



Government
of South Australia

SOUTH AUSTRALIAN Food

PLAN
2007-2010



Target

8% annual growth in the value of finished food products

'Finished food' includes processed food and foods with highest value as natural unprocessed food.

Supporting Documents

South Australian Food Plan 2007-2010 - Summary
South Australian Food Plan 2007-2010 - Programs
Available at www.safoodcentre.com

Premier's Foreword



Creating an even more innovative, competitive and world-renowned food sector is the ultimate goal of this South Australian Food Plan 2007-2010.

At the very heart of this Plan is a bold and ambitious target: to increase the total value of finished food products by 8% a year.

Our State's food sector has established a reputation for excellence, and its products can be found all over the world – everywhere from local farmers' markets, to the shelves of retail giants, to the finest restaurants.

This Plan will help the industry step up to a whole new level of achievement, especially by:

- improving industry and business capability
- fostering innovation and new products
- developing local, interstate and overseas markets

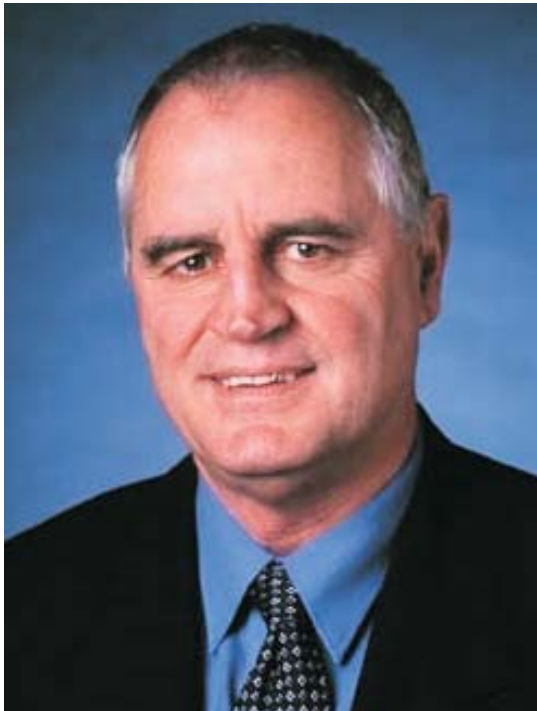
Devised under the leadership of the Premier's Food Council and the result of government and business working together constructively this document complements the wider economic, export, tourism and other targets set down in **South Australia's Strategic Plan**.

I commend this latest iteration of the South Australian Food Plan to all those seeking to advance the interests of the industry and the State.

A handwritten signature in black ink that reads "Mike Rann". The signature is fluid and cursive, with the first name "Mike" and the last name "Rann" clearly legible.

Mike Rann
Premier of South Australian

Minister's Foreword



Long term, big picture, high impact outcomes set the focus and strategic direction for this South Australian Food Plan 2007-2010.

The headline target is to realise an increase in the total value of finished food products by eight per cent annually through focussing on businesses capable of competing in global markets.

This Plan reflects a refocussing of strategic intent for Primary Industries and Resources South Australia (PIRSA) as well as a change in the way we look at 'food'.

Our current industry sectors – livestock, horticulture, grains and wine along with their respective industry strategic plans - will be more effectively integrated into the Plan.

This reflects a fresh vision incorporating the whole of the food value chain ranging across the production spectrum from paddock to plate.

I acknowledge and thank our industry partners for their work and commitment in the development of this Plan. I welcome and support a continuation of this important relationship through the Premier's Food Council over the life of the Plan and well into the future.

This Plan comprises a strategic approach to furthering our State's food industry, one that is characterised by growing food businesses, new capital investments, increased employment, distinctive high quality products and efficient value chains underpinned by accredited systems and trading on an excellent reputation.

Growing prosperity through the continuing partnership between industry and government is the overriding objective of the South Australian Food Plan and I look forward to the challenges and opportunities ahead.

A handwritten signature in black ink, appearing to read 'Rory McEwen', written in a cursive style.

Rory McEwen
Minister for Agriculture, Food and Fisheries

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Overview

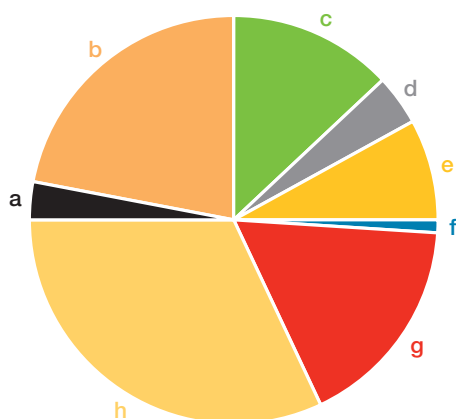
Maintaining competitiveness in the 21st century

South Australia's agrifood industry

Agrifood is an important contributor to South Australia's economy.

- Gross State food revenue was \$10 billion for 2005–06 with an annual growth of 6%.
- Agrifood products contribute approximately 26% of exports from South Australia and employ one in five working South Australians. Wine exports add a further 17%.
- The gross value of exports from South Australia for 2005–06 was \$1.8 billion, representing 9% of Australia's food exports.
- South Australia's major export markets are Japan (32%) and the USA (21%).
- South Australia's public investment in food research and development was \$31.1 million in 2005–06, with a further \$35 million obtained in Federal grants, and a private sector investment of \$19.6 million (ABS).
- Total value added food exports continue to exceed commodity exports. As a component of international trade, higher value food products are growing rapidly while commodities are flat.
- The majority of South Australian food industry businesses are small to medium operators.

South Australian Merchandise Exports 2005-06
\$8.98 billion Source: Australian Bureau of Statistics



- | | | | |
|---|-----------------|---|--------------------------|
| a | Petroleum 3% | e | Livestock (inc Dairy) 8% |
| b | Minerals 22% | f | Horticulture 1% |
| c | Field Crops 13% | g | Wine 17% |
| d | Seafood 4% | h | Other Merchandise 32% |

The competitiveness imperative

More countries and food regions of the world now compete for a share of the international market than ever before.

In the evaluation of the State Food Plan 2004–2007 and consistent with this reality, respondents assessed that in seeking a stronger competitive position, a South Australian Food Plan is not only essential, but must be more strategic in identifying priorities and less concerned with matters that do not contribute to the key objectives. Industry stakeholders identified nine significant challenges for growth:

- market development
- value adding
- development of businesses and products that can compete effectively in global markets
- effective government and industry collaboration
- regulatory issues
- innovation
- research, development and commercialisation
- development of the regional industry
- collaboration amongst small and medium food businesses

In particular, stakeholders recommended that the plan concentrate resources on:

- developing business and industry capabilities
- supporting innovation and new product development
- developing local, interstate and international markets

To achieve economic success and contribute to achieving the objectives of the South Australian Strategic Plan, these are the main areas in which to concentrate resources, plan with greater intent for economic outcomes and lead the coordination and communication role across government.

Aspects of innovation in food cannot be diminished in this analysis and must be placed where government can most effectively provide support and best achieve strategic integration. The reality is that innovation is now critically important. There is rapid growth in the international trade of higher value food products, while commodity products are stable or declining. Australia is not achieving its share of this growth. Accordingly this Plan addresses how to best achieve consolidation of available resources in new product development.

Overview

Focus

The focus of this Plan includes:

- A fresh statement of strategic intent to describe the long term big picture with a high impact outcome and measurable return to the South Australian economy.
- Recognition of key inhibitors to growth.
- A headline target.
- Introduction of a Food Policy Statement for establishing governance and collaboration.
- A restatement of the partnership between the food industry and the South Australian government to maximise the value of the State's agrifood output.
- Three key objectives, around which strategies have been developed—Industry and Business Capability Development, Innovation and Product Development, and Market Development.
- Specific strategies supported by plans toward commercial outcomes and a return on government funds invested.

The financial resources of South Australia are limited and increasingly overtaken by social and environmental priorities. Accordingly this Plan has a responsibility to maximise the strategic integration of food industry development, facilitate funding resource efficiencies and an increasing return on funds invested.

The scope of this Plan stretches across all government and industry capability building, innovation and product development and market development activities for finished food products. Government funding across all agencies, including Primary Industries and Resources SA, the lead agency for this Plan, will be committed to delivering industry development objectives and in partnership, industry will contribute funding from a variety of sources.

Conclusion

This Plan has been developed under the leadership of the Premier's Food Council. Industry and government participants from across the State have been involved in its development.

It is a response to strong industry support toward a more competitive position in international trade, increased emphasis on enterprises that can compete effectively in global markets and products that meet emerging and future market opportunities and global consumer trends.

These are driven by industry entrepreneurship, innovative product development, sound research and technical knowledge.

With energy and commitment, government and industry can work together to deliver the strategies and programs set out in this Plan and achieve the target.

Situation

The strategies in this Plan are a response to this situational analysis. Industry development plans will also address specific issues and opportunities.

Consumer, product and market trends

The key drivers of consumer, product and market trends are essence, hearth, earth, whole being, ethical values and pleasure. (What's Hot in Food, June 2004 edition, David Milstein & Associates). The strategies included in this Plan respond to these trends.

Essence

Consumers are returning to basics - hearty, satisfying meals where food quality and freshness, appearance, taste and safety are paramount.

Home

Family and home are increasingly important to consumers, and they are looking for ready to eat, ready to heat and ready to cook convenience food, meal solutions and meal kits for the home. Authentic home cooking is on the decline but home quality and style are increasingly demanded in pre-prepared meals.

Earth

Consumers are increasingly concerned about environmental issues, including where foods come from, how it is produced and how it is brought to market. The organics market is one example, expanding at a rate of 10% to 15% a year across all categories.

Whole being

Consumers are creating personalised health regimens, defining health as a balance of body, mind and soul. Health concerns are changing convenience snacks and fast food. While there are opportunities in functional foods, foods as medicine and nutrient dense foods for disease prevention, fat reduction and nutritional balance, consumers are confused by choice and are emphasising low processed foods.

This section documents:

- key consumer, product and market trends
- industry growth trends
- competitive strengths, growth challenges, opportunities and threats to the industry
- the implications of the situation for food strategy
- alternative high, strong and low growth scenarios

Ethical values

Consumers are increasingly conscious of who is providing the food and prefer to buy from businesses known to be socially responsible.

Novelty

Consumers are hunting for global foods and other new food experiences.

Industry growth trends

South Australia is strong in five key primary production sectors:

Field Crops

Field crops are commodity based grains, pulse seeds and oilseeds, which realise little processed food value.

Livestock

Livestock comprises mainly of pigs, sheep, lamb, cattle and poultry and achieved an additional 48% processed food value from the farm gate in 2005-06.

Dairy

Dairy, the largest contribution is through retail sales, which comprises approximately 80% of the dairy sector revenue.

Horticulture

Horticulture (excluding wine grapes) generates 60% revenue from retail sales.

Seafood

Seafood produced an additional 75% value to farm gate revenue in 2005-06 and has significant opportunity to add value at the processed food level.

Situation

Table 1: SA Food ScoreCard by Industry 2005-06, \$ millions

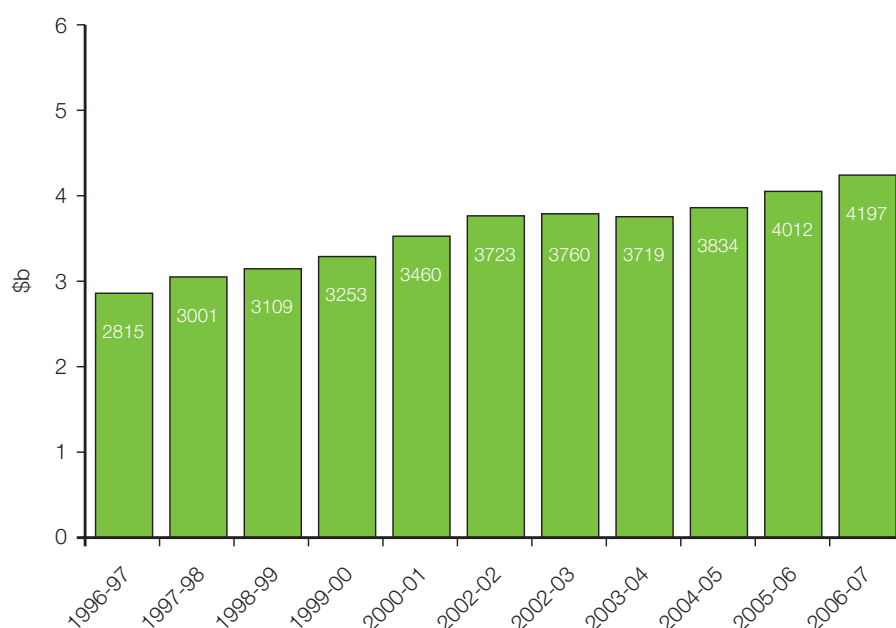
Industry	Farm Gate Value	Processed Food Value	International & Interstate Exports	Retail & Food Service	Net Food Revenue	Gross Food Revenue
Field Crops	756	772	1,145	1,635	2,509	2,780
Livestock	881	1,300	964	1,708	2,396	2,672
Dairy	214	278	114	529	562	643
Horticulture	562	986	654	1,422	1,808	2,075
Seafood	374	513	513	230	595	743
Other	-	163	24	1,128	473	1,153
Total	2,787	4,012	3,415	6,652	8,344	10,067

South Australia also adds significant value through processing and food innovation, turning primary produce into premium products led by consumer demand. The sectors with significant growth potential are those positioned to value add product such as meat, seafood and horticulture.

Finished food revenue (Figure 1) is a key measure of the food industry's performance. Finished food revenue has grown steadily since 2001-02 and increased by \$178 million or 4.6% between 2004-05 and 2005-06.

Figure 1: Trends in the value of finished food

Growth in Value of Finished Food Products, 1996-97 to 2005-06



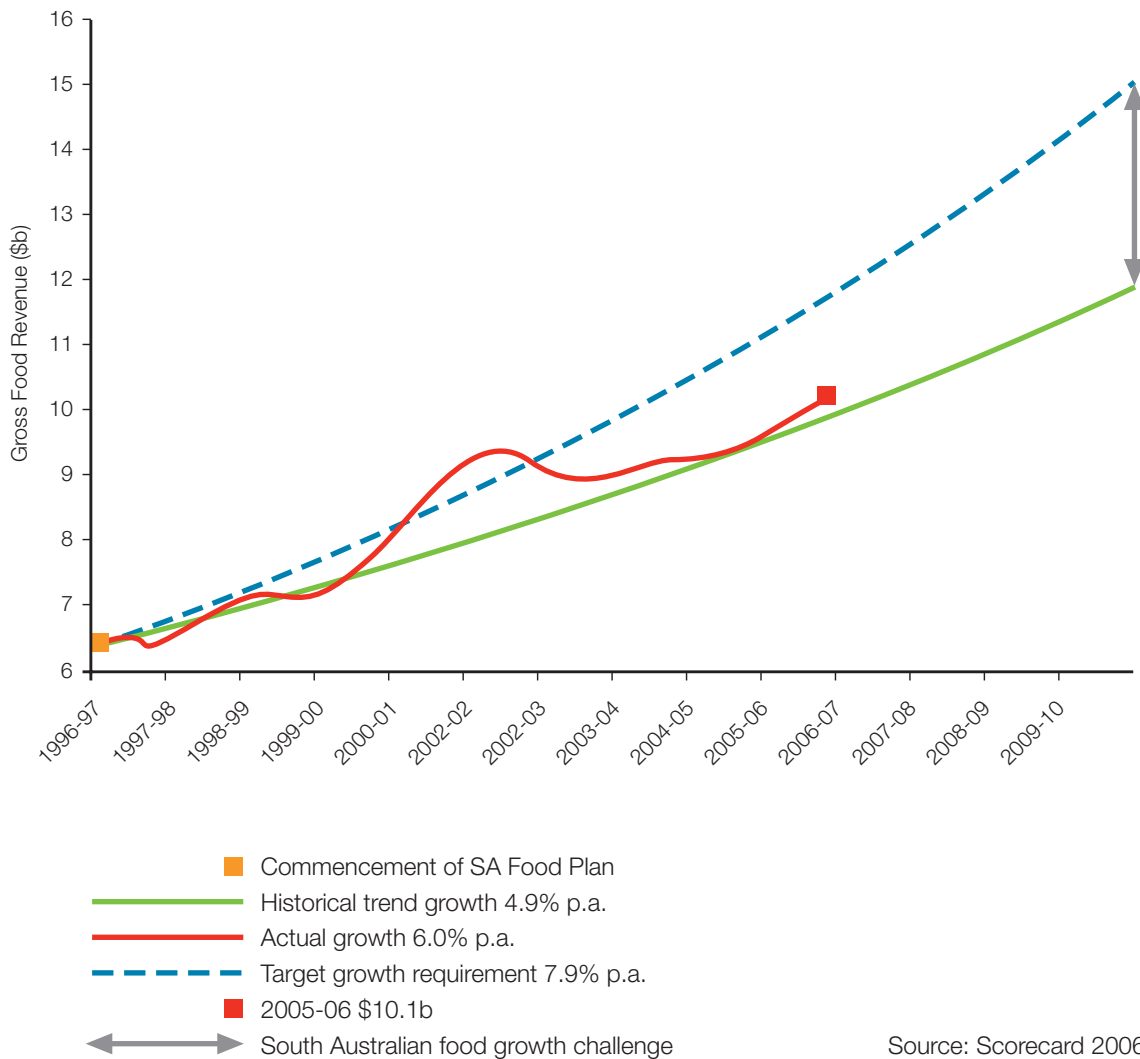
Situation

The South Australian food industry partially recovered in 2005-06 (Figure 2) from below average performance in 2004-05, with the headline gross food revenue figure rising from an adjusted \$9.4 billion in 2004-05 to \$10.1 billion, up by \$710 million or 7.6% across all sectors.

The growth trend has fluctuated due to a bumper grain harvest in 2000-01 and the extended drought in recent years, although the resilience of the industry has improved through greater use of technology and improved farming practices.

Figure 2: Growth above historical trend but below target to reach \$15 billion by 2010

Gross state food revenue, target, underlying trends and performance to date, 1996-97 to 2005-06



Source: Scorecard 2006

Situation

Employment trends

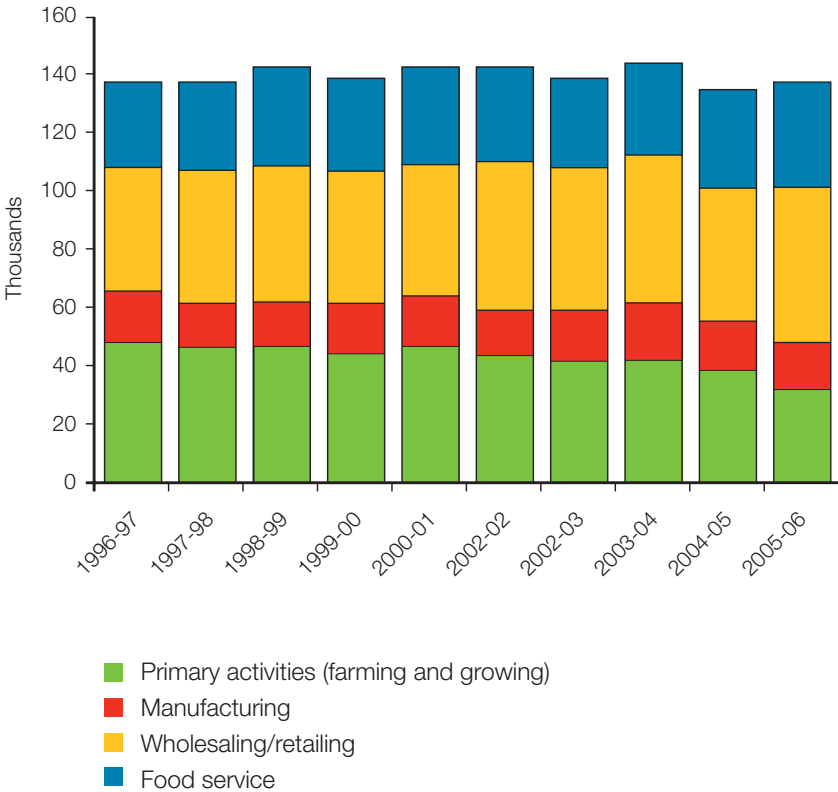
According to the ABS Labour Force Survey, the number of full time equivalent (FTE) jobs across the food industry value chain in South Australia has fluctuated moderately over the last 10 years, but has remained relatively stable over time (Figure 3).

In 2005-06 the ABS reported 136,100 FTE positions in the food industry compared with 132,800 in 2004-05 and 136,500 in 1996-97.

Technology improvements and consolidation in primary production sectors and growth in domestic food consumption, both in volume and value terms, have contributed to a shift in the distribution of jobs across food industry sectors.

The number of jobs in primary activities has fallen (23% of total jobs in 2005-06 compared with 34% in 1996-97), while jobs in the retail and food service sector now represent over 60% of all industry jobs compared with about 55% ten years ago.

Figure 3: Food industry employment, 1996-97 to 2005-06



Situation

Competitive strengths

The enduring competitive strengths of the food industry include:

- Government and industry partnership for planning and action.
- Robust natural resource management systems.
- Consistently high quality primary production.
- Land costs and wage rates that are competitive within Australia.
- Strong industry growth at twice the rate of growth of the economy.
- A domestic consumer base and food culture that is ethnically diverse and increasingly food savvy.
- Continuing strong interest worldwide in food as entertainment and the active involvement in the South Australian food industry of iconic food names.
- The presence in South Australia of significant food training and research institutions, including the University of Adelaide, Flinders University, TAFE SA Regency Campus, and SARDI.
- Linkages to South Australia's world leading wine industry and domestic tourism industry.

Growth challenges

The most important cross sector growth challenges identified by PIRSA include:

Protection of natural resources

- Ensuring water availability on a sustainable basis.
- Sustainable management of land, riverine and marine resources to balance environmental needs and economic opportunities.
- Maintaining bio-security.
- Ensuring food safety.

Provision of enabling infrastructure

- Supporting ongoing workforce development.
- Facilitating the provision of essential hard infrastructure.
- Ensuring sustainable land use and marine planning that balances residential and food production needs, particularly in peri-urban areas.
- Developing innovation systems.

Industry structure

- Facilitating the availability of market intelligence and assisting with market development.
- Facilitating value chain restructuring.
- Developing greater collaboration, innovation and proficiency.
- Overcoming trade barriers.

Management of growth challenges is critical for industry growth and development. It provides a stable policy and investment environment that balances community, industry and environmental needs and gives confidence and certainty to industry participants to invest and grow sustainably.

Situation

Rate limiters

Growth challenges as identified by PIRSA as rate limiters for the processed and value added food industry, in consultation with the Industry Development Boards. Industry specific challenges are also reflected in the industry development plans.

Inputs

High impact

- A shortage of skilled workers at all levels, including process workers, middle and senior management, exacerbated by competition from other industries such as mining, poor industry image and limited availability of affordable housing and amenities near production areas.
- A shortage of suppliers of processing and technical equipment and support systems.

Medium impact

- A shortage of raw products for processing.
- Effective, frequent and reasonably priced transport solutions by sea, land and air, exacerbated by increasing fuel costs.
- Enhanced access to education and training systems
- Industry attitudes to training and development.

Minimal impact

- A lack of access to reasonably priced quality water for processing.
- A lack of risk management systems within businesses to address bio-security and product recall issues.
- Limited access to reasonably priced, reliably supplied energy and a lack of confidence in future supply.
- Limited access to three phase power in rural and remote regions.

Market conditions

High impact

- A lack of understanding of and investment in brand development in export markets.
- Lack of sophisticated demand knowledge, market intelligence and weak value chain linkages.

Medium impact

- A lack of understanding and access to information concerning integrity systems, including quality assurance, labelling, AQIS accreditation, product recall and environmental management systems, a lack of consistency between existing systems, and cost of implementing systems.
- Supermarket consolidation and the move to private labels and limited alternative distribution channels.
- Limited market intelligence in relation to the domestic food service sector.

Minimal impact

- Lack of market intelligence and export readiness.
- Lack of Federal Government capacity to negotiate tariffs, quotas and other trade barriers.
- Cost of AQIS compliance and export insurance.

Situation

Business environment

Medium impact

- Health claim regulations and inconsistencies between requirements for imported and local products.
- AQIS regulations.
- Lack and cost of regional infrastructure.

Minimal impact

- Lack of understanding of the importance of protecting intellectual property rights.
- Lack of formal and informal venture capital and a lack of understanding of food sector risks and returns by capital providers.

Innovation capacity

High impact

- A low level of spending on research and product development.
- Fragmented and misaligned research and development programs.
- Low level of understanding of growth strategies, product and process innovation by business owners.
- Limited access to specialised product and technology research, development, commercialisation and training.

Medium impact

- Under representation of the processed food sector in South Australia, limiting the capacity to leverage industry wide funding and influence political and infrastructure decisions.
- A shortage of experienced food technology consultants to disseminate information on market, technology and product innovation trends.
- Immature regional food networks.
- Limited cooperation across industry sectors and between the food, wine, tourism and health industries.

Industry culture

High impact

- Lack of high quality, industry relevant and accessible business management training.
- Limited access to information about international benchmarks and best practice.
- Limited international experience and expertise.

Medium impact

- Limited growth attitudes and a low level of market-oriented thinking and innovation.
- Low levels of entrepreneurial confidence.
- Lack of seed capital to take up commercial opportunities.
- Lack of willingness to joint venture or bulk up to attract capital.
- A tendency to chase new markets and opportunities at the expense of developing existing markets.
- A high level of volunteerism leading to leadership burn out.

Situation

Opportunities

Significant opportunities include:

- Scope to improve rural profitability by shifting broadacre production from commodity grains to value added livestock.
- Diversification of farm and manufacturing enterprises to develop new food related products, technologies and services.
- Continuing market growth in interstate markets, a more positive macroeconomic outlook in South Australia's two major export markets, Japan and the USA and increased access to the North American market following the implementation of the free trade agreement with the USA.
- An increasing focus by South Australia's world leading research institutions on product development and commercialisation.
- The growth in health related foods including nutrient rich and bio-fortified foods containing omega-3 fatty acids, oestrogen and selenium, the convergence of food technology, metabolomics, disease prevention and personalised medicine based on genomic screening and epigenomics. This treats genetic and epigenetic traits such as lactose intolerance, customised health remediation and maintenance, fat reduction and nutritional balance.
- Bio-pharming and pharmaceuticals for human and animal consumption.
- The continuing growth of healthy but time saving ready to eat, ready to heat and ready to cook convenience food, meal solutions and meal kits with home quality and style.
- The increasing viability of bio-fuels.
- The continuing strong growth in organics.
- The interest in gender and age specific foods.
- The emergence of alternative opportunities for traditional food products such as animal feeds and bio-fuels.

Threats

Major threats include:

- Limited distribution channels as a consequence of the consolidation of supermarket power in the Australian market and the trend away from consumer brands to supermarket private labels.
- The small scale of the Australian food industry relative to the global food trade with Australia supplying less than 1% of the global market in most food sectors.
- The emergence of low cost competitors in China, South Africa and South America, with improving quality and the possibility of a flood of cheap imports to Australia from China as a result of ongoing free trade agreement negotiations.
- The vulnerability of Australian commodity or high value unprocessed goods to price competition.
- A steady decline in Australia's share in the international market for higher value food products.
- The decline in value of 'clean and green', the growing consumer awareness of product freshness and 'food miles' and the growing demand for demonstrated social responsibility, animal welfare and environmental accreditation.
- Short term climate variability and long term climate shifts with immediate impacts on water flows and potentially massive impacts on the horticultural sector, forcing major industry restructuring and constraining the quality and availability of primary produce.
- Pressure on fish stocks.

Situation

Implications

These trends, challenges, opportunities and threats imply under these headings that food strategy should:

Government and industry partnership

- Strengthen the partnership.
- Celebrate the importance of the industry to the South Australian economy.

Food culture

- Nurture a sophisticated South Australian food culture.
- Strengthen links between food, wine and tourism.

Industry mix

- Shift broadacre production from commodity grains to value added crops, including livestock.
- Facilitate the restructuring of broadacre cropping and horticulture from sectors susceptible to climate shifts to existing and emerging sectors that will benefit from forecast shifts.
- Focus on growth in aquaculture to offset constraints in wild catch and capitalise on the sector's growth potential and reconcile coastal uses to ensure the industry can access coastal areas for production growth.

Industry structure

- Support farm consolidation.
- Improve small business collaboration.
- Encourage appropriate diversification of farm and manufacturing enterprises to develop new food related products, technologies and services.
- Allocate resources to assisting new and emerging sectors such as organics, to organise their industry and develop markets.

Workforce and management skills

- Boost workforce availability through migration, training and marketing programs.
- Work with public and private sector training providers to improve access to industry relevant training and skill levels.
- Improve the relevance to the food industry of business and management training programs.
- Provide business owners and managers with international benchmarks and best practice information.

Support industries

- Nurture the growth of support industries including suppliers of processing and technical equipment and support systems.

Research and product development

- Promote understanding by business owners of growth strategies, product and process innovation.
- Encourage spending on research, development and commercialisation programs.
- Link South Australian research centres to national food research centres.
- Strengthen linkages between research and development centres.
- Improve commercial access to research, product and technology development.
- Improve the focus of research programs on new product development and commercialisation.
- Allocate new product development and commercialisation resources to healthy, home-style ready eat, ready to heat and ready to cook meals and components and to gender specific foods.
- Support research and commercialisation of functional foods including nutrient rich and bio-fortified foods and nutraceuticals for human and animal consumption.
- Continue to disseminate information about opportunities in bio-fuels.

Situation

Market development

- Build business understanding of the brand development and support process.
- Improve demand knowledge and market intelligence.
- Improve supply chain efficiency and product quality along the chain and improve consumer feedback systems up the chain.
- Strengthen market development programs into Japan and North America and promote business owner understanding of the North American markets.
- Influence competition policy to constrain the market power of supermarkets.
- Ensure representation of food industry interests in negotiations with China toward a free trade agreement.

Environmental and social dimensions

- Encourage education and support for designing and implementing environmental management accreditation systems.
- Educate businesses about the implications of social responsibility consumer trends.
- Promote traceability and environmentally friendly eco-branding.

Situation

Scenarios

Development of the food industry is subject to many factors, only some of which can be controlled or influenced by the industry and government. Three scenarios have been developed to illustrate the range of possible outcomes.

High growth scenario

Macro-economy

The national economy continues to expand at 4% per annum. Inflation falls to 2.5% and interest rates fall to 6%. The \$US exchange rate drops to \$A 0.50.

Natural resources

The drought is less severe than first anticipated. The redistribution of Murray–Darling water favours South Australia and the Federal Government commits \$10 billion to solve salinity problems. Climate change scenario planning indicates that the South Australian food industry can make manageable changes that will enable it to prosper under expected conditions. Continuing investment by industry in natural resource management ensures long term sustainability.

Capability development

Business skills continue to improve through the promotion of management training, with mentoring from established food industry businesses. Efficient benchmarking programs and collaborative models for value chain improvement help businesses to reduce costs and improve profitability along the value chain. Workforce shortages are resolved through significant increases in migration and a surge in government and industry investment in training. Supply of specialised equipment and services improves as a result of a joint government and industry programs to grow a nucleus of skilled firms. Farm consolidation and an injection of superannuation funds significantly improve food industry scale.

Innovation and product development

The industry adapts to climatic conditions and food production is aligned to available raw materials which are consistently available and of a high quality. Effective new models for research, development and commercialisation investment fuel a mini boom in process and product innovation.

Market development

Access to international markets improves significantly as a result of a competitive exchange rate and successful bilateral negotiations with strong markets in Asia, the Middle East, North America and Europe. Market intelligence and export systems significantly improve export capabilities, supported by a Brand Australia with a strong market presence. Domestically, Federal Government policy and consumer preferences compel supermarkets to pay more attention to local sourcing.

Industry growth: 13% annual growth in the value of finished food products. South Australia's share of the domestic market grows from 7% to 10%.

Strong growth scenario

Macro-economy

The national economy slows, but continues to expand at 3% per annum. Inflation falls to 3% and interest rates fall slightly to 6.5%. The \$US exchange rate drops to \$A 0.65.

Natural resources

The drought is severe, but improved water productivity and some industry restructuring limits its impact. Limited progress is made on the redistribution of Murray–Darling water in favour of South Australia and the Federal Government commits \$2 billion to solve salinity problems. Climate change scenario planning indicates that the South Australian food industry can make manageable changes that will enable it to prosper under expected conditions. Continuing investment by industry in natural resource management ensures long term sustainability.

Situation

Capability development

Business skills continue to improve through the promotion of management training. Improvements are made in value chain efficiency, helping businesses to reduce costs and improve profitability. Workforce shortages are alleviated through some increases in migration and ongoing investment in training. Farm consolidation under the pressure of climate variability and global competition contributes to improved industry scale.

Innovation and product development

Ongoing investment in research, development and commercialisation enable incremental process innovations and some innovative products.

Market development

Access to international markets improves as a result of lower exchange rates and continuing bilateral market access negotiations with trading partners in Asia, the Middle East and North America. There is a steady stream of capable new exporters, supported by a Brand Australia. However, the domestic market continues to consolidate with supermarkets sourcing greater percentages of product overseas.

Industry growth: 8% annual growth in the value of finished food products. South Australia's share of the domestic market grows from 7% to 8%.

Low growth scenario

Macro-economy

The national economy experiences a mild recession, but the long term trend is for expansion to continue at 2% per annum. Inflation rises to 4.5% and interest rates increase to 9%. The \$US exchange rate rises further to \$A 0.80.

Natural resources

The drought is severe and prolonged and a painful industry restructuring process begins. Improved water productivity enables some businesses to grow but business costs rise. No progress is made on the redistribution of Murray–Darling water despite significant government investment. Climate change scenario planning indicates that the South Australian food industry can make manageable changes that will enable it to prosper under expected conditions but no action is taken.

Capability development

Some businesses benefit from management training but the industry as a whole makes little progress on management skills. Some improvements are made in value chain efficiency but domestic competition deters most companies from participating in collaborative programs. Workforce shortages continue. Farm consolidation under the pressure of climate variability and global competition contributes to improved industry scale.

Innovation and product development

Ongoing investment in research, development and commercialisation enables incremental process innovations and some innovative products but the capital markets are reluctant to invest in the food industry and the limited availability of risk capital limits growth.

Market development

Access to international markets proves a double edged sword with access to China and India improving on the one hand but on the other hand increased competition from China, North America and Indonesia impacting on food businesses. There is a steady stream of capable new exporters. However the domestic market continues to consolidate, with supermarkets sourcing greater percentages of product overseas.

Industry growth: 2% annual growth in the value of finished food products. South Australia's share of the domestic market falls from 7% to 6%.

The way Forward

The Plan encompasses the whole of the South Australian food industry along the value chain, including pre-farm gate and post-farm gate products, and local, interstate and international markets.

Target 8% annual growth in the value of finished food* products

The headline target of the Plan is based on a strong growth scenario. Over the last nine years finished food value has grown at an average rate of 4.7% per annum. In 2005-06 the value of finished food grew by 4.6% compared to 2004-05, whilst the historical growth rate is 2%. The Plan's target for finished food growth is based on the realisation of a strong growth scenario of 8% per annum.

* Finished food includes processed food and foods with highest value as natural unprocessed food.

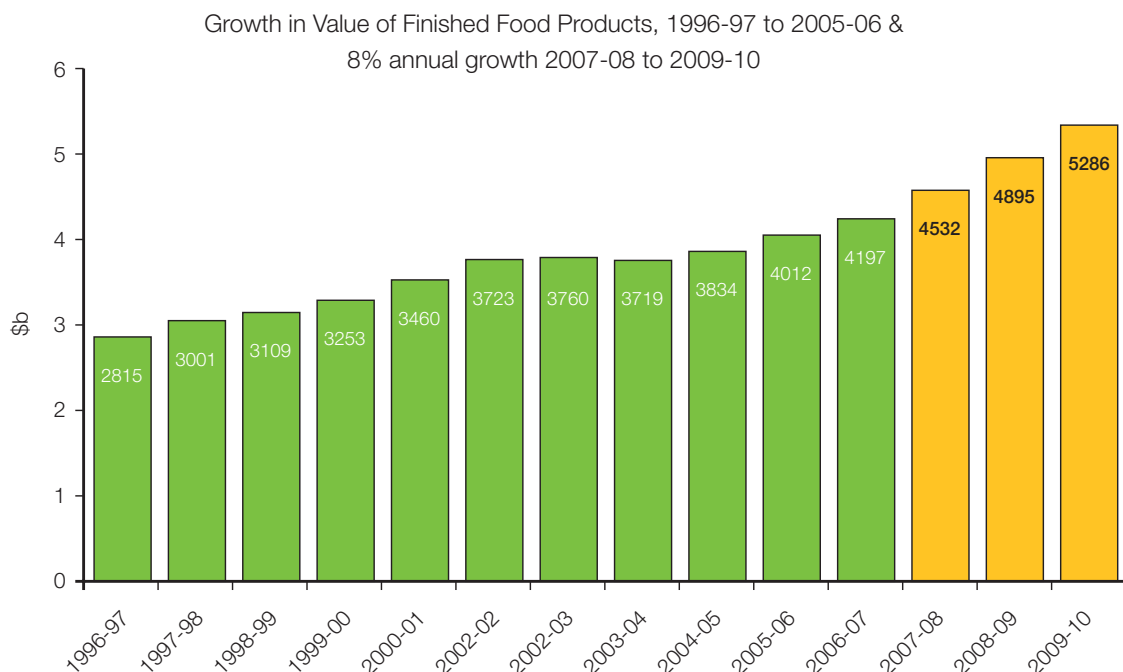
This section documents:

- the strategic intent and headline target
- three key objectives, around which strategies have been developed
- strategies for achieving each of these key objectives
- a process for the development of a coordinated food industry program

The target will be achieved through government and industry partnership, continuing to build a South Australian food industry characterised by

- A diverse range of profitable, innovative and growing food businesses investing new capital and employing increasing numbers of South Australians.
- Widespread market driven value adding resulting in distinctive, high quality products that seek a premium price position and return increasing wealth for South Australia.
- Low input costs and efficient value chains.
- An outward looking and confident industry that adapts to a changing market environment and grows South Australia's market presence.
- Widespread deployment of environmental management approaches and market credible accreditation systems.
- A strong reputation for food safety and occupational health, safety and welfare.

To achieve the headline target, industry and government programs will concentrate on industries and businesses capable of delivering the targeted growth.



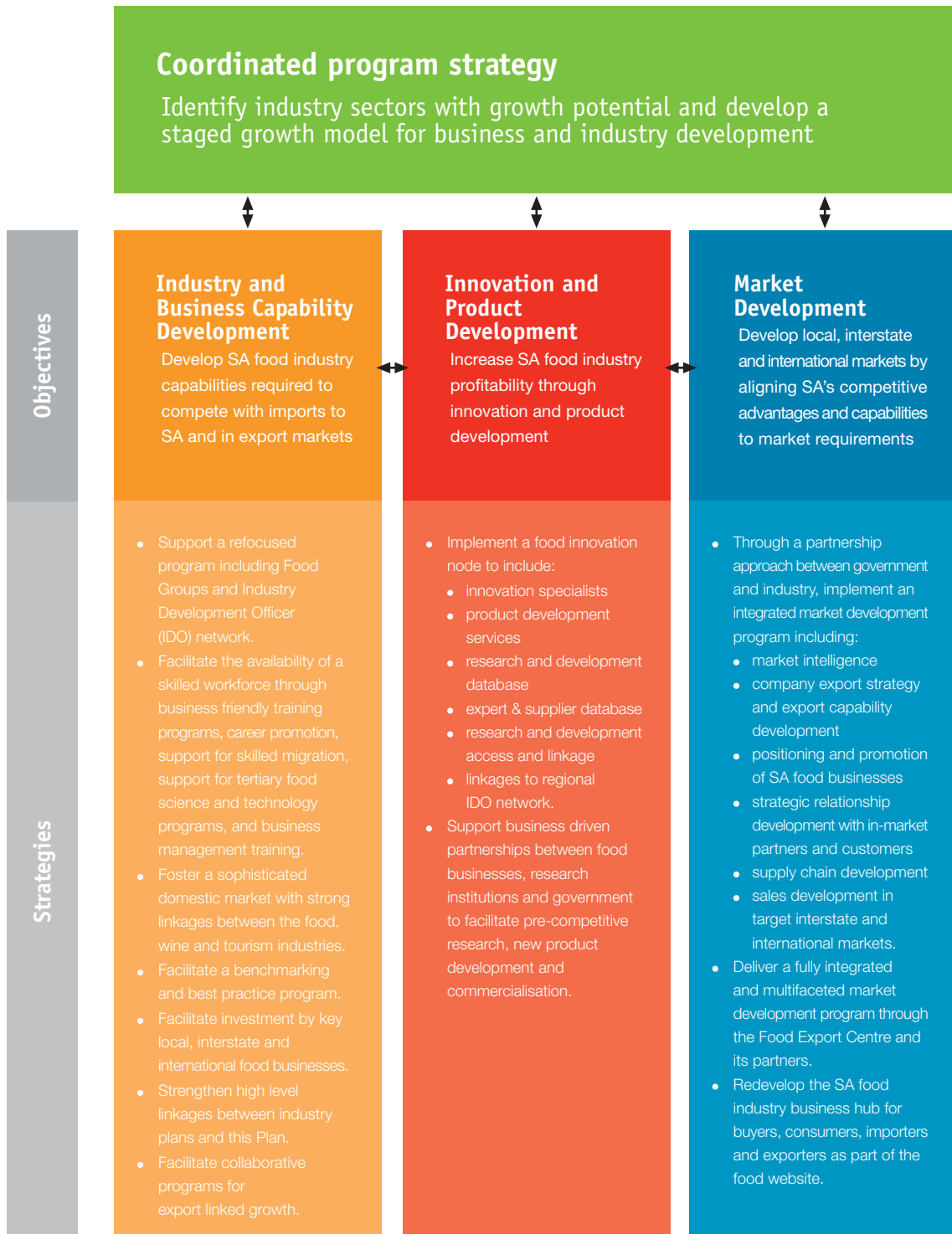
Target Framework

To deliver the target, coordinated government and industry programs based on development priorities have been developed under three key objectives, all utilising a staged growth model approach.



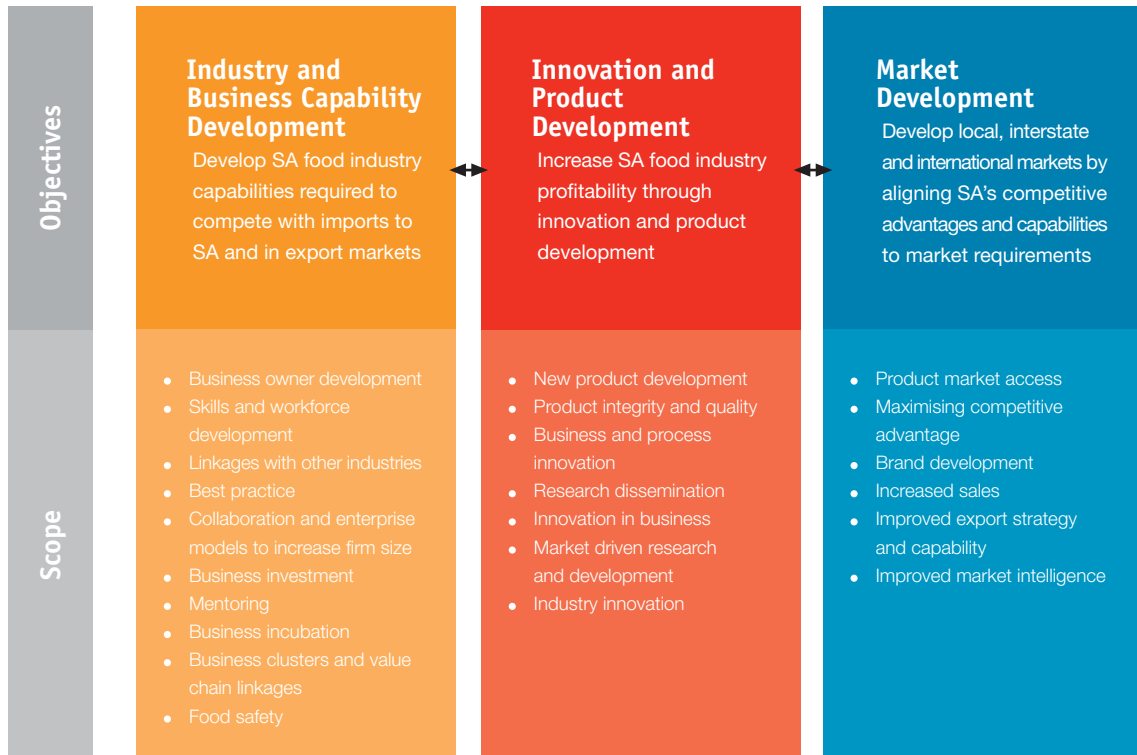
Objective Strategies

The coordinated program is driven by a core strategy related to the development of a staged growth model. The model will identify the position of industries and businesses on the growth cycle, with strategies to facilitate growth and increased profitability to contribute to the headline target.



Objective Scope

A number of key directions drive program development for each objective. These describe where strategies will create an impact.



PIRSA

Linkages

PIRSA's role is to optimise the return on South Australia's natural assets by:

- Fostering sustainable development of new and existing primary and resource industries.
- Facilitating global competitiveness and innovative solutions.
- Providing information and knowledge to industries to help them make the right decisions for themselves.
- Enabling the preservation of resources for future generations.
- Facilitating industry interaction with other agencies across government.

Consistent with the overall objectives of South Australia's Strategic Plan, PIRSA aims to deliver ecologically sustainable growth and development of innovative and internationally competitive primary industries.

PIRSA is responsible for some key strategies and programs which support this Plan including:

- Resource protection—planning for climate variability and climate change, energy management, water conservation, wastewater management, waste management and bio-security risks which impact on natural resources, production and market access.
- Infrastructure—promotion of strategic infrastructure investment.
- Regulation—implementation of a coordinated and consultative approach to the development and implementation of policies and regulation.

While the plan encompasses food industry development activities across government, PIRSA is the lead agency for implementing this Plan in partnership with industry.

Communications and events

Communications and events will continue to promote the South Australian food industry. The primary communication mechanisms will include:

- South Australian Food Talk Magazine
- Food-e-News
- Food website
- The Annual South Australian Premier's Food Awards
- Taste South Australia
- Other food related events

Agriculture, Food and Wine will provide the administrative support for the coordination and delivery of communications and event activities.

Performance Framework

The framework revolves around the Premier's Food Council, the focus of the industry and government partnership. The Council will be supported by committees and working groups as agreed by the Council and reviewed on a regular basis.

This section documents:

- The roles of industry, government and the partnership between industry and government.
- The shape and operation of the industry and government partnership.
- Performance measures—the SA Food ScoreCard, to assess the state of the food industry as a whole and focused performance measures for each of the three objectives and the strategies and programs designed to achieve them.
- Linkages between this plan its strategies and programs and other industry bodies and government agencies with a detailed analysis of linkages to the South Australian Strategic Plan.

Industry and government partnership

In a joint government and industry partnership for planning and action;

The role of industry is to:

- Invest capital, employ staff, develop products, develop markets and make profitable sales in a socially and environmentally responsible manner.

The role of government is to:

- Facilitate a business environment which encourages sustainable enterprise.
- Minimise business and compliance costs consistent with regulatory objectives.
- Invest in critical infrastructure, supported by 'user pays' charges as appropriate.
- Address market failure where the costs of doing so are justified by economic, social or environmental outcomes.
- Lend its weight to market development initiatives.

This section describes the framework of the government and industry partnership to ensure accountability and performance of each program funded under this Plan.

The government and industry partnership is the cornerstone to the development and implementation of this Plan. The role of the partnership is to:

- Develop food industry policy and strategy.
- Ensure accountability and oversee performance under the Plan.
- Resolve issues and respond to opportunities.
- Enable established industry leaders to mentor future leaders.

Premier's Food Council

The Premier's Food Council will continue to:

- Hold the strategic intent for the SA Food Plan.
- Provide strategic direction for and encourage State government support and participation in food industry development.
- Contribute to the development of government policy as it affects the food industry.

As a government convened forum, the Council will be chaired by the Minister for Agriculture, Food & Fisheries, supported by the Parliamentary Secretary to the Premier as Convenor.

The Council will meet once a quarter. Working papers will be issued one week before. Meetings will be dedicated to actively discussing and progressing strategic issues.

The work of the council will be supported by three Working Committees; Industry and Business Capability Development; Innovation and Product Development; and Market Development. The committees will meet in advance of Council meetings and report through their chairs to the Council.

Other committees and working groups will be established on an as needs basis.

Performance Framework

Council Committees

Working Committees

The Industry and Business Capability Development, Innovation and Product Development, and Market Development Working Committees will be chaired by industry representatives nominated by the Council and will comprise:

- industry representatives
- representatives of government agencies directly involved in the facilitation of actions under operational plans
- representatives of industry groups directly involved in the delivery of actions under operational plans
- other attendees as required

Food and Wine Issues Group

A Food and Wine Issues Group will coordinate government action on matters referred from the Council or its Working Committees. The issues group will comprise the:

- Chief Executive Officer of PIRSA
- Executive Director of PIRSA - Agriculture, Food and Wine

Plus Chief Executive Officers or senior representatives from the:

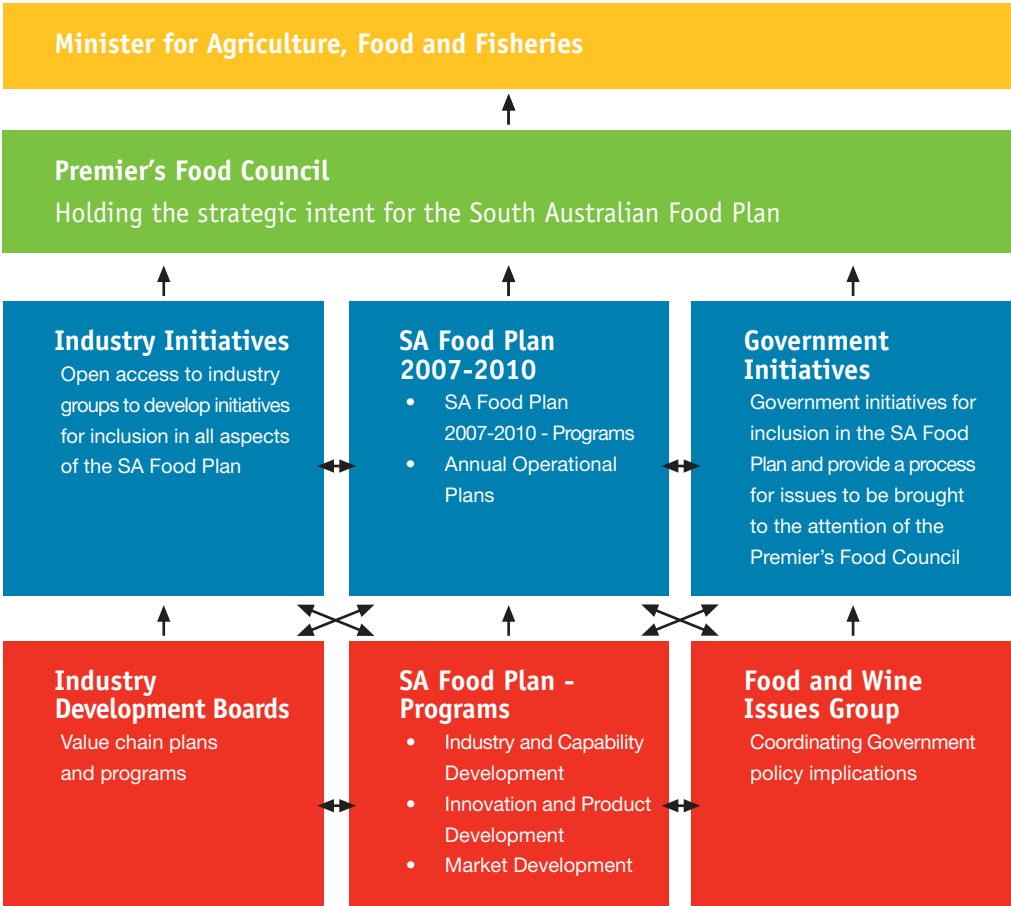
- Department of Trade and Economic Development
- Department of Further Education, Employment, Science and Technology
- Transport SA
- Planning SA
- Department of Health
- Environment Protection Authority
- Office of Regional Affairs
- Office of Small Business
- South Australian Tourism Commission

The Food and Wine Issues Group will meet subsequent to each Premier's Food Council meeting and as required to complete tasks. It will be chaired by the Convenor of the Premier's Food Council and will report to the Council through the Convenor.

Secretariat

The secretariat for the Premier's Food Council, its Working Committees, the Joint Working Group and the Issues Group will be provided by PIRSA - Agriculture, Food and Wine.

Performance Framework



Performance Framework

Performance measures

Straightforward performance measures have been identified to measure overall industry performance and to measure performance against each objective of the Plan. To ensure performance is measured appropriately the following will be undertaken:

SA Food ScoreCard

The purpose of the SA Food ScoreCard is to monitor the state of the food industry as a whole.

Some performance measures are already included in the current ScoreCard framework, drawn from economic analysis and ABS statistics. A limited number of new measures will be introduced.

Economic

- Finished food value
- Processed food value
- Overseas exports
- Interstate sales
- Import replacement
- Gross food revenue
- New sustainable businesses
- New capital investment
- Ranking of competitiveness of food processing sector
- New exporters
- Total economic return to South Australia

Environmental

- Water efficiency
- Air pollutants emissions intensity
- GHG emissions intensity
- Waste utilisation
- Waste efficiency ratings

Social

- Total employment: agriculture and food industries
- Post school qualification
- Number of people completing food related courses
- Relevant qualifications (agriculture and food related)
- Average income

In addition, the ScoreCard will provide more detailed regional commentary to measure the economic contribution of the regional food sector. A key component of the revised ScoreCard is the inclusion of benchmarks that enable food industry trends to be compared with other Australian states and similar national or sub-national economies internationally.

Program performance measures

The purpose of the program performance measures is to monitor implementation of the strategies and programs contained in the Plan. Program performance will be measured via a sampled survey of food businesses and from reports to be provided by participants and PIRSA - Agriculture, Food and Wine.

Detailed below are the performance measures for each program. Refer to the programs document for more information.

Industry and Business Capability Development

- Business turnover (\$)
- Employment (# of FTEs)
- Business investment (\$)
- Changes in business and workforce skill levels (as measured by audits and surveys)
- Growth in food tourism (SATC surveys)

Performance Framework

Innovation and Product Development

- Increase in value of finished food products
- Level of business investment in R&D
- Level of business investment in new capital
- Other measures from audits and surveys, including
 - number of new products launched
 - number of food innovation clusters food businesses are involved in
 - change in business and technical skills and capability
 - degree of planning—business and innovation integrated into business operations
 - number of federal grants awarded to SA food businesses

Market Development

- Program participation
- Commercial partnerships established
- Export sales
- New market entry
- Collaborative arrangements established

Performance management

A performance report will be presented regularly to the Premier's Food Council. The performance report will include:

- Assessment of high level industry development outcomes using the SA Food ScoreCard.
- A concise assessment of progress against specific Plan objectives and strategies.

Review and evaluation

Performance under the Plan will be reviewed internally once a year and externally evaluated in 2010.

Linkages

The Plan is linked to other government and industry plans.

- The focus and target of this Plan is guided by South Australian Strategic Plan targets.
- Industry Development Board chairs are members of the Premier's Food Council. Value chain plans developed by the boards are guided by this Plan and programs intersect with its strategies.
- A number of industry plans are linked to and support this Plan:
 - Beef
 - Pork
 - Citrus
 - Poultry
 - Dairy
 - Seafood
 - Honeybee
 - Sheep
 - Olives
 - Vegetable
- Strategic and operational plans developed by PIRSA and other government agencies intersect with this Plan. Senior executives of these agencies are involved in the Premier's Food Council, Joint Working Committee, Working Committees and Issues Group.
- DAFF and Austrade are invited presenters or observers at the Premier's Food Council and relevant Working Committee meetings.
- Regional development boards host Industry Development Officers (IDO) and work with them under written agreements to deliver this Plan programs locally.
- Plan strategies are widely communicated to the food industry and influence the business plans of food industry associations and individual food businesses.

Performance Framework

South Australian Strategic Plan

The Plan is linked to the South Australian Strategic Plan targets of:

Economic growth

Economic growth

Exceed the national economic growth rate within 10 years. (T1.5)

Jobs

Better the Australian average employment growth rate within 10 years. (T1.1)

Unemployment

Equal or better the Australian average within 5 years. (T1.2)

Youth unemployment

Equal or better the Australian average within 5 years. (T1.3)

Competitive business climate

Maintain Adelaide's rating as the least costly place to set up and do business in Australia (KPMG Competitive Alternatives study) and continue to improve our position internationally. (T1.4)

Investment

Match or exceed Australia's ratio of business investment as a percentage of the economy within 10 years. (T1.6)

Exports

Treble the value of South Australia's export income to \$25 billion by 2013, with exporters assisted by the work of the industry-led Export Council which was established in 2004. Industry-agreed sector goals that will assist in meeting the overall target include \$7.5 billion by 2013 by the food industry in meeting the SA Food Plan target. (T1.12)

Tourism industry

Increase visitor expenditure in South Australia's tourism industry from \$3.4 billion in 2001 to \$5.0 billion by 2008 by increasing visitor numbers and length of stay and, more importantly, by increasing tourist spending. (T1.13)

Investment in science, research and innovation

Exceed the national average of business expenditure on research and development (as a percentage of GSP) and approach the OECD average within 10 years. (T4.6)

Environmental sustainability

Greenhouse emissions

Achieve the Kyoto target during the first commitment period (2008–2012). (T3.3)

Ecological footprint

Reduce our ecological footprint to reduce the impact of human settlements and activities within 10 years. (T3.10)

Zero waste

Reduce waste to landfill by 25% within 10 years. (T3.11)

Social responsibility

Regional population levels

Maintain and develop viable regional population levels for sustainable communities. (T5.8)

Regional unemployment

Reduce regional unemployment rates. (T5.9)

Regional infrastructure

Build and maintain infrastructure to develop and support sustainable communities in regions. (T5.11)

Income inequality

Raise the lowest incomes of South Australians relative to those of the average South Australian. (T6.3)

Non-school qualifications

Increase the proportion of the South Australian labour force with non-school qualifications from 50.7% in 2002 to 55% within 10 years. (T6.15)

Definitions

Export markets

Food sold to interstate or international markets.

Food industry

Any business concerned with producing (includes pre-farm gate), processing, preparing, preserving, marketing, distributing and serving of foods and beverages.

Food sector

A component of the food industry involved in producing common food types or using similar production methods.

Food

Any substance consumed by humans to provide nutritional support for the body.

Finished food

Finished food includes processed food and foods with highest value as natural unprocessed food.

Innovation

Developing new ground breaking ways to create greater product value or increase the wealth of a business.

Local markets

Markets located within the state of South Australia.

Staged growth model

Identification of individual food businesses position on the growth cycle and development of appropriate programs/service to facilitate growth and increase profitability.

Value adding

Additional value created to food at any position in the supply chain. This may include transforming food. An activity in a process that adds value to an output product or service.

Abbreviations

ABS

Australian Bureau of Statistics

DAFF

Department of Agriculture, Fisheries and Forestry (Commonwealth)

DFEEST

Department of Further Education, Employment, Science and Technology

DTED

Department of Trade and Economic Development

EPA

Environment Protection Authority

PIRSA

Primary Industries and Resources South Australia

SATC

South Australian Tourism Commission

www.safoodcentre.com



PIRSA
Agriculture, Food and Wine
a Level 9, 101 Grenfell Street
GPO Box 1671
Adelaide SA 5000
p +61 8 8226 0299
f +61 8 8463 3366
e contact@safoodcentre.com
w www.safoodcentre.com



Government of South Australia
Primary Industries and Resources SA