

# **Explosive Growth in Nearby Consumer Markets Will Bring Exceptional Opportunities for WA Agriculture in the Years Ahead**

Dr. David Hughes

Emeritus Professor of Food Marketing

SWDC Critical Horizons Series: “Where is  
Agriculture Heading in the Next 20 Years?”

Manjimup, WA, May 5<sup>th</sup>, 2011

# Market Focus: Developed “Western” Countries or Nearby Emerging Customers?

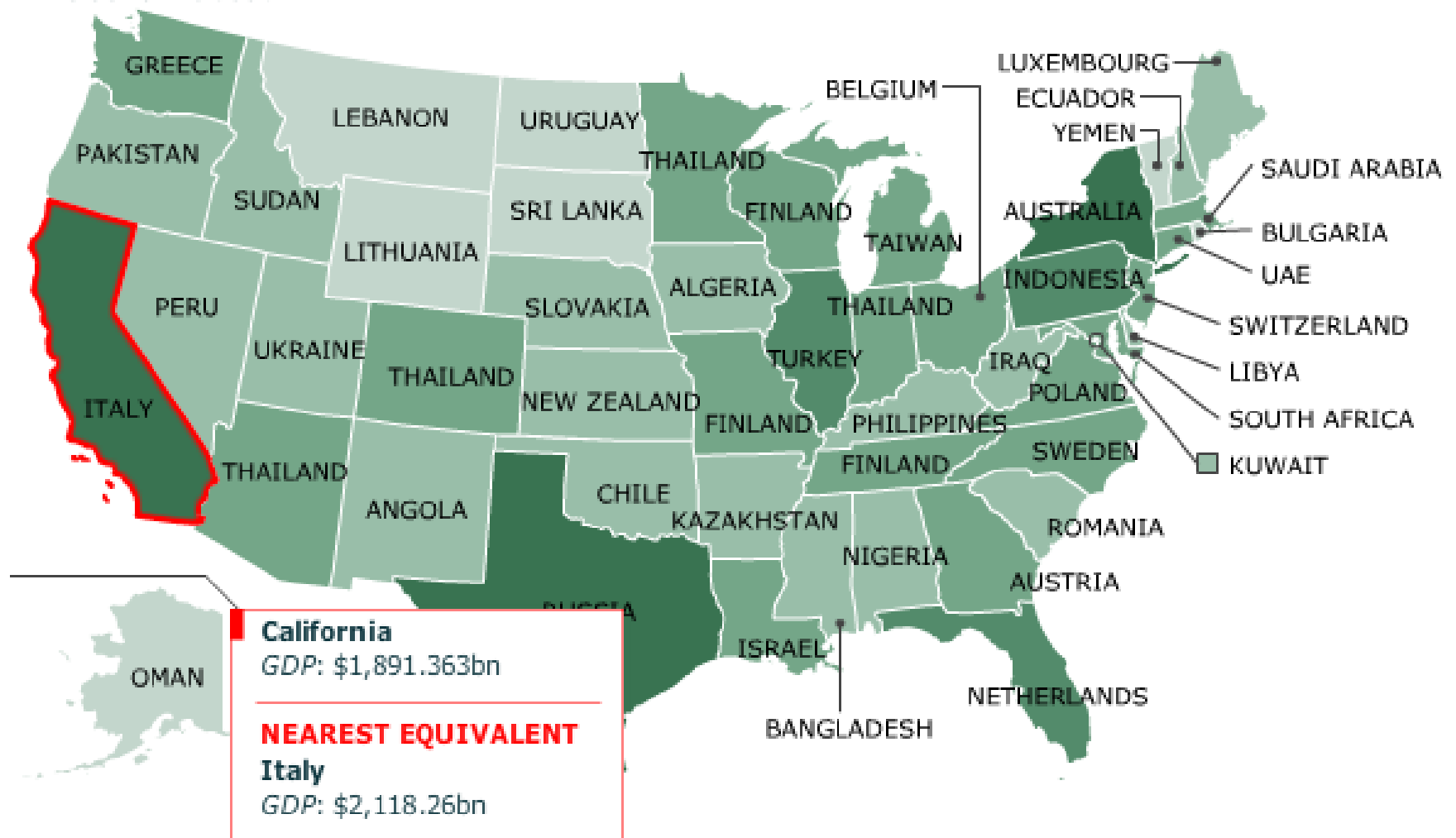
It's simple – abandon pushy, drowning-in-debt America, dopey, slow Europe and maudling, introverted Japan and focus on vibrant, fast growing emerging countries that are closer at hand and are our future markets! What can we sell them? Just about anything that we like they'll learn to like – trust me, I'm a Doctor!



**GDP, \$bn**  
**2009 or latest**

**GDP, \$bn**  
**2009 or latest**

Select state ▼



## California

GDP: \$1,891.363bn

### NEAREST EQUIVALENT

## Italy

GDP: \$2,118.26bn

Less than 50

50 - &lt;200

■ 200 - <500

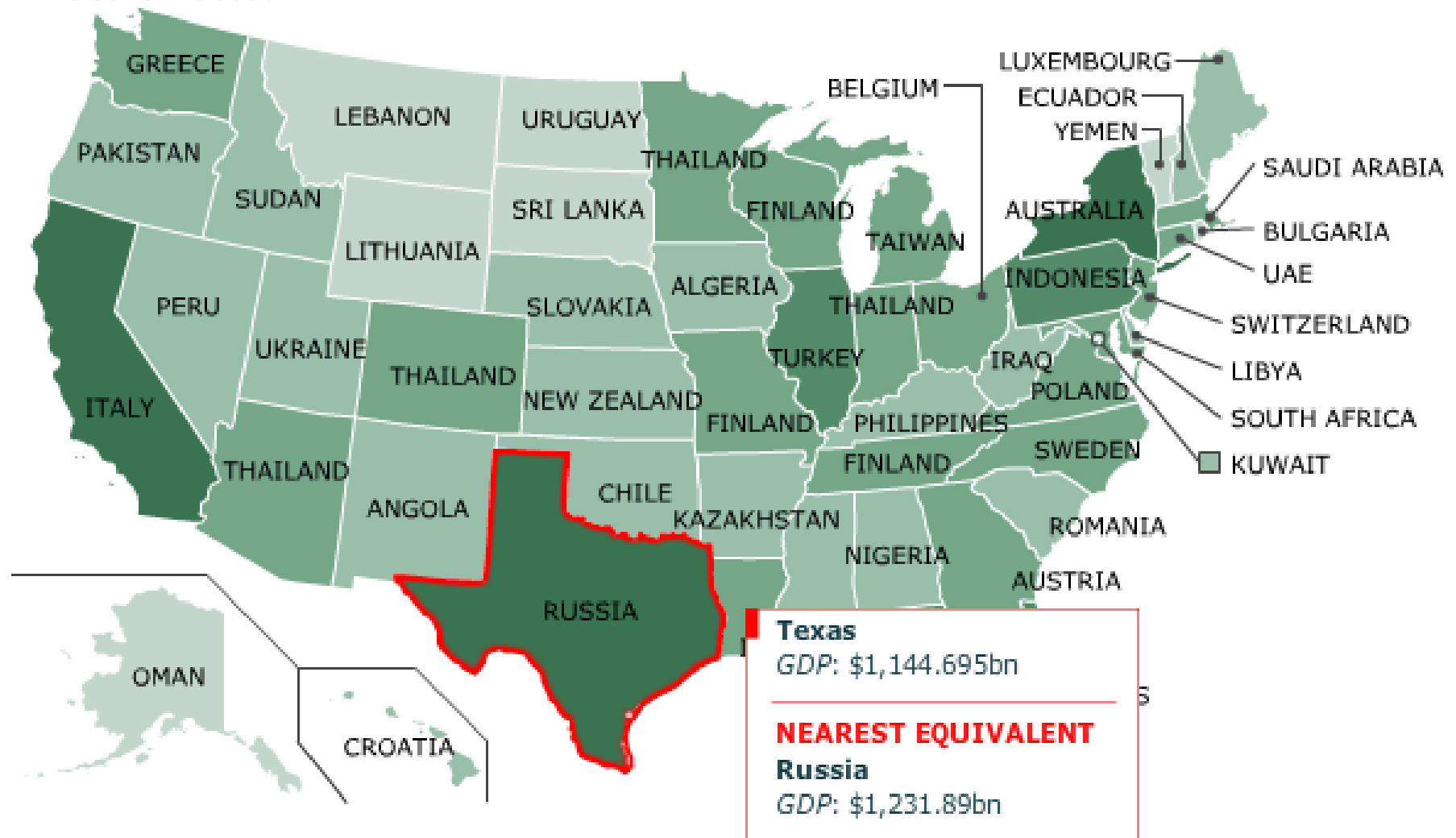
■ 500bn - <1trn

1trn or more

## GDP, \$bn

2009 or latest

Select state ▼



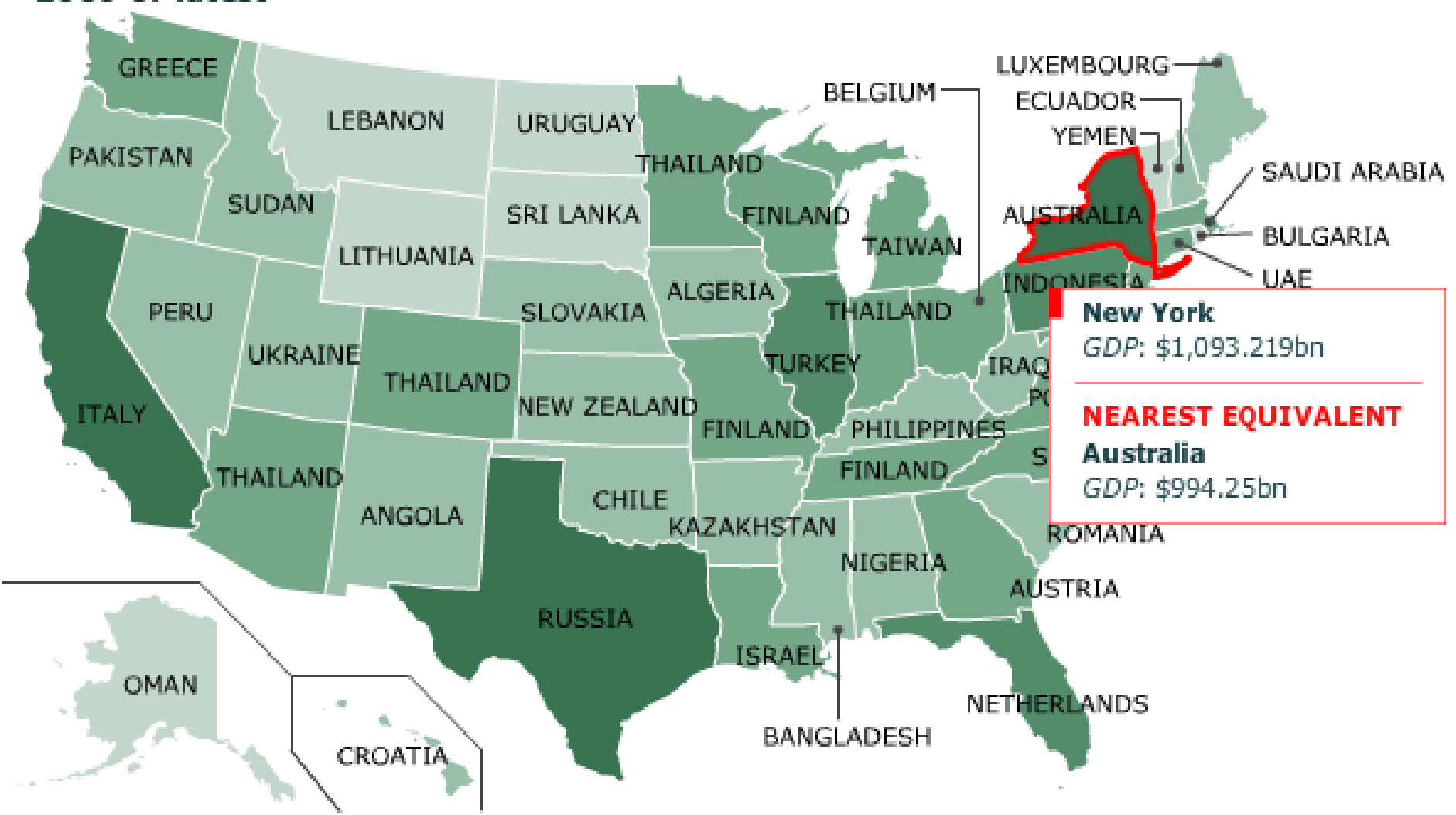
Less than 50    50 - <200    200 - <500    500bn - <1trn    1trn or more

# GDP, \$bn

## 2009 or latest

Select state

▼

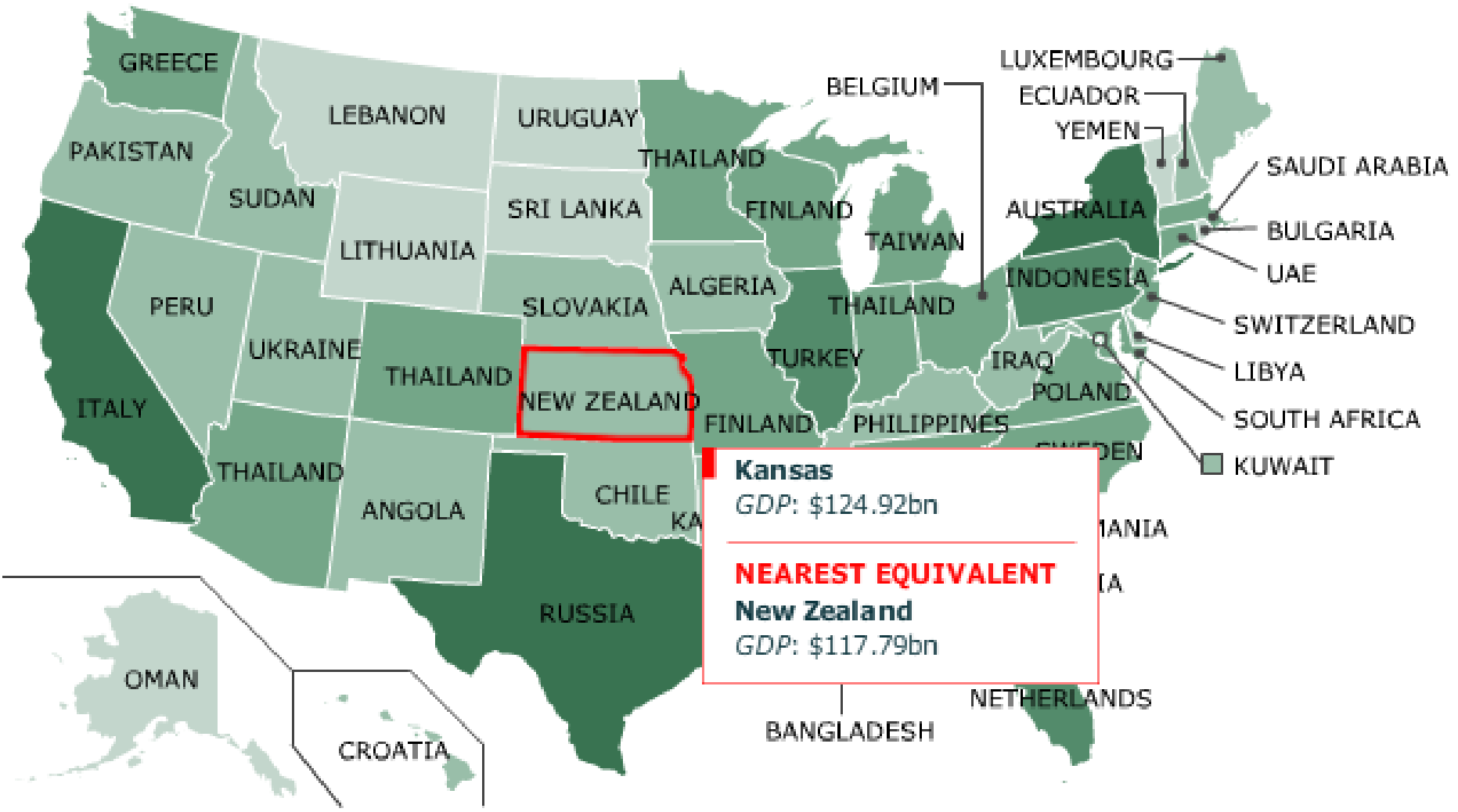


# GDP, \$bn

2009 or latest

Select state

▼



GDP

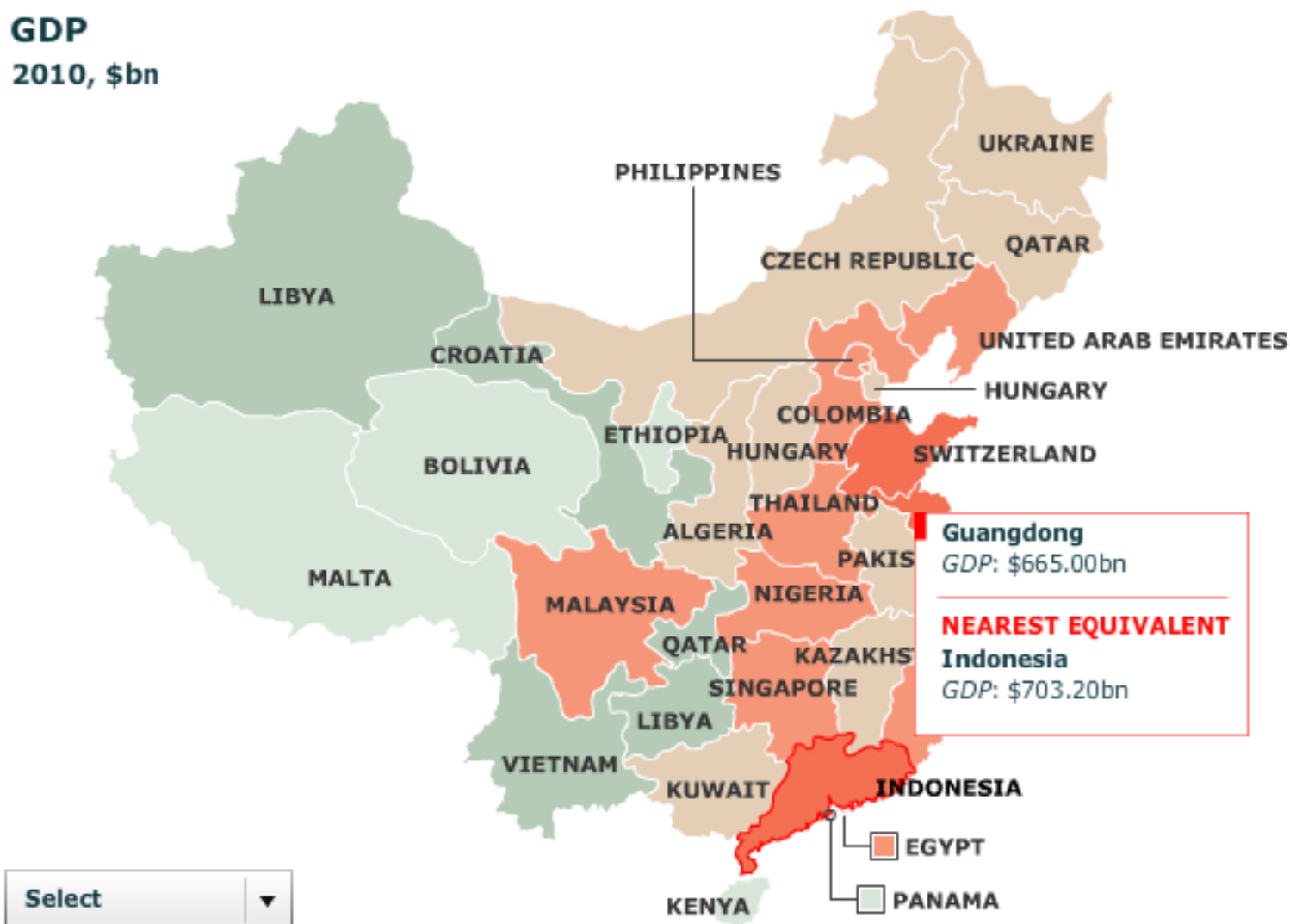
GDP per person

Population

Exports

GDP

2010, \$bn



Less than 50

50 - &lt;120

120 - &lt;200

200 - &lt;400

400 or more



# Chinese equivalents

GDP

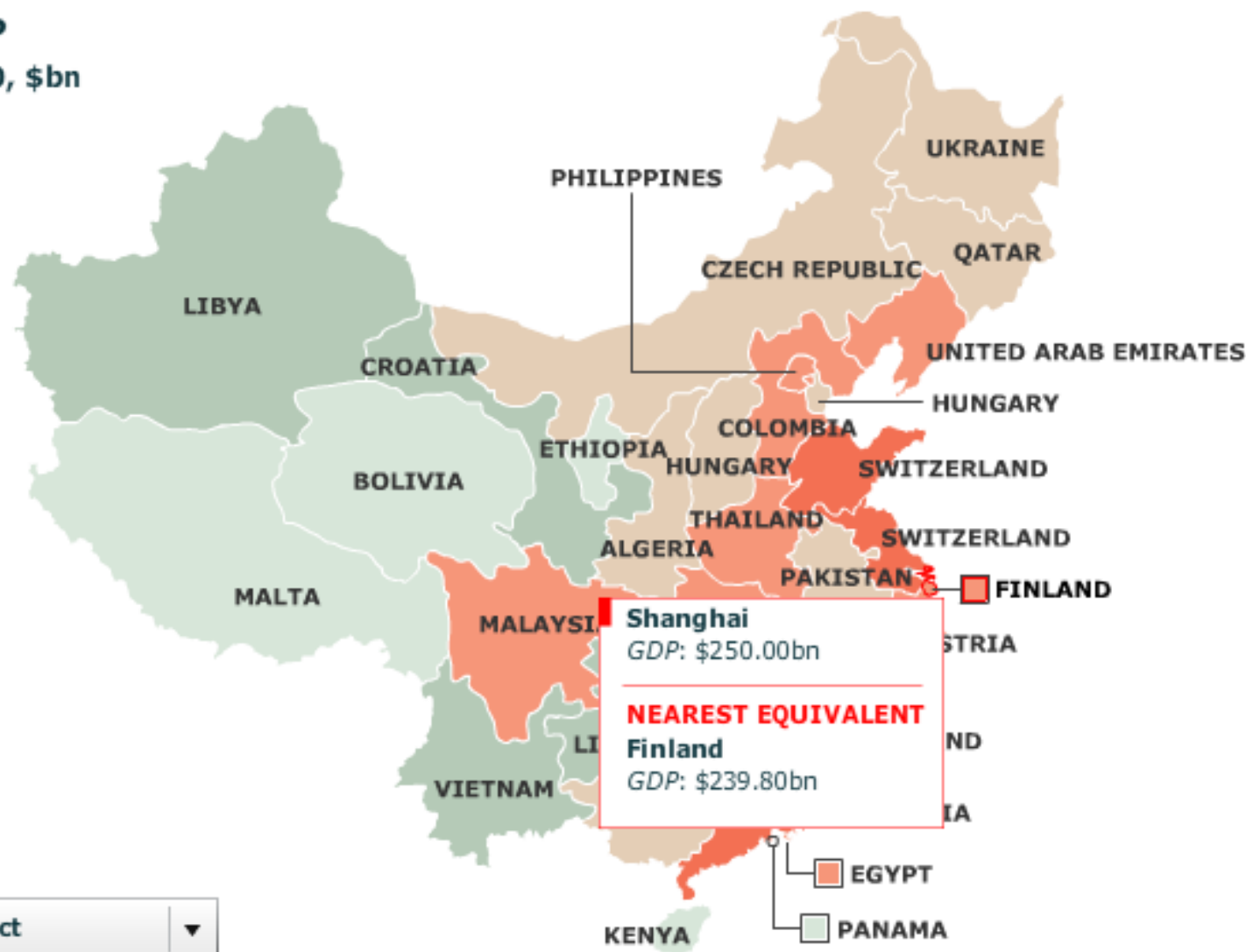
GDP per person

Population

Exports

GDP

2010, \$bn



Select



Less than 50

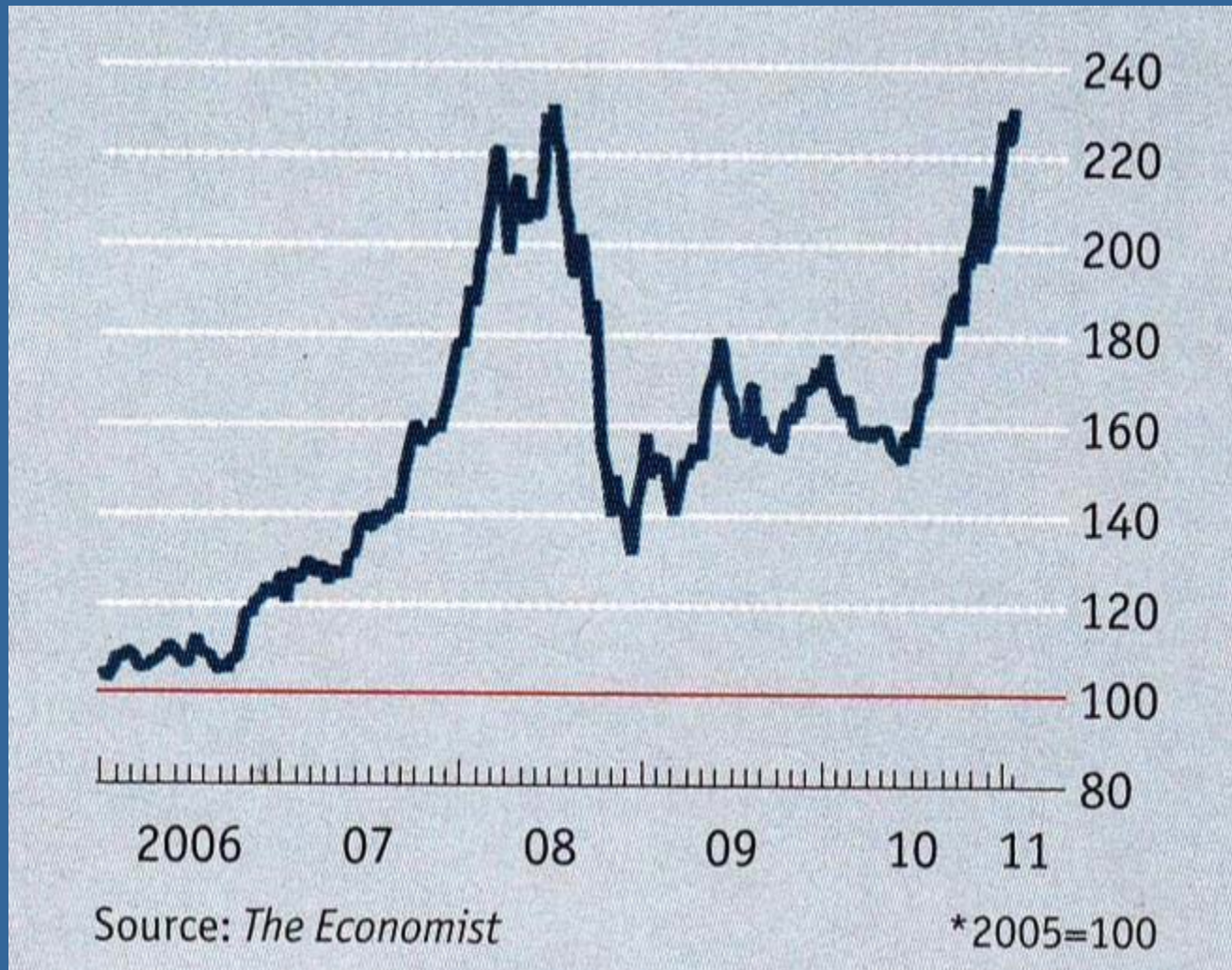
50 - <120

120 - <200

200 - <400

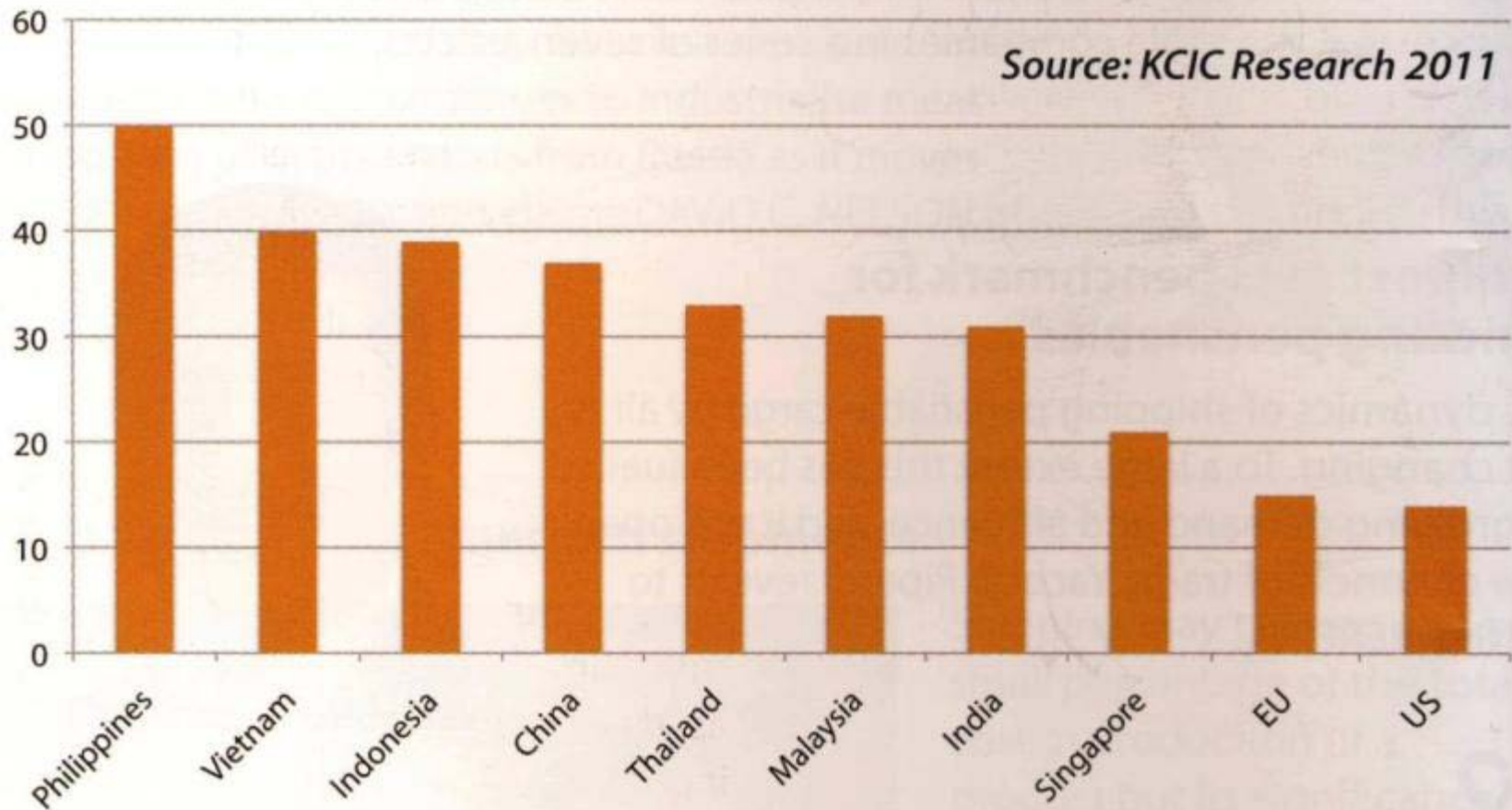
400 or more

# The Economist Food Commodity Price Index



## Weight of food items in the inflation basket (%)

Source: KCIC Research 2011



# What Sort of Food Industry Future?

- 2007/8/10/11 food price inflationary period a blip (like 1973/74) – recession retreats and business as usual by 2012 (i.e. low/stable prices)
- Medium term: increasing volatility in raw material supply. Risk management skills at premium
- New era with focus shifting (back) to national food security, more local, greater emphasis on climate change. “Green” issues go mainstream (e.g. reducing GHG/water). High tech. and traditional practices co-exist (code for GM)
- “We’re bugged!” . Malthusian worst case scenario, with social chaos, national hoarding

# World Population: Who's Going Up and Who's Going Down?

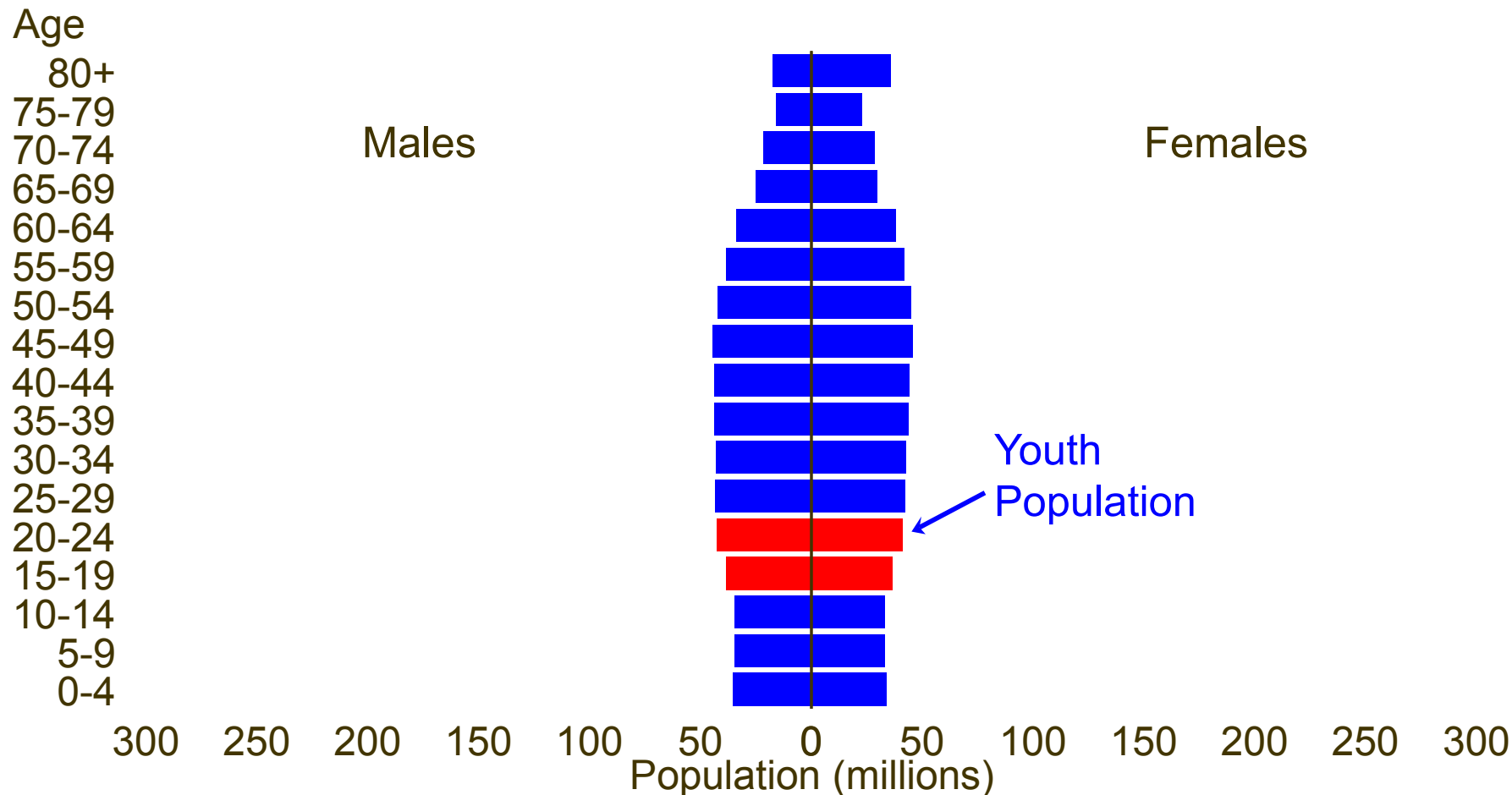
	2010	2030	2050
<i>- billion-</i>			
World	6.9	8.2	9.0
Africa	1.0	1.5	2.0
Asia	4.1	4.8	5.1
Europe	0.7	0.7	0.7
LAC*	0.6	0.7	0.8
North America	0.3	0.4	0.5
Oceania	0.04	0.04	0.05

*\*Latin America & Caribbean*

*Source: UN (population scenario planning)*

# Developed Countries: fewer young compared to elderly

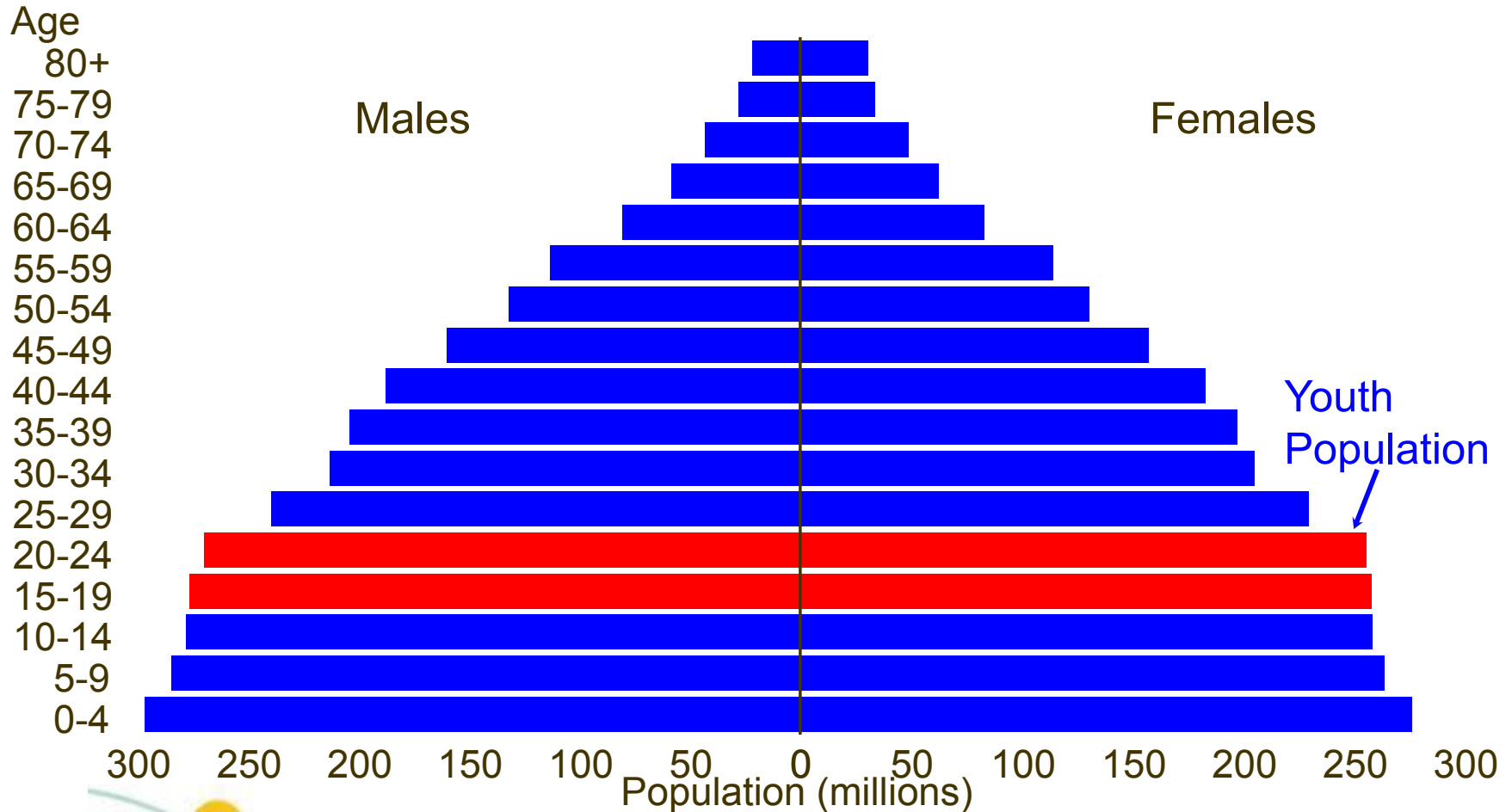
Population by Age and Sex, Developed Countries: 2009





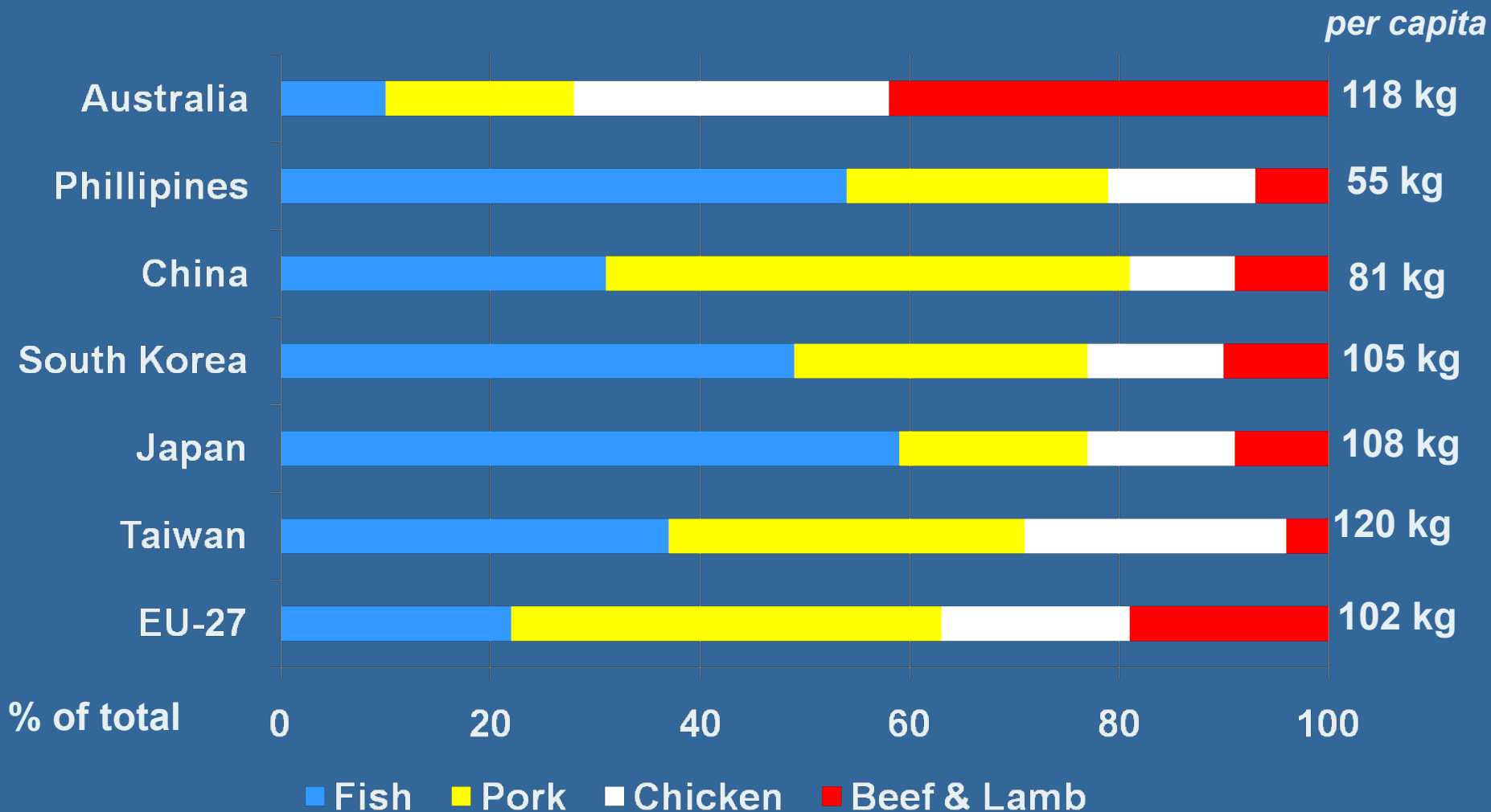
# Developing Countries: far more young relative to elderly

Population by Age and Sex, Developing Countries: 2009



Source:

# Proportion of Total Meat Consumption by Major Species, Selected Countries, 2009



Source: UN FAO database & various Fisheries Departments



















## 内蒙古羊肉 Inner Mongolia lamb

新鲜得空气，大草原的蓝天白云，纯净的水源  
Freshness air, bright sky, white cloud and pure water in the grassland  
最优良品种  
The excellent breed  
严格的加工程序，满意的质量  
Strictly procedure, best quality



鸡心 8.20  
刘龙豹

鸡肝 2.90  
刘龙豹

羊腩 19.00  
刘龙豹

羊肋排 21.80  
刘龙豹

羊蝎子 11.80  
刘龙豹

羊外脊 23.40  
刘龙豹

羊腱子 21.00  
刘龙豹



# Main Ways of Cooking Beef: Malaysian Middle Class Families, 2010

## Percent

- Fried 64
- Soup 62
- Red/Green curry 60
- Roasted 33
- Boiled 23
- With soy sauce 20
- *Rendang* (festive spicy stew) 20

Source: Chamhuri unpublished PhD thesis, 2011(Curtin)

# Major Factors Influencing Malaysian Shoppers' Decisions to Purchase Beef

- 1. Confidence in Halal Process (production and slaughter) – shoppers trust in the retailer
- 2. Smell, cleanliness and colour of the meat and cleanliness/friendliness of retail environment
- 3. Competitive price and value for money
- 4. Confidence in the beef production process – e.g. free of chemicals/antibiotics/GP's

Source: Chamhuri, unpublished PhD thesis, 2011 (Curtin)

# Major Factors Influencing Malaysian Shoppers' Decisions to Purchase Apples

- 1. Product integrity/safety - freedom from pests/diseases, chemical residues
- 2. Appearance and taste - particularly colour and size
- 3. Affordability: price and value for money
- 4. Where produced/country of origin

Source: Chamhuri, unpublished PhD thesis, 2011, (Curtin)





There's plenty of room for all God's creatures.  
Right next to the mashed potatoes.



**SASKATOON**  
STEAKS • FISH • WILD GAME  
477 HAYWOOD ROAD

FAIRWAY

# Do Beef and Lamb Deserve Their Premium Price Position?

- Do we deliver on:
  - taste
  - tenderness
  - juiciness
  - consistency of the above
  - specific products for specific markets
  - consumer friendliness in preparation
  - social attributes (associated with production, processing), e.g. animal welfare, environment
  - what about product ***STORY***?





六和肉

微山湖老鸭

微山湖老鸭

山东六和集团  
SHANDONG LIUHE GROUP CO., LTD.





## **Australian Native Myrtle Honey with High Levels of Anti-bacterial Methylglyoxal**

Posted on [March 2, 2011](#) by [losaltoshoneybees](#)

Honey sourced from an Australian native myrtle tree has been found to have the most powerful anti-bacterial properties of any honey in the world and could be used to treat antibiotic-resistant bacterial infections that commonly occur in hospitals and nursing homes.

A Brisbane-based research group found that Australian native myrtle honey has very high levels of the anti-bacterial compound, Methylglyoxal (MGO), and outperforms all medicinal honeys currently available on the market, including Manuka honeys.

# Screw turns on Fonterra to come clean

By DEIDRE MUSSEN - Sunday Star Times | Sunday, 01 February 2009

**Calls are mounting for Fonterra to release documents at the centre of the melamine baby milk scandal in China, with a New Zealand legal expert rubbing the dairy giant's claims it could not release the information for legal reasons.**

Sanlu chairwoman Tian Wenhau last week allowed melamine to be added to the formula on the advice of its Chinese legal team. Fonterra has confirmed it has not made it to Europe's safe levels. A Chinese local court declared Thursday the Sanlu Group at the heart of the country's milk contamination scandal goes bankrupt.

Email a Friend | Print | Have Your Say



**“Consumers are blissfully ignorant of the existence of farm assurance and what it stands for”** *UK Food Standards Agency Survey, 2002*

- so, traceability schemes and requirements are a waste of time and money, with most costs carried by the primary producer?
- consumers simply expect that the food industry has food safety “sorted”. They believe as a matter of course that we know exactly where all our ingredients come from. If they find out that we don’t, then, they are outraged.

# Starting Point **WAL★MART®**

Save money. Live better.™

## framework



### **ENERGY**

**To be supplied 100% by  
renewable energy**



### **WASTE**

**To create zero waste**



### **PRODUCTS**

**To sell products that sustain  
our resources &  
environment**

*“...Our mission of ‘saving people money so they can live better’ starts with low prices...but it doesn’t end there. It extends to being a leader in how we take care of our world. It means that Wal-Mart and our supplier partners must operate in a more socially and environmentally responsible way wherever we do business.”*

Mike Duke, President & CEO, Wal-Mart Stores Inc  
Sustainability Summit, October 22, 2008



# Wal\*Mart Announces Global Sustainable Agriculture Goals, October, 2010



- **Support Farmers & Their Communities**
  - selling \$1 billion in food from smaller-scale farmers
  - training 1 million farmers/workers in sustainable farming practices
  - increasing income of above by 10-15%
  - in USA, doubling sale of locally-sourced produce
- **Produce More Food with Fewer Resources + Less Waste**
  - over next 5 years invest \$1 billion in its global fresh supply chain
  - reduce food waste in stores worldwide by 10-15%
  - introduce Sustainable Produce Assessment for suppliers
- **Sustainably Source Key Agriculture Products**
  - all Wal\*Mart brand palm oil sustainably sourced by 2015
  - expand existing beef sourcing practice in Brazil with zero tolerance on deforestation



working with the Carbon Trust

The carbon footprint of this juice is 360g per 250ml serving and we have committed to reduce it

By comparison the footprint of Tesco Long-Life Pure Orange Juice is 240g per 250ml serving, which is lower because less energy is required to chill and transport concentrated juice than 100% pure squeezed juice

360g CO2  
Compared to Long-Life juice 240g  
per 250ml serving

# Sustainable suppliers favoured by retailers

**James Ball**



Suppliers who do not sign up to retailers' sustainability agendas face the risk of de-listing, a new report commissioned by Coca-Cola warns.

The research, conducted by Forum for the Future, found retailers were increasingly targeting supply chain partners to improve their green agendas.



**Collaboration on sustainability is imperative, says Coca-cola**





“We are already finding that tackling sustainability challenges provides new opportunities for sustainable growth: it creates preference for our brands, builds business with our retail customers, drives our innovation, grows our markets and in many cases, generates cost savings.”

Paul Polman, CEO of Unilever



# *The Coca-Cola Company*



## Converging on Water: An Innovative Conservation Partnership

The Coca-Cola Company and WWF are combining our international strengths and resources to help conserve and protect freshwater resources throughout the world.



Here is what we will do together:

- Measurably conserve seven key watersheds;
- Improve the efficiency of the Coca-Cola system's water use;
- Support more efficient water use in the Company's agricultural supply chain, with an initial focus on sugarcane (beginning in 2007), expanding to oranges and corn (beginning in 2010);
- Decrease the Coca-Cola system's carbon dioxide emissions and energy use; and
- Inspire a global movement by uniting industries, conservation organizations and others in the conservation and protection of freshwater resources around the world



Elovena has opted for water footprint labelling on its oat flakes brand











# Reasons for paying more for food and drink

Thinking about food and drink that you are willing to pay more for, what are the most important reasons for doing so?



- **Key Findings**

- As many as 1 in 7 (14%) shoppers are willing to pay more for organic food
- 1 in 10 are willing to pay more for ethically produced goods and a similar number (9%) for goods that are better for the environment .

# The Future of Food and Farming: High Level Conclusions

1. More food from less. Contain demand for meat and dairy (code for reducing consumption in Developed Countries). Minimise waste. Notion of “climate-friendly diets” emerge.
2. Climate change initiatives and achieving sustainability in global food system inextricably linked.
3. Revitalise moves to end hunger – reduce unfair subsidies, focus on rural development
4. All food policy options open – code for embracing new technology such as GM, nano-technology.
5. Food self-sufficiency at national level rejected but maximise benefits of globalisation to ensure food supply. However, trade liberalisation threatened

# Laid in Australia



## *Fresh EGGS, Creamier MAYONNAISE*

Have you ever thought about how far imported mayonnaise has travelled to get to the supermarket? Praise uses fresh Australian eggs that are whipped into a creamy mayonnaise and whisked straight to your shelf.

So the next time you want a real whole egg mayonnaise, you don't have to look far. Just crack open a jar of Praise. Fresh food deserves Praise.



# Scots set to benefit from Chilean salmon collapse

**Richard Ford**

Scotland's salmon farming industry is set to capitalise on global supply shortages by increasing export sales.

The US is emerging as a potentially lucrative market for Scottish salmon as Chile's industry, which traditionally sends large quantities to North America, has been hit by the salmon anaemia virus. The Chilean salmon farming industry had more or less "collapsed in a heap", said Scottish environment minister



Scotland is the third-largest salmon producer in the world

"With rising global demand, Scotland has a great opportunity on the broader aquaculture side to raise its game to a level never seen before," added Michael Stark, MD of Grieg Seafood Hjaltland UK.

The Scottish seafood industry received a further boost last week when fisheries secretary Richard Lochhead launched a new initiative aimed at getting Scots to eat more fish.

With new figures showing falling consumption and Scots eating much less



## GÁLDU

Álgoálbmotvuoigatvuođaid gelbbolašvuodaguovddáš  
Kompetansesenteret for urfolks rettigheter  
Resource Centre for the Rights of Indigenous Peoples



## CHILE: Norwegian Salmon Farms are Polluting Sea

Fish farms operated in Chile and Canada by the world's largest salmon company are breeding grounds for disease, not to mention environmental damage and workers rights abuses, according to activists.



# Important Announcement

- *From a consumer perspective and in many markets of the world:*

**FARMERS (and FISHERMEN)  
ARE BACK IN FASHION!**

**This presents us with excellent  
marketing opportunities**

It's true,  
in baking, preparation  
is everything.

You can't make good bread without great flour and you can't get decent flour without first-class wheat. You only get the best wheat when you plant the best seed — so that's precisely what hundreds of farmers do on our behalf. They begin the field-to-bakery journey that lets us bring you fresher, softer bread with terrific toastability and better durability, day after day. We have perfection in mind all the way from the first seed to the last crumb.



www.warburtons.co.uk



Somerfield works  
closely with growers  
such as Brian Adams  
from Swanley, Kent,  
to bring you the  
very best cabbages.

# Green for go!







## Welcome to Open Farms

As part of our role as food supplier to the London 2012 Olympic Games, we're throwing open the gates to some of the 17,500 British and Irish farms that provide us with top-quality ingredients



## Join us at an Open Farm

Just fill in the application form below and if you're successful\*, we'll let you know about your nearest Open Farms event and all the details.



\*A limited number of places are available at each event







Matthieu beside his cocoa pods

## Growing more than cocoa

This is Matthieu Kouassi Kouakou. Nestlé's Cocoa Plan is helping farmers like him, by providing 12 million new, healthier trees. These will produce twice as many cocoa pods as their old trees.

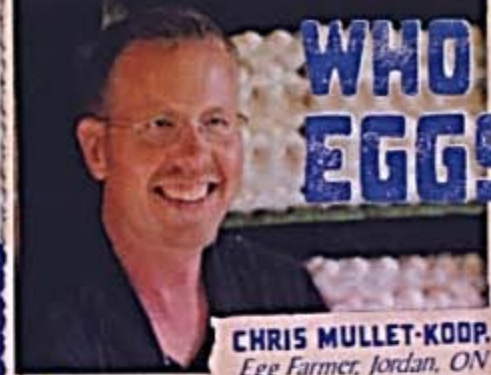


The Cocoa Plan is a £65 million Nestlé initiative, created to help achieve a sustainable cocoa supply. Over the next ten years, we are providing farmers in the Côte d'Ivoire (Ivory Coast) and other cocoa producing regions with 12 million more productive cocoa trees in order to improve the quality and quantity of their harvest. This is just one part of our long-term commitment, which continues to help cocoa farming families secure a better future for themselves.

Discover more at [www.thecocoaplan.com](http://www.thecocoaplan.com)

 The Cocoa Plan





**CHRIS MULLET-KOOP.**  
*Egg Farmer, Jordan, ON*

**WHO MADE YOUR  
EGGS TODAY?**

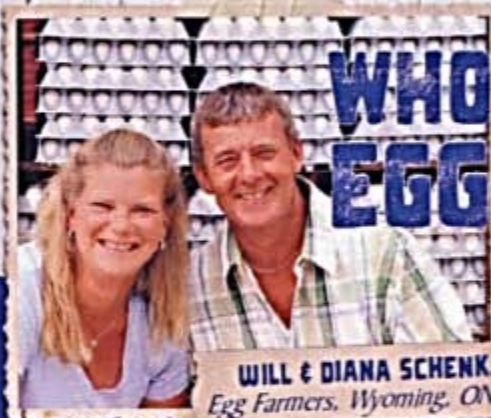
EGG FARMERS  
**Ontario.ca**



**MARCEL LAVIOLETTE.**  
*Egg Farmer, St. Isidore, ON*

**WHO MADE YOUR  
EGGS TODAY?**

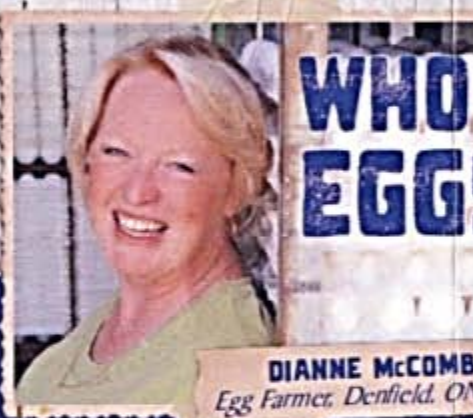
EGG FARMERS  
**Ontario.ca**



**WILL & DIANA SCHENK.**  
*Egg Farmers, Wyoming, ON*

**WHO MADE YOUR  
EGGS TODAY?**

EGG FARMERS  
**Ontario.ca**



**DIANNE MCCOMB.**  
*Egg Farmer, Denfield, ON*

**WHO MADE YOUR  
EGGS TODAY?**

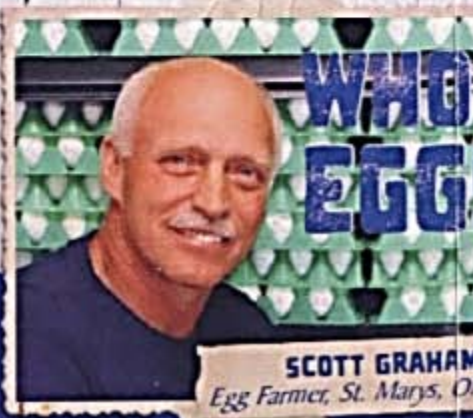
EGG FARMERS  
**Ontario.ca**



**LUKE & SANDRA VAN RERT.**  
*Egg Farmers, Watford, ON*

**WHO MADE YOUR  
EGGS TODAY?**

EGG FARMERS  
**Ontario.ca**



**SCOTT GRAHAM.**  
*Egg Farmer, St. Marys, ON*

**WHO MADE YOUR  
EGGS TODAY?**

EGG FARMERS  
**Ontario.ca**



# Impact of Campaign



- 500,000 more households bought Yeo Valley products in the 12 weeks to December 25<sup>th</sup>, 2010, than in preceding period
- Outperformed total yoghurt market by 250%
- Viewed 2 million times on YouTube (YeoTube!)
- Sales boosted by £10 million – equivalent to 15% year-on-year – for a campaign investment of £3 million
- Advertisement aired 7 times during the X Factor (ITV1) and 25 ITV2 slots



Yeo Valley  
organic





If we took milk from any old cow,  
we'd just be any old cheese.

The Friesian, the Jersey, the Guernsey and any other of about 800 breeds you might care to mention may make good milk, but they don't make 'Comté Cheese'.

No, the perfection you put on your plate, relies heavily on the particularities of the Montbéliarde. Grazing the Jura Massif of Eastern France, with each cow getting a whole hectare of pastureland; they have access to a phenomenal range of wildflowers. And it's the combination of these unique cows and what (in bovine terms) is a pretty radical diet that provides the foundation for Comté's unique range of flavours.

Then there's the daily milking ritual of each individual farm, all developed over time to get the best milk - one herd even like music by The Police played in the parlour. (We thought about playing them Cream but we partly skim the milk already.) And all this before we even start making the curd. But more of that another time. You get the impression, right? We go to extraordinary lengths to bring you an extraordinary cheese.

[comtecheese.co.uk](http://comtecheese.co.uk)  
[enquiries@comtecheese.co.uk](mailto:enquiries@comtecheese.co.uk)



  
**COMTÉ**  
History in the making

# Proprietary Technology and Demand Chain Squeeze

**Life Science Companies  
Ownership of Genetic Rights**

*market  
power  
polarised*

*nursery people  
growers/farmers  
distributors  
manufacturers etc.  
get squeezed!*

**Major Global Food Retailers and Food Service Firms  
Ownership of Information on Shopping Behaviour**



# Looking Ahead in Agriculture for WA: with Trepidation or Anticipation?!

- There is near consensus from experts that food and drink prices will be higher in the future than in the past, but ....
  - don't underestimate farmers' ability to rack up supply
  - prices up? Yes! Straight line? No!
  - watch impact of peak oil on input costs
- Success in emerging markets will be built on earning trust with customers. Specifically, trust relating to:
  - consistency of quality and supply
  - safety, integrity and sustainability of product
- Huge importance of "Brand Australia"
- There's no "silver bullet" products, just excellence both in understanding customer wants and in supply chain management



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