



THE UNIVERSITY
of ADELAIDE

Centre for Global Food and Resources

EXECUTIVE SUMMARY AND RECOMMENDATIONS

***Identification and Assessment of Added-Value Export Market
Opportunities for Non-GMO Labeled Food Products
from South Australia***

**Prepared for the
Department of Primary Industries and Regions, SA**

JUNE 2016

EXECUTIVE SUMMARY

In June, 2015, the Centre for Global Food and Resources of the University of Adelaide was commissioned by the Department of Primary Industries and Regions, SA to conduct a study of the *'Identification and Assessment of Added-Value Export Market Opportunities for Non-GM Labelled Food Products from South Australia.'*

The investigation, analysis and recommendations were undertaken in three parts:

Part I: Analyses of consumer trends and food category performance to assess future demand for non-GM foods in four targeted markets: the United Kingdom, the United States, Japan and China.

The analyses included the following:

- Review of global food trends.
- Review of recent literature on consumer attitudes to GMOs in food in the targeted markets.
- Review of recent reports and surveys on consumer preferences for non-GM foods and demand for non-GM foods and food ingredients by food producers and retailers in the targeted markets.
- Detailed category analysis of 'proxy' categories for Non-GMO foods (*Naturally Healthy, Better for You and Organic*) to assess the size and potential growth
- Detailed analysis of new product launches with a non-GM claim
- Assessment of the relationship between non-GM marketing claims and average product prices

The review of global food trends, which are summarized in figures 1-3 below, set the context for assessing opportunities in non-GMO markets:

- Appreciation that food production and consumer markets have evolved into a 'Worlds of Food' perspective
- Realisation that much of the food produced in South Australia fits comfortably in the 'World of Provenance'
- Understanding the impact of the enduring global food trend, 'naturally healthy' on consumer preferences

Our recommendation is based on the understanding that consumer attitudes to genetically modified foods are complex and dependent on a combination of factors that include: 1) level of knowledge about GMOs, 2) perceptions of the inherent risks and benefits of GM foods, 3) trust in governing bodies that approve GM foods, and 4) ***consumers' attitudes towards food as part of their overall health regime.*** These attitudes are formed within evolving 'worlds of food' first described by Professor Kevin Morgan from Cardiff University in his book, *Worlds of Food: Place, Power and Provenance in the Food Chain* (Please see Figure 1).

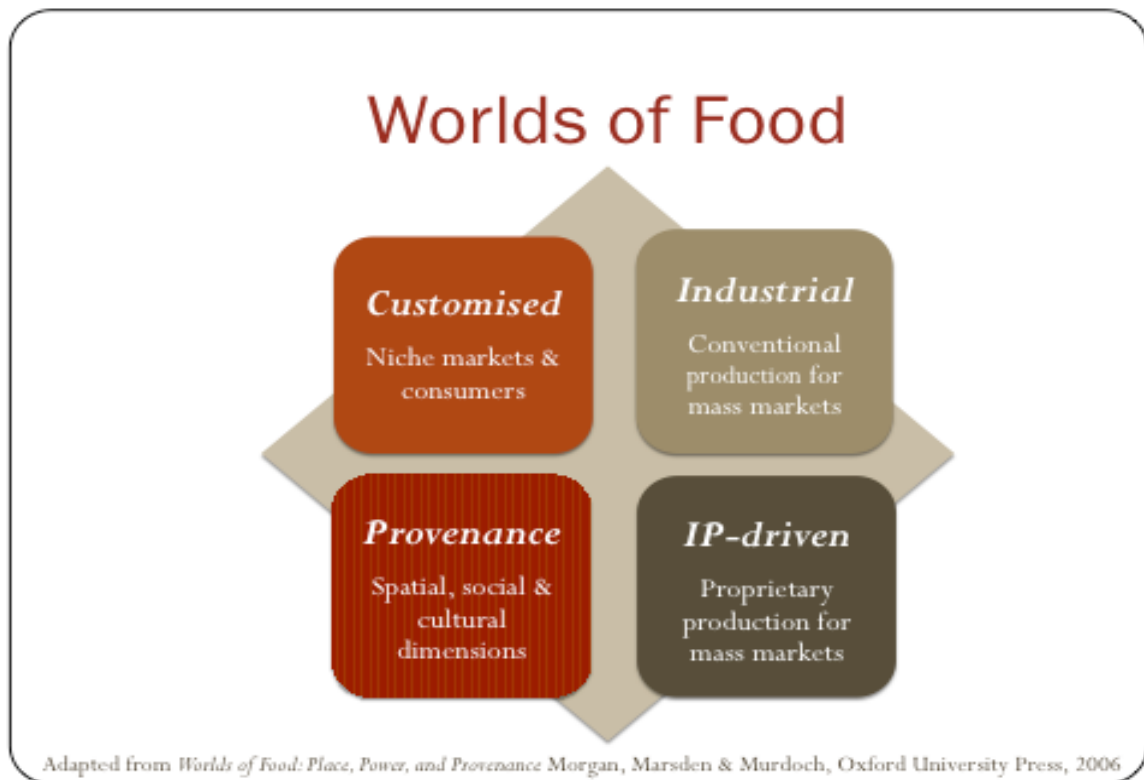


Figure 1. Worlds of Food

There is growing interest from consumers in the *provenance* of the food they buy. Provenance includes interest in 1) Place – where the food is produced, 2) Product – how the food is produced and 3) People – who is producing the food. These consumers are looking for a *connection* to the food they buy. For example, in developed economies, the number and scale of farmers markets continues to grow to provide local producers with the opportunity to sell directly to consumers, and for consumers to select producers they trust. Many consumers now want the option to ‘*buy local*’ to support regional farmers and food manufacturers. On the other hand, many are interested in traveling to regions known for the quality of their food and wine – fueling food tourism. (Please see figure 2).

Provenance

Creating links to consumers

- **Place:** Where produced – geographic & cultural characteristics
- **Product:** How produced – ethical and sustainable production practices
- **People:** Providing emotional & experiential connections

“The strength of the premium paid is another signal about how much consumers welcome positive stories about the origin of what they are buying. The strength of this interest is confirmed in consumer research, where the number of food consumers who state a willingness to pay a premium for local product has continued to increase to now reach 44%.” Jan Davis

CEO, Agribusiness Association of Australia, Weekly Newsletter, 24 Feb 2016 referring to Freshlogic MealPlus consumer panel results




Figure 2. Provenance

Since 1995, Julian Mellentin, has produced an annual assessment of *10 Key Trends in Food, Nutrition & Health* through identifying, ranking and forecasting the most important food

trends in five regions in the world: North America, South America, Asia, Europe, and Australia & New Zealand.¹ In the 2015 edition, '*Naturally Functional*' is identified as the biggest and most important trend in most western markets (and several Asian markets as well). This trend, which was first identified in 2005, has continued to strengthen as consumers look for foods that deliver nutrient value that is *naturally* inherent in food products and ingredients: i.e. cranberries, almonds. The category includes products that are '*free-from*' artificial colours, preservatives or additives and those that have an ingredients list that is short and in everyday language – with *only things they might find in the kitchen cabinet at home*. (Please see figure 3)



Figure 3. Naturally Healthy

The results of the review and analysis process indicate that:

- Global food trends indicate that discerning consumers are increasingly seeking foods that are 'naturally healthy', have a 'clean' label with simple ingredients (that include GM-free), and have identifiable provenance that links consumers to producers.
- Attitudes to GMOs in food varied by the country studied and over time. Consumers in the UK and Japan are relatively relaxed about GM labelling (most likely because, until recently, both countries prohibited GM commercial crops). Chinese consumers are very concerned about food safety because of past food scares. And, somewhat surprisingly, the strongest growth in consumer demand

¹ Mellentin, J. 2014. 10 Key Trends in Food, Nutrition & Health in 2015, New Nutrition Business, November/December 2014, Vol 20 No 2/3.

for Non-GM food is in the United States, which also has the largest GM crop production.

- Analysis of the 'proxy' categories for Non-GM foods showed the strongest growth trends are in the Organics category in the US and the Naturally Healthy category in China.
- Data from the Mintel Global New Products Database shows the 15.7% of all new food and beverage products launched in the US in 2015 made Non-GMO claims vs. only 2.8% in 2012; and 13.5% of new products made organic claims in 2015.

Based on the analysis of consumer trends and product category data, ***we recommend that the two most attractive markets for Non-GMO labelled foods at this time are the United States and China.*** (Please see figure 4 and 5).

Target market: United States

- Consumer demand for healthier products leading to cleaner labels and more non-GMO segments (Food Dive, 6 Jan 2016)
- Major retailers demanding non-GMO products and going non-GMO with their own brands
- Food manufacturers committing to transparency and voluntarily seeking Non-GMO Project verification and seal
- Strong increase in demand for organic foods

In the US – debate about labeling is intensifying



Figure 4. Target market: United States

Target market: China

- Fragmented, but rapidly growing market for 'naturally healthy'
- Opportunity for long-term positioning based on perception of Australia as provider of safe food
- Need more detailed analyses of consumer trends at regional levels
- Need profiles on major players along the value chain at regional levels



Figure 5. Target market: China

Part II. Assessment of SA food producers' interest and capacity to export non-GMO labeled food products and ingredients to consumer and food manufacturing channels in the targeted markets.

Assessment of SA food industry interest and capacity was based on 1) identifying Australian food companies that currently use Non-GMO or GM-free claims on their labels and 2) the results of 20 interviews with a range of SA agrifood producers and associations.

The study team found that nine SA food businesses currently have Non-GM claims on their labels. This is likely because Australian consumers and retailers are not demanding transparency of GMO ingredients. The study team also found that few SA food businesses were aware of export market opportunities for non-GM foods; however, there were a few notable exceptions who were very aware of and responding to future opportunities – most particularly in biodynamic dairy products, carob products and specialty flours and pre-mixes.

SA company attitudes to non-GM opportunities

- Retailer – Does not consider Non-GM a category opportunity in the Australian retail market
- Food producers & manufacturers
 - Most perceive that mainstream Australian consumers are ambivalent to presence of GM ingredients.
 - Are not promoting Non-GM in overseas markets
- Notable exceptions:
 - Biodynamic dairy products
 - Carob products
 - Specialty flours & pre-mixes



Figure 6. SA company attitudes to Non-GMO labelled opportunities

The study team also investigated *two opportunities for which further exploration is recommended: 1) expanding the production of organic foods and 2) assessing options to gain more value from GM-free canola production in South Australia – via seeds, oil and meal.*

Part III. Opportunities for collaborative action to pursue higher-value market segments in China and the United States.

The study team concluded that there are opportunities for added-value returns for Non-GMO labelled food products from South Australia, but that based on identified global food trends: *the greater opportunity lies in promoting a broad-based platform of ‘naturally healthy’ products (that are GM-free) from South Australia with claims that can be underpinned by traceability and verification systems.*

Figure 7 presents the research team’s summary of sustaining consumer and market drivers, the current constraints in the SA food industry, and the assets upon which future market opportunities could be built.



Figure 7. Identifying potential spaces

The Centre for Global Food and Resources team recommends that SA food businesses be assessed regarding their potential interest in the following collaborative opportunities:

- ***Develop a 'naturally healthy' category of products linked to South Australian provenance,***
- ***Underpin provenance claims with a third-party identity preservation system*** (that includes, but is not limited to, Non-GMO foods and food ingredients)
- ***Build a shared e-commerce platform to promote the category*** that can be easily accessed by consumers (and be linked to company profiles), and
- ***Build shared order-fulfillment platforms into targeted markets*** (targeted retailers in the United States and targeted regions in China).

The recommended next steps in the process are for PIRSA to:

1. Invite SA businesses interviewed as part of the study to a presentation and discussion of the findings.
2. Liaise with Food SA to include the findings in industry workshops it will be conducting as part of developing their '*Growth through Innovation Strategy*'.
3. Depending on sufficient industry support, provide a briefing to relevant Government Ministers on the findings and implications for Government policies and programs.