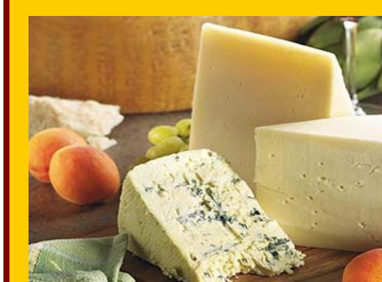
THE FOOD PROCESSING INDUSTRY



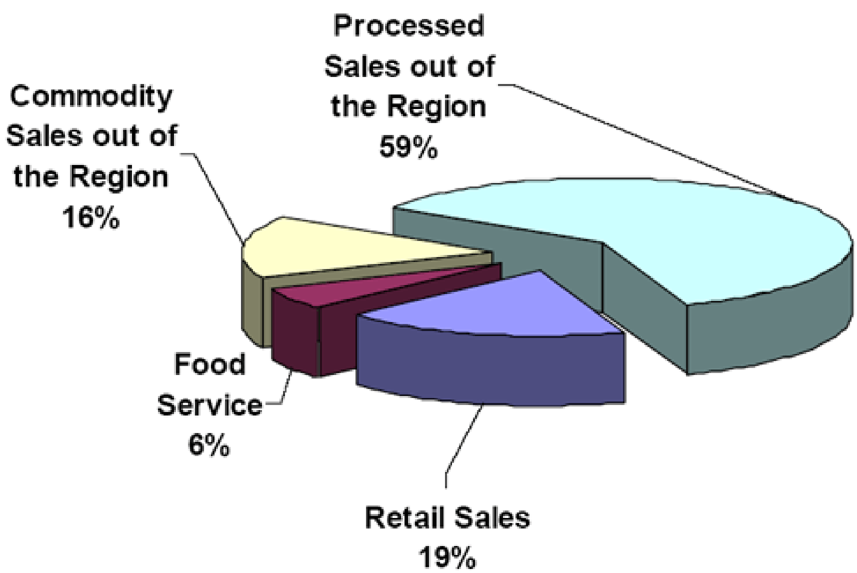
CONTENTS

1) Background to the Murraylands and SA Food Processing Industries

- South Australian Region Food Scorecard (www.safoodcentre.com/facts/pages/regions/)

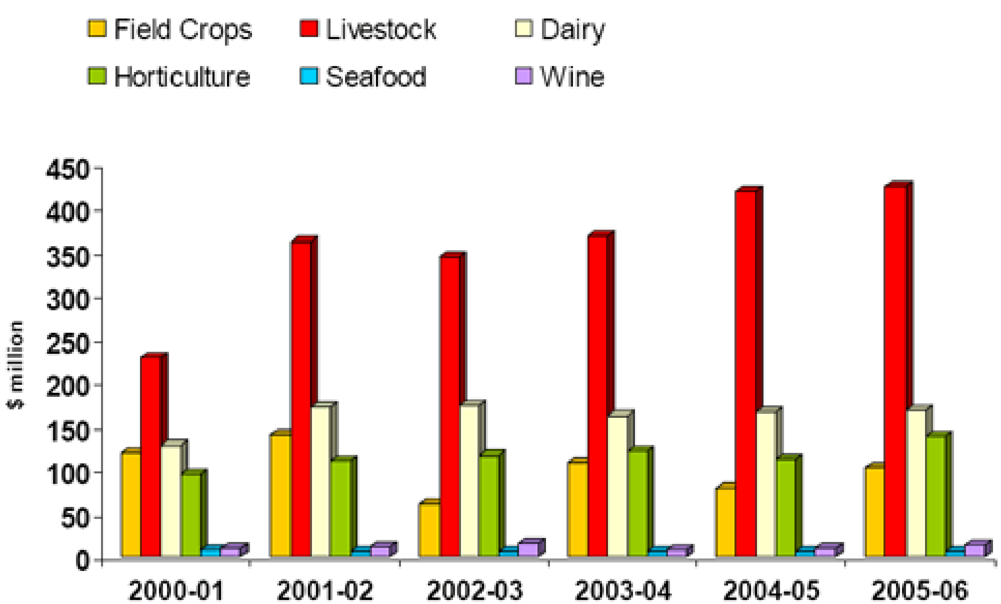
- Gross Food Revenue, is an estimate of the contribution made to the region's economy by the food and beverage industries at the point of final export or local consumption.

  - *Gross Food Revenue (ex Wine) Murraylands Region in 2005-06 valued at $937 million*



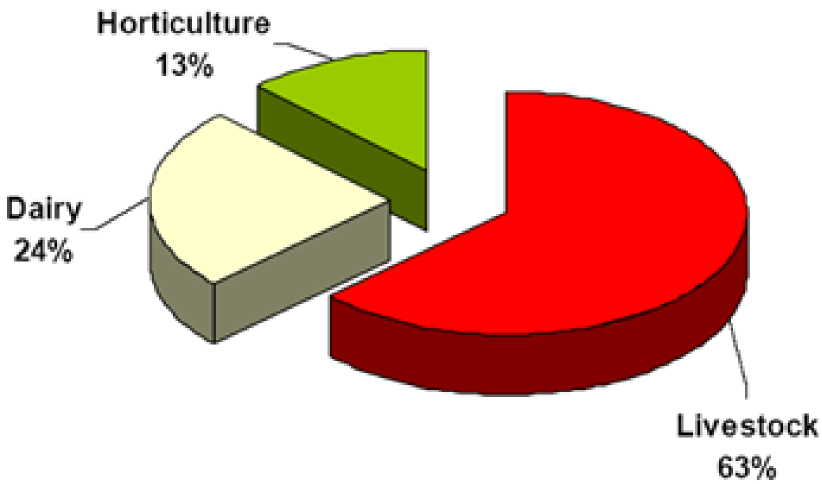
Gross Food Revenue takes into account the value of farm production, food value-adding, processing, packing and distribution, as well as food service and retail sales. The graph at left presents the proportions of regional gross food revenue (excluding wine) attributable to local consumption and exports out of the region.

  - *Gross Food Revenue (inc Wine) Murraylands Region by industry from 2000-01 to 2005-06*



Calculating Gross Food Revenue for each region requires an assessment of the size and value of each industry at both the production and processing levels. The chart at left present estimates of each industry's contribution to production and processing values in the Murraylands Region.

- *Food processing in Murraylands Region, 2005-06 valued at $587 million (wholesale value)*



The graph left presents the estimated value of food and beverages processed in the Murraylands Region, which is the value of product at its highest level of processing or finishing. Processed or finished foods can include products that are both minimally and highly processed. The value is represented by their wholesale price into the region's retail or export markets.

- The Murraylands is host to South Australia's two major meat processing companies in Big River Pork and T&R Pastoral.(www.tandrpastoral.com.au) (www.bigriverpork.com.au)

- There are several smaller chicken and pork processors, a few speciality processors value adding meat and meat products. The dairy industry is well served with Dairy Foods and National Foods and Murray Valley Cheese (and yoghurts). Other small industries include pasta making, olive products and pastes; pâté's and gourmet foods, Mushroom and herb packaging etc (www.dairyfoods.com.) (www.deionnogroup.com.au (www.franckfood.com) (www.freshherbs.com.au)

- The Murraylands food sector performance continues to rely heavily on commodity outcomes, which are highly dependent on weather and spot market conditions. (www.safoodcentre.com/facts/;) (www.safoodcentre.com/facts/pages/industrysectors/)

- Horticulture products including olive (oil) processing, almond and pistachio packaging, onions, potatoes, lettuces etc are grown in the Region. www.bigolive.com.au www.parillapremiumpotatoes.com.au

2) *Regional Development / Expansion Potential*

- REPORT - The S.A. Food Plan 2007 – 2010 (http://www.safoodcentre.com/about/files/links/safoodplanfull_FINAL.pdf) (http://www.safoodcentre.com/about/files/links/Evaluation_of_the_2004_200.pdf)

- REPORT – SA Olive Strategic Plan 2006 http://www.safoodcentre.com/industry/files/links/olive_industry_draft_strat.pdf

- REPORT - Starting a Herb or Bush Tucker Business http://www.investnorthernrivers.com.au/admin/uploads/Final_Herb_Guide_2006.pdf

- The continuing trend in consumer demand for higher value food products and a greater emphasis on purchase of prepared or semi- prepared foods underlies the potential growth in the food processing sector in the Murraylands.

- The need to value add from the abundant range of food products produced in the Region is the key to continuing economic growth and employment opportunities.

- Synergies with emerging opportunities – the Mining Industries, Correctional Services Precinct and South Terrace Retail Development.

- Export will play an increasingly important role in the Asia Pacific region, with a population base of 3.6 billion. It is the third largest frozen processed food market in the world importing 85% of its processed food requirements. http://www.austrade.gov.au/how-to-export/default.aspx

- Some processing projects initiatives for Murraylands produce that could be assessed includes;

  - Home-meals – (Snack foods, Cuisines, Gourmet foods, 'Pensioner packs')
  - Food Ingredients – (Essences, Fruit and Vegetable Paste Concentrates, Native Bush Foods, Gourmet Salts, Organic Products) www.outbackpride.com.au/
  - Game Meat Meals and Processing – (Game Meals, Emu, Kangaroo, Rabbit, Venison) www.rirdc.gov.au/fullreports/index.html http://www.nativecuisine.com.au/
  - Confectionery – Organic Chocolates, Fruit and Nut products. www.montezumas.co.uk
  - Major Stand Alone Projects

    Asian and Mid East Bakery and Bakery Products; (Business Migrant)
    Noodle Manufacture; (Asian Investor / Business Migrant)
    Pet Food; Halal Cat Food; (Business Migrant)
    Vodka Distillery - Wheat or Potato (Investor)
    Whisky Distillery – Barley (Investor)
    Grape Crushing Plant (Investor)
    Olive Oil processor and olive products
    MRE pouches – defence force and camping rations (MRE is a military acronym for Meals Ready to Eat. Each meal is packaged in retort packaging, a heavy duty aluminium pouch covered with a plastic laminate)

3) Identifying Investment Potential

- Future Food Processing Investment may come from

  Internal Expansion / Investment
  Asian Investors (ie National Foods)
  Business Migrants
  Australian Public Companies

4) Challenges

- Given the stern realities of our limited water and soil resources, it is imperative that we maximise the value of our agrifood industry by positioning ourselves effectively in the global marketplace, removing those factors which constrain industry growth, and supporting growth through market development, product development and capability development

- Another challenge for the 2007-2010 period will be finding new ways to add value and convert Murraylands high quality commodities (e.g., grains, meat and horticultural products) into higher valued products that are less subject to seasonal conditions (drought and irrigation) and global spot market prices

- To lift the Murraylands current generation of small and boutique style food processors to the next level of business activities including export out of the Region and overseas, volume processing, repackaging, promoting etc.

- Food manufacturers need to realise that the global industry's structural and operational landscape is changing and in SEAsia a number of trends are sweeping the industry including increasing demand for healthier foods, a decrease in the consumption of meat in Japan, Hong Kong, Singapore and Malaysia and greater demand for organic foods.