Australian food and agriculture: Opportunities and challenges

Future of pulse production and consumption forum
Wagga Wagga 28 November 2016
Agribusiness and food: the next big thing for Australia’s economic prosperity?

Source: Deloitte Access Economics
WHAT CAN AUSTRADE CONTRIBUTE TO THIS DISCUSSION?
Austrade’s network

- Austrade Post
- Austrade Sub-Post
- Austrade Representative
- Austrade Location
Austrade’s TradeStart network

[Map of Australia with locations marked]

- Austrade Location
- TradeStart Location
The shift in Asian markets

What does Australia need to do to adapt?

FROM

Short-term

Price-driven

TO

Integrated supply chains

Long-term relationships

Differentiation between suppliers and countries of origin
Australia’s challenge
How do we:

➤ Find a differentiated position with trading partners and consumers

➤ Maintain competitiveness against emerging ‘good enough’ rivals

➤ Stay relevant despite a small market share, spread across a diversified sector
  • Sharp focus
  • Niche strategies
The two major trends we are seeing

- Discretionary consumer demand
- Food security
DISCRETIONARY FOOD DEMAND
Growth of the global middle class

2009 vs 2030 forecast

North America
2009: 338 m
2030: 322 m

Central and South America
2009: 181 m
2030: 313 m

Europe
2009: 664 m
2030: 680 m

Asia Pacific
2009: 525 m
2030: 3228 m

Middle East and Africa
2009: 137 m
2030: 341 m
As income increases, consumption shifts
Growth in urban per person food consumption - China

Source: ABARES 2014
Discretionary demand opens up export opportunities

Food imports – China (US$b)

- Beef
- Fruit
- Starches
- Cereals
- Dairy
- Sheep and goat meat
- Sugar
- Vegetables

Source: ABARES 2014
China is important but other markets are too

<table>
<thead>
<tr>
<th>Category</th>
<th>Middle East/North Africa</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals &amp; crops</td>
<td>1903</td>
<td>1067</td>
</tr>
<tr>
<td>Meat, livestock, animal products</td>
<td>1328</td>
<td>1373</td>
</tr>
<tr>
<td>Horticulture</td>
<td>448</td>
<td>88</td>
</tr>
<tr>
<td>Dairy</td>
<td>380</td>
<td>312</td>
</tr>
<tr>
<td>Forest products</td>
<td>40</td>
<td>675</td>
</tr>
<tr>
<td>Alcohol</td>
<td>18</td>
<td>218</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>18</td>
<td>162</td>
</tr>
<tr>
<td>Seafood</td>
<td>4</td>
<td>37</td>
</tr>
<tr>
<td>Sugar &amp; confectionery</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total exports A$million</strong></td>
<td><strong>4121</strong></td>
<td><strong>3992</strong></td>
</tr>
</tbody>
</table>

Source: ABARES/ABS 2014
The opportunity and the challenges

- Become an aspirational choice for fresh and packaged food
- Use premium positioning to get better returns
- Deliver what our customers want
- Tell a consistent, compelling Australian story
We have work to do

What do we hear from overseas about Australian foods?

- Packaged too cheaply for price point
- Under promoted
- Slow to innovate or respond to trends
- Not tailored to local tastes
- Not consistently available
- Inconsistent, confusing or absent brand for Australian food
- What about online?
We’re clean, safe, nutritious and good quality…but we don’t own that territory

<table>
<thead>
<tr>
<th>Feature</th>
<th>Australia</th>
<th>New Zealand</th>
<th>Canada</th>
<th>South Africa</th>
<th>USA</th>
<th>France</th>
<th>Italy</th>
<th>Spain</th>
<th>China</th>
<th>India</th>
<th>Indonesia</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>It has the right climate to grow a range of great food</td>
<td>34</td>
<td>32</td>
<td>18</td>
<td>7</td>
<td>37</td>
<td>25</td>
<td>27</td>
<td>17</td>
<td>15</td>
<td>21</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td>This country produces food in a clean or unpolluted environment</td>
<td>32</td>
<td>32</td>
<td>21</td>
<td>4</td>
<td>36</td>
<td>21</td>
<td>19</td>
<td>11</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>Farmers and food producers in this country use research and innovation to improve quality</td>
<td>30</td>
<td>26</td>
<td>20</td>
<td>5</td>
<td>42</td>
<td>22</td>
<td>18</td>
<td>11</td>
<td>10</td>
<td>18</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td>It produces food that looks good</td>
<td>30</td>
<td>26</td>
<td>21</td>
<td>7</td>
<td>46</td>
<td>27</td>
<td>26</td>
<td>17</td>
<td>15</td>
<td>21</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>It produces food that tastes good</td>
<td>29</td>
<td>29</td>
<td>18</td>
<td>5</td>
<td>40</td>
<td>27</td>
<td>30</td>
<td>16</td>
<td>15</td>
<td>20</td>
<td>11</td>
<td>36</td>
</tr>
<tr>
<td>The processes used to produce food from this place make it safe to eat</td>
<td>29</td>
<td>27</td>
<td>18</td>
<td>4</td>
<td>40</td>
<td>21</td>
<td>20</td>
<td>12</td>
<td>8</td>
<td>13</td>
<td>10</td>
<td>35</td>
</tr>
<tr>
<td>I can trust food from this country to be free of contaminants or harmful ingredients</td>
<td>28</td>
<td>27</td>
<td>18</td>
<td>3</td>
<td>37</td>
<td>20</td>
<td>18</td>
<td>10</td>
<td>6</td>
<td>11</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>If see products that include ingredients from this place I am more likely to buy them</td>
<td>28</td>
<td>26</td>
<td>17</td>
<td>4</td>
<td>41</td>
<td>23</td>
<td>23</td>
<td>12</td>
<td>13</td>
<td>17</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>Produces food in an environmentally responsible way</td>
<td>27</td>
<td>28</td>
<td>18</td>
<td>4</td>
<td>33</td>
<td>19</td>
<td>17</td>
<td>11</td>
<td>8</td>
<td>14</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Food this country contains only natural ingredients</td>
<td>24</td>
<td>24</td>
<td>13</td>
<td>4</td>
<td>26</td>
<td>16</td>
<td>15</td>
<td>10</td>
<td>7</td>
<td>18</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Food from this country contains only the highest quality ingredients</td>
<td>24</td>
<td>21</td>
<td>16</td>
<td>4</td>
<td>39</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>9</td>
<td>15</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Food from this country is good value for money</td>
<td>19</td>
<td>18</td>
<td>12</td>
<td>4</td>
<td>36</td>
<td>11</td>
<td>13</td>
<td>8</td>
<td>15</td>
<td>24</td>
<td>4</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Austrade National Food Brand research 2013-14
Lack of differentiation puts us at risk from emerging – and cheaper – ‘good enough’ competitors

No compelling reason for overseas consumers to buy Australian
We are a small player, spread thinly across diverse categories and markets

Source: ITC database 2013: major Asian economies include China, Japan, Korea, India, Hong Kong, Indonesia, Singapore, Malaysia, Taiwan, Thailand, Vietnam, Philippines
BUT THE OPPORTUNITIES ARE THERE IF WE WANT THEM
Grains, Pulses, Oilseeds: Products, varieties, grades and provenances to suit every purpose

- Australia’s geographic size and wide variety of soil types and growing climates allows the industry to produce a highly diversified range of grains, pulses and oilseeds.

- With an increasing number of suppliers to choose from, global buyers are increasingly seeking less generic products and more segmentation, unique product attributes, and assurances of traceability.

- A combination of world-leading research and development (R&D), technology and diversity of growing regions means that Australian growers can supply specific grades, textures and colours to meet different market requirements, buyer specifications and functionalities.

- Australian exporters supply many international customers who are seeking greater differentiation and can meet specifications such as non-GMO, organic or specific regional origins.

Source: Austrade, ICR: Grains, Pulses, Oilseeds, December 2016
What is food security?

**UN definition:**
Availability, quality, safety, nutritional value and sustainability of a population’s food supply

- Strategic importance to governments
  - Failure is not an option

- Separate issue to rising discretionary demand
  - Affects a different demographic from our premium target market
Increasing pressure on global land resources

Number of people average ‘global’ arable hectare feeds

<table>
<thead>
<tr>
<th>Year</th>
<th>1960</th>
<th>2005</th>
<th>2050 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>人口/公顷</td>
<td>2.4</td>
<td>4.5</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: Savillis Research
Australia rates highly for food security

Score 0-100, 100 = best environment

- Green: Score 72.2 to 89.3
- Orange: Score 54.5 to 72.1
- Yellow: Score 38.4 to 54.4
- Red: Score 24.8 to 38.3

1. Water and food security UN webpage | 2. The Economist Intelligence Unit 2014
The scale of global demand dwarfs our supply

Major Asian economies, food imports from the world (US$bn)

Source: ITC database 2013: major Asian economies include China, Japan, Korea, India, Hong Kong, Indonesia, Singapore, Malaysia, Taiwan, Thailand, Vietnam, Philippines
Risks of a short-term approach

- Chasing buyers and prices
- No long-term guarantees
- Not aligned with trading partners’ strategic food security interests
Our broader offer

- The capabilities behind our foods
  - Equipment
  - Technology
  - Systems
  - Services, education and research

- Quality inputs

- Investment opportunities

- Bulk agricultural commodities (and premium products)
Food security as a strategic opportunity for Australia

Australia is a diverse producer but a comparatively small exporter

We can be a partner in food security – but not a threat
How this approach benefits Australia

- **Diversified income now**
  - New services exports
  - Opportunities for joint ventures

- **Not a risk to our product exports**
  - Sheer size of demand means we are not doing ourselves out of a market

- **Building differentiation of our products**
  - Australia as the home of the best systems and processes

- **Long-term relationships**
  - Partners, not just vendors
  - Alignment of systems and standards facilitates market access
Some current opportunities

- Cropping industries
- Grains
- Red meat
- Agricultural education, training and R&D
- India, China – Austrade is currently working with the dairy, beef, grains and fodder sectors
- Asian, Middle Eastern and other markets
CONCLUSION
A world of opportunities

Our reputation is strong
• But the market has shifted and we need to adapt

Enormous growth in demand in coming decades
• How can we claim our share?

We need
• A lasting source of differentiation from new and old competitors
• A clear focus on where we are going to succeed and strategies for getting there
Discretionary consumer demand

- Premium product offerings using our strengths
  - High quality, high value foods that new consumers want
- Recognise and work on our weaknesses
  - Listen to the new consumers
- To stay competitive, we need to:
  - Focus and target our efforts
  - Coordinate as a sector
  - Achieve a consistent presence in our chosen markets
  - Build a national brand
  - Attract investment
Australia Unlimited

Australia as a long-term partner

Our small scale of exports becomes a strategic advantage

Expand beyond commercial trading of bulk commodities

• Staple food supply PLUS
• Equipment, technology and skills
• Investment

By helping our trading partners improve their domestic production, we can:

• Diversify our income
• Reinforce our reputation for quality
• Align systems and standards
• Improve market access for our products

Food security
HOW AUSTRADE IS POSITIONING ITSELF AROUND THESE AREAS OF OPPORTUNITY
Processed and packaged foods: a focus on differentiated products and exporters

Working with industry and government towards a national brand and a unified voice for the sector internationally

Helping coordinate industry and government overseas to improve our collective impact and messages

Through our international network, understanding our trading partners’ specific needs and identifying trade and investment opportunities

Bringing together agricultural services, technology and skills providers in an industry body
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