

Ice cream industry australia



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The following report is mainly based on the ice cream industry's manufacturing output and refers to ice cream mixes, soft serve mixes and ice confection, produced and sold to the domestic and export market.

The industry is generally growing slower than the economy so its life cycle is in a decline phase, but has been stable for the past 5 years and is forecast to grow inline with the economy. Over the past 5 years there has been considerable development in new products more so towards the premium end of the market, but generic branded products still are the largest sellers within the grocery industry. The key industries that purchase the output of ice cream are Supermarkets, Food service, Route Trade and Export.

The top 5 manufacturing companies are estimated to hold approx 40 to 55 percent of the market share. The number of establishments in the industry increased from 40 to 95 within the last 5 years, which comprises of relatively small number of large producers and a large number of small producers.

Competition is intense and increasing due to competition between ice cream and the dessert market. Also imports are a threat to the industry, which prominently come from New Zealand.

Seasonal conditions strongly influence the industry, unseasonable conditions during the warmer months and drought can have effect on consumer demand and costs. Producers manufacture the majority of their product through the cooler months in readiness for demand in the warmer months.

A full analysis of the industry is detailed in various parts of this report.

In the late 1980s the ice cream industry decreased by an average of 1.6 percent per annum. Ice cream manufacturers started to look at different ice cream products to raise revenue in the face of declining sales, with one of the first products to be introduced was high margin premium ice cream.

In 1986 Kraft was one of the first companies to introduce a super-premium ice cream range Kraft's Plumes, this was released for sale mainly through supermarkets. This caused other producers to introduce high quality, high priced products also, but they had mixed success. Streets introduced the Caprice D'Or range of exotic ice creams and sorbets in 1988, but they failed and were dropped in September 1989. In the same year, Streets purchased the Plumes range from Kraft, but this had mixed success also and subsequently failed.

With the deterioration in economic conditions in the early 1990s, it appears that consumers switched to lower quality products and to iced confection, which to the consumer this was a low cost affordable product. So due to the adverse economic conditions producers switched from the higher margin product lines to lower margin products.

In 1989 ice cream versions of some major confectionery lines were launched in Britain and the United States therefore in November 1990, Mars launched ice cream versions of its Mars Bar and Snickers Bar in Victoria and Cadbury's launched an ice cream version of its Crunchie chocolate bar early in 1991. This then started to change the ice cream industry product lines from traditional past ice cream products to new but recognised product lines which was accepted by all segments of the market. This therefore opened up

the ice cream industry with new and innovative products and from the mid 1990s even though the growth rate fluctuated from year to year the industry has experienced a steady growth through the 1990s and the new millennium.

The Australian Ice Cream Industry Manufacturing ranks 351 out of 478 by industry turnover and its life cycle is in a decline phase, which means that the industry is generally growing slower than the economy. Capital/labour intensity is medium and the uptake of new technology is medium. The industry's globalisation level is high and the trend is increasing.

The market growth of ice cream and frozen confection is somewhat mixed. There is a threat an increasing proportion of the production of value added products will be transferred to the retail sector via ice cream parlours who will therefore manufacture ice cream on site and so will not be included in future industry reports. Also area of concern for ice cream producers must be the increased competition from other dairy and non-dairy desserts.

One area that the industry is researching and looking more towards is vegetable oils as its raw materials and shift away from dairy fats. This is in response to consumer concerns about their health.

On the other hand, some firms may opt to develop low fat, protein-enriched dairy-based products. Such products could also be promoted as a source of calcium to combat degenerative diseases such as osteoporosis.

Exports are forecast to increase but will remain relatively small due to the nature of the product. There is little likelihood that exports will account for a

significant proportion of production in the near future. Developments which increase the flexibility of handling and shipping finished products could encourage exports.

The industry is dominated by two very large producers, Peters (owned by Nestle) and Streets (Owned by Unilever). The third largest player in the industry is the Bulla Ice Cream Company, which is owned by the Regal Cream Company and Peters & Brownes is also a significant player, which produces the Cadbury range. There are a significant number of smaller producers these include Dairy Farmers Group (formerly Australian Co-operative Foods), Sara Lee, Australian Food Group, Norco and a number of other dairy co-operatives. Housebrands/generics have an estimated 22% market share in the last financial year 1999-00 it had an estimate increase of 30% (Aztec 2001).

In early to mid 1990s the first of the serious boutique ice cream parlours entered the market. Norgen Vaaz operation would open 17 to 20 outlets along the eastern coast, it is now owned of the Australian Food Group Ltd. The introduction of boutique ice cream parlours has increased significantly with the likes of Dairy Bell, Wendy s, Baskin & Robins to name a few.

New entrants such as Sara Lee and Cadbury who have established activities in other food areas and have entered niche segments of the industry only. In September 1999, Movenpick, a giant Swiss food, hotel and restaurant company, entered the Australian premium ice cream market to exploit the current under development of this segment.

The super premium ice cream segment accounts for just 5 per cent of sales, compared with 15 to 18 per cent in Asia. Movenpick is currently having its restaurant quality ice cream manufactured under licence and at the end of 2000 Movenpick had begun operations in Australia. The company plans on marketing itself as being the sole supplier of authentic Swiss ice cream.

In November 1999, Pillsbury Australia began production of its Haagen-Dazs super premium ice cream. Pillsbury spent approximately \$3 million over the pursuing 12 months to launch its international prestige brand with mixed success so far.