

The Australian Truffle Growers Association

PRESIDENTS REPORT

Annual General Meeting and Information Day, 25 July, 2009.

It is a great pleasure to welcome you all here to the third Annual General Meeting and Information Day of the Australian Truffle Growers Association. I hope you will find the meeting of value and I would encourage you to contribute to the working of the Association for the improvement of the industry in any way you feel you are able.

1. The Second AGM and Information Day and Activities since last year.

The second Annual General Meeting and Information Day and Dinner was held on the 27th of July 2008 at Pakenham in Victoria and was well attended by members interested parties. Sunday 28 July comprised a workshop to discuss issues for growers and a visit to a local truffiere. The Association will continue to take the AGM and Information day around the country to developed and developing growing areas, so that all members can benefit from the shared experience of growers. The meetings, being open to the public, also provide a good opportunity for us the better educate interested people about our industry and product.

I think we can be very proud of our achievements over the past 2 and a half years of the Associations' existence and the highlights are shown on the screen. A major activity for the Association during the year was the continuation of a sound working relationship with the RIRDC and it is a pleasure to welcome the Managing Director, Dr Peter O'Brien, here today. We have been working closely with the RIRDC Senior Research Manager - New Plant Products, Alan Davey, and his staff. They have been particularly helpful in sharing their experience and that of other new industries, and in directing us towards informed and useful contacts. They have also been generous in supporting us again with this, our third, AGM and Information day.

Achievements include the development of a draft truffle grading standard for the industry, liaison with AQIS on the ban on the import of potentially damaging truffles, the development of a draft strategic development plan, the launch of our first two R&D projects and the formation of an industry steering group. The last three have been with the invaluable assistance of RIRDC.

I will talk about these activities later in the report.

2. Website.

The website continues with very low input resources but I hope you will agree that it is informative and useful. We have further plans for its development and would welcome any suggestions for further improvement. We have also instituted the bulletin email mailing lists idea to keep members informed of new postings and provide that as 'value added' for members."

We have feedback about the difficulties of the forums being overly complicated and confusing and they have been the target of SPAM attacks. This is difficult to manage and is unrewarding, as it is not being used. We have removed the members-only restriction on the forums but visitors still need to register so we can avoid the otherwise inevitable deluge of spam posts to the site. We propose one of two options, first to close the forums altogether, or second to change the forums to a different package, which is simpler to use and has better SPAM protection in. If we choose the second, we need funding or someone to volunteer as a moderator for the forums, to keep it working.

We have also set up wiki on the website, using exactly the same software as wikipedia, to be used to store growers information in the hope of producing a growers manual, as well as to host frequently asked questions. Members are encouraged to create an account, log-in and contribute as much information and some members have already volunteered to prepare information.

Some basic info regarding the website is that we have had just under 11,000 visitors to the site in the past year with the average time spent on the site by each visitor just over 4 minutes and viewing 3 pages each. Of the visitors, 80% are from Australia, with others from America, NZ and the UK in that order.

3. Truffle Festivals and other truffle events.

Following the WA lead, a festival was initiated in Capital Country, an area from Bowral in the Southern Highlands of NSW, through Canberra, to the Snows of Mt Kosciusko. This was a private initiative and did not involve Association resources. The festival was launched on the Winter Solstice June 20 and will run for the harvest season.

It has a number of local and regional restaurants using truffle as well as other simple events like hunts, grower forums and information about native truffles. The Festival has received wide support and will be an annual event. There are more than 30 growers in that area of NSW, including two growers in the ACT. We estimate that the truffle consumption in Canberra increased by 3 to 4 times from 2008, reaching more than 4 kg per week in a town of 300,000 people.

The WA growers are about to hold their third Truffle Festival at Mundaring during the first week of August and have held an event at Margaret River.

We would urge other members in the other States to follow the Festival experience and establish similar events in the midst of the various truffle growing areas.

4. Links with The NZ Truffle Association

Our Association Executive continues to maintain close links with the NZ Truffle Association, and it was my pleasure to spend last weekend attending their AGM in NZ. The NZTA held its AGM in Christchurch, on the South Island, 18 July this year and I was pleased to be able to represent the Australian Association. We are particularly pleased to have the NZTA President Jane Hunter, with us here today and Jane will talk to us later about the NZ Truffle industry and the direction of the NZTA. Also visiting us from NZ in Alan Hall and his partner Lynley. They are growers from Gisborne in NZ and Alan will talk to us tomorrow about his valuable experience in growing truffle and their nutrition requirements.

One matter of mutual interest has been the agreement reached on a common draft truffle grading standard. The NZTA is very deserving of our thanks for the work they undertook to get that completed. Both countries share the same independent food standards statutory agency and it will be beneficial to have the same quality standard for grading, based largely on the European (and only existing) standard. Jane and I have discussed the possibility of collaborative research activities, including work on the genetic diversity.

5. Where Are We Now

The industry is represented by a number of different business models working in the industry from corporate investments, managed investments schemes, contract growers to small holders.

The Association considers that there are currently approximately 130 growers Australia wide, managing approximately 550 ha of plantation. This is slightly less than last years prediction but is

considered more accurate. It is based on updated information from the RIRDC Industry Update Report. There are plantings in all states and territories, except the Northern Territory.

The Association currently has 82 paid up members and about 15 of those are associates, either non growers, but in the industry as service providers or growers waiting to plant. We estimate that the current membership represents about 60% of the growers Australia wide and they manage approximately 300Ha or more than 120,000 trees, (at 400 trees/Ha). We estimate that the harvest in Australia in 2007 was about 800kg, and in 2008 was about 1200kg. This year we estimate that the harvest will be about 1.5 tonne. From the current areas planted we still have the potential to produce more than 5 tonne within 5 years, valued at up to \$10 million.

As I have been saying over the past two years, the rate of growth of production (and in new plantings) within the industry is a little frightening, but if we are to be on top of quality and develop a good industry marketing strategy for 'Australian' Truffles, there is no reason to expect a significant drop in prices, when compared to international prices. We are producing an international product and should be able to maintain an international price.

Our guest speakers today will talk about some of these issues in relation to our own and other industries.

6. Working with the RIRDC.

I cannot overemphasise the value of our engagement with RIRDC. The informative exchange of views on how we might progress the organisation as a truly Australia wide Association for all growers and how RIRDC might assist with ideas, research funding and referrals to the appropriate Government organisations for support is invaluable.

RIRDC have emphasised that they have moved from being production driven to being market driven, (while still recognising the need for assistance with production). RIRDC assisted us with the preparation of the report, *Taking Stock of the Australian Truffle Industry*, presented at last years meeting by a representative of the RIRDC. We need to work to maintain the basics of that report so that we can adequately represent the industry to government with information on grower numbers, areas planted and production. I seek the cooperation of all of you in providing statistical information regarding the industry.

RIRDC also assisted us with the funding of a strategic meeting in late 2008 involving industry representatives, particularly those representing the larger producers, who are not currently members of the Association. Ideas flowing from this meeting resulted in the preparation of a three year Draft Strategic Plan, with priorities, to allow the Association to work with consultants and growers on identifying research and development priorities. This document is available on the RIRDC website and will remain a living document, to be updated as required to meet the needs of the industry.

As a result of this document we have now two R&D projects with RIRC support, addressing issues of truffle rot and the genetics of truffle stock in Australia. Truffle rot is a significant factor in yield and is being addressed with the help of the Wine and Truffle Co in WA. We have with us today Harry Eslick of the Wine and Truffle Company who is working closely with the RIRDC to facilitate the truffle rot survey. Low genetic diversity in truffles would limit their capability to form productive associations with tree species, genotypes and site interactions. The diversity will be compared to that in France to assess whether the Australian truffles may suffer from a genetic bottleneck impairing its ability to produce large truffle yields.

The Association was also a participant of a meeting initiated by RIRDC, which included the principals of the Wine and Truffle Company of WA and the Périgord Truffle of Tasmania. While

both are currently independent of the Association, they are important stakeholders in the industry. The result of the meeting was an agreement to form a steering committee involving RIRDC, the Association and both organisations, which will strengthen the Industry and allow areas of common interest to be explored.

This is a major achievement, as the Steering Group represents more than 95% of truffle production in Australia. This is the first step in moving towards a sound level of sustainable cooperation within the industry. An essential and important challenge for this group will be to suggest how the Association might be structured to meet the needs of all stakeholders and to enhance the ability of the Association to truly meet the needs of the industry. RIRDC have a media release covering this development.

We are now able to confirm that AQIS has banned the import of all truffles with the exception of, *T. melanosporum*, *magnatum*, *aestivum* and *borchii*. We are working with the RIRDC to better understand how the ban is being enforced at entry points. NZ also has a similar ban on the import of truffles.

We are also grateful for the RIRDC funding support to represent the Association at the NZTA AGM on 18th July, to continue our strong links with the NZ industry and also support for this AGM and information day, as I mentioned.

7. Issues of quality, price and marketing.

As I stated we estimate that the harvest will be about 1.5 tonne this year and the matter of quality has the potential to affect us all. We need to collectively develop a strategy on how we manage the supply chain and avoid the export of questionable product under the heading of 'Australian Truffles' as it has the potential of giving the 'Australian Truffle' a bad name. There is no reason why we cant maintain the local and international price for truffles if we can maintain quality.

We have taken the first small step in having a grading standard that is agreed between the Australian and NZ Associations, but this has yet to be adopted by the industry. Time and volume will solve the standards issue, as consumers will demand high quality products, irrespective of where they come from.

Possible threats to prices also include larger growers undercutting the market through bulk supply offers and dumping of truffle on the market by small holders. This could be the result of desperate measures by smallholders to get rid of their crop due to a lack of knowledge or back up to market it properly. We have to address these issues through the Association and ensure that all producers appreciate these issues and their impact on both domestic and international markets.

This leads us to the obvious need to address the problem of a shotgun approach to both the domestic and the international markets. One of our Guest Speakers today is from a relatively new and emerging industry, the Olive Oil industry in Australia, and the other from Australia's largest producer of truffle, the Wine and Truffle Company of WA. I am sure that both will have some lessons that we will find useful in addressing our overall industry issues. I feel there would be great value in the Association undertaking some research into market drivers for truffle and better understanding market opportunities around the world and to promote 'Australian Truffles'.

Domestically, the uptake of truffle by chefs during this harvest continues to be generally disappointing, although the knowledge about a truffle industry is rapidly increasing across Australia, due in large part to the activities of the Association and the festivals. The Association has taken its AGM and information day to the various growing areas in support of growers and to raise the profile of the industry and has provided information to assist users in better understanding

the product. It is a small step, but has generally been welcomed by end users. More funding is required for the promotion of truffles and the education of the end users and the general public. There is a significant uptake of truffle by the general public, estimated presently at about 25% of the harvest.

The Association continues to make preliminary enquiries regarding information on truffle products and treatment to extend shelf life. These include flavour extraction, high pressure preservation and blast freezing.

8. Future of the Association and Industry

From work done by RIRDC (New Publication; Critical Success Factors for New Rural Industries), they have identified the following factors as essential for the success of new agricultural industries:

- A primary focus on customers and marketing
- A viable source of competitive advantage
- Capability in quality control
- A well functioning supply chain
- Commercial and cutting edge research and development
- Business proficiency and access to capital
- Effective leadership and strategic planning across the industry

An excellent publication and I can thoroughly recommend it to you all.

If we are to progress and truly represent the industry, these are the issues that we must face;

- *Market:* We need to establish a common product marketing approach for Australian truffles and get a primary focus on customers and marketing both domestically and internationally.
- *Competitive Advantage:* We have that already. We produce a high value product with an international price and have a competitive advantage with our off season supply to northern hemisphere and a closeness and understanding of Asia.
- *Price and Quality:* We need to be able to sustain an international market selling price that adequately covers costs and produces a return on investment. Our reputation rests solely on quality, both domestically and internationally but we have yet to embrace a common grading standard on our home base. We also have to avoid price cutting.
- *Supply chain:* We need to be able to lock in a closed-loop supply chain with links all the way through to the end user, the customer. We need to find common ground between the large and small producers if we are to address supply chain issues.
- *Cutting edge R&D:* We need to be able to overcome the substantial challenges involved with producing satisfactory yields of a quality product at an acceptable cost and looking at product issues through R&D.
- *Industry Association:* We need to be able to build a well-managed industry organisation that has credibility with government, represents the views of both individual and organisation members, has industry majority representation, achieves firm consensus, and performs according to a defined code of practice. It must have access to capital and be proficient at business. It must also make steady progress over time in all aspects of the business, through a process of continuous improvement.

The current level of funding available to the Association is inadequate to meet the current costs of operation, contributions to R&D and promotion, and the expectations of members. The scale of the operation of the Association is such that consideration should be given to using a paid position to further the goals of the industry. There are essentially three types of participants in our industry, lifestyle farmers, commercial growers and investors. We need to decide what the Association is going to represent and I think it should represent all three, in the interest of management of quality and price.

To achieve these goals and to be a worthy Association, we need to be able to present a commercial face, fund our operating costs and contribute to R&D in the identified fields at varying rates, from 10% up to 50% or \$-for-\$. R&D includes work to improve production, packaging and products and the essential work on understanding market drivers for our product and the identification of marketing opportunities in Australia and around the world.

If we are to achieve the above goals, we will need to increase Association fees and may need to consider the possibility of a levy on trees or production. There are many mechanisms we can investigate and I will not discuss them further here. There will be opportunity to discuss those this afternoon and following the presentations by our guest speakers. They will tell us of their experience in the evolutionary process towards becoming successful and sustainable on the international stage.

Finally I wish to remind you that the position of President of the Association can only be held for a period of four years requiring a change at the next AGM. It is therefore important that we work to address the issues facing the Association quickly and seek the necessary continuity in leadership to further develop the industry.

9. In Conclusion

As mentioned, it is estimated that the Australia wide truffle harvest will be about 1.5 tonne this year, 2009. Most figures indicate that properly managed truffieries increase production by about 40% to 60% each year which means it could double every two years. Conservatively, this means that the truffle harvest in 2014 could be in excess of 8 tonnes.

The assistance by RIRDC to the Association in identifying the status of the industry in Australia and in facilitating the *Industry Steering Group* is a major step forward in finding sustainable solutions to industry issues. It is now up to us to identify specific goals and priorities for the Association to support the obvious rapid growth of the industry, in a way that benefits all. This will include education of consumers and providers in Australia and additional work on the identification of markets, both here and overseas, as well as cooperative R&D, to ensure all growers are able to move their product and be well rewarded.

Your support and contribution to the Association is appreciated and will be needed in the future. We have a sound basis in the Association to develop a successful industry but we need more funding and we now need to look for the next wave of leaders in the Industry.

Thank you for your attention.

Wayne Haslam
President
The Australian Truffle Growers Association, Inc.
25 July 2009