

EY / AFGC Policy Series No. 1

Regional employment in the food and grocery processing sector

November 2015

Key Points

- ▶ The food and grocery processing sector directly employs 322,900 people
- ▶ In addition to direct employment, over 824,900 people are indirectly employed in the food and grocery processing sector including suppliers of inputs (feed, chemicals, machinery), transport and distribution, and retail stores
- ▶ 41% of employees are based in regional areas
- ▶ 14 Local Government Areas across Australia rely on the food and grocery processing sector for a major component of their employment (employing more than 10% of their community)

Nestlé

- ▶ Nestlé employs around 4,300 people in Australia
- ▶ About a third of these people are employed in regional areas
- ▶ Nestlé exports more than \$100 million of its products to countries such as New Zealand, Japan, Singapore and Malaysia

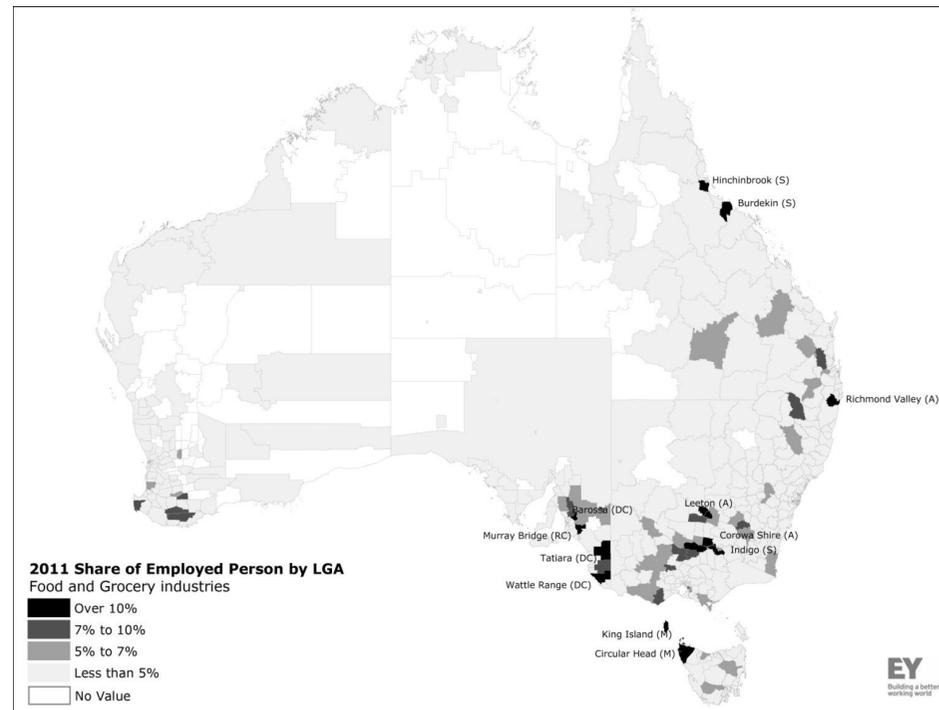
The food and grocery processing sector contributes significantly to the economic and social wellbeing of many communities around Australia. The food and grocery processing sector employs 322,900 people nation wide. In addition to the direct employees in the sector, there are many people who are indirectly employed by the sector across its value chain. This includes suppliers of inputs (feed, chemicals, machinery), transport and distribution, and retail stores. EY has calculated indirect employment in the sector of over 824,900 employees. This means total direct and indirect employment totals over 1,147,000 employees.

Of the 322,900 people employed by the sector, 41% are employed from non-metropolitan areas. This is in comparison to all Australian industries which employ 31% of employees from regional areas. In regional areas, over 130,000 people are directly employed in the food and grocery processing sector, and EY has calculated that a further 205,500 are indirectly employed throughout the value chain. This means that total direct and indirect employment in the food and grocery sector in regional Australia is calculated at over 336,000.

Using 2011 Census data Figure 1 shows the proportion of people directly employed in the food and grocery processing sector in Australia. There are 14 local government areas (LGAs) where 10% or more of their employment is in the food and grocery processing sector. These LGAs are:

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|-------------------------|--------------------------|-----------------------------|
| 1. King Island (17.6%) | 6. Circular Head (12.8%) | 11. Richmond Valley (10.5%) |
| 2. Barossa (16.4%) | 7. Wattle Range (12.4%) | 12. Indigo (10.4%) |
| 3. Leeton (15.3%) | 8. Murray Bridge (11.1%) | 13. Tatiara (10.2%) |
| 4. Corowa Shire (15.0%) | 9. Burdekin (10.8%) | 14. Hinchinbrook (10.2%) |
| 5. Griffith (13.7%) | 10. Moira (10.6%) | |

Figure 1: Share of employed persons by LGA (Australia 2011)



New South Wales

As of July 2015 there were 90,738 people employed in the food and grocery processing sector in NSW. NSW contributed \$4,758 million in food and grocery exports over 2014/15. NSW has four of the fourteen local government areas that have more than 10% of their workforce employed in the food and grocery processing sector.

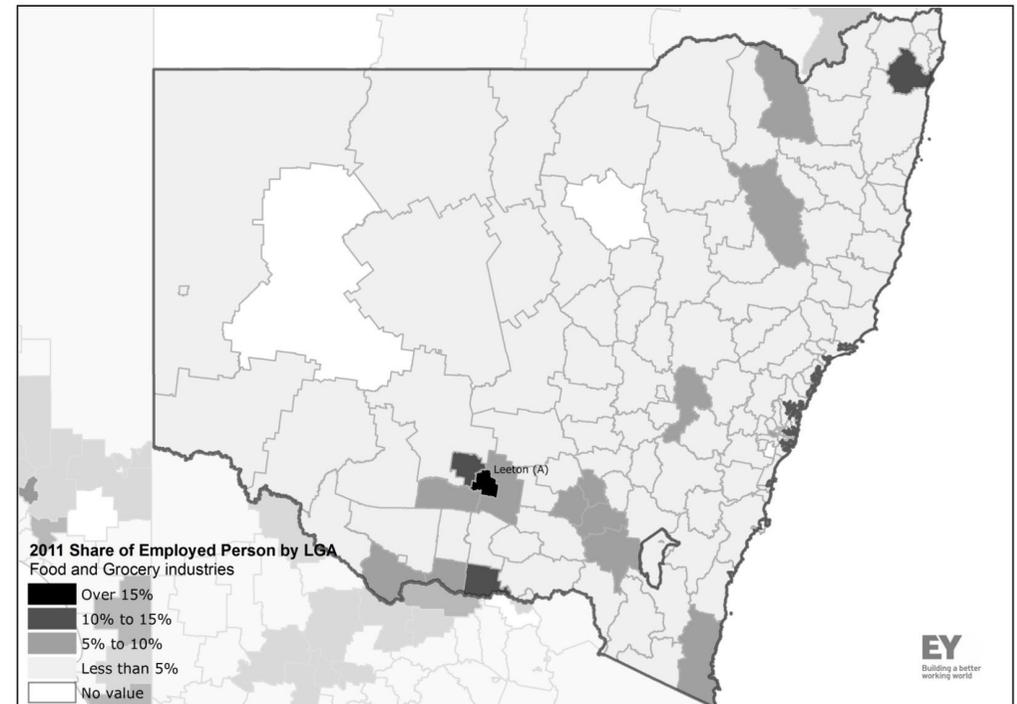
Top five LGA by percentage of employed persons:

- ▶ Leeton (15.3%)
- ▶ Corowa Shire (15.0%)
- ▶ Griffith (13.7%)
- ▶ Richmond Valley (10.4%)
- ▶ Murrumbidgee (8.9%)

Top five LGA by number of employed persons:

- ▶ Blacktown (5,904)
- ▶ Fairfield (4,352)
- ▶ Liverpool (3,404)
- ▶ Campbelltown (2,949)
- ▶ Penrith (2,884)

Figure 2: Share of employed persons by LGA (NSW, 2011)



Nestlé's Smithtown Factory (NSW)

In Kempsey Shire Council, 3.2% of employees are employed in the food and grocery processing sector. Nestlé's Smithtown factory contributes approximately 48% to this employment.

The Nestlé Smithtown factory produces MILO, NESQUIK, Malted Milk Powder and NESCAFÉ Coffee mixes. Its operations started in 1921 from a converted dairy and the site now manufactures around 23,000 tonnes of product annually.

Smithtown is the birth place of MILO, which was invented in 1924 by Sydney man Thomas Mayne and is now sold around the world. Australians drink more than 500 million glasses each year.

Since 2011, Nestlé has invested around \$53 million into the factory, increasing production capacity, installing state-of-the-art technology and funding the relocation of NESCAFÉ Café Menu from South Korea to Australia. The factory produces around 4,000 tonnes for the Australian and New Zealand markets.

Smithtown uses sawdust to power 84% of its energy requirements.

Victoria

As of July 2015 there were 97,090 people employed in the food and grocery processing sector in Victoria. Victoria contributed \$7,505 million in food and grocery exports over 2014/15.

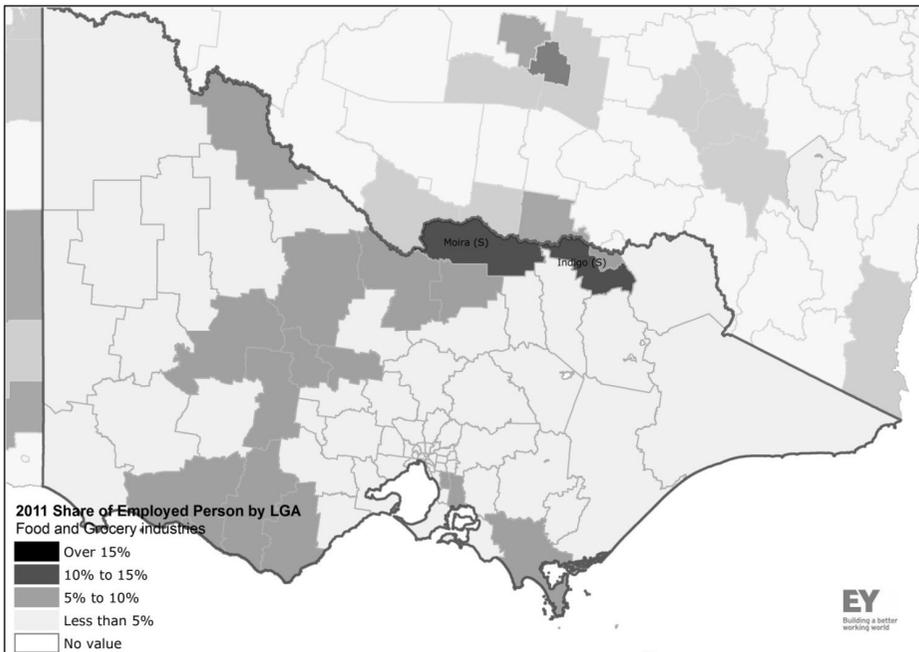
Top five LGA by percentage of employed persons:

- ▶ Moira (10.6%)
- ▶ Indigo (10.4%)
- ▶ Campaspe (9.7%)
- ▶ Greater Dandenong (8.2%)
- ▶ Mount Alexander (8.0%)

Top five LGA by number of employed persons:

- ▶ Casey (6,247)
- ▶ Greater Dandenong (4,418)
- ▶ Brimbank (3,746)
- ▶ Whittlesea (3,277)
- ▶ Hume (3,162)

Figure 3: Share of employed persons by LGA (Victoria, 2011)



Nestlé's Wahgunyah Factory (Vic)

Nestlé's Wahgunyah factory is located in Victoria's Indigo Shire, where 10.4% of people are employed in the food and grocery processing sector. Nestlé's Wahgunyah Factory employs over 469 full time employees or about 61% of the food and grocery workers employed in Indigo Shire.

In 2006 Nestlé purchased the Uncle Tobys factory in Wahgunyah for \$890 million. The factory manufactures breakfast cereals, nutritious snacks and instant soups.

Wahgunyah has a particular focus on the local community in which it operates. In particular in relation to the sourcing of oats, which is one of Nestlé's most sourced commodities by volume. Nestlé works closely with local farmers to offer a competitive price to encourage sowing of the niche crop in their crop rotation. For almost twenty years, the company has also worked closely with South Australian Research Development Institute (SARDI) in the National Oat Breeding Program to develop oats that meet specifications for milling, nutrient levels and taste. The National Oat Breeding Program co-ordinates scientists and breeders to help them develop oat varieties to meet the needs of farmers and millers. More than 100 new oat varieties have been cultivated by SARDI and three were found to offer superior milling properties and better drought and disease tolerance (including higher beta-glucan levels to reduce blood cholesterol and gluten-free alternatives).

In 2014 Nestlé sourced 26,649 tonnes of oats, with 41% of these coming from a 100km radius of Wahgunyah. The rest are sourced within Australia.

For the past three years Nestlé has invited oat farmers to the Wahgunyah factory to build relationships and provide insight into the entire value chain. This allows farmers to see how oats are milled and processed into snack and breakfast cereal products.

Nestlé's Tongala Factory (Vic)

In north east Victoria, Nestlé's Tongala factory produces a wide range of 'wet' products. The factory is a significant employer in the region where 9.7% of the population are employed in food and grocery processing.

In 2012, Nestlé expanded its Tongala factory to include a brand new liquid manufacturing unit. The factory provides state-of-the-art facilities and is the manufacturing hub for Nestlé's Health Sciences business in Oceania, Asia, Middle East and Africa.

The work took 18 months and included rebuilding and refurbishing part of the existing site and installing new production lines. During construction more than 80 contractors were employed and 33 new positions were created as a result of the expansion. The factory now manufacturer Nestlé Health Science's hospital-grade ready to drink liquid supplements such as RESOURCE, ISOSOURCE and tube feeding solutions for people who are sick or unable to consume normal food. Products are designed to meet the nutritional needs of people with various medical conditions such as malnutrition, diabetes and renal disorders.

The factory produces more than 10,000 tonnes of product annually. In addition to ready to drink liquid supplements, the factory produces Nestlé evaporated and condensed milks and a number of projects from the MAGGI range including Stir-Fry Creations as well as a range of curries and gravies.

The Tongala factory also supports the broader community through the Nestlé Community Environment Program. Nestlé partnered with Kyabram College to establish the Nestlé Agriculture and Sustainability Centre to support ongoing agricultural education of students, families and the wider community. The project included landscaping the site and establishing rainwater tanks and a recycled watering system to service the native plants, grasses and vegetable garden.

Queensland

As of July 2015 there were 61,399 people employed in the food and grocery processing sector in Queensland. The sector in Queensland contributed \$7,030 million in exports over 2014/15.

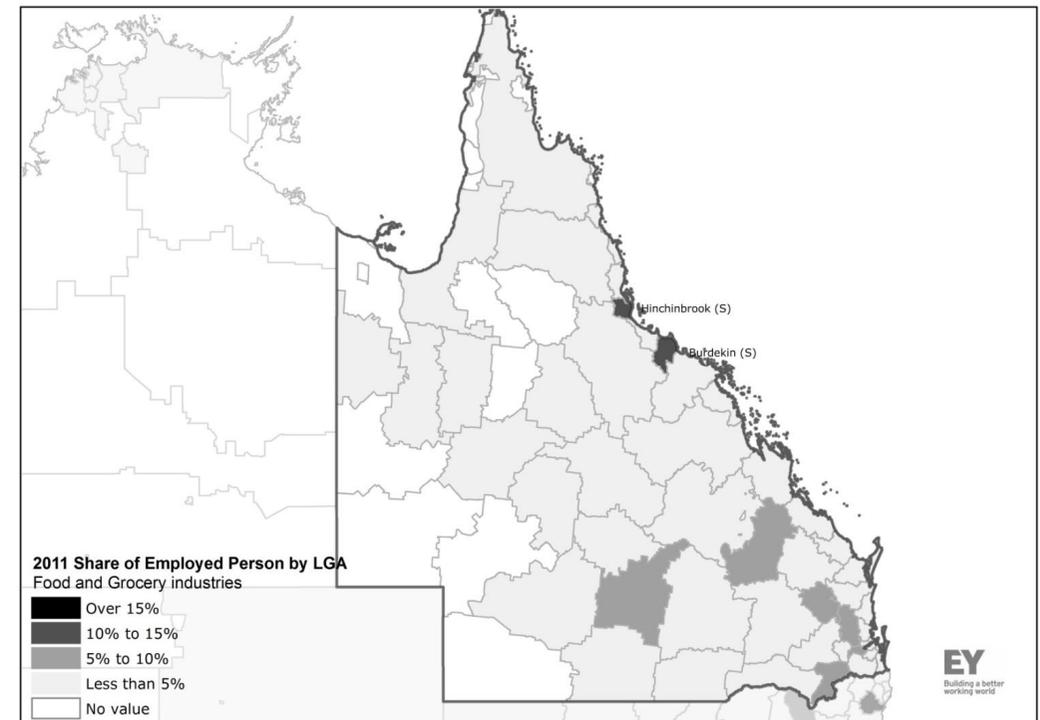
Top five LGA by percentage of employed persons:

- ▶ Burdekin (10.8%)
- ▶ Hinchinbrook (10.2%)
- ▶ Somerset (7.9%)
- ▶ South Burnett (6.1%)
- ▶ Banana (6.0%)

Top five LGA by number of employed persons:

- ▶ Brisbane (12,627)
- ▶ Logan (5,273)
- ▶ Moreton Bay (4,496)
- ▶ Gold Coast (4,334)
- ▶ Ipswich (4,108)

Figure 4: Share of employed persons by LGA (Qld, 2011)



Nestlé's Gympie factory (Qld)

Four per cent of employment in Gympie is in the food processing sector. Nestlé's Gympie factory employs around 175 people, contributing almost a quarter of employees involved in the food and grocery processing sector in the area.

Nestlé's Gympie factory produces Nestlé's coffee products including NESCAFÉ Blend 43 and is the only significant producer of instant coffee in Australia. All of the coffee beans sourced to produce NESCAFÉ Blend 43 at the factory are 4C Verified.

Spent coffee grounds are used as a renewable energy source at the Gympie factory, producing 68 per cent of the factory's energy.

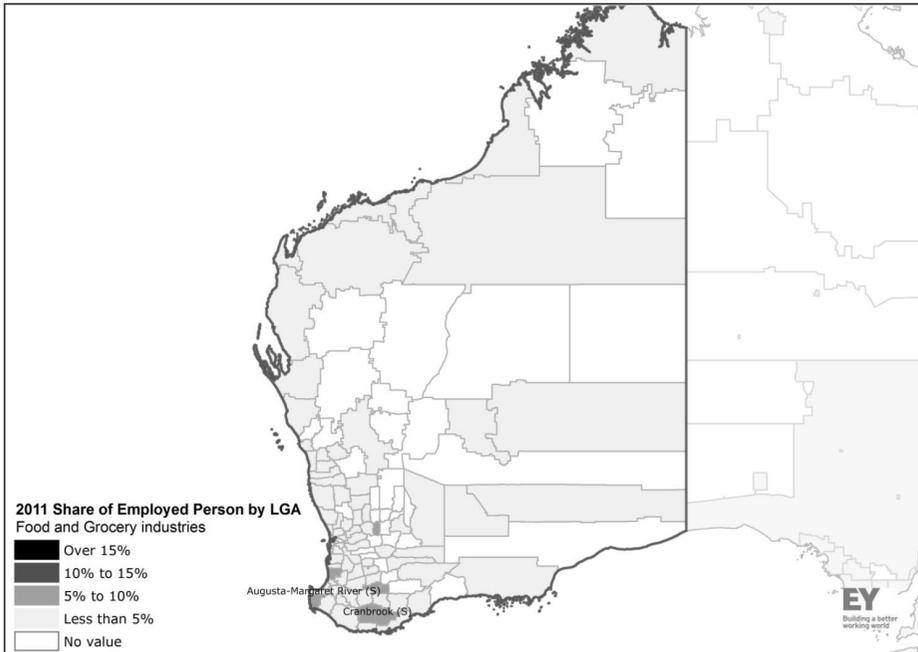
The factory has a significant impact on the broader regional community. In 2015 the factory donated around \$40,000 to Cooloola Christian College to establish a wetland area and environmental park, as well as \$8,000 to Hope Reins, a charity that brings together abandoned horses and children living with emotional and social challenges.

Western Australia

As of July 2015 there were 30,822 people employed in the food and grocery processing sector in Western Australia. The WA sector contributed \$1,641 million in exports over 2014/15.

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| <p>Top five LGA by percentage of employed persons:</p> <ul style="list-style-type: none"> ▶ Augusta-Margaret River (9.8%) ▶ Cranbrook (9.2%) ▶ Katanning (8.9%) ▶ Plantagenet (7.9%) ▶ Harvey (6.3%) | <p>Top five LGA by number of employed persons:</p> <ul style="list-style-type: none"> ▶ Stirling (1,795) ▶ Wanneroo (1,519) ▶ Gosnells (1,301) ▶ Rockingham (1,296) ▶ Swan (1,236) |
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Figure 5: Share of employed persons by LGA (WA, 2011)

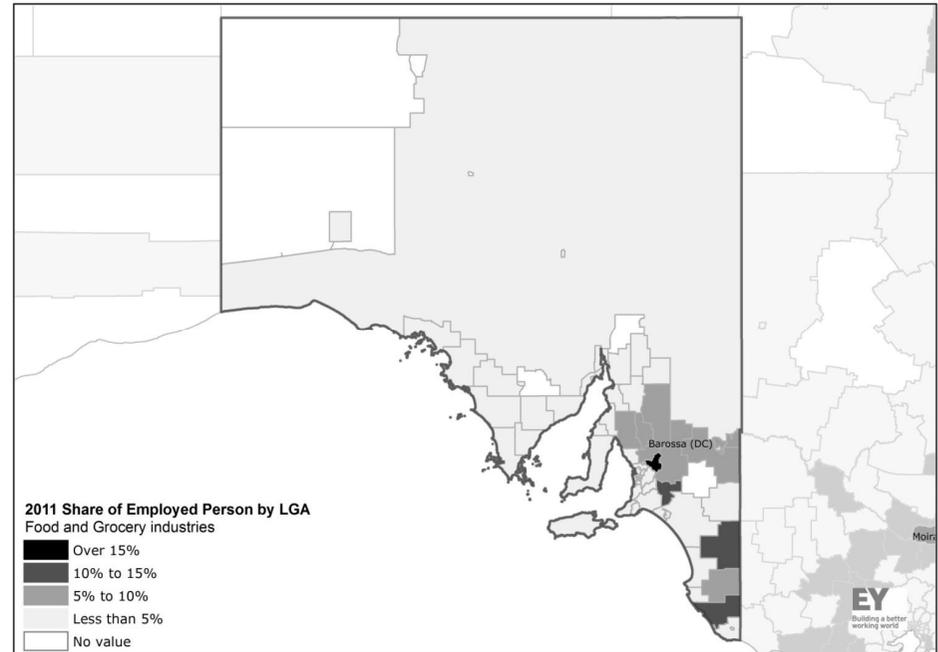


South Australia

As of July 2015 there were 29,295 people employed in the food and grocery processing sector in South Australia. The SA sector contributed \$3,389 million in exports over 2014/15.

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| <p>Top five LGA by percentage of employed persons:</p> <ul style="list-style-type: none"> ▶ Barossa (16.4%) ▶ Wattle Range (12.4%) ▶ Murray Bridge (11.1%) ▶ Tatiara (10.2%) ▶ Naracoorte and Lucindale (9.6%) | <p>Top five LGA by number of employed persons:</p> <ul style="list-style-type: none"> ▶ Salisbury (2,536) ▶ Onkaparinga (2,490) ▶ Port Adelaide Enfield (1,882) ▶ Barossa (1,803) ▶ Charles Sturt (1,406) |
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Figure 6: Share of employed persons by LGA (SA, 2011)

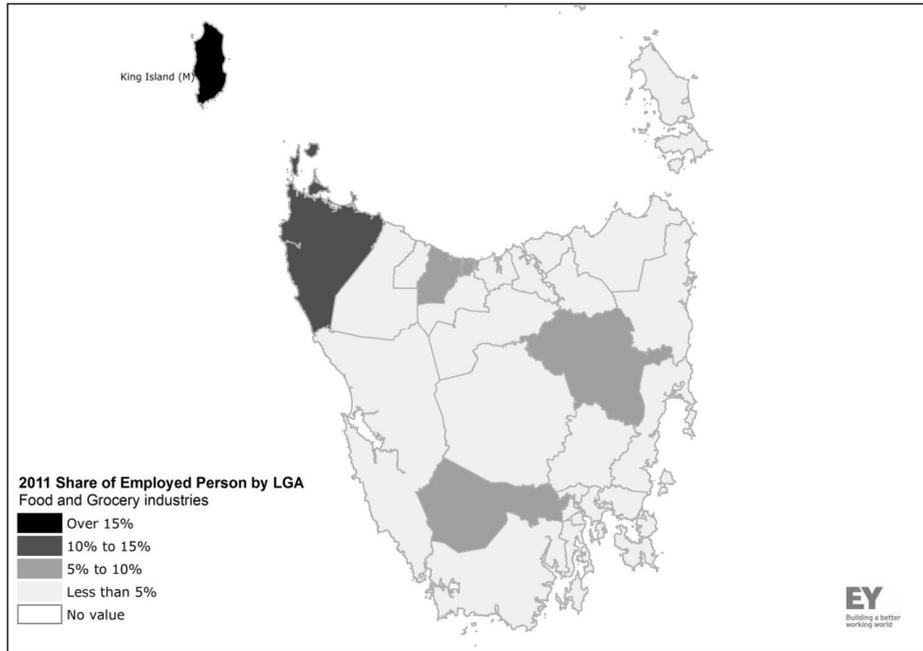


Tasmania

As of July 2015 there were 8,200 people employed in the food and grocery processing sector in Tasmania. The Tasmanian sector contributed \$471 million in exports over 2014/15.

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| <p>Top five LGA by percentage of employed persons:</p> <ul style="list-style-type: none"> ▶ King Island (17.6%) ▶ Circular Head (12.8%) ▶ Derwent Valley (6.5%) ▶ Central Coast (5.8%) ▶ Northern Midlands (5.5%) | <p>Top five LGA by number of employed persons:</p> <ul style="list-style-type: none"> ▶ Launceston (809) ▶ Glenorchy (754) ▶ Central Coast (518) ▶ Devonport (509) ▶ Clarence (492) |
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Figure 7: Share of employed persons by LGA (Tas, 2011)

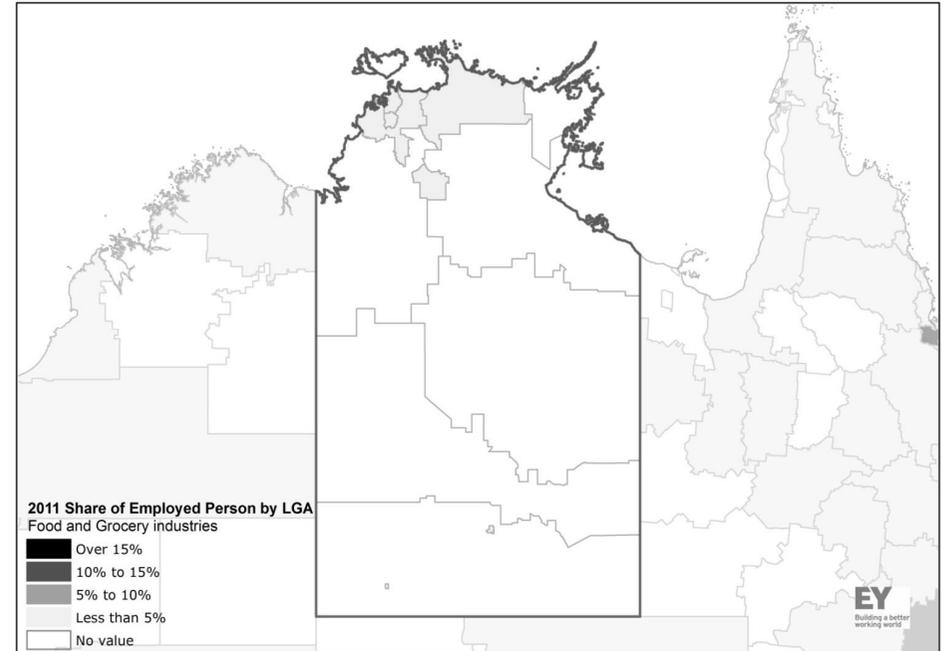


Nothern Territory

As of July 2015 there were 1,028 people employed in the food and grocery processing sector in the Northern Territory. The NT sector contributed \$24.6 million in exports over 2014/15.

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| <p>Top five LGA by percentage of employed persons:</p> <ul style="list-style-type: none"> ▶ Palmerston (0.9%) ▶ Litchfield (0.7%) ▶ Darwin (0.7%) ▶ Coomalie (0.7%) ▶ Katherine (0.6%) | <p>Top five LGA by number of employed persons:</p> <ul style="list-style-type: none"> ▶ Darwin (276) ▶ Palmerston (130) ▶ Litchfield (72) ▶ Alice Springs (70) ▶ Katherine (25) |
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Figure 8: Share of employed persons by LGA (NT, 2011)



Methodology

In compiling this report, the most recent data available has been used. As a result, the data in some sections of the report are as up-to-date as 2014-15, whereas some other figures are only updated until 2011. Specifically:

- 2011 data : employment by local government area (LGA)
- 2014-15 data: total industry employment (direct and indirect) and export data by state

Industry definitions for data also vary. Total employment and exports by jurisdiction in food and grocery sector is based on State of Industry Report definition of the sector this include fresh produce, food processing and grocery processing. Indirect employment is based on this data and calculated using REMPLAN modelling for whole of Australia and regional Australia.

Data on local government areas (LGAs) is based on 2011 Census data of Industry of Employment by Place of Usual Residence. It is based on a definition of the food and grocery processing sector using the following sectors:

- Food Product Manufacturing
- Beverage and Tobacco Product Manufacturing
- Pulp, Paper and Converted Paper Product Manufacturing
- Basic Chemical and Chemical Product Manufacturing
- Polymer Product and Rubber Product Manufacturing.

Detail for each of the Nestlé case studies has been collated through consultation and information provided by Nestlé.

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This report ("Report") has been prepared jointly by the Australian Food and Grocery Council (AFGC) and EY. EY has prepared the analysis in relation to employment and international trade. AFGC has provided insights in relation to each of these topics. The results of EY's analysis, including the assumptions and qualifications made in compiling the Report, are set out in the Report. In conducting its work and preparing the Report, EY has acted in accordance with the instructions of AFGC as set out in its engagement agreement dated 2 April 2015, and, in doing so, has prepared the Report for the benefit of the AFGC, and has considered only the interests of the AFGC. EY has not been engaged to act, and has not acted, as advisor to any other party in relation to this Report. Accordingly, EY makes no representations as to the appropriateness, accuracy or completeness of the Report for any other party's purposes. No reliance may be placed upon the Report or any of its contents by any party other than the AFGC ("Recipient"), for any purpose other than receiving this Report and any Recipient receiving a copy of the Report must make and rely on their own enquiries in relation to the issues to which the Report relates, the contents of the Report and all matters arising from or relating to or in any way connected with the Report or its contents.

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