MT21011

Foodservice foundational market insights

Market Profiles

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Executive Summary

MT21011 aims to uncover foundational market insights and opportunities in the Australian foodservice sector for the horticulture industry to pursue

Introduction

Hort Innovation aim to obtain market insights on the foodservice sector and identify targeted opportunities for growers to engage directly with foodservice channels in the following categories:

- Commercial channels (restaurants, cafés, catering, airlines, tourism and meal kits); and
- Institutional channels (defence, health, education and mining).

This project will prioritise the following 7 horticulture industries:

Avocados, Melon, Mushroom, Onion, Papaya, Sweet Potato, Vegetables

Objective

The objective of this project is to support Hort Innovation by providing foundational research into key commercial and institutional foodservice channels. The key objectives of this program are to:

- Produce timely and commercially relevant market intelligence reports;
- Understand the current foodservice macro landscape;
- Define who influences menu design and understand what criteria influences their decisions;
- Understand the role of provenance and supporting Australian produce;
- Identify what the foodservice sector like and dislike about specific Australian products. Consider taste attributes, quality, price, supply, versatility etc.;
- Understand the nuances of each of the channels including requirements (currently met or not met), new or improved product formats, target foodservice 'consumer' segment/s and $ size of opportunity; and
- Identify targeted opportunities for growers to more effectively engage directly with foodservice providers.

Methodology

Two research methods were used to deliver the project objectives. Qualitative and quantitative data was analysed to offer a holistic perspective on the opportunities for the horticulture industry:

Quantitative analysis – desktop research:

- reviewed industry reporting;
- market sizing data;
- business directory scanning; and
- government directory scanning.

Qualitative analysis - up to 20 interviews were conducted with foodservices stakeholders spread across priority channels and SME's.

Market Profile and analysis + **Stakeholder identification** + **Strategic market considerations and opportunities**

MT21011's Phased Approach

Phase 1 Kick off and industry objectives → **Phase 2** Macro insights analysis → **Phase 3** Customer and channel preferences → **Phase 4** Value chain map → **Phase 5** Recommendations and reporting

MT21011 has a phased approach, working closely with Hort Innovation and the Project Reference Group (PRG) throughout the project.

This Market Profile report highlights key macro-level information relevant to the horticulture industry in the commercial and institutional channels

MT21011's Phased Approach

- **Phase 1** Kick off and industry objectives
- **Phase 2** Macro insights analysis
- **Phase 3** Customer and channel preferences
- **Phase 4** Value chain map
- **Phase 5** Recommendations and reporting

The Market Profile deliverable was a key output of project MT21011, and was delivered to Hort Innovation at the completion of Phase 2's Macro insights analysis.

Market Profile

Through desktop research, the macro profile insights analysis highlights key information relevant for the prioritised commercial and institutional channels.

Insights are provided on:

- Key foodservice channels;
- Commercial and institutional channel characteristics and growth drivers;
- Product categories of highest demand in each foodservice channel;
- Typical foodservice menu items and offerings and preferred product formats;
- Potential opportunities for horticulture industries to engage with foodservice channels through activities such as relationship development and education/marketing material ; and
- Foodservice client locations e.g. Café locations across Australia.

Aim of the Report

Macro level market profile report that provides key insights (potential needs, considerations and areas of opportunity) of each of the foodservice channels.

Validate the Market Profile deliverable with:

- Hort Innovation MT21011 project team; and
- Project Reference Group (PRG).

Through these insights, identify the greatest growth opportunities for the defined product categories in the foodservice sector. Prioritise foodservice channels suitable for targeted engagement for the horticulture industry.

Approach

Conducted extensive desktop research on:

- Current state of the Australian foodservice sector;
- Each commercial and institutional channels with focus on size, volumes, price sensitivity, competitive insights, target customers, general trends and growth drivers; and
- Product categories with focus on requirements and formats, as well as current and emerging opportunities and challenges.

Utilised SME insights to further develop understanding and embed richness.

Held PRG workshop to validate and receive input on findings and work done to date.

Source: (1) Market Data Forecast, Australian foodservice Market (2022)

This report highlights the nuances between each of the foodservice channels. Consumers and the impacts of COVID-19 greatly impacted commercial channels, with industry strategies influencing institutional channels

Market Profile Purpose

The fundamental purpose of the Market Profile report is to provide a current state assessment of the existing foodservice landscape at both macro and channel levels through:

- Providing insight into the Australian foodservice channels in relation to market size, volume, influences, current COVID-19 recovery, general insights and trends;
- Highlighting commercial and institutional foodservice channels and rank in order of greatest growth opportunity for the horticulture industry;
- Providing key insight on characteristics, growth drivers and future growth outlook within each foodservice channel;
- Highlighting where existing and emerging opportunities and challenges lie for the horticulture industry within each foodservice channel;
- Identifying typical menu items in which horticultural produce is served and consumed within each foodservice channel;
- Identifying most commonly used horticultural categories and their product formats by foodservice channel; and
- Highlighting where end-use clients within each of the foodservice channels are located.

Market Profile Key Takeaways

Consumers are becoming more aware and **placing greater value on key attributes** of the ingredients served in the foodservice sector. These attributes include ingredients that are **high quality, locally grown, sustainably sourced, fresh, plant-based, and organic**.

The foodservice sector will continue to be impacted as **supply chain issues are expected to linger** as a result of **COVID-19, the war in the Ukraine, rising transport and distribution costs** and **labour shortages**.

Changing consumer lifestyles are influencing the way in which the Australian foodservice sector operates. Currently, the foodservice sector is being driven by the **increase of dining out, busier lifestyles**, **growing cross-cultural diets**, and a **desire for a more convenient eating experience** (e.g. mobile app ordering).

Educational campaigns by Government and industry bodies are **helping shape consumer choices**. National strategies, standards and guidelines are **informing and influencing menus** particularly in the institutional foodservice channels.

The foodservice sector is **recovering from COVID-19 at varying rates** across each channel. For example, restaurants and cafes have almost returned to pre-pandemic levels, compared to airlines and tourism that are expected to operate at below pre-pandemic levels for the next 2-3 years.

Complex logistical challenges that are specific to the **defence and mining** foodservice channels **need to be considered** should growth in these areas be a priority.

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There are four key thematics that have arisen for the **commercial foodservice** channels. Cafés were identified as having the greatest growth opportunity (1/2)

Australian-owned Proposition

Restaurant operators are shifting towards integrating ingredients within their menu that have **unique attributes** e.g. indigenous, sustainably sourced or locally grown.

Café patrons are becoming **increasingly conscious about food origins**. In response, cafés are now adjusting offerings to showcase Australian sourced ingredients.

Catering businesses are responding to the rising preference for **top quality, locally sourced** ingredients and are starting to **request plant-based** meal options.

Tourism businesses are increasingly adhering to rising consumer preferences for **locally sourced produce**, with many finding innovative ways to implement a '**paddock to plate**' style approach.

Most **meal kit** companies advocate that they purchase from Australian suppliers for produce.

Health and Wellness

Restaurants are introducing healthier options to appeal to a variety of consumers, with **vegetable centric dishes** marketed as being more fresh and premium.

Cafés who offer diverse menus that emphasise **fresh and organic** ingredients are forecasted to have great business growth as consumers increasingly search for quality and premium foods.

Airlines are experiencing growing demand for **high-quality, premium health foods**. Premium healthy foods are now becoming part of critical on-board services.

To increase competitive advantage, **tourism** operators have improved their food and beverage offerings to be **more health and nutrition-conscious.**

Meal kit companies are adjusting to the increasing preference for healthier and more economic food choices, and are offering different meal choices to accommodate various diet options.

Greatest Growth Opportunity of the Commercial Foodservice Channels for the Horticulture Industry

1	Cafés
2	Restaurants
3	Meal Kits
4	Catering
5	Tourism
6	Airlines

Cafés are ranked first as they are more agile and responsive to consumer trends. They are able to update their menus more frequently to reflect availability of produce and showcase key attributes such as locally procured and sustainable sourcing practices. Overall, cafés are also pivoting towards delivering fresher, organic and health-conscious foods to customers. There is a strong positive outlook for cafés, with dine-in and takeaway customers quickly returning to pre-COVID-19 levels, and the channel expected to take market share from restaurants in the medium term.

The appendix (page 39), elaborates on the ranking assessment methodology in greater detail.

This slide includes elaboration on restaurants, cafes and catering – 3 of the 6 commercial foodservice channels.

There are four key thematics that have arisen for the **commercial foodservice** channels. Cafés were identified as having the greatest growth opportunity (2/2)

COVID-19

Rising discretionary income and positive consumer sentiment following COVID-19 lockdowns is anticipated to **boost demand for dining out** at restaurants.

The easing of COVID-19 restrictions has supported recovery in the **cafés** channel, almost returning to **pre-pandemic levels** in 2022.

COVID-19 drove the **need for takeaway meals, single-serve meals and meal kit** services, due to increased regulation i.e. suburb restrictions, lockdowns, mandatory COVID-19 safe check-in, capacity limits, social distancing and limited seating times

The COVID-19 pandemic **severely impacted** and **remains a constraining factor** to the **airlines** channel due to border restrictions.

Lingering disruptions caused by COVID-19 (testing, self isolation, ongoing fears etc.) are anticipated as **tourism** revenue **remains below pre-pandemic levels** for 2-3 years.

COVID-19 provided a **huge opportunity** for **home meal kit** delivery services as restaurants, cafes and tourism were severely restricted.

Market Demand

Restaurant establishments are forecasted to grow over the next five years by **19%** (to 36,179 establishments) by 2026-27. This will be driven by **population growth** and the **low barriers to entry.**[1]

Cafés are forecasted to **take some market share from restaurants** over the next five years, as consumers shift towards more **convenient café-style meals**, particularly catering to lunchtime traffic.

Catering opportunities to **expand** operations into **restaurants and food courts** are likely to emerge over the next five years.

Australians are travelling and relying on airlines more as borders ease, however, with the **cost of living increasing** and **inflation rising**, **disposable income** that can be dedicated to travel is **restricted**.

Tourism is **plateauing** in market demand, with losses from international travel being offset by increased domestic travel.

Busier lifestyles and an **increasing preference for home-cooked chef-formulated recipes** among millennials is a major factor contributing to the growth of the **meal kit** market.

Greatest Challenge of the Commercial Foodservice Channels for the Horticulture Industry

The commercial foodservice channel is one that is **very competitive**, with suppliers competing to win the likes of restaurants and cafes where a premium exists.

There is an increasing focus in the commercial channels on sourcing produce that has been grown in **sustainable farming** conditions. Growers **may lose competitiveness** if this is not showcased or communicated effectively.

Generally, **relationship development** with suppliers and distributors is more highly valued by procurers who source fresh produce in commercial channels. Some relationships are already **quite mature.**

Commercial foodservice channel **preferences change frequently** to respond to consumer trends. Ensuring timely responses to these demands is critical to remain competitive.

This slide includes elaboration on restaurants, cafes and catering – 3 of the 6 commercial foodservice channels.
Source: (1) IBIS World 2022

There are four key thematics that have arisen for the **institutional foodservice** channels. Defence was identified as having the greatest growth opportunity

Australian-owned Proposition

The **defence** channel has strong alignment to the Australian-grown product proposition, and have incorporated 'buy Australian first' into their procurement process.

Many hospitals and health service facilities are turning to using **locally sourced ingredients** where commercially viable. A significant proportion of canned, frozen and dried fruit and vegetables procured by health services are sourced from overseas due to cost effectiveness. Across health foodservice channels approximately 11% foods are imported. Of the fruits and vegetables used for health foodservices, over 45% are imported. The reason for this is due to the fact that imported produce is cheaper than Australian produce.[2]

Health and Wellness

The 2019-27 **Defence Employment Capability Strategy** has a strong focus on catering that enables optimal delivery of **human performance** in all operating environments.

Health service facilities are turning to healthier options due to increasing demand for **safe, quality, and nutritious foods**.

There is increasing pressure on **educational** institutions by **Government** departments and the community to serve **quality and nutritious** foods buy developing and implementing standards and guidelines for menu design.

There is a growing awareness of **poor dietary and nutrition** habits in **mining** which has sparked efforts to service more fresh, **healthy foods** made with **quality ingredients**.

COVID-19

Defence has been **less impacted** by COVID-19, given the relatively undisrupted operations.

The **health** channel experienced significant pressure during COVID-19 with **higher rates of admitted patients** and **less staff** being able to prepare, cook and serve meals.

School canteens and some day cares were **closed** throughout Level 3 & 4 lockdowns which affected foodservice in Education. Post-COVID-19, there has been increasing dependence on **single-serve food** and its packaging.

Mining has experienced **delayed impacts** from COVID-19. As of April 2022, **workforce absenteeism rose to 25%** due to COVID-19, highlighting an uncertain future and operational risk.[1]

Logistics and Supply Chains

The **defence** channel has very **complex** distribution and logistics, and depend on large catering contract to manage foodservice which can be a point of entry for growers.
Products must have sufficient **durability, shelf-life and cold chain management** processes in place.
To accommodate this, the defence foodservice requires **large batch sizes** with significant volume and shelf-life to withstand extensive **transit times**.

The **mining** channel has **complex** distribution and logistics given their **regional and remote** locations. Therefore, foods selected for mining typically have longer **shelf-life** or need proper **cold chain management** upon delivery. Mining also depend on large catering contracts to manage foodservice. **Bulk batch** sized foods with significant shelf life for deployment in isolated locations is key in mining/resources catering. Bulk batches also help in mining as foodservice is contracted to commercial catering businesses.

Greatest Growth Opportunity of the Institutional Foodservice Channels for the Horticulture Industry

1	Defence
2	Health
3	Mining
4	Education

Defence is ranked first as the foodservice channel has preference for locally sourced and made foods, and desire to serve foods that enable optimal human performance. This channel is also more stable in demand for food, considering their relatively undisrupted operations during and post-COVID-19. A key consideration as part of this channel is the ability to supply large produce batch sizes with significant volume and extended shelf-life across a complex supply chain.

The appendix (page 39), elaborates on the ranking assessment methodology in greater detail.

Source: (1) Australian Financial Review, 2022. (2) Frontiers in Nutrition, 2022.

Macro Insights of the Australian Foodservice Sector

The propensity for Australians to eat out is amongst the highest in the world. As the economy re-opens, this is expected to further increase, driving sector growth[3]

Australian Foodservice Market Size and Influences

Currently valued at

AUD $65.4BN*[1]

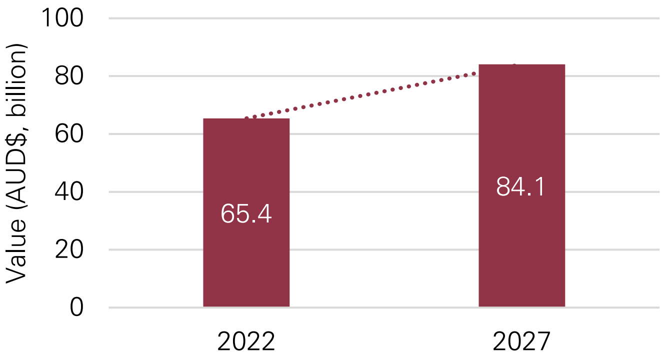
And projected revenue CAGR from 2022-2027 is **5.1%**[1]

Expected projection towards

AUD $84.1BN^[3]

by 2027

Value of the foodservice market in Australia (2022-2027)



Source: Market Data Forecast (2022)

Australians consume food outside their home at least **two to three times a week**, equating to 50 million meals a week.[3]

Foodservice in Australia is being driven by consumer desires for **healthier options**, such as plant-based burgers, local sourcing, and fresh foods.[4]

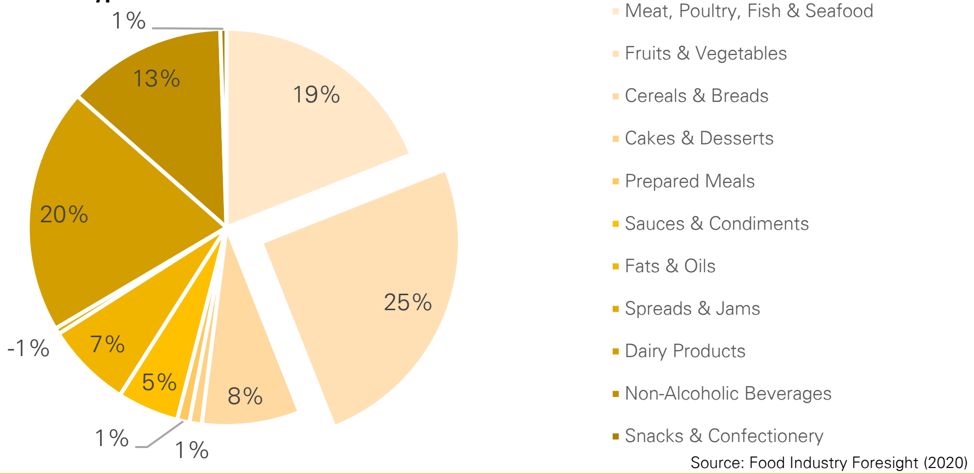
The Australian foodservice sector is mainly being driven by an increase in frequency to **dine out**, **time-pressed schedules, growing cross-cultural diets**, and a **desire for a more convenient eating experience** (e.g. mobile app ordering).

Australian Horticulture in the Foodservice Market

Fruits & Vegetables account for approximately **25%** of foodservice market volume.[2]

Imported produce **pose as a threat** to the Australian horticulture industry. In 2020-21, **fruit import value increased by 6%** to $1.41bn and **vegetable import value increased by $37%** to $1.62bn.[5]

Food Type as % of Foodservice Volume



Source: Food Industry Foresight (2020)

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Source: (1) Mordor Intelligence, Australia foodservice Market (2022), (2) Food Industry Foresight, The Australian foodservice Market (2020), (3) Market Data Forecast, Australian foodservice Market (2022). (4) Australia Foodservice Market – Growth, Trends, COVID-19 Impact and Forecasts 2021-2026, 2021, (5) ABARES Agricultural Commodity Statistics (2022)

*Valuation sourced from Mordor Intelligence is USD $47BN. Valuation has been converted from USD to AUD using market rate of $1.39 on 31/05/2022.

^Valuation calculated at CAGR of 5.1% over 5 years from initial value of AUD $65.4bn.

COVID-19 recovery is expected to be steady over the next few years for commercial channels, where as institutional channels continue to operate at relatively undisrupted levels. Supply chain challenges remain an issue for both channels

COVID-19 Recovery

COVID-19 has had **strong ramifications in the commercial channel** over the past two years, with industry-wide revenue decreasing by 15.07% in 2019-20. The **institutional channel saw relatively undisrupted growth**, with revenue increasing by 3.17% in 2019-20.[2]

As the economy re-opens, **rising discretionary income** (up 2.6% in the current year) and **positive consumer sentiment** (of 104.1 index points in the current year) is expected to support channel growth.[2]

Business confidence is also projected to **increase**, boosting demand for foodservices.[2] However, with increased inflation, there will be added pressure on sourcing products, supply chains and demand.

As border restrictions ease, the economy is forecasted to see a **revival in demand for tourism, airlines, education and more**. **Lingering disruptions** (testing, self-isolation, ongoing fears etc.) are still expected to **limit growth** in the next 2-3 years.[2]

Supply Chain Challenges

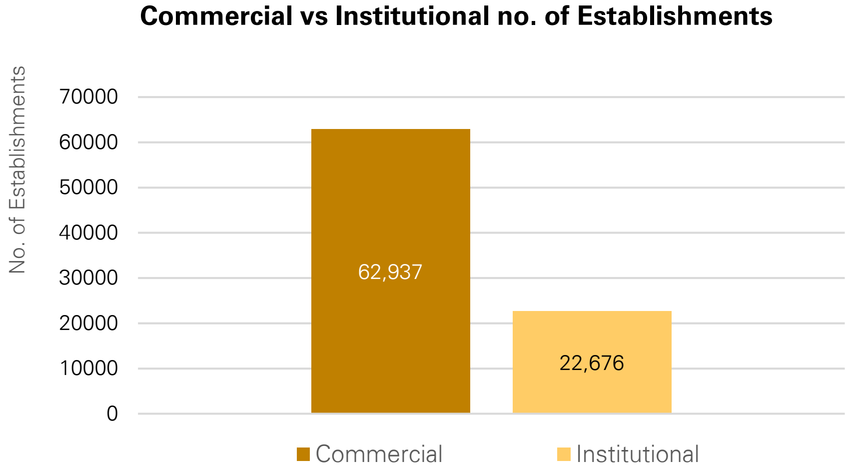
Rail and road freight has been impacted by recent environmental conditions caused by **La Nina** as well as **rising transport costs**. Due to extended transit times, produce is often rejected due to **quality assurance non-compliance**.

Labour shortage in **transport and distribution** is also a major problem, with up to a third of Australian truck drivers off work, as well as 20% of distribution centre staff and 10% of food retail store workers absent. Thus, resulting in a reduced supply of fresh and processed foods nation-wide.[3]

Foodservice Market Outlets

The COVID-19 lockdowns had strong ramifications for most **commercial foodservice channels** which saw both **temporary and permanent closure of establishments**. However, economic recovery in Australia in 2021-22 has seen a revival in commercial businesses to pre-pandemic levels.[2]

Institutional channels had relatively **undisrupted operations** during the COVID-19 pandemic and saw consistent growth.[2]



Source: Food Industry Foresight (2020)

Source: (1) Food Industry Foresight, The Australian foodservice Market 2020, (2) IBIS World, 2022 (3) The Conversation, 2022

There is potential for the horticulture industry to capitalise on growing consumer and foodservice operator preferences towards high-quality and locally sourced ingredients

General Trends

The Australian foodservice market is shifting towards offering **healthier options**, such as plant-based and fresh foods.[1] Australia's top food priorities include eating **more fruit and vegetables**, **reducing sugar intake** and **cutting down on fat**.[2]

There is rising consumer awareness of **environmental issues and sustainability**, with a 2020 survey revealing **one in five shoppers use sustainability to define their choice** of retailers, brands and products.[5]

There is increasing consumer preference for **Australian-made** and **locally sourced ingredients**, leading to a push for foodservice operators to indicate product origin.[2]

There is a growing influence of **cross-culture dietary patterns**, with a strong presence of foodservice providers offering Asian, Middle-Eastern and Mediterranean cuisines to consumers.[1]

Breakfast and brunch are the fastest growing meal types, growing by more than 5% in the last 5 years, supported by increased consumer demand and popularity.[3]

Educational campaigns are helping shape consumer choices. **National strategies and guidelines** are informing and influencing menu design catered by the foodservice sector.[4]

Key Observations for Horticulture Industry

Overall growth in the foodservice sector represents **valuable expansion opportunities** for horticulture products.

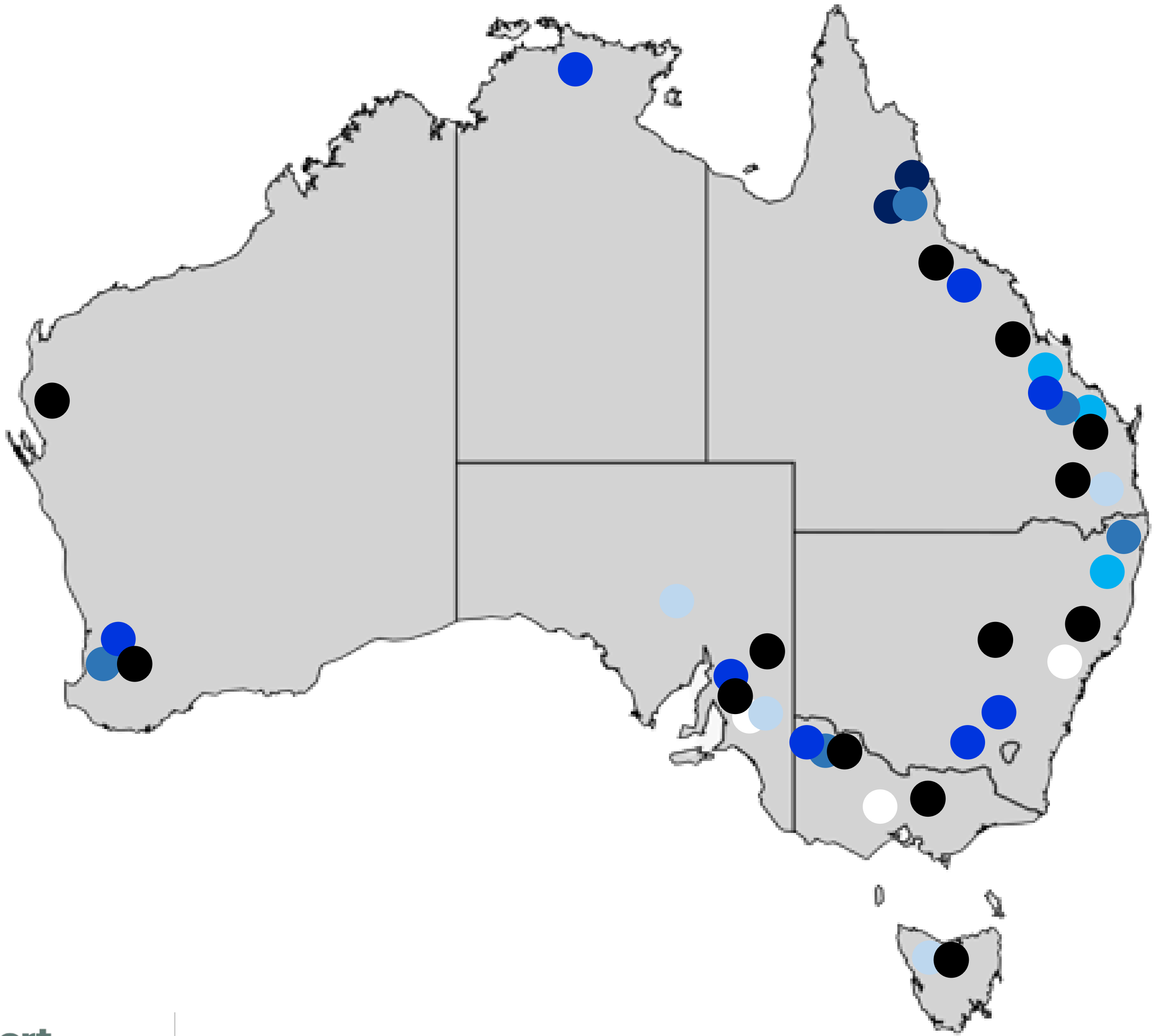
Fruits and vegetables account for the largest portion **(25%) of total foodservice volume**, highlighting potential for the horticulture industry.

There is potential for the horticulture industry to capitalise on growing consumer and operator preference for quality **fresh, healthy and locally sourced ingredients**.

Segments of the market are growing at different paces, and **recovery from COVID-19 will be varied**. This will be further explored in the channel market analysis.

Source: (1) Mordor Intelligence, Australia foodservice Market 2022, (2) Global Agricultural Information Network, foodservice – Hotel Restaurant Institutional 2020, (3) Food Industry Foresight, The Australian foodservice Market 2020 , (4) SME Insight, (5) Octet, Food and Beverage Industry Trends

Major production areas for **key horticulture commodities** are spread across Australia, and are located in regions with relatively higher water supply



Legend

- Mushrooms
- Onions
- Sweet Potato
- Avocado
- Melon
- Papaya
- Vegetables

Grower Locations

Mushrooms – Sydney Basin (NSW), Melbourne Metro (VIC), Adelaide (SA)

Onions – Lockyer Valley (QLD), Upper SA, Adelaide Plains (SA), North-West Tasmania

Sweet Potato – Rockhampton (QLD), Bundaberg (QLD), Cudgen (NSW)

Avocado – Atherton Tablelands (QLD), Bundaberg/Childers (QLD), Southeast QLD/Northern NSW, Sunraysia (VIC), Pemberton/Manjimup (WA)

Melon – Darwin (NT), Bowen (QLD), Bundaberg (QLD), Cowra (NSW), Riverina (NSW), Sunraysia (VIC), Riverland (SA), South Perth (WA)

Papaya – Mareeba (QLD), Tully (QLD)

Vegetables – Bowen (QLD), Bundaberg (QLD), Lockyer Valley (QLD), Stanthorpe (QLD), Windsor (NSW), Forbes (NSW), Melbourne (VIC), Robinvale (VIC), Adelaide Plains (SA), Riverland (SA), Perth (WA), Carnarvon (WA), Forth (TAS)

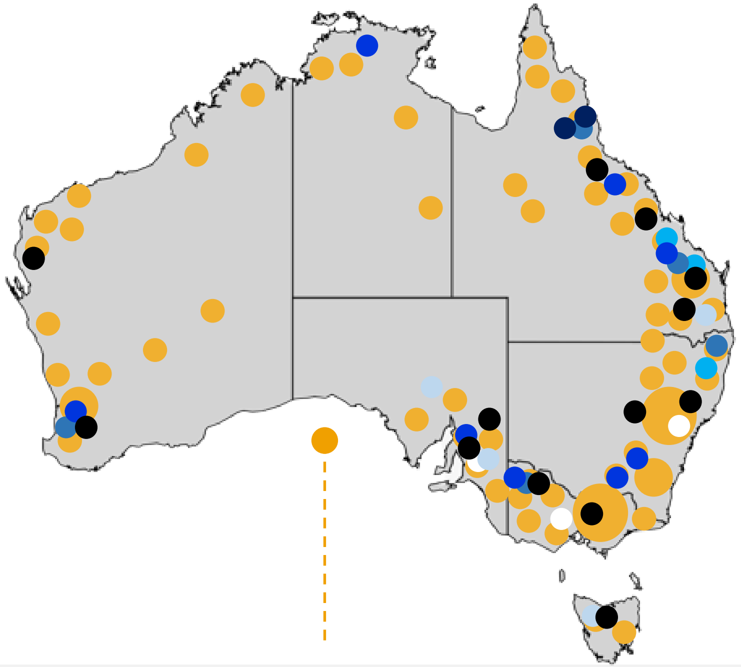
Note: The main production areas for each produce category may differ throughout the year due to seasonal factors. Not every location mapped will produce the specified produce category year round.

It is critical for growers to understand the proximity to destination locations to identify supply chain opportunities and challenges. See the following three slides for foodservice locations (i.e. end use customers) mapped against grower locations.

Source: Hort Innovation – Australian Horticulture Statistics Handbook, 2021

Given the high density of **commercial** establishments in major capital cities and tourism destinations, growers with close proximity to these areas have greater opportunity for direct engagement (1/2)

Restaurants



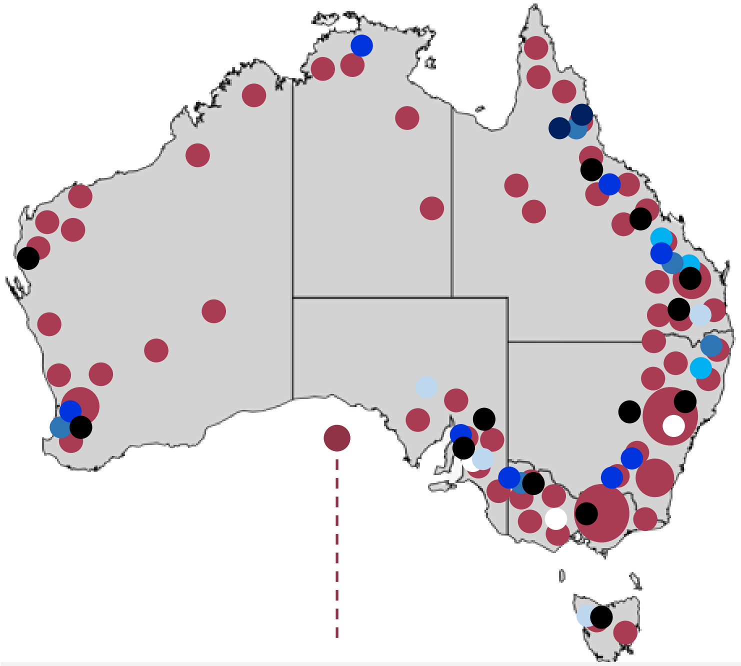
Client Locations

The geographic spread of restaurants is closely correlated with population, income distribution and economic activity.

Given the high number and spread of restaurants across Australia, selection of major commercial distributors should be an integral consideration for the horticulture industry. However, produce categories with production areas with close proximity to these areas have the opportunity for closer engagement.

Source: IBIS World (2022)

Cafés



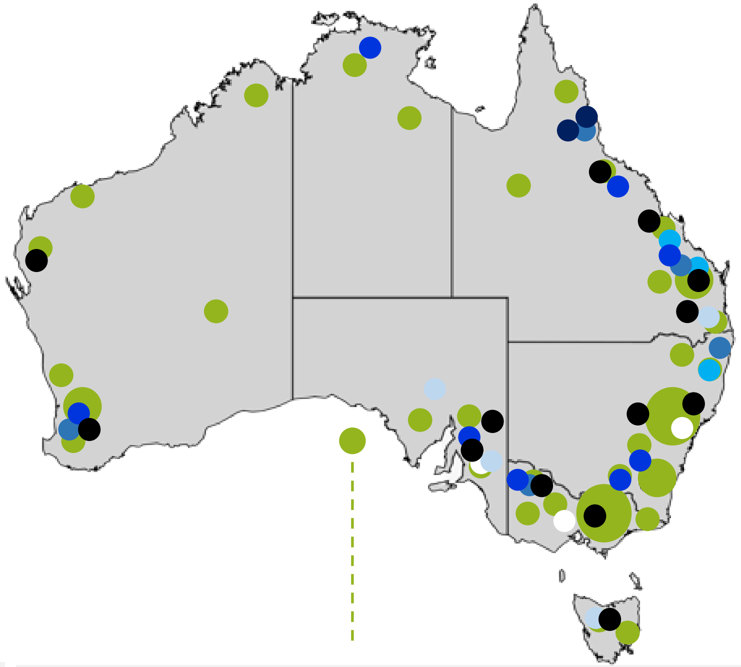
Client Locations

The geographic spread of cafés is closely correlated with population and income. The entrenched coffee culture in Melbourne has resulted in many new cafés opening in inner-city areas.

Similarly to restaurants, building relationships with major commercial distributions is critical to engage with the high number of cafes across Australia. The produce categories with production areas in Melbourne and Sydney are best suited for potential direct engagement.

Source: IBIS World (2022)

Catering



Client Locations

The geographic spread of catering establishments is closely correlated with population distribution, economic activity and corporate location

Given the high density of caterers in Melbourne and Sydney, the major mushroom, vegetable, melon, avocado and sweet potato production areas are well placed for closer engagement with the catering foodservice channel (contingent on seasons).

Source: IBIS World (2022)

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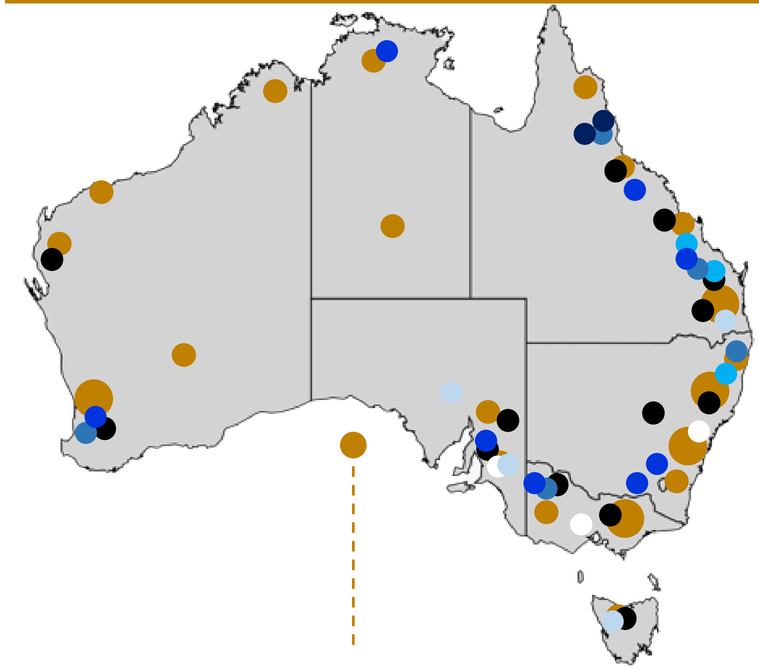
Legend

- Mushrooms
- Onions
- Sweet Potato
- Avocado
- Melon
- Papaya
- Vegetables

The yellow, mauve, and green dots vary in size to highlight density of the foodservice channel across Australia

Given the high density of **commercial** establishments in major capital cities and tourism destinations, growers with close proximity to these areas have greater opportunity for direct engagement (2/2)

Airlines



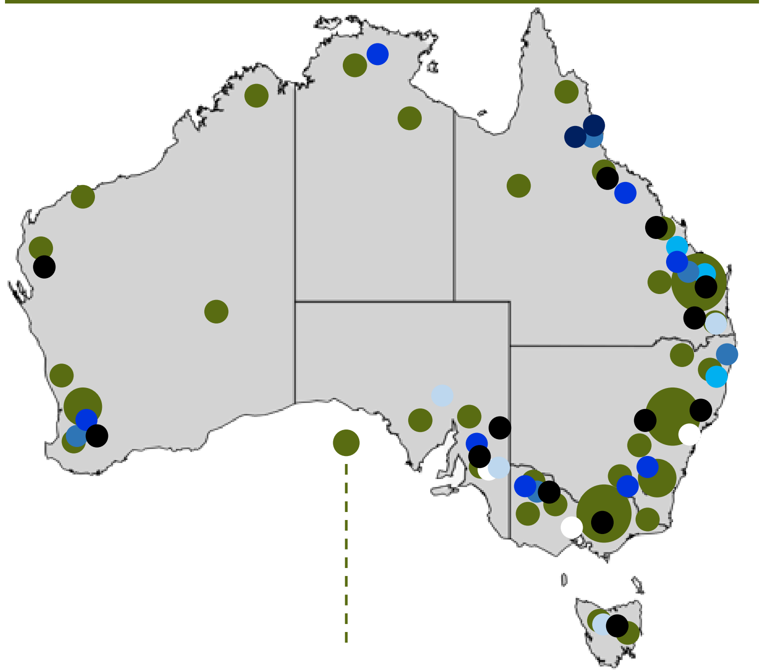
Client Locations

Most airlines have their headquarters located in capital cities, particularly Sydney, Melbourne and Brisbane due to high flying activity.

As proximity is a key consideration for the airline foodservice given logistical challenges, produce categories with major production areas located close to airline caterers have the greatest opportunities.

Source: IBIS World (2022)

Tourism



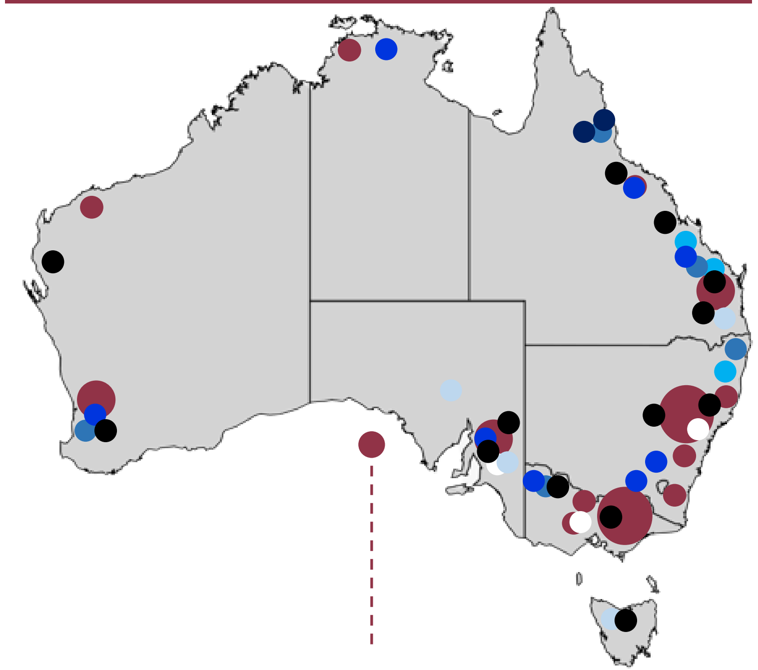
Client Locations

Tourism 'hot spots' largely correlate with popular tourist destinations and key business locations.

Given the high density of tourist locations in VIC, NSW and QLD, the mushroom, onion, sweet potato, avocado, melon, papaya and vegetables industries have opportunity for closer engagement with the tourism establishments in their respective states (contingent on seasons).

Source: IBIS World (2022)

Meal Kits



Client Locations

The geographic spread of meal kit warehouses is closely correlated with population distribution and socioeconomic status of individuals in the region.

The meal kit foodservice channel sources produce directly from growers. As such, major production areas located close to Melbourne and Sydney have the greatest potential.

Source: IBIS World (2022)

Legend

- Mushrooms
- Onions
- Sweet Potato
- Avocado
- Melon
- Papaya
- Vegetables

The orange, green and mauve dots vary in size to highlight density of the foodservice channel across Australia

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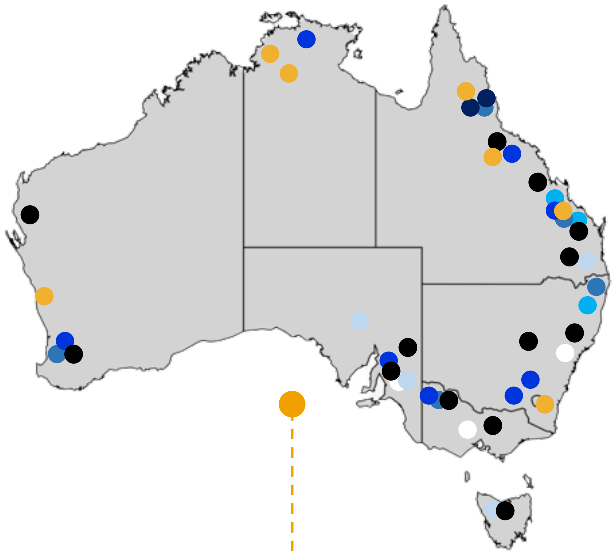
With **institutional** establishments spread all across Australia, growers have the opportunity to engage with channels in close proximity with production areas

Defence



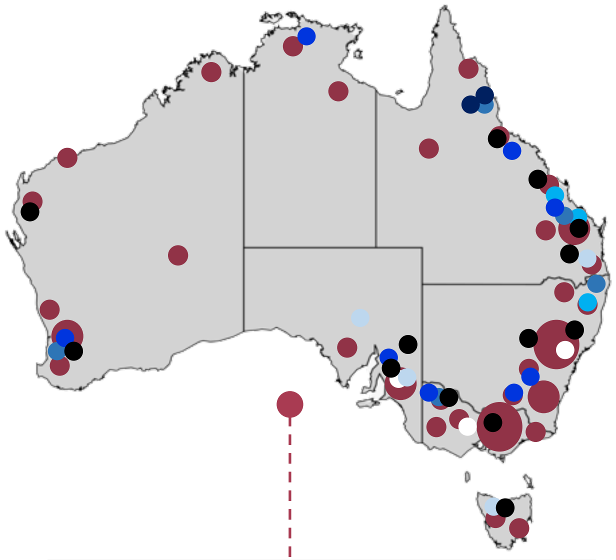
Client Locations

Most stakeholders are headquartered in Canberra, with operations spread across Australia.

As there are very few defence locations across Australia, consideration for logistics and transport to these locations are integral for the horticulture industry. The melon, papaya and vegetable industries are particularly well suited for direct engagement with the defence channel (contingent on seasons).

Source: Australian Government, Defence (2022)

Health



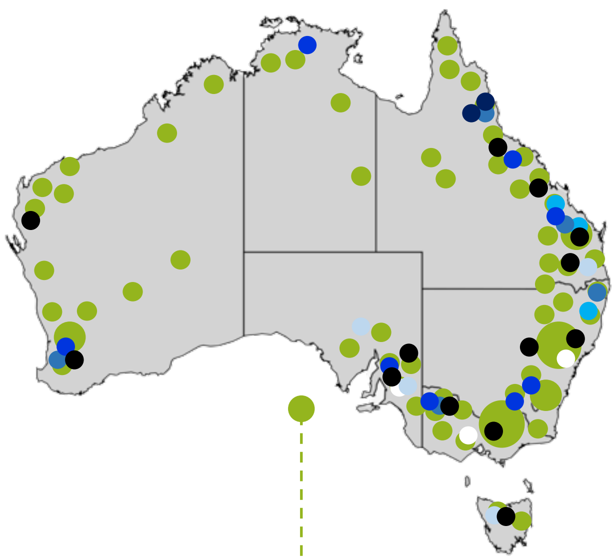
Client Locations

Most healthcare services across Australia are located near major cities and areas with greater population density.

Given the high number of healthcare services in the capital cities, the major mushroom, vegetable, melon, avocado and sweet potato production areas are well placed for closer engagement with the health foodservice channel (contingent on seasons).

Source: Australian Government, Australian Institute of Health and Welfare (2016)

Education



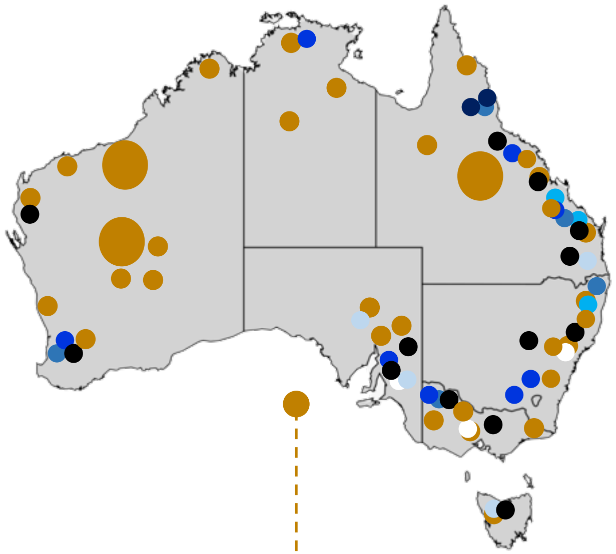
Client Locations

Most education institutions across Australia are located near major cities, or areas with greater population density. A lot more training and tutoring centers are shifting towards remote learning, resulting in downsizing of physical training centers and learning spaces.

As there is a large number of education institutions spread across Australia, selection of distributors and caterers should be a critical consideration for growers in the horticulture industry.

Source: Education Services Australia (2017)

Mining



Client Locations

Mining occurs in all states of Australia, the Northern Territory and Christmas Island. The predominant mining activity, occurs in Western Australia, central Queensland and NSW. There is no mining in the Australian Capital Territory apart from quarries used for construction materials.

Given the high density of mining in WA and central Queensland, the major melon, avocado and vegetable production areas are best suited for closer engagement with the mining foodservice channel (contingent on seasons).

Source: Australian Government. Geoscience Australia (2016)

Legend

Mushrooms	Sweet Potato	Melon
Onions	Avocado	Papaya
Vegetables		

The yellow, mauve, green and orange dots vary in size to highlight density of the foodservice channel across Australia

Hort Innovation
Strategic levy investment

Commercial Channel Market Analysis

Hort Innovation
Strategic levy investment

An increase in discretionary income and positive consumer sentiment following COVID-19 lockdowns is anticipated to drive demand for the **restaurant** channel

Restaurants

Restaurant Insights

Insights include industry-wide data on licensed, unlicensed, BYO and quick service restaurants in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $20.8BN

Projected annualised revenue growth 2022-2027

1.7%

Operating Establishments 2021-22

30,215

Projected annualised establishment growth 2022-2027

3.6%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- The restaurant industry includes licensed, unlicensed, BYO and Quick Service Restaurants (QSR).
- Establishments are forecasted to grow over the next five years to 36,179 in 2026-27, driven by **population growth** and the industry's **low barriers to entry**.[1]
- **Rising discretionary income** and **positive consumer sentiment** following COVID-19 lockdowns is anticipated to boost demand for dining out.[1]
- Consumers' **busy lifestyles** have increased demand for restaurant meals. Average **weekly worked hours are expected to rise** 0.6% to 31.2 hours in 2022-23, increasing spend at restaurants.[1]
- Increased **public awareness of health risks** associated with a poor diet has led to an **increase in demand for healthier, higher quality alternatives**. Industry operators have responded to this by expanding and marketing their use of **fresh and premium ingredients**.[1]
- The rise in health consciousness is anticipated to **limit growth in traditional QSRs**. Menu innovation, such as **expansion of plant-based, low-fat or low-sugar ranges**, will be a **key determinant to success** over the next five years.[1]
- There is also **shifting preference for multi-cultural cuisines** in the **casual and fine dining** space, with increased popularity for Asian and Mediterranean food.[1]
- Operators also have a particular appetite for **ingredients with unique brand positioning and attributes**, e.g. **indigenous** or **sustainable**.[2]
- The restaurant industry faces **rising external competition** from **cafés, supermarket** ready-made meal options and **home delivery meal kits**.[1]

Restaurant Wholesalers and Distributors

Bidfood Inspired by you
NAFDA Australian Foodservice Distribution
foodbomb
PFD Foodservices
B&E Foods
FOODBYUS
Quality Foods
cfs source - select - supply

Note: The above companies are the main foodservice wholesalers and/or distributors that provide produce to restaurants.

Major Restaurant Companies

merivale
Taste of Shanghai
McDonald's
Pancakes on the Rocks
palace chinese restaurant
The King of Sea Greek Cuisine
Hurricane's Grill Best Steaks & Ribs
Fratelli Fresh
Hungry Jack's
Outback Steakhouse

Note: The above companies are some of the major restaurant companies that operate in Australia. The restaurant foodservice channel is highly fragmented and also has numerous owner-operated businesses with one establishment.

Hort Innovation Strategic levy investment

Source: (1) IBIS World 2022, (2) SME Insight

Rising health consciousness amongst Australians is boosting demand for fresh high quality products, highlighting opportunity for the horticulture industry

Restaurants

Produce Categories of Highest Demand and their Preferred Product Formats

Tomatoes
Served fresh in slices within salads, burgers and sandwiches. Base ingredient for soups, stews and sauces.

Potatoes
Prepared in various formats (e.g. full, sliced, cubed) and methods (e.g. fried, roasted). Commonly served as chips, roasted potato and mashed potato.

Spinach
Leaves served fresh and whole within salads, burgers and sandwiches. Also typically sauteed in hot meals.

Lettuce
Leaves served fresh and shredded within salads, burgers and sandwiches.

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for hot meals. Base ingredient for soups, stews and sauces.

Carrots
Typically served roasted in cube/slices in hot meals. For salads and sandwiches, it is sliced, grated and served raw.

Onions
Base ingredient for soups, stews and sauces. Also served fresh in thin slices or sauteed in hot meals.

Cucumber
Served fresh or pickled and sliced within salads, burgers and sandwiches.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Collaborate with major commercial distributors and larger chain restaurants for both scale/volume and investigate effective methods to best respond to changing demand signals.

Emphasise healthy, fresh and high-quality attributes of key Australian horticulture commodities in response to the shifting preferences and increase in health-conscious consumers.

Explore opportunities in versatile vegetables typically used as base ingredients (e.g. onions, tomatoes), as well as popular/trendy vegetables found in vegetable centric dishes (e.g. cauliflower, eggplant).

Typical Menu Items and Offerings

Quick Service Restaurants

- QSR's serve burgers, fries, fried chicken, sandwiches and ice-cream. There is a shift to also include healthier menu items
- Common vegetable formats are incorporated in burgers and sandwiches including tomatoes, lettuce, spinach, carrot, onions and pickles.
- Food products are highly processed and can either be preheated or pre-cooked to reduce cooking time.

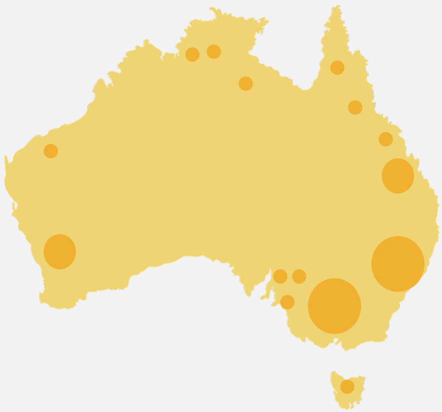
Casual Dining

- Casual dining restaurants products include burgers, pasta, fried or grilled meats/fish and salads (typically including lettuce, spinach, tomatoes, onions, cucumbers, beetroot).
- Vegetable based side dishes such as mashed potatoes, coleslaw and roasted vegetables are also typically served.
- Popular cuisines include Italian, Japanese, Chinese, Indian and Greek food.

Fine Dining

- Appetisers tend to be more vegetable centric e.g. whipped goats curd with garden peas, baked heirloom tomato on focaccia.
- Main courses consist of roasted/fried/grilled meat or seafood.
- Desserts served include cakes, fruit tarts and puddings.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service restaurants.

Source: IBIS World (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Many operators in the **café** channel are broadening their food offerings and customising gourmet menu items to compete with restaurants

Cafés

Café Insights

Insights include industry-wide data on café operations in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $10.7BN

Projected annualised revenue growth 2022-2027

2.7%

Operating Establishments 2021-22

28,646

Projected annualised establishment growth 2022-2027

2.4%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- Café meal options mainly consist of breakfast and lunch items, with a greater emphasis on sweet food items and coffee. Café style operations that also provide dinner are included in the restaurant industry.
- The café industry has **a low level of market share concentration**, with no player accounting for more than 5% of revenue in 2021-22. The industry is anticipated to remain highly fragmented, with **larger chains struggling to expand their market share** as **consumers gravitating towards independent cafes** for greater quality, tailored coffee and unique product offerings.[1]
- The easing of COVID-19 restrictions has **supported recovery** in the café industry, **almost returning to pre-pandemic levels** ($10.9BN) in the current year.[1]
- Cafés are forecasted to take some market share from restaurants over the next five years, as **consumers shift towards more casual and convenient café-style meals**, particularly catering to lunchtime traffic.[1]
- Although the **coffee segment has historically played a large role** in the café industry, many cafés are **broadening their food offerings** to compete with restaurants, supported by the **rise of 'brunch culture'**.[1]
- Trends favouring **premium food** has been increasingly reflected in menus, with industry operators **supplementing traditional breakfast items with more gourmet style menu items**. Cafés offering diverse menus that **emphasise fresh and organic ingredients** are forecast to be the best performers as consumers increasingly search for quality.[1]
- Consumers are becoming increasingly aware about the origin of their food. The **'ethical food movement'** shows significant following in Australia, where consumers highly prioritise menu options with **stated sustainable food sourcing** and **Australian sourced/made ingredients**.[2]

Café Wholesalers and Distributors

Bidfood Inspired by you
NAFDA Australian Foodservice Distribution
foodbomb
cfs source - select - supply
PFD Foodservices
St.George Foodservice
Satisfine Foods
Plateau
Quality Foods
FoodByUs

Note: The above companies are the main foodservice wholesalers and distributors that provide produce to cafes.

Major Café Companies

Michel's Patisserie
hudsons
barista The Espresso Bar
Degani
Gloria Jean's Coffees
Starbucks Coffee
The Coffee Club Cafe • Bar • Restaurant

Note: The above companies are some of the major café companies that operate in Australia. The café foodservice channel is highly fragmented and also has numerous owner-operated businesses with one establishment.

Source: (1) IBIS World 2022, (2) SME Insight

There is potential for the horticulture industry to engage with cafes as operators shift towards locally grown and ethically sourced produce

Cafés

Produce Categories of Highest Demand and their typical Product Formats

Tomatoes
Served fresh in slices within salads, wraps, burgers and sandwiches. Grilled in full/halves for hot meals. Base ingredient for soups, stews and sauces.

Potatoes
Prepared in various formats (e.g. full, sliced, cubed) and methods (e.g. fried, roasted). Commonly served as chips, roasted potato and hash browns.

Spinach
Leaves served fresh and whole within salads, wraps, burgers and sandwiches. Included sauteed in hot meals e.g. omelettes.

Lettuce
Leaves served fresh and chopped within salads, wraps, burgers and sandwiches.

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for hot meals. Base ingredient for soups, stews and sauces.

Avocadoes
Served fresh on toast or with hot meals. Prepared straight before served.

Onions
Base ingredient for soups, stews and sauces. Also served fresh in thin slices in salads or sauteed in hot meals.

Berries
Used whole in fruit salads and smoothies or served as toppings for bowls, waffles and pancakes.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Given most industry players are owner-operated, develop relationships with major commercial distributors to build market share in the café industry.

Leverage 'locally produced' and 'sustainably sourced' proposition in response to increasing consumer preference for Australian grown ingredients.

Explore ways to introduce seasonal or unfamiliar fruits and vegetables to align with café operators shifting towards 'gourmet' food offerings and menu designs.

Typical Menu Items and Offerings

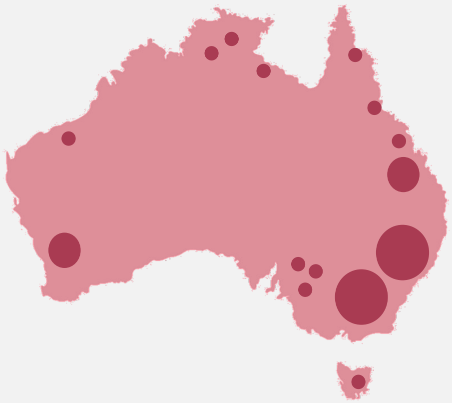
Breakfast

- Savoury breakfast products typically include dishes incorporating bacon, eggs, sausages, hash browns, tomatoes, mushrooms and spinach. Toast and bagel options with toppings such as avocado and cream cheese are also common in Café.
- Sweet breakfast products typically served include pastries, waffles, pancakes and breakfast bowls (e.g. acai, chia, oats) with assorted fruits.
- Cafés also commonly serve quick, on-the-go items such as sandwiches/rolls, fruit salad, yogurt, granola and fruit smoothies.

Lunch

- Lunch products include wraps and sandwiches (e.g. Panini sandwiches, Cubans, Reubens, burgers, soup (vegetable or meat based), hot chips and salads (e.g. Caesar, niçoise, falafel).
- These commonly includes vegetarian, vegan and gluten free options.
- Desserts served in Cafés include donuts, cakes, cookies, sweet rolls, macarons and cupcakes.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service cafés.

Source: IBIS World (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Post-pandemic recovery is increasing demand for **catering** services contracted by corporates and events

Catering

Catering Insights

Insights include industry-wide data on catering services in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $8.9BN

Projected annualised revenue growth 2022-2027

2.9%

Number of Operators 2021-22

4,449

Projected annualised growth 2022-2027

1.5%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- Industry operators primarily provide catering services at specified locations or events.
- **Large industry operators** (e.g. Compass) **dominate lucrative business contracts**, engaging in full-service catering. On the other hand, **small players** tend to focus on **casual/ad-hoc catering** for corporate and private events within a particular geographic region.[1]
- COVID-19 heavily impacted the catering industry as **lockdowns disrupted the need for on-premises catering**. However, an **increase in business confidence** following the easing of restrictions is **anticipated to recover demand** for catering services as companies increasingly provide for their workforces.[1]
- **Increased regulation affecting food safety** has also driven the need for catering services, particularly for takeaway and single serve consumption. Products sold in this segment often include **sandwiches** and **fruit**. [1]
- Opportunities for caterers to **expand their operations into restaurants and food courts** are likely to emerge over the next five years.[1]
- There are rising trends in commercial catering for more customised menus options. This is characterised by competitive catering tender processes and strong demand for **top quality, locally sourced and sustainable ingredients** as well as providing **plant-based meal options.**[2]
- Increasing demand for restaurant/cafe catering services, an alternative to traditional catering, is expected to **constrain industry expansion**.[1]

Catering Wholesalers and Distributors

Bidfood Inspired by you
NAFDA Australian Foodservice Distribution
PFD Foodservices
Padstow Food Service
Plateau
FoodByUs
cfs source - select - supply
Quality Foods
St.George Foodservice
Satisfine Foods

Note: The above companies are the main foodservice wholesalers and distributors that provide produce to catering companies.

Major Catering Companies

Compass Group
Ultimo
Flavours Catering + Events
Sodexo
The Miss Peppercorn
Gastronomy The Art & Science of Food
Lentil As Anything Food * Without * Borders
One Pot catering
European Catering
Devour it Catering

Note: The above companies are some of the major catering companies in Australia, including players in both the diversified catering services and event catering services space.

Source: (1) IBIS World 2022, (2) The Future of Commercial Catering 2022

There is potential for the horticulture industry as catering services shift towards customised food offerings to remain competitive in the market

Catering

Produce Categories of Highest Demand and their typical Product Formats

Tomatoes
Served fresh in slices within salads, wraps, sliders and sandwiches. Base ingredient for sauces and fillings.

Potatoes
Typically served in the form of hot chips or wedges as finger food or takeaway option.

Spinach
Leaves served fresh and whole within salads, wraps, sliders and sandwiches. Included sauteed in hot meals.

Lettuce
Leaves served fresh and chopped within salads, wraps, burgers and sandwiches.

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for hot meals. Base ingredient for sauces and fillings.

Melons
Prepared in cubes or slices, used in fruit salads and desserts.

Onions
Base ingredient for sauces and fillings. Also served fresh in thin slices in salads or sauteed in hot meals.

Grapes
Served whole in fruit salads and desserts.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Given the number of operators in the catering foodservice channel, develop relationships with key stakeholders who hold long term venue management contracts (i.e. stadiums) on a national basis, as well as smaller players across aligned regions.

Investigate suitable produce and methods that are effective in preserving freshness and adhering to catering food safety regulations (particularly for takeaway services as this segment increases) and effectively communicate this with stakeholders.

With the rise of more 'customised menus' in the industry, collaborate with stakeholders to design menus integrating seasonal produce within dishes, promoting plant-based and vegetarian catering options.

Typical Menu Items and Offerings

Finger Food Catering

- Finger food products include tacos, fish and chips, sliders, pies, quiches, sushi, baos, arancini balls and spring rolls.
- Popular cuisines include Italian, Japanese, Mexican and Mediterranean food.
- Desserts (e.g. cakes, tarts) are also commonly served, as well as assorted fresh fruit (typically grapes, melons, apple, oranges).

Takeaway Catering

- Takeaway catering products include sandwiches, wraps and burgers (typically consisting of tomatoes, lettuce, spinach, onions and white/red meat) along with hot chips.
- Sweet products such as pastries, scones and fruit salads (grapes, melons, apple, oranges, berries, kiwi) are also typical menu items.

Dining Catering

- Entrees are typically salad, served with vegetables and white/red meat (e.g. marinated fig and prosciutto salad, char grilled chicken) Mediterranean salad).
- Main courses generally consist of a roasted/fried/grilled white or red meat, with a side of vegetables (e.g. roasted potatoes, cauliflower puree).

Catering services commonly includes vegetarian, vegan and gluten free options.

Growth Opportunity Locations

The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service caterers.

Source: IBIS World (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Despite border restrictions easing, **airline** revenue is projected to remain below pre-pandemic levels as a result of lingering disruptions caused by COVID-19

Airlines

Airline Insights

Insights include industry-wide data on domestic and international airline services operating in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $23.3BN

Projected annualised revenue growth 2022-2027

International: 15.9%
Domestic: 13.1%

Number of Operators 2021-22

512

Projected annualised growth 2022-2027

International: 3.5%
Domestic: 2.2%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- The airline industry consists of domestic and international airlines operating in Australia.
- The **COVID-19 pandemic severely impacted** the airlines industry, **more than halving revenue** from $45.6m in 2018-19 to $15.5m in 2020-21 due to border restrictions.[1]
- **Border restrictions lifting** in 2022 is expected to **revive demand for airline services as tourism increases**. International arrival numbers from Asia, particularly China, is projected to grow over the next five years.[1]
- However, this growth only represents a **partial recovery** as **lingering COVID-19 disruptions** (testing, self isolation, ongoing fears etc.) are anticipated to have **revenue remain below pre-pandemic levels for 2-3 years**.[1]
- In-flight meals are typically prepared by a **catering facility**, chilled to a certain temperature and then **reheated on flight** before served.[2]
- Food products are now seen as part of marketing strategies in attracting travellers and improving customer experience. **Taste, freshness, presentation** of in-flight meals and menu choices are important factors for **passenger satisfaction**.[3]
- There has been an **increased focus on wellness, vegan and plant-based meals** in airlines following the COVID-19 pandemic.[4]
- Growing consumer demand for **high-quality, premium healthy food** while flying is **boosting the prominence of food and drink as critical on-board services** (despite airline budget cuts).[5]
- Airlines have an appetite for **premium and branded ingredients**, and will typically highlight this as a value proposition – for example Qantas has a particular emphasis on the indigenous space.[2]

Airline Caterers

Note: The above companies are the main-flight caterers for airlines that operate in Australia. They cook and prepare ready-to-eat meals that are frozen and loaded to aircrafts for flight attendant to heat and serve to passengers.

Major Airline Companies

Note: The above companies are some of the major airlines that operate in Australia.

Source: (1) IBIS World 2022, (2) SME Insight, (3) Research Gate 2011, (4) AFR 2021, (5) Global Industry Analysts 2020

Although still in infant stages, there are efforts to provide more fresh ingredients to passengers during flights which may have potential for the horticulture industry

Airlines

Produce Categories of Highest Demand and their typical Product Formats

Tomatoes
Served fresh in slices within salads, wraps and sandwiches. Grilled in full/halves for hot meals. Base ingredient for stews and sauces.

Potatoes
Prepared in various formats (e.g. sliced, cubed) and methods (e.g. fried, roasted). Commonly served as hash browns, roasted potato and mashed potato.

Apples
Served fresh in wedges in fruit salads or toppings for breakfast bowls (e.g. bircher muesli, yoghurt).

Grapes
Served fresh and whole in fruit salads or toppings for breakfast bowls (e.g. bircher muesli, yoghurt).

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for hot meals. Base ingredient for stews and sauces.

Carrots
Typically served roasted in cube/slices in hot meals. For salads and sandwiches, it is sliced, grated and served raw.

Onions
Base ingredient for stews and sauces. Also served fresh in thin slices in salads or sauteed in hot meals.

Broccoli
Typically served cut and steamed in hot lunch/dinner meals.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Investigate suitable horticulture products and methods that are most effective in preserving taste and integrity during changes in altitude and pressure and effectively communicate this with key stakeholders.

Collaborate with key stakeholders to understand value propositions of clients e.g. focus on native or sustainable ingredients and identify appropriate commodities for market entry.

Explore opportunities to incorporate Australian fruit and vegetables into the menu to align with increasing customer preference for nutritious and sustainably sourced local produce.

Typical Menu Items and Offerings

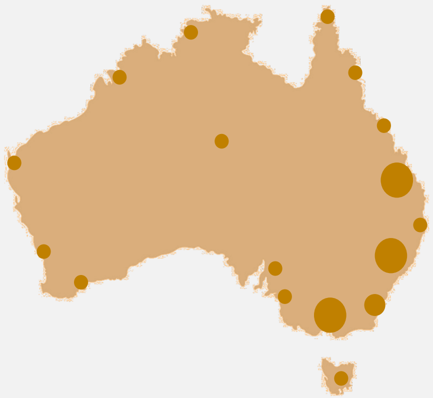
Breakfast

- Breakfast products include hot meals incorporating eggs, bacon, sausage, hash browns, tomato, mushrooms) and bread with spread options.
- Breakfast formats also include fruit salad (commonly incorporating apple, grapes, melons, berries), bircher muesli, muffins and yoghurt.
- Fruits served are typically seasonal.

Lunch/Dinner

- Lunch meal formats include meat (e.g. braised beef, grilled salmon, roasted chicken) with a side of vegetables (e.g. mashed potato, broccoli, corn, carrot).
- Fresh salads (spinach, lettuce, tomato, onion, carrot, beetroot and cucumber) are common as sides in lunch and dinner offerings.
- Airlines serve wraps and sandwiches on domestic flights.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service airlines.

Source: IBIS World (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Hort Innovation
Strategic levy investment

Similar to the airline industry, **tourism** revenue is projected to steadily increase, however will remain below pre-pandemic levels due to continued travel disruptions

Tourism

Tourism Insights

Insights include industry-wide data on hotels, resorts and cruises operating in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $9.1BN

Projected annualised revenue growth 2022-2027

13%

Establishments 2021-22

2,903

Projected annualised establishment growth 2022-2027

6.9%

Source: IBIS World (2022), Yahoo Finance (2022)

Foodservice Channel Characteristics & Growth Drivers

- Tourism includes **hotels**, **resorts** and **cruises** operating in Australia.
- The hotel industry (hotels and resorts) generates revenue from providing accommodation, facilities, food and beverage options for guests. Similarly, revenue from cruises are from ticket sales and onboard purchases (e.g. alcoholic drinks, casino gambling, spa treatments and shore excursions).
- Lifted airline border restrictions following the COVID-19 pandemic is **expected to revive demand** for hotel and resort services as **tourism increases**.[1] The lifted cruise ban on April 17 2022 is also expected to boost industry growth.[4]
- The industry is also forecasted to see a **recovery in domestic and business tourist visits** as the easing of restrictions support an increase in consumer spending and business confidence.[1]
- However, overall **tourism levels are still anticipated to remain below pre-pandemic levels for 2-3 years** as COVID-19 restrictions (testing and self-isolation) and ongoing concerns remain, thus constraining industry revenue.[1]
- Many hotels and cruises have **improved their food and beverage offerings** to **increase competitiveness**, which has increased share of industry revenue over the past five years.[1]
- **Food and beverage sales have recovered faster** than occupancy rates due to the ability to attract demand not reliant on tourism activity.[1]
- Tourism foodservice is increasingly adhering to **rising consumer preferences for locally sourced produce**, with many finding innovative ways to implement a **'paddock to plate'** style approach.[3]
- Many higher-end hotels are also emphasising **quality and nutrition** in their food offerings.[3]
- Hotels, resorts and cruises have a significant focus on the **breakfast meal segment**.[3]
- The **volumes of primary produce purchased by cruise lines are significant**. For one cruise alone with a 2000 passenger capacity, operators will purchase between 1000-1500t of Australian red meat annually, 20-30t of Australian poultry each week, and even higher volumes of fresh fruit and vegetables.[4]

Tourism Wholesalers and Distributors

Note: The above companies are the main foodservice wholesalers and distributors that service major Australian hotels, resorts and cruises.

Major Tourism Companies

Note: The above companies are some of the major hotels, resorts and cruise companies in Australia.

Source: (1) IBIS World 2022, (2) SME Insight, (3) Hotel Business Week 2019, (4) Cruise Lines International Association, 2022

Sourcing locally grown produce is becoming increasingly important in the tourism channel, thus highlighting a key area of opportunity for the horticulture industry

Tourism

Produce Categories of Highest Demand and their typical Product Formats

Tomatoes
Served fresh in slices within salads, wraps, burgers and sandwiches. Grilled in full/halves for hot meals. Base ingredient for soups, stews and sauces.

Potatoes
Prepared in various formats (e.g. full, sliced, cubed) and methods (e.g. fried, roasted). Commonly served as chips, roasted potato and mashed potato.

Apples
Served fresh whole or in wedges in fruit salads or toppings for breakfast bowls (e.g. bircher muesli, yoghurt).

Lettuce
Leaves served fresh and chopped within salads, wraps, burgers and sandwiches.

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for hot meals. Base ingredient for soups, stews and sauces.

Oranges
Served fresh whole or in wedges in fruit salads.

Onions
Base ingredient for soups, stews and sauces. Also served fresh in thin slices in salads or sauteed in hot meals.

Berries
Used whole in fruit salads and smoothies or served as toppings for bowls, waffles and pancakes.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Grown in Australia

Collaborate with local chefs who work in hotels, resorts and cruises to design menus integrating horticulture produce native to the region, leveraging 'Australian made' proposition increasing in tourism.

Advocacy opportunities to introduce seasonal and/or less familiar fruits in buffets and rooms to align with increased focus on health and nutrition in hotels, resorts and cruises.

Explore opportunities to work with a local partner that service large produce quantities and in-land logistics of what is ordered by cruise lines.

Typical Menu Items and Offerings

Breakfast

- Breakfast formats include hot food incorporating bacon, eggs, sausages, hash browns, tomatoes mushrooms and spinach, toast and avocado.
- On-the-go options such as fruit salads, bircher muesli, yoghurts and muffins are also typically served.
- Fresh fruit buffets served typically include freshly cut fruit wedges including apples, oranges, berries, rockmelon and watermelon.

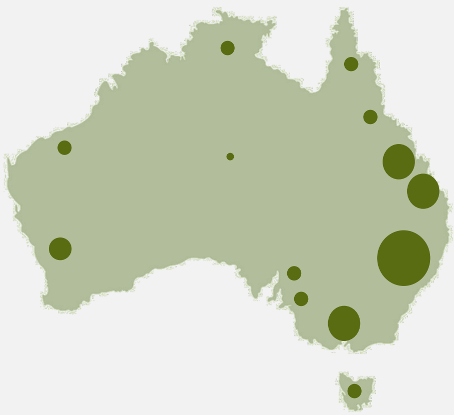
Lunch

- Lunch menu items include a range of mains such as burgers, salads, tacos, gourmet pies, pastas, schnitzels, parmigianas, steaks, sandwiches, wraps and pizzas.
- Sides are common to share an include bread, fried chicken, garden salads, chips and light pasta dishes.
- Fresh fruits (apples, grapes, melons, berries) are typically provided throughout the day.

Dinner

- Dinner is similar to lunch and typically consists of a roasted/fried/grilled white meat (e.g. chicken, turkey) or red meat (e.g. beef, lamb) with a side of vegetables, either roasted, pureed or fresh in a salad.
- Popular cuisines served include Italian, Japanese, Chinese, Indian and Greek food.
- Fresh fruit served typically include freshly cut fruit wedges.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service hotels, resorts and cruises.

Source: IBIS World (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Hort Innovation
Strategic levy investment

Meal kit delivery services grew significantly in Australia during the COVID-19 lockdowns when almost all restaurants, cafés and hotels were severely restricted

Meal Kits

Meal Kit Insights

Insights include industry-wide data on the operations of Meal Kit delivery services in Australia.

Annual Revenue 2021-22

AUD $300M

Projected annualised revenue growth 2021-2028

13%

Companies 2021-22

23

Source: Global Data (2020)

Foodservice Channel Characteristics & Growth Drivers

- Meal kit delivery includes any service that **sends pre-portioned ingredients and recipes to customers**, usually as a subscription service.
- **Busier lifestyles,** an increasing preference for home-cooked chef-formulated recipes and desire for meal variety amongst millennials is a major factor contributing to the growth of the market.[1]
- Increasing preference for meal kits is also driven by the benefits of homemade meals as they are **healthier and more economical** in comparison to takeout meals and home delivery services. Kits average around **$5-$12** per plate.[2]
- Meal kits have tailored **menu offerings** to **accommodate different dietary requirements** including: meat and veggies, vegetarian, family friendly, calorie smart, card smart, quick and easy, pescatarian, gluten free and high protein. [2]
- With meal kits increasing gourmet food options, consumers are able to try new recipes without spending extra money at restaurants.
- Trends in the meal kit industry include **sustainability commitment**, **diet specialisation**, **organic foods**, catering to **lifestyle choices**, increased meals, **competitive pricing**, pre-made meal choices, and **extended delivery services**. [2]
- **COVID-19** offered a **huge opportunity** to the market for meal kit delivery services as almost all restaurants, cafes and hotels were closed/restricted. **Data shows 50% more households ordered meal kits during the pandemic**.[3]
- Growing consumer demand for meal kit services during the pandemic was reflected by the boom in revenue seen by companies such as HelloFresh in 2020. According to Global Data, **HelloFresh saw a 122.6% Y-o-Y revenue growth** in Q2 of 2020, a trend that the company was positive would continue over the remainder of the year.[1]
- Meal kit delivery **supply chains are shorter**, with 3 steps: Producer → Meal Kit assortment facilities → Customer[4]

Meal Kit Suppliers

Curation Foods; Lakeside; Rainier Fruit; Explore the World of Taste Perfection; Velisha Farms; Red Gem Growers & Packers

Note: The nature of Meal Kit supply chains require producers and wholesalers (such as above) supplying fruits and vegetables directly into Meal Kit assortment centres.

Major Meal Kit Companies

Hello Fresh; Pepper Leaf; Marley Spoon; The Dinner Ladies; Chef Good; Ever Plate; Dinnerly

Note: The above companies are the biggest players in home meal delivery kits across Australia

Source: (1) Global Data, 2020 (2) Linchpinseo, 2022 (3) CBC, 2022 (4) HelloFresh, 2021

Hort Innovation
Strategic levy investment

The horticulture industry can leverage the shorter supply chain in the meal kit channel which aims to ensure fresh ingredients are being delivered to customers

Meal Kits

Produce Categories of Highest Demand and their typical Product Formats

Sweet Potato
Product format used as chips, in stir-fry or 'mashed potato'. Usually chopped or served in chip slices.

Potatoes
Product format is hot chips as a side, or mash potato. Usually chopped into cubes (roasts) or chip slices.

Spinach
Category format served fresh and whole within salads, burgers or wraps.

Pumpkin
Product format is cubed or chopped in hot meals as part of roasted/boiled vegetables, stir-fries.

Tomatoes
Typically used as base ingredient for soups, stews and sauces.

Onions
Typically used as a staple ingredient in most hot meals stir-fried, or in salads. Produce format is finely diced.

Garlic
Product format served in hot meals as part of roasted/boiled vegetables. Usually used in foods and cooked already minced.

Corn
Product format served as kernels or as a cob in hot meals as part of roasted/boiled vegetables.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Advocacy opportunities to promote key attributes of Australian produce that are in demand for meal kit companies including locally sourced produce, vegan, vegetarian, sustainably-grown (if applicable) and organic (if applicable).

Opportunities to build relationships with the meal kit companies directly to take advantage of shorter supply chains and rising business expansion opportunity.

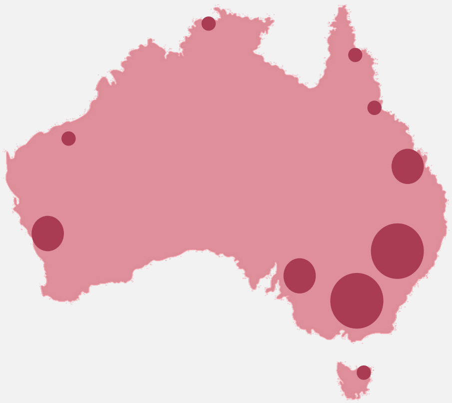
Collaborate with key meal kit companies to offer free produce in kits for customers to try. In particular, introducing less familiar ingredients e.g. Papaya provides opportunity to increase awareness and desirability of produce.

Typical Menu Items and Offerings

Lunch and Dinner

- Meal kit delivery services offer meal plans that cater to different 'dining habits'. Thus, the meals offered tend to be what are served in commercial foodservice channels which more commonly fit under lunch and dinner meal-styles.
- Lunch and dinner menus do not fall under lunch or dinner, but rather different customer desires and dietary requirements. Consequently, there are different menus offered e.g. Meat and Veggies Menu, Vegetarian Menu, Family-Friendly Menu, Calorie Smart Menu, Carb Smart Menu, Quick and Easy Menu, Pescatarian Menu, Gluten Free Menu and High Protein Menu.
- Meal kit delivery services offer a variety of cuisines e.g. Asian (Japanese, Chinese, Malaysian, and Vietnamese-inspired dishes), Mexican, Italian, Mediterranean and American.
- The meals have a healthy balance of macronutrients: ~25% protein (chicken, beef, pork, fish, legumes, tofu), ~25% carbohydrates (rice, potato, sweet potato, couscous) and 50% vegetables (rainbow salads, vegetable stir fries, peanut slaw, tomato salads)
- Meal Kits can also be customised by the customer to add, remove or substitute ingredients.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service meal kits.

Source: Global Data (2020)

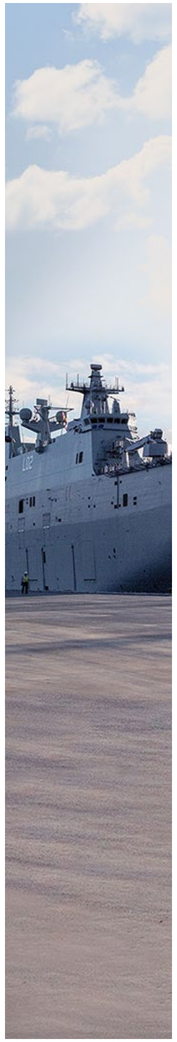
The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Institutional Channel Market Analysis

Hort Innovation
Strategic levy investment

There is opportunity within the **defence** channel due to relatively undisrupted operations during COVID-19 and forecasted operational growth

Defence



Defence Insights

Insights include industry-wide data on the operations of the Department of Defence in Australia (not specifically foodservice operations within the channel).

Annual Food Budget 2021-22

AUD $463M

Projected annualised revenue growth 2022-2027

3.2%

Sites & Stations 2021-22

383

Projected annualised growth 2022-2027

5.3%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- The industry consists of the **Australian Defence Force (ADF)**, which includes the **army, navy, air force, intelligence operations**, and **others**.[1]
- The defence channel has **strong alignment to the Australian-owned product proposition**, and have therefore indicated their preference to purchase Australian-made food products.[2]
- There has been a **rise in corporate catering** (regular provision of food to employees) across defence.[2]
- Feeding military troops and affiliate support organisations ranges from **mess halls** to more **upscale dining options** offered in officer's clubs.[3]
- Catering companies say they provide **~12,000** meals daily to the Australian Defence Force.[1]
- **3% include special meal/dietary requirements**. However, the requirements change daily, so food offerings and menu designs need to be broad and creative.[4]
- Food provisions also include **MREs (Meal Ready to Eat)** which are individualized food field ration packs, scientifically made to be **packed with nutrients and calories** and designed to be consumed **without cooking or heating**.[5]
- Defence has been less **impacted by COVID-19**, given the **relatively undisrupted operations**.[2]
- The 2019-27 employment capability strategy has a **strong focus on catering that enables optimal delivery of human performance** in all operating environments.
- An **increase in capital expenditure and scientific research** services in defence is anticipated to help boost the growth of the channel.[3]
- Defence has **complex distribution and logistics.** Products must have sufficient **durability, shelf-life and cold chain management**.[2] To accommodate for troop missions, the defence foodservice channels requires **large batch sizes with significant volume and shelf-life** to withstand extensive transit times.[3]

Defence Caterers

AAFCANS – Army & Air Force Canteen Service (EST. 1915)

serco

Australian Army Catering Corps (AACC)

ventia

sodexo

Note: The above companies are the main foodservice caterers who service the Australian Department of Defence.

Major Defence Organisations

Australian Government – Australian Public Service Commission

Australian Government – Department of Defence

Australian Government – Department of Defence Science and Technology

Australian Government – Department of Defence Capability Acquisition and Sustainment Group

Royal Australian Navy

Australian Government – Australian Security Intelligence Organisation

Royal Australian Air Force – Per Ardua ad Astra

Note: The above organisations include major defence organisations in Australia.

Hort Innovation – Strategic levy investment

Source: (1) Australian Government Defence 2022, (2) SME insight, (3) IBIS World 2020, (4) Foodservice REP, (2022), (5) Australian Government Department of Defence 2015

The ADF would require consideration on logistics and cold chain management to extend shelf life that will help preserve category freshness and nutritional benefits

Defence

Produce Categories of Highest Demand and their typical Product Formats

Potatoes
Category format is typically hot chips or wedges as a side, or mash potato for lunch and dinner.

Tomatoes
Served fresh in slices within salads, burgers or wraps. For breakfast and dinner, it is usually chopped or sliced and cooked/grilled. Also used as a condiment.

Spinach
Category format served fresh and whole within salads, burgers or wraps. For dinner, it may be add to pasta sauces.

Lettuce
Category format is fresh and chopped within salads, burgers or wraps.

Mushrooms
Category format is sliced or chopped and grilled/pan-fried for breakfast or hot meals. For salad it is sliced and raw.

Carrots
Category format is pan-fried or roasted in cube or thin slices in hot meals. For salad it is sliced or grated and served raw.

Onions
Base ingredient for sauces, and hot meals. Also served fresh in in thin slices in salads.

Cucumber
Category format is fresh and chopped or sliced within salads, burgers or wraps.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Investigate methods that are most effective in extending produce shelf life and longevity, and effectively communicate this with defence foodservice suppliers.

Identify effective methods that account for logistical challenges in transporting large produce batch sizes with significant volume and effectively communicate this with defence foodservice suppliers.

Advocacy opportunities to promote nutrition benefits of produce given the defence channel's strong focus on providing catering that enables optimal delivery of human performance. There is also opportunity to work with chefs to provide vegetarian/vegan options

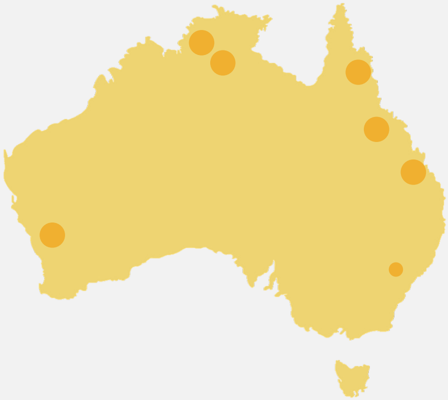
Typical Menu Items and Offerings

Breakfast
- Breakfast meal formats include hot breakfast (eggs, bacon, sausage, hash browns, tomato, mushrooms and toast), eggs on toast, breakfast burgers, toasties wraps and baked goods (muffins and pastries)
- Tomatoes, potatoes and mushroom categories are the main ingredients. Their product formats are as slices, or are diced for grilling or pan-frying

Lunch
- Lunch meal formats include items such as chicken schnitzels, fish & chips, calamari with chips and salad, burgers (beef/chicken/vegetarian), sandwiches, wraps, hot dogs.
- Formats include 'something light' (entrée/sides e.g. hot chips or spring rolls)
- Salads (slices and cubed spinach, lettuce, tomato, onion, carrot, beetroot and cucumber) are common in lunch items as a side

Dinner
- Dinner meal formats are similar to lunch items, but have more protein and carbohydrate-heavy options such as steaks, pork chops and lamb, with bread, rice or pasta
- Dinner is more broad in cuisine offerings e.g. Italian pastas and Asian curries.
- Produce product formats are diced and chopped, and served well-cooked within main dishes

Growth Opportunity Locations



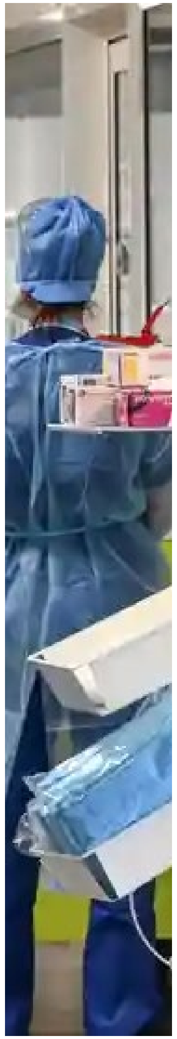
The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service defence.

Source: Australian Government, Defence (2022)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

Health care facilities are trying to lift their nutritional standards and are shifting towards local produce, however cost pressures have a significant impact on this

Health



Health Insights

Insights include industry-wide data on the operations of hospitals and aged care facilities in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $130BN

Projected annualised revenue growth 2022-2027

3.6%

Establishments 2021-22

3,104

Projected annualised establishment growth 2022-2027

-0.4%

Source: IBIS World (2022), Australian Institute of Health and Welfare (2020)

Foodservice Channel Characteristics & Growth Drivers

- The industry consists of **public & private hospitals** and **aged care** facilities.
- Hospitals and aged care facilities typically do internal reviews to improve nutrition, taste, variety, diversity and proportion of locally sourced foods. [1]
- Healthcare providers should have good compliance with state-based nutrition standards for menu items in hospitals and aged care. In Victoria, **86% of sites reported using their nutrition standards**, and 71-80% reported complying with the standards. Rural and regional areas reported lower compliance than their city counterparts. [1]
- Within the channel, there is a rapidly growing **demand for safe, quality and nutritious foods**, and ongoing **need for soft and pureed foods**.[3]
- The health foodservice channel is anticipated to experience **continued growth post COVID-19**, owing to Australia's ageing population and a greater **demand for quality foods**. [2]
- Many hospitals and health service facilities are turning to **healthier options** and using **locally sourced ingredients**. [1]
- A significant proportion of canned, frozen and dried fruit and vegetables procured by health services are sourced from overseas due to cost effectiveness. [1] Australia has opportunity to compete by advocating for locally grown, high-quality produce.
- The new **National Preventive Health Strategy 2021-2030** is likely to support **subdivision growth** over the next 5 years and encourage increasing vegetable demand within the health channel.[1] A key focus area of the strategy is '**Improving access to and the consumption of a healthy diet**' amongst adults and children, with a key target looking at increasing daily vegetable consumption to an average of 5 serves. Current consumption indicates an average of 2.2 serves, which will increase demand on horticulture by double if this actualises. [2]
- As of current, approximately 11% foods are imported and less than 50%are imported for fruits & vegetables.[5]

Hospital & Aged Care Caterers and Distributors

CATER CARE
food service vision
SPOTLESS A Downer Company
COMPASS GROUP
Bidfood Inspired by you
PFD FOODSERVICES

Note: The above companies include the main foodservice distributors who supply produce to hospitals & aged care, as well as major catering companies who service the health channel.

Major Hospital & Aged Care Facilities

Opal HealthCare
Anglicare Australia in every Community
CHRISTADELPHIAN AGED CARE
Bupa
ST VINCENT'S HOSPITAL SYDNEY
mbf health Take a positive step
The Royal Melbourne Hospital
UnitingCare Australia

Note: The above institutions are the major hospital and aged care facilities in Australia.

Source: (1) Victoria State Government, Department of Health, 2021 (2) IBIS World 2020, (3) SME insight, (4) National Preventative Health Strategy 2021. (5) Frontiers in Nutrition, 2022.

There is a growing demand for safe, quality and nutritious foods, due to the ongoing need for soft/pureed foods and accommodating for varying dietary requirements

Health

Produce Categories of Highest Demand and their typical Product Formats

Oranges
Served fresh as a whole fruit or in wedges for breakfast, lunch and dinner. Also served in the form of orange juice.

Apples
Served fresh as a whole fruit or in wedges for breakfast, lunch and dinner. Also served in the form of apple juice or pureed for dessert.

Banana
Served fresh as a whole fruit for breakfast, lunch and dinner. For patients on soft diets, it is served as puree.

Potatoes
Product format is hot chips as a side, or mash potato for lunch and dinner.

Carrots
Product format is cubed in hot meals as part of roasted/boiled vegetables or in soup for lunch and dinner.

Pumpkins
Product format is cubed in hot meals as part of roasted/boiled vegetables or in soup for lunch and dinner.

Peas
Product format served in hot meals as part of roasted/boiled vegetables for lunch and dinner.

Corn
Product format served as kernels in hot meals as part of roasted/boiled vegetables for lunch and dinner.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Grown in Australia

Advocacy opportunities to promote locally sourced produce given the health channel placing greater emphasis on this. Growers could also look at opportunities to improve access of quality and nutrient dense produce in regional and rural areas.

Emphasise ability to adhere to state-based nutrition standards and guidelines through use of fresh produce set for the health channel.

Explore how current produce range can be broadened through creative product formats that is still cost-effective and easy-to-prepare e.g. frozen crinkle cut beetroot.

Typical Menu Items and Offerings

Breakfast

- Breakfast includes juice, fruit selection (oranges, apples, banana, canned peaches or prunes), milk, yoghurt, breads and beverages.
- No vegetables are served as part of breakfast, only canned or fresh fruit, or fruit juices.
- Fruit formats are served whole to patients, but if they have special meal plans (i.e. soft foods), the fruit may be blended or cut into bite-sized wedges or cubes.

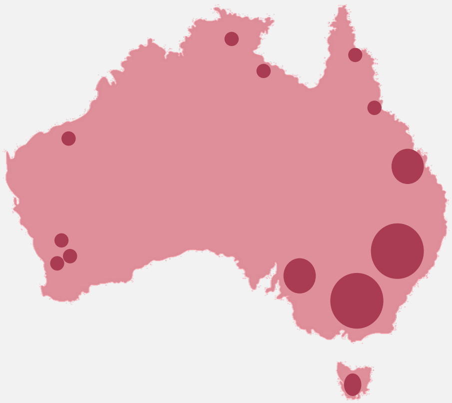
Lunch

- Lunch meal formats are three courses served on one tray that includes soup, main meal (typically 1 serve of protein, 3 serves of vegetables), and dessert that is cake, jelly, or fruit. Also served with bread, a spread, and a beverage.
- Fruit either served as a whole fruit or a fruit salad.
- Vegetable product formats are simple: cubed carrots and potato, chopped broccoli, corn kernels and peas

Dinner

- Dinner meal formats are the same as the lunch menu, but have more protein and carbohydrate-heavy options such as steaks, lamb slices, silverside served with bread, mashed potato, rice or pasta.
- Vegetable product formats are the same as the lunch menu, with the option to switch to a garden salad.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service the health channel.

Source: Australian Government, Australian Institute of Health and Welfare (2016)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

The **education** channel is moving towards high quality, nutritious foods. Creative product formats offered in educational foodservice may have great opportunity

Education

Education Insights

Insights include industry-wide data on the operations of the education channel in Australia (not specifically foodservice operations within the channel).

Annual Revenue 2021-22

AUD $144.4BN

Projected annualised revenue growth 2022-2027

2.6%

Establishments 2021-22

25,456

Projected annualised establishment growth 2022-2027

0.8%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- The education industry comprises of **early childhood education (preschools & day care), primary, secondary** and **tertiary educational institutions.**
- Both the Federal Department of Health and State Government departments provide **guidelines for healthy foods and drinks** supplied in school canteens, with an **increasing pressure on education facilities to serve quality and nutritious foods**.[1]
- Across schools, there has been an **increasing dependence on single-serve food and its packaging**, particularly since COVID-19.[2]
- Food offerings also include meals made **off-site by catering facilities**, which are chilled and packaged in single-use packaging to be delivered to schools and **heated before served**.[3]
- The Australian population aged between **5-18 is forecasted to rise** over the next 5 years which will create more demand on education facilities' foodservices. [1]
- **International student enrolment and associated revenue is expected to recover marginally** in 2021-22, and is forecasted to rise at a slow rate of 3.9% annually through 2026-27 as borders slowly open post COVID-19. [1]
- The **Quality Schools package** is a Federal Government initiative that provides **additional funding** into the education system to boost public and private education outcomes and performance. This is expected to **increase division revenue** and **lift enrolments** in government schools over 2018-2029. With more pupils in the primary and secondary education systems, there is an expectation that school canteens will need to provide more food. With more funding, there may also potentially be an increase in ingredient quality used in hospitality practical exams and food technology classes.[1]

Education Caterers and Distributors

ORGANICS DIRECT PRODUCE
SPOTLESS A Downer Company
food service vision
COMPASS GROUP
Bidfood Inspired by you
PFD FOODSERVICES

Note: The above companies include the main foodservice distributors who supply produce to the education channel, as well as major catering companies who service this channel.

Key Clients

King Street Cooperative Preschool
The University of Western Australia
Australian Technical College Western Australia
The University of Sydney
Mount Gambier High School
Willetton Senior High School
Australian Technical & Management College
Strathmore Secondary College
The University of Melbourne
Meriden An Anglican School for Girls
Brisbane State High School

Note: The above institutions are the major educational institutions in Australia.

Hort Innovation Strategic levy investment

Source: (1) IBIS World 2020, (2) SME insight, (3) Kids Gourmet Food 2022

Schools are facing pressure to follow national guidelines for healthy food and drink, whilst tertiary education continue to rely on local café and restaurants as their main foodservice channels for students living off-campus

Education

Produce Categories of Highest Demand and their typical Product Formats

Oranges
Served fresh as a whole fruit or in wedges for breakfast, lunch and dinner. Also served in the form of orange juice.

Apples
Served fresh as a whole fruit or in wedges for breakfast, lunch and dinner. Also served in the form of apple juice or pureed for dessert.

Banana
Served fresh as a whole fruit for breakfast, lunch and dinner. For patients on soft diets, it is served as puree.

Carrots
Served fresh as fresh in slices to be paired with dips or added in salads. Also served grated wraps, sandwiches and burgers.

Celery
Served fresh as fresh in slices to be paired with dips.

Tomatoes
Served fresh in slices within salads, burgers or wraps. For lunch, it in sauces of pizzas, lasagnes and used as a condiment in rolls.

Cucumber
Served fresh as fresh in slices to be paired with dips. Served fresh and chopped or sliced within salads, sandwiches, or wraps.

Lettuce
Leaves served fresh and chopped within salads, burgers or wraps.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Investigate and propose ways in which produce can be prepared in meals and delivered as a pre-packaged, single-serve, easy-to-consume item to early childhood education (preschools & day care) and primary and secondary schools.

Explore ways in which produce can be used more in education systems through hospitality and food technology practical demonstration classes.

Identify ways in which different varieties of produce, instead of the typical categories already served, can be promoted in school canteens and by teachers. Also identify formats fruits and vegetables are easily consumed i.e. 'baby qukes'

Typical Menu Items and Offerings

Breakfast

- The breakfast meal format is limited in schools and day cares. It is mostly before and after school care who serve more range in their breakfast items.
- Canteens typically serve fresh whole fruit or toast. No vegetables are served as part of breakfast.
- Tertiary Education centres often have privately-owned Café on campus which serve typical breakfast/brunch menus options with hot beverages.

Recess/Morning Tea

- Recess offers fruit served whole, as a salad, individually diced in a cup e.g. watermelon cubes in a cup or cut into slinky shapes.
- Canteens serve vegetable sticks with hummus.
- Carbohydrates served at schools are in the form of crackers, biscuits, deli chips, popcorn and garlic bread. A variety of drinks are also served including juice, flavoured milk, water, fresh fruit smoothies, juice bombs, and Up & Go.

Lunch

- School and day cares typically serve sandwiches, rolls and wraps, with sliced lettuce and tomatoes being the main vegetable. Garden salads are also offered. Hot meals include burgers, pies, sausage rolls, pizza, lasagne fried rice, nachos and grilled wraps.
- Tertiary Education centres rely on Café and local restaurants to cater to student lunches.

Growth Opportunity Locations

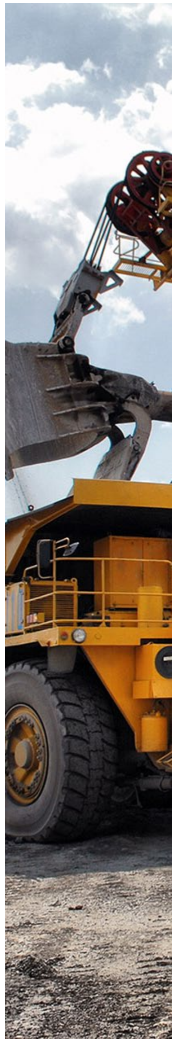
The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service the education channel.

Source: Education Services Australia (2017)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

The **mining** channel poses some challenges to the horticulture industry due to its complex distribution channels, logistics and low cost emphasis

Mining



Mining Insights

Insights include industry-wide data on mining operations in Australia.

Annual Revenue 2017

$3.3BN [5]

Projected annualised revenue growth 2022-2027

-0.8%

Establishments 2021-22

8,773

Projected annualised establishment growth 2022-2027

0.6%

Source: IBIS World (2022)

Foodservice Channel Characteristics & Growth Drivers

- The mining channel has **complex distribution and logistics** given their regional and remote locations. Products must have sufficient consideration **around durability, shelf-life and cold chain management** upon delivery to ensure quality and freshness. Bulk batch sized foods with significant shelf life for deployment in isolated locations is key for mining/resources catering. [1]
- Mining has experienced delayed **impacts from COVID-19.** As of April 2022, there was a spike of 25% in **workforce absenteeism** due to COVID-19 and it is becoming an increasing **risk to operational productivity**. [2]
- The mining channel's **capital expenditure growth** is projected to be **moderate** over the next 5 years due to projected **low output growth and export declines.** [3]
- At the height of growth, around 2015, the total estimated **provided-meals market** in the mining channel alone was thought to be **worth $3-4bn** nationally. [3]
- Catering in mining is typically **covered by large businesses** who handle other services like **laundry, site maintenance, security**, meaning the extent of ingredient sources is relatively large. [1]
- Foodservice in mining involves contracts that span over a dedicated amount of time i.e. 2-3 years. The facility managers are therefore employed by the contracted companies who are the main kitchen operators and food procurers. [1]
- There is a **growing awareness of poor dietary and nutrition habits** in mining in recent years which has sparked efforts to service **more fresh, healthy foods** made with **quality ingredients**. [4]

Mining Caterers

CATER CARE

ventia

COMPASS GROUP

sodexo

Note: The above companies are the major catering companies servicing the mining channel.

Major Mining Companies

GOLD FIELDS

Evolution MINING

NEWCREST MINING LIMITED

SGS

FMG Fortescue The New Force in Iron Ore

TUNGSTEN MINING

bhpbilliton

SOUTH32

RioTinto

Note: The above companies are the major mining companies in Australia.

Hort Innovation Strategic levy investment

Source: (1) SME insight, (2) Australian Financial Review, 2022 (3) Rural Industries Research and Development Corporation, 2016 (4) NAQ Nutrition, 2020. (5) Australian Bureau of Statistics, Australian Industry – Mining, 2022.

Growing awareness of poor dietary and nutrition habits have encouraged increased efforts in sourcing and serving fresh and healthy ingredients

Mining

Produce Categories of Highest Demand and their typical Product Formats

Potatoes
Served in the form of hot chips or wedges as a side, or mash potato for lunch and dinner.

Tomatoes
Served fresh in slices within salads, burgers or wraps. For breakfast and dinner, it is usually chopped or sliced and cooked/grilled. Also used as a condiment.

Spinach
Leaves served fresh and whole within salads, burgers or wraps. For dinner, it may be add to pasta sauces.

Lettuce
Leaves served fresh and chopped within salads, burgers or wraps.

Mushrooms
Typically served sliced or chopped and grilled/pan-fried for breakfast or hot meals. For salad it is sliced and raw.

Carrots
Typically served pan-fried or roasted in cube or thin slices in hot meals. For salad it is sliced or grated and served raw.

Onions
Base ingredient for sauces, and hot meals. Also served fresh in in thin slices in salads.

Pumpkins
Typically served as in hot meals as part of roasted/boiled vegetables or in soup for lunch and dinner.

Identified categories most prevalent and in demand through taking a sample size of sector-specific menus and analysing offerings

Key Opportunity Areas

Investigate methods that are most effective in extending produce shelf life and longevity, and effectively communicate this with mining foodservice suppliers.

Explore how current produce range can be broadened to accommodate to the growing awareness of poor dietary and nutrition habits in mining.

Extend outreach and build relationships with catering companies in mining, as there are few companies and each hold significant catering market share.

Typical Menu Items and Offerings

Breakfast

- Breakfast meal formats include hot breakfast (eggs, bacon, sausage, hash browns, tomato, mushrooms and toast), eggs on toast, breakfast burgers, toasties wraps and baked goods (muffins and pastries)
- Tomatoes, potatoes, onions and mushrooms are the main categories used in breakfast items. Their formats are typically in slices, or are diced for grilling or pan-frying.

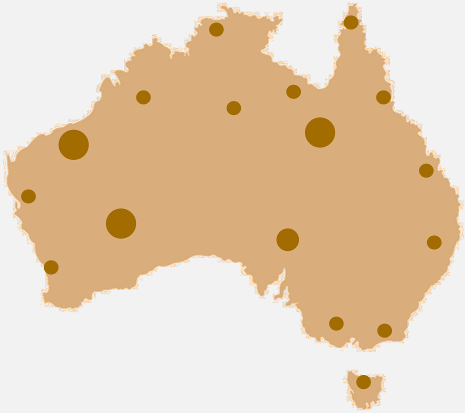
Lunch

- Lunch meal formats include meals like chicken schnitzels, crumbed fish, sausage rolls, roasted vegetables, chicken wings, chips and salad, burgers (beef/chicken/vegetarian), sandwiches and wraps.
- Salad meal formats (slices and cubed spinach, lettuce, tomato, onion, carrot, beetroot and cucumber) are common in lunch items that are served hot as a side to the main meal

Dinner

- Dinner meal formats are similar to the lunch menu items, but have more protein and carbohydrate-heavy options such as beef/chicken pies and lamb shanks served with mashed potato, rice or pasta.
- Dinner is more broad in cuisine offerings e.g. Italian pastas and Asian curries.
- Produce categories are diced and chopped, and served well-cooked within main dishes.

Growth Opportunity Locations



The dots are a reflection of locations with greatest growth opportunity in Australia for the horticulture industry should they choose to service the mining channel.

Source: Australian Government. Geoscience Australia (2016)

The dots vary in size to indicate greater and lesser areas of foodservice channel growth opportunity across Australia.

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Appendix

The methodology in which foodservice channels were ranked was informed by desktop research and macro data. Robust ranking of foodservice channels and their categories is contained in the Segmentation Report

1	The commercial and institutional foodservice channels were assessed and ranked against the 4 thematics: • Australian-owned proposition; • Health and wellness; • COVID-19; and • Market demand.
2	As part of the desktop research, these themes were most notable and relevant to the channels in both commercial and institutional sectors.
3	The rankings were challenged internally in the project team and then finalised within each foodservice channel (commercial and institutional), with their logic and reasoning showcased in page 6, 7 and 8.
4	The Segmentation Report has a larger focus on ranking the commercial and institutional channels and further elaborating on the degree of growth opportunity for each category within the foodservice channels. The methodology and approach is more robust given that it is informed by stakeholder consultations, and a multi-step process.


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