

State of the South Australian Food Industry: Survey 2016



The State of the South Australian Food Industry Survey

Food South Australia regularly surveys food manufacturers across the state to benchmark information about our industry and identify key trends and issues. Food South Australia uses this information to provide informed advice to government, to build connections across the industry and to ensure we are servicing the needs of our members and the industry.

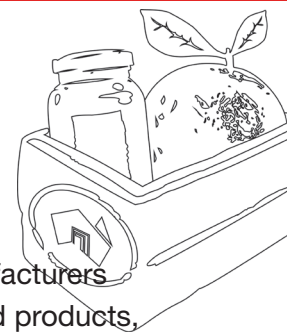
The State of the Food Industry Survey looks at trends across the industry and collects data on new product development and business growth. In 2016, the regular State of the Industry Survey was combined with the South Australian Food Industry Growth Through Innovation Strategy (GTI) Research Project survey.

Methodology

The State of the South Australian Food Industry survey of food manufacturers has been undertaken regularly by Food South Australia since 2013. The South Australian Food Industry Growth Through Innovation Strategy Research Project was a special project undertaken by Food South Australia with funding support by Primary Industries and Regions SA in 2016. This project comprised an online survey, in-depth interviews and industry workshops, with the results being analysed using a sectoral systems of innovation (SSI) framework to provide recommendations for strategic direction for the industry, with a focus on opportunities for both innovation and collaboration.

As both projects contained an online survey component, these were combined into a single survey, circulated in mid-2016 to 391 South Australian food and beverage manufacturers and farm gate value-adding agribusinesses, identified through the 2015 edition of the South Australian Food Users' Guide. The response rate was 22%. Information from both research projects has been used to compile the 2016 Report.

The South Australian food and beverage industry in summary



The South Australian food and beverage sector continues to be heavily focused on bakery, convenience and fruit and vegetable production. A significant number of food manufacturers are targeting growing consumer demand for 'gourmet/artisan' and health or lifestyle-focused products, including functional foods.

The majority of food production is finished goods stable in ambient temperatures, and fresh foods (eg fruit and vegetables). Approximately 20% of food manufacturers are producing food products in more than one and up to three finished formats (eg fresh, chilled, live, ambient or frozen).

There is a concentration of newer, smaller businesses in the sector, under ten years (and predominantly under six) years of age, with turnover under \$1.5m, with under 15 employees.

While typically engaged with more than one distribution channel, the focus of sales revenue remains within the state, with domestic sales the second priority and export third as a typical business growth pattern. Almost half the distribution channel focus is on retail, with 62% of respondents indicating they are active in grocery, 35% in convenience, and 32% in route.

Export activity for South Australian food and beverage manufacturers is focused on Singapore and China, followed by Hong Kong, New Zealand, Malaysia, Japan, Taiwan, Republic of Korea, India, Indonesia, Thailand and Vietnam.

There is a good spread of traditional packaging and processing technologies operating in the state, however new packaging technologies, such as smart/active and anti-counterfeit packaging are less well-represented. A significant number of businesses are co-packing and co-processing as part of their business model. There is also a high incidence of hand-packing, which may reflect reliance on manual processes for which there is no mechanical solution.

The majority of businesses indicate they are not currently operating at full capacity. Business costs for the industry are increasing, with dramatic growth in costs associated with utilities and compliance. Transport is the next most significant cost. Few businesses currently have documented business plans or risk management strategies.

While South Australian food and beverage businesses are actively engaging with state and federal grant and funding support programs, the current program criteria tend to include requirements such as being a registered company, however almost half the businesses responding to the survey were not registered companies; instead they are structured as partnerships or trusts.

Industry challenges

The 2016 State of the South Australian Food Industry survey and the South Australian Food Industry Growth Through Innovation (GTI) Strategy Research Project results consistently identified these challenges:



- Pricing strategies of major domestic supermarkets
- Finding people with the right skills and attitude
- Lack of cohesive government support for growth
- Lack of clarity in government structure and communication of information about support available
- Lack of expertise/capability in South Australia to develop machinery/equipment innovations
- Lack of infrastructure including adequate facilities, lack of machinery or technology fit for purpose
- Climate change
- Compliance and regulatory requirements
- Labour, power and other utility costs
- Access to markets, unpredictable market behavior, responding to consumer trends and distance to market
- Scaling up of operations/production
- Financial challenges including lack of working capital, raising new capital, grant access and managing cashflow

Growth and future direction

Industry-identified priorities for innovation for the next two years include:

- Value addition at the farm gate
- Business development
- Implementing traceability
- Paperless HACCP
- Investment in production technology to improve production planning
- Implementation of customer relationship management systems and accounting software
- Adoption of advanced processing and packaging and processing technologies

Ensuring access to suitable, industry-specific programs in key business operations, financial management training and planning for production growth is critical, as it is evident South Australia has a concentration of new, entrepreneurial businesses in active growth. Their success – including growth into important export markets – is predicated on strong, well-functioning business operations, the ability to scale up production and timely response to changing market needs.

Younger businesses, particularly, need assistance to implement robust, sustainable systems. Policy and funding support is needed for the uptake of innovative and advanced technologies, particularly in packaging and processing, to consolidate South Australia's leading role in Australian food manufacturing.



Education models must be able to deliver relevant training through mechanisms that support business needs, and there is a need for industry and government to work together to better articulate career pathways in the industry.

Industry and government must continue to work together to foster an innovative and collaborative environment, to leverage the advantage of flexibility and responsiveness the South Australian food and beverage industry has, due to being largely composed of smaller businesses with a proven track record in successful collaboration.

Key issues for investigation include mapping compliance/regulatory requirements with the objective of reducing costs and duplication, and reviewing grant program criteria and eligible costs to ensure the needs of actively growing businesses are supported and, in turn, enable job growth in the sector.

Connect with us

For more information, contact Food South Australia at contact@foodsa.com.au or phone (08) 8303 9435.



FOOD SOUTH AUSTRALIA
PO Box 124 Glenside SA 5065
Plant Research Centre, Waite Campus
2B Hartley Grove, Urrbrae SA 5064

www.foodsouthaustralia.com.au
contact@foodsa.com.au
+61 8 8303 9435