



2008/09 SA FOOD SCORECARD REPORT

To track the advances in the South Australian resources, forestry, agri-food and wine industries, PIRSA has developed a series of Industry ScoreCards, which provide detailed value-chain measures of annual performance. This report outlines the 2008/09 findings for SA's food industry, against respective Food Plan targets.

1. OVERVIEW - FOOD SCORECARD RESULTS FOR 2008/09

The past year has witnessed significant pressures on South Australia's Food industry, including dramatically reduced commodity prices in grains, reduced demand in seafood and dairy markets flowing from the global economic crisis (GEC), ongoing drought conditions over the past 5 years across parts of the State, continued low water allocations along the River Murray, and sharply fluctuating foreign exchange rates. Despite these pressures, the key 'headline' measures of *Gross Food Revenue*; Exports (overseas); and *Finished Foods* have all improved steadily over the year, demonstrating a remarkable resilience in the performance of South Australia's food chains.

Table 1 shows how each of the industries making up the SA Food industry contributed to results over 2008/09. Declines in primary production are distinguished from growth in secondary food finishing, total exports and consumption - culminating in a new record level high value for *Gross Food Revenue* of \$12.4 billion.

Table 1: SA Food ScoreCard Summary, 2008/09

Industry	Farm Gate Value	Processed Food Value	Overseas & Interstate Exports	Retail & Food Service	Net Food Revenue	Gross Food Revenue	% Growth GFR 2007/08-2008-09
Field Crops	952	854	1,449	1,840	2,917	3,289	4%
Livestock	1,057	1,713	1,336	2,180	3,184	3,515	16%
Dairy	251	291	168	649	565	817	7%
Horticulture	536	929	539	1,863	2,045	2,403	6%
Seafood	416	506	435	356	536	791	0%
Other	-	135	84	1,460	631	1,544	18%
Total	3,212	4,428	4,011	8,347	9,877	12,359	9%
\$ Value change from 2007-08	-145	23	326	707	478	1,034	
% Growth 2007-08, 2008-09	-4%	1%	9%	9%	5%	9%	
Ave Annual Growth since 2000	2%	3%	2%	6%	4%	5%	

Highlights for the 2008/09 Food ScoreCard include:

- *Overseas Export* at a 7 year high, with growth of \$359m (up 18%) to reach \$2.4 billion – the second highest level on record;
- *Overseas Finished Food Exports* grew by \$114m (9%) to reach a record level of \$1.3 billion;
- *Finished Foods* growth of \$23m (up 1%) to maintain a record level of \$4.4 billion;
- *Food Employment* up by 7,200 (5%) to reach a record level of 146,000 jobs;
- *Gross Food Revenue* growth of \$1.0 billion (up 9%) to reach a record \$12.4 billion.

However, a moderate decline was evident in primary production over the year, with farm gate values down by 4% to \$3.2 billion. The fall in agricultural output is largely attributable to declining world grain prices and ongoing poor seasonal conditions. Nevertheless, it remains significant that the variability in primary production is not evident in the higher value end of the chain, including: *finished foods* and their associated exports, or indeed, final domestic consumption.



2. FOOD PLAN TARGETS AND KEY PERFORMANCE AREAS

2.1 Gross Food Revenue reaches a record \$12.4 billion

At the commencement of the original State Food Plan, in the late nineties, a headline *Gross Food Revenue (GFR)*¹ target value of \$15 billion by 2010 was set. The GFR target focussed on whole of value-chain outcomes, covering both the value of food consumed and exported from the State. In this, the penultimate year of the original target, a record GFR value of \$12.4 billion has been reached.

Figure 1 shows the trend in the headline *Gross Food Revenue* since the commencement of the target. The blue-dashed line represents the average annual growth needed over this period to meet the \$15 billion by 2010 target, while the black underlying trend line shows the average growth in GFR over the previous 25 years.

Figure 1: Trend and Target Gross Food Revenue, South Australia (1996/97 to 2008/09)

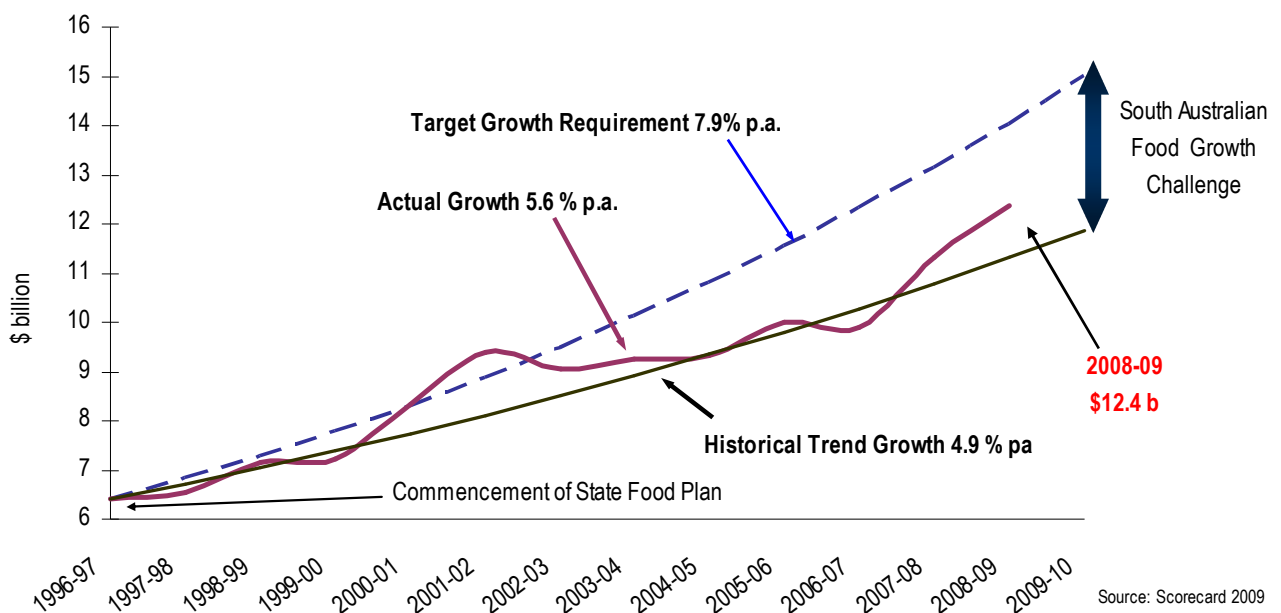


Figure 1 shows that since 1996/97 GFR has grown at an average rate of 5.7% pa. A stronger than average rise in this growth is evident over 2008/09, with GFR up by \$1.0 billion (9%), to a record level of \$12.4 billion.

Being a figure expressed in nominal terms, it is estimated that around half of the annual growth in GFR was the result of domestic food price inflation (estimated at 4.8% over the year). Thus *real* GFR growth over the year is estimated at 3.4%. [See Appendix Figure A1 in showing trends in food inflation since 1996/97, with recent price rises relatively constant compared to the average.]

Notwithstanding the increase in overseas exports (up \$359m, 18% to reach \$2.4 billion), the increase in *Gross Food Revenue* has largely been the result of increased food service and retail trade growth. Local consumption increased by \$707 million (9%) to reach \$8.3 billion in 2008/09.

¹ The measure Gross Food Revenue captures all food sales that have occurred within South Australia, including commodity and other food products that have been sold for domestic consumption, exported interstate or overseas.



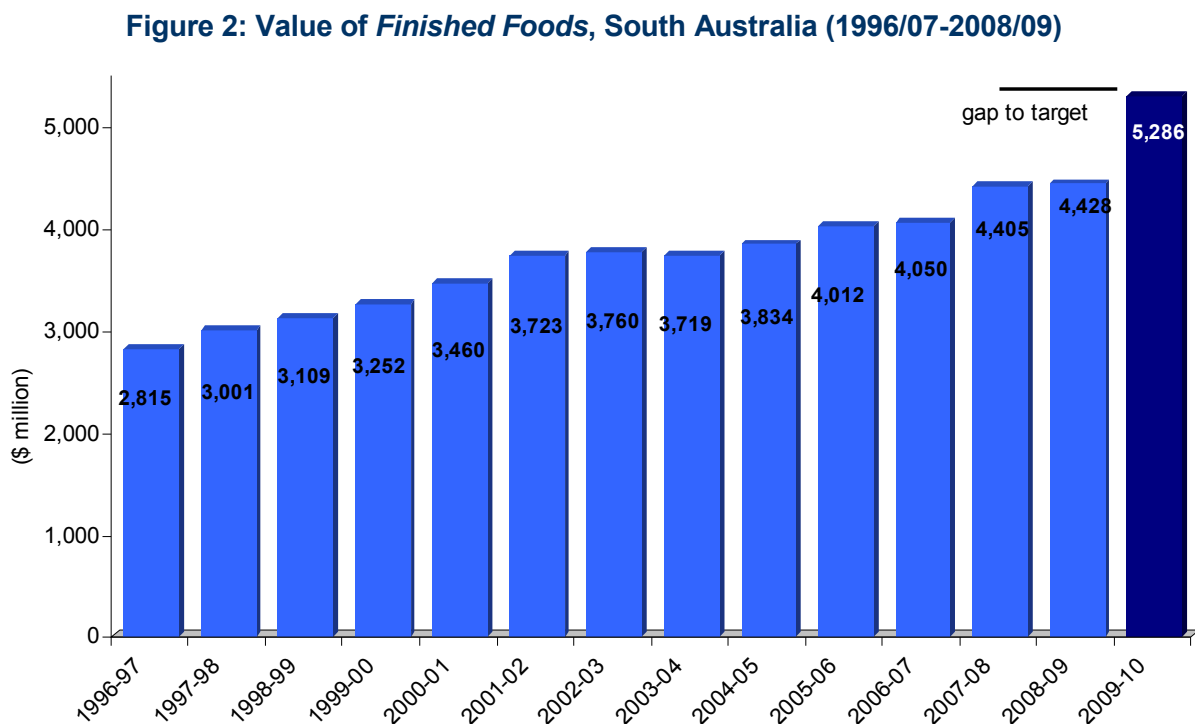
2.2 Finished Foods remains stable at a record \$4.4 billion

Figure 2, shows the growth in *Finished Food*² values in SA since 1996/97, with 2009/10 showing the target required to meet the 8 percent per annum growth identified in the latest 2007-2010 SA Food Plan.

Over the year, SA *Finished Foods* grew marginally, up \$23m (0.5%), to reach a record \$4.4 billion. A strong rise in livestock value-adding was offset by declines within horticulture seafood and dairy. Value-adding within the grains area has seen mixed results with lower beer production exceeding growth in pasta, breads and cakes.

Following significant growth of around 8 percent during 2007/08, the modest growth in *Finished Food* value this year, leaves a significant challenge for the food industry to reach the target of \$5.3 billion by 2009/10.

Over the longer term, since 1996/97, the value of *Finished Foods* has grown by \$1.6 billion (60%) at an average annual rate of 3.8%. The key growth areas were in both livestock and horticulture where values expanded on an annual basis by 9% and 3%, respectively.



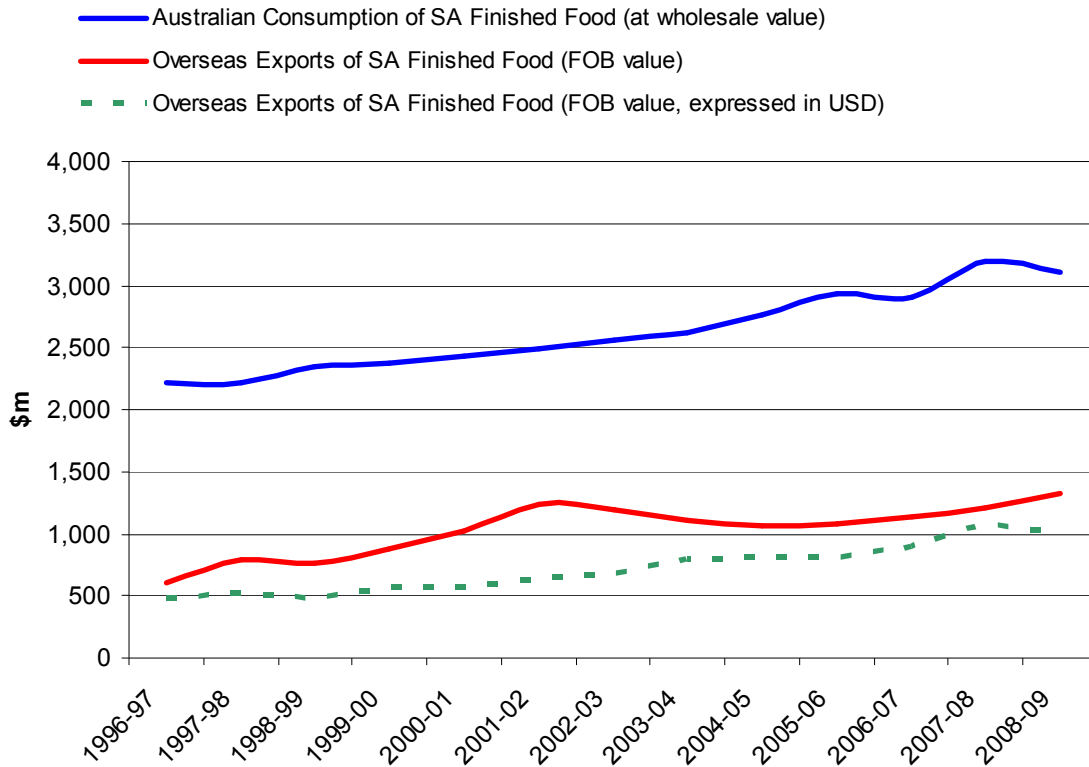
Source: ABS Manufacturing & Scorecard 2009

² The measure *Finished Foods* captures food industry value adding. This is measured at an intermediate level, before a product is either traded or consumed, expressed in wholesale prices. Data on *Finished Food* values are not regularly published, and *ScoreCard* estimates are based on a combination of sources including: industry surveys; balancing inputs from production with trade and consumption, and Published ABS Food and Beverage Manufacturing Sales.



Figure 3, disaggregates the above figures by market destination, showing that domestic demand (national-wide consumption) remains the dominant destination with around 72 percent of market share. However, over the past year, growth in overseas exports (up 18%), exceeded that for domestic demand.

Figure 3: Destinations of SA Finished Food (wholesale/FOB Values, \$million)



Source: Scorecard 2009

Figure 3 also shows that over the longer term, the overseas exports of *Finished Foods* have been a significant growth driver, contributing an average 6.8% growth per annum. This growth has occurred despite a relatively high Australian exchange rate in recent times, a key factor influencing our price competitiveness in world markets. Indeed, if we removed the AUD currency fluctuations (as shown in the green dashed line in Figure 4) the underlying rate of growth is likely to have been remarkably consistent over the periods shown.



2.3 SA Food Production (Farm Gate) values fall to \$3.2 billion

Table 2 presents a more detailed picture of the key SA products by industry that comprises SA food production. Following record level production values in 2007/08, falls were evident across most industries over the year, with total SA food production falling by \$145m (4%) to \$3.2 billion.

Table 2: SA Food Production (Farm Gate), by Sector and Product³

Industry	Value \$ million		Value % change
	2007/08	2008/09	
Field Crops	1,253	952	-24%
<i>Wheat</i>	787	605	-23%
<i>Barley</i>	188	157	-17%
Livestock	893	1057	18%
<i>Beef</i>	326	359	10%
<i>Pig-meat</i>	160	223	39%
<i>Sheep & Lamb-meat</i>	241	294	22%
<i>Chicken meat</i>	142	157	10%
Dairy	273	251	-8%
Horticulture	517	536	4%
<i>Potatoes</i>	133	131	-1%
<i>Apples & Pears</i>	46	48	4%
<i>Almonds</i>	59	61	4%
<i>Other heavy Veg</i>	33	30	-11%
<i>Citrus</i>	56	51	-8%
<i>Cucumbers & capsicums</i>	45	45	-1%
Seafood	422	416	-1%
<i>Blue fin tuna</i>	168	143	-15%
<i>Lobster</i>	92	107	17%
Total Primary Production	3,357	3,212	-4%

Source: PIRSA Food ScoreCard 2008

Table 2 also shows how price and volume changes influenced the performance of key industries over the year. While overall values declined, for most areas price falls either drove or exaggerated the impact of seasonal conditions:

- Field crops – fell in value by 24% from record highs. Despite a small rise in the volume of wheat and barley production (up 1% over the year but around 16% lower than 5 year averages), a significant decline in commodity wheat and barley prices (down 23% and 17% respectively).
- Livestock –increased by 18% to record highs, with contributions from the sheep, beef, poultry industries and the pig industry.
- Dairy – fell 8% as a result of sharp (down 11%) falls in milk prices.
- Horticulture – remained stable with a small decline particularly across irrigated heavy vegetables.
- Seafood – fell marginally, down 1%, where mixed results, with lobster, oysters and other aquaculture gains were unable to offset sharp declines in blue-fin tuna prices.

³ Primary production estimates used in the Food ScoreCard exclude non-food and fibre activity. These estimates are based on the most up-to-date and verifiable inputs, including from: SARDI, Econsearch, ABS and ABARE, as well as industry estimates captured via extensive consultations with industry bodies, enterprises, and from within PIRSA.



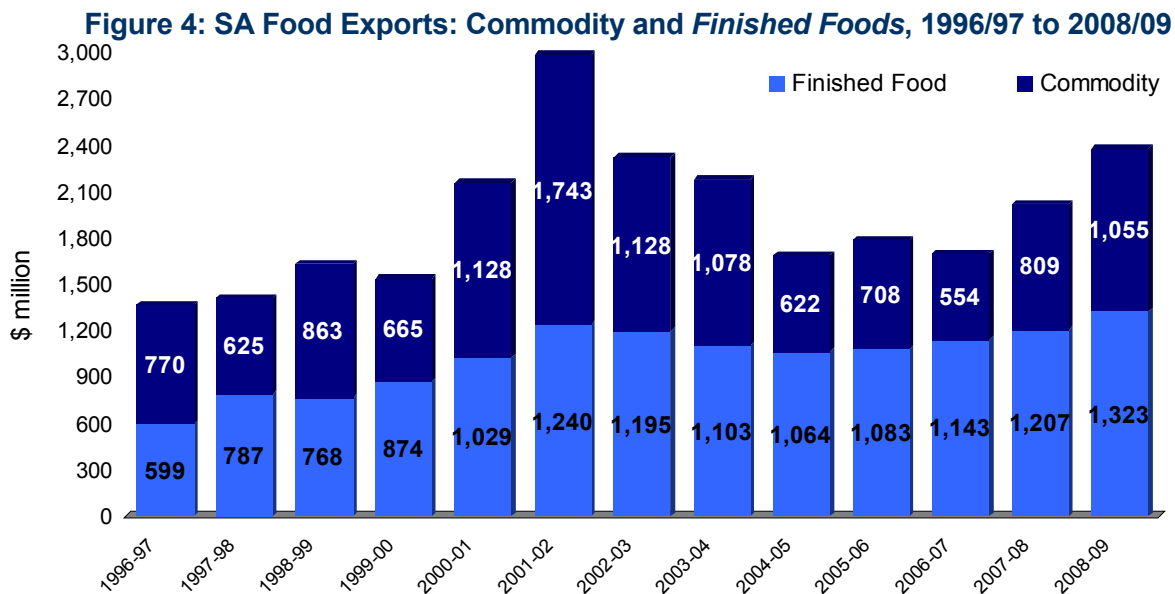
2.4 SA Food Exports (overseas) increase by 18% to almost \$2.4 billion

In the past year, food exports grew substantially, up \$359m (18%) to reach \$2.38 billion - a 7 year level high (and the second highest SA level on record).

Figure 4, shows trends in overseas food exports for commodities and finished foods for the past 13 years. As shown, the growth of *Finished Food* exports over this period is demonstrably more stable than seasonally dependent commodity products, underscoring the importance in developing and maintaining markets for higher value-added products.

While the depreciation of the Australian currency over 2008/09 (down 17% to an average 75c against the US dollar) has assisted our price competitiveness in world markets, the sharp rise in grain commodity trade (up by \$253m, 33%) accounted for the vast bulk (70%) of the change over the year. Nevertheless, *Finished Food* exports continued above average growth, up \$114m (9%) to reach a record level of \$1.3b. [See trend exchange rate against \$US in Appendix Figure A2]

Over the longer term (1996/97 to 2008/09) *Finished Food* export growth has been driven by exceptional growth in meat products (up 9% per annum), seafood (up 5% pa) as well as in pasta, beer and other grain products (up 7% pa).



The long term growth performance of South Australian *Finished Food* exports remains the shining symbol of the State's Food sector, growing by an average of 6.8% per annum since 1996/97 - a rate exceeding the national average. In contrast, commodity exports have only managed annual average growth of 2.7% per annum.

Table 3 provides detail on the growth in overseas exports, outlining contributions by key products, defined by either their commodity or *Finished Food* status. Exports for Grain and all *Finished Food* products, apart from in Dairy and Seafood grew strongly over the year.



Table 3: Overseas Exports of SA Food, Growth in Selected Commodities and Finished Foods, 1996/97 to 2008/09

	Value	Average Annual % Change	
	2008/09	1996/97-2008/09	2007/08-2008/09
Grains	1,023	3%	33%
Livestock	32	14%	-19%
Total Commodity Exports	1,055	3%	30%
Grain Products	148	7%	14%
Fruit & Vegetables	135	2%	3%
Seafood	331	5%	-2%
Meat	637	9%	20%
Dairy Products	46	0%	-14%
Other	24	8%	0%
Total Finished Food Exports	1,321	6%	9%
Total Food Exports	2,376	5%	18%

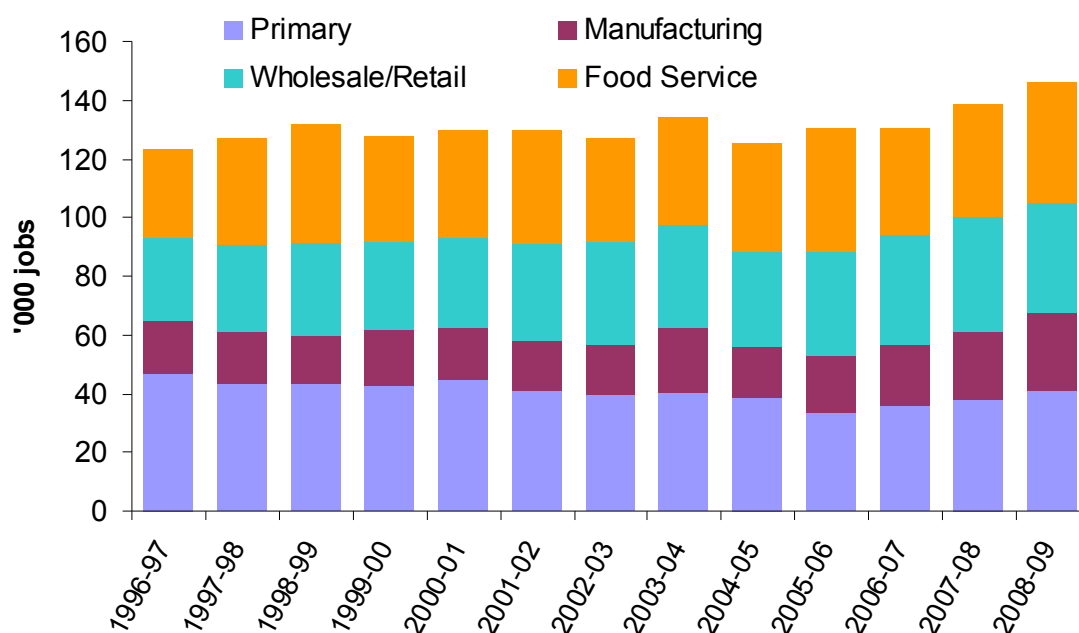
Source: ABS Trade Data, 2008/09

2.5 Food Employment reaches a record 146,000

Over the year total employment across the SA food value-chain increased by 7,200 (up 5%) to reach 146,000, resulting in the State share of agri-food employment increasing from 17.8% to 18.4%. Within the value-chain, employment growth occurred at both the farm level (primary production) as well as in Food Manufacturing (*Finished Food*), both increasing by 3,300.

Figure 5, below, shows the change in agri-food employment across the value-chain over the past 13 years. Significantly, the 2008/09 growth in *Finished Food* employment, up 3,300 (or 14%) to 26,600 is the 4th consecutive year of growth, with total job numbers increasing by almost 10,000 over the last 6 years, at an annual average rate of 8% since 2003/04.

Figure 5: SA Agri-Food Employment, 1996/97 to 2008/09



Source: ABS Labour Force 6201.055.003 (electronic datacube)



3. SUMMARY

At a time of significant challenge, the overall performance of the SA Food industry over the year has been largely positive, with growth in the headline *Gross Food Revenue* and *Finished Food* measures, as well as in the key indicators of overseas exports and food employment. Assuming an average performance in 2009/10, the SA Food Industry will come between 10% and 15% of the 13 year target.

During 2008/09, changes in world demand flowing from the Global Economic Crises have impacted on key *Finished Food* areas, predominantly in premium priced seafood and dairy markets. Nevertheless, the irregular impact and frequency of these cyclical changes in world demand conditions is far less prevalent than that associated with seasonal commodity focussed areas.

The rising value of the Australian dollar continues to create concern for food exporters. The recent resurgence of Australian dollar, influenced by record level mineral and energy exports, is likely to contribute to continued price pressures in both commodity and finished food areas.

To address these challenges, Professor Fearne, recent Thinker in Residency, reminded us of the importance of value chain thinking – where food businesses are encouraged to improve their responsiveness to the needs of their customers, and through this process ensure an improved competitive advantage is achieved and maintained.

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Industry Development & Renewal
PRIMARY INDUSTRIES AND RESOURCES SA

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Appendix A:

Figure A1: Food CPI, South Australia, 1996/97-2008/09

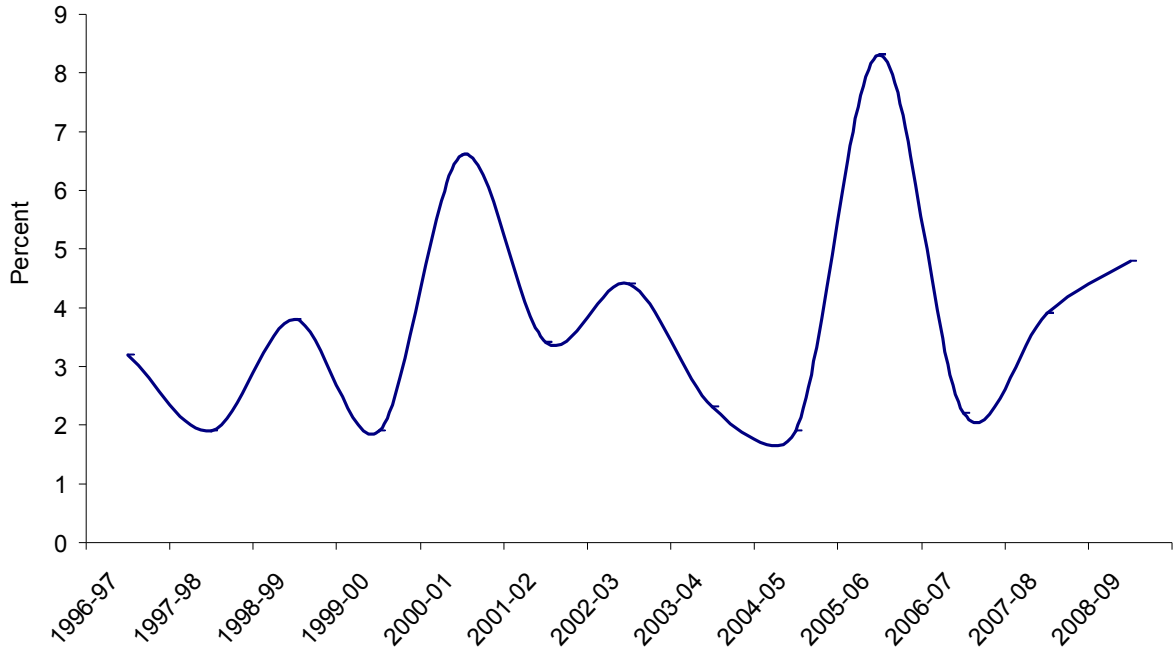


Figure A2: \$A to \$US Exchange Rate, 1996/97 to 2008/09

