



Mega trend 1: Growing and shifting demand in global markets

Global demand for food will need to increase by 150% by 2053 to feed 9 billion people. This will grow two markets: low cost commodities for third world countries and premium differentiated brands for affluent consumers in developing economies. Because of cost structure and lack of global competitiveness, Australia must focus on the second market.

Mega trend 2: Changing patterns of consumption domestically, driven by shifts in demographics and social values.

The combination of an ageing population, the growing ethnicity of Australia and intergenerational behavioural differences will produce shifts in demand patterns for red meat. This could result in changes such as reduced per capita consumption of red meat, growing demand for secondary cuts for slow cooking methods or growing demand for Halal-certified meat.

Mega trend 3: Rising production costs as the industry responds to climate change, water availability and resulting government policies

Production costs will rise due to increased water costs, the impact of climate change on-farm, the direct and indirect impact of a carbon tax and overall business input costs.

Mega trend 4: Rising labour costs due to shortages of skilled workers and employment compliance.

The shortage of skilled and unskilled labour (particularly in regional areas) is limiting the ability of the agri-food sector to grow, adding to the cost of production and reducing Australia's global competitiveness. This situation is being exacerbated by the mining boom.

Mega trend 5: The shift to closed-loop supply chains

Supermarkets and large corporate food service users are driving the adoption of closed-loop supply chains. Closed-loop supply chains remove volatility and risk for processors, but they also transfer market power to retailers and foodservice companies. This shift in market power is changing the whole economic dynamic of the industry.

Mega trend 6: Australia's declining global competitiveness

Australia's agri-food sector is experiencing deteriorating global competitiveness due to a high Australian dollar, labour availability, regulation and cost, inadequate infrastructure and rising input costs.

Mega trend 7: Rising consumer expectations of social responsibility and accountability

The consumer and societal expectations regarding industry and corporate accountability are progressively rising, due to changed value systems. This has been reflected in animal welfare, environmental sustainability, business ethics and workplace practices. The trend is being accelerated



FACT SHEET AMPC

by the impact of social media.
Mega trend 8: Unsustainably low profit margins at all levels in the meat industry
Returns in the meat-processing sector are not at the level required to support the ongoing investment in new and emerging technologies that are necessary to ensure continued competitiveness.
Mega trend 9: Rising cost of compliance
Rising compliance costs are reducing the profitability and competitiveness of the processing sector. The problematic areas include customer standards and protocols, market access protocols, OH&S, transportation, financial reporting, environment, biosecurity, traceability and animal welfare.
Mega trend 10: Increasing complexity of market access
In theory, market access should be improving through FTA developments. In practice, however, technical and border security barriers are being put in place which compromise market access and significantly increase compliance costs.

WHERE TO FROM HERE

AMPC intends to finalise a Red Meat Processing Strategic Research, Development and Extension Plan for 2013–17 using this information, other stakeholder information from surveys, literature reviews and consultations along with aligning to other published industry relevant strategic plans in an effort to underpin the finalization of a meat processor industry sector strategic plan that will encompass policy, whole of supply chain investments and other activities that are important to maintaining a sustainable industry. By having these plans current and active will allow the red meat processing industry to measure its performance, clearly communicate to stakeholders and Government the industry intent and future direction as well as aiding in communicating red meat processor priorities and areas of investment.

Please contact AMPC on 02 9436 0042 for any enquiries.