

The Australian economy of the food processing sector economics essay

[Economics](#)



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Before the start of the research, the following objectives were set. The need to evaluate the exports for Processed Foods vs Unprocessed foods with more emphasis to be laid on Processed Foods and its market. To analyse the consumption of Self - Processed Foods in Domestic Market. To research on the case of Livestock - Cattle and Sheep Trade which offers options of processing meat internally or exporting to process it externally? Also a set of expected outcomes to be achieved from the Research Project are as highlighted below: Future viability of Food Processing in Australia. Understanding growth opportunity areas in the food sector. Identifying impediments in exporting processed food.

The Scope of this Report

The report recognises the important role played by the food processing industry in the Australian economy. It is a vital component of the economy and was Australia's largest manufacturing industry in 2010-11, accounting for nearly 22 per cent of manufacturing gross value added. (Food processing industry, Strategy report 2012). The report also identifies food processing industry in domestic market, the domestic consumption in Australia is relative insensitive to the changes in income, with expenditure changing by smaller proportion than changes in household income. Also the overall trend in expenditure suggests that, since 1948-49, consumers may have been including higher proportion of high value foodstuffs such as sea food in their diet. (Short, Chester and Berry 2006). The report further covers about the various challenges and opportunities in domestic market such as the industry make a significant contribution to regional communities through employment, business, and investment and service opportunities

contributing for at least 23% of the employment in Australia. (Food processing industry, Strategy report 2012) The industry is one of the major contributors in export. Australia is a significant exporter for food products such as wheat, sugar, barley, beef and sheep meat, live sheep and cattle, and wine and ranked 16th in the world as a food exporter in 2010. (Food processing industry, Strategy report 2012). The viability of the industry is inextricably linked to the price of raw materials and other input costs, a fact that has been emphasised in the numerous inquiries that have been held into the industry over the past few decades. The report focuses on identifying various areas of strength, weakness, opportunities and threat of the food processing sector in both domestic and international market and analysing the future viability of the food processing sector in Australia. The report attempts to analyse the impact of the Australian food industry both domestic consumption and export on the Australian economy. The report covers the special case of Australian live cattle industry and has further analysed the live cattle industry and its various implication on the Australian economy. The live cattle industry helps in understanding various legal, political, economical, and social aspect in processed and live cattle export. The case helps in giving more insight in to the Australian food industry.

Australian Food Manufacturing Sector

Major role in the Australian economy

Food processing is Australia's largest manufacturing industry. It is also seen to have considerable potential for increased growth, mainly through exports.

In 1997/98, the industry⁴ employed 167, 774 people and had a turnover of \$46. 6 billion. Processed food industry output constituted 18. 8 per cent of

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total manufacturing sector Industry Value Added. Between 1991/92 and 1997/98 the processed food industry's rate of growth (36 per cent) was greater than for manufacturing as a whole (27 per cent).⁶ By contrast, growth in manufacturing in the 1980s as a whole was substantially greater than the growth in food processing. (Food processing industry, Strategy report 2012).

Exports under-perform

Between 1985 and 1996, world trade in agriculture and food more than doubled, reaching US\$464 billion. (Food processing industry, Strategy report 2012). By contrast, Australia's processed food exports have grown much more slowly than unprocessed exports. Official statistics compiled by the Department of Foreign Affairs and Trade (DFAT), show that Australia's processed food exports increased from \$9, 073 million in 1994 to a \$9, 538 million in 1998 — representing growth of just 5. 1 per cent over the period. Unprocessed food exports over the same period increased almost 40 per cent, from \$5, 067 million to \$7, 083 million. Australia's comparatively poor export performance in processed foods is also evident from statistics for global trade from the International Trade Centre (UNCTAD/WTO). While the definitions for processed foods differ slightly between the ITC and the DFAT series, the figures from both organisations nonetheless permit a useful international comparison and show Australia lagging behind the major exporters of processed food, in terms of both growth and market share.

Food Industry and Domestic Markets

Structure of Australian Food Industry

Australia produces a wide range of processed food. In 1997/98, meat processing was the largest contributor to both turnover (21 per cent) and employment (30 per cent). The categories which have experienced the fastest growth in recent years are flour milling and fruit and vegetable processing. Large firms dominate the industry and at least 50 per cent of food manufacturing capacity is foreign-owned. In 1997/98, Australia's 20 largest food manufacturing companies accounted for nearly half total industry turnover. Of the top 20 firms, only seven are wholly Australian-owned, nine are wholly foreign-owned or controlled and four are a mixture of local and foreign equity. Three of the seven Australian-owned firms in the top 20 are farmer-owned co-operatives. (Food processing industry, Strategy report 2012). The structure of the Australian Food Processing Industry presented by the Australian Government (Department of Industry, Innovation, Science, Research and Tertiary Education) covers a number of sectors, highlighted as below:

Sector	Turnover (as of 2005-06)
Bakery Products	4,005
Beverage and Malt Manufacturing	13,289
Dairy Products	9,991
Flour mill and cereal food manufacturing	3,692
Fruit and Vegetable processing	4,672
Meat and meat products	17,836
Oil and fat manufacturing	1,547
Seafood processing	1,330
Sugar and confectionary	6,456
Other food manufacturing	8,554
Total	71,372

71,372

As of June 2011, it was found that the number for small and medium sized businesses in the food and beverage product manufacturing industry was

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around 12,823 which accounted for 99% percent of the overall business in the specified industry. The 50 largest food and beverage corporations contributed to almost 3/4th of the production revenue in domestic industry.

Australia Food Export Market (To be updated)

Major markets of food exports for Australia are New Zealand, Japan, China and the United States of America, along with majority of exports to South East Asia. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11) Australian food exports (processed and unprocessed categories) increased by \$2.6 billion to \$27.1 billion in 2010-11, while the imports (processed majorly) increased by \$0.5 billion to \$10.6 billion in 2010-11. Australia's trade surplus thus increased due to increase in food exports in 2010-11 by \$2.1 billion to \$16.5 billion. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11)

The global food industry

In 2010, the total global food exports were estimated at US\$1026 billion of which the United States, the world's largest food exporter had a market share of 10.8 per cent. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11). Due to the rising global demand for food exports the prices of international food exports have seen a rising trend. Australia is ranked 16th in the world as a food exporter and 32nd as a food importer in 2010. Australia's major exporting items include food products such as wheat, sugar, barley, beef and sheep meat, live sheep and cattle, and wine. As we can see from table most of the big food

exporters are also big importers of food. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11) Geographic location of Australia gives access to the largest growth market, Asia, which in the recent years has seen considerable growth, especially China, whose food imports increased by 32 per cent in 2010. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11) For processed foods, alcoholic beverages and meat were the most traded food and beverage product globally in value terms in 2010. (Sources: Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics: 2010-11)

Growth Markets

People in South Asian market have less proportion of income spent on processed food as compared to income spent on unprocessed food. As these countries develop further the people's spend on processed foods will increase and thus the requirement of food processing industry. Australia can try to catch on this trend wave and may like to be benefitted from it. Below are the list of top 5 growth markets for Australia's food industry.

(Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics 2010-11)

China

The largest market for Australia's processed and unprocessed food exports is China. It accounts for approximately \$1.5 billion which is up 6% from 2009-10 (Department of Agriculture, Fisheries and Forestry, 2012, Australian Food Statistics 2010-11). As the China's per capita income is rising there is a clear

upsurge in the demand for Australia's food imports. Also as the per capita income is rising there is an increase in the living standards of Chinese people and thus Chinese consumers' desire for more variety and higher quality foods, and increasing demand for protein such as meat and dairy. As Chinese people will focus on quality, reliability and safety of its food industry outputs, there is an opportunity for Australian food manufacturing companies (Austrade: www.austrade.gov.au/Food-and-beverage-to-China/default.aspx, 2010) Chinese consumers recognize Australian products as having a 'clean and green' environment with good quality products and brands. Some of the current exports to China include products such as meat, dairy products, fresh fruits and seafood. (Austrade: www.austrade.gov.au/Food-and-beverage-to-China/default.aspx, 2010)" Market feedback has shown interest in Australian suppliers of: milk powder; Ultra High Temperature treated (UHT) milk; cheese; butter and margarine; seafood (oysters, live lobster, live abalone, live king crab); fresh fruit (citrus); wheat, barley and rice; frozen red meats (beef, veal, lamb); processed foods, particularly baby food; wine and beer; fruit juice; convenience and 'instant' foods; and confectionery and snack products". (DAFF, 2012, Ibid, 9.) Another major export category to China is wine which is valued at \$178 million in 2010-11, up 23.6 per cent from the previous year. China is Australia's fourth-largest market in terms of value of wine exports. (DAFF, 2012, Ibid, 9.) After the entry of China into the World Trade Organization (WTO), China has reduced its overall average tariff for agricultural products from 21.2 per cent to 15.3 per cent. However, tariffs are still on the higher side for some key products

for Australia such as wheat (as high as 65 per cent). (Austrade, 2012, Ibid, 10)

Republic of Korea

The market of South Korea is rapidly evolving to adapt to new trends and is focused on cost and value. Still most of the products needs to be customized for taste and packaging. A good local partner in the market is essential for successful business. Australia's food is seen as safe and of high-quality.

Customers are willing to purchase Australian products if competitively priced and suppliers are flexible and responsive. (Austrade, 2012, Ibid, 10) Tariff rates in South Korea are relatively high and there is quota restrictions on a broad range of imported food products. However, South Korea is also proactive in developing bilateral Free Trade Agreements with trading partners and this represents an opportunity for Australia. Australia-Korea FTA will decide Australia's future competitiveness in the Korean market.

(Austrade, 2012, Ibid, 10)

Indonesia

Indonesian market is seeing an increasing preference for imported goods like meat, dairy and convenience snacks in middle and upper middle class. As Indonesia is predominantly a Muslim country, so products that satisfy Islamic dietary requirements such as halal meat sell best. (Austrade, 2012, Ibid, 10) Australia's major exports to Indonesia include live cattle, dairy, fresh produce, meat (excluding beef), lamb, cereal, beverages and wine.

(Austrade, 2012, Ibid, 10)

Malaysia

Food and beverage sector in Malaysia is a mix of traditional markets such as restaurants, street vendors, modern retailing (supermarkets, hypermarkets, convenience stores) and food service operations (hotels, restaurants and institutions). (Austrade, 2012, Ibid, 10) Australia-Malaysia Free Trade Agreement was signed on 22 May 2012. As per the agreement annual increases in Australian exports of liquid milk at zero tariffs; the elimination of tariffs on processed foods and the phase out of tariffs on tropical fruit (mangoes, melons, pineapples and longans) by 2016. The agreement is expected to enter into force in 2013. (Austrade, 2012, Ibid, 10)

Thailand

After an outrage of bird flu in past the Thai consumers are now more concerned about the food security, safety and quality requirements. Also these fears are a result of incidents like contamination of milk from China. These concerns have raised demand for products which meet the safety and quality requirements and also the opportunities for Australian food exporters. (Productivity Commission Research Report, Bilateral and Regional Trade Agreements, November 2010) Thailand-Australia Free Trade Agreement was signed back in 2005. According to the FTA there has been liberalization in many sectors including food. The applicable tariffs have been reducing every year on a range of products which gives Australia a significant competitive advantage over its major competitors. From 2003-04 to 2008-09 the exports of Table grapes have grown four times to \$24 million. (Productivity Commission Research Report, Bilateral and Regional Trade Agreements, November 2010)

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3.5 Role of Government

Individual and businessmen are the two major entities that are involved in the food system that produce, sell and buy food from one another in accordance with the law formed by the government. The Government always wants to form rules that will help individuals and businessmen to have a smoother and efficient trade along with the rules that benefit all the entities involved in the trade. The Australian Government and the state and territory governments are responsible for ensuring Australia meets its obligations arising from World Trade Organization (WTO) agreements, bilateral free trade agreements and similar international commitments. (Source: DAFF 2012a, Australian food statistics 2010-11, Department of Agriculture, Fisheries and Forestry, Canberra) In general the Australian government doesn't intervene much and allow businesses and individuals the freedom to choose how to conduct themselves unless and until strong reason is required. At the same time the Australian Government, under the National Food Plan, wants to ensure its policies continue to be effective and appropriate and that institutional arrangements are sufficiently flexible to adapt to changing circumstances.

Current food policies approach:

The Australian Government uses a range of mechanisms to coordinate policy development, implementation and review, some of which are as follows (Source: ABARE 2006, Australian food industry: performance and competitiveness) the Administrative Arrangements Order (AAO), made by the Governor-General, which defines the responsibilities of Commonwealth ministers and their portfolios a rigorous Cabinet decision-making process

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(including subcommittees) interdepartmental committees, intergovernmental forums (including a bi-national food regulation system with New Zealand), a variety of stakeholder liaison forums that inform policy setting. (Source: DFAT 2011, Gillard Government Trade Policy Statement: Trading our way to more jobs and prosperity, Department of Foreign Affairs and Trade, Canberra.) All the different tiers of the government in Australia need to coordinate very effectively to ensure the best policy result. State and territory governments can legislate to address many aspects of food policy, particularly where regulation is required. For food regulation, Australia has a cooperative bi-national arrangement between the Australian Government, the state and territories and New Zealand. Council of Australian Governments (COAG) and its sub-committees, the Australian Government and the states and territories (and New Zealand for food regulation) work to facilitate a nationally consistent policy approach. Local governments also provide a broad range of infrastructure, economic and community services to the community, including in the food system. Two key intergovernmental forums relevant to the food system in Australia are the COAG Standing Council on Primary Industries (SCoPI) and the COAG Legislative and Governance Forum on Food Regulation (FoFR). The membership and responsibilities of these two intergovernmental forums are outlined in Figure 3.5. These arrangements, among others, help manage cross-cutting issues and competing policy objectives to ensure the best policy approach is chosen.

FIGURE 3.5
Membership and responsibilities of two key intergovernmental forums

Forum	Membership	Responsibilities
Standing Council on Primary Industries (SCoPI)	Australian, state, territory and New Zealand governments	Coordinating policy on primary industries
Legislative and Governance Forum on Food Regulation (FoFR)	Australian, state, territory and New Zealand governments	Coordinating food regulation policy

SCoPI comprises the Australian, state, territory and

New Zealand government ministers responsible for agriculture, food, fibre, forestry, fisheries and aquaculture industries and rural adjustment policy. SCoPI is the peak forum to: pursue and monitor priority issues of national significance affecting Australia's primary production sectors which require a sustained and collaborative effort across jurisdictions address key areas of shared Commonwealth, state and territory responsibility and funding for Australia's primary production sectors. In October 2011, SCoPI identified three priority issues of national significance, including: reforming the national bio security system promoting the ongoing productivity and sustainability of the agriculture, fisheries and forestry industries Undertaking coordinated action across jurisdictions to strengthen long-term food security. The FoFR comprises the Australian, state, territory and New Zealand government ministers responsible for regulation of food and beverages, as well as other ministers from related portfolios (such as Primary Industries and Consumer Affairs) as nominated by their jurisdictions. The FoFR is primarily responsible for developing bi-national food regulatory policy and developing policy guidelines for setting bi-national food standards. The FoFR also has the capacity to adopt, amend or reject proposed food standards and to request these be reviewed. Source: DAFF 2012a, Australian food statistics 2010-11, Department of Agriculture, Fisheries and Forestry, Canberra

3. 6. Global Food Trade and Policies

As Australian market produce net surplus of food therefore export market is very important opportunity for the Australia food industry along with the one of the most important means to generate income. Therefore government have various policies which helps and ensures the export market of food

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industry. Some of the government policies for the global food trade and export can be listed below as: Australia is the member of World trade organization (WTO) and progresses its policy of global trade liberalisation. Australia adheres to the discipline and standard set by WTO and also ensures that the policies adopted are in accordance with the WTO. The Australian Government supports high-quality, truly liberalizing bilateral and regional Free trade agreements (FTAs) that support the multilateral system. Such agreements can promote a liberalized approach to trade in food and agricultural products between Australia and its trading partners (Productivity Commission 2010). The Australian Government also facilitates exports of goods and services by providing a range of trade services to export-ready Australian companies looking to expand their business in growing and emerging markets. The government also provides market intelligence and support to Australian food businesses through its overseas-based officers, including agricultural counsellors. This network of government representatives, based in key Australian embassies around the globe, facilitate trade by providing country-specific trade advice to potential importers and/or exporters, fostering greater cooperation and linkages between Australia and its key trading partners, promoting greater international understanding of Australia's bio security and food safety systems, supporting scientific bio security and quarantine policies, negotiating market maintenance and improvements (including through resolving technical market access issues), and pursuing Australia's trade policy objectives including reducing and removing distortions to international trade. The Australian Government places a high priority on its trade policy

agenda. The government's trade policy aims to ensure trade continues to contribute to national prosperity by reducing trade restrictions in Australia and abroad, including establishing new markets by promoting greater liberalization, maintaining access to existing markets, and removing other barriers and distortions (i. e. subsidies) in global agriculture and food markets.

Growth Opportunity Areas

The various factors are responsible for the growth of the export market of the food industry. As we know the world is moving to globalization and more and more countries are getting into various forms of trade agreement with each other. Therefore there is lot of scope of the growth. At the same time if we talk of food industry we can find many drivers which will pull up the export market. Some of the drivers can be listed as follows:(Source: HSBC 2012, Global Connections Trade Forecast, Global and Australia reports, HSBC.)Global population and income growth: With the increase in income the demand of goods and services increases. The other reason for the increase in demand is because of increase in population. The world population is projected to reach 8 billion by 2030 and 9. 1 billion by 2050—an increase of 32 per cent from 2010 levels. Therefore with increase in population and income level will boost the export market. Asian growth: As Australia is major food exporter to the countries located in Asia Pacific region, therefore growth in the Asian market will internally help and grow the export of Australian food product and it is projected by Organization for Economic Co-operation and Development (OECD) that the world's middle-class will grow from 1. 8 billion today, to 3. 2 billion in 2020, and to 4. 9 billion by 2030, with 85 per

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cent of this growth coming from Asia. These are the couple of growth opportunity areas which will help in the growth of the food export industry in coming future. (Source: HSBC 2012, Global Connections Trade Forecast, Global and Australia reports, HSBC.)

Outlook: Challenges and Opportunities

The value of Australian food exports increased to \$27 billion in 2010-11, including nearly \$17 billion worth of processed foods, which represents approximately 63 per cent of total food exports. Japan remains the largest destination for Australian food exports, with the ASEAN group of countries also growing in importance as a destination for Australian food exports.

(Source: Ms Ann Bray, General Manager, Food and Chemicals Branch, Department of Industry, Innovation, Science, Research and Tertiary Education, Committee Hansard, 11 May 2012,)

Opportunities:

The growing middle class in India, China and South East Asia is will increase the food export market to much extent. (Source: Ms Kate Carnell, Chief Executive Officer, Australian Food and Grocery Council, Committee Hansard, 13 December 2011, p. 24.) The Department of Foreign Affairs and Trade (DFAT) informed the committee that as a result of the growth in the world population, and with a substantial amount of that growth being in Asia, 70 per cent more food will be required by 2050. The horticultural sector of the industry was identified as an area that despite having potential for significant growth requires assistance. It is the third-most important industry to Australia behind beef and grains. (Source: Mr Allen Grant, First Assistant

Secretary, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry, Committee Hansard, 11 May 2012, pp 21-22.) The AFGC recommended a 'brand Australia' approach to take advantage of Australia's clean, green image. Australia can leverage the clean green image in food industry as well which in turn will increase the brand value leading to more exports in the market. (Source: Ms Kate Carnell, Committee Hansard, 13 December 2011, p. 24.) Australia has a comparative advantage in the agri-food sector as a 'clean, safe and high-quality' food producer, other sectors of the food industry.

Challenges

Strong Australian dollar: According to high dollar is clearly putting 'significant competitive pressure' on some industries as it makes Australian products more expensive. (Source: Mr Christopher Langman, Department of Foreign Affairs and Trade, Committee Hansard,) 11 May 2012, pp 48-49. **Cheap imports:** As the strength of the Australian dollar has put pressure on exports, competition from imports has intensified. Submitters to the inquiry suggested that not only are imports increasing as a result of the strength of the dollar but they are also originating from markets where government heavily subsidises the domestic food processing sector. (Source: Mr Andrew Spencer, Australian Pork Limited, Committee Hansard, 13 December 2011, p. 3) **Regulatory cost:** In order to export the food items government has set certain regulation before the export of the food items that food has to go under the certification program that increases the cost of exporting the food. The service is called as Australian Quarantine Inspection Service (AQIS). **Free trade agreement:** Free trade agreement leaves the domestic producer at <https://assignbuster.com/the-australian-economy-of-the-food-processing-sector-economics-essay/>

disadvantages as there are certain countries where the producer cannot trade because of different rules in those countries. At the same time FTAs makes the entire process complex , as it makes difficult for small companies to understand all the polices of free trade, which will make them to spend a huge amount of money to fulfil all the obligations. (Source: Australian Food and Grocery Council, Submission 12, p. 18.)

Analysis of the Current Food Industry

Australia as one of the major economy of the world has to find the various ways to keep going and increase employment and GDP. One of the areas where Australia can look into is food industry. In order to capitalise the full utilization of the food industry it must innovate, grow and improve its sustainability and exploit more effectively its significant natural and other advantages on the growing and processing of foods. In order to have sustainability it is very important to harness its strength, overcome weakness, identify opportunity and mitigate threat. 4. 1 SWOT Results: The analysis of the SWOT helps in understanding the food industry in better way such as areas of strength, weakness, opportunity and threat. The Australian food industry already have a good past record with some outstanding sectors. Australia food industry has natural advantage in growing and harvesting crops and other food. At the same time the educated and multicultural work force with entrepreneurial spirit makes it more efficient. Australia has excellent food safety credential, its disease free status, strong regulatory regimes and innovation in traceability, quality assurance and supply chain, are considered by the international analyst to be important

factors in the food industry's future domestic and export success. The above mentioned points can be shown in the figure 4. 1 and 4. 2

4. 2 Strength

Reputation for product safety and high-quality including disease-free status. Large, high quality public research institution. Available energy, raw material and land. Educated innovative, motivated and multicultural workforce. Economic fundamental are sound and domestic market is growing. Stable and open political system including intellectual property enforcement. R&D tax incentive encourages innovation and investment.

4. 3 Weakness

Small domestic market means manufacturing economies of scale are difficult to achieve, profit pool in Australia is shallow and shrinking. Labour costs are higher than in the developing countries. Land and factories are expensive to set up. Freight costs (at current scale) to reach market are high whether domestic or international. High levels of regulatory burden; inconsistent regulation, and/ or poor design of regulation/programs. Competition for skilled/unskilled workers is high, especially in low unemployment periods. Declining numbers of food scientists and food technologists. Vast majority of food companies are small.

4. 4 opportunities

32% increase in world population by 2050 Increasing middle class in Asian countries close to Australia will desire safe, quality convenient protein-based foods. Lifestyle trend for convenient and tasty, healthy and sustainable foods. Reduction in post-harvest wastage.

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4.5 Threats

Market structure - supermarket duopoly. Sustained high Australian dollar.

Climate change. Increasing energy costs. Barriers to export trade. Access to capital. Fear of emerging technologies.

A Case of Livestock – Cattle and Sheep Trade

Current Scenario and Growth

Being a world leader in the export of Red Meat and Livestock, Australia is one of the World's largest and most successful producers of commercial livestock. As per the 2011 MLA estimate, the off-farm beef and sheep meat industry is currently valued at AUD 16 billion. Currently, the national sheep flock is at 68.1 million heads while the beef cattle herd size is at 26.6 million heads (source : ABS, Agricultural commodities, 2010). The dairy cattle contributed an additional 2.6 million heads to the cattle herd while the national goat flock contributes to 3 million heads.

Beef Industry

The Australian beef industry has an off-farm value of \$ 11.6 billion and the gross value of Australian cattle and calf production is estimated at \$ 7.9 billion. The national cattle herds stand at 28.5 million heads with 12.8 million beef cows and heifers. Beef industry constitutes 58 % of all farms with agricultural activity (source: ABS Agricultural commodities – figures for 30 June 2011.) The production for beef and veal in 2011-12 was estimated to be around 2.1 million tonnes and the cattle and calf production is valued at approximately \$ 7.9 billion (ABARE 2011-12). Beef and live cattle contributes to 1 % of the entire gross domestic product. Australia produces 4

% of the World's beef supply and has 3 % of the World's cattle inventory. It is the 6th largest beef producer and 2nd largest beef exporter. Queensland is the biggest producer of Beef and Veal in Australia.

Sheep Industry

The Australian Sheep Industry has an off-farm meat value of \$ 3. 8 billion. The national sheep flock for Australia stands at 73. 1 million head with 41. 8 million breeding ewes one year and older. The sheep meat industry accounts for 32 % of all farms with agricultural activity. The gross value of live sheep and lamb production is around \$ 2. 7 billion (ABARE 2011-12)

Goat meat Industry

While being a relatively small goat meat producer, Australia is still the largest exporter in this industry, despite facing several constraints like inconsistent supply and quality. The goat slaughter in 2011-12 was at around 1. 63 million heads. The types of goats predominantly used for meat production are Boer goats and rangeland goats. Australia is ranked at 43 in the world for the herd size of goats.

Domestic Consumption

Beef:

The domestic market for Australian Beef accounted for 35 % of beef and veal production. However, in 2010-11, its volume decreased by 3 % owing to a strong demand from overseas especially in emerging markets like Russia, South Asia and Middle East. In Retail Sector, Beef had a 38 % worth of Market Share of fresh meat purchases in 2010-11, as per the Roy Morgan Retail Meet Purchasing Report.

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Sheep meat and Lamb:

The domestic market for Australian Sheep meat and lamb comprises 52 % of lamb production in 2010-11. As per the expenditure estimates, consumer demand for lamb has been expanding since the early 1990s till 2009 . There was a tight lamb supply felt by consumers in 2010-11 , resulting in a 9 % jump in its retail prices. The intense competition from export markets however, has impacted the consumption and hence its utilization has been estimated to have decreased by 10 % leading to a reduction in expenditure on lamb by 2 %, to \$2. 2 billion. In Retail sector, Lamb and Sheep meat contribute to 16 % share of total meat purchases in 2010 -2011 as per Roy Morgan Retail Meat Purchasing Report.

Goat Meat:

The domestic market for Goat meat in Australia is relatively small yet it is growing. It accounted for approximately 10 % of the total market, which is equivalent to 150, 000 goats. There are two types of domestic markets for goat meat – Commodity Domestic Markets and Premium Domestic Markets. The former is supplied with export-type product through usual supply chains while the latter is mainly supplied by producers or marketeers who gather this bred meat goats from other producers to maintain their supply volume.

Export Statistics

Beef Industry

As per the latest available DAFF data for fiscal year 2011-12 : Australia exported 66 % of total beef and veal production to more than 100 countries, with exports valuing at \$ 4. 69 billion as per ABS for the year 2011-12. The

live cattle exports for 2011-12 were valued at \$ 650 million. Beef Industry accounts for 12 % of the total Australian Farm Exports.

Sheep Goats and Lambs:

As per the latest available DAFF data for fiscal year 2011-12: Australia exported 49 % of its lamb production and 97.5 % of its mutton production in the year 2011-12. The Lamb exports were valued at \$1.094 billion while the mutton exports were valued at \$ 401 million. The Australian Live Sheep Exports were valued at \$345 million in 2011-12. The lamb and sheep industry constitutes 3 % of the Australian Farm Exports in 2011-12, with Middle East being its biggest market for Lamb exports (25 %) and mutton exports (48 %).

Sheep Goats and Lambs:

As per the latest available DAFF data for fiscal year 2011-12: Australia is supposedly the largest exporter of Goat Meat in the World, exporting 24478 tonnes of goat meat in 2011-12. Its exports in 2011-12 were worth AUD 114 million (Source: ABS Data), with US and Taiwan being largest export markets for goat meat while Malaysia, Singapore and Brunei (Source: Live Corp Data) being largest live exports markets in Australia. Exports for Live goats accounted for \$ 9.65 million in 2011-12 (Source: DAFF and LiveCorp Data)

Future Viability of Food Processing in Australia (To be Updated)

Findings from the Study

The study analysed the Australian food industry and its impact on the Australian economy. Food industry in Australia plays a major role in terms of

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contribution to the overall economy. The study suggest that there are areas where Australian government need to focus more and make it more streamline in order to make this sector more robust and more efficient. The following are the views and concern about the future viability of the Australian food industry. High labour cost: Due to mining industry the average wages for skilled and unskilled labour has gone up which makes it difficult to find labour for food industry. High regulatory cost: High regulatory cost imposed by the government makes it even more challenging for the food industry as the cost goes very high. Carbon tax: carbon tax is further impediment to local food processors. Export arrangement: Recent increases in AQIS meat export licence charges (\$2 500 pa to \$12 000pa) has significantly decreased export profit margin in a difficult market with no indication of an equivalent increase in the value of the service. Cross-jurisdictional regulations: For the food processing sector there are three levels of jurisdictional regulations, federal, state and local government. Regulatory requirements must be consistent between States across the number of Acts that relate to food processing (certification, labelling and packaging requirements). The above mentioned are the challenges faced by the Australian food industry. It's very important to overcome all the above mentioned concerns to have a better future of the food industry.

Livestock Vs Processed Meat Exports

Recommendations

The study has shown about the various aspect of the food sector which includes strength, weakness, opportunity and threats. The recommendation is based is on the fact of mitigating weaknesses and capitalising the

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opportunities. The following are the recommendations to overcome the weaknesses and to make the food sector more streamlined: 1) The government place a stronger focus on development of markets and assistance for market access in a much more cost-effective way for developing business. 2) The government prioritise completion of trade agreements, noting those currently being negotiated particularly in the Asia-Pacific region. 3) The government continue to lobby for the reduction of tariff, non-tariff barriers and subsidies in export destinations through the World Trade Organisation. Pending the passing of the US Farm Bill this year, the government should consider the immediate and ongoing level and impact of these assistance packages. 4) A Brand Australia program be considered to assess its effectiveness in promoting the food and grocery sector. 5) A campaign be developed promoting Australian food and grocery products overseas based on their unique provenance, premium quality, assured safety and environmental sustainability. 6) More assistance to the horticulture industry because that industry has lots of potential.

Conclusion (To be Updated)

Appendix (To be Updated)