

Sector Competitiveness Plan

FOOD AND AGRIBUSINESS
GROWTH CENTRE

February 2020





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Chair's Foreword

The horrible events of this past year have adversely impacted the food and agribusiness (F&A) industry. Recent political tensions across North America, Asia and Europe have created even more uncertainty and angst around our capability and capacity to export food. The Australian “black summer” and novel coronavirus have caused national and international distress and undermined consumer confidence. This continues to test the sector’s resilience to grow, produce and manufacture food.

One certainty is we all need food to live. The basic nutrients of vitamins, minerals, protein, fats, water, and carbohydrates are essential for life. The ongoing trend for global population growth and rising disposable incomes drives consumers to become more discerning about the nutrient load of what they eat, where the food comes from and how it is produced.

Protein is a vital building block of life and found in a wide variety of foods. Consumers increasingly recognise protein as a critical element in nutrition. The 40 per cent increase in global protein consumption between 2000 and 2018 reflects this.^[1] This equates to an average of 26 kilograms of protein consumed per person per year. The presence and role of protein in food markets across the world is becoming more significant, with consumption per person expected to increase to 33 kilograms by 2025. Similarly, the global protein market is expected to grow to \$513 billion by 2025 with China alone expected to account for more than 35 per cent of this growing market.

Australia is well placed to supply some of this market at our doorstep if we grow and produce the right protein mix. Our global leadership in agriculture and food science research in subtropical and tropical production systems will help us identify high-protein plants appropriate to grow in Australia’s harsh climatic conditions.^[2] Strengthening our partnerships in countries where we already have existing free-trade agreements and working to develop new ones will also facilitate increased export trade of the sector’s output.

An approach accelerating innovation and growth across regions in Australia is “clustering”. In one example, the F&A network on the Sunshine Coast is supporting its 280 members in several ways. The network knows 80 per cent of start-ups fail within the first five years.^[3] Since the cluster was launched four years ago, only two firms have closed their doors.^[4]

Clustering is also providing the platforms and economies of scale for industry, researchers and government to work on common challenges and opportunities. Through the newly formed cluster, Central Coast Food Alliance, the Seeds of Change™ Accelerator was brought to the region to help early stage food focused firms fast track their growth. One member went on to expedite the development of an ambient stable pickled product, which has unlocked national distribution opportunities in both the retail and food service channels.

Our research^[5] shows improved leadership can accelerate industry development. This year, we piloted a leadership program with a small cohort of leaders who have changed the way they think about the world in which they operate. FIAL “size of the prize” research also highlights an additional \$39 billion in value and the creation of up to 147,000 jobs by 2025 if we take the first step to thinking and doing things differently.^[6] Considering recent events, the required courage and impetus to do this has never been greater.



Introduction

The Food and Agribusiness Sector Competitiveness Plan (SCP) outlines a 10-year vision and strategy for the industry.

The updated SCP report identifies some of the challenges and opportunities facing the F&A sector, followed by a discussion on key knowledge priorities. Finally, the SCP highlights regulatory reform areas that impede business’s ability to innovate and grow.

The SCP was developed in response to the federal government identifying the F&A sector as one of six priority areas for the economy. The Industry Growth Centres Initiative (IGCI) was the vehicle to drive the country’s productivity and competitiveness. The SCP aligns with the IGCI priorities, with a particular focus on advocating for innovation and value-adding activities throughout the F&A chain.

This report is reviewed and revised annually to reflect market forces shaping the sector, ensuring it remains current and relevant.

¹ Source: FIAL Report 2019 - https://fial.com.au/Protein_Report_2019

² Source: <https://qaafi.uq.edu.au>

³ Source: FIAL Report 2019: https://fial.com.au/Attachment?Action=Download&Attachment_id=8414

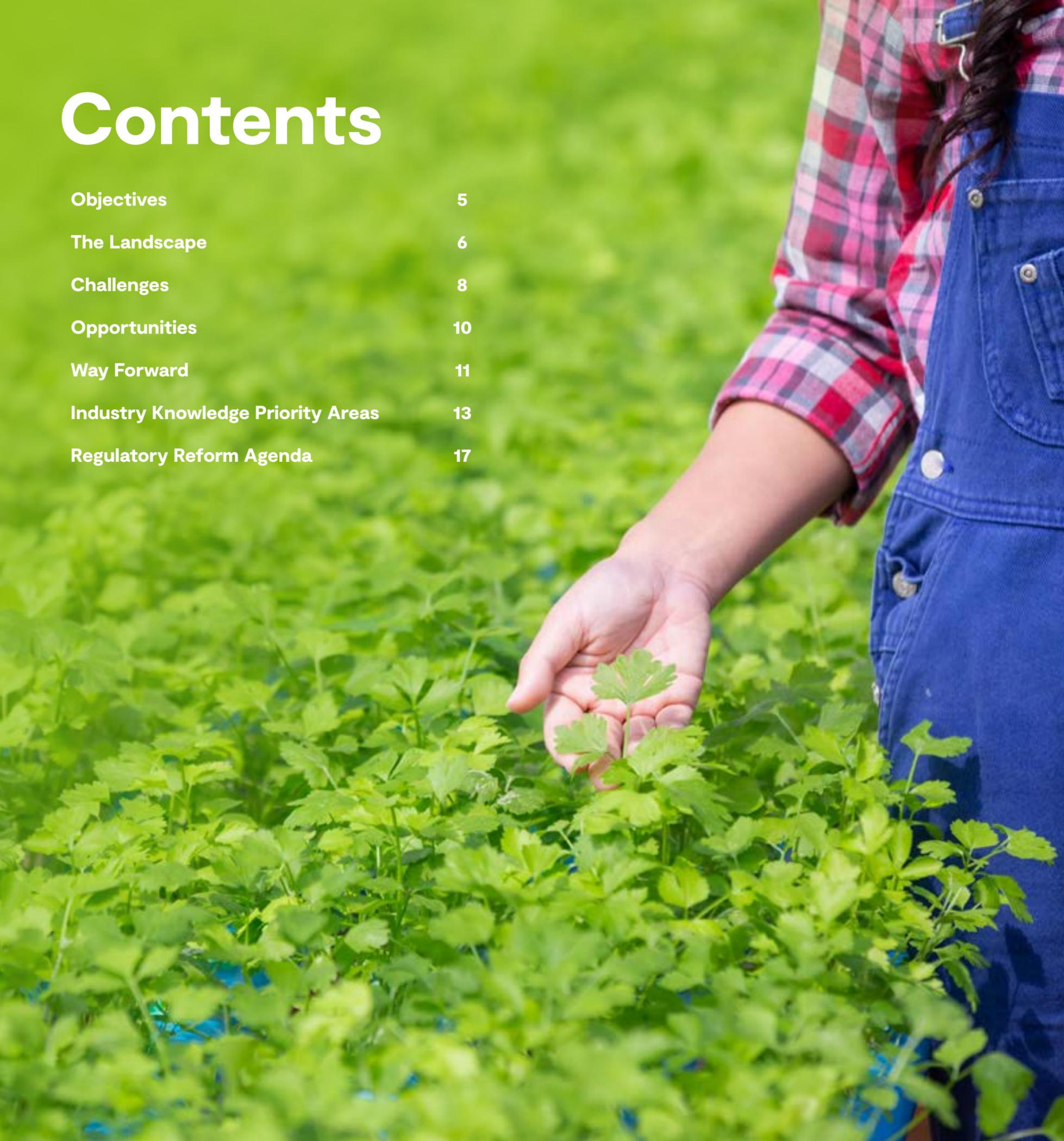
⁴ Source: FAN Annual Report 2019 <https://foodagribusiness.org.au/wp-content/uploads/2019/11/FAN-Annual-Report-2019-1.pdf>

⁵ Source: FIAL Report 2019: <https://fial.com.au/culture-study>

⁶ Source: FIAL Report 2017 – Size of the Prize: An overview of 16 global opportunities for Australian food and agribusinesses

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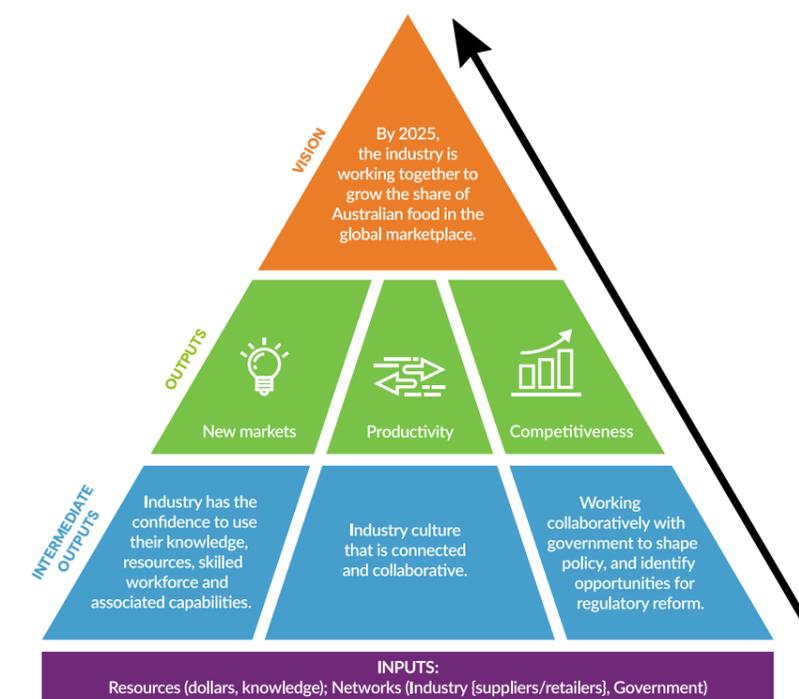
Objectives

Our vision

By 2025, the industry is working together to grow the share of Australian food in the global marketplace.

To achieve our vision, the industry will need support to access new markets, increase productivity, and remain competitive. There are three ways this can be achieved.

1. Ensure industry players have the knowledge and resources to develop innovative, cost-effective and differentiated offerings that meet the demands of Australian and international markets and consumers.
2. Create a culture of connected, collaborative industry participants who desire transformational change.
3. Develop a cohesive and clear voice of industry that influences and shapes policy, and in partnership with government, leads to opportunities for regulatory reform that fosters industry-wide innovation and entrepreneurship.



The Landscape

The F&A industry is highly fragmented and operates in a diverse, dynamic, and complex landscape. The value chain spans primary producers, manufacturers and retail providers through to final consumers. The industry is a significant contributor to the national economy and is growing as global demand for Australian food increases.

KEY FACTS ABOUT THE FOOD AND AGRIBUSINESS INDUSTRY 2018-19



SALES AND SERVICE INCOME:

\$187 billion in total sales and service income,^[7] equivalent to **5.7 per cent** of all Australian industries in 2017-18.



VALUE ADDED:

\$61.3 billion of industry gross value added in 2018-19,^[8] equivalent to **3.1 per cent** of total GDP.



EXPORTS:

\$41.8 billion representing 11.2 per cent of all Australian goods exports in 2019.^[9]



BUSINESS EXPENDITURE ON RESEARCH & DEVELOPMENT:

\$797 million in total business expenditure on research and development,^[10] of which **\$490 million** was in food and beverage manufacturing and **\$307 million** in agriculture.



BUSINESSES:

Total of **176,048 businesses** in 2017-18, of which **119,805** were non-employing^[11] (representing 68 per cent of total businesses^[12]).



EMPLOYMENT:

Approximately **537,600 people** were employed in 2019, about **70 per cent** in regional Australia.^[13]

⁷ Source: ABS Bureau of Statistics, ABS cat. no. 8155, Australian Industry, 2017-18

⁸ Source: ABS Bureau of Statistics, ABS cat. No. 5204, Australian System of National Accounts, 2018-19, table 5; ABS Bureau of Statistics, ABS cat. no. 8155, Australian Industry, 2017-18

⁹ Source: ABS Bureau of Statistics, ABS Cat. No. 5368.0, International Trade in Goods and Services, Australia, Table 12a

¹⁰ Source: ABS Bureau of Statistics, ABS Cat. No. 8104.0, Research and Experimental Development, Businesses, Australia, 2017-18

¹¹ Source: ABS Bureau of Statistics, ABS Cat. No. 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2014 – June 2018

¹² Calculations based on ABS Cat. No. 8165.0, Counts of Australian Businesses, including Entries and Exits, June 2015 to June 2019

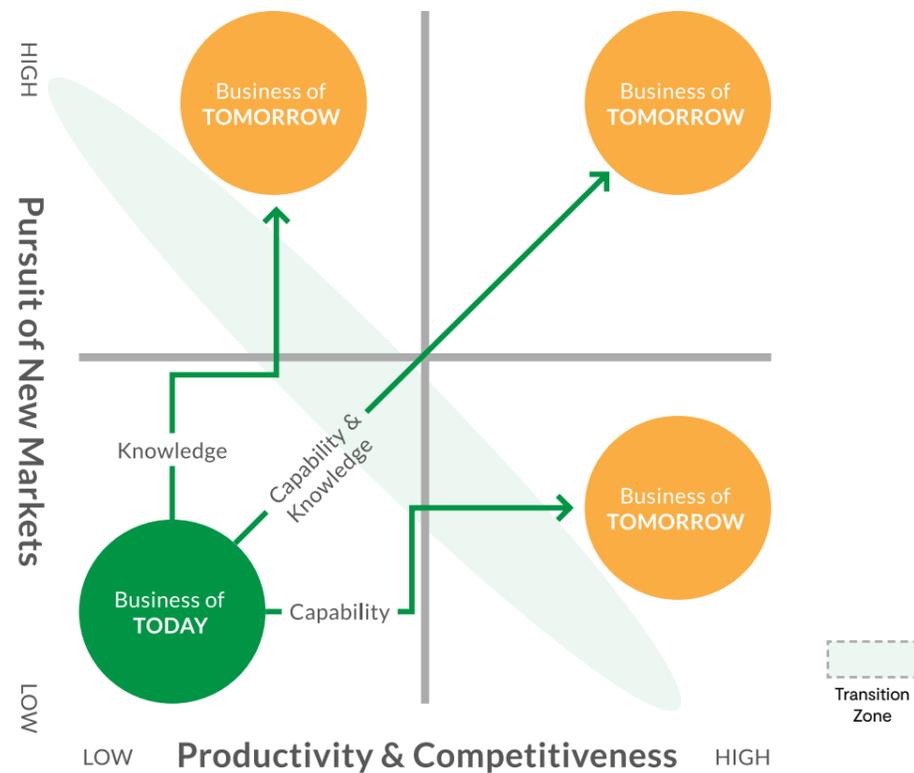
¹³ Calculations based on ABS Cat. no. 6291.0.55.003, Labour Force, Australia Detailed, Quarterly, November 2019



Challenges

The 2019-20 Australian “black summer” is testing the resilience of the F&A sector. The unprecedented extreme climatic conditions experienced across Australia are causing catastrophic devastation to the environment, which is affecting Australia’s food production system. This is further exacerbated by the unpredictable global market dynamics, such as the US-China trade war, which are having ripple-on effects on Australian firms. The human and animal disease challenges, such as the novel coronavirus and African swine fever, are also impacting trade across the Asia-Pacific region. The need for greater urgency and leadership across the F&A sector to tackle these challenges has never been greater.

Food Innovation Australia Limited^[14] identified a real need for improved leadership at all levels of the sector to take the industry forward. At an industry workshop in 2019, more than 50 thought leaders from across the country came together to discuss the reasons why some businesses struggle to easily adapt and respond to rapidly changing business and market conditions. It was concluded that this inability to respond to change in an agile way is mostly due to the culture and beliefs of individuals and the industry as a whole. Beliefs and cultural values impact business perceptions about market conditions and opportunities, influencing the willingness to take on risk and investment around capital and innovation.



¹⁴ Source: A key recommendation from FIAL’s research highlighted the need for greater leadership across the sector as people did not know how to be good leaders. In response to this recommendation, FIAL trialled a pilot leadership course (https://fial.com.au/Attachment?Action=Download&Attachment_id=198) during 2019 with a small cohort of industry participants. The course focused on understanding the underlying beliefs and values of individuals and explored how this shapes decision-making.

With this in mind, FIAL has categorised businesses within the industry as being either one of the following:

- **Businesses of Today**, which are generally less growth-oriented and work just to maintain market share. They tend to view a direct interest or involvement in overseas markets as outside their “need to know” area. As a result, they rely heavily on downstream processors or exporters to manage access to supply chains and markets
- Or, they are **Businesses of Tomorrow**, actively pursuing new markets and more inclined to take risks to secure those markets. Many of these businesses are directly connected to their end markets and continuously invest in building their skills and knowledge.

FIAL’s investigations have also uncovered that about five per cent of employing businesses, or 3,000 out of the approximate 57,000 in the industry, belong to Businesses of Tomorrow. This means Businesses of Today are dominating the landscape, making it difficult to create a collaborative ecosystem that fosters and encourages high growth and ambition. About 50 of the Businesses of Tomorrow are retailers and multinational enterprises; these bigger stakeholders are hesitant to engage, cooperate and collaborate with SMEs due to the significant difference in company culture and values. In addition to the cultural challenges facing the industry, the following issues were identified.

- Catering for rapidly growing populations and

emerging consuming classes increasingly becoming more discerning on what they purchase, and anticipating societal pressures for healthier, sustainable and diversified products

- A constantly changing political environment eroding industry confidence and investment in building the sector’s capability and capacity to respond to market forces
- Misalignment between the federal, state, local and regional levels of government in the provision of services and support available to build the capability and competency of the industry
- A disconnect between Australia’s research community and industry, resulting in poorly defined business solutions and commercialisation outcomes that are inferior in number and quality when compared with other developed nations
- Highly competitive, uncoordinated and poorly integrated incubator and accelerator ecosystem that targets a small number of start-ups at the expense of many SMEs, particularly small firms, with high-growth aspirations.^[3]



Opportunities

The world population is projected to reach 9.8 billion by 2050^[15], with most growth to occur in Asia. With Australia's proximity to Asia and its increased understanding of the needs of the emerging consuming classes in the region, the F&A sector is well placed to capture an increased share of this market. The sector's strong agricultural heritage, diverse production and business capability, together with Australia's world-class research community, provides the industry with significant opportunities for innovation to access new customers and markets.

In 2017, FIAL commissioned a study^[16] to better understand the "size of the prize" of 16 opportunities related to the demand, supply, innovation, and regulation that will shape the evolution of the sector over the next five to 10 years. From a demand perspective, the growth in the consuming class, particularly in Asia, will drive large increases in demand for food. For example, global protein consumption is projected to rise by 27 per cent to 33kg per person in 2025. Restructuring Australia's protein production mix to match projected global consumption, along with corresponding shifts into higher-value protein categories, could lead to an additional production value of \$55 billion as compared to business-as-usual approaches.



Another FIAL commissioned report^[17] found that through the 16 opportunities an additional \$39 billion^[18] and 147,000 jobs could be created by 2025. Health and wellness, global consuming class and targeted eating categories are likely to account for 80 per cent of this growth. Although the types of occupation and the relative share of each occupation will not change significantly between today and 2025, the share of managers and farm labour

is expected to decline slightly. This will be offset by a slight increase in the share of professional staff, and manufacturing and technical labour. The skills required to do those jobs will result in a transformative shift, with a greater need for technical, managerial and numeracy skills.

To capitalise on these exciting opportunities, the adoption of clustering and a "triple helix" approach involving government, industry and researchers, is integral. Past FIAL research^[19] confirms this approach helps industry identify the necessary business and cultural transformational changes needed to access growing markets worldwide. This is evident from the value created by the four cluster recipients of FIAL's Cluster Program.^[20] Through their cluster activities, new connections to markets and researchers have resulted in new collaborations and innovations, and business growth. Simply put, a nexus between the public sector, private sector and knowledge institutes fosters innovation.

This holistic approach will ultimately lead to economies of scale across consumer and market knowledge, including production, manufacturing and supporting infrastructure capability. Such an ecosystem will also support businesses with the desire to acquire the appropriate capabilities and capacity to transition to a Business of Tomorrow. This will enable the large cohort of SMEs, in aggregate, to have the confidence, scale and capability to realise significant results through:

- Increasing cooperation and collaboration across the industry, including cross-sectoral collaboration
- Aligning program objectives and performance metrics across all tiers of government
- Successfully leveraging Australia's world-leading research institutes and food manufacturing infrastructure to value-add and differentiate the sector's outputs
- Upskilling frontline government support, the research community, industry and future business leaders of relevance to the sector

These opportunities will attract new talent into the F&A sector, leading to novel and explorative thinking models and approaches. This will ultimately create the impetus for change and build the momentum and confidence across the industry to establish the innovative platforms for growth beyond 2025.

Way Forward

FIAL is continuing to act as the catalyst for change and is working collaboratively with industry to grow the cohort of leaders who work together to develop differentiated offerings that increase the productivity and competitiveness of businesses in the sector.

It is important that a holistic approach is adopted to maintain a deep and intimate understanding of industry stakeholders' wants and needs. The roadmap below shows the inputs and outputs necessary to achieve the vision for the industry. These are continuously reviewed and modified to reflect changes in the market and industry dynamics during this 10-year period.

GROWTH CENTRE OBJECTIVES	YEAR 1	YEARS 2-4	YEARS 5-8	YEARS 9-10	SECTORAL INPUTS
Improving management capabilities and workforce skills	Platforms for knowledge gathering and sharing	Different data combinations	Mega data and insights	Mega trends and foresights	1. Industry players have the confidence to use their knowledge, resources, skilled workforce and associated capabilities to develop innovative, cost-effective and differentiated products or services that meet the needs of Australian and international markets and consumers 2. A culture of connected, collaborative industry participants who desire transformational change, and continue to proactively seek and use collaborations for national and international market and supply chain success
	Channel readiness programs	Channel readiness programmes	Channel readiness programmes	Channel readiness programmes	
	Traditional business models	Different business models	Changing business models	Transformative business models	
	Review of market support services	Market incubators	Market incubators	Market incubators	
Improving the capability of sectors to engage with international markets and global supply chains	Immature clusters	Network of clusters	Mature clusters	Clusters in transition	
	Inefficient supply chains	Optimised supply chains	New supply chains and markets	Emerging supply chains and markets	
	3,000 Businesses of Tomorrow	3,500 Businesses of Tomorrow	4,500 Businesses of Tomorrow	6,000 Businesses of Tomorrow	
Enhancing industry-research collaboration and commercialisation	Inefficient innovation system	Innovation readiness for businesses and researchers	Innovation readiness for businesses and researchers	Efficient and effective innovation system	
	Innovation outcome metrics and funding models	New to industry innovations	New to country innovations	New to world innovations	
	Working industry	Sharing industry	Collaborating industry	One industry	
Identifying opportunities for regulatory reform	Mechanisms for identifying, gathering and prioritising regulatory challenges	Regulatory reform agenda	Reduced regulatory burden	Supported industry	3. Cohesive industry voice and government shape policy and support, and identify opportunities for regulatory reform

¹⁵ <https://www.un.org/development/desa/en/news/population/world-population-prospects-2017.html>

¹⁶ FIAL Report 2017 – Size of the Prize An overview of 16 global opportunities for Australian food and agribusinesses

¹⁷ FIAL Report 2020 – Changing job and skill implications in Australia's Food and Agribusiness Sector

¹⁸ These estimates measure the industry market size or potential efficiency gains for the 16 opportunities and not the contribution to Gross Domestic Product (GDP)

¹⁹ European Clusters Tour Reports 2016 and 2017, https://fial.com.au/Article?Action=View&Article_id=15;

²⁰ https://fial.com.au/Attachment?Action=Download&Attachment_id=8379

Sectoral Input #1

Led by FIAL

Industry players have the confidence and capacity to use their knowledge, resources, skilled workforce and associated capabilities to develop innovative, cost-effective and differentiated offerings that meet the wants and needs of Australian and international markets and consumers.

PRIORITY ACTIONS

- Work with the Entrepreneurs' Program to leverage the Food Industry Supply Chain Index and identify and provide targeted support to those businesses with the desire and motivation to become a Business of Tomorrow
- Build and embed knowledge platforms for collecting and sharing technology, regulatory challenges, and market insights
- Identify and develop capability-building and channel-readiness programs needed to upskill the workforce. These programs centre on leadership, innovation, business models, market channels and supply chains, both domestically and internationally
- Support F&A market incubators and accelerators that contain myriad support services to improve business knowledge, workforce skills and management capabilities.

Sectoral Input #2

Led by FIAL

A culture of connected, collaborative industry participants who desire transformational change, and continue to proactively seek and utilise collaborations for national and international market and value chain success.

PRIORITY ACTIONS

- Continue to leverage the established principles on industry behaviour and interaction to build collaborative initiatives and resolve conflict
- Celebrate success and learning from failures to encourage greater industry sharing and risk taking to drive growth
- Support networks of clusters with new knowledge and capability for value chain success, encouraging greater connectivity with stakeholders across Australia and internationally
- Establish new approaches and metrics around engagement and collaboration, and outcome-driven research that encourages connectivity between the research community and business for greater commercialisation outcomes. This will support working in different ways and expose stakeholders to diverse ways of thinking methods, which are leading, but not yet widespread.

Sectoral Input #3

Led by FIAL

The cohesive and clear voice of industry, influences and shapes policy, and identifies opportunities for regulatory reform that fosters industry-wide innovation and entrepreneurship, in partnership with government.

PRIORITY ACTIONS

- Continue to build effective working relationships within the ecosystem and mechanisms for being the voice of industry to government (federal and state), and vice versa, including the use of tools such as the Trade Barriers Register to assist the process.
- Encourage and optimise the alignment and effectiveness of government instruments across all levels such as policies, free-trade agreements and memorandums of understanding.

Industry Knowledge Priority Areas

The role of industry knowledge priority areas (IKPAs) is central in helping the F&A industry achieve its vision and deliver increased productivity, sustainable economic growth, job creation, and investment attraction for the sector.

The IKPAs have been identified to bridge the gap between the practical needs of industry and academic research effort. These priority areas set the scene for a robust dialogue between researchers and businesses that are focused on business and industry challenges and opportunities. This will lead to improved commercialisation outcomes of government and business research investment, which will benefit public and private sectors.

These IKPAs have been divided into two broad areas:

1. Research and development priorities, which highlight industry needs from the research sector.
2. Management capability priorities, which define the capabilities required to generate profits and successfully compete with other firms in the marketplace.

Within the research and development priorities, four key areas have been identified. These are informed by the Chief Scientist's National Research Priorities (in Food and Soil Health); the National Food and Nutrition Research and Development, and Technology Transfer Strategy; the CSIRO's Global Megatrends Report and Food and Agribusiness Roadmap,^[21] and information obtained through FIAL's extensive industry consultation conducted over the past five years.

Management Capability Priorities

Developments in managerial systems increase the efficiency and effectiveness of people, processes and technology. These systems are integral to improving productivity and strengthen the links between organisational performance and people because they leverage internal and external resources to create new value for stakeholders.

Management Capability Priorities include:

- Learning and development models that build the leadership skills and knowledge of the industry and government for better business results.
- Managerial systems for the administration of operations such as business and strategic planning, including technical systems such as innovation strategies for the effective and efficient use of scarce resources.
- Physical and technical systems, especially Industry 4.0, digital innovations and customer relationship management platform.

Research and Development Priorities

F&A industry requirements from the Australian research sector.

These areas are sourced from publications such as the Chief Scientist's National Research Priorities (in Food and Soil Health), the National Food & Nutrition R&D and Technology Transfer strategy, the CSIRO's Global Megatrends report as well as from extensive industry consultation FIAL conducted over the past three years. This process has identified four priority areas in which innovation is required to ensure the growth and sustainability of the industry.

Further detail and discussion of these topics can be found in CSIRO's Food and Agribusiness Roadmap. The roadmap identifies a range of consumer-driven opportunity areas for Australian businesses to deliver higher-value offerings globally, and discusses some key enabling technologies and actions required to unlock these opportunities.

Acknowledgement: The Research and Development Priorities were prepared by the Agriculture & Food Business Unit of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and FIAL.

²¹https://fial.com.au/Attachment?Action=Download&Attachment_id=57

1. Food Security and Sustainability

The Australian F&A industry has a vital role to play in improving global food security and feeding an ever-growing population. The ability to meet this demand requires world-class food safety management and biosecurity systems that have the capacity to be responsive to new threats and continually adapted to ensure Australian produce is safe for consumption and export.

To meet the global increased demand for food, Australia's resources will need to be better managed.



The resources of greatest concern are food, energy and water, which are all vulnerable to unpredictable weather patterns, natural disasters and other climate change related threats. Consequently, there is a strong need to encourage industry stakeholders to adopt climate change mitigation strategies and engage in more sustainable value chain practices.

Furthermore, the rise in wealth and education levels of modern consumers is driving demand for environmentally sustainably produced food. Sustainability is a complex topic, especially as it encompasses animal welfare, food safety, environmental impacts, and fair trade. Even so, consumers are becoming more educated on the topic and want more transparency. It is vital that increased food production is achieved whilst minimising environmental harm and ensuring animal and social welfare.

The F&A industry will address food security and sustainability through priority research into:

- Sustainable and innovative practices and technologies to improve productivity and environmental outcomes
- Deployment of best-practice activities, science and technologies to ensure Australia's infrastructure, biosecurity and food safety systems will support a growing food industry
- Understanding the effects of climate change on agricultural production and the development of mitigation strategies
- Development of best practices in ethical production and the attainment of a social licence to operate
- Assisting the development of technologies that can provide food safety assurance and negate the impact of food fraud
- The application of shipping, defence, oil and gas industries engineering to offshore food and energy production.

2. Enhanced Production and Value Addition

According to the United Nations Food and Agriculture Organization (FAO), the world must increase agricultural output by 70 per cent by 2050 to feed its growing population. Enhanced food production technologies, processes and science will have an increasingly important role in the F&A industry in the future. Advances in the fields of digital technology, robotics, genetic science and synthetics will change the way food products are made and transported, allowing for improved labour efficiency, improved productivity and traceability, increased yields from poor soils and semi-arid conditions and value chain disruptions. In particular, the bulk of Australian exports are low value commodities, which are subject to the traditional boom-and-bust pricing cycles.

The biggest opportunity for growth in the sector lies in value-adding activities post farm-gate, which have the potential to transform returns across the chain. In line with enhancing food production, value will come from minimising and/or utilising food waste, a problem that poses significant environmental, sustainability and productivity issues, and hinders the productivity of the food and agribusiness value chain.

Globally, one-third of food (about 1.3 billion tonnes per year) is wasted and lost. In Australia, it has been estimated that 7.3 million tonnes^[22] of food waste across the food supply and consumption chain annually since 2016-17, the equivalent of 298 kilograms per person, is waste. The cost to the economy is about \$20 billion.^[23] There is a significant opportunity to capture value from these waste streams through the creation of novel food products or the extraction of bioactives or industrial chemicals.

The F&A industry will enable value addition and enhanced food production through priority research into:

- Transformative and novel approaches and technologies that assist operators in the value chain to improve processes, productivity and outputs with significantly enhanced market value
- Technologies, knowledge and strategies to assist the industry minimise food wastage and value add to waste streams, for example, extraction of bioactives from waste, redistribution of food, compost, and energy from wasted food.



²² FIAL Annual Report 2019: https://fial.com.au/Attachment?Action=Download&Attachment_id=8379

²³ CSIRO Report – https://fial.com.au/Attachment?Action=Download&Attachment_id=57

3. A Global Marketplace

The globalisation of food markets and value chains brings opportunity and risk to the Australian industry. The F&A value chain comprises a wide range of stakeholders, from suppliers of inputs to primary producers and food retailers. Vertical integration and consolidation are growing trends within the industry, with many primary producers diversifying by owning production activities and exporting globally. Despite being a net food exporter, Australia relies on global supply networks to import foods, such as coffee and chocolate, and also the inputs into food manufacturing.

Australia is a leading food-exporting nation, and as such developing a clear understanding of the global marketplace and the intricate machinations that control supply are of the utmost importance for export growth.

For Australia to compete in the global market, the F&A industry requires priority research into:

- Better understanding global value chains, non-tariff barriers, trade routes and recognition of points of weakness and vulnerability within the system
- Food safety and biosecurity risks (and opportunities) of a global value chain
- Disruptive “direct-to-consumer” models that may alter global value chain networks
- Global societal trends that may create new market niches or introduce food substitution threats.

4. Future Consumers

By 2030, Australia’s population is projected to increase by 19.2 per cent to reach 28.5 million, while the global population will increase by 16.4 per cent to reach 8.5 billion. The size of the global middle-class is also expected to increase from 1.8 billion in 2009 to 4.9 billion by 2030, with much of this growth in the Asia-Pacific region. As billions of people move into the middle-income bracket, food consumption will increase, and consumers will demand more diversified diets and increased protein consumption^[1]. The rising middle-class population in Asia is a key growth export market for Australian industry.

Furthermore, changing consumer preferences for food that is healthier, of a higher quality and more convenient are impacting every facet of the F&A industry. Lifestyle trends, health, provenance and ethics are increasingly influencing food consumption. These future consumers will be empowered and motivated to choose food products with new and emerging specialised characteristics.

The F&A industry requires priority research that will lead to a better understanding of the needs of the future consumer, including:

- Knowledge and strategies on satisfying the growing middle-class, particularly in Asia, where discerning consumer tastes present export opportunities for Australia
- Knowledge, technology and faster production techniques to help industry better cater to rapidly changing consumer preferences and demand for just-in-time offerings



- Developing deep market insights into the preferences of the future consumer
- The impacts of transforming certain food compounds or natural processes to develop novel or health products such as “free from” products.

Regulatory Reform Agenda

Regulatory reform is required to help the industry realise the sector vision. The role of the F&A Growth Centre is to support the industry in this endeavour by engaging with states, territories, and key organisations and associations, and be the driving force for regulatory reform that allows for business agility and flexibility. Through partnership with government, the items on the reform agenda are put in place to address the burdens to industry.

A range of reforms to improve industry productivity and reduce the burden imposed on stakeholders across the industry has been identified through two channels: **formal (government) and informal (researchers, businesses).**

The **formal channel** consists of key federal and state government agencies, associations such as the Australian Food Grocery Council and similar organisations that actively research and gather market and other information on regulatory challenges. The **informal channel** is made up of individual stakeholders or businesses that are impacted by regulatory challenges. The latter do not have a formal process for escalating the regulatory burden to government as they are not affiliated to a formal channel.

F&A Growth Centre supports those in the informal channel by identifying different regulatory challenges that have not been reported to government. The first step in this process is extensive consultation with industry, which brings regulatory issues to light. Second, the regulatory items are prioritised based on the significance of their impact to industry and finally, an action plan is developed. This last stage requires industry and government to work in partnership to determine the appropriate instruments to address the burden while ensuring transparency throughout the process.

Gathering sufficient data on regulatory issues takes time. For example, it has taken nearly three years for FIAL to work with Australian Food Grocery Council and other stakeholders across industry to identify the regulatory food safety auditing issues, gather evidence and establish a robust recommendation on how to streamline commercial auditing practices. The implementation of this project will strengthen the food safety culture across the industry and use the outcomes to promote Australian products in international markets. It will also result in the reduced frequency of food safety auditing and savings to industry, making it a more effective process.



A whole-of-industry-government approach strengthens the processes for identifying regulations that are unnecessary or burdensome, and that impede business' ability to innovate and grow. Items identified for consideration are grouped into three themes:

1. Cross Jurisdictional Regulatory Issues

- Cost of duplicating in market and other activities across federal, state and local government
- Misalignment of domestic regulation requirements – food safety, labelling, ratings systems.

2. Business Interactions with Government (and Government Regulation)

- Preparing and reporting on grant applications for research and business-related projects
- Cost versus the benefit of meeting requirements for mandatory routine product testing, food labelling, safety, funding grants, and R&D Tax Incentive
- Complex business registration processes
- Cost of addressing labour, workforce and environmental regulations

- Regulation must be evidence-based with adequate consultation with industry to ensure its real impact to industry is understood and minimised. Governments often engage in regulatory reform too quickly without a holistic view of the situation. They react to social media or TV programs that raise awareness around certain issues, such as country of origin labelling, or live exports.

3. Market Entry and Compliance Requirements for Industry-to-Industry, and Industry-to-Government Interactions

- Business-to-business and business-to-government compliance, such as food safety auditing, or expensive insurance premiums when using expanded polystyrene sandwich in manufacturing.
- Accessing researchers and specialist equipment from research organisations and universities.
- Packaging compliance including labelling, country of origin, certification for organic and third parties.
- Accessing market information, understanding import regulations (tariffs, behind the border trade barriers).
- Export requirements (quotas, export documentation).



