

Australian Food and Grocery Council



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Challenges for the Processed Food and Beverage industry

Mr Dick Wells
Chief Executive

The Australian Processed Food and Beverage Sector



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Operates in a Global Village

The Australian Processed Food and Beverage Sector



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Operates in a Global Village
- Highly Competitive

The Australian Processed Food and Beverage Sector -- Competitive elements



- Business competitiveness — through appropriate Federal and State economic policies and constant efforts by companies to reduce costs and increase efficiency
- Investment in research and development, product innovation, process and information technology, and infrastructure
- Increased customer focus and better satisfaction of consumer demands — in short, greater attention to market signals and non price factors such as quality, reliability, safety and environmental impact
- Greater export market access through reduced tariff and other trade barriers

The Australian Processed Food and Beverage Sector



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Operates in a Global Village
- Highly Competitive
- Australia's largest manufacturing industry

Australian Food Industry 2000 – 2001



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

| | |
|---------------------|---------|
| · Employment (no.) | 201,894 |
| · Turnover (\$m) | 55,292 |
| · Value Added (\$m) | 14,211 |

Comparative advantages



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Abundance of natural resources

Reputation for quality, safe products

Leading edge technology

Multicultural society

Geographical proximity to Asia

Competitive strengths



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Stable political system

Well established rule of law/ property rights

Internationally competitive tax system

Conducive foreign investment guidelines

Modern infrastructure

New technology take up

Highly competitive exchange rate

The Australian Processed Food and Beverage Sector – International Perspective



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- More open and more prosperous markets
- Rationalisation and consolidation of businesses and brands concentration of ownership and intensified competition
- Global sourcing of goods and services globally active manufacturers and retailers internationalising their operations, converging to international supply chains and networks
- Consumer value increasingly defined in terms of customer experience
- Mass customisation for scale and product differentiation
- Environmental management for sustainable production

The Australian Processed Food and Beverage Sector



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Operates in a Global Village
- Highly Competitive
- Australia's largest manufacturing industry
- Concentrated and Multinational
- A major exporter with a positive trade balance

Australian Trade in Processed Foods 2001-2002



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

| Exports | \$bn |
|------------------------|-------------|
| Simply processed | 10.3 |
| Highly processed | 7.3 |
| Total processed | 17.6 |

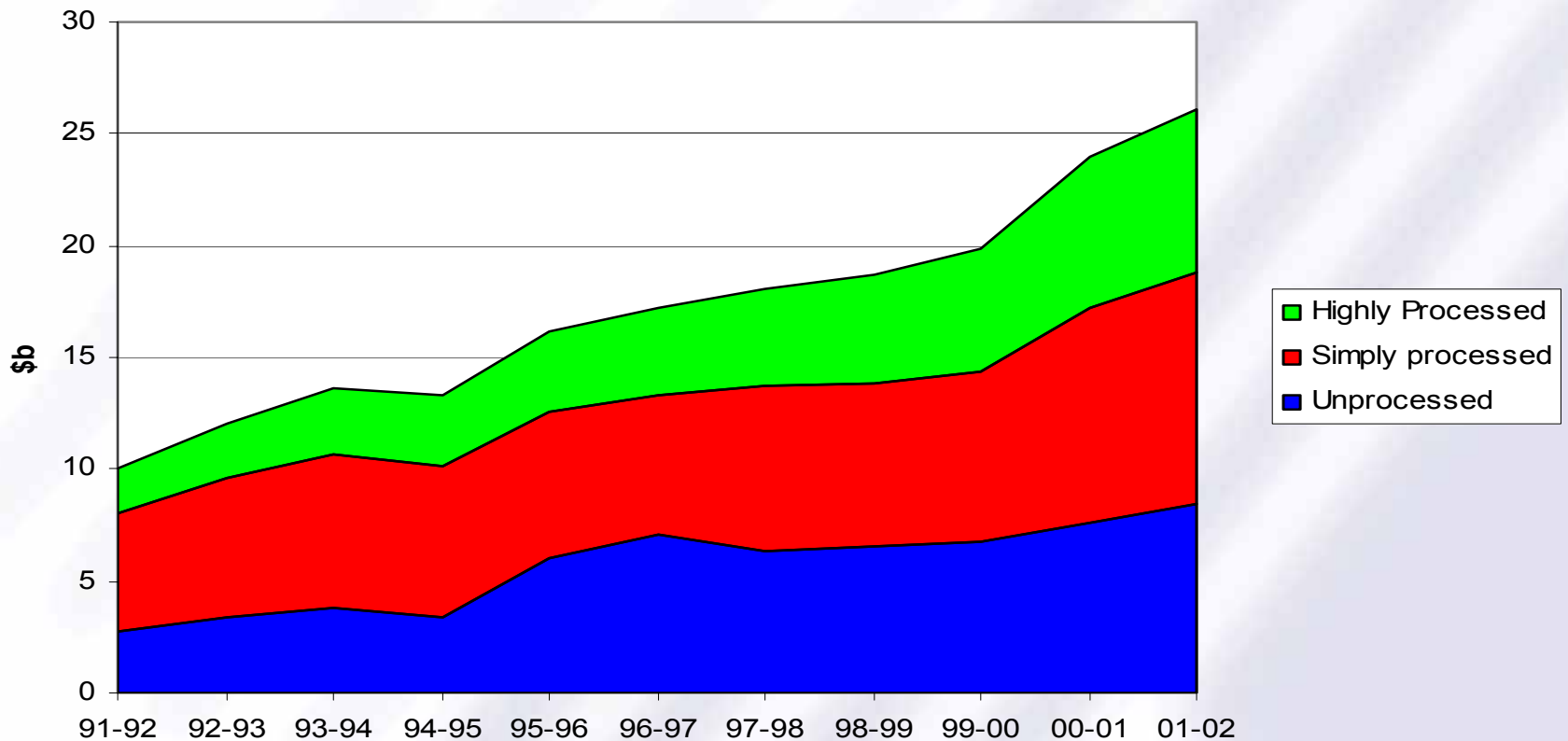
| Imports | \$bn |
|------------------------|-------------|
| Simply processed | 1.4 |
| Highly processed | 3.7 |
| Total processed | 5.1 |

| | |
|----------------------|-------------|
| Trade Surplus | 12.5 |
|----------------------|-------------|

All Food Exports, Australia 1991-2002



AUSTRALIAN
FOOD AND GROCERY
COUNCIL



Major Export Destinations



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

| Highly Processed | Total |
|------------------|-------------|
| Japan | Japan |
| USA | USA |
| New Zealand | Indonesia |
| Philippines | Malaysia |
| Malaysia | Korea |
| Taiwan | Hong Kong |
| Singapore | China |
| Hong Kong | Taiwan |
| Saudi Arabia | New Zealand |
| Canada | Philippines |

The Australian Processed Food and Beverage Sector – Threats



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Biosecurity issues

The Australian Processed Food and Beverage Sector – Threats



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Biosecurity issues
- Through Chain Integration

Path to Safe Food

HERCULEAN TASK OF PROVIDING SAFE FOOD

- **Many players**
 - production, processing, distribution
 - retail
 - consumers
- 
- **Requires co-ordination and integration**
 - sense of common purpose
 - awareness of interdependence
 - recognition of responsibilities
 - partnership with Authorities

Safe food is the norm, unsafe food the exception

The Food Safety System

FSANZ's National Food Safety Standards

GAP ↔ GDP ↔ GMP

**Nationally consistent jurisdictions –
Food Acts and regulations**

Supporting projects/measures

- **audit – critical for the HACCP approach**
- **risk classification – phased implementation**
- **education and training – to support**

Food Industry Commitment to Safe Food



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

National Food Safety Standards

Support programs being implemented

Preventive approaches most effective

AFGC supports regulatory framework

The Australian Processed Food and Beverage Sector – Opportunities



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Biosecurity issues
- Through Chain Integration
- Changing consumer demand

Changing Consumer Demand



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Mature developed country markets
- Lifestyle competition
- Responses include:
 - consumer focus, life needs relationship
 - product innovation
 - quality and product safety

Changing Consumer Values



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Reform-weary, but intolerant of inefficiency and excessive costs
- Time-poor, but frustrated with choice
- Demanding more information, but want it simple
- Seeking indulgence, convenience and taste, sometimes at the expense of health
- Rapid adopters of new technologies, but sceptical of scientists and motives of business

Changing values (Cont'd)



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

- Cynical of governments and regulators, but demanding of regulatory safeguards
- Risk takers when in control, but risk averse when subject to the decisions of others
- Characterised by consumers saying one thing and doing something else

Consumers are more sophisticated and discerning



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Consumer demands have transcended a “simple product for a simple need”

Consumers now expect convenience, prompt and efficient fulfilment through products and services that deliver health and nutrition benefits and functional properties, including health benefits

Consumers want choice but simple selections, yet products tailored to meet their individual requirements and lifestyle expectations and increasingly diverse and complex food consumption habits



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Ensuring Supply – Biosecurity

Ensured by :

- competence – through being adequately resourced to efficiently and effectively address Biosecurity issues as they arise
- integrity – through employing transparent and accountable processes provided by an appropriate legislative and regulatory framework
- credibility – through developing processes and assessments founded in sound science

Conclusion



It is a global village

International market access is vital for Australia's continued growth and prosperity and particularly for the food and grocery industry that have strong comparative advantages and are building competitive strengths

Quarantine systems are a critical component of the trade equation in ensuring that by protecting the biological and environmental integrity of importing and exporting countries, trade is sustainable both ways



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

Thank you