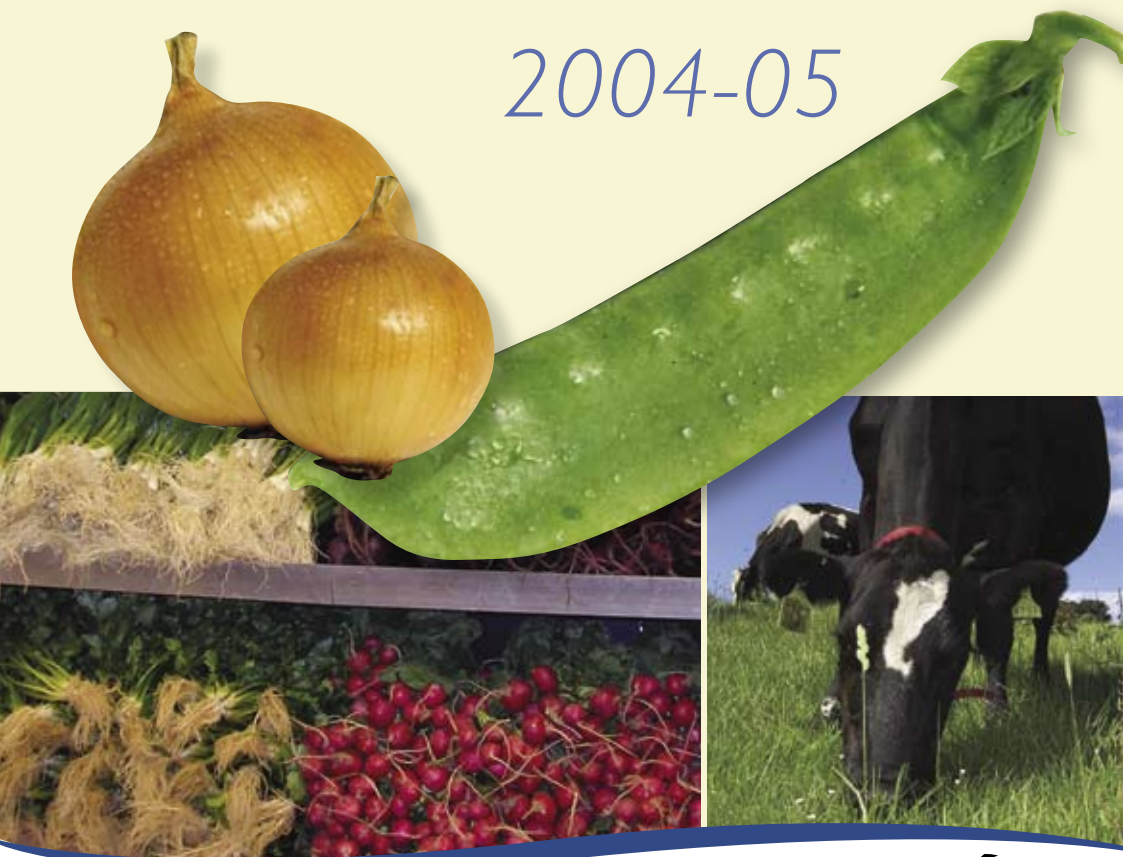


Tasmanian food industry ScoreCard 2004-05



Introduction

Government is working in partnership with key industry stakeholders and communities in delivering growth through sustainable management of our natural resources.

To date there has not been a simple way of measuring growth or understanding how value is created along the chain and which items offer the greatest potential to create value and employment.

Many years ago Tasmanian foods were largely harvested, packed and marketed by Tasmanian companies. Then it would have been relatively easy to account for the value of production and what markets were being supplied. This is no longer the case due to increasing corporatisation and globalisation in the food industry.

The ScoreCard is a method of describing what is a highly diversified industry with many market segments. For the first time the processed and packaged value of foods and market destinations has been quantified - especially the interstate trade which is accounting for an increasing proportion of Tasmania's food market destination.



Atlantic Salmon farming - taking advantage of Tasmania's unique island identity and clean, cool natural environment.

Key food facts

Tasmania both imports and exports food, with the food going overseas and interstate. Tasmania is a net exporter of food.

- » The sector is highly diversified – there are more than 70 major product groupings
- » Value of food at Farm Gate/Beach = \$984 million
- » Value of food once packed & processed = \$2,103 million
- » Gross Value of food sales (Overseas exports, net interstate trade & domestic sales) = \$3,482 million
- » Net Food Revenue (Gross Value less imports) = \$3,110 million
- » Net Overseas Exports = \$409 million
- » Net Interstate trade = \$813 million (almost 2 times exports)
- » Food Retail & Food Service sales in Tasmania = \$1,888 million
- » Tasmania sells 58% of food produced interstate and overseas ie a big net surplus.

Beef cattle production generates in excess of \$150 million in export income for the Tasmanian economy.



Production and trade at a glance

Food Production Summary (\$ million)

Farm Gate / Beach total production of agriculture and fishing	\$1,202
Less non food items eg wool, hides, seed, hay, poppies, nursery	\$218
Farm Gate / Beach value of food items	\$984
Food Value once packed & processed	\$2,103

Food Trade Revenue (\$ million)

		Exports \$m	Imports \$m	Net Trade \$m
Overseas Trade	Commodity	\$7.0	\$58.7	-\$51.7
	Food	\$476.4	\$15.7	\$460.6
	Total	\$483.3	\$74.4	\$409.0
Interstate Trade	Commodity	\$75.4	\$18.6	\$56.7
	Food	\$1,035.0	\$279.0	\$755.9
	Total	\$1,110.3	\$297.6	\$812.7
Tasmanian Food Sales				Sales
Retail				\$1,310.0
Food Service				\$578.0
Total				\$1,888.0
Gross Food Revenue				\$3,481.7
Net Food Revenue				\$3,109.6

Definitions

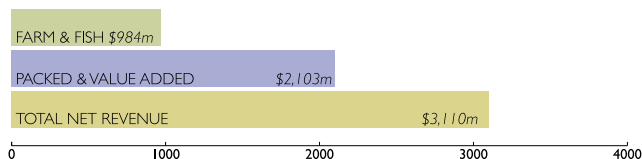
Commodity items are those requiring transformation prior to consumption eg live cattle and sheep, wine grapes, ingredients for confectioneries.

Food items are those foods packed & processed ready for consumption eg fresh fruit and vegetables, meats, bakery and wine.



Beer, Wine and Confectionery
– value added products worth \$616
million and generating \$445 million
net trade revenue.

Value along the chain (\$ million)



Tasmanian Food ScoreCard Sector Summary (\$ million) 2004-05

	Field Crops	Livestock	Dairy	Fruit	Vegetables	Seafood	Wine	Confect'ry	Total
Food - farm gate / beach value	2.6	249.7	185.2	67.9	164.3	299.0	14.8		983.6
<i>Total farm gate / beach value</i>	138.2	332.8	185.2	67.9	164.3	299.0	14.8		1,202.0
Processed & Packed Food Value	292.3	343.7	261.8	64.8	352.4	367.2	21.2	400.0	2,103.4
Overseas Trade									
Commodity Exports	0.2	6.8	0.0	0.0	0.0	0.0	0.0		7.0
Commodity Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.7	58.7
Food Exports	0.1	172.6	100.1	13.6	22.9	139.1	2.9	24.6	476.4
Food Imports	0.7	3.3	3.5	1.1	3.6	1.1	0.0		15.7
Net Interstate Trade									
Net Commodity Exports	0.4	70.1	0.0	0.0	0.0	0.0	4.8		75.4
Net Commodity Imports	6.7	11.9	0.0	0.0	0.0	0.0	0.0		18.6
Net Food Exports	58.8	21.8	103.6	24.2	259.1	207.4	0.0	360.0	1,035.0
Net Food Imports	29.5	52.9	2.2	43.9	0.0	24.7	65.4		279.0
Tasmanian Food Sales									
Retail Sales	245.7	434.6	137.8	111.0	230.0	39.5	110.4	20.0	1,310.0
Food Service Sales	213.5	75.8	2.8	25.6	70.7	87.3	97.9		578.0
Net Food Revenue	481.5	713.8	338.7	129.3	579.0	447.8	150.6	346.0	3,109.6
Gross Food Revenue	518.7	782.0	344.3	174.3	582.6	473.3	216.0	404.6	3,481.7

How do we collate information for the ScoreCard?

What is the real value of Tasmania's food, agriculture and fishing industries? Given the importance of the sector to the State's economy it would be expected that there would be a precise answer.

There are good statistics produced annually on agricultural and fisheries production. What happens beyond the farming and fishery level has been largely a mystery. The packaged and processed value of Tasmanian foods has not been reported for many years. This is due to a number of reasons. Firstly industry data is suppressed in cases where only 2 or 3 companies are dominant players. Secondly it is not possible to segregate the Tasmanian component of national companies.

Exports to overseas countries are reported annually. But there has not been any information available on interstate trade, which for most commodities is a far more important market destination.

Using the Food ScoreCard method developed by the South Australian Department of Primary Industries it is possible to track growth in food production, examine the value chain and identify which markets predominate.

The Tasmanian Food Industry ScoreCard is based on existing Australian Bureau of Statistics and ABARE data (gross value and quantity of production), export and import data, food retail and food service sales, food consumption data and the Tasmanian population statistics.

Given this information it is possible to calculate the quantity of food available after exports have been deducted. The Tasmanian consumption is estimated using Tasmanian population statistics and food consumption data.



Abalone generate \$127 million trade income with China being the major export destination.

Net interstate trade is calculated as:

$$\text{Total prod'n} - \text{Exports} + \text{Imports} - \text{Domestic Consumption} = \text{Net Interstate Trade}$$

At various points in the ScoreCard information is reconciled with other reported data eg Tasmanian food retail and food service sales against ABS food retail and food service sales. In total it's a complex system that reflects the diversified nature of the food industry in Tasmania.

Behind the information in this report lies many individual calculations for all commodities such as: abalone, apples, beef, broccoli, carrots, cheese,wine. In total there are more than 70 major product groupings.

As a result of such detailed reporting it is possible to examine:

- » The value of the total food industry.
- » The contribution of the various commodity sectors – field crops, livestock, fruit, vegetables, seafood, beverages, confectionery and wine.
- » The production, trade and domestic demand for all products.

Much of the information in the ScoreCard is an estimate. Hence feedback from industry will be readily received.

Food retail and food service sales in Tasmania have risen in line with growth in the population, tourism and the popularity of restaurants.

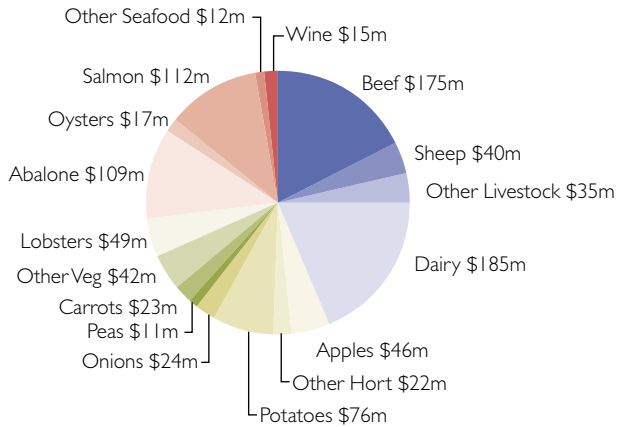


ScoreCard information

- » There is strong growth along the value chain:
 - » \$984 million at farm gate/beach
 - » \$2.1 billion once package and processed
 - » \$3 billion total net sales – overseas exports, interstate trade and retail/food service sales in Tasmania.
- » Tasmania produces a large net surplus of food – some 60% is traded overseas and interstate. At the national level overseas exports represents some 30% of production. Trade in food items in Tasmania is twice as important at a State level compared to the national level.
- » Interstate trade is by far the more important market destination – for every \$1 of product exported overseas there is an additional \$2 traded interstate, some of which may then be exported overseas.

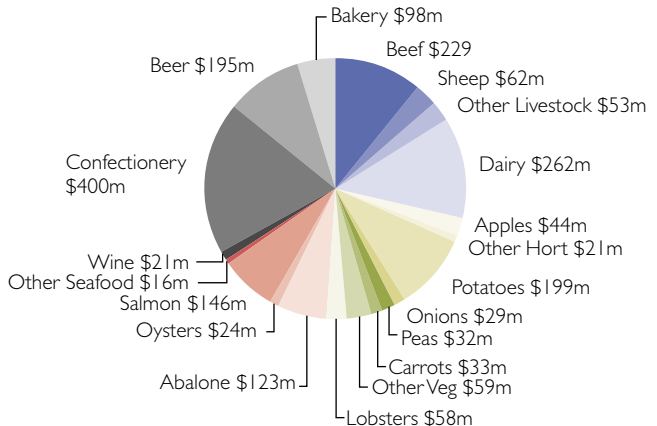
Farm, Aquaculture and Wild Fisheries - Food Value

Farm Gate/Beach Value \$984 million



Food – Packed & Processed Value

Wholesale value \$2,103 million



What the ScoreCard doesn't show

The ScoreCard estimates interstate trade on a net export (surplus) or import (deficit) basis. For example Tasmania has a net interstate import of wine of \$65 million because the projected wine consumption in Tasmania in total is 10 million litres. That is 7.5 million litres more than produced and available after overseas exports were deducted. Interstate trade occurs both ways for most products eg beer, cheese, wine. What the ScoreCard does not tell us is how much Tasmanian produce is sold interstate and at the same time how much interstate produce is sold in Tasmania.

Another issue for industry and Government is that a considerable proportion of Tasmanian produce is shipped interstate and is then consigned to an overseas market. While individual companies may know the final destination of produce sent interstate, the ScoreCard can only estimate interstate trade on a net requirement basis. However in the end it is the net trade basis for both interstate and overseas markets that underpins the sectors contribution to the Tasmanian economy. As noted above that is a healthy 60% of the total value of food production.

Lastly the ScoreCard does not reflect the total contribution of the sector to the Tasmanian economy. The direct or farm gate contribution of agriculture alone is 5% of Gross State Product (Davey and Maynard (2005); ABS). A detailed input/output analysis is able to show how the sector underpins the State's economy. A recent analysis using the input/output methodology published by Davey and Maynard showed that almost 16% of Gross State Product was attributed to Tasmania's Farm Dependent Economy ie at least three times the value of agriculture on its own.

Vegetable production worth \$164 million ex farm and \$344 million once packed and processed. Interstate sales of vegetables are worth \$259 million net.



Food trade and revenue

Overseas Exports

Commodity Exports \$7m – mainly live sheep

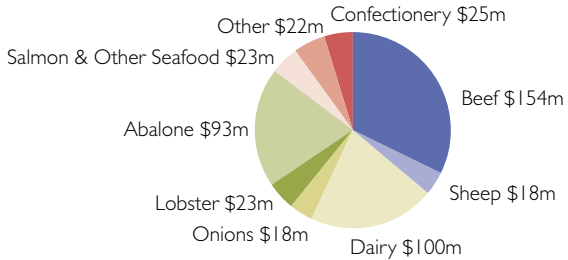
Commodity Imports \$59m – mainly processing ingredients

Food Exports \$476m

Food imports \$16m – varied categories of processed foods & peas

Net Overseas trade – all commodity and food items \$409m

Overseas Food Export Value \$476 million



Net Interstate Trade

Commodity Exports \$75m – mainly sheep, beef cattle, wine grapes

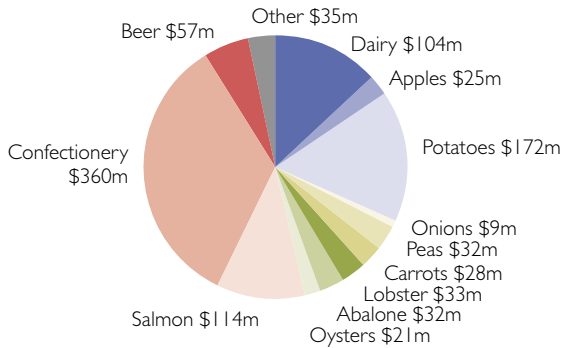
Commodity Imports \$19m – mainly bread wheats, beef cattle

Food exports \$1,035m

Food imports \$245m – wine, chicken meats, beef, cooking oils, citrus, prawns and fish

Net Interstate trade – all commodity and food items \$846m

Food Export Value \$1,035 million



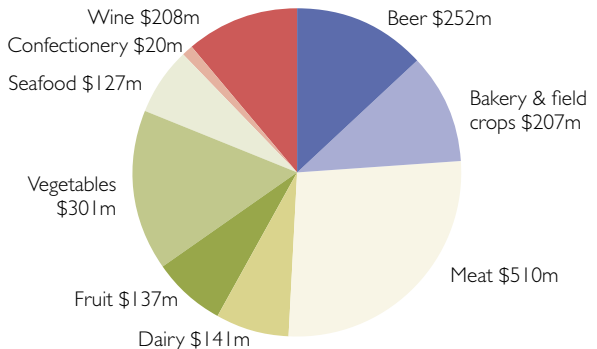
Retail Food and Food Service Sales

Food Retail sales \$1,310 million (source ABS)

Food service sales \$578 million (DPIW estimate)

Model estimates of value of individual items sold which is then reconciled with ABS data.

Tasmanian Food Sales \$1,888 million



Other interesting facts

- » Over the last 10 years production of foods has increased at about 5% per year; but exports to overseas countries have increased by 3% per year. Therefore with a relatively stable population in Tasmania, the increased production has seen a significant growth in interstate trade.
- » There are large differences in trade of food categories eg abalone to export markets, potatoes and confectionery to interstate markets, large net imports of wine.
- » Looking at the information in greater depth the ScoreCard tells an interesting story about the structure of the food industry in Tasmania. For example there is a high proportion of product that is branded with national and international brands.

How is this related to employment?

Direct employment in food and beverage manufacturing, agricultural and fisheries production accounts for 9% (or 19,600 people as at December 2005) of total State employment. Agricultural employment was 11,350, while employment in food and beverage manufacturing was 6050 people. Wild fisheries and aquaculture employs 1450 people.

These statistics reflect the very significant role the sector plays in the State's economy. When the flow-on effects to the State's are included the total benefits are obviously much greater. For example one input/output analysis has indicated that agriculture underpins about 20% of total State employment (Davey and Maynard, 2005).

Other statistical information

Department of Agriculture, Fisheries and Forestry (DAFF) – Australian Food Statistics 2006 – a comprehensive data set on Australian food production, value adding, employment and trade.

Website: <http://www.daff.gov.au>

ABARE - Australian Commodities – an extensive collation of Australia food, agricultural and fisheries data and world trade.

Website: <http://www.abareconomics.com>

Australian Bureau of Statistics (ABS): Information on agricultural production, trade (exports and imports), household expenditure, retail and food service sales and employment. While the ScoreCard has utilised data purchased from ABS in order to achieve specific detail needed, there are many reports that can be accessed from the ABS website.

Website: <http://www.abs.gov.au>

Primary Industries and Resources South Australia (PIRSA) South Australian Food Centre – The Food Scorecard

Davey and Maynard (2005) The Contribution of Agriculture to the Tasmanian Economy. Report published by Tasmanian Agricultural Productivity Group and Tasmanian Farmers and Graziers Association. Report available from TFGA website.

Website: <http://www.tfga.com.au>

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Tasmania

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