



Department of
Primary Industries and
Regional Development

*We're working for
Western Australia.*

Western Australian processed foods industry snapshot

A summary of the Western Australian Processed Foods Industry –
Overview for potential investors and other stakeholders



There are different types of investors

All are needed and welcome in the Western Australian processed foods industry

Important notice: The recent COVID-19 pandemic has affected the community and aspects of the global economy. Disruptions to supply chains, air freight and other business activities are acknowledged. Collaborative efforts by governments, industries and communities will chart the way forward knowing global demand for food and the supply of the many products from Western Australia's primary industries will continue. The information presented in this Industry Snapshot as at February 2020 serves as a reference point for continued industry innovation and growth.



Regional Leaders constantly invest across the supply chain in production, research and development, processing, logistics, sales and marketing.



Innovative and emerging Western Australian processed foods companies drive innovation, new product development and marketing.



Multi-region operators (global and Australian-based headquarters) invest in Western Australian across the supply chain.



Research organisations invest in the Western Australian processed foods sector, providing scientific support and innovative solutions across the whole value chain, from paddock to plate.

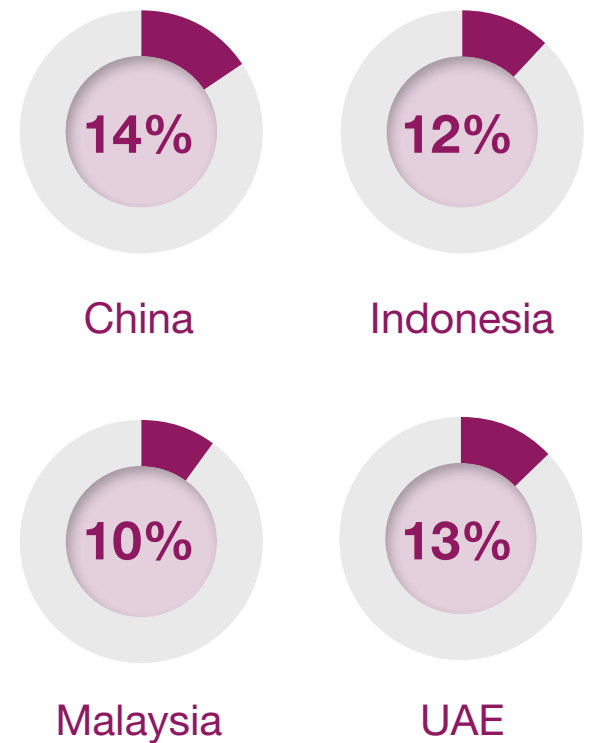


State and Federal Government – across multiple agencies and departments – invest heavily in industry through research facilities, grants, education and support.



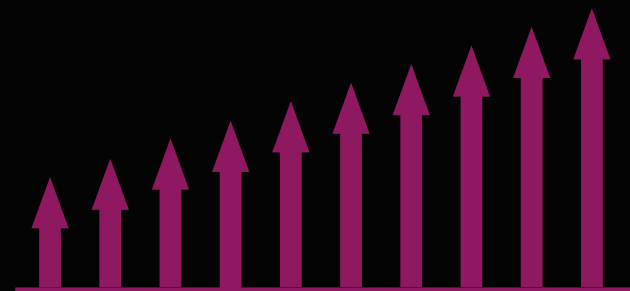
Twenty year growth rate of processed foods import volume

CAGR; US\$; import value



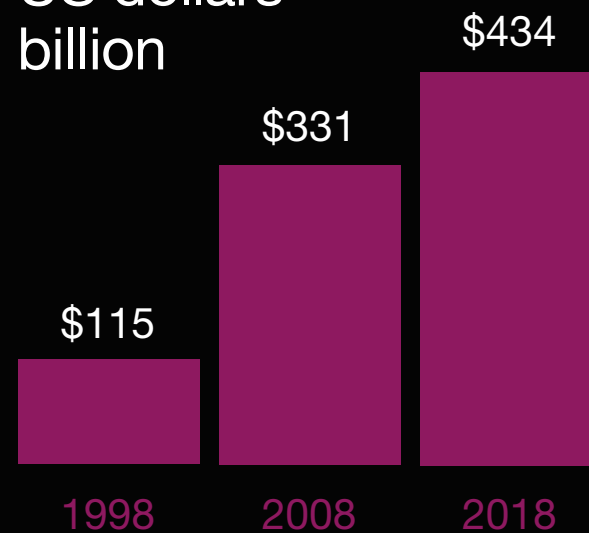
CAGR = Compound annual growth rate
UAE = United Arab Emirates

Growing demand worldwide for imported processed foods



us **\$319** billion growth in demand over the last two decades

Total processed foods import value US dollars billion



Markets include: China, Indonesia, the Middle East, all other Asia and North Africa

Western Australia is well positioned to deliver



Shipping times and time zones from Perth



Western Australia is the closest, most accessible Western region to Asia; it is in the same, or adjacent, time zone as Beijing, Manila, Hong Kong, Tokyo, Singapore, Kuala Lumpur and other regional centres.



Flights from Perth

Western Australia has regular flights out of Perth to Asia and the Middle East and global destinations. In addition, the Busselton Margaret River Airport (225 km south west of Perth) has completed a runway upgrade, providing an international alternative for the South West.

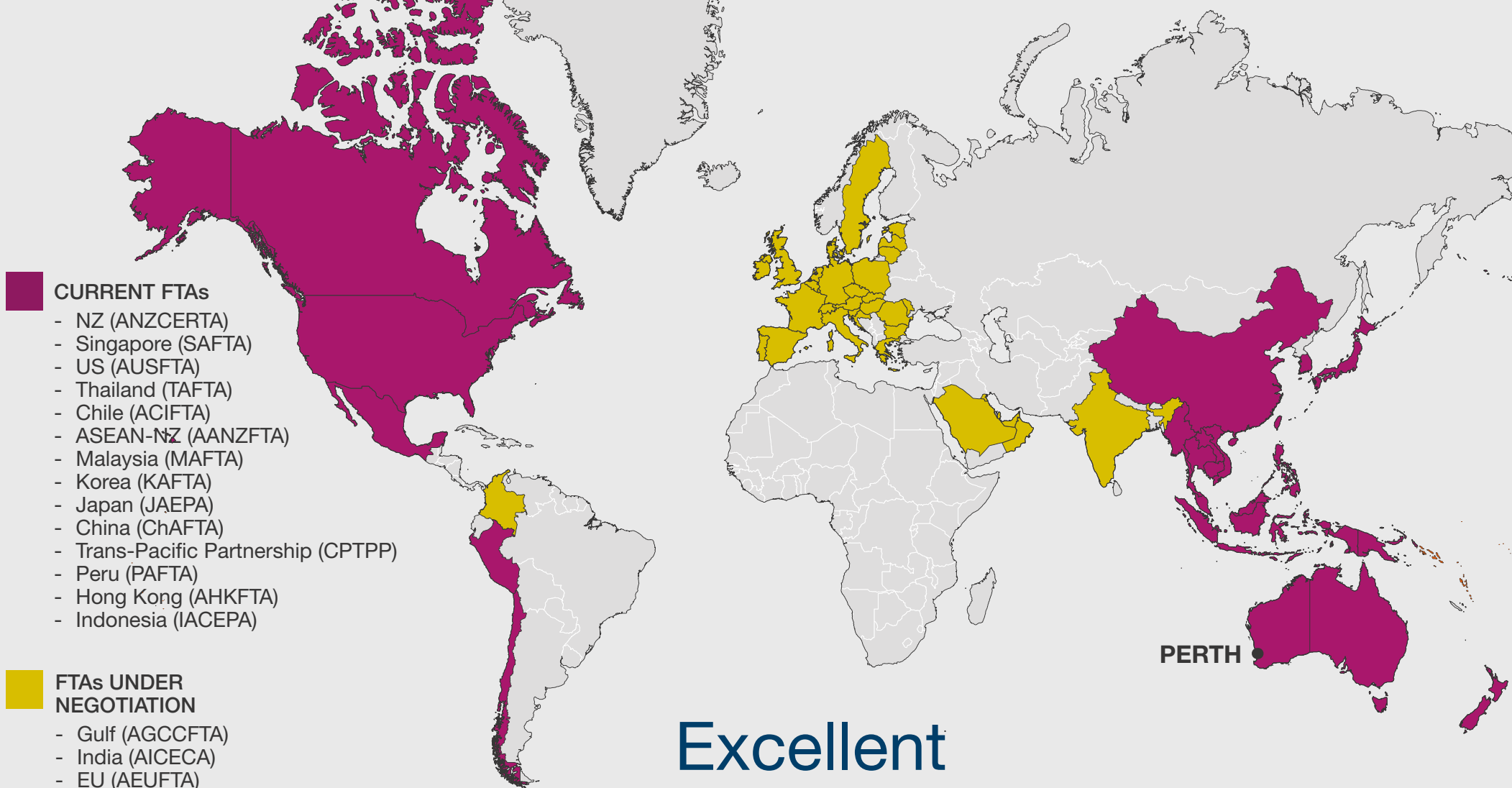


As at April 2020, the COVID-19 pandemic has reduced air freight carried on passenger aircraft due to fewer flights. Until resumption of regular flights, chartered air-freighters will serve export supply chains.



“Strong growth in our market in pork, chicken, convenience meals and feed. Can’t keep up with orders. We are increasing values and volumes our business is buoyant.”

CEO Food and Feed Processor



- CURRENT FTAs**
- NZ (ANZCERTA)
 - Singapore (SAFTA)
 - US (AUSFTA)
 - Thailand (TAFTA)
 - Chile (ACIFTA)
 - ASEAN-NZ (AANZFTA)
 - Malaysia (MAFTA)
 - Korea (KAFTA)
 - Japan (JAEPA)
 - China (ChAFTA)
 - Trans-Pacific Partnership (CPTPP)
 - Peru (PAFTA)
 - Hong Kong (AHKFTA)
 - Indonesia (IACEPA)

- FTAs UNDER NEGOTIATION**
- Gulf (AGCCFTA)
 - India (AICECA)
 - EU (AEUFTA)
 - Pacific Alliance (PAFTA)
 - Regional (RCEP)

- FTAs CONCLUDED NOT YET IN FORCE**
- Pacific Islands (PACER Plus)

FTAs = Free trade agreements
 As at 21 February 2020
 Source: Department of Foreign Affairs and Trade

Excellent trade access

“Australia has excellent trade access with low to no tariffs with many regional partners.”
 CEO, Diversified Agrifood Company



Western Australia is well positioned to supply South East and East Asia with safe, high quality products consistently

Safe

“Western Australia is seen as a safe and trusted supplier.”

Exporter, Multinational

Consistent quality

“Ingredients in Western Australia are great. We have access to quality raw ingredients.”

CEO, Exporter

Efficient

“WA’s competitive advantage comes from being efficient across the board.”

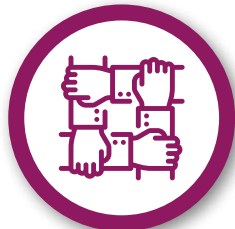
Agriculture Consultant

Western Australia can produce more



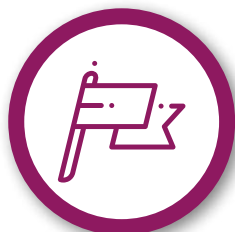
Resources

- Large area to supply raw ingredients
- Opportunities for productivity increases
- Small local population to feed (2.6 million people)
- Readily available inputs
- Well managed fisheries, water and environmental regulation



Skills and systems

- Educated population
- Modern farming systems
- High productivity
- Pool of service industries
- Well organised industry
- High food safety, and advanced traceability systems



Reputation

- Brand Western Australia
- Clean and green
- Strict biosecurity standards – low level of animal and plant disease
- High levels of food safety
- Modern handling and processing facilities

Comparative advantages

Close to key markets

- Capable producer with a history of production for export to Asia and beyond
- Western Australia is well positioned to supply fresh, chilled and frozen products into Asia
- Competitive cost to Asia compared to Australian East Coast

Culture of innovation

- Continuous stream of new suppliers
- Constant emergence of new categories
- Extensive new product development
- Strongly aligned with new product development

Broad production capability

- Vast areas of land and ocean to supply inputs into processed foods industry
- Range of soil types
- Range of climates
- Huge diversity of ingredients
- Large range of unique bushfoods to use as products and flavourings

Auditable systems and processes

- Strong sustainability, biosecurity, environmental, and animal welfare credentials
- Trusted and traceable systems and processes
- Political and economic stability

What do we have?

Western Australia produces many processed food types



Baked and baking needs



Ready meals and sides



Fruit snacking



Chilled non-dairy



Preserves, chutneys, condiments



Chocolate



Processed produce



Processed dairy



Hemp seeds



Alternative proteins



Cereals, nuts and snacking



Meat Snacks



Prepared meats



Processed seafood



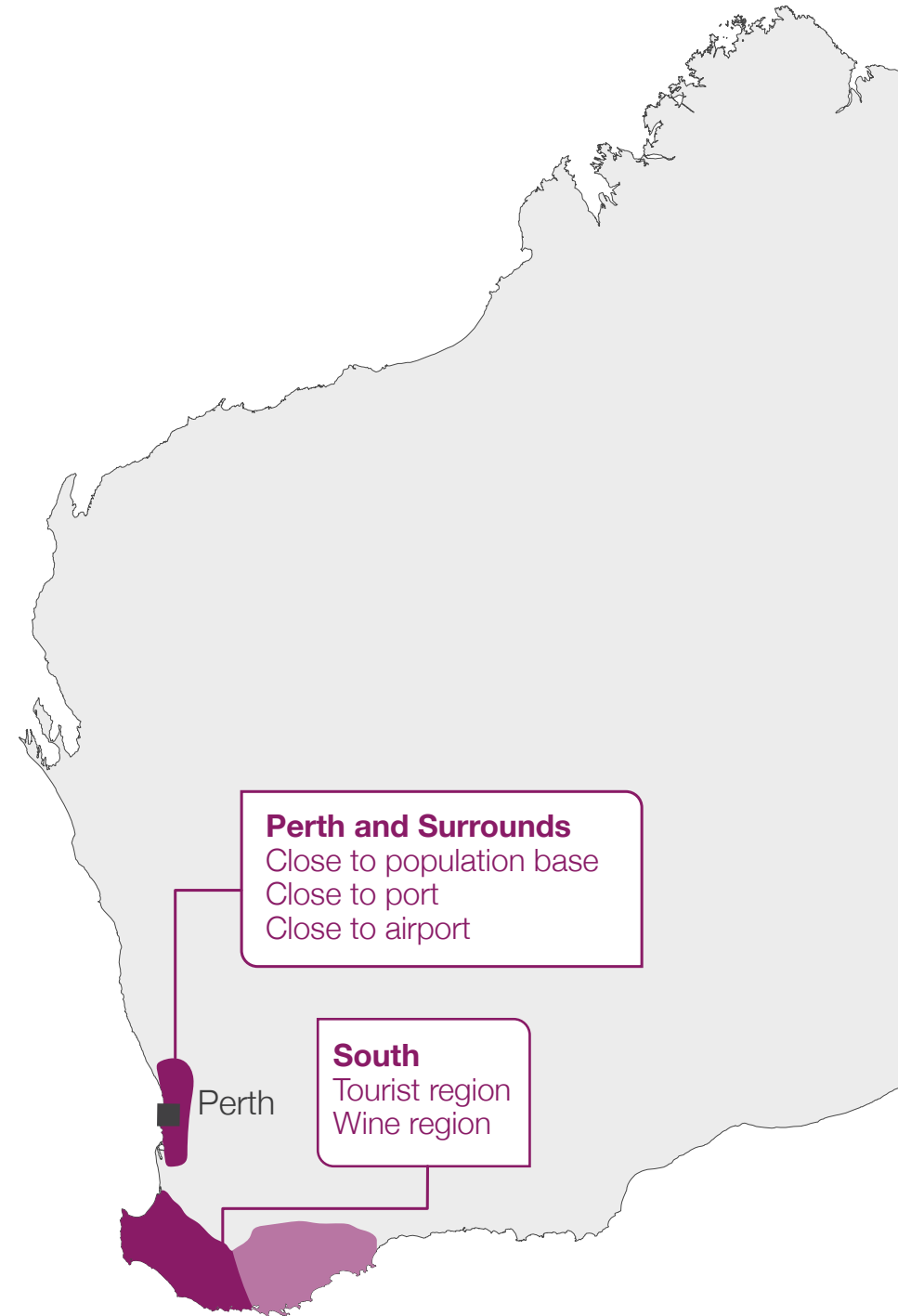
Many other products

“WA has access to great ingredients. It’s hard to get a premium for ingredients, we know we can always get all ingredients and all materials.”

CEO, Food Processor

Western Australia's processed foods industry is currently concentrated around Perth and the South West

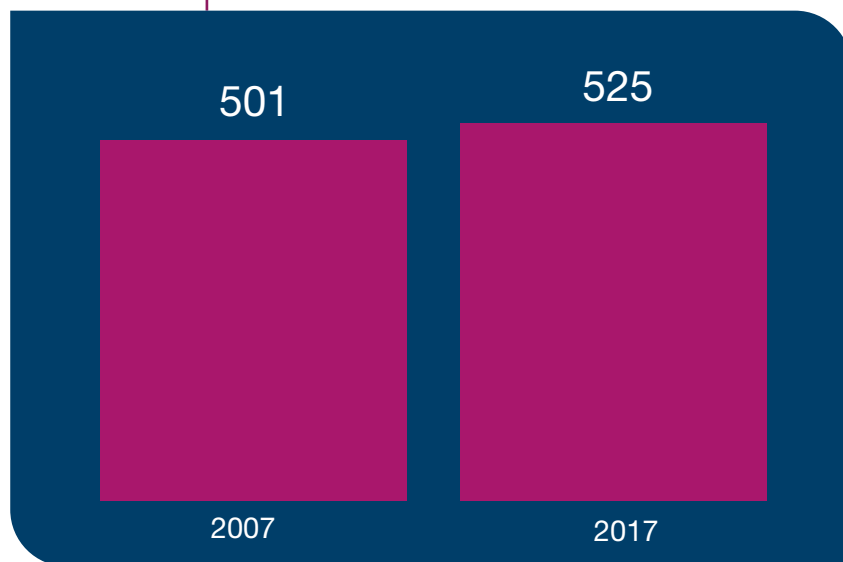
“WA has an advantage with utilities like consistent supply of gas, power and water.”



Western Australia's processed foods producers are growing in number

2% ↑

Number of food processors



CAGR = Compound annual growth rate. Source: ABS, Project analysis



Export focused processed foods

Baked and baking needs



- Global arable crop and grains producer
- Trusted supplier to Asia
- Long history of innovation

Meals and sides



- Leverage local ingredients
- Significant local innovation
- On-going packaging innovation
- Attracting investment

Core grocery



- Full-basket of products, diverse range of product
- Proven food safety
- Growing exports
- Multiple temperature products (ambient, chilled, frozen)

Snacking



- Waves of new entrants driving innovation
- Wide range of premium producers
- Growing with trends
- Leverage health and wellness

Western Australian processed foods exports are growing

2%
10yr CAGR 

CAGR = Compound annual growth rate

Total Western Australia Processed Foods Exports
AU\$ million, 2008 to 2018





3 different production systems

At Scale

Ambient

- Adding value to Western Australian ingredients
- Building on existing bulk handling capabilities
- Large modern plants and facilities that utilise modern technologies

Refrigerated and frozen

- Strong focus on product quality
- Utilises Western Australian reputation for food safety
- Requires dedicated supply chains and logistics
- Export success requires no cool chain failure

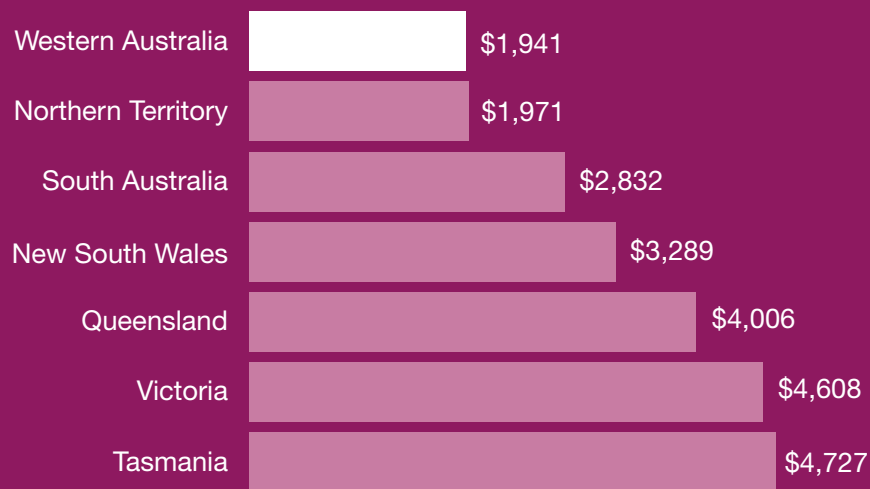
Start-up and emergent opportunities

- Solving specific technical challenges
- Focus on rapidly building scale
- Opportunity to develop capabilities and skills
- Initially targeted at domestic market
- Opportunity to scale up for export

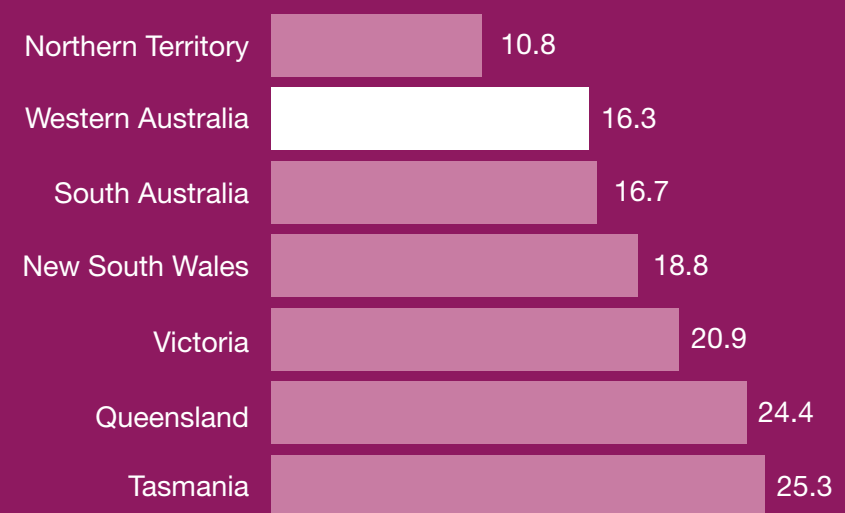
Western Australian food processors have **growth potential**

Western Australia food processing firms have growth potential relative to competitor states

Food Processing Revenue Per Capita AU\$, 2018



Food Processing Employees Per Business Unit People, 2018



There will be **solid demand** for processed foods in the future

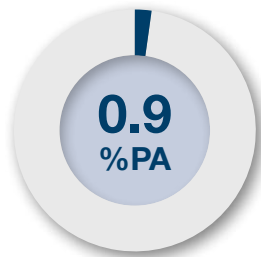
“Urban lifestyles, growing distances between home and workplace, female participation in the workforce, and changes in family cohesion are all factors increasing the demand for shelf-stable, convenience (time-saving) and value-added foods. This has stimulated the rapid growth of food processing industries in urban areas, and created opportunities for income generation, employment and economic growth.”

United Nations FAO Processed Foods Factsheet, 2009

High level macro drivers support **solid export demand** for processed foods products

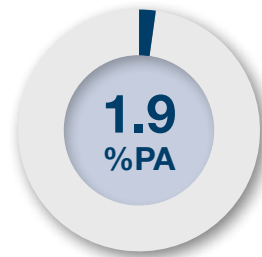
Global Population Growth

Projected Global Growth
50yr GAGR (2000-2050)



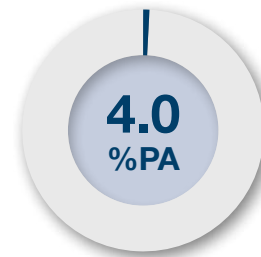
Rate of Global Urbanisation

Global Annual Rate of Change
5yr GAGR (2015-2020)



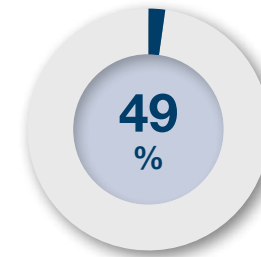
Global GDP Growth

Growth in Gross World Products
27yr CAGR (1990-2017)



Female Participation in Workforce

Global Share of Women in
Workforce 2018



Attracting global investment

Markup notes changing
Western Australia's to
Australia's and Western
Australia's but I can not find the
reference - please clarify



UK based Investment company
owner of Food Investments Pty
and George Weston Foods (GWF)
via Associated British Foods (ABF)



Nisshin Seifun Group,
Japan



USA based owner of
Quaker Oats Australia



Asia's leading
agribusiness company

Investment is occurring



2019

\$1.2 million; significant capital investment to expand and upgrade it's food manufacturing capabilities



2018-2019

Yukich Family acquire European Foods from Re family; moved coffee roasting facility to Oakover Estate in Swan Valley; European Foods acquires Blue Cow Cheese



2019

Significant capital expenditure to grow the business



2015-2020

+\$25 million; expansion of convenience foods, abattoir facility and cold storage

“Our firm is very buoyant, we are backing our industry and plan for significant investment.”

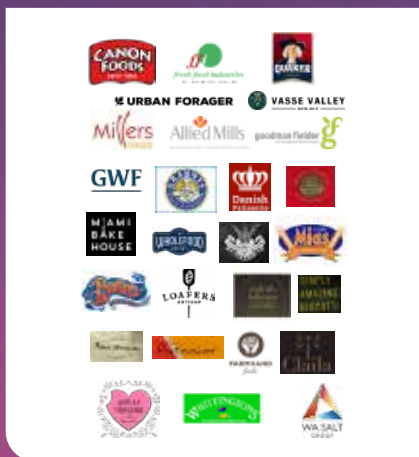
CEO, Mrs Macs

“We have made significant investments and will be investing a further \$30-50 million in the near future.”

CEO, Milne AgriGroup

The Western Australian processed foods sector has a range of thriving companies

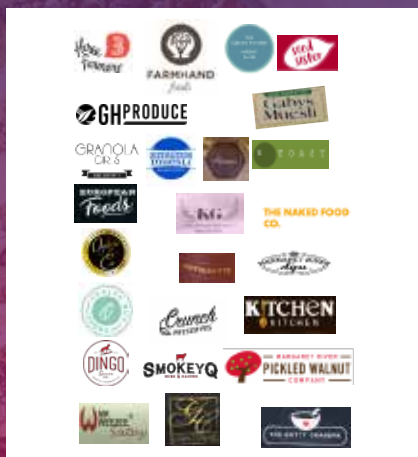
Baked and Baking Needs



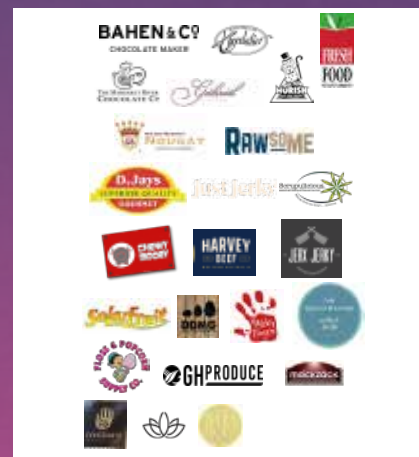
Meals and Sides



Core Grocery



Snacking



Profit across the sectors

Western Australia's **high performing sectors** are showing **strong returns** across manufacturing categories, 2018

Flour and Grain

3.8%
Profit

Cereal, Pasta and Baking

10.5%
Profit

Cake and Pastry

12.3%
Profit

Snack Food

5.8%

*NOTE: Australian Industry averages, EBIT/Revenue, 2018. EBIT = Earnings before interest and tax
Source: IBISWorld, Project analysis*

Four investment themes

Four investment themes exist to create growth in the Western Australian processed foods industry

Investing in **food processing**

Opportunities exist to support regional firms in scaling up their production to realise export opportunities

1

Investing in **new product innovation**

Opportunities exist to continue to develop new products targeting new and emerging sectors that are following trends

2

Investing in **packaging technology**

Opportunities exist for innovative and more eco-friendly packaging

3

Investing in **industry infrastructure**

Opportunities exist to develop additional common-use infrastructure to support industry development

4

Value propositions exist that promote opportunities for investment



Producing oat milk for export

- Western Australia has a strong brand in many Asian countries
- Recognised health benefits of oats
- Proven capability of ultra high temperature (UHT) technology
- Leveraging and adding value to abundant high quality raw material



Nutraceuticals extraction and processing

- Clear unmet market need
- Wealth of raw materials and waste streams
- Unique local flora
- Wide customer base
- High unit value
- Leverage clean green reputation



Meat snacks targeting Asia

- Proven demand across South and South East Asian market
- Western Australia is a trusted and proven meat supplier and brand
- Rapidly emerging industry in Western Australia not yet focused on export

The Department of Primary Industries and Regional Development is ready to assist you

For further information please contact:

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w agric.wa.gov.au/agribusiness-food-trade

The Department of Primary Industries and Regional Development commissioned Coriolis Australia Pty Ltd to provide the information in this publication in consultation with selected industry stakeholders.

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