditions. At Dorrigo there has been some production of Dorrigo Pepper from wild *Tasmannian lanceolata*. Tea Tree oil is being produced at Cabbage Tree Island and endemic plants form part of the ecotourism development at Kempsey.

Differentiation in the market place will be enhanced by the continuous introduction of new products. This will apply to all channels and will not only expand the market but also reduce competitive influences. The Indigenous Communities are ideally placed to capitalise on these developments provided that they are adequately resourced and tied into the marketing plan.

Critical Success Factors :

- ◆ Definition of the products required in the marketplace
- ◆ Matching of opportunity with supply and business capability.

Strategies :

- ◆ Conduct an audit of potential endemic species that may be used in each of the marketing channels and test market product concepts.
- ◆ Establish the harvest methods and post harvest care of wild harvest endemic species using where ever possible value adding processing.
- ◆ Establish the agronomic practices for the production of endemic species under cultivation techniques on Indigenous Land.

- ◆ Develop training and skill formation around the new practices within an on farm training program.

Outcomes :

- ◆ Early market entry with new products to increase differentiation
- ◆ Long term production of endemic species for a range of market opportunities within the overall marketing plan.

Functional Area : Agronomic Practices Plan

Objective : Environment Management

To establish an Environmental Management System (EMS) across all members of the Co-operatives.

Background :

It is well recognised that sustainable agriculture is only possible if the whole production system is treated as an ecosystem that responds to nurturing. In recent times there has been an increasing emphasis on the development of best management practices for adoption across farming communities. The Organic Growers have been promoting similar practices for a very long time and have a lot to offer in the establishment of an EMS. In 2001 Ballina hosted the EMS in Agriculture Conference that featured several International speakers.

EMS will assume some expanded dimensions as the use of potential “weeds” as herbs in medicinal products and the problems related to meeting EPA requirements. An industry that addresses these issues will have a more competitive position.

The International Standard ISO 14001 is recognised as the baseline although this position is not accepted in all areas of Organic production. This Standard is currently being revised.

A number of Australian Agribusiness sectors are adopting EMS practices for water management, soil management, vegetation management, chemical management, pest weed management, farm waste management, nutrient management and property management. In the development of this Industry sector there will need to be an inclusion of the Indigenous Land in any EMS.

Critical Success Factors :

- ◆ Adoption of an ISO 14000 based EMS across the total production area and integration of this with other industry sectors.
- ◆ Integration of the Organic Systems and ISO 14000 based systems to ensure cohesiveness of direction.

Strategies :

- ◆ Survey all Growers in the region to define the EMS current reality and the priorities.
- ◆ Collate other industry EMS practices and recording methods and through Discussion Groups evolve an EMS that is applicable to the herbal industry.
- ◆ Obtain RIRDC financial support for the publication of a regional EMS based on ISO 14000 and the Principles of Organic Growing.
- ◆ Develop an Indigenous subset of the EMS applicable to wild harvest and species preservation.
- ◆ Develop and implement an EMS training plan.

Outcomes :

- ◆ All Growers will be operating at best management practices on their farms.
- ◆ The integrity of Indigenous Land will be maintained.

Functional Area : Agronomic Practices Plan

Objective : Regional Infrastructure

To establish regional and on farm infrastructure for the post harvest handling of products including vacuum cooling, cool storage, freezing and drying.

Background :

A common feature of the marketing study and RIRDC reports is the need to achieve product consistency in all market channels. This appears to have resulted from a lack of market specifications, post harvest handling techniques and variability of processing technology. It was evident from the Issues Paper that drying facilities were generally lacking, as was knowledge of the available technology and skill in its use. At the other extreme the New England has a state of the art computerised large scale drying facility for medicinal herbs. In RIRDC Report No.01/167 the difficulties associated with IQF herbs used in food processing were highlighted. Dr Leach's Report, in the Issues Paper indicated a need for the standardisation of the "marker " compounds in material to be used in herbal medicines.

The diversity of product and the difficulties associated with distance between Growers requires the development of several options for regional processing plant and infrastructure. This also applies to the application of technology within and between Indigenous Communities. Associated with this is the requirement to establish aggregation points for fresh and dried products. There is a strong perception that fresh product will require considerable post harvest care in order to meet market requirements. The time factor can be overcome with expensive techniques such as vacuum cooling at a central point or rapid cooling on farm immediately after harvest. It is very important to reduce plant temperature immediately after harvest in order to retain freshness. A recent development has been the use of gas packing of packaged herbs to prolong shelf life in supermarkets.

Dried products require aggregation for critical mass, standardisation of moisture content and, in the case of medicinal herbs, measurement and standardisation of active components.

The minimum requirements for regional processing have been estimated from the market projections over the first three years.

These will require some refinement as the production forecast is developed across the three regions. Estimates for each region are:

- ◆ Refrigeration capacity for a daily intake of about 3 tonnes.
- ◆ IQF freezer capacity of about 1 tonne/day with capacity to expand to 5 tonne/day.
- ◆ Drying system to both dry wet product to 12% moisture and standardise dried material being received from sub regional driers. Total estimated capacity 5 tonne with capacity to increase to 10 tonne/day.
- ◆ In year two provision for gas packing and refrigerated storage of 1 tonne/day of packaged fresh herbs.
- ◆ Cool room storage for dried herb mixes and herbal extracts.
- ◆ On farm or shared small driers to process small quantities of herbs. This may suit small heat pump type driers.

Critical Success Factors :

- ◆ Identification and acquisition or lease of suitable low cost building such as a disused dairy factory.
- ◆ Raising of sufficient funds to install processing requirements in three locations.

Strategies :

- ◆ Appointment of ISO to develop a schedule of available relevant processing equipment.
- ◆ Identification of suitable building to set up low cost processing facility.
- ◆ Funding of infrastructure development through debt and equity as outlined in the Co-operatives' business plans.

- ◆ Integration of capital development with the marketing plan requirements.
- ◆ Establishment of on farm and within Indigenous Community drying capabilities.

Outcomes :

- ◆ Infrastructure that is capable of supporting the market requirements.
- ◆ Flexible processing system that can respond to changing market conditions.

Functional Area : Agronomic Practices Plan

Objective : Specialist Extractions

To establish a specialist extraction facility for the preparation of standardised plant extracts for use in the pharmaceutical, cosmeceutical and nutraceutical markets.

Background :

The medicinal herb industry is steadily moving toward the use of extracted materials that have been standardised for the active or “marker” compounds. At present about 25% of all pharmaceuticals are of plant origin. As major drug companies are entering the “Herbal Renaissance” it can be expected that they will bring the paradigms of their industry with them. They will want chemical standardisation and more importantly will focus on the active components rather than consider the more traditional holistic approach to herbal extracts. Extracts of defined composition will be required.

A similar situation exists in the cosmeceutical and nutraceutical markets. Safety and efficacy are as important in these markets as they are in pharmaceuticals. The increasing regulatory environment as well as increasing consumer awareness is driving these sectors and relatively high levels of scientific and technical inputs are required in order to achieve a significant market position.

The technologies and technical expertise required to participate in the segments are expensive and need to be backed up by a strong R&D function and budget.

Australia is a participant in the supply of plant extracts to the World market with exports being about \$80million / yr. The limitations of participating in the wider markets are in part due to lack of R&D in safety and efficacy issues as well as a culture that resists value adding. Each industry sector has suffered from size and the critical mass to finance the necessary R&D. This will continue until a serious player enters the industry and makes the appropriate investments in R&D, technology and marketing of products that avoid the commercial pressures placed on conventional (Western) herbal extracts.

Critical Success Factors :

- ◆ Enticement of an experienced technical and marketing company to develop a high tech facility within the regions.
- ◆ Development of a close relationship between the technical and marketing company with the herbal industry marketing entity.

Strategies :

- ◆ Steering Committee to develop an enticement package for attracting a commercial entity to the region.
- ◆ Integration of the Industry Marketing Entity with the product development capability of the high tech entity.
- ◆ Joint R&D activities between the commercial parties and the USC for the development of new endemic plant extracts.
- ◆ Joint funding arrangements between the Industry Marketing Entity, the high tech entity and RIRDC or ARC.

Outcomes :

- ◆ A high tech entity having a wide range of extraction capability and marketing expertise to facilitate national and international marketing of existing and new chemically defined plant extracts.
- ◆ The regions gain international credibility for the supply of sophisticated plant extracts having defined safety and efficacy.

Functional Area : Agronomic Practices Plan

Objective : Future Crops and Endemics

To develop a program for the introduction of future crops including the development of endemic species production techniques.

Background :

At an RIRDC sponsored workshop in 1997 Dr Reg Smith of Phytex Australia was reported as contributing the statement “Competitive edge in production of actives is dependent upon use of indigenous raw materials”. In the development of the Issues Paper Dr leach indicated several categories of endemic plants that could be developed to achieve such a competitive edge. His report also highlighted that some 10 conventional herbs represented about 60% of the herbal medicines market. The early development of plant extracts was around wild harvest of endemic plants such as tea tree, lemon myrtle and more recently a considerable range of “bush foods”. As these sectors developed cultivation of endemic species became a part of industry agronomic practices and contained considerable folklore and little science. A lot can be taken from these experiences and capitalised for the development of the next generation of plant extracts that will contribute to a high level of market differentiation. Crucial to this will be the parallel development of the R&D on safety and efficacy issues.

Critical Success Factors :

- ◆ Development of a pharmacopoeia of regional endemic plants having potential medicinal or food uses and definition of their growing conditions
- ◆ Establishment of agronomy trials to establish farm production requirements for a number of plants considered to have market potential.

Strategies :

- ◆ Collate existing Indigenous Community knowledge on plants having known properties including traditional and botanical names as well as natural growing conditions.
- ◆ Establish with the Industry Marketing Entity and SCU scientists those plants considered to have a long-term future. (See Dr Leach's report in Issues Paper).
- ◆ Obtain RIRDC support for the development of agronomic research and development on new species and where relevant existing traditional species require by the market.
- ◆ Develop techniques of organic production suited for broad acre production of all herbs. This particularly applies to weed and insect control.

Outcomes :

- ◆ Scientific production methods available for continuous introduction of crops that will contribute to competitive advantage.
- ◆ Integration of new crop development with the long term R&D program for safety and efficacy and the Industry Marketing Plan.

Functional Area : Agronomic Practices Plan

Objective : Quality Systems

To establish a uniform Quality Assurance System across all Co-operatives based on SQF 2000, HACCP and integration of the requirements for Organic Production.

Background :

Issues relating to quality were raised by all market segments. Achievement of uniform quality will be a major contributor to competitive advantage. At present all major retailers have Quality Requirements and verification methods. While each has their own system they accept SQF 2000 and ISO 9002 as equivalents provided they include HACCP. These requirements also extend to Organic Production. The ISO 9000 series standards are generally accepted and required by the food and pharmaceutical manufacturing sectors. This is somewhat at odds with the growing and drying methods used in some overseas countries however it is rigorously applied to herbal extracts. A limiting factor in grower uptake has been the cost of QA development and the ongoing assessment of compliance costs. There are now a number of Co-operatives operating on a collective QA system whereby the Co-op holds the QA certification and the Growers are an extension of this. It is intended that this would be adopted for the CO-ops and the Marketing Entity.

Critical Success Factors :

- ◆ Agreement between all Grower groups on the integration of Organic Production requirements into ISO/ HACCP based quality systems and complete adoption of QA across the Industry.
- ◆ Training and education on uniform standards and their application to achieve consistency in product supply.

Strategies :

- ◆ Steering committee to provide facilitation of grower groups to develop a uniform basis for the development of a quality system acceptable to the major markets.

- ◆ Use of external expertise to develop the standards and processes and define these in a quality system that is not onerous on growers.
- ◆ Facilitated workshops and on farm demonstrations to achieve uniformity in application of QA across all growers.
- ◆ Development of Co-operatives' policy for the handling of persistent non-conformance by specific Growers.

Outcomes :

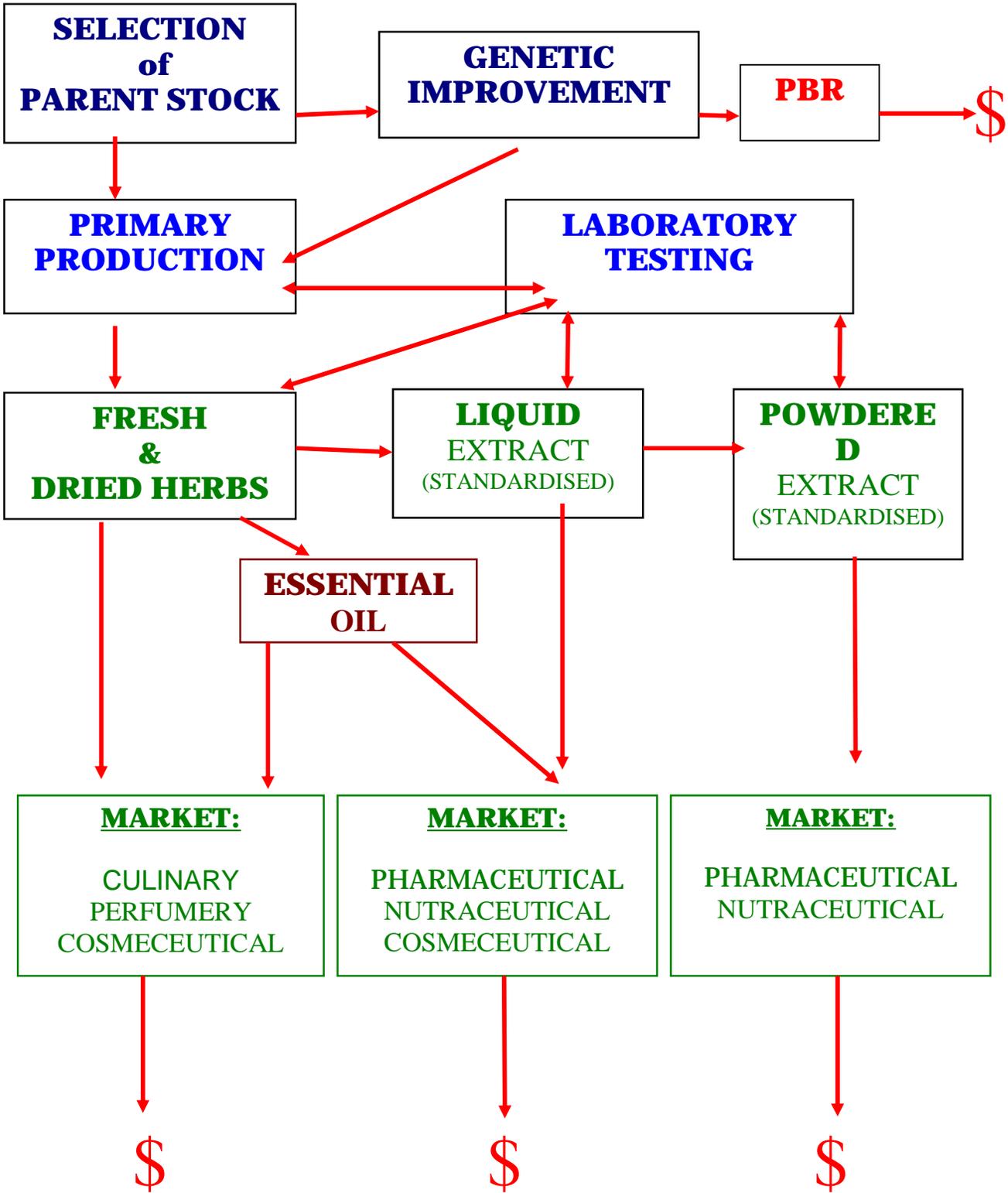
Consistency of product and reputation in the market place as a competent and trusted supplier.

Research and Development Plan

Key Result Area Research and Development Plan

The R&D model was developed by Dr. David Leach of Australian Phytochemicals Ltd as part of the Issues Paper and has been used as the basis for the R&D Plan. It has a wide scope of R&D activities starting with the selection and genetic improvement of the herbs irrespective of their ultimate end uses. As stated by Dr Leach “The model cannot function successfully if the primary producers are not supported by a market strategy, laboratory facilities, drying, grinding and extraction facilities as well as sound agronomic analysis and advice.” This advice fits with the overall direction of the Industry Development Plan and the R&D Plan follows this development pattern.

A VERTICALLY INTEGRATED APPROACH



The Goals of Research and Development

R&D is seen as the mechanism for maintenance of the sustainable competitive advantage through the continuous improvement of existing herbs, especially focussed on end use, and differentiation through the introduction of new herbs. The latter provide the means by which competitive position may be achieved in the pharmaceutical, cosmeceutical and nutraceutical sectors. These sectors are currently dominated by a relatively small number of herbal products and it is expected that the introduction of new types will not only expand the markets, particularly in export, but also avoid the clutter of conventional products. A number of new products are described in Dr Leach's report and these will form the basis for the medicinal product R&D program. There is also the area of culinary products where genetic improvement of existing species and the selection of new endemic species offer both opportunities for differentiation and enhancement of competitive advantage. It is intended that a considerable part of the R&D plan will be executed by out sourcing of expertise such as Research Institutes.

Our Strategic Goals for R&D are:

- ◆ To develop a selection and plant improvement program for existing and new plant species that will sustain competitive advantage through product differentiation and increase farm profitability.
- ◆ To research and develop large-scale low environmental impact and/or Organic Production techniques for existing and new plant species. The content of this is described in the Agribusiness and Agronomic Practices Plan.
- ◆ To develop and continuously improve processing technology used for the post harvest care and processing of herbs. The content of this is also described in the Agribusiness and Agronomic Practices Plan.
- ◆ To develop specialised extraction and processing techniques for new plant extracts and dried herbal material and the means of standardising active components.
- ◆ To establish the safety and efficacy to recognised international standards of extracts and dried materials derived from new species, particularly those identified in Categories III and IV.

Functional Area

Plant Improvement

Objective Culinary herbs

To implement a program for the improvement of attributes that enhance marketability of culinary herbs and provide better farm gate returns.

Background

The market is in a relatively rapid growth phase in all types of herbal products. Continuous improvement of varieties for specific characteristics such as flavour, colour, and appearance is practiced in almost every type of crop. In this way the market is stimulated to increase not only in the new products but also in traditional products.

The growth of the frozen sector suggests an opportunity to develop characteristics that will facilitate freezing as Individually Quick Frozen (IQF) while still maintaining colour, texture and flavour.

While dried herbs may not be the most attractive market segment due to low cost imports it still offers considerable scope for the development of new products as well as the selection of varieties having high levels of flavour compounds. This segment may well get a boost in the near future when the use of ethylene oxide as a sterilising agent for imported product is banned. In the area of value adding through the use of herbal mixes for the food industry the breeding of specific plants for mixes will gain considerable momentum.

As the production area stretches over a wide range of climatic conditions the potential to develop region specific varieties as well as all region varieties could be exploited.

Strategies

- ◆ Definition of marketable characteristics in the core herb group where continuous improvement would enhance competitive position.
- ◆ Establishment of a strategic alliance with a major seed company for the development of a long-term plant-breeding program.
- ◆ Establishment of inter-regional on farm production and agronomic practices trials to test varieties and produce trial market crops.

- ◆ Strategic alliance with local retailers as the test market for new products before large-scale production is started.
- ◆ Registration of Plant Breeders Rights as a means of creating secondary income streams.

Outcomes

- ◆ Competitive advantage is enhanced by continuous improvement contributing to market stimulation and Brand image and recognition.
- ◆ Consumer acceptance at the local level is known before a major marketing effort is launched thus increasing the chances of success.

Functional Area

Plant Improvement

Objectives Endemic culinary plants

To identify and establish a gene pool and agronomic practices for a range of endemic culinary plants that may have market potential as part of the development of the endemic culinary species strategies.

Background :

Although considerable effort has been made to establish a “Bush Tucker” industry sector there has been little inroads made into main stream food retailing or food service. RIRDC has sponsored studies to assist the sector and some serious, albeit small players have accessed niche local and export markets. In the Issues Paper it was noted that Indigenous Communities were beginning to incorporate these foods and their production into eco tourism ventures. Major retailers suggest that the variability of supply and the lack of marketing dollars has limited acceptance in these markets.

There has been little research done to define the plants having potential and the selection of such plants for market or production characteristics.

Strategies :

- ◆ Collect, identify and propagate a wide range of provenances selected from the regions or nearby regions.
- ◆ Determine the selection attributes indicated by historic use or trial market testing.
- ◆ Institute a long-term selection and propagation program within Indigenous Communities in order to develop a source of seed or vegetative material for commercial production.

Outcomes :

A standardised source of plants for commercial production to meet specific market needs.

Functional Area

Plant Improvement

Objective : Endemic medicinal herbs

To establish a wide gene pool for Category III and IV type endemic species and develop a selection program for increasing the active compounds and production characteristics.

Background :

The marketing study indicated that these would be the long-term future for the Industry's participation in the pharmaceutical, nutraceutical and cosmeceutical sectors. The products will allow for considerable differentiation and avoidance of major competitor activity. While many endemic species have been identified with respect to historic application there appears to be a paucity of hard data on the range of chemotypes and physical characteristics of growth that may affect harvestability.

Strategies :

- ◆ Collect and characterise a large number of provenances of each selected species.
- ◆ Establish nurseries within Indigenous Communities as a source of original genetic material and develop propagation techniques
- ◆ Institute a long-term selection and propagation program within Indigenous Communities in order to develop a source of seed or vegetative material for commercial production

Outcomes :

A standardised source of plants for research needs and commercial production to meet specific market needs.

Functional Area Medicinal Products

Objective : Safety and efficacy

To establish the active compounds of Category III and IV type herbs and establish the safety and efficacy of dried and extracted products to meet recognised International standards.

Background :

Issues of safety and efficacy are major barriers to market entry into the high value sectors. This, for example, has been a major hindrance to the Tea Tree Industry. The National and International regulatory environment has been relatively tolerant of plant extracts until recently when herbal products claims of efficacy have been made by marketeers without sound scientific proof.

The purchasers of herbal extracts and dried product are requiring analyses of the active compounds or markers in order to ensure that safety and efficacy standards will be met. These are expensive requirements and require considerable credible scientific effort to achieve satisfactory outcomes.

Strategies :

- ◆ Establish a safety and efficacy research program with Research Institutes having the necessary technical skills and a well developed knowledge of the regulatory environment
- ◆ Establish the factors contributing to active compound content variability and methods for achieving consistency.
- ◆ Develop strategic alliances with International organisations that can contribute to the cost of the R&D as well as facilitating the passage of submissions to regulatory agencies.
- ◆ Establish a close relationship with the Extraction Company to ensure availability of low cost commercial quantities of product for trials.

Outcomes :

Market entry barriers reduced through achievement of regulatory acceptance at National and International level.

Functional Area

Medicinal Herbs

Objective : Extraction and analysis

To develop efficient extraction and standardisation techniques for endemic plant extracts and analytical techniques for the determination of active compounds.

Background :

A feature of the market research and Dr Leach's report was the requirement for standardised active ingredients or marker compounds in dried medicinal herbs and herbal extracts. The extraction process and analytical techniques can have considerable influence on the content and chemical state of active compounds. Each different plant material presents its own requirement with respect to the selection and application of technology. Some methods of extraction while being quantitatively efficient may result in oxidation or chemical conversions. Definition of process parameters is very important to the control of extraction. Similarly there will be a need to develop separation or concentration methods for standardisation of the extracts.

Strategies :

- ◆ Establish an extraction and process definition research program with Research Institutes having the necessary technical skills and process technology.
- ◆ Establish the factors contributing to active compound content variability during extraction and methods for achieving consistency.
- ◆ Develop strategic alliances with International organisations that can contribute to the cost of the R&D as well as providing expertise in order to shorten the development cycle.
- ◆ Establish a close relationship with the Extraction Company to ensure availability of a commercial plant to test scale up of extraction and standardisation practices.

Outcomes :

- ◆ Defined processes having commercial application and developed to World's best practice.
- ◆ Standardised products having certifiable analysis as required by the marketplace.

Functional Area Medicinal herbs

Objective : Product Formulations

To develop prototype product formulations that meet National and International standards in order to assist marketing of the new products to manufacturers and marketing customers.

Background :

The introduction of new extracts to the market will be facilitated by the ability of the Marketing Entity to present well-documented prototype products and indicative formulations to potential customers. Such product packages are expected by the larger players and contribute to the reduction in time to market cycle. The R&D also contributes to safety and efficacy as the whole system of active ingredient, adjuvant and delivery mechanism have been tested prior to market entry. It will also provide a technical backup for the various applications that customers may wish to develop.

Strategies :

- ◆ Establish a product development research program with Research Institutes and Commercial Formulators having the necessary technical skills and process technology.
- ◆ Develop strategic alliances with International organisations that can contribute to the cost of the R&D as well as providing expertise in order to shorten the development cycle.
- ◆ Develop product packages based on safety and efficacy, composition and stability, regulatory ready with indicative formulations for a number of anticipated applications as indicated by the market research.

Outcomes :

Rapid market entry with professionally produced product packages meeting International standards and customer expectations.

People Development Plan

Addressing Issues :

The Issues survey highlighted a generic difficulty of Australian Agribusiness :

“Changing the individualistic nature of many rural producers is proving to be a slow process. This is a major barrier to information flows across the rural sector, particularly when it comes to identifying and developing opportunities for new niche products.”

The Issues paper identified the considerable contrasts between regional culture, the Organic vs non Organic producers and even attitudinal differences within the Organic producers that were considered to be potential barriers to the formation of a cohesive industry sector. Associated with this was a perceived lack of Leadership in a commercial sense particularly in the Northern Rivers and Australia's Holiday Coast regions. These differences are also compounded by the historic effects of ill-founded attempts to start a number of plant based projects that have left a certain level of cynicism among Growers.

Group behavioural difficulties were also recorded for Indigenous Communities particularly relating to sharing of resources and the economic gaps that are evident between Communities. As finance will be a limiting factor for infrastructure development and sharing of plant and equipment will be required it will be important that these issues are addressed at an early stage of Industry Development.

The Industry Development Model places considerable emphasis on the development of cooperative approaches to marketing, supply chain management and R&D. The parallel development of people with business strategy for overcoming the people barriers to Industry development. The People development aims to achieve this and in addition attempts to fill the gaps in relation to process technology and marketing.

Functional Area Employment

Objective : Entity Operation

To adequately resource the marketing Entity and the Cooperatives with skilled people having the capability to carry out the business plan.

Background :

Selection of skilled people will be a prerequisite for implementing the Industry Development Plan. The employment plan is aimed at achieving labour cost control in the early stages of business development. As the businesses are Co-operatives there will be limited funding until the marketing plan is fully implemented. Direct supply to retailers and manufacturers will contribute to higher margins to pay for the Marketing Entity overheads. During the start up phase there will be support for a dedicated Business Development person and an Agronomist and these will be located with the Marketing Manager to ensure close coordination of activities. Where ever possible use will be made of employment subsidies for the first six months of operation.

Critical Success Factors :

- ◆ Selection of competent motivated people
- ◆ Control of labour costs in the first six months
- ◆ Use of Government resources

Project Employment Schedule :

The attached spreadsheet sets out a ramping effect for the number of people who will be employed in the Marketing Entities and the Co-operatives. The Marketing Entity will be the first operating business unit and the intent is to employ a marketing manager, one support person and an accounting person for the first year. This will require external financing for about six months after which it should become self-funding from sales. When value added products and herbal medicines are added to the supply line the marketing team will be steadily expanded and will include an export manager.

The Co-operatives will employ people primarily for the aggregation of supply and logistics in year one. As value adding is developed along with the development of specialised products a Manager will be appointed to each Cooperative.

Strategies :

- ◆ Develop position descriptions and selection criteria and seek external support for position selections.
- ◆ Seek Government support for initial funding of positions wherever possible.
- ◆ Use Government Staff to assist in market and supply development in early phases.

Outcomes :

Marketing Plan implemented and supply chain developed as lowest possible cost for effective market entry.

Estimated Employment Program for Industry Development

YEAR					
	1	2	3	4	5
Marketing Entity	No. of Employees				
Market Manager	1	1	1	1	1
Assistants	1	2	3	3	4
Accounting	1	1	2	2	3
Specialist Support		1	2	2	2
Export Manager		1	1	2	2
TOTAL	3	6	9	10	12
Regional Cooperatives – (assumes equal number at each location)					
Manager		3	3	3	3
Logistics	3	6	9	12	12
Processing	3	9	15	15	18
Export Shipping		3	3	6	6
Supply Development		3	3	3	3
Administration	3	3	6	9	9
Accounting	3	3	6	9	9
TOTAL	12	30	45	57	60
Total Employees	15	36	54	67	72

Functional Area

Employment

Objective : **Indigenous Employment**

To create a seamless employment program that starts with schools and leads to full time Community or Industry employment through pilot projects having more flexible application of CDEP and Job Network Programs.

Critical Success Factors :

- ◆ develop pilot trial herbal business enterprises as per the Industry Development Plan
- ◆ increase CDEP access for these enterprises as well as the length of CDEP time limit
- ◆ connect CDEP to seamless entry into business enterprise
- ◆ use incremental replacement of CDEP positions with wage positions
- ◆ review Job Network policies and procedures to increase flexibility of application in pilot trials including a 12-month entry time.

Background :

The Issues Paper illustrated some of the difficulties being experienced by Indigenous Communities in the area of employment and the use of Government programs. The Business Systems and Agribusiness and Agronomic Plans set out the strategies for establishing Business Entities within Indigenous Communities as pilot trials for existing product, collection of wild crops of endemic plants and the establishment of endemic plant nurseries for overall Industry expansion.

In the development of people strategies these pilot trials will also be used to achieve a greater degree of flexibility within the existing programs for employment as well as a recognition that agricultural developments cannot be achieved within the normal time frames of the CDEP and Job Network arrangements.

Associated with these difficulties is that of providing resources for the management of the Business Entities. It is expected that this issue will be developed in parallel with the strategies set out below.

Strategies :

- ◆ Select a mix of Communities as pilot trials for the establishment of Business Entities focussed on herb production and the long-term application of endemic plants.
- ◆ Negotiate a trial period for increasing the number of CDEP workers, the length of CDEP time and the length of Job Network time.
- ◆ Integrate local TAFE on the job training as is conducted at Kempsey.
- ◆ Commence in school development program for entry of nursery apprentices into the Community Business.
- ◆ Provide sufficient management resources to enable the Businesses to be supported.
- ◆ Establish a Business Mentoring Program such as that used by the Dhugamin CDEP as reported in the Issues Paper.
- ◆ Create incentives for workers to increase the level of motivation and inputs into the Community Businesses.
- ◆ Establish a Mentoring Program using experienced mentors on a day to day basis during the initial phases for Business development.

Outcomes :

- ◆ Businesses are adequately resourced and training and education are focussed on real job outcomes within the Communities.
- ◆ Achievement of realistic time spans for new venture to achieve commercial success.

Functional Area

Industry Training Plan

Objective : **People, Customers and Processes**

To establish a formal training process that will assist Growers and associated Industry participants to gain the skills to work together, understand the value chain and continuously improve the processes and technology used to deliver consistent quality products to market.

Background :

While the Issues Paper was not a formal training needs analysis it did reveal a number of areas where training would be essential to strategy implementation. Other areas were revealed in the market research study. Specific areas for example being the historic difficulties of getting Growers to cooperate in marketing, Leadership, market feedback on technology associated with quality problems and knowledge of how markets are structured. In addition there are the issues of merging Organic Growing with HACCP and ISO Standards,

The training plan has been developed around the three components of **PEOPLE, CUSTOMERS** and **PROCESSES**. There may be other areas requiring development as the Business Entities unfold. In addition there will be specific requirements for Indigenous Communities, Apprentices and in some instances Business Management. The Leadership issue within Indigenous Communities has also been addressed in the Industry Development workshops and a process of situational leadership has been proposed to allow champions to emerge within the traditional leadership structure. Leadership was previously identified as a regional issue and requires some coaching and mentoring to develop leaders through on the job type learning experiences. The previously identified behaviours of Growers with respect to cooperation is a serious impediment to strategy implementation, It is a classical strategy – culture conflict and the behavioural modules of the training plan need to be implemented at a very early stage of Industry Development.

Strategies :

- ◆ Integrate training modules where possible with Industry Competency Standards and locate suitable training organisations as well as TAFE to deliver the courses.
- ◆ Obtain regional funding for each Co-operative under the Farm Biz Program.

- ◆ Conduct a competency audit of Growers and create a learning environment where they may participate without fear of failure.
- ◆ Establish a recording and feedback system to measure the effectiveness of training in terms of Business strategy implementation.

Outcomes :

Growers who can participate cooperatively to gain market position and understand the role of continuous improvement of people, processes and technology in maintaining competitive advantage,

Training Plan :

The description of modules that will be delivered is contained in the attached pages.

Functional Area

Industry Training Plan

Objective : Benchmarking Tour

To undertake a Grower study tour of the Indigenous Communities' Tea Plantation and Ecotourism, Wine Industry, Rice Industry and the South Australian Herb Industry to learn how they have evolved and achieved World's Best Practice as Growers and Marketers of primary products.

Background :

Establishing reference points for excellence provides Industry members with a sense of where they are positioned relative to others as well as reducing the risks and mistakes of an early start up business. The three proposed Industry sectors for study have a lot to offer all Australian Agribusinesses. Each has developed from the necessity to use collective action to secure Market position. Each had been successful for different reasons. A Benchmarking Tour requires considerable planning and very close definition of the purpose, the objectives and the methods that will be used to extract information.

A secondary feature of such tours is the degree of bonding that occurs between the team members. This is sometimes the catalyst that brings out leadership and cohesiveness.

Strategies :

- ◆ Establish a Benchmarking tour Program soon after the Cooperatives are established for the purpose of establishing a reference for excellence in the herb industry.
- ◆ Conduct a workshop to define objectives, roles and responsibilities and methodologies for information and data gathering.
- ◆ Carry out the study and from it define the future standards for operation and cooperation required to establish a lead market position.

Outcomes :

Cooperatives and Indigenous Communities having standards of achievement that will enhance market image and position.

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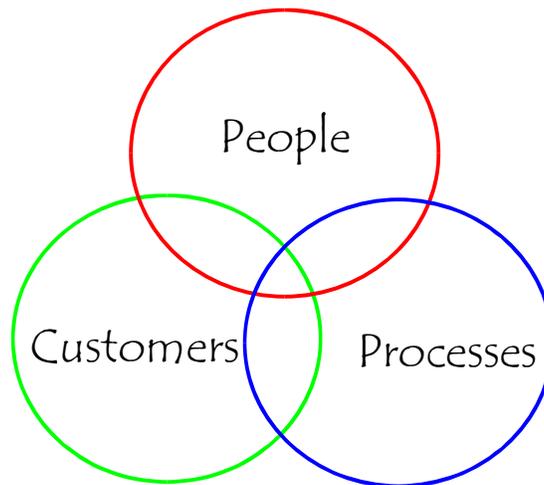
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Introduction

This Training Plan has been developed to assist growers to gain the skills to co-operatively work together, understand how the value chain for our products works and increase our ability to influence the chain at all levels. The plan is based on the three components of:



The *People* component of the plan aims to give us:

- Skills in dealing with others and working together.
- Knowledge of human relations and confidence
- Personal development in ability to use the skills and knowledge.

The *Processes* component of the plan aims to give us:

- Understanding of systems and processes.
- Control of systems and processes for reducing quality variation.
- Understanding variation and the need to make and reward data.
- Use of data and information to continuously improve processes and achieve Worlds' Best Practices.
- Use of processes to manage our business.

The *Customer* component of the plan aims to give us:

- Understanding as to what influences their decision to buy.
- Understanding their needs and expectations.
- How to develop relationships with our customers to increase sales and returns.
- How to continuously improve our marketing to meet changing consumer patterns.
- Understanding basic costing and pricing.
- Understanding payment terms and conditions.
- Understanding how promotion influences demand.

Course and Module Descriptors

These descriptions form the content of the courses and modules. They set out the learning objectives, the information that will make up the modules and how it will be presented.

The learning process is based on “Learning by Doing” rather than protracted teaching sessions. This is achieved by the use of case histories developed around business activities. The aim is to create a relevance and reality so that the skills and knowledge may be directly connected to real life.

The scope of the training plan is such that members may select aspects of training which they perceive will assist both their own development and their ability to contribute to the development of the Herb Industry.

PEOPLE

Course	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSKI – Behavioural Style</i>
<i>Objective</i>	:	To understand self and others behavioural style and learn how the skills of adapting to and influencing others.
<i>Pre requisites</i>	:	Nil
<i>Attendees</i>	:	People seeking self-improvement and the skills to work with others.
<i>Content</i>	:	Self-assessment of style Assessment of others Group behaviours Assessment Challenges
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom Wilson Learning Model - Social Style Case History / Role Play
<i>Learning Outcomes</i>	:	At the end of this module participants will be able to: <ul style="list-style-type: none">• Understand behavioural style of self and others.• Adapt behavioural style to differing circumstances.• Recognise potential behavioural barriers in negotiation and conflict resolution.
<i>Competency Assessment</i>	:	Facilitator Assessment and Individual report.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK2 - Process, Content & Metaprocess</i>
<i>Objective</i>	:	To learn the distinction between process and content of an issue or issues and the skills of metaprocess to manage self and group process.
<i>Pre requisites</i>	:	Attendees preferably have completed Module BSK1.
<i>Attendees</i>	:	Anybody who works in groups, attends meetings or facilitates.
<i>Content</i>	:	Process and Content Establishing Group Process Monitoring Group Process Metaprocess Skill for Managing Process Process Leadership
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom Breakaway groups
<i>Learning Outcomes</i>	:	At the end of this module participants will be able to: <ul style="list-style-type: none">• Establish a group process to handle an issue or situation.• Distinguish between process and content.• Manage and correct a group process.• Use interventions to restart a process.• Monitor and maintain a process.
<i>Competency Assessment</i>	:	Facilitator Assessment of Group effectiveness.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK3 - Thinking Methods & Skills and Techniques</i>
<i>Objective</i>	:	To learn methods and skills for thinking and how to apply these skills in different situations To learn the difference between strategic and functional thinking and how to apply this for improving individual and group effectiveness.
<i>Pre requisites</i>	:	An open mind.
<i>Attendees</i>	:	People seeking self-improvement Supervisors or leaders of self managed teams Negotiators and arbitrators
<i>Content</i>	:	Theory of Thinking and Cognitive Behaviour Methods of Thinking Skill Development in Thinking Strategic vs Functional Thinking Strategic Thinking Strategies Values and Thinking Behaviour
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom Group activities Role-plays deBono exercises
<i>Learning Outcomes</i>	:	At the end of this module participants will be able to: <ul style="list-style-type: none">• Understand and apply methods for thinking.• Apply thinking methods to a range of situations.• Understand how others think and how value differences influence thinking.
<i>Competency Assessment</i>	:	Nil.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK4 - Decision Making</i>
<i>Objective</i>	:	To learn the process for effective decision making and how to apply the process to a range of issues and situations. To learn the traps for decision making and how to minimise their effects.
<i>Pre requisites</i>	:	Preferably attendees will have completed Module BSK3.
<i>Attendees</i>	:	People seeking self-improvement Supervisors or leaders of self managed teams Negotiators and arbitrators
<i>Content</i>	:	The Decision-Making Process Feelings and Information (FIDO) Applied Decision Making & Decision Implications The 10 Traps of Decision Making Avoidance Strategies
<i>Duration</i>	:	5 hours
<i>Conditions</i>	:	In the classroom Case History analysis Harvard Decision Process
<i>Learning Outcomes</i>	:	At the end of this module participants will be able to: <ul style="list-style-type: none">• Design and use a decision making process.• Recognise decision-making traps and develop avoidance strategies.
<i>Competency Assessment</i>	:	Facilitator Assessment of Group Performance.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK5- Effective Negotiation</i>
<i>Objective</i>	:	To learn the Harvard Model for effective negotiation and develop skills in applying the model. To understand how and when to use principled rather than position negotiation techniques.
<i>Pre requisites</i>	:	Attendees need to have completed: BSK1 – BSK4.
<i>Content</i>	:	Position vs Principled Bargaining Hard and Soft Negotiation Behaviour Style and Negotiation Selling vs Telling Case History Studies Understanding Power Assessing Proposals and Negotiating
<i>Duration</i>	:	6 hours
<i>Conditions</i>	:	In the classroom Case History analysis Role play
<i>Learning Outcomes</i>	:	At the end of this module participants will be able to: <ul style="list-style-type: none">• Understand and apply different negotiating techniques for different situations.
<i>Competency Assessment</i>	:	Facilitator Assessment of Group performances in exercises.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK6 - Negotiation Strategies</i>
<i>Objective</i>	:	To learn how to develop strategies, which will suit different issues and situations requiring negotiation. To learn the 4 Strategies of Principled Negotiation. To learn underdog tactics for overcoming power.
<i>Pre requisites</i>	:	Attendees need to have completed: BSK1- BSK5
<i>Content</i>	:	Strategic Thinking revisited deBono 4 Strategies of Principled Negotiation Underdog Tactics for Power Position vs Principles Overcoming Skulduggery techniques Implementing Strategy Games and Role Play, Group Contests
<i>Duration</i>	:	5 hours
<i>Conditions</i>	:	In the classroom Case History Team activities
<i>Learning Outcomes</i>	:	At the end of this module attendees will be able to: <ul style="list-style-type: none">• Develop a range of negotiating strategies to suite various issues and situations.• Recognise and overcome Power and Skulduggery in negotiations.
<i>Competency Assessment</i>	:	Facilitator Assessment of Group performance.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK7 - Conflict Resolution</i>
<i>Objective</i>	:	To learn how to diagnose the nature and possible underlying causes of conflict. To learn the Conflict Resolution model and how the response continuum may be used to resolve conflicts.
<i>Pre requisites</i>	:	Attendees need to have completed: BSK1 – BSK6
<i>Content</i>	:	Conflict Response Model Conflict Diagnosis Conflict Confrontation Listening Skills Developing a Conflict Resolution Process
<i>Duration</i>	:	5 hours
<i>Conditions</i>	:	In the classroom Case History studies Group process development
<i>Learning Outcomes</i>	:	At the end of this module attendees will be able to: <ul style="list-style-type: none">• Understand the conflict response model.• Diagnose the causes of conflict.• Design a conflict resolution process.
<i>Competency Assessment</i>	:	Facilitator Assessment of Group performance.

PEOPLE

<i>Course</i>	:	LEARNING TO WORK TOGETHER
<i>Module</i>	:	<i>BSK8 - Assessing Team Well Being</i>
<i>Objective</i>	:	To train participants in methods of assessing team well being, to identify and continuously improve effectiveness.
<i>Attendees</i>	:	All management and staff involved in self-managed or project work teams.
<i>Pre requisites</i>	:	Attendees need to have completed: BKS1 and BSK2.
<i>Content</i>	:	Characteristics of team well being Scoring team well being Team well being profile – team assessment
<i>Duration</i>	:	3 hours
<i>Conditions</i>	•	Classroom situation working individually and within teams.
<i>Learning Outcomes</i>	:	On completion teams will have a tool for monitoring their well being.
<i>Competency Assessment</i>	:	In class assessment of ability to use team well being tool.

PEOPLE

<i>Course</i>	:	LEADERSHIP
<i>Module</i>	:	<i>LI – Learning Leadership Style</i>
<i>Objective</i>	:	To learn personal leadership style, adaptation of style to situation and relevant style for followers.
<i>Attendees</i>	:	All Directors of the Association and members who wish to attend.
<i>Pre requisites</i>	:	Attendees would benefit from having completed BSK1.
<i>Content</i>	:	Learning your Leadership Style Adapting Style Emotional Intelligence Developing Personal Leadership
<i>Duration</i>	:	4 hours
<i>Conditions</i>	•	In the classroom. Video presentation Role plays and self assessment
<i>Learning Outcomes</i>	:	At the end of this module attendees will be able to: <ul style="list-style-type: none">• Understand their own Leadership Style and Emotional Intelligence.• Develop their own style and adaptiveness.
<i>Competency Assessment</i>	:	Self-assessment Group assessment

PEOPLE

<i>Course</i>	:	LEADERSHIP
<i>Module</i>	:	<i>L2 – Leader Effectiveness</i>
<i>Objective</i>	:	To learn the Continuum of Leadership behaviour and how to use it to be an effective Leader.
<i>Attendees</i>	:	Members who want to be more effective Leaders of the Association or in their own business.
<i>Pre requisites</i>	:	Completed L1.
<i>Content</i>	:	Leader – member relations Leadership and Structure Leadership and Power Leadership versus Authority Checking Effectiveness
<i>Duration</i>	:	4 hours
<i>Conditions</i>	•	In the classroom with group exercises.
<i>Learning Outcomes</i>	:	At the end of this module the participants will have practiced a number of leadership roles and will be able to understand and use a number of Leadership interventions.
<i>Competency Assessment</i>	:	Group assessment

PEOPLE

<i>Course</i>	:	LEADERSHIP
<i>Module</i>	:	<i>L3 – Leadership and Group Process</i>
<i>Objective</i>	:	To learn how effectiveness of Leadership can be enhanced through Group Process.
<i>Attendees</i>	:	All those who aspire to be Leaders and those who aspire to be Followers.
<i>Pre requisites</i>	:	Attendees would benefit from having completed BSK1 and BSK2 as this uses more advanced group techniques.
<i>Content</i>	:	Group Process Status Ego conflicts Culture- Strategy Conflicts Presenting Propositions Use and Abuse of Power
<i>Duration</i>	:	5 hours
<i>Conditions</i>	•	In the classroom. Group activities. Video presentation
<i>Learning Outcomes</i>	:	Attendees will be able to recognise and lead groups through functional and dysfunctional behaviours and know when to use Power.
<i>Competency Assessment</i>	:	Individuals are assessed by each other.

PEOPLE

<i>Course</i>	:	LEADERSHIP
<i>Module</i>	:	<i>L4 – Company Directors</i>
<i>Objective</i>	:	To learn the roles and responsibilities of Company Directors.
<i>Attendees</i>	:	All members who are or would like to be Directors.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Corporate Law Duty of Care Due Diligence Conflicts of Interest Responsibilities to shareholders Indemnity Insurance
<i>Duration</i>	:	8 hours or 1 week in a commercial Company Directory/Secretary training course.
<i>Conditions</i>	•	In the classroom.
<i>Learning Outcomes</i>	:	The attendees will have a working knowledge of their responsibilities and liabilities in Law
<i>Competency Assessment</i>	:	To be decided

PEOPLE

<i>Course</i>	:	LEADERSHIP
<i>Module</i>	:	<i>L5 – Rural Industry Leadership Training</i>
<i>Objective</i>	:	To train a number of young members of the Association to Future Leaders.
<i>Attendees</i>	:	Selected/Volunteer Association members.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Varied
<i>Duration</i>	:	Several days or weeks depending on the Program undertaken.
<i>Conditions</i>	:	In the wild
<i>Learning Outcomes</i>	:	At the end of this program attendees will have experienced a wide range of Leadership challenges and be prepared to Lead the Association.
<i>Competency Assessment</i>	:	Refer to RILT Program

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC1 – Basic Communication – Models and Theory</i>
<i>Objective</i>	:	To learn how we send, receive process and respond to a number of communication methods.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Communication Model Practising sending and receiving Deciphering the written word Verbals – non verbal interaction Structured communication
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom. Video presentation Group exercises
<i>Learning Outcomes</i>	:	At the end of this module attendees will understand the communication process and be more effective in their use of it.
<i>Competency Assessment</i>	:	Written and verbal test-by facilitation.

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC2 – Communication in the Workplace</i>
<i>Objective</i>	:	To improve skills in verbal communication with others particularly in relation issuing instructions.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Preferably attendees having completed PDC1.
<i>Content</i>	:	This module provides the learner with: <ul style="list-style-type: none">• Factors in effective communication• Barriers to communication• Importance of feed back• Note taking techniques• LACE
<i>Duration</i>	:	3 hours
<i>Conditions</i>	:	In the classroom using group and individual exercises.
<i>Learning Outcomes</i>	:	Attendees will be able to issue verbal communications and know if they have been understood by the receiver(s).
<i>Competency Assessment</i>	:	Group assessment

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC3 – Listening Skills</i>
<i>Objective</i>	:	To improve individual listening skills to improve memory and prevent message distortion.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Short and long Term memory Message sorting Techniques for remembering Asking / Replay skills Prior experience filters Practising listening
<i>Duration</i>	:	3 hours
<i>Conditions</i>	:	In the classroom.
<i>Learning Outcomes</i>	:	Attendees will have enhanced listening abilities and be able to recall messages more accurately.
<i>Competency Assessment</i>	:	Self-assessment.

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC4 – Public Speaking and Presentation</i>
<i>Objective</i>	:	To learn the principles of public speaking and how to prepare and deliver a presentation.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Who are the audience? What do they want to hear? Planning the presentation Practising the presentation Techniques for presentation Presenting the presentation Feedback and evaluation Self confidence
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	At home, in the classroom, group discussion.
<i>Learning Outcomes</i>	:	Attendees will be able to plan, prepare and deliver a presentation.
<i>Competency Assessment</i>	:	Group evaluation.

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC5 – Presentation Skills and Self Confidence</i>
<i>Objective</i>	:	To learn the skills of using visual aids, humour, voice control and personal presentation.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Attendees completed PDC4.
<i>Content</i>	:	Visual aids and their use Role of humour and pause Vocal inflections Looking at self in mirror Confidence in self
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom.
<i>Learning Outcomes</i>	:	At the end of this module attendees will know how to use visual aids and verbal/non verbal techniques to enhance a presentation.
<i>Competency Assessment</i>	:	Group evaluation.

PEOPLE

<i>Course</i>	:	PERSONAL DEVELOPMENT & COMMUNICATION
<i>Module</i>	:	<i>PDC6 – Body Language</i>
<i>Objective</i>	:	To learn different aspects of body language, cluster recognition and practice its use.
<i>Attendees</i>	:	All Association Members.
<i>Pre requisites</i>	:	Nil.
<i>Content</i>	:	Recognition of Body Language Clusters of Body language Use of Body language Social Style and Body Language
<i>Duration</i>	:	4 hours
<i>Conditions</i>	:	In the classroom with real life exercises
<i>Learning Outcomes</i>	:	At the end of this module attendees will be able to recognise non-verbals, use non-verbals and integrate non-verbals into verbal communications.
<i>Competency Assessment</i>	:	Group evaluation.

CUSTOMERS

<i>Course</i>	:	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UMI – Basic Costing and Pricing</i>
<i>Objective</i>	:	To learn how to cost and price products.
<i>Pre-requisites</i>	:	nil
<i>Attendees</i>	:	All Association members
<i>Duration</i>	:	4 hours
<i>Content</i>	:	Costing models Collecting/estimating costs Margins Hidden Costs Valuing your work
<i>Conditions</i>	:	In the classroom Case study
<i>Learning Outcomes</i>	:	At the end of this module the attendees will understand how to collect and estimate costs, calculate the gross margin and find hidden overheads.

<i>Course</i>	•	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UM2 – Customer Relations</i>
<i>Objective</i>	:	To learn how to develop strong customer relations and influence their buying decisions.
<i>Prerequisites</i>	:	It would assist attendees if they had attended CSP4 and UM1.
<i>Attendees</i>	:	All Association Members.
<i>Duration</i>	:	2 hours
<i>Content</i>	:	Who is the Customer? Limiting Contact Communication Special Offers Consistency
<i>Conditions</i>	:	In the classroom. With buyers (?).
<i>Learning Outcomes</i>	:	At the end of this module the attendees will understand the importance of Customer Relations and the process of establishing relations.
<i>Competency Assessment</i>	:	Nil.

<i>Course</i>	:	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UM3 – Developing a Marketing Plan</i>
<i>Objective</i>	:	To learn how to develop a marketing plan around the 4 Ps.
<i>Prerequisites</i>	:	Nil.
<i>Attendees</i>	:	All Association Members.
<i>Duration</i>	:	6 hours
<i>Content</i>	:	Product and Packaging Positioning Promotion Price Implementation
<i>Conditions</i>	:	In the classroom. Using packaging techniques.
<i>Learning Outcomes</i>	:	At the end of this module the attendees will understand the importance of Customer Relations and the process of establishing relations.
<i>Competency Assessment</i>	:	Nil.

<i>Course</i>	:	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UM4 – Payment - Terms and Conditions</i>
<i>Objective</i>	:	To learn how national and international trade is conducted and payments made.
<i>Prerequisites</i>	:	nil
<i>Attendees</i>	:	All Association Members.
<i>Duration</i>	:	4 hours
<i>Content</i>	:	Financial Instruments & Use. Terminology Negotiating terms & conditions Collecting from slow payers.
<i>Conditions</i>	:	In the classroom. INCO terms.
<i>Learning Outcomes</i>	:	At the end of this module the attendees will understand the international trade terminology and be able to negotiate terms and conditions.
<i>Competency Assessment</i>	:	Nil.

<i>Course</i>	:	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UM5 – Understanding Promotional Activity</i>
<i>Objective</i>	:	To understand the value proposition of promotion in the marketing mix and assess promotion effectiveness.
<i>Prerequisites</i>	:	It would assist attendees if they had attended UM3.
<i>Attendees</i>	:	All Association Members.
<i>Duration</i>	:	2 hours
<i>Content</i>	:	How do we promote? Why do we promote? Who pays for promotion? What is the best form of promotion? Evaluation of promotions Forward planning promotions
<i>Conditions</i>	:	In the classroom with buyers (?).
<i>Learning Outcomes</i>	:	At the end of this module the attendees will understand the importance of Customer Relations and the process of establishing relations.
<i>Competency Assessment</i>	:	Nil.

<i>Course</i>	:	UNDERSTANDING & INFLUENCING THE VALUE CHAIN
<i>Module</i>	:	<i>UM5 – Understanding the Value Chain</i>
<i>Objective</i>	:	To gain an understanding of the structure and interactions of value chain participants and learn how these may be influenced.
<i>Prerequisites</i>	:	nil
<i>Attendees</i>	:	All Association Members.
<i>Duration</i>	:	3 hours
<i>Content</i>	:	this module provides the learner with: Structures of value chains Relationships within value chains Competitors in value chains Value versus cost linkages Influencing and control of value chain
<i>Conditions</i>	:	In the classroom
<i>Learning Outcomes</i>	:	Attendees will be able to understand the operation of value chain and how marketing strategies are used to influence it.
<i>Competency Assessment</i>	:	Group Assessment

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSPI - Defining and Using Systems and Processes</i>
<i>Objective</i>	:	Participants will learn how business policy is implemented using systems and processes.
<i>Prerequisites</i>	:	Nil
<i>Attendees</i>	:	All Directors and Members who are interested in establishing systems and processes.
<i>Duration</i>	:	5 hours
<i>Content</i>	:	Writing policy Defining systems for policy Defining processes for systems Flow charting processes Resource allocation Training needs Monitoring Systems and Processes
<i>Conditions</i>	:	Class room using live case histories relevant to Association development.
<i>Learning Outcomes</i>	:	On completion participants will be able to write a policy statement and understand policy implementation through systems and process.
<i>Competency Assessment</i>	:	In class assessment using a group case history analysis.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP2 – Tools and Techniques for Processes (Elementary)</i>
<i>Objective</i>	:	Participants will learn how to use a range of measurement and data presentation techniques.
<i>Prerequisites</i>	:	Completed Module CSP1.
<i>Attendees</i>	:	All members of the Association.
<i>Duration</i>	:	6 hours
<i>Content</i>	:	Understanding variation Bar Charts Histograms and Distribution Curves Scatter Diagrams Line/Run Charts Pareto Charts
<i>Conditions</i>	:	Classroom using in-house examples of products produced by Association Members.
<i>Learning Outcomes</i>	:	On completion participants will be able to apply the tools in their own workplace.
<i>Competency Assessment</i>	:	In class assessment of ability.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP3 – Bench Marking and Worlds Best Practice</i>
<i>Objective</i>	:	To learn the different types of bench marking, performance indicators for processes and how to audit a high performance system.
<i>Prerequisites</i>	:	Attendees should have attended CSP2 to get the most from this.
<i>Attendees</i>	:	All members of the Association.
<i>Duration</i>	:	½ day classroom 1½-day field trip
<i>Content</i>	:	Types of benchmarking How to do a benchmarking study Key performance indicators Auditing a high performance system Copying <i>versus</i> Adapting
<i>Conditions</i>	:	In the classroom. Field analysis of a system relevant to improvement of Association.
<i>Learning Outcomes</i>	:	Participants will be able to carry out a benchmarking study and apply the results to the Association.
<i>Competency Assessment</i>	:	Group Assessment.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP4 – Understanding the Value Chain</i>
<i>Objective</i>	:	To learn how to analyse a value chain using flow chart and activity based costing techniques.
<i>Prerequisites</i>	:	Attendees should benefit from having attended CSP1, CSP2 and CSP3.
<i>Duration</i>	:	6-hour classroom 6-hour field trip
<i>Content</i>	:	Elements of a value chain. Flow charting a value chain System intent of chain links Activity based costing Activity based Management Following and analysing a value chain from farm to consumer
<i>Conditions</i>	:	In the classroom. Field trip.
<i>Learning Outcomes</i>	:	On completion attendees will understand the operation of a value chain, how to cost chain activities and be able to analyse a value chain.
<i>Competency Assessment</i>	:	Group Performance Assessment.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP5 – Developing a Quality System</i>
<i>Objective</i>	:	To learn the elements of a QA system and how to adapt them to a member’s business as well as the Association’s business.
<i>Prerequisites</i>	:	Attendees will find this easier if they attend CSP1 to CSP4.
<i>Duration</i>	:	6 hour
<i>Content</i>	:	QA Systems Available Elements of ISO Adaptation of ISO Making elements fit Real Life Practical Application Controlling variation Auditing
<i>Conditions</i>	:	In the classroom.
<i>Learning Outcomes</i>	:	On completion participants will understand how a QA system is structured and how it may be adapted to meet practical situations.
<i>Competency Assessment</i>	:	Nil.

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP6 – Hazard Analysis and Critical Control Points</i>
<i>Objective</i>	:	To learn the principles of hazard analysis and critical control point (HACCP) techniques for problem prevention.
<i>Prerequisites</i>	:	Attendees should benefit from having attended CSP3 and CSP5.
<i>Attendees</i>	:	All management and staff involved in processing, storage and distribution
<i>Duration</i>	:	2 x 1 Day
<i>Content</i>	:	Concepts of HACCP Flow-charting Establishing Hazard and Control Points Developing and using HACCP charts
<i>Conditions</i>	:	In the classroom. OTJ application between sessions on specific assignments.
<i>Learning Outcomes</i>	:	On completion participants will be able to flow chart a process, identify hazards and critical control points and develop a HACCP chart.
<i>Competency Assessment</i>	:	In-class assessment.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP7 – Continuous Improvement</i>
<i>Objective</i>	:	To learn the concepts of continuous improvement of processes using factual information from QA.
<i>Prerequisites</i>	:	It would be difficult to do this module if CSPI to CSP6 had not been done.
<i>Attendees</i>	:	All Association Members
<i>Duration</i>	:	6 hour
<i>Content</i>	:	Concept of Continuous Improvement PHOGY and data on variation Benchmarking standards. Process improvement/change/re-engineering Small steps and Quantum leaps Setting objectives.
<i>Conditions</i>	:	In the classroom using case studies, games and videos.
<i>Learning Outcomes</i>	:	On completion of this module participants will understand the concepts of continuous improvement and be able to apply them to their own situation.
<i>Competency Assessment</i>	:	Self-Assessment.

PROCESS ES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP8 – Organisation / System Performance</i>
<i>Objective</i>	:	Participants will learn about key performance indicators and be able to apply these to the running of the Association and their own business.
<i>Prerequisites</i>	:	Participants should have attended CSP1, CSP3 and CSP7 to get the most out of this module.
<i>Duration</i>	:	6 hour
<i>Content</i>	:	Assessing process performance Using Lead/Lag indicators Developing Key Performance Indicators Analysing Balance Sheets Analysing Profit and Loss Statements Understanding Working Capital Needs Making Associations viable.
<i>Conditions</i>	:	Classroom with case histories studied/analysed by teams.
<i>Learning Outcomes</i>	:	On completion attendees will be able to forecast impending business difficulties/successes and be able to take positive actions.
<i>Competency Assessment</i>	:	Self-assessment on day.

PROCESSES

<i>Course</i>	:	SYSTEMS AND PROCESSES
<i>Module</i>	:	<i>CSP10 – Plant Selection & Production</i>
<i>Objective</i>	:	To understand multiple inheritance, its use in plant selection for production and enhanced production techniques.
<i>Prerequisites</i>	:	Previously grown trees.
<i>Duration</i>	:	6 hour
<i>Content</i>	:	Genes and Marker genes Plant Breeding Program Plant Selection Production Methods for high yields
<i>Conditions</i>	:	Classroom Field trip
<i>Learning Outcomes</i>	:	On completion attendees will have a working knowledge of multiple gene selection, the plant breeding program and application of advanced methods of growing.
<i>Competency Assessment</i>	:	nil

PROCESSES

<i>Course</i>	:	SYSTEMS & PROCESSES
<i>Module</i>	:	<i>CSP 11 – Principles of ISO Standards</i>
<i>Objective</i>	:	To learn the structure of and inter relations between ISO 9000 series, ISO 14000 series and SQF 2000.
<i>Attendees</i>	:	All Growers and Marketers.
<i>Pre requisites</i>	:	Learnt CSP - 6
<i>Content</i>	:	This module provides the learner with: <ul style="list-style-type: none">• The structure and application of ISO 9000• The structure and application of ISO 14000• The structure and application of SQF 2000• Industry quality systems at retail level• The connection to HACCP• The connection to Organic growing• Co-operative QA systems
<i>Duration</i>	:	8 hours
<i>Conditions</i>	:	In the classroom using group and individual exercises.
<i>Learning Outcomes</i>	:	Attendees will understand the structure of standards, their inter-relationships and application in achieving quality assurance.
<i>Competency Assessment</i>	:	Written test at end of each presentation with self-assessment.

Industry Financial Plan

**Functional Area Financing the Co-operatives and
Marketing Entity****Objective : Initial Capital**

To achieve adequate financing for the establishment and maintenance of the start up operations and long term R&D for continuous product development and marketing.

Background :

Having adequate finance to create a new business is a common problem to all start up enterprises. Co-operatives tend to have this problem because the basis for existence is to build the individual shareholder's business and not the Co-operative's business and hence there is always some degree of conflict of interest. In developing the business model the issues of direct Grower participation in marketing and ensuring sufficient funds were retained to achieve effective marketing were addressed. These aim to minimise the conflicts of interest while at the same time building off farm value for the shareholders that will become a negotiable asset if they wish to leave the Industry.

The budgets show the initial capital requirements over 2 years to be \$3,500,000 to establish the three Co-operatives. The methods for establishing this pool and to some extent keeping it topped up until a self-funding position is achieved will be through implementation of the strategies for each funding option. The most difficult area of funding will be for R&D as this is expensive and yet without it the Industry will not achieve new product market entry into the herbal medicine sector.

Strategies :

Shareholder Funds: A share issue will be made to an initial 25 Growers within each Co-operative thus providing 75 members across the Industry. These members may be individuals, a group having a business entity or an Indigenous Community. The share will have two value components as A and B shares as set out in the Business Structures and Systems of the Industry Plan. The minimum entry will be \$ 3,000 paid in quarterly instalments. A second share issue will be made in year 2 to increase total Grower numbers to 150. In this year all shares will be A shares having a value of \$4,500 contributed as quarterly payments. B shares for later entrants will be issued on contribution to the Co-operatives as a proportion of the assets

after a year's trading. This will provide \$ 75,000 in year 1 and \$112,500 in year 2.

Role of Government: This will be a considerable contribution to start up funding in both monetary and human resource support. Two positions will be made available for Business and Agronomic development. Co-operatives will access funding for their specific Business Plan and Infrastructure development. Seek relevant assistance from the Area Consultative Committees to identify potential funding sources (Federal and State) towards infrastructure, marketing support, R&D and export market planning and development. An estimated \$2,200,000 will be required from other sources.

Levies for Marketing and R&D: All Grower produce will be sold through the Marketing Entity. It is intended that a levy of 10% of all sales will be made in years 1 & 2 and reduce to 5% for subsequent years. This will be controlled by the Marketing Entity for Operational costs, including promotions, export market development and R&D. This will achieve funding of \$420,000 in year 1 and \$ 1,000,000 in year 2. The intent is to achieve the value of the levy through marketing and not by reducing farm gate prices to below central market prices.

Leveraging Strategic Alliances: For these studies and at some point the value of the Intellectual Property will be such that it will be used to engage larger companies in completion of the development. This will include supply contracts for ingredients. It will provide \$ 500,000 in year 3 and increase to \$ 1,000,000 in each of the subsequent years.

Using Existing Infrastructure: A major start up cost would have been the establishment of aggregation and processing centres. This cost has been averted by the use of existing buildings and plant that were once Dairy Processing facilities. These will be leased and in part remodelled to suit herb-processing requirements.

Specialist Extraction Facility: This is the high-risk area as the capital costs for a fully developed facility have been estimated at \$ 5,000,000. This includes a state of the art super critical carbon dioxide extraction plant. A commercial company has been attracted to the Northern Rivers to establish a facility and use the resources of Southern Cross University. This company has existing business in extractions and is a major exporter of phytochemicals. Products will be produced under contract for the Marketing Entity.

Outcomes :

The Industry will be established on a sound financial base and long term funding mechanisms will operate to ensure continuous product development through R&D.

Functional Area Projected Industry P&L & Assumptions

Objective : Marketing & Co-op Budgets

To deliver premium farm gate prices through marketing and financial control of all operational activities and capital expenditure.

Assumptions for Sales Revenue :

The value and volume projections are based on a number of assumptions arising from the market research and the strategies outlined in the marketing plan. The increases in volume relate to market growth and the market position that it is expected to be achieved through cohesiveness of approach. The export markets are somewhat speculative in the absence of detailed research. The dried and medicinal products are however based on preliminary research and data obtained during the development of the Industry Plan.

Revenue from fresh culinary products is based on inward central market prices plus 8%. This assumes the Marketing Entity will be a direct supplier to the wholesaler who manages the major retailer's supply chain. In year 2 the intent is to enter the market with packaged product for both retail and food service sectors.

Frozen culinary has been a difficult segment to clarify. The strategies aim to build this market at both retail and food service levels. A considerable volume increase is predicted for food service and manufacturing in year 3 when ethylene oxide sterilisation of dried imports will be prohibited. The export market for these products is considered to be conservatively stated and will be revised as the export market plan is developed. The value-added products will be mostly targeted at food service and retail. Frozen products also provide a mechanism for levelling the fresh supply.

Dried culinary have not been given a high priority due to the constraints of price. Given that other products such as coriander and paprika have gained a local market share it does provide a basis for this assumption. Strategically it also provides a levelling device for surplus production.

Dried medicinal herbs are initially dependent upon conventional products that, as a proportion of sales will diminish over time as new products having a higher unit value are added.

Considerable emphasis is placed on the development of herbal extracts using sophisticated extraction techniques. This follows a major market trend and is also related to the potential to replace imports, particularly in year 3 when sterilisation techniques are changed. The introduction of highly differentiated proven products is predicted to increase margin and returns but requires considerable R&D expenditure.

Value and Volume Estimates :

The value and volume projections are shown in the attached spreadsheets. The Australian market is projected to increase from about \$ 4.5 million to \$ 28 million over the planning period. Export sales are projected at \$ 1.8 million in year 2 rising to \$12 million in year 5.

Operating Cost Assumptions :

Marketing: Major cost items are shown in the Marketing Budget and P&L projections. Advertising and promotion are direct market costs and have associated product development costs for packaging, logo and brand development at a total cost of \$145,000 in year 1 and increasing to \$600,000 in year 5. This area is heavily supported using external consultancies in year 1.

Export market planning is expected to be recovered from grants and EMDG expenditure recovery. This takes into account the initial market research and export plan development. Associated export travel and costs of registration of products are budgeted items that will need to be revised when the export plan is completed. Wages and salaries are based on the growth in staff as described in the People Development Plan.

Co-operatives: The major cost items are shown in the P&L projections for a hypothetical operation of a single Co-operative. Major start up costs are in the areas of capital equipment required for processing and logistics, It is intended that previously used equipment will be used and sourced locally for each Co-operative. The major item is in year 2 for a vacuum cooler and this may become a lease item rather than a direct purchase. This would reduce the Industry capital requirements in the second year by \$750,000 thus reducing the cash requirements to \$2,750,000 over the two years. As part of

the development cost, borrowings for each Co-operative would be \$150,000 as a 5-year loan.

Projected Profit and Loss :

The profit and loss projections for the Marketing Entity and a hypothetical Co-operative are shown in the following spreadsheets.

Sequence of Market Entry With Volume and Value Estimates

The marketing plan sets out the rationale for entering each channel.
The volumes and values for each channel are estimated below :

Market Channel		Year				
		1	2	3	4	5
Fresh culinary	Volume T	300	450	550	620	700
	Value/ T	8400	8650	8900	9200	9400
	Total value	2520000	3892500	4895000	5704000	6580000
Fresh culinary value added	Volume T	0	25	50	70	80
	Value/ T	0	20000	21000	21500	22000
	Total value	0	500000	1050000	1505000	1760000
Frozen culinary	Volume T	30	50	175	205	250
	Value/ T	10000	10500	11000	11500	11750
	Total value	300000	525000	1925000	2357500	2937500
Frozen culinary value added	Volume T	0	5	15	25	30
	Value/ T	0	25000	25500	26000	26500
	Total value	0	125000	382500	650000	795000
Dried culinary herbs	Volume T	100	200	300	500	600
	Value/ T	7000	7500	7750	8000	8250
	Total value	700000	1500000	2325000	4000000	4950000
Dried culinary value added	Volume T	0	10	20	50	70
	Value/ T	0	15000	15500	15750	16000
	Total value	0	150000	310000	787500	1120000
Dried medicinal Category I/II	Volume T	10	20	50	75	100
	Value/ T	25000	25500	27500	28000	28500
	Total value	250000	510000	1375000	2100000	2850000
Dried medicinal category III	Volume T	0	0	5	15	20
	Value/ T	0	0	35000	35500	36000
	Total value	0	0	175000	532500	720000
Dried medicinal category IV	Volume T	0	0	0	5	15
	Value/ T	0	0	0	37000	37500
	Total value	0	0	0	185000	562500
Herbal extracts category I/II	Volume T	7	10	15	20	25
	Value/ T	120000	122000	122500	123000	124000
	Total value	840000	1220000	1837500	2460000	3100000
Herbal extracts category III	Volume T	0	0	5	10	15
	Value/ T	0	0	150000	150000	150000
	Total value	0	0	750000	1500000	2250000
Herbal extracts category IV	Volume T	0	0	0	2	10
	Value/ T	0	0	0	150000	155000
	Total value	0	0	0	300000	1550000
Total Value Domestic Market		4,610,000	8,422,500	15,025,000	22,081,500	29,175,000

Export Markets Volume and Value Estimates

The Marketing Plan sets out market entry sequences for each product.

The data set out below are for predicted export market growth :

Market Channel

		Year				
		1	2	3	4	5
Frozen culinary	Volume T	0	50	125	175	225
	Value/T	0	10000	10500	11000	11500
	Total value	0	500000	1312500	1925000	2587500
Frozen culinary value added	Volume T	0	15	20	30	50
	Value/T	0	25000	25500	26000	26500
	Total value	0	375000	510000	780000	1325000
Dried culinary	Volume T	0	5	15	25	35
	Value/T	0	7000	7500	8000	8500
	Total value	0	35000	112500	200000	297500
Dried culinary value added	Volume T	0	2	10	15	20
	Value/T	0	15000	15500	16000	16500
	Total value	0	30000	155000	240000	330000
Dried medicinal category I/II	Volume T	0	10	20	25	35
	Value/T	0	25000	25500	26000	26500
	Total value	0	250000	510000	650000	927500
Dried medicinal category III	Volume T	0	0	0	5	10
	Value/T	0	0	0	35000	35500
	Total value	0	0	0	175000	355000
Dried medicinal category IV	Volume T	0	0	0	0	5
	Value/T	0	0	0	0	35000
	Total value	0	0	0	0	175000
Herbal extracts category I/II	Volume T	0	5	15	20	30
	Value/T	0	120000	125000	130000	135000
	Total value	0	600000	1875000	2600000	4050000
Herbal extracts category III	Volume T	0	0	0	5	10
	Value/T	0	0	0	135000	136000
	Total value	0	0	0	675000	1360000
Herbal extracts category IV	Volume T	0	0	0	0	5
	Value/T	0	0	0	0	155000
	Total value	0	0	0	0	775000
Total Export Sales		0	1,790,000	4,475,000	7,245,000	12,182,500

Marketing Entity Projected Profit & Loss

	Year				
	1	2	3	4	5
Revenue					
Australian sales	4610000	8422500	15025000	22081500	29175000
Export sales	0	1790000	4475000	7245000	12182500
Grants	162500	70000	0	0	0
EMDG	36000	37500	40000	40000	45000
Strategic alliances	0	0	500000	1000000	1000000
Total	4,808,500	10,320,000	20,040,000	30,366,500	42,402,500
Payments to Co-ops	4149000	9189000	18525000	27858000	39285000
Extraction costs	31500	45000	67500	144000	225000
Cost of Goods	4180500	9234000	18592500	28002000	39510000
Gross Margin	628,000	1,086,000	1,447,500	2,364,500	2,892,500
Expenditure					
Accounting	2500	3500	4000	9000	12000
Administration	10000	25000	30000	40000	45000
Advertising & promotion	100000	200000	300000	400000	450000
Bank fees	250	500	500	500	500
Consulting	60000	10000	20000	50000	75000
Directors' fees	10000	10000	12000	12000	12000
Export Mkt planning	75000	20000	10000	10000	20000
Insurance	2000	2000	2000	2000	2000
Leases	500	550	1000	1000	1000
Motor vehicle	10000	11000	22000	22000	22000
Product development	15000	35000	40000	150000	150000
Rentals	1500	4500	4500	5000	5000
R&D	75000	250000	500000	1000000	1000000
Salaries & wages	150000	285000	370000	408000	489000
Telephone	8500	9000	15000	20000	25000
Travel	7500	11000	15000	16000	16000
local					
Travel export	10000	25000	35000	40000	50000
Website	5000	15000	1000	1000	1000
Other	10000	10000	10000	10000	10000
Total	552,750	927,050	1,389,500	2,194,000	2,383,000
Profit / Loss	75,250	158,950	55,500	168,000	507,000

Co-operative Operating Budget

Revenue	Year				
	1	2	3	4	5
Shareholder equity	75000	112500	0	0	0
Product sales Mkt Entity	1383000	2526000	4758000	6992000	9238000
Product sales local	20000	25000	30000	50000	50000
Development Grants	450000	670000	45000	0	0
Export sales Mkt Entity	0	537000	1417000	2294000	3857000
Borrowings	150000				
Total Revenue	1,928,000	3,870,500	6,250,000	9,336,000	13,145,000
Payment to Growers	1083000	2218000	4946000	7895000	11600000
Gross Margin	845,000	1,652,500	1,304,000	1,441,000	1,545,000
Expenditure					
Accounting	1500	2500	5000	7500	10000
Administration	3000	7500	9000	11000	15000
Advertising & promotion	500	2000	3000	3000	3000
Bank fees	500	500	500	500	500
Capital equipment					
building	100000	50000			
cool room	30000	45000	45000		
freezer room	25000	25000			
drier/grinder	50000	50000			
packaging		35000			
vacuum cooler		450000			
product transport	20000	30000			
vacuum pack	25000	50000			
heat pumps	30000	30000			
Consulting					
Business planning	25000				30000
Quality assurance	25000				
Environment System	12500				
Training	10000	15000	5000	5000	5000
Directors fees	0	12000	12000	12000	12000
Insurance	2500	3500	5000	7500	10000
Leases plant/equip	12000	15000	20000	25000	25000
Loan repayment	30000	30000	30000	30000	30000
Motor vehicle	0	12000	12000	12000	12000
Packaging	175000	222000	250000	300000	350000
Property rental	25000	25000	25000	25000	25000
Repairs & Maintenance	2000	5000	7500	10000	20000
R&D agronomic	5000	50000	50000	50000	50000
Salaries and wages	150000	425000	625000	765000	765000
Telephone	5000	5000	5000	7500	7500
Travel	5000	5000	5000	5000	5000
Utilities	20000	30000	35000	40000	45000
Other	10000	10000	10000	10000	10000
Total Costs	799,500	1,642,000	1,159,000	1,326,000	1,430,000
Profit/ Loss	45,500	10,500	145,000	115,000	115,000

