



FNQ

FOOD INCUBATOR

CREATE | INNOVATE | ACCELERATE

MODULE 1

Overview of the Australian Food Industry

DISCLAIMER

Content

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Artisan Food Start Up Workbook

The Food Industry In Australia

Whether you are new to the food industry and starting a new business, or are considering expanding your existing operation, you will find information and easy-to-follow tools and templates to help you:

- Plan for your food processing business's start-up and ongoing success
- Take your product from concept to market
- Build a successful food brand
- Set your product's price
- Find and sell to customers
- Engage with distributors and co-packers
- Develop and implement a successful social media strategy
- Learn about the programs, services and resources that are available to food processing businesses in Queensland

On successful completion of this module you will be able to:

- Define food marketing
- Understand the importance of food marketing
- Describe what makes food marketing different to other marketing contexts
- Understand the key issues and forces facing the food industry globally and domestically

The purpose of this first module is to lay the foundation for these outcomes by:

- Defining what we mean by food marketing;
- Outlining why food marketing is important;
- Differentiating food from other marketing contexts; and finally,
- Introducing some current key issues in the food industry both domestically and globally.

FOOD MARKETING

/ˈuːd məːkɪtɪŋ/ noun

Food marketing is defined as the activities that take place within the food system between the farm gate and the consumer. This includes processing, wholesaling, retailing, food service, and transportation functions and excludes all functions performed by producers on the farm.

Who are Queensland's artisan producers?

Queensland is home to over 1800 food and beverage production small businesses, including many artisan food and beverage producers. These artisan producers are developing delicious, unique and local products that are gaining popularity, not only locally, but across Australia and abroad thanks to Queensland's fantastic produce and the passion of small business owners. Using unique craftsmanship, traditional methods, and a philosophy of connection with history, place and environment, these small, independently owned businesses are creating one of a kind food and beverage products. Whether it's honey or macadamia nuts, chocolate or jams, cheeses or gluten-free goodies, Queensland boasts some of the world's best artisan foods and beverages.

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Making it easier for artisan producers to do business in Queensland

The artisanal sector in FNQ comprises businesses of varying scales and at different phases of maturity. The diversity of the sector, its producers and their business aspirations is reflected by a range of highly individualised business models.

Product development in the food sector through research and development is a highly sophisticated, technically challenging and a costly exercise.

Aspiring entrepreneurs are also faced with a myriad of challenges including access to industry experts and knowledge, technology changes, access to markets, commercial factors, legal and regulatory requirements, consumer trends, ethical standards, infrastructure costs, and access, availability and cost to use manufacturing and processing facilities to develop new products.



In today's fast moving environment having a great tasting product is simply not enough. In order for it to become successful it needs to be promoted and properly marketed. One of the most powerful tellers in whether a product will be purchased or not is the package design- a component in marketing. It creates an identity and helps consumers associate strongly with a brand.

In marketing we often use the 4Ps as a framework for considering the building blocks of marketing:

The right Products



Customers pay more for products they value.



Ask them what they want and check they are happy.

In the right Place



Customers choose locations they like and products they can see.



Ensure your shop is well located, maintained and displays are interesting.

At the right Price



Customers are influenced by price.



Negotiate with your suppliers and offer good prices to your customers.

Using the right Promotions



Customers like promotions.



Create relevant offers like food and drinks together.

Putting the right product in the right place, at the right price at the right time.

PRODUCT

The success of a new product depends greatly on a company having the right product to promote. This includes; ingredients, processing methods used, the appeal of the packaging, the image associated with the company and its brand name. Marketers often think about a product on three different levels: the core benefit a product offers; the actual product and the additional offerings that can accompany a product.

So think about the small tin of fish you may have in your pantry for a quick snack or meal. The core benefit of this product is the satisfaction of hunger (in a healthy way!), the actual product is the fish and flavourings in the actual tin, which may have a convenient ring pull, while the additional offerings (or augmented product) provided may include nutritional information on the label, additional recipe ideas, website details and so on.

PRICE

Setting the right price is important. Setting the price too high may reduce sales and setting the price too low may send out a message that the product is of low quality. It is important to set a price that is affordable for people within your target market. The formula to use when determining a product price is as follows;

$$\begin{aligned} &\text{Ingredient Costs} \\ &+ \\ &\text{Production Costs} \\ &+ \\ &\text{Packaging Costs} \\ &+ \\ &\text{Marketing Costs} \\ &= \\ &\text{Total Cost} \end{aligned}$$

(The cost per product is the total cost divided by number of product units manufactured)

PLACE

This involves deciding on the avenues to distribute the product. Some food products may be sold at specialty shops or delicatessens, while others will be sold widely at supermarkets.

PROMOTION

Deciding whether and how to inform and educate the consumer about the product. Will you be using media advertising? Personal selling sales promotions? Sponsorships? or a combination of these? Using your brand name and logo is a trademark that assists in promoting the product. For example; Coca-Cola.

Promotion involves communication - letting your customers know about your product and giving them reasons to buy your product. So do you advertise your fish on TV, newspapers, in store with displays, use competitions or price discounts?



From paddock (or pond) to plate, food passes through a series of transformational and logistical stages to be available to consumers. Food marketing encompasses this entire process, from the farmer to the consumer.



The rise of the paddock to plate movement represents the changing landscape of Australia's food industry. While the food supply chain has become more complex in recent decades, thanks to free trade, wider distribution channels, and improved food technology—the current trend has been to look for and source food closer to home.

Changing consumer attitudes towards food and food sources has largely helped bring the paddock to plate movement more mainstream. Australian consumers

today increasingly want to know where their food comes from. They want fresh ingredients—they want to have better control of what they eat.

The rise of the paddock to plate movement reveals the growing need for food supply transparency. Where does it come from? Where is it grown? How is it processed? How far does it travel? Consumers increasingly demand more information about their food—and food supply data tracking becomes ever more important.

The key differences in food marketing compared to other contexts lie in the two themes addressed in this course – supply chain issues and consumer behaviour.

SUPPLY CHAIN ISSUES

All food production begins with agriculture/aquaculture, i.e. primary production. Primary production has some key characteristics that add to the complexity of marketing food products in relation to supply chains.

- **Seasonality and volatility of production.** Seasonality of fresh produce and the product abundance and shortages and poor continuity associated with seasonal production cycles of primary industry are a challenge for major retail stores to deal with, indeed fresh produce chains are characterised by over-supply, seasonal abundance and a commodity orientation.
- **Perishability of product.** Fresh produce supply chains not only face all of the challenges of agri-business supply chains, but also have to accommodate the perishable nature of the product; which adds an extra dimension to the logistics management involved within the chain.
- **Geographic.** The food industry faces challenges associated with the fresh (perishable) nature of the raw materials, which are often sourced from regional/remote areas. As such, the form/storage capability/shelf life of the product as well as effective transportation/distribution channels must be a key consideration.
- **Industry structure.** The majority of businesses in food production are small businesses, with the industry characterised by an opportunistic and adversarial trading environment displaying a lack of transparency and trust, poor communication and limited flow of information. The industry is characterised by an ageing workforce. The median age of a Farmer/Fisher is 53 years (compared to 40 years in other occupations).



- **Lack of information flow and consumer knowledge.** Often in agribusiness supply chains, no attempt is made at linking production decisions to consumer demand at the time when the product would be harvested. Agricultural industries often lack information linking product qualities with what the customer required.
- **Commodity market.** The fresh produce supply chain has been slow to adapt its marketing and merchandising strategies, accepting the fate of commodity supply chain, supplying high volume, unbranded commodity products with little differentiation of products from differing suppliers with the main focus on price. Commodity sector relationships are generally aimed at lowest cost production typified by “traditionally high levels of adversarial/transactional exchange”.

PART 6

What Makes Food Marketing Different?

The trends and issues affecting the food industry globally will be addressed throughout this course. To get you thinking a few of these are briefly outlined next. Also remember that with every trend and change, an opportunity usually arises.

Some trends and issues include:

- With a growing world population and rising incomes, the value of world food consumption is expected to be 75% higher in 2050 than in 2007, with increased demand expected to be strongest in Asia.
- Consumer food purchasing patterns are predicted to change with an increased influence of factors such as nutritional characteristics, production methods (e.g. organics) and sustainability issues. An aging population will also impact food choices.
- Australia has one of the highest rates of obesity in the world. Nearly two-thirds of adults and one-quarter of children are either overweight or obese (ABS 2012). Poor diet is associated with obesity, heart disease, diabetes and other diet-related chronic diseases. Genetics and an increasingly urban and sedentary lifestyle also contribute to poor health.
- The Australian food industry structure is changing with numbers employed in production falling and very little value adding after production – unless the Australian food industry can become more innovative in food manufacturing and value adding we run the danger of becoming ‘Asia’s farm’.
- The Australian retail sector is becoming more competitive with new entrants like Aldi and Costco challenging the duopoly of Woolworths and Coles.
- The supermarket rather than the specialist retailer is becoming the outlet of choice for more consumers, for example, in relation to seafood; in 2009 65% of seafood was bought in supermarkets, with 18% bought in speciality retailers. In less than two years this had changed to 68% of seafood in supermarkets with a corresponding decrease in speciality fish shops to 15%.



FNQ is the third largest food bowl nationally and is home to a diverse range of artisan producers who have significant potential and scope to expand locally, interstate and internationally.



CASE STUDY

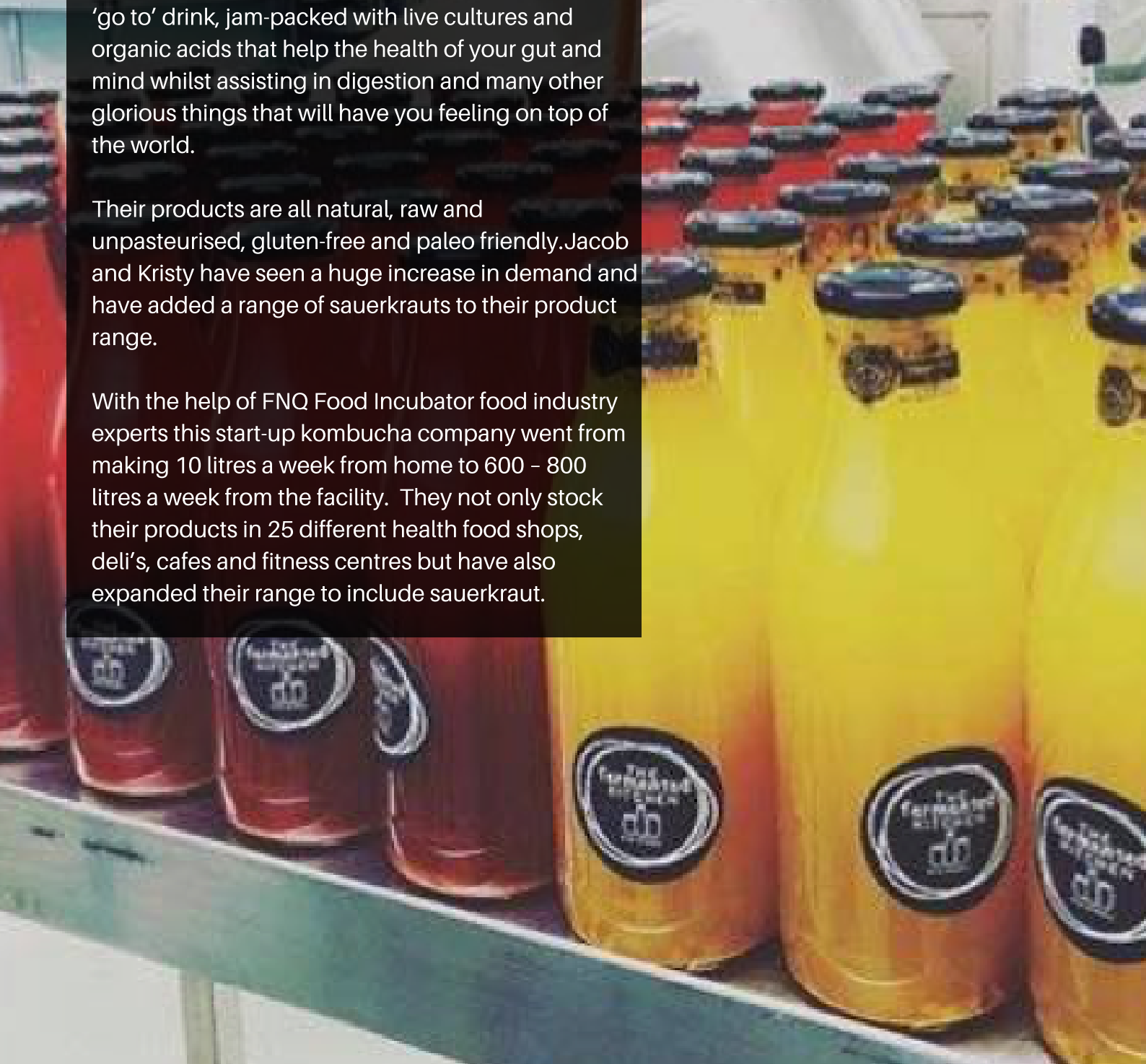
The Fermented Kitchen

The Fermented Kitchen was founded by couple; Jacob and Kristy who are striving to educate people on the importance of eating good food, balancing your gut health and improving your overall well-being.

They offer a range of tasty, mouth-watering fermented foods and drinks, all hand made and bottled right in Cairns, Far North Queensland. Their kombucha is the perfect thirst quencher and healthy 'go to' drink, jam-packed with live cultures and organic acids that help the health of your gut and mind whilst assisting in digestion and many other glorious things that will have you feeling on top of the world.

Their products are all natural, raw and unpasteurised, gluten-free and paleo friendly. Jacob and Kristy have seen a huge increase in demand and have added a range of sauerkrauts to their product range.

With the help of FNQ Food Incubator food industry experts this start-up kombucha company went from making 10 litres a week from home to 600 - 800 litres a week from the facility. They not only stock their products in 25 different health food shops, deli's, cafes and fitness centres but have also expanded their range to include sauerkraut.



Get ready to say yes, way to zero-proof aperitifs, see West African cuisine rise to prominence and say goodbye to tired and staid kids' menus. Foodies around the world have weighed in on the 2020 food trends to watch for and topping the list of predictions is a continued focus on eco-conscious eats.

Local foragers, regional and global buyers and culinary experts put together the list of food trends based on consumer preferences data, their own product sourcing experiences and what's been popular at food and wellness industry exhibitions. Here's a look at the food that will be popping up on plates in the year to come.

2020 FOOD TRENDS: WHAT CHANGES WILL THE FOOD INDUSTRY SEE IN THE NEW YEAR?

50 TOP FOOD TRENDS FOR 2020

TOP FOOD AND BEVERAGE TRENDS FOR 2020

BEFORE YOU START

FACTS FOR STARTING YOUR FOOD BUSINESS

Starting any business is no easy task, and becoming a food entrepreneur is a special challenge. You'll have to prepare yourself for the hard work and dedication it takes. You will need to learn and understand financial, marketing, and management issues to succeed in the food business. And you will also need to learn about food regulations, processing and packaging technologies, and safe food-handling procedures.

ENTREPRENEURSHIP: ARE YOU THE TYPE?

An entrepreneur is a builder—one who sees an opportunity, sizes up its value, and finds the resources to make the most of it. Entrepreneurs are innovators who are introducing something new to the marketplace, putting a different spin on a product or a process. Ask yourself these questions to see if you fit the description of a successful food entrepreneur.

- Am I a self-starter? It will be entirely up to you to develop projects, organise your time, and follow through on details.
- How well do I get along with different personalities? Business owners need to develop working relationships with a variety of people, including customers, vendors, staff, bankers, and others such as lawyers, accountants, or consultants.
- Am I good at making decisions? Small-business owners are required to make decisions constantly, often quickly, independently, and under pressure.
- Do I have the physical and emotional stamina to run a business? Can you face six or seven twelve hour workdays every week as you are getting your business underway?

Now that you've decided that you are entrepreneur material, you probably already have an idea of the product you want to sell. Here are some more questions to think about as well as some advantages and challenges you should consider.

WHERE WILL YOU MAKE YOUR PRODUCT?

- You may be able to make your product at home. Certain foods may be prepared in the home kitchen, while others cannot due to food safety concerns. You will need to discuss the options for your particular product and your particular household situation with your local council. If you are allowed to make your product in your home, then you will have to get your kitchen up to state standards before beginning production. You may have to purchase new equipment appropriate for commercial food production and learn about handling, preservation, and packaging methods that keep your products safe and obtain a food license.
- You can prepare your product in someone else's certified kitchen. This way, you separate your home from your workplace and someone else is responsible for meeting kitchen standards. But you will have to pay for the space, you will need to register with your local council to make your product at that location, and you may have to work around someone else's schedule.
- You can hire a co-packer. A copacker is an established food company that you hire to process and package your product according to your specifications. You are out of the kitchen and can take advantage of their expertise. You also have more time to promote and distribute your product. However, costs are higher and there are a limited number of co-packers in Pennsylvania. Visit the Penn State Extension Food Entrepreneurs website for a list of co-packers in Pennsylvania and other states.

HOW WILL YOU PRESERVE YOUR PRODUCT?

If your product contains ingredients that spoil quickly at room temperature, how do you intend to maintain quality and prevent growth of disease-causing microorganisms and spoilage? The amount of time your product can be expected to stay wholesome under a given set of storage conditions is called the “shelf life.” Here are some of most common ways to extend the shelf life of commercial food products:

- **Bottling, or thermal processing**, is perhaps the most common method for preserving fruits and vegetables, pickles, salsas, and sauces. But, you can't rely on an old family recipe once you enter the commercial market. Regulations require your process to be evaluated by an expert in food technology, and you must use specialised equipment to produce high-quality, safe products.
- **Refrigeration and freezing** extends shelf life by slowing or stopping microbial and chemical changes in food. How would you keep your product cold or frozen until it gets to the consumer?
- **Chemical preservatives** are typically used in combination with other techniques to extend shelf life. Are you aware that the type and amount of preservatives are strictly controlled by government regulations?

Many other technologies are available for extending product shelf life, including pasteurising, controlling pH and moisture, smoking, and curing. You'll need to do some research on which methods are most appropriate for your product and your budget.

WHO WILL DO THE WORK?

- **Start out small** and keep your "day job." You can feel your way while there is still money coming in, but you may be working long hours for six or seven days a week.
- Get your **family or friends** to help out for a while. This may be the right solution for those on a small budget, but the arrangement might put a strain on your family life and your relationship with friends.
- **Hire people** to do the work. You are free to manage the business, or to work at another job. But employees mean higher costs for wages, training, insurance, etc.



HOW WILL YOU PAY FOR EXPENSES?

- **Personal resources.** Use savings, credit cards, or a credit line on your house. You maintain complete financial and operational control over your business, and there are no co-owners to pay off if the company hits it big. But if the business fails, you will still have the personal debt, and credit card debt carries high interest rates.
- **Friends and family.** You could raise money from people you know well, either in exchange for a share of your business or as a loan to be repaid. The money is available quickly, but it's usually a one-time source. A contract to protect your friends' or family members' investments is a good idea. Are you ready to deal with the interpersonal consequences if your business doesn't succeed?
- **Bank financing.** Borrowing money from a bank keeps home and business finances separate. The relationship you create with your bank will be useful as you expand and need additional capital. However, start-up businesses with no track record often find getting a loan difficult. You may have to provide personal collateral, such as your home, to secure the loan, which puts your home at risk of foreclosure if your business is taken to court or it closes with debts outstanding.
- **Grants.** There may be special programs designed to support determining the feasibility of an enterprise or demonstrating an innovative process. Not all grants require payback and you don't pay interest to the funding source, so grants are essentially "free money." Most grants have "deliverables" (things you promise to do in exchange for the funds) and report schedules you must follow. Also, grants are usually available during a specific window each year, rather than responding to your schedule. Keep in mind that competition for grants is stiff, so you may need help writing the application.

Eliminating all the unknowns associated with starting a small food business is simply impossible, but good planning, preparation, and insight greatly improve your chances of success. Don't do it alone—reach out to experts in business and technology who are there to help. Keep in mind, though, that if your business doesn't succeed, you may be putting ownership of your personal property at risk.