

BRISBANE - THE NEW FOOD INNOVATION CAPITAL



Cameron Turner

The Western food system is on the precipice of a transformation. It sounds ominous, I know, but a new food paradigm has emerged driven by the knowledge about positive health effects of functional and natural foods together – all broadcast on social media by informed, affluent consumers.

But when we look at the food consumer market nowadays, four primary drivers are combining to create significant opportunities for new and incumbent food manufacturers, retailers and restaurants:

1. Middle and high-income consumers are paying a premium for taste, health and convenience.
2. There is an accelerating public concern about obesity and a movement against sugar.
3. There is an awareness about functional foods and the importance of our gut microbiota.
4. There are rapidly expanding opportunities to export Australian-made health foods to China.
5. Business-to-consumer selling using social media marketing and home delivery is flourishing.

While these socio-economic changes represent a significant opportunity for new entrants to the food industry,

there are headwinds. These have a significant impact on public health, the economy, exports and the long-term viability of the Australian food industry.

1. Australia is losing food manufacturing capacity and the associated food security due to the inability of Australian food manufacturers to compete on price with low-cost producing countries.
2. The Australian population, along with the rest of the First World, is facing unprecedented increases in diet-related chronic health diseases including obesity, diabetes and cardiovascular disease.
3. The dominance of multinational food companies in Australia, which are focused on selling cheap, unhealthy, high-fat and high-sugar foods, and not investing in developing and launching healthy food innovation and products in Australia.
4. There is a disconnect between the Australian food industry and the extensive food science and innovation capacity in Australia's food research and development organisations.
5. The poor rate of commercialisation of new, healthy and innovative foods developed in Australia.
6. The very low level of processed food exports from Australia due to price competitiveness.



So there are competing factors combining to drastically shape the future of the Australian food industry, for better or worse, depending on which side of the health and innovation ledger you are. Of course, we all know about the dairy industry's struggles – both on price and profits.

None of the big companies in the Australian dairy industry is making money, and all seem to be leaving innovation and the task of exciting consumers to the small, niche regional dairy producers such as Gympie Butter, Maleny and Scenic Rim milk, Kennilworth and Maleney cheese, and Barambah organics.

Where Brisbane fits into the innovation equation

The good news is there is an enormous amount of support and a rapidly increasing opportunity for new food innovations to get to market. South East Queensland has perhaps the best support mechanisms of any region in Australia to support the development of innovative new food products.

The University of Queensland at St Lucia has the largest food research capability of any university in Australia and has a number of innovative food technologies it is taking to market through its commercialisation company, UniQuest.

In the past few years, University of Queensland food scientists have developed a range of new and innovative dairy products, including cheese with 10 per cent of the fat of full-

fat cheese but the same texture and mouth feel, and cream cheese and ghee that might lower cholesterol and control blood lipid levels.

Imagine butter chicken that lowers cholesterol – now that's innovation!

UQ scientists have also developed ways to transport fresh milk via sea freight at 10 per cent of the costs of the currently air freighted fresh milk to China.

The UQ food research program is focused on creating tasty, healthy and innovative food products such as:

- Fresh uncooked foods with special probiotics that are good for you and can be added to kill salmonella and listeria, making them safer and healthier.
- Muffins when consumed every day taste great, are healthy and lower cholesterol.
- 3D-printed sweets that taste fantastic but are more healthy for you.

UQ has also recently established a \$1 million Food Innovation Lab (FIL), which will have 100 food science master's degree students each year developing new innovative products.

Wandering Cooks in Fish Lane, South Brisbane, is a low-cost shared kitchen that helps people with a new food idea develop their formulations and produce small batches for early market testing.

Angela Hirst, a passionate foodie, established this new

business to help small artisan food producers get started with a very small investment. Wandering Cooks has five small kitchens that can be hired out for as little as \$20-\$30 an hour, enabling new and established food producers to concentrate on producing and selling their foods rather than spending a fortune on leasing a new facility and buying equipment.

For those companies wanting to produce much larger volumes, the Queensland Department of Agriculture and Fisheries and the CSIRO have a \$20 million food pilot plant, and research and product development facility at Cooper's Plains.

This facility exists to help food innovators, entrepreneurs and food companies produce prototype products and then scale up production without the need to build their own production facility – until the success of the product is more certain.

Where food innovators can find help – and money

Of course, for a startup or commercial opportunity to develop national and global potential, it needs more than just a new idea or new product.

High-impact startups need technical innovation, clear market insight, a passionate and skilled entrepreneur and access to capital. As you can see, there are an abundance of good ideas coming out of Queensland and loads of facilities, but there is also a lot of capital being made available to new entrepreneurs. For example, the Advance Queensland Ignite Ideas fund helps commercialise new transformational ideas through joint funding.

The Federal Government's Accelerating Commercialisation fund will provide up to \$1 million to help a startup or existing company take a new product or service to market.

Food Innovation Australia Limited is a Federal Government growth centre that can provide up to \$100,000 to help food innovators overcome any technical challenges stopping them from commercialising their new food ideas.



Wandering Cooks at South Brisbane enables food entrepreneurs to get their product to market without spending a fortune in startup phase.



The technology behind probiotic drink PERKii was developed at the University of Queensland while the commercial product was funded by venture capital group Brisbane Angels.

Furthermore, the Federal Government is facilitating hundreds of millions of dollars of equity investment into the startup sector. The \$200 million CSIRO investment fund will start this year, offering investment for Australian startups with innovative ideas to go to market.

There are also more traditional sources of funding from organisations such as the Brisbane Angels, which has invested in a number of food businesses such as Progel, PERKii and Boomerang's Pies. Boomerang's is now one of the largest and fastest-growing sweet and savoury pie companies in the US. Crowd sourcing is an increasingly attractive source of funds for new companies. While there are established companies such as US-based Kickstarter, several Australian crowd-funding sites are helping food companies. For example, two NSW fund-seekers who launched their project on Pozible exceeded their \$10,000 target to fund a brand of Australian-made organic vodka. The reward for funders was bottles of vodka, an invite to the launch party, and an "Australian spirit-tasting and cocktail-making master class", depending on how much you gave (the range was \$20 to \$1000).

Get a taste for the trends

Critically, food innovators need to have an on-trend product that is ahead of the major brand owners. Julian Melenton, who runs the New Nutrition Journal, outlines 10 key trends developing globally and, for the most part, his assessments have been spot on. These are:

1. Digestive Wellness 2.0 (science-based foods that make you feel good in the gut)
2. Plant-based foods (from nut milks to vegetable protein)



Iconic Brisbane coffee brand Di Bella is one of the great Brisbane food innovation stories, and sold for \$47 million in 2014.

3. The “sportification” of food and beverages (foods targeted at athletes or wannabe athletes)
4. Personalisation (foods designed for an individual’s nutritional needs)
5. Inflammation (foods that assist joint pain)
6. Protein (not so much for muscle but for improved satiety)
7. Snackification (everything including breakfast cereals, cheese, jerky and nuts)
8. Up with fat, down with sugar (more fat is good and compensates for reducing sugar)
9. Good carbs, bad carbs (oats and whole grains lower cholesterol, white flour is evil)
10. Fragmentation (categories are dividing into niches, room for everyone except big food)

The best news is that there are real rewards for the successful food entrepreneur who gets it all right. Australia has a strong history of creating disruptive food startups and the founders of these successes were greatly rewarded for the efforts.

Brisbane’s Di Bella Coffee sold for \$47 million in 2014 after establishing itself as force in the coffee market. Gourmet Garden, just a short trek to Brisbane’s north at Palmwood, was bought by McCormick & Co for \$150 million in 2016.

Further afield, juice brand Nudie was bought by Monde Nissan for \$80 million 2014, popular franchise business Boost Juice sold for \$185 million in 2014, and baby food maker Rafferty’s Garden was bought by PZ Cussons for \$70 million (12 times earnings) in 2013.

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