

Final Report

Australian onions export market intelligence

Project leader:

Georgie Aley

Delivery partner:

KPMG

Project code:

VN20004

Project:

Australian onions export market intelligence (VN20004)

Disclaimer:

Horticulture Innovation Australia Limited (Hort Innovation) makes no representations and expressly disclaims all warranties (to the extent permitted by law) about the accuracy, completeness, or currency of information in this Final Report.

Users of this Final Report should take independent action to confirm any information in this Final Report before relying on that information in any way.

Reliance on any information provided by Hort Innovation is entirely at your own risk. Hort Innovation is not responsible for, and will not be liable for, any loss, damage, claim, expense, cost (including legal costs) or other liability arising in any way (including from Hort Innovation or any other person's negligence or otherwise) from your use or non-use of the Final Report or from reliance on information contained in the Final Report or that Hort Innovation provides to you by any other means.

Funding statement:

This project has been funded by Hort Innovation, using the onion research and development levy and contributions from the Australian Government. Hort Innovation is the grower-owned, not-for-profit research and development corporation for Australian horticulture.

Publishing details:

ISBN 978-0-7341-4821-6

Published and distributed by: Hort Innovation

Level 7

141 Walker Street

North Sydney NSW 2060

Telephone: (02) 8295 2300

www.horticulture.com.au

© Copyright 2022 Horticulture Innovation Australia

Content

Content	3
Summary	4
Keywords	4
Introduction	5
Methodology	6
Outputs	8
Outcomes	8
Monitoring and evaluation	10
Recommendations	12
Refereed scientific publications	13
References	14
Intellectual property, commercialisation and confidentiality	15
Acknowledgements	16
Appendices	17

Summary

The Australian onion industry has ambitions to increase exports to reduce pressure on the domestic market, grow market share, diversify risk and tap into new high-value customer segments. Expanding high-value export opportunities is critical to the long-term success of the industry, particularly as it works towards its goal of exporting 30% of total production by 2030. The Onions Export Market Intelligence Report (VN20004) was designed to provide Australian onion exporters with a clearer view on the opportunities that new or immature markets present, alongside an understanding of consumer preferences and consumption behavior in-market.

VN20004 involved the development of a 5-year export strategy for the Australian onion industry, alongside the construction of the 2021 Australian Onion Mapping Report and the Australian Onion Industry Situation Analysis & Export Strategy Report (2021-26). The focus of this Market Intelligence Report was to undertake targeted analysis that could provide industry members with a deeper understanding of key global markets and enable alignment of market entry or expansion strategies.

This project was completed using a structured methodology involving desktop analysis and stakeholder consultation with both industry members and the Project Reference Group (PRG). Outcomes of this report include the identification of five priority export markets for Australian onions and key export considerations regarding market access and trade requirements, supply chain and logistics capabilities, market channel dynamics, retail landscapes, consumer demand/preferences and competitor analysis. At a high level, methodology steps included:

1. Identification and selection of priority export markets
2. Data collection and desktop research
3. Stakeholder consultation
4. Consolidation of insights into a final report

Initial analysis was conducted for 10 geographically dispersed onion export market destinations in consultation with Hort innovation and the PRG. Based on this analysis and further discussion with the PRG and Hort Innovation (regarding recent export volume, import growth rates and the pursuit of stretch markets), five priority markets were then identified for further exploration. Priority areas of analysis and market intelligence for the chosen export markets included:

- Market access and trade requirements
- Supply chain and logistics capabilities
- Market channel dynamics and retail landscape
- Consumer demand and preferences
- Competitor analysis

Key trade implications identified for Australian onion growers are as follows:

1. Domestic production is protected through quota limits in export markets, such as Indonesia
2. Trade can be opportunistic and based on supply shortfalls, creating unreliable trade opportunities
3. Importers are price sensitive
4. Building relationships with high-value market channels will be key for sustainable trade

Keywords

Onions; Global Export Markets; Supply Chain; Market Access; Trade; Export; Consumer

Introduction

The Australian onion industry has shown long-term growth trends in production and industry output has grown incrementally over the past decade. However, the domestic market continues to struggle to absorb excess production. Australia exports 15% of its onion production (36,480 tonnes). Notwithstanding the effects of COVID-19 on trade, the industry has experienced strong export growth with an 81% year-on-year increase in export value observed from 2018 to 2019 (AUD\$21.7m to AUD\$39.2m)¹. It should be noted that these observations do not reflect a consistent 10-year reduction in trade with key markets in Europe.

This export growth, as well as recent volatility, creates a compelling proposition for Australian onion producers to further invest in securing high value trade opportunities. Like many horticultural sectors, identifying premium export customers will be a significant focus for the onion industry moving forward, particularly in light of recent geopolitical dynamics impacting trade with certain markets.

The onion industry was Australia's 12th largest horticultural sector in the 2019 financial year based on export value, indicating that there is capacity for growth and opportunity for Australian growers to strengthen their position within targeted international markets². However, Australian onions growers face a range of challenges when it comes to accessing and successfully competing in global export markets. Such challenges include (but are not limited to) significant market competition and high input costs.

Australian producers may struggle to compete with low-cost, commodity onions from international competitors due to high labour and production costs. In response, this report provides industry with a targeted market intelligence that identifies trade opportunities across premium channels in markets where Australian growers may hold a competitive advantage in quality.

The key outcomes intended for this report include:

- Increased knowledge of trade performance in the Australian Onion Industry
- Increased knowledge of factors driving trade performance in the Australian Onion industry over the short to medium term (such as macroeconomic conditions, supply/demand factors)
- Increased global competitiveness of the Australian onion industry by providing information that enables improved strategic trade and investment decisions
- Provides practical, commercially relevant direction for growers including more specific performance and growth-based insights
- Increased understanding of external factors which may influence exports of Australian onions

To achieve these outcomes, the report provides insights from targeted analysis on five high-priority export markets to allow industry to gain a deeper understanding of key global markets and enable alignment of market entry or expansion strategies.

¹ HIA, 2022. (unpublished)

² [Horticulture Statistics Handbook](#)

Methodology

A collaborative, phased approach was used to generate the Market Intelligence Report, ensuring that targeted objectives were met within the required timeframe.

Phase 1: Confirm priority export markets

In this phase, we conducted a kick-off workshop with relevant industry representatives ((the 'Project Reference Group'), performed a current state information review, confirmed stakeholders to be engaged in Phase 3 and agreed on the priority export markets for analysis. The Project Reference Group (PRG) consisted of participants from Onions Australia as well as nominated grower and exporter representatives.

The objectives of this phase were to set project cadence, agree on the export markets for inclusion in the study and confirm assessment criteria for market prioritisation.

In the PRG kick off workshop, representatives were probed on their priorities for the project and other key focus areas to plan analysis accordingly. We worked with PRG to agree on market assessment criteria which helped dictate the prioritisation process to identify 5 markets for analysis, submitted relevant Requests for Information to assist with Phase 2 of the project, agreed on a structure for the final Market Intelligence Report and established an ongoing operating rhythm. A monitoring and evaluation plan, risk register and program logic were also generated as part of project governance.

Phase 2: Desktop review

The objectives of this phase were to develop a baseline understanding of current and historic onion industry export performance (building on research conducted to date) and to conduct detailed analysis on each of the five agreed markets, collecting a wide range of market intelligence to include in the final report.

A rapid industry review was undertaken using current and historic onion export information and other market intelligence statistics. Desktop analysis included data sources from Hort Innovation, the United Nations Comtrade database, Australian Bureau of Statistics, The World Bank, and a number of other key trade-related platforms. The review included analysis of top markets, fluctuations value and volume, price points received, varieties, seasonality, regional variance and cold chain and logistics requirements.

Market analysis involved criteria for identified for each priority export market included in the report focused on the key areas listed below:

- Consumer preferences and consumption behaviors
- Importer and consumer preferences for packaging size, grade and varieties
- Market size and growth
- Key trade infrastructure such as ports and cold chain logistics
- Key channels Australian onion exporters could target (e.g., retail, wholesale, and e-commerce)
- Preferred season and onion varieties for imports

Phase 3: Stakeholder consultation

The objective of this phase was to consult with onion industry representatives and in-market stakeholders to validate Phase 2 findings and understand industry capabilities for export as well as consumer demand in target markets.

Onion industry members were engaged to validate data and insights from Phase 2, and ensure information captured in the Market Intelligence Report was practical, relevant and useful for industry. A total of 5 virtual, 1-hour consults were held with both exporting and non-exporting growers from a diverse range of production regions to form an accurate representation of the industry. Hort innovation and the PRG were regrouped at the conclusion of phase 3 consult to share findings and discuss how they would be integrated into the final report.

Phase 4: Market intelligence reporting and Report Finalisation

The objective of this phase was to consolidate learnings into a practical and relevant market intelligence report validated by Hort Innovation and the PRG. A draft Market Intelligence Report using the agreed template from Phase 1 was created. A collaborative session was hosted to walk Hort Innovation through the report and gain

initial feedback before submitting draft documents for final review. One round of consolidated feedback allowed for final amendments prior to submission of the final report.

The final Market Intelligence Report profiles each priority export market and included insights on global competition, structure and dynamics (including consumer preferences/consumption behaviour), channels and respective seasonality considerations. While not a full 'strategy' for export, the report includes recommendations designed to offer initial guidance on where the analysis has highlighted priority export opportunities in each market, product formats (size, variety) seeing highest demand, and operational/market access considerations that could influence these investments in the export space.

Outputs

The key output of this project was the development of a detailed Export Market Intelligence Report for the Australian onions industry, which identifies high-value export opportunities across a number of export markets. The purpose of this report is to provide industry members with a robust source of intelligence which they can reference to make informed export investment decisions. This report provides in-depth market intelligence by identifying the market landscape, trade opportunities and key competitors in five priority export markets for Australian onion growers. The sections of this report are detailed below.

Executive summary

This section includes explanation of the purpose and background of the project, methodologies leveraged, an overview of the key findings of analysis for each export market, and indicative export opportunities identified.

Introduction and methodology

This section provides an overview of the topics covered in the Onions Export Market Intelligence Report as well as a detailed explanation of the methodology used to analyse each market. Key insights include:

- The Australian onion industry has ambitions to increase exports to reduce pressure on the domestic market, grow market share in new and existing markets, diversify risk and tap into new high-value customer segments.
- Developing export trade will enable a greater number of growers to diversify distribution channels and mitigate risk. This is of particular importance considering recent geopolitical dynamics impacting Australian trade with certain markets.

Global market overview and competitor analysis

This section provides an overview of the landscape for global onion trade, including key customers, exporters, and market dynamics. The section details the top global onion exporting and importing nations, seasonality, and price considerations, with a focus on high-value onion exporting nations who compete with Australian growers. The section identifies potential areas where Australian exporters may have a competitive advantage, for example in counter-seasonality with northern hemisphere producers.

Market summaries

The market summaries provide an in-depth market profile for each of the five high-priority export markets. Each market profile includes:

- Trade and market access requirements
- Supply chain and logistics considerations
- Retail and market channel overview
- Consumer preferences summary

Conclusion

This section provides an overview of key trade opportunities that may support the Australian onion exporters to grow market share in new and existing markets.

Outcomes

The key outcome for the Onions Export Market Intelligence Report contributes to the Australian Onion Industry's strategic investment plan 2022-26 (SIP) outcome:

“Demand creation supports the Australian onion industry to develop existing and future domestic and international markets.”

VN20004 has met this core outcome through the following:

- Identification of high potential export markets and opportunities to improve trade performance.
- Engagement with industry to validate market intelligence findings and understand the issues facing producers.
- Analysis of consumer preferences, consumption channels, and supply chain considerations within each market identified.
- Identification of potential high-value export opportunities highlighted by the market intelligence gathered

Monitoring and evaluation

VN20004's stated goals have each been met, including the achievement of industry engagement and positive feedback on the project from key stakeholders. The outcomes noted in the previous section can be evaluated by tracking against the five key evaluation questions listed in the project's Monitoring and Evaluation plan.

— To what extent has the project achieved its expected outcomes?

VN20004 has met the expected outlines listed in the Monitoring and Evaluation plan. Please see the above 'outcomes' section for relevant details as to how the project has met the intended outcomes.

— How relevant was the project to the needs of the intended beneficiaries?

Having been engaged at the project Kick Off, the intended beneficiaries actively shaped the project's methodology and outputs by driving the selection of five export markets for analysis.

The draft Onion Export Market Intelligence Report was validated with the Project Reference Group at the completion of the project to ensure it aligned with expectations, and requested modifications were actioned accordingly. The proposed structure of the final report was also sense-checked with this group, to ensure the format was relevant for industry's needs and expectations. As such, the reports are clear and concise to ensure accessibility of all industry participants, and that outputs are relevant, practical and helpful to guide the next steps for export growth in the industry.

The project's outputs will equip beneficiaries with knowledge and capacity for industry export development, by identifying potential opportunities for growers relating to export development in select markets. This has been achieved through the provision of detailed insights on in-market consumer preferences and other product and market-specific considerations.

— How well have intended beneficiaries been engaged in the project?

Stakeholder consultations were effective, informative and gave rise to valuable insights for the project. These included interviews with in-market experts on the nuances of consumer behaviour and fresh fruit and vegetable imports in a certain market. Hort Innovation received positive feedback from stakeholders for engagement by the Consultant. Timelines were adhered to and stakeholders were engaged within appropriate timeframes to ensure the smooth progression of the project.

— To what extent were engagement processes appropriate to the target audience/s of the project?

The consultation methods and timelines were flexible enough to cater to grower needs. These meetings took place virtually, which enabled engagement with a diverse scope of regions. Input from the PRG was an important factor in planning of the report structure and selection of five export markets for analysis. Virtual engagement was sufficiently prepared to ensure discussions engaged each participant. The virtual format of delivery was engaging and informative, with rich insights extracted from each conversation regarding past experience and future ambitions for export.

— What efforts did the project make to improve efficiency?

Several conscious decisions were made to allow the project plan to be executed effectively and to maximise time and resources efficiently.

First, the delivery team was selected in order to improve execution of the project. Team members with specific previous experience in the horticulture sector and/or with trade and export experience were resourced, which enabled prior knowledge to be appropriately leveraged and built upon. The team was informed on key resources in which to scan for country profiling, ways to analyse export data, and best practice for engaging with horticultural stakeholders.

Documents were shared with Hort Innovation and the Project Reference Group with enough time to allow review and feedback, and meetings were scheduled with enough lead and flexibility to prepare and include all participants.

Risks and challenges were identified and addressed in a fast and transparent manner.

Another risk identified was the availability of onion-specific export data by both destination country and year. This information is not frequently made public; therefore, Hort Innovation was engaged to provide the data. The same

information availability risk prevailed in sourcing onion-specific data relating to in-market consumption behaviour and preferences in each market. A scan of onions for sale on in-market retail and e-commerce platforms was used to make assumptions regarding the preferences of consumers in a given market and indicate general consumption behaviour and demand. Further, the analysis may include assumptions around the general behaviour of consumers within a certain region such as ASEAN.

Challenges from the COVID-19 environment and inability to travel led to efficiencies relating to eliminated travel costs and other expenses, and the ability to seamlessly engage stakeholders in other countries.

The project approach was also deliberately phased, with key stage-gates or objectives set for each of the major phases. This was designed to ensure that the project was process driven and robust in how it approached the industry's requirements. As a result of clear timelines laid out in the project plan, this ensured that the project ran more efficiently and was delivered on time, to budget, and effectively. Providing the team with set goals for each phase ensured that VN20004 was completed in a logical manner.

Recommendations

As VN20004 was not an export strategy, practical and commercial recommendations were not in scope for this project. This report did collect and assess a breadth of market intelligence to identify trade opportunities applicable to Australian onion exporters.

The report's key findings indicated that Australian onion exporters may experience trade opportunities by targeting premium market channels and consumer segments. It was found that Australian growers will struggle to compete based on price with cheaper commodity onions produced in markets such as India and China. With high production and freight costs, this is likely to remain the case in the long-term for Australian exporters. It was therefore recommended to identify markets with distribution channels where consumers are willing to pay a premium price for horticultural produce.

The report identified several key considerations for Australian onion growers seeking to access export market opportunities. The report's findings suggested that:

- Establishing sustainable trade opportunities for Australian onion growers will require a focus on high-value market channels to reduce the reliance on low-value spot markets;
- Increased purchasing power in export markets may create medium to long-term opportunities for premium Australian onions in high-end retail channels;
- Modern retail channels present limited opportunities for Australian onion exporters in some markets, however the emergence of premium supermarket chains may create opportunities in the medium to long term;
- Supply chain inefficiencies and barriers to trade may limit export trade, particularly in developing Southeast Asian markets as the quality of product may deteriorate before it reaches the final consumer;
- Several barriers exist that may limit the expansion of trade opportunities for Australian onion growers. These barriers must be resolved to ensure the long-term success of trade initiatives. Key barriers include
 - Supply chain uncertainty
 - Insufficient supply chain infrastructure
 - Administrative burden on growers/ exporters,
 - Difficulties finding alternative markets
 - High logistics costs

Overall, it was identified that market opportunities will be further reinforced by the competitive advantages listed below, and that future export decisions capitalise on these principles to capture favourable trade opportunities.

- Counter seasonality to leading trading partners in priority markets
- Favourable trade legislation and requirements
- Strong consumer willingness to pay for premium fresh produce

Refereed scientific publications

There are no refereed scientific publications published during the reporting period that can be attributed or partly attributed to the project.

References

The references used in VN2004 are detailed in the footnotes of the Onions Export Market Intelligence Report.

Intellectual property, commercialisation and confidentiality

No project IP, project outputs, commercialisation or confidentiality issues to report.

Acknowledgements

We would like to acknowledge the following industry stakeholders, who participated in interviews and workshop sessions during the project:

Name	Organisation
Andrew Moon	Moonrocks
Kees Versteeg	Qualipac Produce
Lisa Tana	Sumich Pty Ltd.
Robert Hinrichsen	Kalfesh
Rebecca McLellan	Port of Melbourne