

Winter 2009

FOOD BUSINESS

Taking Victorian Food to Market



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Global competitiveness of Victoria's agri-food sector is influenced by its ability to understand and respond to the rapidly changing trade environment.

The Victorian government is working with industry to develop the capability to identify and adjust to evolving supply and demand challenges and opportunities, and to stimulate improved international competitiveness. This will make a real contribution towards maintaining Victoria's position as Australia's leading exporter of food products.

The Department of Primary Industries (DPI) Agribusiness Group and Regional Development Victoria (RDV) Food Group maintain strong relationships and networks with producers, industry bodies, key food importers and buyers, retailers, food processors and other government agencies. These relationships underpin the success of activities such as recent trade missions to South East Asia, which promoted the Victorian horticultural industry to the top three supermarkets in Thailand. Another trade mission promoted Victorian beef, lamb, seafood, fruit, vegetable and dairy products to around 200 members of the food service industry in Indonesia. Both projects showcased Victoria's capability and resulted in new exports to both regions.

Staff, located domestically and in key export markets, identify trends and opportunities and work to help overcome barriers affecting the international competitiveness of Victoria's food and agricultural sectors. Recent achievements include continued access for seed potato exports to Thailand, after phyto-sanitary concerns threatened to close the market, while current work aims to achieve new market access for Victorian table grapes into China.

DPI and RDV have a detailed understanding of Victorian agricultural industries and agribusiness value chains. We encourage a market driven approach when assisting agribusiness industries respond to trends, threats and opportunities in international and domestic markets. We facilitate the development and delivery of specially tailored

services and information to help resolve export market and supply capability issues. In partnership with their networks, staff promote collaborative approaches to influence decision making and investment in value chain efficiencies and innovation.

A current red meat value chain project aims to improve industry's responsiveness to consumer requirements/specifications/market opportunities, increase communication and relationships between value chain partners and demonstrate efficiency improvements within red meat value chains. Past value chain projects have included working with the Southern Rock Lobster industry to develop traceability systems for the US market and helping to develop a commercial Murray cod industry, through the development of a networking study, industry development plan and a marketing strategy.

The Victorian government also manage the collection, interpretation and analysis of data and credible information specifically related to Victoria's priority food markets. For example, a recent report looked at how climate change will impact on market requirements for Victoria's agri-food exports.

The data we collect is interpreted to provide information and high level analysis on export performance, emerging trends and opportunities for the Victorian agribusiness sector, which we hope to share with you through this newsletter.

For more information visit www.dpi.vic.gov.au/agribusiness or www.business.vic.gov.au/food



TABLES TO BE LADEN WITH VICTORIAN PRODUCE

Choose Victoria's fresh vegetables and fruit, seafood, dairy, olives, olive oil, meat, baked goods, our handcrafted cheese and wine. Shop for Victorian food and beverages at farmer's markets, choose Victorian from the menu or wine list when dining out and visit Victorian wineries and farm gates. These are the key messages for Victorians, who are being urged to "Put Victoria on your table".

This new \$400,000 Regional Development Victoria sponsored winter initiative takes form in two major elements - a winter food and wine festival and a wine retail promotion, both aimed at showcasing Victoria's bounty.

Led by Melbourne Food and Wine (MFW) and Victorian Wine Industry Association (VWIA), the campaign aims to educate, encourage consumption of Victorian food and wine and to inspire retailers, distributors, chefs and restaurateurs to use Victorian produce.

Victorians will be urged to eat, drink and shop where they see the Put Victoria on Your Table logo, highlighted by activities such as a cellar door event at Crown, winter restaurant express calendar across regional Victoria and Melbourne and promotion at farmer's markets.

Minister for Regional and Rural Development Jacinta Allan said the campaign had unprecedented support from trade and industry. "Victoria is Australia's food bowl - home to more than 2,000 food processing firms and more than 800 wineries world renowned for quality," Ms Allan said.

"Victoria's food and wine industry is a massive contributor to the Victorian and Australian economy with an annual turnover of more than \$25 billion.

"Victorian food and wine represents the best of the best - now is the time to make sure all Victorians discover the quality and diversity of produce available right on their doorstep. Buying Victorian and supporting the campaign will help stimulate the state's economy, ensure job security and support our innovative, talented farmers, food manufacturers, winemakers, chefs and sommeliers - everyone along the supply chain."

MFW chief executive officer Natalie O'Brien said Victorians were incredibly lucky to have some of the best produce in the world in their state. "From gorgeous winter root vegetables to tender beef and succulent game birds, from our award-winning soft cheeses to juicy summer berries and stone fruit, Victoria's bounty is plentiful," Ms O'Brien said.

"By eating where you live, and putting Victorian food on your table, you'll be supporting a Victorian farmer, fisher, winemaker, manufacturer and others in the food business."

VWIA chief executive Joanne Butterworth-Gray said it was hoped the campaign would inspire Victorians to try something new from the smorgasbord on offer. "Victorian consumers are spoilt for choice, with handcrafted wines made across the state's 21 wine regions," Mrs Butterworth-Gray said.

This year the initiative was celebrated with two weeks of activities including:

- The Age Good Food Guide Winter Restaurant Express which featured Victorian inspired dishes matched with Victorian wine;
- Pies & Pinots promotion at various pubs across the state featured home made pies matched with a glass of Victorian wine;
- Winter Wine Weekend highlighted Victoria's wine regions in a weekend of one-off celebrations such as winery lunches, dinners and special cellar door tastings, with guest appearances from Melbourne sommeliers; and
- Wine Retail Promotion, which saw wine stores around Victoria display the Put Victoria on Your Table logo on Victorian wine bottles. A number of stores also hosted Victorian wine tastings. Participating retailers included Liquorland, First Choice, Vintage Cellars, Dan Murphy's, IGA and key independents Rathdowne Cellars, Randalls the Wine Merchants, Armadale Cellars, Cloudwine Cellars and The Prince Wine Stores.

A dedicated website will serve as an information hub, equipping consumers with ten simple ways to engage with the campaign as well as providing information on local seasonality, a consumer directory of Victorian producers, seasonal recipes with Victorian wine matches, events to join in, and more.

Visit www.melbournefoodandwine.com.au to find out how to Put Victoria on Your Table. For more information contact Olivia Tait, RDV project manager, on 9651 9089 or olivia.tait@rdv.vic.gov.au, Sally Brown, MFW project manager, on 9823 6113 or sally@foodfest.com.au and Olimpia Luciano, VWIA project manager on 9642 2505 or olimpia@vwia.org.



VICTORIAN FOOD AND FIBRE EXPORT PERFORMANCE

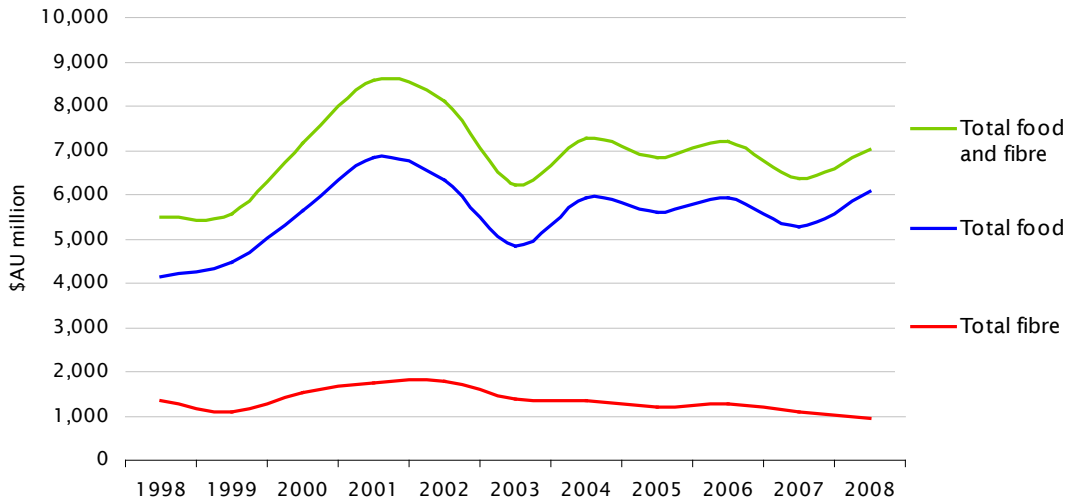
Victorian food and fibre exports have risen, despite a difficult growing and trading environment, which has included prolonged drought conditions and more recently, the Global Financial Crisis.

The value of food exports from Victoria in 2008 was \$6.07 billion, an increase of \$798 million (15 per cent) from the previous year. Combined food and fibre exports were valued at \$7 billion in 2008, with export value increasing by \$659 million (10 per cent) from 2007.

High commodity prices and a strong Australian Dollar characterised 2008. In 2009, some commodity prices have returned to their pre 2008 levels. As 2009 unfolds, we may see the value of exports dip slightly due to lower prices. Insight into Victoria's food and fibre exports in 2009 will be available later this year.

For more information about Australian or Victorian food and fibre exports or Victoria's competitors in international markets contact Jonathan Creese on (03) 9658 4723 or email jonathan.creese@dpi.vic.gov.au.

Value of Victorian Food and Fibre Exports (\$AU million)



HOW WILL CLIMATE CHANGE IMPACT ON EXPORT MARKET REQUIREMENTS?

The Victorian agri-food sector must anticipate emerging market demands associated with climate change in order to remain internationally competitive.

The world's largest retailers are already driving agri-food value chains to measure and manage carbon emissions. They understand that reducing their own emissions, and emissions from their suppliers, may reduce costs, help in complying with regulations and differentiate their business and products.

This report completes the first stage of a Victorian Government Future Farming Strategy three-stage project; "Market Drivers for Adapting to Climate Change". Key findings include:

- Japanese and UK Governments support the development of carbon foot printing protocols for food potentially affecting Australian agri-food exporters for whom Japan is their largest market.
- Research into how consumers will assess tradeoffs between product variables, such as price, quality, convenience and carbon footprint, is being developed
- A dedicated consumer segment responding to climate change is small.
- As "carbon foot printed" cannot be experienced through consumption, it is a credence attribute similar to "fair trade" or "free-range" claims.
- Price rather than credence attributes of food will appeal to most consumers.
- Consumers are not well informed about carbon foot printing or carbon labelling.
- Retailers are encouraging carbon foot printing in agri food value chains. Wal-Mart has committed to selecting suppliers that aggressively reduce carbon emissions.

- Retailers are identifying new market opportunities and some are carbon-labelling food to appeal to a niche market.
- Carbon footprint does not mean carbon label; many retailers feel that labelling is too confusing for consumers.
- Retailers are not imposing mandatory requirements for agri-food producers and manufacturers to measure and reduce carbon emissions currently, though they do not rule it out for the future.
- Sourcing local products is part of retailers' response to climate change. However, a well designed carbon foot printing and labelling scheme should help efficient agri-food producers to develop a competitive advantage in international markets.
- Climate change is becoming a risk management issue for retailers. Retailers may change their value chain relationships if supply consistency cannot be assured.
- Pressure from retailers to carbon footprint will persist despite the current macroeconomic downturn.

With Government generating momentum and some consumers expressing concern, key global retailers are pursuing carbon efficiency gains in their own business, encouraging carbon foot printing in their value chains, carbon labelling, local sourcing and seeking climate-safe supply in response to climate change. The Victorian agri-food sector must continue to monitor how these retailers implement carbon reduction strategies; and examine the impact of climate change schemes on market access. Importantly, Government policies should support opportunities for agri-food businesses to increase carbon efficiency.

By Jonathan Creese and Nicki Marks. For more information email jonathan.creese@dpi.vic.gov.au or nicki.marks@dpi.vic.gov.au



INDIA - A MARKET OF VAST POTENTIAL FOR EXPORTERS

With the second largest population in the world (1.12 billion people), a growing economy, increasing middle income population and an expanding organised retail sector, India is considered to be a development market with attractive future prospects.

The Indian market differs markedly from region-to-region, and from city-to-city. Culture, food habits, living standards and languages vary greatly meaning the country comprises many individual markets as opposed to one large homogenous market. Vast disparities in per-capita income levels exist and, when compared to the size of the population, the market for consumer-ready food products is relatively small, but growing steadily.

A number of factors are driving steady growth in the purchase and consumption of consumer food products including:

- Changes in the family structure including the role of women
- Income and consumption growth at a rate faster than the world average
- Increase in discretionary expenditure
- Growing role of children as influencers
- Increasing literacy levels
- Gradual acceptance of processed and frozen foods as a viable alternative to fresh produce
- Growing influence of television and international media.

To date, growth in domestic purchase and consumption of consumer food products has not translated as quickly as anticipated into increased agri-food exports from Australia to India. This has been due to a range of inhibiting factors, including high tariffs in sensitive agricultural categories, complex food laws, and difficult sanitary and phyto-sanitary restrictions.

Despite this, market development opportunities still exist for 2009/10. In particular, recent improved market access for dairy products is a strategic priority, as well as ongoing work in developing opportunities in the Indian Food Retail and Food Service sectors.

VICTORIAN FOOD AND FIBRE EXPORTS TO INDIA

Victorian Food and Fibre exports to India totalled just \$93 million in 2008, down \$8 million from 2007. Wool was the major agricultural export category valued at \$51 million. Horticultural exports (predominantly almonds), valued at \$28 million, was the major food export category.

CHALLENGES

India has a significant percentage of population living in poverty, with one-third of the population surviving on less than \$1 per day. While just over 50% of an average Indians' expenditure goes on food, most is for basic items like grains, vegetable oils and sugar.

Religion has a major influence on eating habits and, along with low purchasing power, influences a predominantly vegetarian diet.

Indian consumers are dispersed over an extended land mass. They are serviced by a highly fragmented trade system consisting of over three million small retail and wholesale outlets, as well as market and roadside vendors. The ability to physically deliver goods to consumers within India is a source of significant competitive advantage.

The inadequacy of existing infrastructure is a serious constraint to the efficient and effective distribution of consumer goods. Distribution of consumer food products is complicated by a number of factors including a lack of adequate refrigeration, excise taxes, octroi (city) taxes, regional marketing systems and the complexity of supply chains.

DPI INDIAN MARKET DEVELOPMENT STRATEGY

- Capitalise on new market access opportunities for dairy products
- Focus on Indian food retail and food service sectors, and on improving the knowledge and commercial capability of Victorian firms
- Maintain and improve contact networks across relevant Indian commercial and government sectors
- Support further development of existing agri-food supply chains from Victoria to India
- Support Australian Federal Government activities in addressing and resolving current market access issues in India.

For more information contact Peter Myers, DPI Market Development Manager, Emerging Markets, on (03) 9658 4958 or email peter.myers@dpi.vic.gov.au, or Olivia Tait, RDV Client Manager, Dairy Sector, on (03) 9651 9089 or email olivia.tait@rdv.vic.gov.au



AUSTRALIAN DAIRY RETURNS TO INDIA WITH A FLOURISH

Access to the Indian dairy market is providing new marketing opportunities for the Australian dairy industry, at a time when other dairy export markets are in decline. DPI Market Development Manager, Emerging Markets, Peter Myers, said Australian dairy exports to India had been blocked by sanitary requirements imposed by the Indian Government since 2003.

More recently however, Mr Myers said the Government of India had approved a new AQIS system for the health certification of Australian Milk Products, which had allowed exports back into the market.

In 2003, the last year Australian dairy products were effectively able to enter the Indian market, Australia exported over \$6 million worth of dairy products to India, of which over 90% (by value) was from Victoria. Major export items were Butter Oil (AMF) and Milk Powders (WMP and SMP).

Mr Myers said demand was likely to be strong for Australian products, especially milk powders and butter oil for manufacturing, processed and speciality cheeses for retail and food service, and potentially yoghurts and functional products for the growing health food/functional foods market segments.

“Being the major producer and exporter of dairy products from Australia, Victoria is well placed to take advantage of this new market access opportunity,” Mr Myers said.

“It is anticipated that exports from Victoria will build steadily, depending on supply/availability,” he said. He estimated Victorian exports would exceed the 2003 level of \$6 million within 12 months, and could exceed \$10 million by 2010/11.

Lemnos Foods have been one of the first Victorian exporters to benefit from this market access, air freighting its first shipment of cheese to India in June.

Lemnos Foods General Manager, Exports and International Marketing, Hari Raman, said his specialty cheeses were being distributed into supermarkets, 5 star hotels, restaurants and boutique outlets by an Indian distribution company. “There is plenty of demand for Australian products. We make a variety of specialty dairy products that appeal to the Indian consumers taste profile,” Mr Raman said.

The opening up of the Indian market couldn't have come at a more appropriate time. Mr Raman said that demand for good quality dairy products amongst the fast growing professional middle class population present good potential for Australian dairy exports to India. The future for the exports of dairy products into India from Australia is very promising. “There's tremendous potential there – India is one of the few countries in the world still showing a GDP growth of 6-7%,” Mr Raman said.

“For companies wanting to export to this market they need to research the market thoroughly, identify distributors who understands the intricacies and challenges involved in importing and distribution of your products, understanding the labelling laws relating to ones product and be prepared to invest time and commit resources as the market in India must be viewed from a long term perspective,” he said. “My advice is to take your time and do things properly.”

TO ACCESS THE MARKET, DAIRY EXPORTERS ARE REQUIRED TO:

- Obtain a sanitary permit from AQIS, which confirms product has been sourced from an establishment which bans the use of oestrogen
- Provide a declaration confirming product with animal rennet is labelled accordingly, and
- Have systems in place with suppliers to enable substantiation of these statements and to enable provision of written evidence.

Expressions of Interest sought for a Dairy Trade Mission to India

The Victorian government is organising a trade mission of Victorian companies to visit India in November 2009. The aim is to investigate the Indian dairy market and realise opportunities arising as a result of the recently announced improved access to the Indian market for Australian dairy products.

The program will visit the major markets of Bangalore, Mumbai and Delhi. Participating companies must have exporting experience and international competitiveness. It is anticipated that the mix of companies would include suppliers of high value finished products, including cheese, butter, yoghurt, ice cream, commodity products and manufacturing ingredients. The mission will also be open to Victorian providers of dairy services and technologies.

The program will provide for a range of activities including; market overview and evaluation presentation, market briefings, visits to key retailers, manufacturers, co-operatives and facilitated one on one commercial meetings. Financial assistance will be provided for the participating companies in the form of meeting in country costs including on-ground transportation, itinerary and meeting coordination, targeted and facilitated reception dinners and meetings.

For more information contact Peter Myers on 0409 965 403 or email peter.myers@dpi.vic.gov.au, or Olivia Tait, RDV Client Manager, Dairy Sector, on (03) 9651 9089 or email olivia.tait@rdv.vic.gov.au

Shifting the retail focus to seasonal and locally sourced fresh food products may be the secret to consumer confidence. According to Michael O’Keeffe, a business strategy advisor to the fresh food sector, by managing the balance between consistent supply and quality with the volatility inherent in agricultural supply systems, fresh food retailers and suppliers will be better placed to fulfil consumer demands and grow sales.

O’Keeffe, who is a Visiting Agribusiness Fellow with the Victorian Department of Primary Industries and author of the discussion paper “Region and seasonality: opportunities in fresh food retailing”, refers to the marketing benefits associated with consistent supply of fresh food products to the retail sector. However, he also warns of the associated risks to supply as a result of ignoring the volatility of agricultural production, and advises retailers and suppliers to apply what he calls an ‘ambidextrous’ approach to this ongoing challenge.

“Fifty-two weeks supply of a consistent quality product at a stable price encourages consumer confidence, repeat purchase habits and demand growth,” O’Keeffe said.

“However, there are a number of hidden but persuasive costs associated with stable marketing programs. By striving to mimic grocery and processed food categories, fresh food retailers and their suppliers can stumble into a number of pitfalls.”

O’Keeffe advises primary producers against trying to extend growing seasons in an effort to maintain supply consistency throughout the year. He refers to modelling in melon and lamb production systems, which indicates that increased price does not typically compensate the grower for reduced yields.

“Growers who produce out of their optimum season are either unaware of their true costs, or aim to ‘please’ their retail customers,” he said. “Primary production in the optimum growing season for each region is the most profitable option for farmers – and delivers the optimum eating experience for consumers.”

He highlights volatility management implications of year-round supply. While some products can be managed through storage, through the ripening process, or through the production process, many products are distinguished by extreme volatility and variation. These include products with a short shelf life, volatile growing patterns, yield volatility and quality variability. O’Keeffe also warns that climate change is likely to increase this supply volatility, adding to the balancing challenge.

“Suppliers and primary producers who operate in systems that try to impose excessive stability to a volatile product face the danger of potentially losing market trading capabilities. A number of UK suppliers who have built their businesses around one or two major supermarket customers recently comments that they are rebuilding trading capabilities in order to better manage volatility.”

Instead, O’Keeffe believes that a fresh, new whole chain business model is required by the fresh food sector, which will place more emphasis on local supply and seasonality, rather than focusing on a stringent 52-week supply model. And if retailers support seasonality through their marketing and branding strategies, O’Keeffe believes that consumers and producers alike will reap the benefits.

“If the requirement for 52-week supply is relaxed then reinjecting region and seasonality opens the possibility for higher levels of consumer satisfaction and more profitable primary production,” he said.



To obtain a copy of “Region and seasonality: opportunities in fresh food retailing” by Michael O’Keeffe, contact Nicki Marks, nicki.marks@dpi.vic.gov.au

CHAIN REACTION

Why value chains are proving increasingly popular in the food and wine sectors

While many commodity sectors use markets systems to buy and sell their products, being part of a value chain is emerging as a valuable option for many food and wine producers, suppliers and retailers. Traditionally, commodity sectors have used market systems to coordinate supply and demand. Price is the ultimate differentiating factor. Markets establish price, the price is set to clear the market and firm size and economies of scale are critical.

Being the lowest cost producer is the only viable strategy in a market-based system, which poses significant challenges for smaller or specialised producers who are trying to differentiate their products on something other than price. It is these challenges which have lead companies to look at food and wine value chains as an alternative means of operation.

Food and wine value chains replace markets with management as the coordination mechanism between supply and demand. The aim is to align the whole chain – primary producer, supplier and retailer - to the needs of a defined end consumer segment, and for management to coordinate product and information flow between the various players.

This approach can lead to higher levels of customer satisfaction, as products have been supplied to meet specific needs of a designated customer segment. Company satisfaction can also increase as players have a greater understanding of the needs of other members of the chain and can gain competitive advantage through a system that creates value for customers, lowers overall delivered costs and improves the rate of innovation.

The value chain approach is supported by increasing consumer interest in the ‘story’ behind the products they purchase – Where do they come from? How were they produced? What makes this product different from others? Marketing programs aimed at satisfying this consumer interest must be based on value chain systems.

To obtain a copy of “Food value chains: opportunity and performance” by Michael O’Keeffe and Andy Fearn, contact Nicki Marks, nicki.marks@dpi.vic.gov.au.



TAKING THE LEAD IN ORGANICS

Organics has cemented itself as the buzz sector in the food and beverage industry internationally, expanding by 30% each year.

Positioned as Australia's leading organic food state with about 600 certified producers, Victoria is poising itself to be a major player in this fast growing sector through a committed partnership between industry and government.

During 2008 Regional Development Victoria (RDV) provided funding under its Food Innovation for a Regional Sustainable Tomorrow (FIRST) program to support the development of a Victorian Organic Sector Action Plan. The plan is to provide direction for the profitable and sustainable growth of the organic sector in Victoria.

The action plan was developed in consultation with the newly formed Victorian Organic Industry Committee (VOICe) and is the culmination of extensive input from across the sector. The plan identifies key opportunities for the production of organic food in Victoria and suggests clear actions to assist growth.

The priority actions identified in the plan were leadership development, data collection, marketing and awareness and supply chain development.

In addition to the action plan funding, the Victorian organic sector received a \$1 million boost from the Victorian Government through the Future Farming Statement in a bid to increase awareness and knowledge among producers and consumers and ensure the industry's long-term growth and success as Australia's leading organic state.

As part of the Future Farming Statement funding a number of projects have been undertaken to help lead the Victorian industry into the future:

- 2009 Victorian Organic Product Directory
- Regional workshops covering the state of the sector, the priority actions and the Victorian Government's industry development;
- A branding and public relations campaign;
- Restaurant 09 trade show participation;
- Participation in the Organic Expo 09;
- Industry maps; and
- Beef and lamb supply chain analysis.

True Organic is the brand of the Organic Dairy Farmers and its sales and marketing manager Angela Ang said a central, co-ordinated point to lead the industry was needed.

"We are incredibly grateful that someone is trying to take the steering wheel for the industry," Miss Ang said.



"You have to start somewhere and having tools like the products directory is incredibly invaluable."

Awareness and understanding were key priorities, Miss Ang said, particularly within the industry.

"We have to know what we are about, what we do and where we want to go and get it right between ourselves first otherwise it won't work with consumers," she said.

"We believe in order to convert people to organics you need to be next to the conventional products to offer choice to the consumers, rather than have devoted sections for organic produce which will only attract those who want to find it."

Grampians farmers Rod and Meg Blake started organic farming 15 years ago and have been certified organic for about 12 years. The couple grow vegetables for retail customers and farmers markets, local and Melbourne.

"Having our own body and government support has been a good step forward and an excellent move for our industry," Rod said.

In Australia, the retail value of organic products has reached more than \$620 million. Victoria produces organic fruit, vegetables, nuts, meat (beef, lamb, pork and poultry), wine grapes and grains. We are Australia's leading producer of organic milk and the leading organic food processor, particularly of dairy products, fruit juices, flour and flour mixes.

For more information contact Diane Carson on (03) 5622 1612, email diane.carson@rdv.vic.gov.au or visit www.business.vic.gov.au/organic



TAKING VICTORIAN PRODUCE TO THE WORLD

It seems more of the world can't get enough of Victorian produce.

Many new international sales and contracts have been secured as thousands more consumers, chefs, restaurateurs, buyers and retailers were introduced to our top quality food and beverages at this year's calendar of international trade shows.

The Victorian government represented Victoria and supported companies at a number of the world's biggest food and beverage trade events this year including Gulfood in Dubai, Foodex in Japan, Hofex in Hong Kong and National Restaurant Association in Chicago.

RDV international trade manager Brett Stevens said trade expos still represented the biggest arena to market regions within the food and beverage exports area. "The events are an excellent medium to introduce new products, promote existing products and maintain our presence in the market with exposure to a total of about 300,000 buyers, distributors, investors and the like," Mr Stevens said.

"Between Gulfood, Foodex and Hofex, they represent 70 per cent of Victoria's export totals. Hofex has the highest number of participants and produced excellent trade results."

However, according to Mr Stevens there needs to be a change in the approach to trade shows in today's economic climate, with a more intense lead in period to the shows.

Mr Stevens said this would become increasingly important as the ASEAN and China markets look likely to expand for Victoria. Victoria was well regarded internationally and had a great reputation for quality, reliable supply, safety and producing innovative and functional food products, he said.

GULFOOD, DUBAI

Expanding on existing exports, particularly within the food service sector and major retail outlets, has identified as a key opportunity in the Middle East market. As meat and dairy remain the leading export lights for Victoria, the potential of confectionery, honey, edible oils, retail-ready packaged goods such as fruit and vegetables and seafood looks set to be explored.

Victoria's quality grain products present further opportunities in the market where grains and cereals make up 75-80% of the region's dietary intake. Organics is also attracting a lot of attention in the Middle East and Victoria is well placed to become a world leader in export of organics because of our expertise in producing quality and consistent organic produce.

Despite solid recognition of Victoria's strength in quality and range of products, it was revealed there is room for improvement in pricing and increasing awareness of the state's products in the region.

Gulfood is the region's largest and most important food industry event. Gulf countries import around 90% of their own food requirements and the region's foodservice market is estimated to be worth more than US\$31 billion.

HOFEX, HONG KONG

Victoria's tasty delights hit a note in Hong Kong earlier this year with \$1.75 million of sales secured at Hong Kong.

Long term looks even more positive with 11 Victorian companies confident expected export sales would be between \$13.2 and \$13.4 million for the next two years.

Victoria ensured it stamped its authority on Hofex presenting the largest state pavilion with 42 companies exhibiting and a further 35 companies promoted through the display of their product. The vast array of products included seafood, olive oil, bakery goods, dairy products, snack foods, dried fruit, muesli, beverages like fruit juice and beef, poultry, lamb, veal and nutritional items.

One of Asia's largest food and beverage and hospitality trade exhibitions, Hofex attracted 11% more visitors this year with 32,479 people attending. A media luncheon was also organised by the Hong Kong Victorian Government Business Office featuring Victorian companies. The event helped raise the profile of the Victorian food and beverage industry and assisted the companies to capture export opportunities. As a result several of the region's newspapers featured stories on Victoria's food and beverage industry. Participation at Hofex is expected to grow exports through new business, establishing new Victorian exporters and building relationships so Victoria is the first consideration when thinking of food production.





TAKING VICTORIAN PRODUCE TO THE WORLD

NATIONAL RESTAURANT ASSOCIATION (NRA), UNITED STATES

Word of Victoria's quality produce has spread quickly throughout the US.

Two of North America's largest food service companies Dietz & Watson and Sid Wainer & Son, food distributor and retailer Whole Foods and executive chefs from the Hilton and Kimpton groups expressed keen interest in a number of Victorian products at NRA

Victoria's products on show at the NRA event, which attracted a 13% rise in exhibitors, included bio-organic condiments, speciality cheeses, olives and flavour infused oil, regional Victorian wines, health products and selected beef and lamb products. Overall there was a general appreciation that Victoria is a source of premium wine, beef and lamb but there were many enquiries about less familiar foods such as olives and olive oils, cheeses, flat breads and wine pastes.

Many visitors to Victoria's stand did not realise the state produced such a rich variety of food and wines, many of which they associated with parts of America or Europe. Market trends highlighted at NRA were towards health and nutrition and environmental sustainability, with enquiry around how companies offset their carbon footprint in shipping products from Australia.

FOODEX, JAPAN

Victoria's food and beverages could soon appear on more Japanese, Korean and Philippine food outlet shelves and restaurant menus as a result of Foodex.

Dominating Australia's exhibition with six companies, Victorian produce attracted good attention from Japanese, Korean and Philippine buyers and investors who hold the state's food and beverages in high regard. The companies on show were satisfied with the response to their products and expect sales from participating at the event.

The Japanese market presents strong opportunities for Victorian produce, despite already importing many Australian items they do not produce, including a wide range of processed food. Australia has an enviable position to capitalise on the Japanese market by promoting Australia's clean, green and safe image even with competition from quality, affordable food out of the Philippines, Serbia, Mexico and Argentina.

Although the Japanese market has shifted more to value for money products rather than top end quality products, there is still a place for healthy food as well. Information provided to RDV suggested portion sizes have been reduced and snack-like treat products have been introduced to retain market share.

For more information about participating in international trade events contact Brett Stevens, RDV International Trade Manager, on 0419 506 598 or email brett.stevens@rdv.vic.gov.au.

GROWING VICTORIA'S AGRIBUSINESS SECTOR

A \$650,000 Victorian Government initiative consisting of a \$250,000 independent industry study and a \$400,000 industry development program will help Victoria's agribusiness industry development and boost exports.

Regional and Rural Development Minister Jacinta Allan said the independent study would assist government and industry develop a new way forward to boost production and trade while managing the impact of the global financial crisis, introduction of a carbon pollution reduction scheme and increasing employment in the sector.

"The threats to Victoria's agribusiness sector must be assessed to help secure a prosperous future, including the development of new policy and strategies. This initiative will also give industry the chance to generate ideas and proposals to plan the future," she said.

A preliminary report will be delivered to the Brumby Government later this year and the key findings of the investigation will be announced in early 2010.

STUDENTS TO LEARN ON THE SPOT IN REGIONAL VICTORIA

The next wave of food industry workers will be well prepared to take Victoria's sector well into the future with a new Victorian Government funded project. The Food Processing Technologies Skills Project will enable final year food science students from Victoria's five major universities to spend time with food processing companies in regional Victoria.

The project is being lead by Food Technology Association of Australia, Ballarat University, Melbourne University, Victoria University of Technology, RMIT and Deakin University. The initiative would involve five trips each running for three days, for 20 students.

The aim of the one year project is to increase the students' awareness of regional Victoria and its food processing capabilities and opportunities, expose the students to industry processes and improve their work readiness. Hands on experience to industry processes is not part of the university courses offered, however it is widely acknowledged as a critical element of improving the students' preparedness for employment in the sector.



COLLABORATION: THE KEY TO COMPETITIVENESS

Greater collaboration in marketing and value chain development is being achieved through the Victorian Government's Future Farming Strategy, *Collaborative Market Development* project. Project officers have been working with food industries to better match capability with market opportunity. The result has been new export opportunities for Victorian food producers in Indonesia, Thailand, Malaysia and Vietnam.

COLLABORATIVE MARKET DEVELOPMENT: INDONESIA

Victoria's food exports to Indonesia have been given a boost through a coordinated series of promotional events in Jakarta and Bali, showcasing some of Victoria's finest producers of beef, lamb, seafood, fruit, vegetable and dairy produce.

DPI Manager Market Development, South East Asia, Tim Roache, said Indonesia had grown to become Victoria's fourth most valuable food export market, worth \$325 million in 2008 – an increase of 23% from 2007.

"Indonesia's close proximity to Australia, growing affluence and sophistication in food and beverage choices make it a very important market for Victoria's food and beverage producers," Mr Roache said.

"The promotional events provided the forum for Victorian agri-food exporters to strengthen trade relationships and meet with food-service representatives, importers, distributors and executive chefs," he said.

The Australian Ambassador to Indonesia officially opened proceedings at the Four Seasons Hotel, Jakarta, by highlighting the quality and sophistication of Victorian agricultural produce to an audience of 100 guests from Indonesia's prominent food and beverage sector.

In Bali, a trade dinner was held with the Bali Chefs association at the Conrad Hotel in Nusa Dua, featuring Victorian products in a degustation menu for 45 chefs and food and beverage managers.

The last activity was a professional trade tasting day at Gourmet Garage, with trade mission partner Lotus Distribution (a Balinese food importer). Over 150 people, including chefs, hotel and restaurant food and beverage managers, retailers, and media attended, sampling all the products of participating Victorian and Australian companies.

Mr Roache said participation in the program had provided a valuable opportunity for Victorian companies to see their products right through the value chain through to the end consumer.

"The companies were able to speak with their Indonesian customers directly and gain valuable market feedback that can help influence production objectives to better meet consumer preferences, Mr Roache said.

He said participating companies had reported the exercise had contributed to the generation of up to \$2.5-\$3 million in potential sales over the next 2-3 years.

For more information on market development opportunities in Indonesia, contact Tim Roache, Manager, Market Development, South East Asia on (03) 9658 4963 or email tim.roache@dpi.vic.gov.au.





COLLABORATION: THE KEY TO COMPETITIVENESS

South East Asian supermarkets have a new appreciation for Victorian fruit, which has translated into export opportunities for Victorian growers; thanks to a joint government-industry project *Enhancing Victoria's Horticulture Exports through Collaborative Market Development*.

COLLABORATIVE MARKET DEVELOPMENT: THAILAND, VIETNAM & MALAYSIA

This project brought senior fruit and produce buyers from Thailand's three largest retail outlets, TOPS, TESCO Lotus and Siam Makro and the Philippines third largest importer of fruit, Red Globe International, to Melbourne, the Yarra Valley, Goulburn Valley and Sunraysia fruit growing regions of Victoria in February.

Buyers met with growers, packers and exporters to look at seasonal production systems, participate in training and to source product. The visit coincided with the table grape and stone fruit harvesting season and the citrus growing season.

Department of Primary Industries (DPI) Manager Market Development, Thailand & Vietnam, Bryan Balmer, said Thailand, Vietnam and Malaysia were all emerging markets for Victorian horticulture.

"Imports in Vietnam and Thailand in particular are growing," Mr Balmer said. "The economies of these countries are growing, demographics are changing and the demand for greater volumes of high value, high quality products in both the retail and manufacturing sectors is increasing," he said. "This translates into great opportunities for Victorian food exports."

The second phase of the project saw DPI partner with Horticulture Australia Limited to run a Table Grape promotion in TOPS, Tesco and Makro supermarkets in Thailand. The promotion involved product tastings and point of sale material

showcasing product quality and promoting Victoria's export capability.

The final phase of the project was a Victorian horticulture mission to Thailand, Vietnam and Malaysia. DPI Value Chain Development Officer Marissa Bailey said the visit enabled fresh fruit producers, packers and exporters to identify market requirements and to communicate with buyers and retailers following the recent growing season.

"Our objective was to raise the market awareness of Victorian horticulture industries, promote increased trade and to gather market intelligence to guide value chain development activities in the stone fruit, table grape and citrus industries," Ms Bailey said.

"As a result, industry representatives are now better informed regarding the participating markets potential size, quality requirements, preferred varieties and pricing structures. They also gained a greater understanding of distribution channels, packaging preferences, warehousing options and competitor country activities," she said.

Ms Bailey said the project highlighted that communication between growers, exporters and buyers was crucial to take advantage of the many current and emerging opportunities for Victorian producers in each of the markets visited. "The project promoted collaboration amongst the participating businesses. Information was shared and potential improvements in value chain efficiencies with fellow growers were explored. As a result, groups such as the Sunraysia Table Grape Association have agreed to work closer together to continue to supply these markets."

MARKET OPPORTUNITIES: VIETNAM

A major tourist destination, Vietnam has enjoyed strong growth in its economy and an increasing demand for imported foods. Vietnam's own food manufacturing sector is also growing and becoming a significant user of imported ingredients. In addition, there are increasing number of affluent consumers with disposable income, and a cultural predisposition to spend it dining out, in supermarkets or at retail food outlets.

In November 2006, Vietnam became a member of the World Trade Organisation (WTO), thus reducing trade and investment barriers and establishing a strong international trade framework.

Australia has a number of strategic and logistical advantages over its closest Western competitors including shorter shipping times and therefore lower transport costs and access to fresh chilled product market incorporating fruit, meat and seafood.

Of all the Australian states, Victoria is the largest agri-food exporter to Vietnam with trade dominated by skim milk powder, wheat and malt barley, however there is increasing demand for higher value chilled, frozen and grocery products including beef meat and offal and Australian wine.

Like any emerging market, one of the key challenges is managing the supply chain, understanding the import requirements and ensuring the product can be delivered to the customer and/or consumer.

The above report is an extract from the report "Analysis of the Food Sector in Vietnam – Opportunities for Victorian Exporters". For more information or to obtain a copy of the report contact Bryan Balmer, Manager Market Development, Thailand & Vietnam by email bryan.balmer@dpi.vic.gov.au visit the website www.dpi.vic.gov.au/agribusiness



TRADE POLICY UPDATE

Australia provides competitive agricultural produce to world markets without the high levels of financial support, but many other countries use protection and other trade-distorting practices to prop up their agricultural sectors. Globally, agricultural trade is the most distorted sector of trade in goods. It is characterised by very high tariffs and high levels of government support to primary producers.

Support to agricultural producers in OECD countries averaged US\$368 billion per annum between 2005 and 2007. The bulk of this support is provided by the EU, US and Japan. (Cairns Group, 2008). Norway provides the biggest agricultural subsidies of up to 62%, while Japan, Australia's largest export destination, provides a 50% subsidy. In contrast, Australian agriculture is subsidised by just 5-6%, the second lowest among OECD countries after New Zealand. Other OECD countries averaged 26% for the same period. (DFAT, 2009)

The Australian Government have been working through the World Trade Organisation (WTO) to make agricultural trade fairer. Reform of the global rules covering agricultural trade began with the "Uruguay Round" negotiations that provided increased market access through tariff cuts (over six years for developed countries and ten years for developing countries). They also saw the conversion of non-tariff measures to more transparent tariff protection, and a progressive reduction in export subsidies and trade-distorting domestic support measures. (DFAT, 2009)

The Doha Round was the next, and current, round of WTO negotiations. The Doha mandate on agriculture calls for ambitious reform. Members agreed to achieve "substantial improvements in market access; reductions of, with view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support." (DFAT, 2009)

A 2004 Framework Agreement included a ground-breaking commitment to eliminate agricultural export subsidies and outlined a structure for reductions in trade distorting domestic support. The package continued to evolve but a 2008 meeting of WTO failed to reach agreement. In June 2009 the Cairns Group, a coalition of 19 exporting countries from the Americas, Africa, Asia and the Pacific region, met to discuss approaches to concluding the Doha Round. They are calling for WTO negotiators to reconvene to map out a clear path towards

the conclusion of the negotiations. They aim to see the total elimination of export subsidies by 2013.

The global recession is now a significant influence on the WTO Doha round outcome, encouraging both a more protectionist outlook in some countries and a greater sense of urgency to conclude the round and avoid a slide into protectionism amongst other countries.

With Doha negotiations incomplete, the Australian Government has also been working to achieve freer and fairer agricultural trade through the negotiation of WTO-consistent Free Trade Agreements (FTAs).

FTAs promote stronger trade and commercial ties between participating countries, and create opportunities for Australian exporters and investors to expand their business into key markets. They can speed up trade liberalisation by delivering gains faster than through multilateral or regional processes. (DFAT, 2009)

Australia currently has FTAs in place with Singapore, Thailand, the United States, Chile, New Zealand and the Association of South East Asian Nations, ASEAN, (Burma, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, The Philippines, Singapore, Thailand and Vietnam). A further six FTAs are under negotiation with China, Japan, Korea, Malaysia, the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and the Trans-Pacific Partnership (Brunei Darussalam, Chile, New Zealand and Singapore, the US and Peru).

The ASEAN Australia New Zealand Free Trade Agreement was signed in February 2009. This represents the largest FTA Australia has ever signed and provides a two-way trade opportunity, estimated to be worth \$80 billion a year. The biggest immediate benefits are with trade to Indonesia, where the 5% tariff on most agricultural lines will be abolished in 2010. These tariff reductions will put in place a guarantee against sudden tariff surges and are an effective barrier against protectionist moves in the midst of the present economic crisis. A list of sector-by-sector benefits can be found at: www.dfat.gov.au/trade/fta/asean/aanzfta/factsheets/

FOR MORE INFORMATION

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