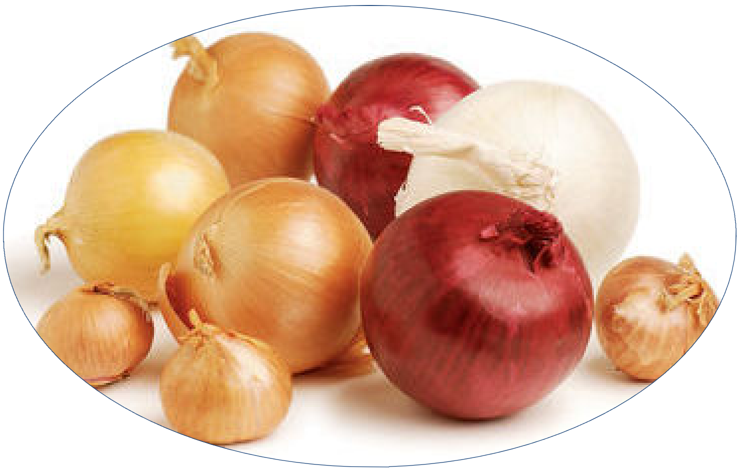
Onion Market Profile



Key facts:

- Onion production was **239,618 tonnes** for the year ending June 2013. **Tasmania** is the second largest producer of onions in Australia with **28%** of national production.
- There is a concentration of regional growers in the **north-west** of the state around **Forth,** as this is where the majority of vegetable packing operations are based.
- Onion imports were **12,538 tonnes** for the year ending June 2013. This was made up of **7,641 tonnes** of fresh product and **4,897 tonnes** of processed product.
- The current domestic retail market value of fresh onion purchased by consumers is **$266 million**.
- Onion exports were **67,322 tonnes** for the year ending June 2013. This was made up of **67,312 tonnes** of fresh product and **10 tonnes** of processed product.
- Tasmania exports the majority of Australia's total fresh export volumes which is equal to **45% to 50%** of the state's total production.
- Australian consumers purchased **637 g** of onions per shopping trip, with an average spend of **$1.71** per trip.
- Total fresh and processed onion consumption per capita for 2011 was **7.77 kg**.

Distribution channels and markets

Locally produced and imported onions are distributed into export, processing and local retail and food service distribution channels.

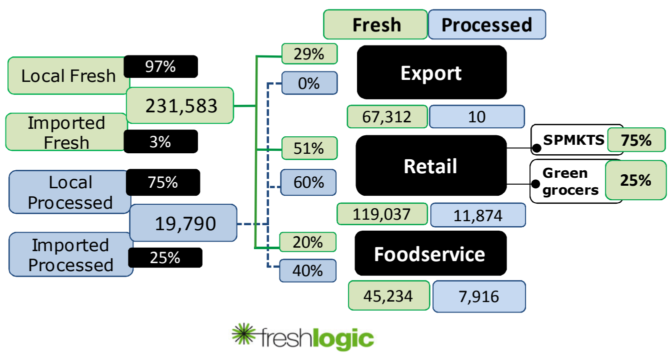
Supply chain flow to market

Local Australian onion production was 239,618 tonnes for the year ending June 2013. This was supplemented with a further 12,538 tonnes of imported product. The imported onions came in both fresh (61%) and processed (39%) forms. Most of the imported onions come from the United States, which accounted for 65% of the total imports.

Overall, 93% of total domestic production was used in fresh form, while 7% was used in processed form, as indicated in Figure 1.

In total, the use of onions in fresh form was 231,583 tonnes. The majority (97%) of this was derived from domestic production, and 3% (or 7,641 tonnes) from fresh imported onions. In all, 67,312 tonnes of domestic supply is exported in fresh form. This level of exports brings some exposure to export market volatility, which can flow on to place the domestic market under supply and price pressure. The use of onions in processed form was 19,790 tonnes. Around 75% of this was derived from domestic production and 25% (3,364 tonnes) was sourced from imported product. The retail channel is the largest buyer of processed onion, generating 60% of sales, followed by foodservice with 40%, as can be seen in Figure 1.

Figure 1 **Onion supply chain (tonnes)**



Retail channel

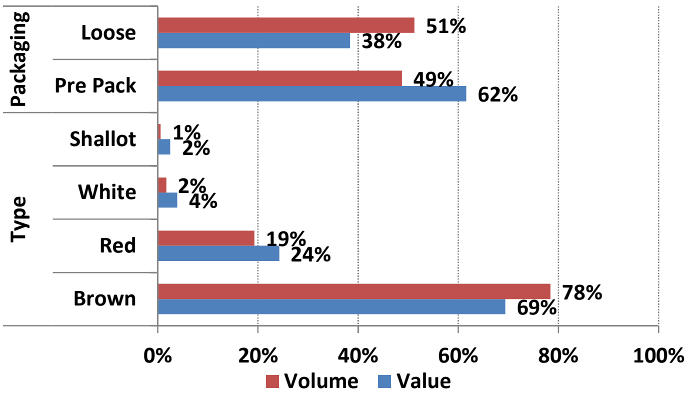
The retail channel sold an estimated 112,799 tonnes of fresh onions, after allowing for waste and shrinkage. This generated a total retail annual value of $266 million at an average price of $2.36 per kg.

Onions are sold at retail from loose self-select displays or in pre-packed bags. These two forms generate different prices, with the loose product presented as higher quality and sold at a premium over the pre-packed product.

Brown onions generate 69% of the retail sales value, while 24%

comes from red onions. The remainder comes from white onions (4%) and shallots (2%). Although there are less red onions available (compared to brown onions), red onions generate a higher average price per kg than brown onions. Shallots (dry bulb) sell at a higher value per kg value than the other onion types. The details of these contributions are profiled in Figure 2.

Figure 2 **Retail sales contribution by variety and type**



Foodservice channel

Fresh onion sales into the foodservice channel, which includes the enterprises that provide food eaten away from home, were 45,234 tonnes or 20% of total domestic supply. This is high compared to other fresh vegetables and is largely a result of their frequent use in the fast-food channels as well as their use as a seasoning base for a large range of meal types, fresh and cooked. Some buyers in the foodservice channel prefer to buy onions in a fresh cut "ready to use" form.

Processing channel

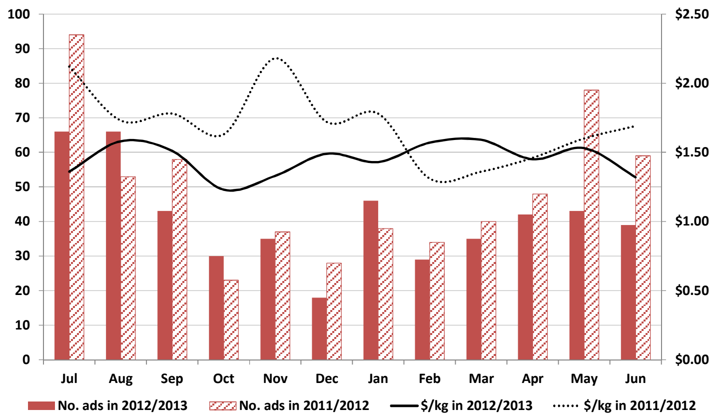
A total of 19,790 tonnes of processed onion was sold in Australia, of which 25% was imported. The majority of this volume flowed into ingredients for manufacturing and frozen.

Retail channel promotional activity

Retailer promotional activity provides exposure to consumers and therefore has a direct impact on retail sales. Onions are frequently featured in this activity, with advertisements for onions appearing every week during the year ending December 2011. Promotional activity decreased 17% in 2012/13 compared to 2011/12.

The pattern of this activity over the last two years is profiled in the Figure 3.

Figure 3 **Onion Retail Promotional Activity—by month**



Consumers

Onions are a mainstream product with a broad consumption base across all household types. In the year ending June 2013, onions were the 4th most frequently purchased fresh vegetable, based on weekly purchase patterns.

Over the 2012/13 financial year, 44% to 54% of households purchased onions each week. This is a relatively narrow range and indicates quite consistent behavior across all segments. This level of penetration indicates they are a staple product in most Australian households, which is supported by good home "storage life".

An analysis of retail shopping trips for the year ending June 2013 reveals the average quantity of onions purchased was 637 g per shopping trip, which at the average price of $2.68 per kg, generated an average spend of $1.71 per trip.

The quantity purchased by household varies with older aged Empty Nesters purchasing the highest quantity per trip with 735 g and the younger Singles and Couples purchasing the lowest quality.

It is also apparent that the higher quantities are purchased by the more value sensitive households, which is reflected in their support for product with a lower price per kg, in the larger pre-packs.

Per capita consumption

The per capita consumption of fresh onions purchased through retail for home consumption is 4.95 kg, for the year ending June 2013. Per capita consumption for fresh onions purchased and consumed in foodservice away from home is 1.97 kg.

Per capita consumption of processed onion products purchased through retail for home and foodservice consumption is 0.85 kg. Therefore the total onion consumption per capita is 7.77 kg.

Consumption profile

Onions have a wide range of uses, which reflects their broad appeal and versatility, providing texture, flavour and colour to a large array of meal types and occasions. The preparation methods and uses are profiled in Figure 4. The uses can also be summarised by variety:

- **Brown onions** are the most widely used of the 4 major types, offering strong flavour as an ingredient to meals.
- **Red onions** are mostly consumed raw, grilled, lightly cooked with other foods, or added as colour to salads. They tend to lose their colour when cooked.
- **White onions** are considered to be the strongest in flavour of the 4 major types. They offer similar meal uses as the brown onion.
- **Shallots** have a taste and texture that is generally more suited to making sauces and dressings.

Figure 4 **Use profile**

Onions consumption profile	
Boiled, M-W, Steamed	
Deep fried	
Mashed	
Roasted	✓
Baked/Grilled	✓
Salad - cooked	✓
Soup/Sauce	✓
Stir fry	✓
Juiced	
Salad - fresh	✓
Sandwich/burger/wrap	✓
Snack	
Minor use	✓
Major use	✓

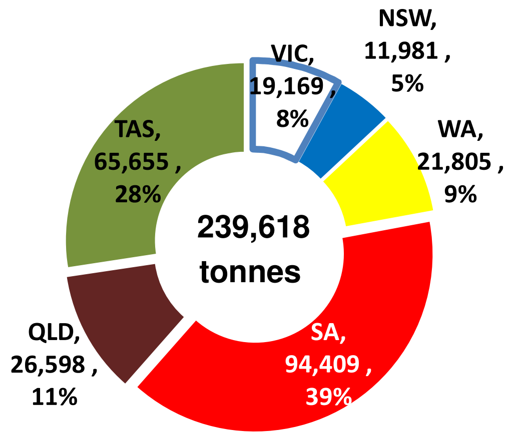
Tasmanian onion production

As can be seen in Figure 5, Tasmania and South Australia are the largest producers of onions in Australia, and combined they produce 67% of total national production.

Production regions

The major production regions in Tasmania include Scottsdale and Winnaleah in the north-east, from Sassafrass to Smithton in the north-west, and the northern Midlands from Deloraine to south of Cressy. The largest concentration of regional growers is in the north west of the state around Forth, as this is where the majority of vegetable packing operations are based.

Figure 5 **National production by state**



Growth regions

There has been some growth in production around Cressy in the northern Midlands region. This has been largely driven by land availability with good irrigation capacity, much of which has low previous exposure to onion production and therefore less disease pressure and associated costs. It is also quite affordable, and overall offers a relatively cost effective production option.

Packing facilities

There are a number of packing operations within Tasmania that supply fresh onions to both interstate and export markets. As mentioned above, most of these facilities are based around Forth. Most onion producers grow under contract as this provides greater certainty and reduces risk levels.

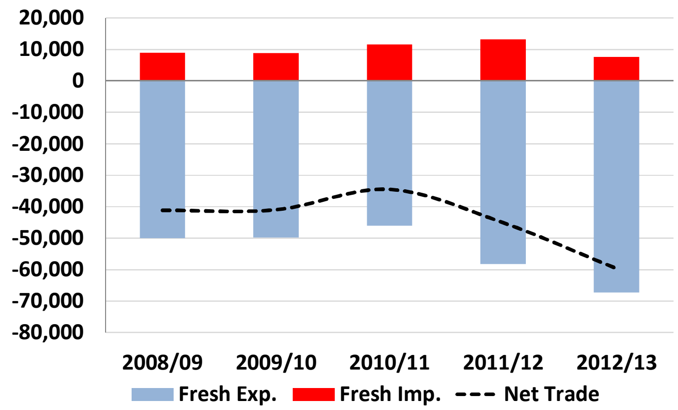
There are also a number of smaller grower-packers that are producing on spec or to specific local contracts and marketing arrangements (both inter and intra-state).

International trade

Australia's largest export market is Europe, with Germany (30%) being the largest single market for Australian onions. For the year to June 2013, 87% of export volumes occurred from February to May.

Tasmania is the major exporting state, with most of the remainder from South Australia. A large proportion (45% to 50%) of Tasmanian production is destined for export markets, with the major markets being Europe, Japan and Malaysia. Therefore, export market volatility will have a marked impact on Tasmanian onion growers. The United States is the largest supplier of onions imported into Australia, with a total of 9,038 tonnes (fresh and processed), or 65% of the total import volume.

Figure 6 **Annual fresh onion trade (tonnes)**



Seasonal supply

The Tasmanian growing season extends from January to October for brown onions and January to August for red onions. Beyond this period, supplies for the Tasmanian market are met with interstate product.

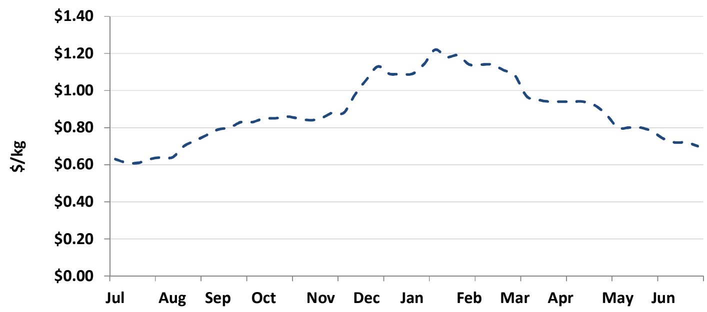
Wholesale price

Onions offer comparatively low and consistent wholesale prices, reflecting a high volume crop with an even supply profile. The supply patterns are impacted by the ability to store onions and flow them into the market as demand requires.

Wholesale prices are profiled above using state central market prices for brown and red onions that are weighted by population, to calculate a national price as per Figure 7.

For the year ending June 2013, onions had a wholesale price range of $0.61 to $1.22 per kg, with an average of $0.90 per kg, a decrease of 7% on the previous year.

Figure 7 **Average onion wholesale price**



The low level of wholesale price movement in 2012/13, as profiled in Figure 7, reflects the stable price platform that onions typically enjoy in the winter months.

Outlook for sector

- Onions enjoy a diverse array of meal uses and a comparatively high level of household penetration. This indicates a mature category where volume growth is most likely to be limited to the 1.5 to 2.5% annual population growth.

Impact of export market volatility

- The Australian onion industry has significant exposure to the export market, and volatility in key markets such as Europe can flow through to impact domestic market supply and pricing.
- This could be seen in the impact of poor export market conditions in 2012 on Tasmanian onion growers, and the movement of greater volumes onto the domestic market and resultant downward pressure on prices.

Scope for category value growth

- Red onions have enjoyed a status as a premium product over brown onions, and this is reflected in the retail price premium. There are signs of pressure on this premium at a retail level, however. Similarly shallots are earning a significant premium over other onion bulb types.
- These are clear signals that some consumers will pay more for certain onion product attributes. It indicates some scope for onion category value growth to be generated by focusing on product attributes that consumers welcome.

Data sources

- Mealpulse™ consumer panel Freshlogic
- Adwatch™ retailer promotional data Freshlogic
- DFAT import and export data
- Wholesale market pricing data
- ABARES
- ABS
- Freshlogic ThruChain™ model

Further information

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