

THE AUSTRALIAN FOODSERVICE MARKET FOR ONIONS

MARKET INSIGHTS



Private report prepared for Hort Innovation
July 2019



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INTRODUCTION





This report emanates from the market research study 'The Australian Foodservice Market for Avocados, Mushrooms & Onions' conducted by Food Industry Foresight Pty Ltd during the 1st & 2nd Quarter of 2019.

For each of the three produce categories, the two overriding research objectives were:

- i. To determine total market size by commercial and institutional foodservice channel in volume & value and by product type
- ii. To provide detailed market insights into:
 - Foodservice trends & developments
 - The use of the produce in question in foodservice operators' menu offerings at different meal segments
 - Distribution & main sources of supply
 - The importance of country of origin
 - Foodservice operators' quality perceptions of Australian grown produce





In summary, the research study is based upon:

- i. Qualitative interviews
- ii. A quantitative survey according to a statistically correct sample & sample structure for the Australian Foodservice market; utilising a structured questionnaire
- iii. Primary collected data analysed by Food Industry Foresight's proprietary market size model

All research findings and analysis for each of the three produce categories are presented within two reports in PowerPoint format and one market size database presented in Excel.

Further study details are contained within our Proposal 'The Australian Foodservice Market for Avocados; Mushrooms & Onions'.



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THE AUSTRALIAN FOODSERVICE MARKET FOR ONIONS





- ❖ The Australian Foodservice Market is unique among all other foodservice markets in the world with its plethora of cuisines we all call our own and the lack of a real national cuisine. The market is vibrant, dynamic and constantly evolving. It is the fastest changing food market in terms of market size.
- ❖ Over the past three to four decades, Australians have made eating out a way of life. While the last decade in the Australian Foodservice market has been the most volatile in its history, Australians still today have one of the highest propensities to eat out among Western nations. Eating out is part of the Australian fabric – eating out encompasses all socio-economic groups in this enormous country.
- ❖ The Australian palate is bold and open, and we eat out for breakfast, brunch, lunch and dinner.
- ❖ More than 8 billion meals are served in the Australian Foodservice market every year, and at the end of 2018, 77% of all Australians aged 14 years+ ate out on a regular basis, that is at least once per month.

For further information please see [FIF's Annual Trend Report for the Australian Foodservice market](#).



THE AUSTRALIAN FOODSERVICE MARKET FOR ONIONS



It is against this backdrop that opportunities for Onions in the Australian Foodservice market should be analysed and evaluated.

Onions are a very versatile ingredient which provides flavour and bulk to a dish. In most foodservice channels, onions are used across all three main meal segments, that is they are used on the Breakfast, Lunch and Dinner menus.

Very few chefs see Onions as a hero ingredient, that is Onions are not centre of plate but an important staple ingredient.

Onions do compete with other ingredients in terms of substitution, unlike Avocados and Mushrooms which are produce with a competitive advantage as they cannot be replaced with another vegetable.

Onions are used widely in all types of cuisine giving this produce a particular advantage in the Australian Foodservice market with its plethora of different cuisines on offer across the country.



THE AUSTRALIAN FOODSERVICE MARKET FOR ONIONS



Onions have benefitted for the last years' considerable growth in the Breakfast meal segment. Australians have long had the highest propensity among Western nations to eat out for Breakfast. However, generally it is also the first meal segment to suffer when times are tough. Despite falling living standards and no or little wage growth over the past years, Breakfast has showed a strong growth along with Brunch. These two meal segments continue to be the fastest growing segments. It has led to Restaurants moving from two main meal segments (lunch & dinner) per day to three; and Cafés expanding to two meal segments per day when previously mainly serving lunch guests.

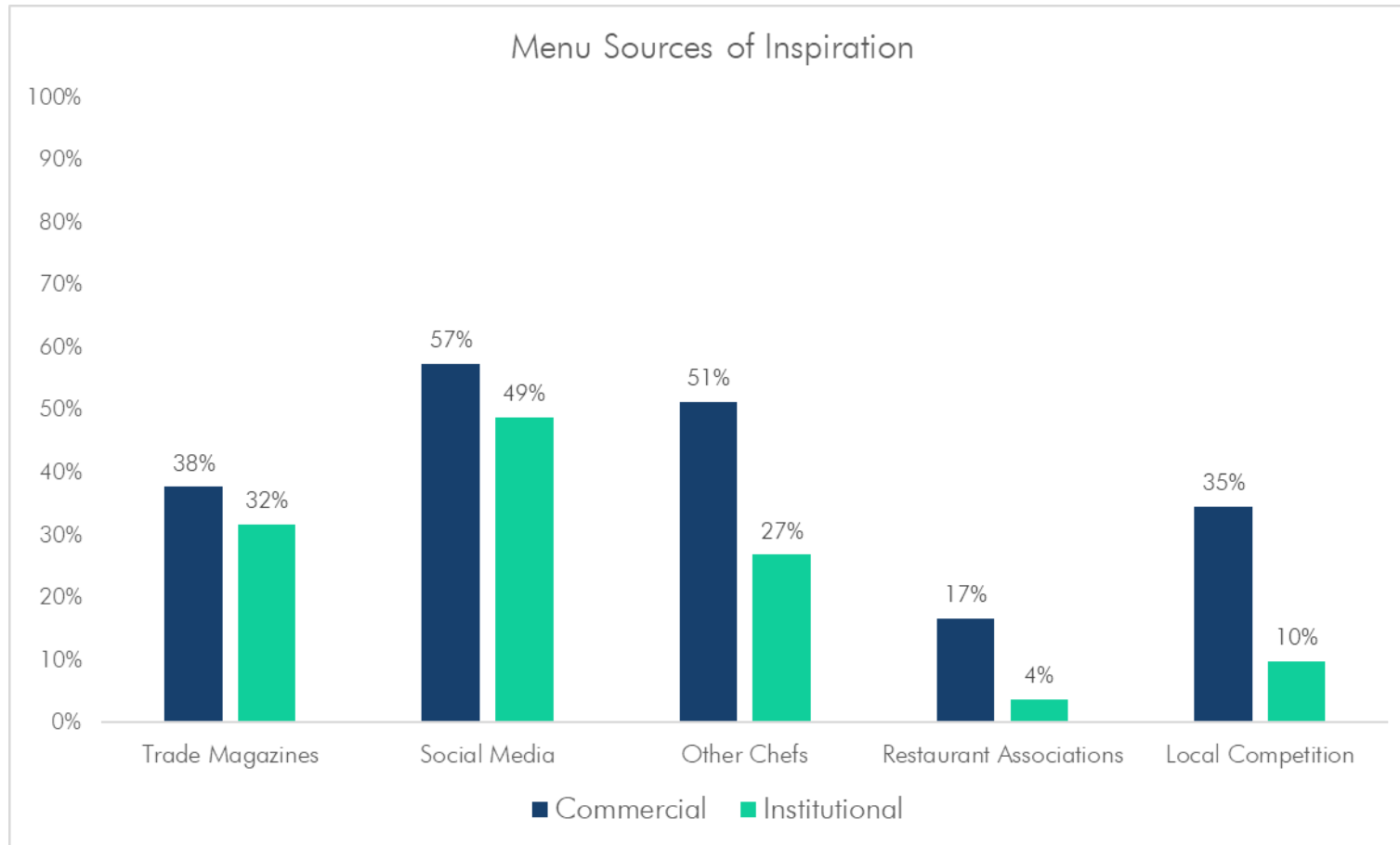




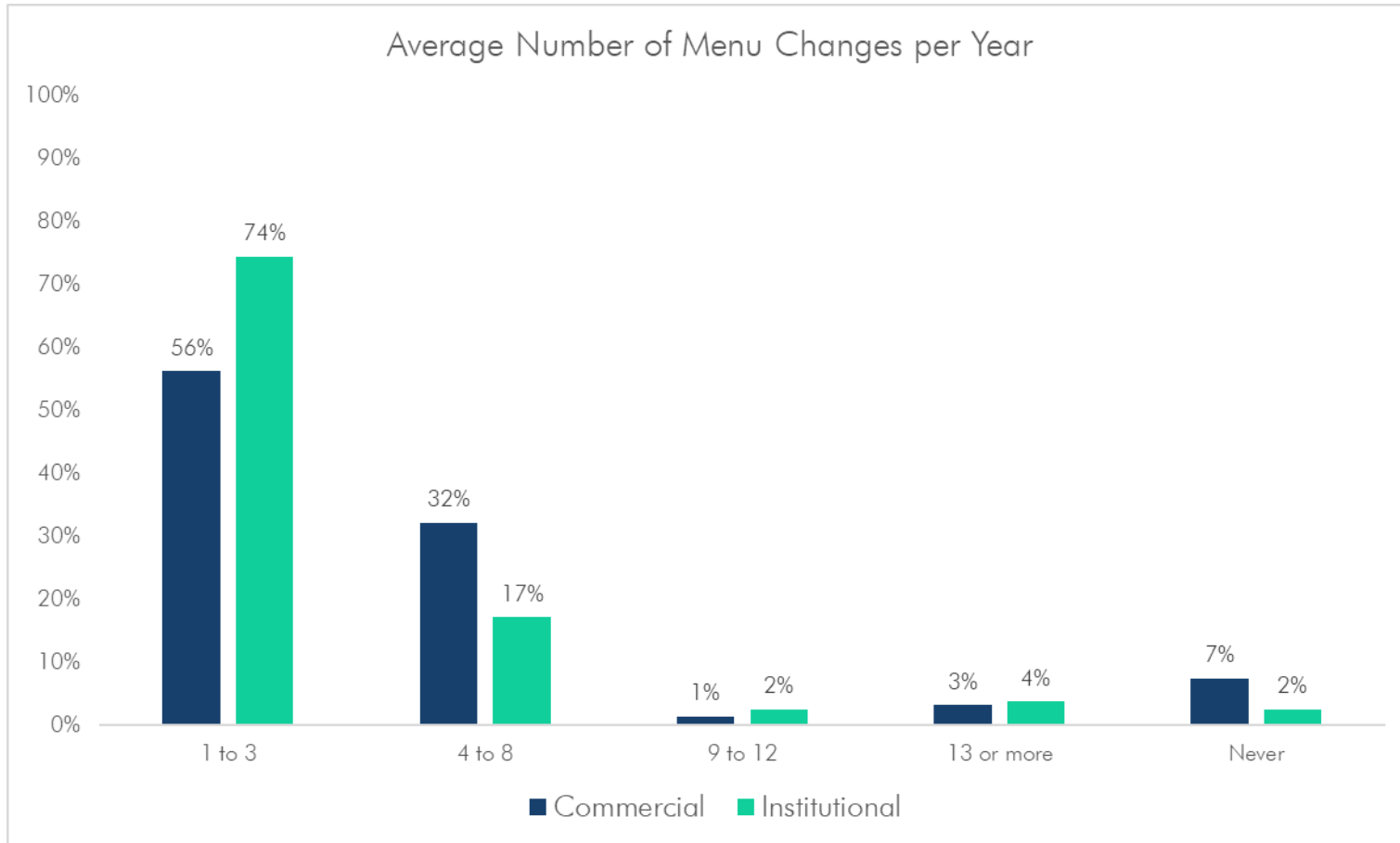
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THE FOODSERVICE MENU

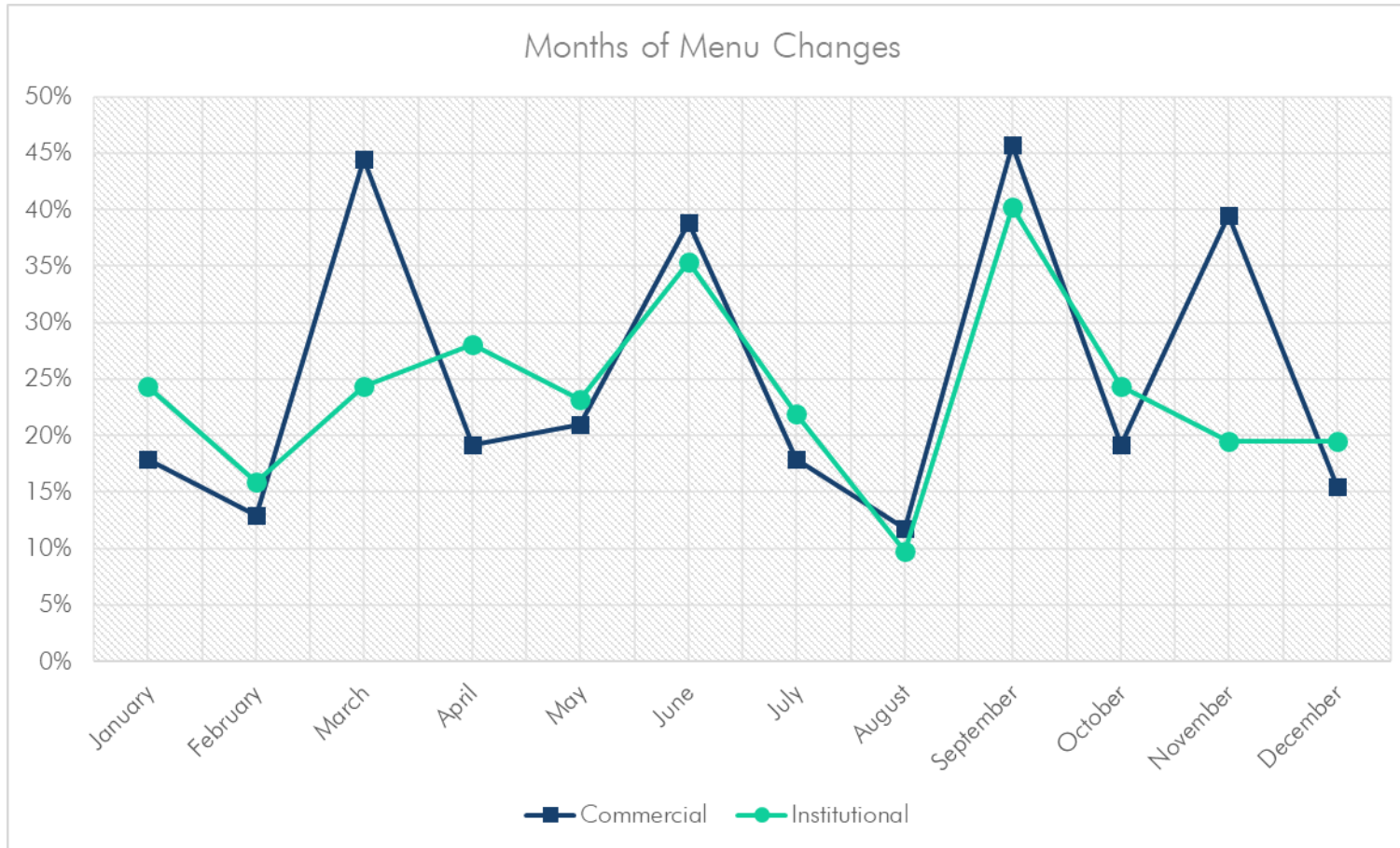




- ❖ The largest source of inspiration both in the Commercial & Institutional sector is Social Media.
- ❖ Within the Commercial sector 'Other Chefs' plays an important role in inspiring menus.
- ❖ In few other markets do word-of-mouth and personal relationships so strongly influence product choice as in the Commercial foodservice market. This entails all communication between suppliers and chefs/cooks as well as among chefs themselves.



❖ Not surprisingly, the average number of menu changes is between one & three followed by four to eight.

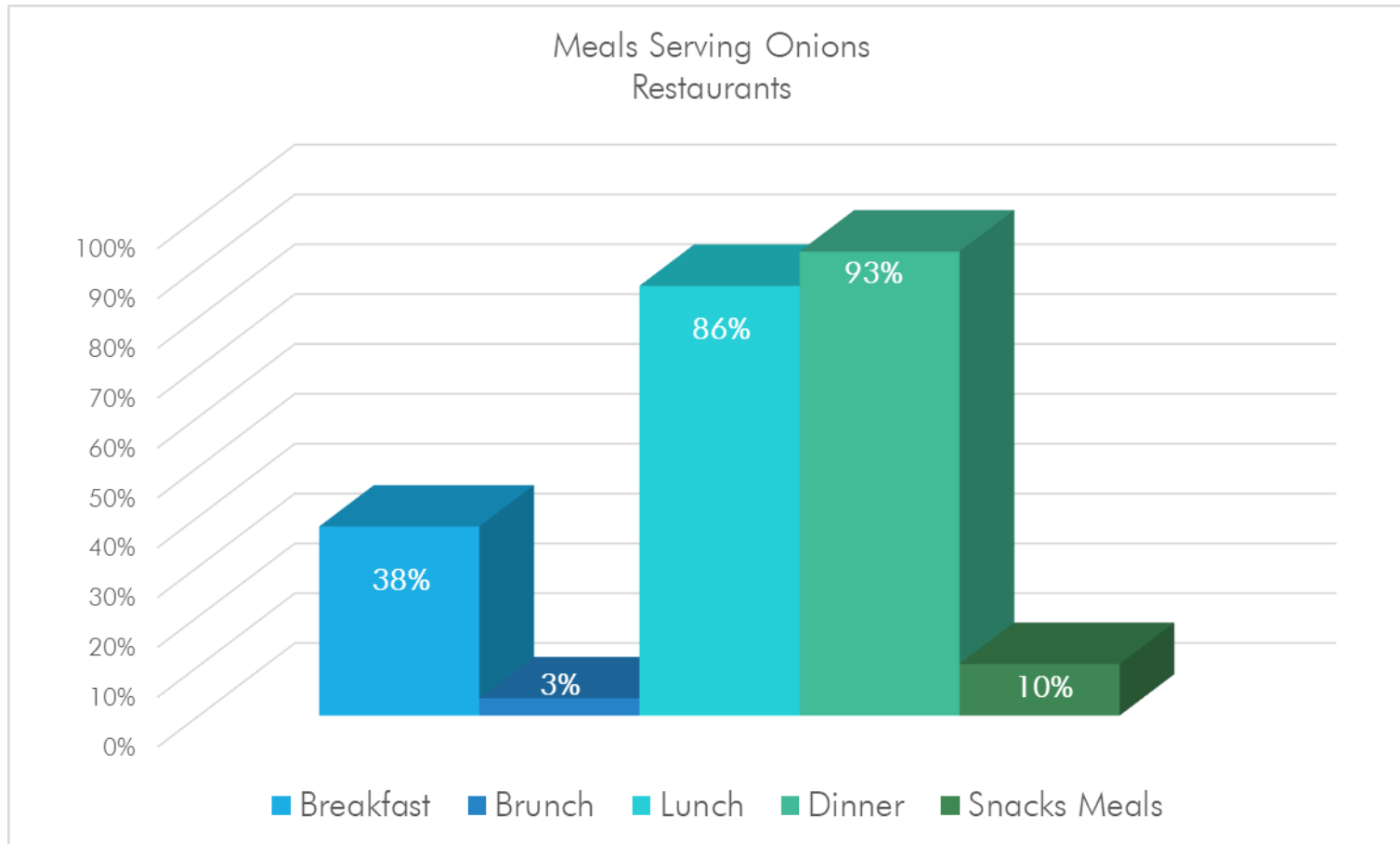


- ❖ The months that menus are changed are quite similar across both the Commercial and Institutional sectors with the exception of March and November, where the institutions make minimal menu changes compared with their commercial counterparts.

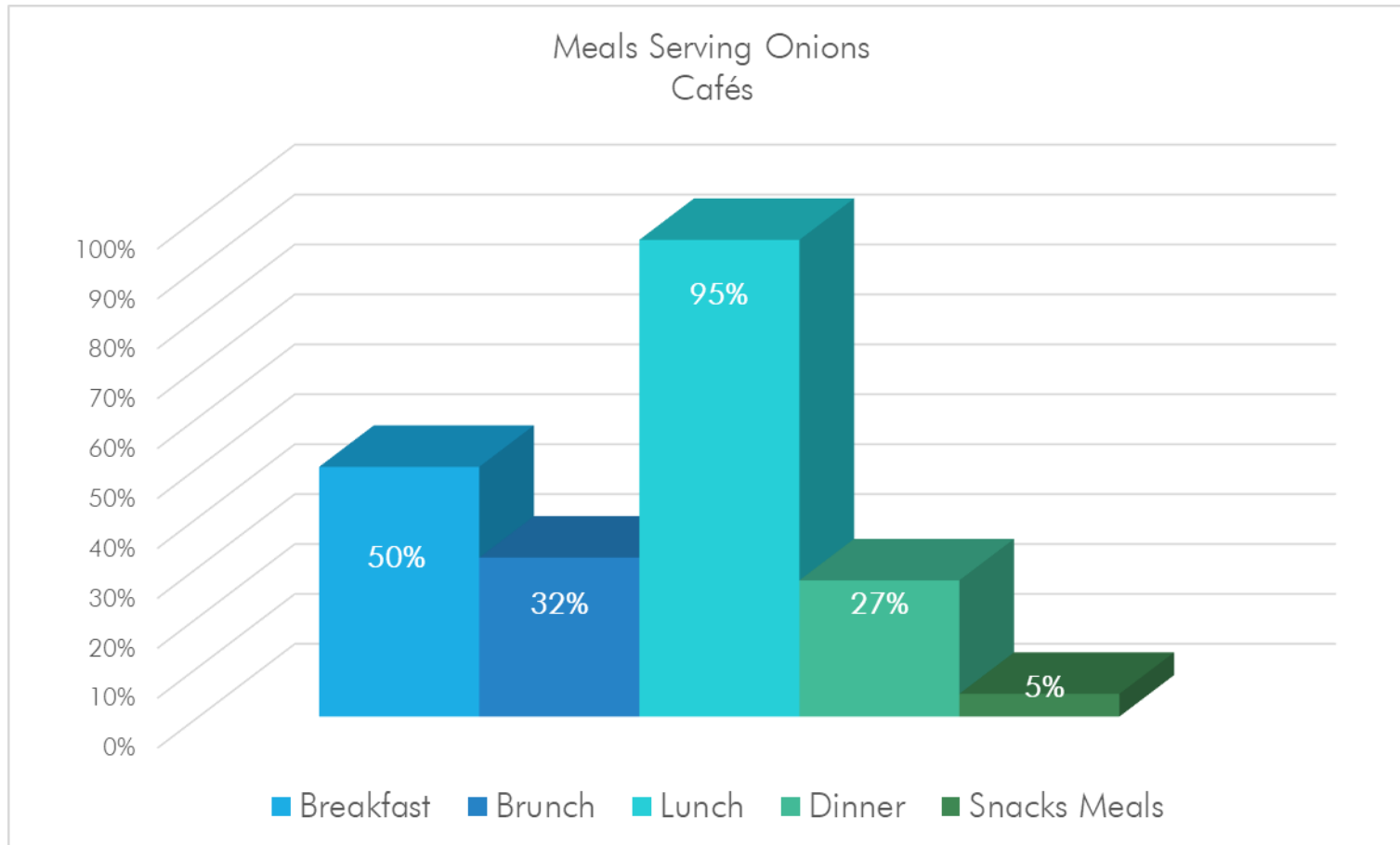


4 MEALS SERVING ONIONS



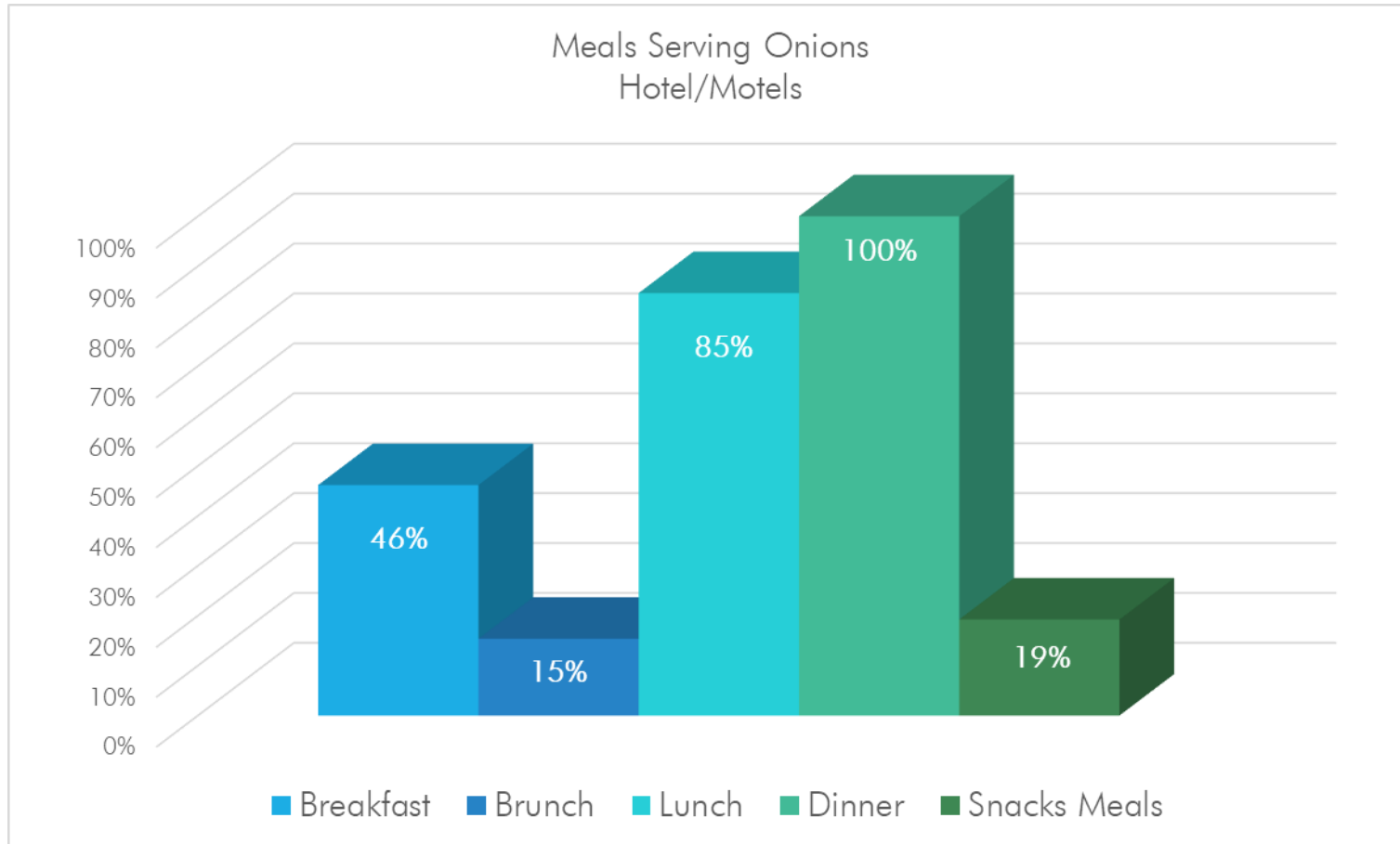


❖ Onions are served across all five meal occasions in Restaurants with 93% of Restaurants serving Onions in their dinner menu, followed by 86% serving onions in their lunchtime meals.



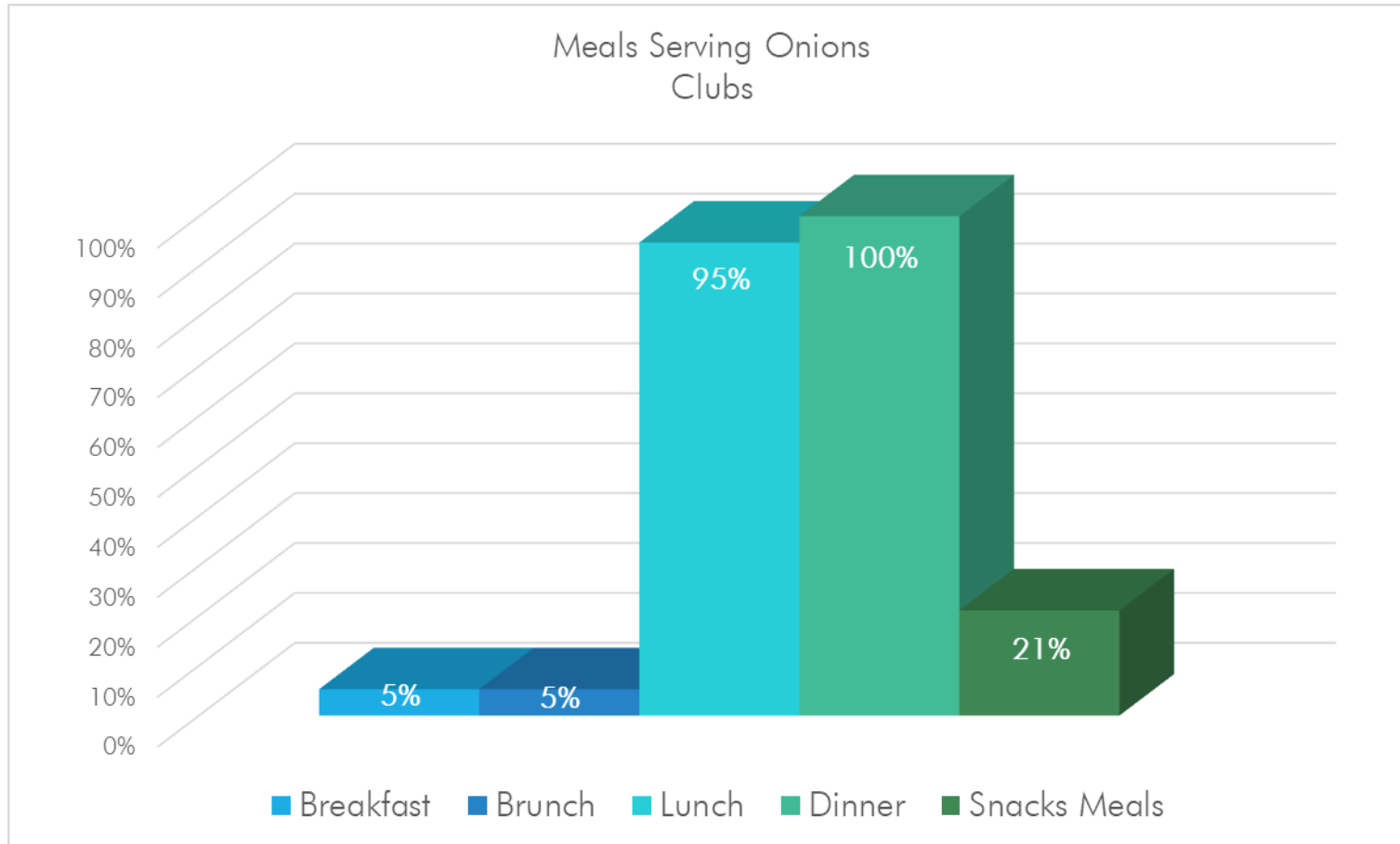
- ❖ Not surprisingly, given the number of Cafés that's main meal segment is lunch, it has the largest number of outlets serving Onions during that period of 95%.
- ❖ The recent growth in the Breakfast segment and its diverse range of menu offerings, is reflected in the fact that half of the Cafés use onions on their Breakfast menu.

MEALS SERVING ONIONS – HOTEL/MOTELS



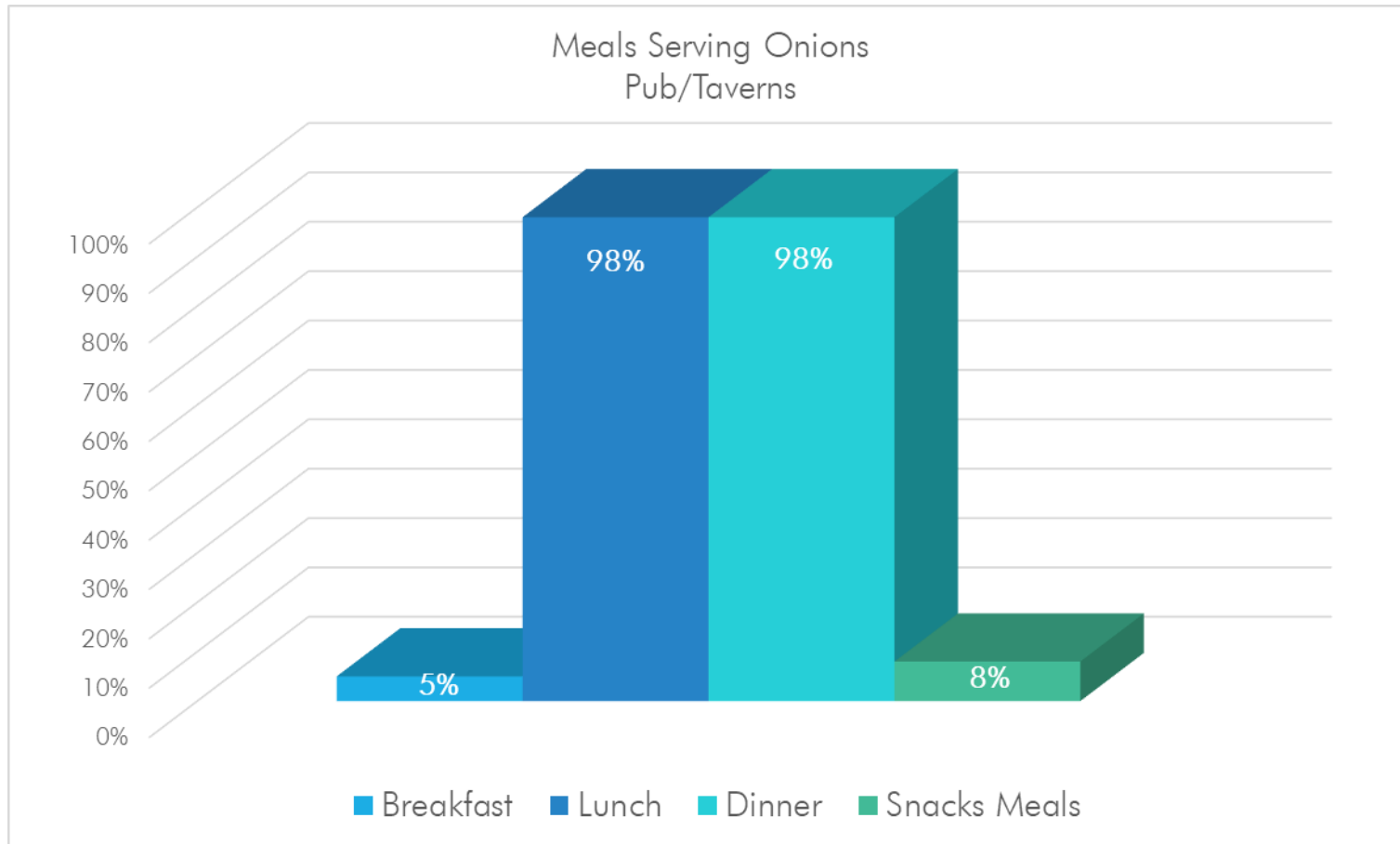
- ❖ Hotel/Motels are similar in their use of Onions in the five different meal segments to Restaurants.
- ❖ All Hotels/Motels use Onions in some of their dinner meals.

MEALS SERVING ONIONS - CLUBS

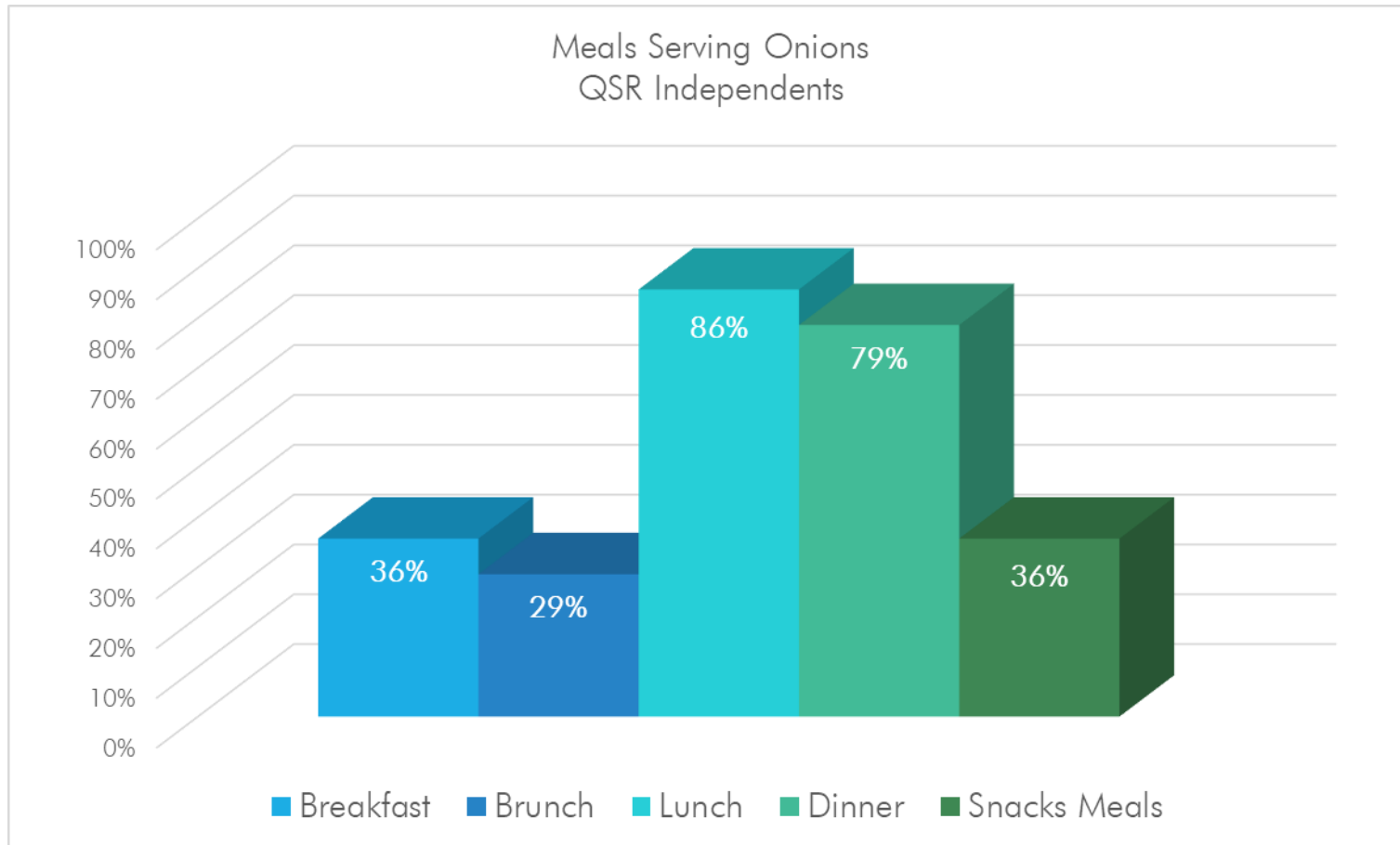


- ❖ Clubs use Onions in all five meal segments although only 5% in both Breakfast and Brunch meals.
- ❖ Similarly to Hotel/Motels, all Clubs use Onions in their dinner menus.

MEALS SERVING ONIONS – PUB/TAVERNS

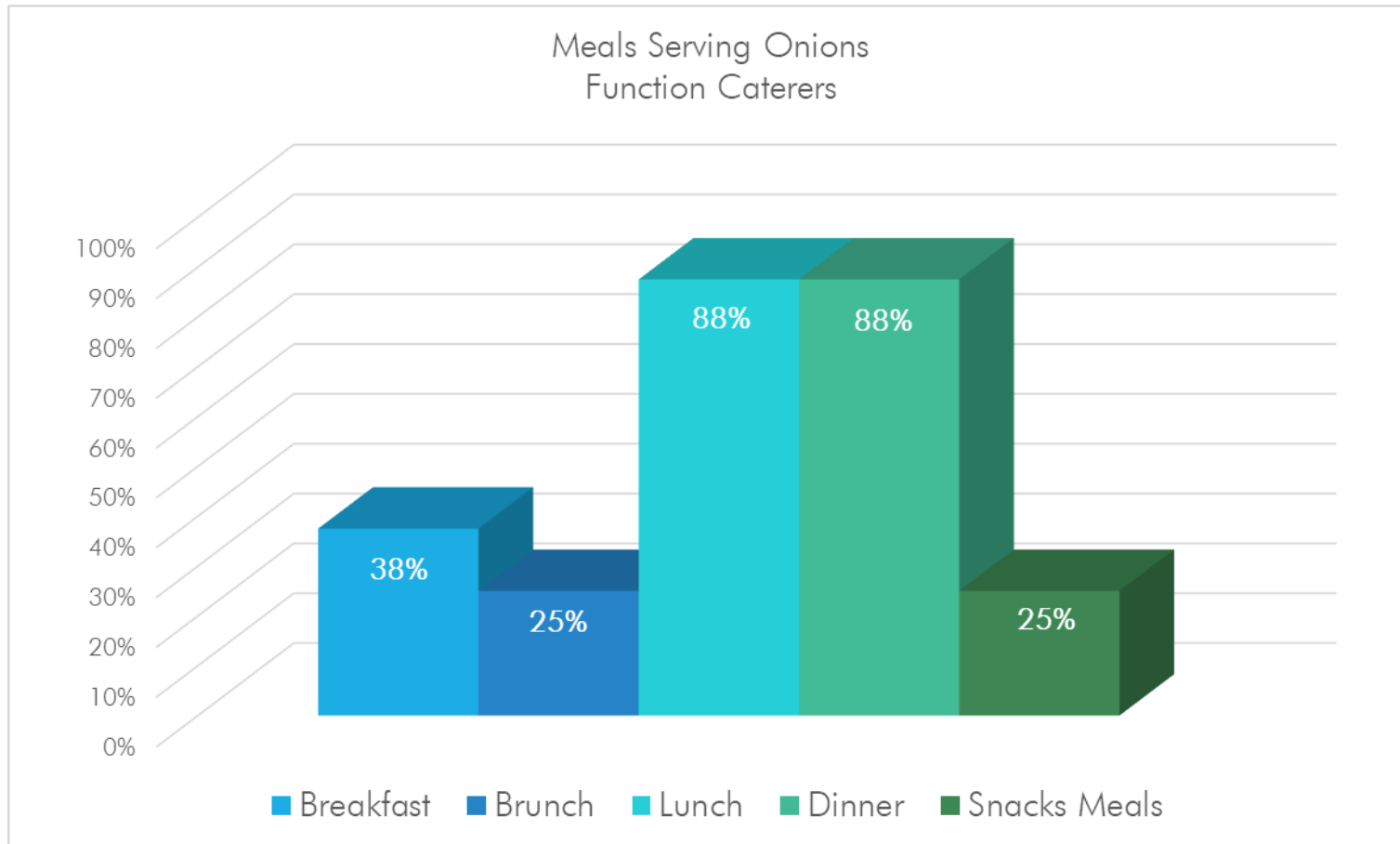


❖ Not surprisingly, Pub/Taverns do not serve Brunch, so Onions are used in four meal segments, though predominantly at Lunch and Dinner.

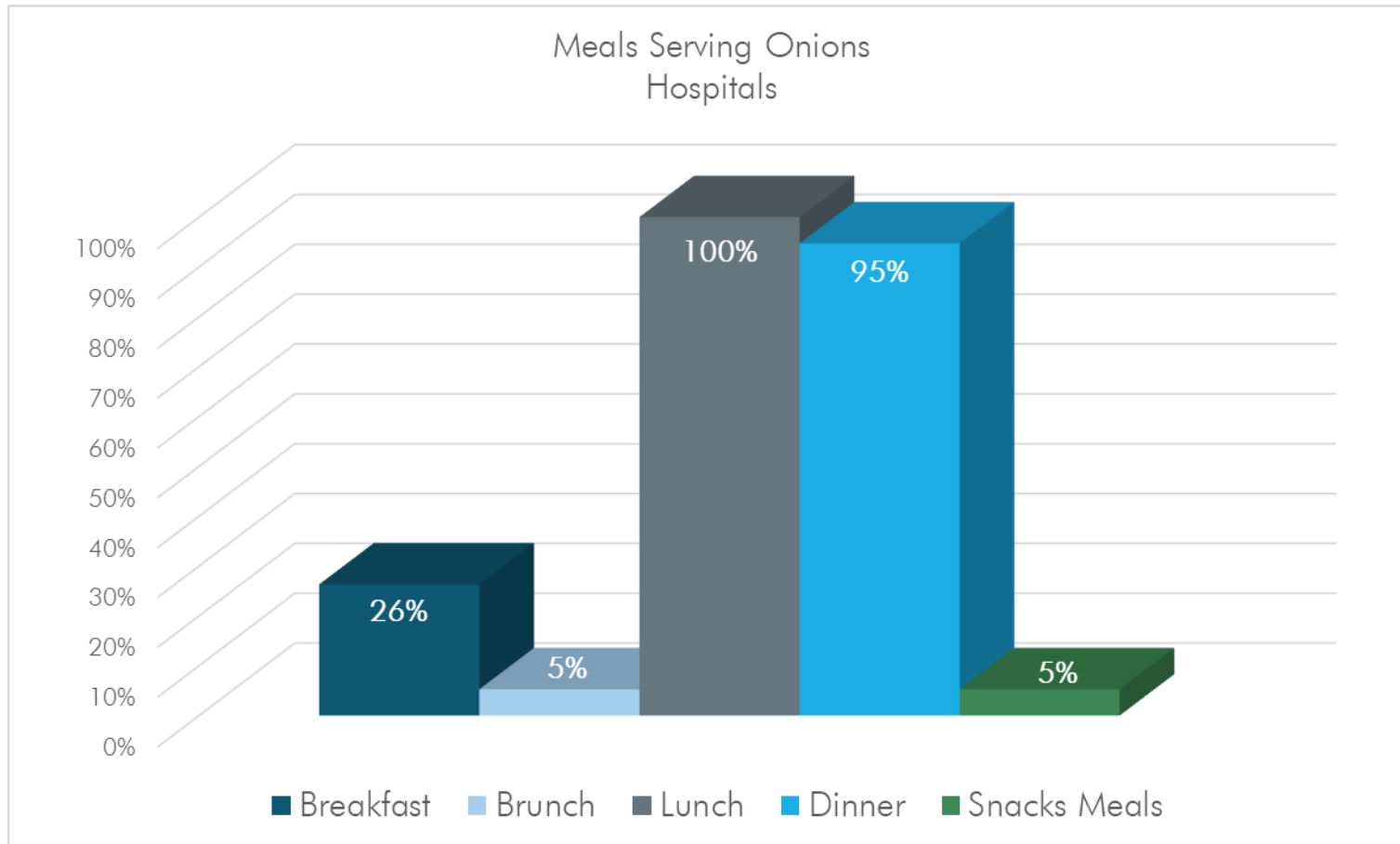


❖ Whilst Lunch and Dinner have the highest incidence of Onion use in QSR Independents, the following other three meal segments are higher than the other commercial channels:

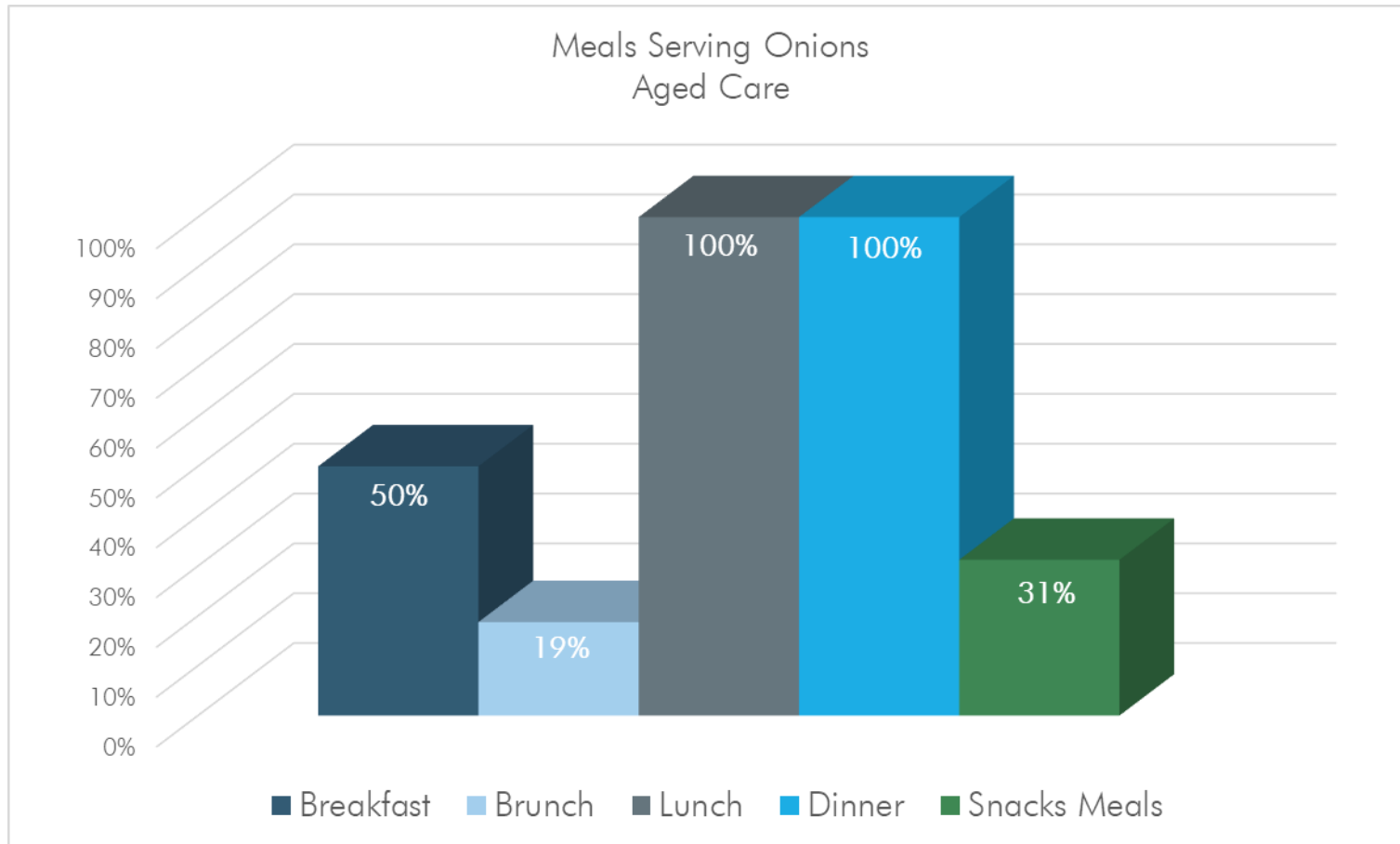
- I. Breakfast 36%
- II. Brunch 29%
- III. Snack Meals 36%



- ❖ Function Caterers have similar incidence of Onions across the five meal segments as QSR Independents.
- ❖ With the exception of Cafés, Function Caterers and all other commercial outlets usage of Onions is concentrated to the Lunch and Dinner meal segments.

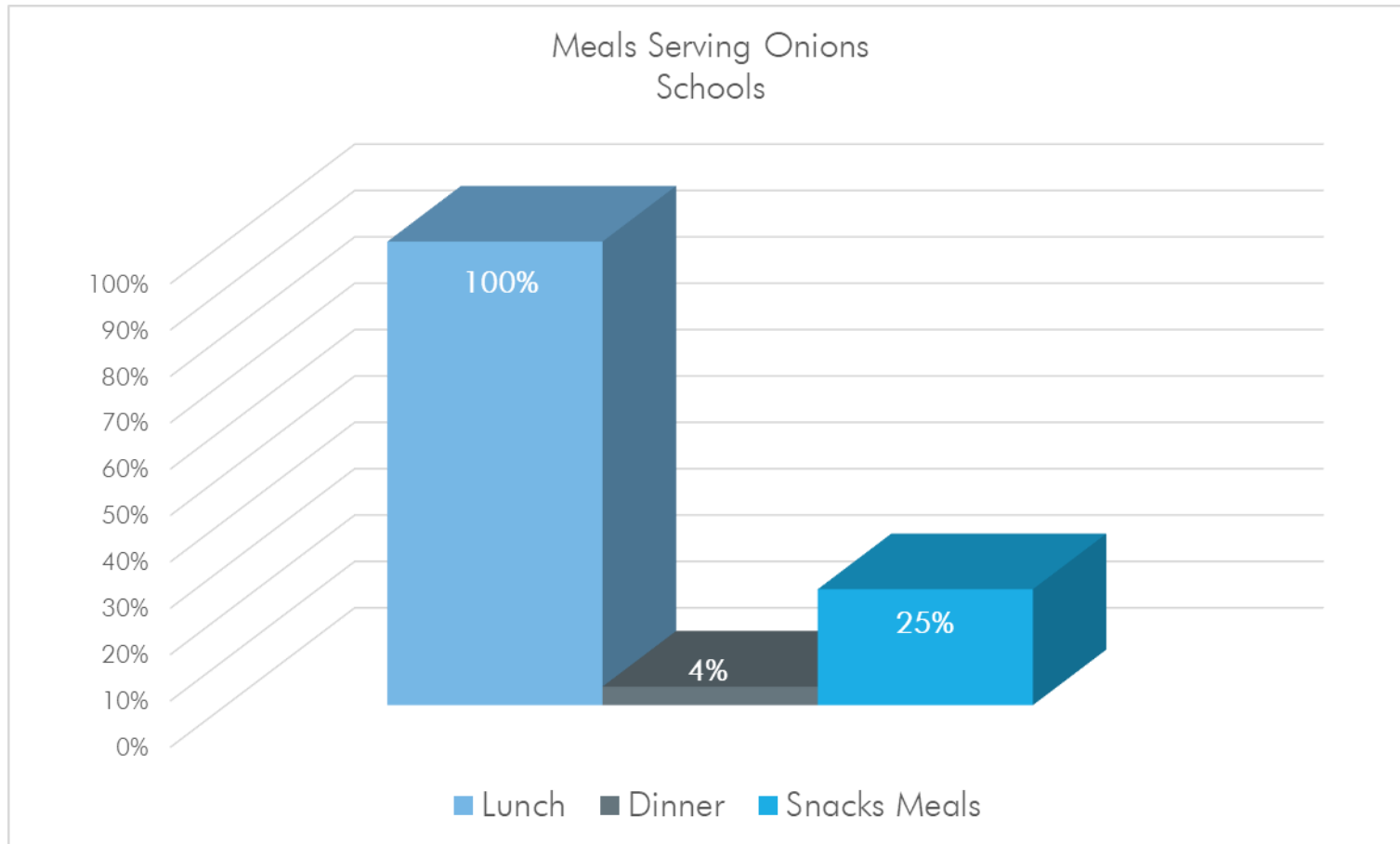


❖ All Hospitals use Onions in their Lunch offerings followed closely by Dinner meals with 95% of them having some meal options including Onions.



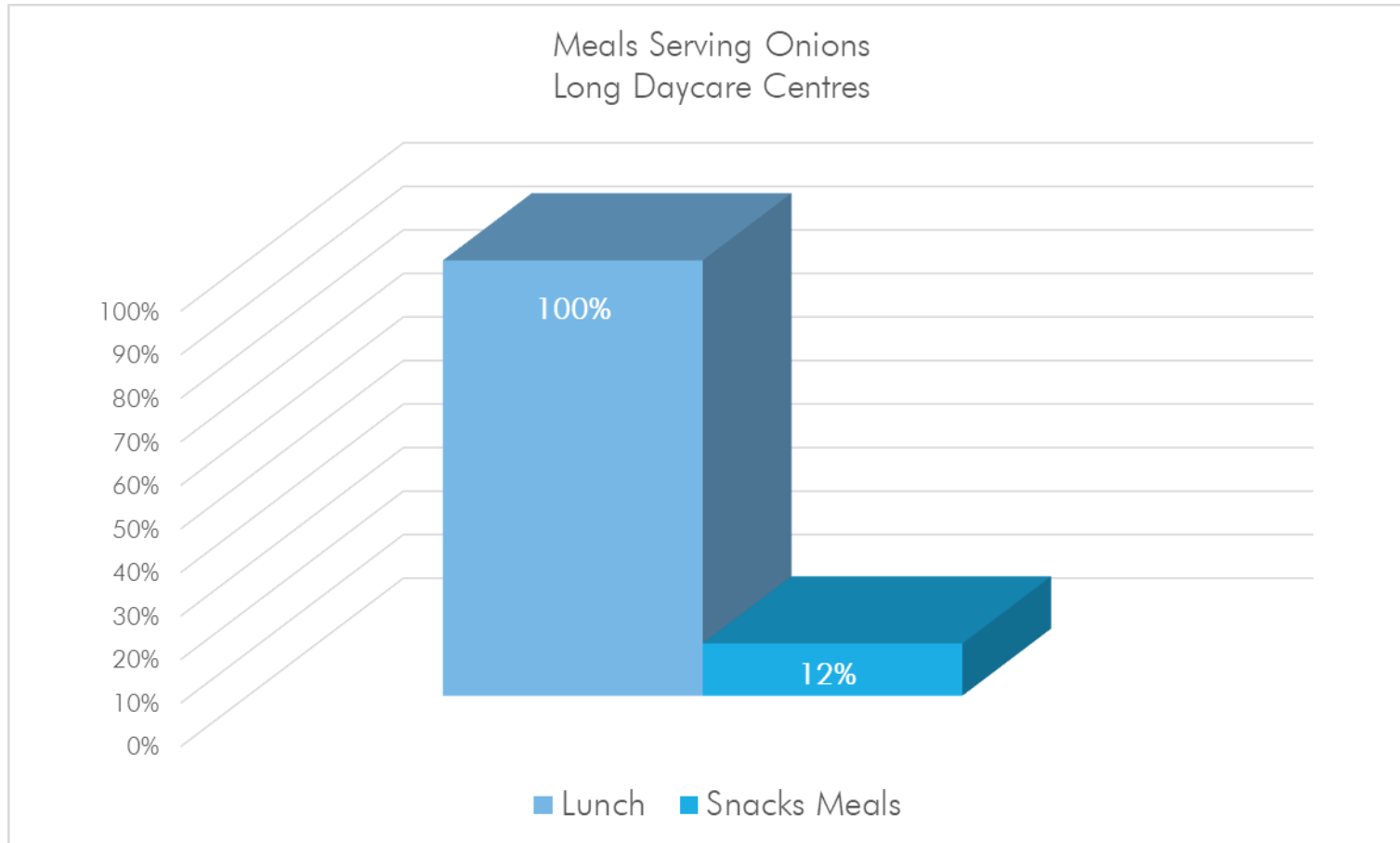
❖ All Aged Care facilities use Onions in their menu offerings for both Lunch and Dinner.

MEALS SERVING ONIONS - SCHOOLS



- ❖ All Schools use Onions in their Lunch offerings and interestingly 25% of them do in Snack Meals.
- ❖ The small 4% of Schools offering Onions in their Dinner menu would be solely Boarding Schools.





- ❖ All Long Daycare Centres use Onions on their lunch menus.
- ❖ Given the high number of menu changes made in Long Daycare Centres, this would vary quite significantly week to week.





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SOURCE OF SUPPLY - ONIONS





| PRIMARY SOURCE OF SUPPLY | TOTAL MARKET | COMMERCIAL | INSTITUTIONAL |
|-----------------------------------|--------------|------------|---------------|
| Specialist Distributor/Wholesaler | 54% | 59% | 43% |
| Supermarkets | 15% | 9% | 29% |
| General Distributor | 11% | 10% | 13% |
| Direct from Producer/Grower | 9% | 10% | 5% |
| Central Markets | 6% | 8% | 1% |
| Other Retail | 5% | 4% | 8% |
| Cash & Carry | 0% | 0% | 0% |

- ❖ Overall, the most prevalent primary source of supply for Onions among foodservice operators is Specialist Distributor/Wholesalers (54%).
- ❖ Close to one third of all Institutional operators also use Supermarkets as one of their most important primary source of supply for this produce.





| SECONDARY SOURCE OF SUPPLY | TOTAL MARKET | COMMERCIAL | INSTITUTIONAL |
|-----------------------------------|--------------|------------|---------------|
| Supermarkets | 37% | 34% | 45% |
| No Secondary Source of Supply | 34% | 42% | 17% |
| Specialist Distributor/Wholesaler | 9% | 9% | 8% |
| General Distributor | 8% | 4% | 14% |
| Other Retail | 5% | 2% | 11% |
| Central Markets | 4% | 5% | 3% |
| Direct from Producer/Grower | 2% | 2% | 3% |
| Cash & Carry | 1% | 2% | 0% |

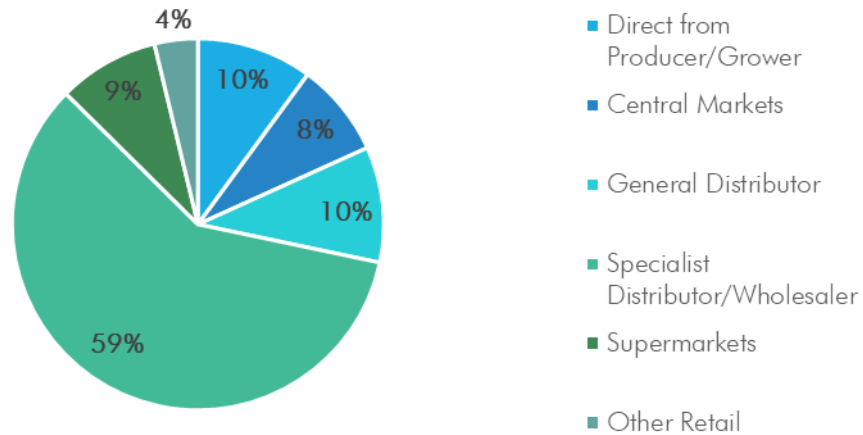
- ❖ 42% of Commercial outlets do not have a secondary source of supply for Onions while only 17% of Institutional operators report the same.
- ❖ In both foodservice sectors, Supermarkets are the dominant primary source of supply for Onions.



SOURCE OF SUPPLY – ONIONS COMMERCIAL



Primary Source of Supply - Onions
Commercial



- Specialist Distributor/Wholesalers dominate the primary source of supply of Onions across the Commercial sector at 59%.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | 2% |
| Central Markets | 5% |
| General Distributor | 4% |
| Specialist Distributor/Wholesaler | 9% |
| Cash & Carry | 2% |
| Supermarkets | 34% |
| Other Retail | 2% |
| No Secondary Source of Supply | 42% |

- Supermarkets are the only significant secondary source of supply of Onions at 34% with all other distribution channels under 10% and with 42% of all Commercial channels having no secondary source at all.

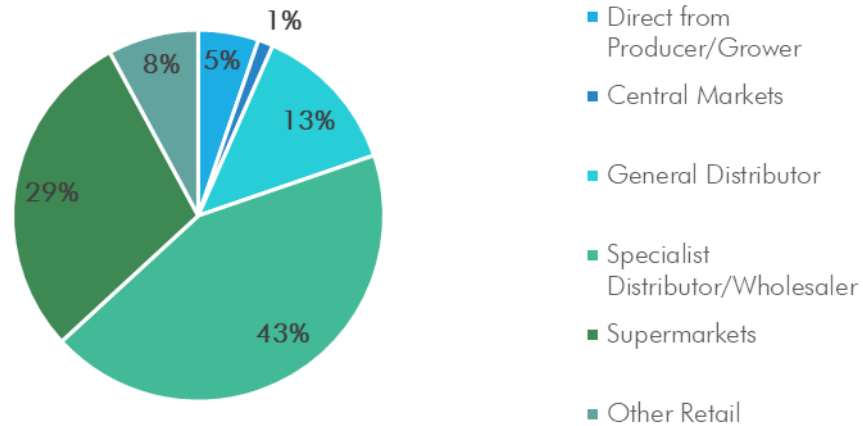


SOURCE OF SUPPLY – ONIONS

INSTITUTIONAL



Primary Source of Supply - Onions
Institutional



- Similarly to Commercial outlets, Specialist Distributor/Wholesalers dominate the primary source of supply of Onions across the institutions at 43%, followed by Supermarkets at 29%.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | 3% |
| Central Markets | 3% |
| General Distributor | 14% |
| Specialist Distributor/Wholesaler | 8% |
| Cash & Carry | - |
| Supermarkets | 45% |
| Other Retail | 11% |
| No Secondary Source of Supply | 17% |

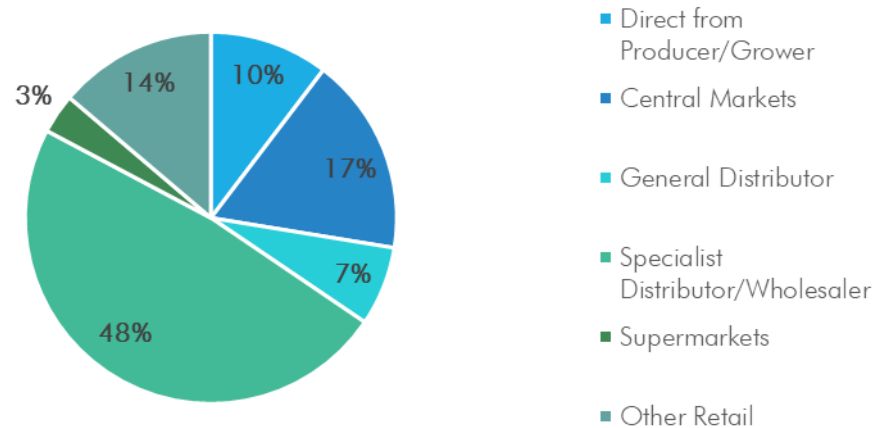
- Supermarkets also dominate the secondary source of supply at 45% followed by General Distributors (14%) and Other Retail (11%).



SOURCE OF SUPPLY – ONIONS RESTAURANTS



Primary Source of Supply - Onions
Restaurants



- Specialist Distributor/Wholesalers are the primary source of supply for Onions for nearly half of all Restaurants.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | 7% |
| Central Markets | - |
| General Distributor | - |
| Specialist Distributor/Wholesaler | 10% |
| Cash & Carry | - |
| Supermarkets | 28% |
| Other Retail | 3% |
| No Secondary Source of Supply | 52% |

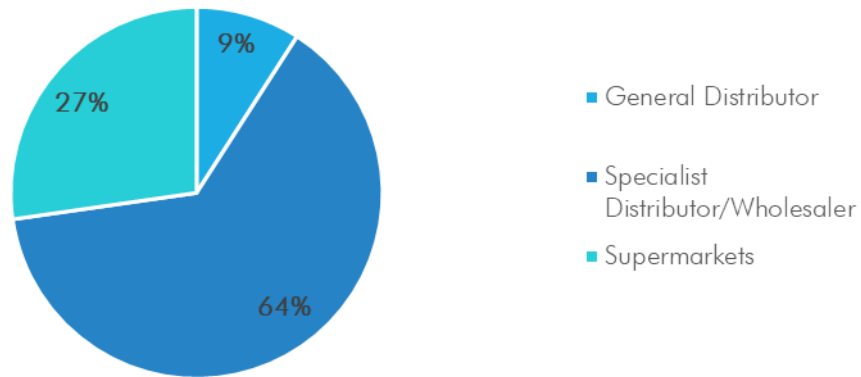
- Although Supermarkets account for only 3% as a primary source, they dominate the secondary source of supply of Onions in Restaurants at 28%, but with more than half having none at all.



SOURCE OF SUPPLY – ONIONS CAFÉS



Primary Source of Supply - Onions
Cafés



- When it comes to the primary source of supply of Onions in Cafés, there are only three distributions channels used – General Distributors, Specialist Distributors and Supermarkets.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | 5% |
| Central Markets | 18% |
| General Distributor | - |
| Specialist Distributor/Wholesaler | 5% |
| Cash & Carry | - |
| Supermarkets | 36% |
| Other Retail | - |
| No Secondary Source of Supply | 36% |

- Thirty six percent of all Cafés use Supermarkets as their secondary source of supply of Onions, equal to the number of Cafés that have none at all.

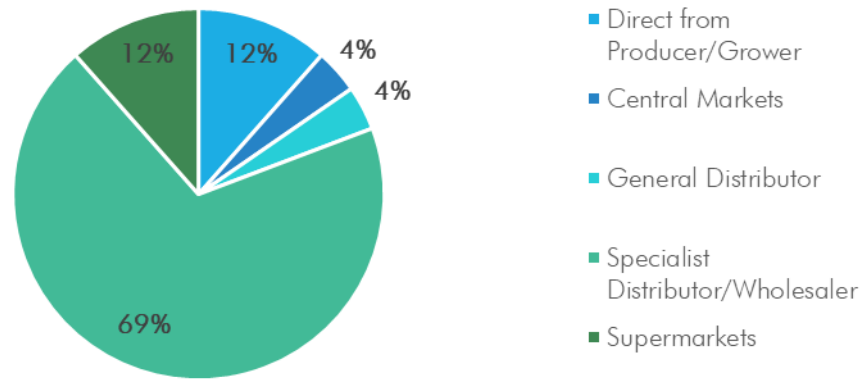


SOURCE OF SUPPLY – ONIONS

HOTEL/MOTELS



Primary Source of Supply - Onions
Hotel/Motels



- Specialist Distributor/Wholesalers dominate the primary source of supply of Onions in Hotel/Motels at 69%.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | 12% |
| General Distributor | 8% |
| Specialist Distributor/Wholesaler | 8% |
| Cash & Carry | - |
| Supermarkets | 38% |
| Other Retail | - |
| No Secondary Source of Supply | 35% |

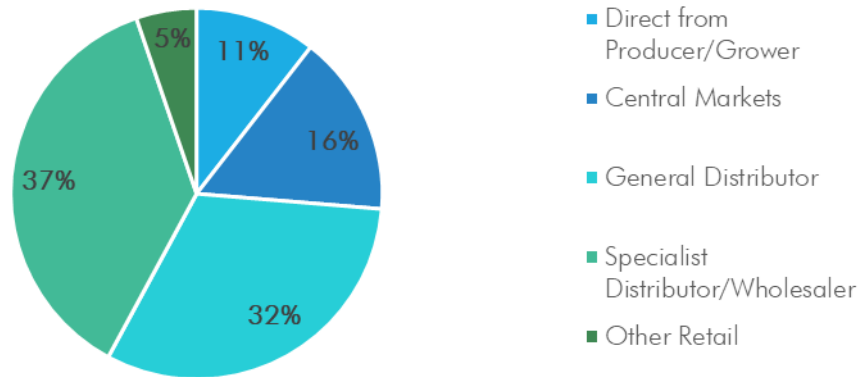
- Like all other Commercial outlets, Supermarkets dominate the secondary source of supply when it comes to Onions.



SOURCE OF SUPPLY – ONIONS CLUBS



Primary Source of Supply - Onions Clubs



- General Distributors (32%) and Specialist Distributor/Wholesalers (37%) are the two dominant primary distribution channels for Onions among Clubs.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | - |
| General Distributor | 5% |
| Specialist Distributor/Wholesaler | 5% |
| Cash & Carry | 5% |
| Supermarkets | 53% |
| Other Retail | - |
| No Secondary Source of Supply | 32% |

- Once again Supermarkets dominate the secondary source of supply of Onions in Clubs; with General Distributors, Specialist Distributor/Wholesalers and Cash & Carry each with 5%.

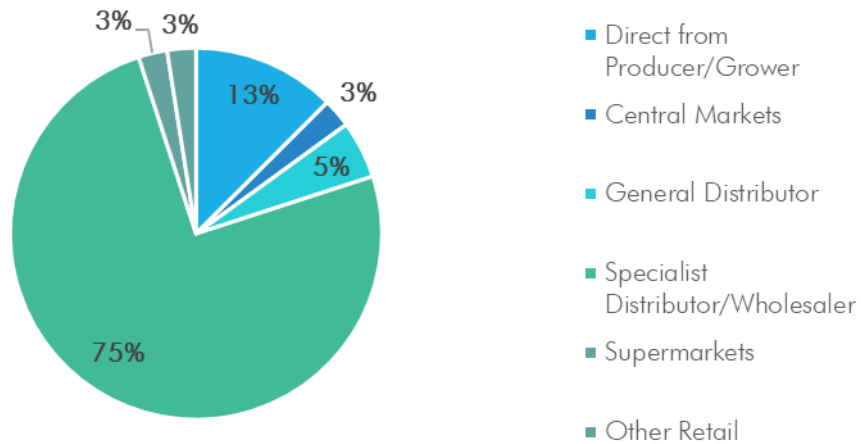


SOURCE OF SUPPLY – ONIONS

PUB/TAVERNS



Primary Source of Supply - Onions
Pub/Taverns



- Three quarters of Pubs use Specialist Distributor/Wholesalers as their primary source of supply.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | 3% |
| General Distributor | 3% |
| Specialist Distributor/Wholesaler | 10% |
| Cash & Carry | - |
| Supermarkets | 20% |
| Other Retail | - |
| No Secondary Source of Supply | 65% |

- Again Supermarkets (20%) and Specialist Distributor/Wholesalers (10%) have the only significant shares as a secondary source of supply of Onions. 65% of Pubs have no secondary source of supply.

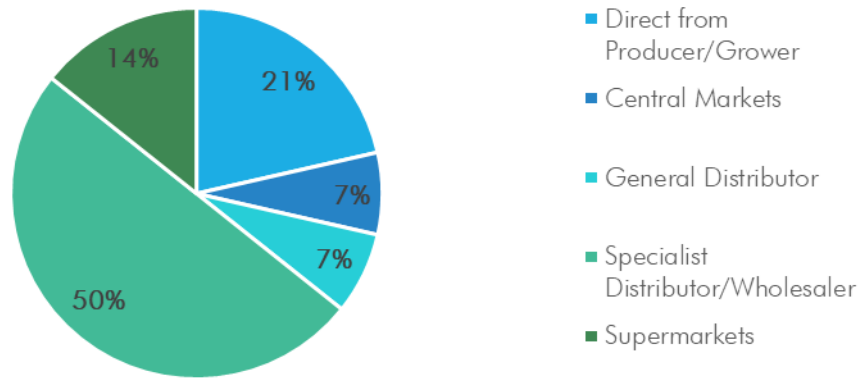


SOURCE OF SUPPLY – ONIONS

QSR INDEPENDENTS



Primary Source of Supply - Onions
QSR Independents



- Specialist Distributor/Wholesalers represent the primary source of supply for half of the QSR Independents. Direct from Producer/Grower are used by one fifth of outlets in this channel as their primary source.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | - |
| General Distributor | - |
| Specialist Distributor/Wholesaler | 21% |
| Cash & Carry | 7% |
| Supermarkets | 50% |
| Other Retail | 7% |
| No Secondary Source of Supply | 14% |

- Albeit small, unlike most Commercial channels, QSR Independents' secondary source of supply at 7% each is through Cash & Carry and Other Retail.

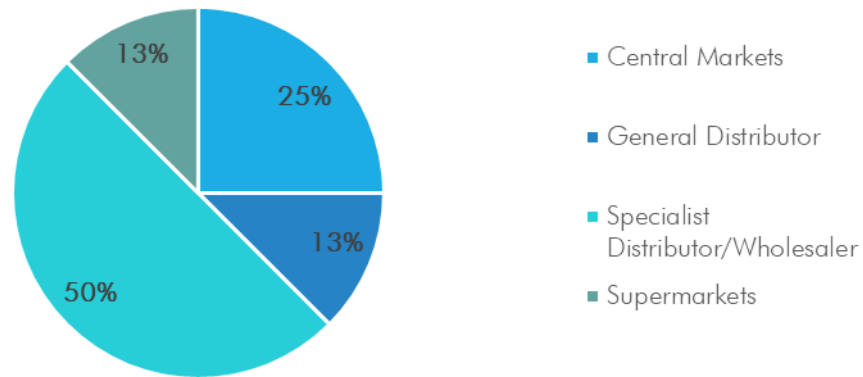


SOURCE OF SUPPLY – ONIONS

FUNCTION CATERER



Primary Source of Supply - Onions
Function Caterer



- Similarly to QSR Independents, 50% of Function Caterers use Specialist Distributor/Wholesalers as their primary source of supply for Onions.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | - |
| General Distributor | 25% |
| Specialist Distributor/Wholesaler | 13% |
| Cash & Carry | 13% |
| Supermarkets | 38% |
| Other Retail | 13% |
| No Secondary Source of Supply | - |

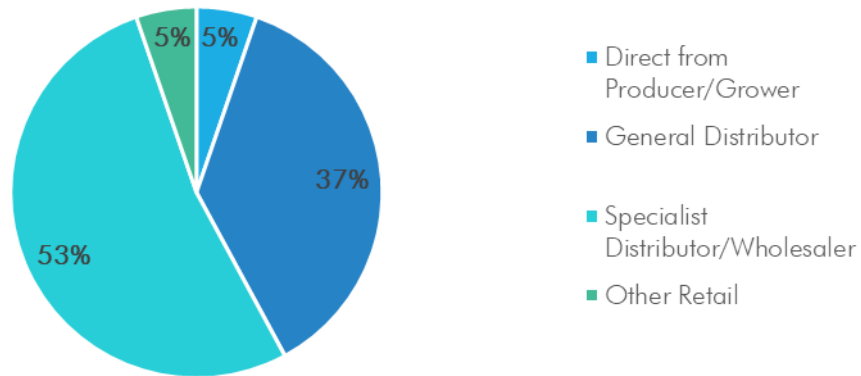
- Function Caterers are the only Commercial channel with more than four secondary sources of supply.



SOURCE OF SUPPLY – ONIONS HOSPITALS



Primary Source of Supply - Onions
Hospitals



- More than 50% of Hospitals use Specialist Distributor/Wholesalers as their primary source of supply for Onions. Another 37% use General Distributors as their primary source.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | 11% |
| Central Markets | - |
| General Distributor | 16% |
| Specialist Distributor/Wholesaler | 21% |
| Cash & Carry | - |
| Supermarkets | 47% |
| Other Retail | 5% |
| No Secondary Source of Supply | - |

- With the exception of Central Markets and Cash & Carry, all other distribution channels have some share of the secondary source of supply of Onions for Hospitals.

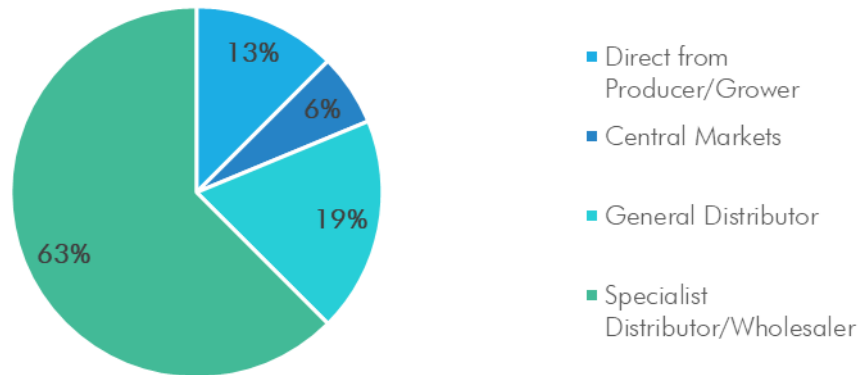


SOURCE OF SUPPLY – ONIONS

AGED CARE



Primary Source of Supply - Onions
Aged Care



- Specialist Distributor/Wholesalers dominate the primary source of supply for Aged Care facilities (63%).

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | 13% |
| General Distributor | 31% |
| Specialist Distributor/Wholesaler | 6% |
| Cash & Carry | - |
| Supermarkets | 50% |
| Other Retail | - |
| No Secondary Source of Supply | - |

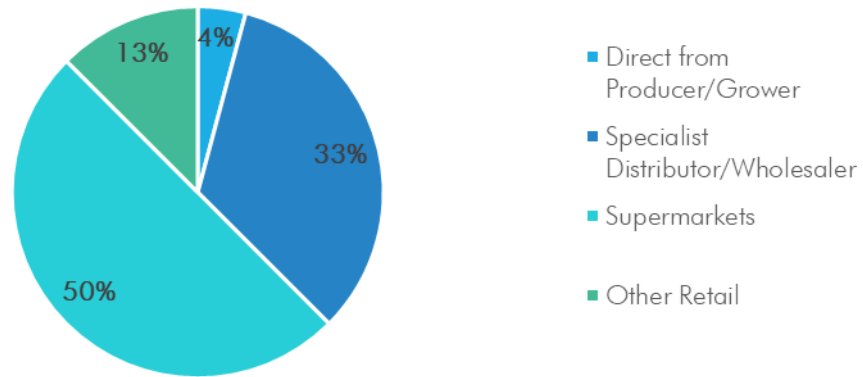
- Supermarkets are used by 50% of Nursing Homes as a secondary source of supply.



SOURCE OF SUPPLY – ONIONS SCHOOLS



Primary Source of Supply - Onions
Schools



- Not surprisingly, 50% of Schools source their Onions through Supermarkets, and this would include both In-Store and On-line purchasing.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | - |
| General Distributor | 13% |
| Specialist Distributor/Wholesaler | 4% |
| Cash & Carry | - |
| Supermarkets | 46% |
| Other Retail | 13% |
| No Secondary Source of Supply | 25% |

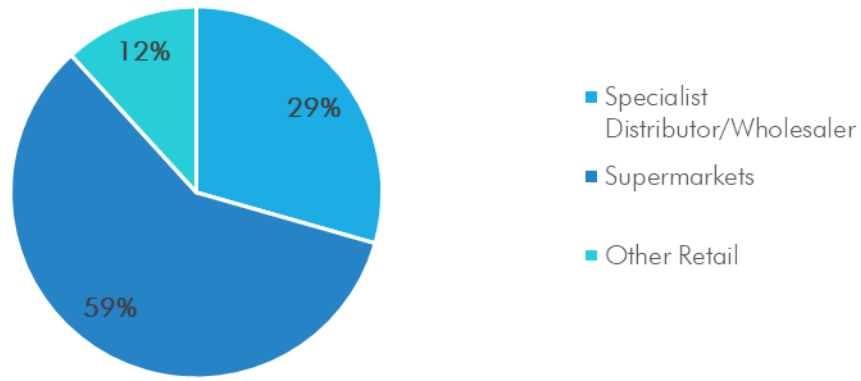
- Supermarkets also dominate as the secondary source of supply for Onions in this channel.

SOURCE OF SUPPLY – ONIONS

LONG DAYCARE CENTRES



Primary Source of Supply - Onions
Long Daycare Centres



- Long Daycare Centres have similar purchasing patterns to Schools with 59% of outlets using Supermarkets as their primary source of supply.

| Secondary Source of Supply | Onions |
|-----------------------------------|--------|
| Direct from Producer/Grower | - |
| Central Markets | - |
| General Distributor | - |
| Specialist Distributor/Wholesaler | - |
| Cash & Carry | - |
| Supermarkets | 35% |
| Other Retail | 24% |
| No Secondary Source of Supply | 41% |

- Unlike most channels, Other Retail is used by 24% of Long Daycare Centres as a secondary source of supply for Onions, however, 41% of Long Daycare Centres have no secondary source at all.





6

QUALITY OF AUSTRALIAN ONIONS





| COMMERCIAL CHANNEL | RATING |
|--------------------|--------|
| Restaurants | 6.2 |
| Cafés | 6.2 |
| Hotel/Motels | 5.9 |
| Clubs | 6.1 |
| Pubs | 6.4 |
| QSR Independents | 6.1 |
| Function Caterer | 6.1 |

- With the exception of Hotel/Motels, albeit not far behind at 5.9, all other Commercial channels rate the quality of Australian Onions over six points.

Rating scale of 1 to 7; where 1 =very low and 7=very high

| INSTITUTIONAL CHANNEL | RATING |
|-----------------------|--------|
| Hospitals | 6.1 |
| Aged Care | 6.1 |
| Schools | 6.2 |
| Long Daycare Centres | 6.4 |

- All Institutional channels rate the quality of Australian Onions highly.





The research study explored to what extent foodservice operators buy organic Onions and in the case they do, the reasons for buying this organic produce.

In other words, the research sought to ascertain how important it is to the operators that the Onions they use are organic.

In general, a significant majority of both Commercial as well as Institutional chefs and cooks:

- Do not buy organic Onions and do not consider them to be better in any way or form than their non-organic counterparts; in other words, they see no difference between the two. The use of organic produce overall is not important to operators.
- The only difference they see is the higher price point, the higher cost to their menu dishes.

“...there are no pros or cons...I do not see the difference in organic versus non-organic [onions] except for a premium price tag. And Onions are my favourite vegetable.”





A few operators could offer a definition of organic produce, as follows:

- “Organic onions are grown in certified organic conditions.”
- “Organic means...chemical free...certified organic from a grower that has been chemical free for a minimum of five years.”
- “...better for the environment.”

For a few operators, organic Onions mean superior quality and flavour profile – taste and quality is better than non-organic Onions. However, this opinion does not necessarily convert to purchase of organic Onions.

These findings are exactly in line with our extensive research of the Australian Foodservice market. Very small amounts of produce, in general, are purchased as organic in the foodservice market for several reasons:

- The higher cost cannot be justified as margins among outlets in the foodservice market are and have always been low





- Operators themselves tend not to believe in the advantages of consuming organic foodstuffs
- Many operators believe that produce claiming to have been grown organically cannot be trusted as there is a lack of a national certification scheme
- Lastly, the foodservice consumer does not know if the operator has used organic produce or not in their menu dishes as chefs do not believe there is a taste difference





7

REASONS FOR INCLUDING ONIONS ON THE MENU



REASONS FOR INCLUDING ONIONS ON THE MENU COMMERCIAL



| COMMERCIAL CHANNEL | FLAVOUR % | FILLER % | BASE INGREDIENT % |
|--------------------|-----------|----------|-------------------|
| Restaurants | 69% | 34% | 86% |
| Cafés | 73% | 23% | 68% |
| Hotel/Motels | 85% | 31% | 88% |
| Clubs | 68% | 26% | 89% |
| Pubs | 60% | 28% | 85% |
| QSR Independents | 86% | 36% | 43% |
| Function Caterer | 88% | - | 75% |



REASONS FOR INCLUDING ONIONS ON THE MENU INSTITUTIONAL



| INSTITUTIONAL CHANNEL | FLAVOUR % | FILLER % | BASE INGREDIENT % |
|-----------------------|--------------|----------|-------------------------|
| Hospitals | 95% | 37% | 79% |
| Aged Care | 88% | 38% | 81% |
| Schools | 75% | 8% | 67% |
| Long Daycare Centres | 94% | 18% | 53% |





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THE USE OF ONIONS IN A MEAL





| COMMERCIAL CHANNEL | STAPLE INGREDIENT % | HERO INGREDIENT % | BOTH % |
|--------------------|---------------------------|-------------------------|-----------|
| Restaurants | 59% | 3% | 38% |
| Cafés | 77% | 0% | 23% |
| Hotel/Motels | 73% | 0% | 27% |
| Clubs | 58% | - | 42% |
| Pub/Taverns | 83% | 8% | 10% |
| QSR Independents | 50% | 21% | 29% |
| Function Caterer | 75% | 13% | 13% |





| INSTITUTIONAL CHANNEL | STAPLE INGREDIENT % | HERO INGREDIENT % | BOTH % |
|-----------------------|---------------------------|-------------------------|-----------|
| Hospitals | 47% | 5% | 47% |
| Aged Care | 63% | - | 38% |
| Schools | 63% | 8% | 29% |
| Long Daycare Centres | 71% | 6% | 24% |





SUCCESS BASED ON SOUND INSIGHT

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