



Australian Government

Austrade

Agriculture and Food Policy Reference Group – Submission by Austrade Food Team regarding “Issues for Consideration”.

The Australian Trade Commission (Austrade) welcomes the opportunity to provide the Agriculture and Food Policy Reference Group with some comments on the issues paper released in May 2005.

Introduction

The paper contains a comprehensive listing of the many issues that need to be considered in order for the Australian agricultural and food industries to not only survive but prosper in the years ahead. As all of these matters are important and many are inter related it is difficult to make judgements about the relative importance of individual issues and arrive at an overall assessment of those issues which require immediate action.

Austrade agrees with the need to maintain and preserve Australia’s natural resource base as this valuable asset will ultimately determine what food products Australia can supply to the world on a sustainable basis into the future.

Beyond maintenance of our natural resources there are also a number of other elements mentioned in the paper that Austrade agrees should be addressed in order for the Australian food industry to remain internationally competitive. These include continuation of the drive to achieve supply chain efficiencies to reduce costs, ongoing Research and Development efforts, continuing innovation (both in production technologies and new products), maintenance and renewal of efficient infrastructure (roads, telecoms, energy) and education of a skilled and adaptable workforce.

However, one observation contained in the document which Austrade considers critical, is the important role that export business must continue to play for the agriculture and food industries to be successful given the relatively small size of the Australian domestic food market. Given this, Austrade would strongly advocate a market led approach to guide industry development policy. This means a commitment to provide overseas customers with the products they want rather than a supply led approach in which Australia would offer the products available. Many Australian exporters are already acutely aware of these issues but they should be kept in mind as a central tenet of industry development efforts.

Such an approach points to the importance of continually monitoring export markets for Australian food stuffs and understanding the individual requirements of each in order to supply the products that will be required in the face of ever intensifying competition. This embodies gauging consumer

trends in target markets, understanding the differing import requirements of each market and assessing the strength of competition from other non Australian suppliers.

From the Austrade perspective, as the Australian Government agency that provides export facilitation services to many food exporters across the different food product categories, Austrade believes that there are certain elements which require particular focus when identifying and developing export markets for the future. Some of these are mentioned below (although the list is by no means exhaustive):

Supply (or value) chains.

The issues paper points out that competition is increasingly on the basis of chain versus chain and not company versus company. Austrade agrees completely. Development of efficient supply chains is essential to increase efficiency and lower costs for food producers supplying both the domestic and export markets. In the case of food exporters, this means that the chain will by necessity include foreign importers/distributors and customers which may include offshore food processors, retailers or food service operators. As well as being buyers of Australian foodstuffs, these offshore chain members can add value by providing ongoing and first hand advice on ever changing market signals to the Australian members of the chain. Cultivation of enduring and co-operative relationships with these entities will be an important ingredient for success into the future.

Innovation

Innovation is important both in terms of increasing production efficiencies but also in introducing new products to the market. Foreign buyers are demanding and are always looking for new or differentiated products which they want delivered to them at the most competitive price. This also implies that innovation related to introduction of new products should be responsive to market requirements and also re-inforces the need mentioned above to keep abreast of international market developments. Innovation at every link in the chain should be the objective.

Evolving Consumer Preferences

These are continually changing. It is not easy to predict the future with any certainty but there are some current trends evident in the international food market place that are likely to continue for some years ahead.

- Wellness, healthy, nutritious food:

This world wide trend is hard to define with precision. But it is evidenced in the consumer desire to obtain foods that are perceived by them to promote good health in some manner (whether this perception is real or not). Examples include the growing interest in organic foods, other 'natural' foods, functional

foods etc. This category also spills over into other lifestyle categories beyond food covering exercise and physical fitness, clothing, music, cosmetics etc.

- Convenience:

As well as food being nutritious, consumers want their food to be available on demand and/or able to be prepared with the minimum of effort. Hence the rapid growth in food service outlets around the globe, increased availability of prepared meals and salads in supermarkets, packaging which allows food to be consumed 'on the run' etc. This trend is likely to continue as the pace of life accelerates in urbanized centres.

- Food safety and Traceability:

This is a big issue in light of recent food scares such as FMD, BSE, Avian flu etc. It is an important consideration in many markets. One particular example is Japan, a large and affluent market which has been subject to these food scares and is also strongly reliant on food imports. Japan is also Australia's largest food export market where we enjoy a good reputation for providing safe food. We must maintain to protect our position in the future.

An interesting study was also undertaken recently by the Victorian Department of Primary Industries to assess various 'credence' factors of importance to foreign customers when sourcing food from Australia. The important conclusion from that study is that after considering price and quality, the next consideration taken into account by the foreign customers is food safety which ranks above environmental or animal welfare factors.

- Globalization of Regional Cuisines:

An undoubted trend is the spread of various regional food styles around the globe. Asian foods are becoming more popular in Western countries whilst Mediterranean styles are becoming more popular in other parts of Europe, the Americas and Asia. Also, in Asian countries, Western foods are now growing in popularity alongside traditional foods. This offers an opportunity for innovative food companies to offer a range of differentiated food product styles to each market.

Changing Demographics:

With ageing populations in many regions (eg Japan, Europe, North America) there will be continuing opportunities to differentiate products to cater for the elderly. This may be in products which are easier to chew and digest or that perhaps contain various additives to counteract vitamin and mineral deficiencies characteristic of the older age groups.

Emerging Markets

China and India are the most populous countries in the world. Both have strongly growing economies and their respective Governments have

undertaken economic reforms to liberalise imports. Whilst not currently large markets for Australian processed foods, they are both likely to be significant markets in the future, particularly as the middle class grows in each and modern food retailing systems (supermarkets) spread their tentacles.

About Austrade

The Australian Trade Commission (Austrade) is the Australian Government agency that assists Australian companies develop export markets for their goods and services.

In terms of understanding international food industry trends, Austrade currently plays a role in conveying this information to the Australian industry and will continue to do so in the future. Austrade also provides practical marketing advice and a range of services to help both existing and new exporters connect with foreign customers.

Austrade is able to provide these service as a result of our extensive offshore and onshore network as Austrade is represented in 117 locations in 58 countries. Although Austrade assists companies in all industries, many of our clients are food companies due to the importance of food exports as a proportion of total merchandise exports. As export markets for Australian food are many and varied, this also means that we have many marketing staff overseas that are in daily contact with key industry contacts in the food trade around the world and know what they are seeking.

Additionally, our extensive domestic network of export advisors around Australia is available to guide food exporters who may wish to enter new markets or expand business in existing markets.

Detailed information on the range of export facilitation services available from Austrade is contained on the Austrade web site: [www. Austrade.gov.au](http://www.austrade.gov.au)

If the Food Policy Reference Group would like to pursue any of the matters raised above in more detail, please contact Gary Hullin at the Austrade Food Team.
