

## News release

# Reality bites, as report reveals new food price pressures and sector consolidation

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While food producers around the globe are set to pass on input costs to consumers, Australian food producers are being forced to absorb the costs themselves, according to the latest findings of Grant Thornton's Food and Beverage International Business Report.

Australian producers in the Food & Beverage industry will experience greater pressure on profitability. This is a result of increasing input costs in Australia and growing competition on the supermarket shelves.

“There is a consensus in the Australian market that while companies do expect revenues to increase over the next few years, pressures including the soon to be implemented carbon tax and other increased input costs will place pressure on profitability. The dominance of two major supermarket suppliers are putting many food & beverage producers in a position where additional costs simply cannot be passed onto the consumer and remain competitive on the shelf,” said Tony Pititto, Industry leader food and beverage, Grant Thornton Australia.

The global report highlights a significantly higher merger & acquisition activity expected in Australia as the smaller industry participant's band together against the competition of the larger supermarkets chains.

“Many food and beverage producers are also looking at mergers and acquisitions in a sector that is ripe for consolidation. Our research found that 1 in 5 businesses globally are looking at M&A opportunities, whereas in Australia it's significantly higher, with 73% of businesses looking at M&A opportunities.

“A period of consolidation is inevitable. It will help deliver scale for greater efficiencies, and give businesses additional clout and flexibility in price negotiations with big retailers.

“Right now in Australia we are seeing a lot of overseas corporations that are endeavouring to buy up assets in the local food and beverage industry. Especially in the beef, beer and sugar industries; land holdings and commodities such as grain and wheat are attracting a lot of attention from overseas investors. There is certainly going to be greater M&A activity from overseas corporations buying into the market,” said Pititto.

The Grant Thornton report shows that food and beverage businesses globally do not think the inevitable price rises will necessarily translate into a rise in profits. According to the research, 62% of businesses globally expect revenue to increase over the next year, while in Australia its 91%.

Global conditions are tough, but food and beverage companies are cautiously optimistic about the year ahead. Inflation is rampant in many areas, and commodity prices remain high, but the global report suggests that manufacturers and producers are looking to target specific groups of consumers in an attempt to boost their profits.

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For further details about the report or if you would like to speak with Tony Pititto, please contact:

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### **Notes to editors**

The Grant Thornton International Business Report (IBR) provides insight into the views and expectations of over 11,000 businesses per year across 39 economies. This unique survey draws upon 19 years of trend data for most European participants and nine years for many non-European economies. For more information, please visit:

[www.internationalbusinessreport.com](http://www.internationalbusinessreport.com).

### **Data collection**

The research is carried out primarily by telephone interview lasting approximately 15 minutes with the exception of Japan (postal), Philippines and Armenia (face to face), mainland China and India (mixture of face to face and telephone) where cultural differences dictate a tailored approach. Telephone interviews enable Grant Thornton to conduct the exact number of recommended interviews and to be certain that the most appropriate individuals are interviewed in an organisation which meets the profile criteria.

Data collection is managed by Experian. Questionnaires are translated into local languages with each participating country having the option to ask a small number of country specific questions in addition to the core questionnaire. From 2011, fieldwork takes place on a quarterly basis every quarter with fieldwork lasting approximately one month and a half.

### **Sample**

IBR is a survey of medium to large privately held businesses\*. The data for this release are drawn from interviews with 2,721 businesses across the globe conducted in August/September 2011.

The target respondents are chief executive officers, managing directors, chairmen or other senior executives (title dependent on what is most appropriate for the individual country) from 39 economies primarily across five sectors: manufacturing (25 per cent), services (25 per cent), retail (15 per cent) and construction (10 per cent) with the remaining 25 per cent spread across all sectors.

Locally, the sample tends to cover the sectors mentioned previously, with some countries being able to have local valid data for specific sectors or regions when the sample size is large enough.

<b>Group/region</b>	<b>Economies included in IBR</b>
Asia-Pacific (APAC)	Australia, Hong Kong, India, Japan, China (mainland), Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam

Association of Southeast Asian Nations (ASEAN)	Malaysia, Philippines, Singapore, Thailand, Vietnam
BRIC	Brazil, Russia, India, China (mainland)
European Union (EU)	Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Spain, Sweden, United Kingdom
G7	Canada, France, Germany, Italy, Japan, United Kingdom, United States of America
Latin America	Argentina, Brazil, Chile, Mexico
Nordic	Denmark, Finland, Sweden
North America	Canada, United States of America
Other	Armenia, Botswana, Georgia, South Africa, Switzerland, Turkey, United Arab Emirates

\*some countries may include a small proportion of listed businesses in their sample when reporting locally.

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