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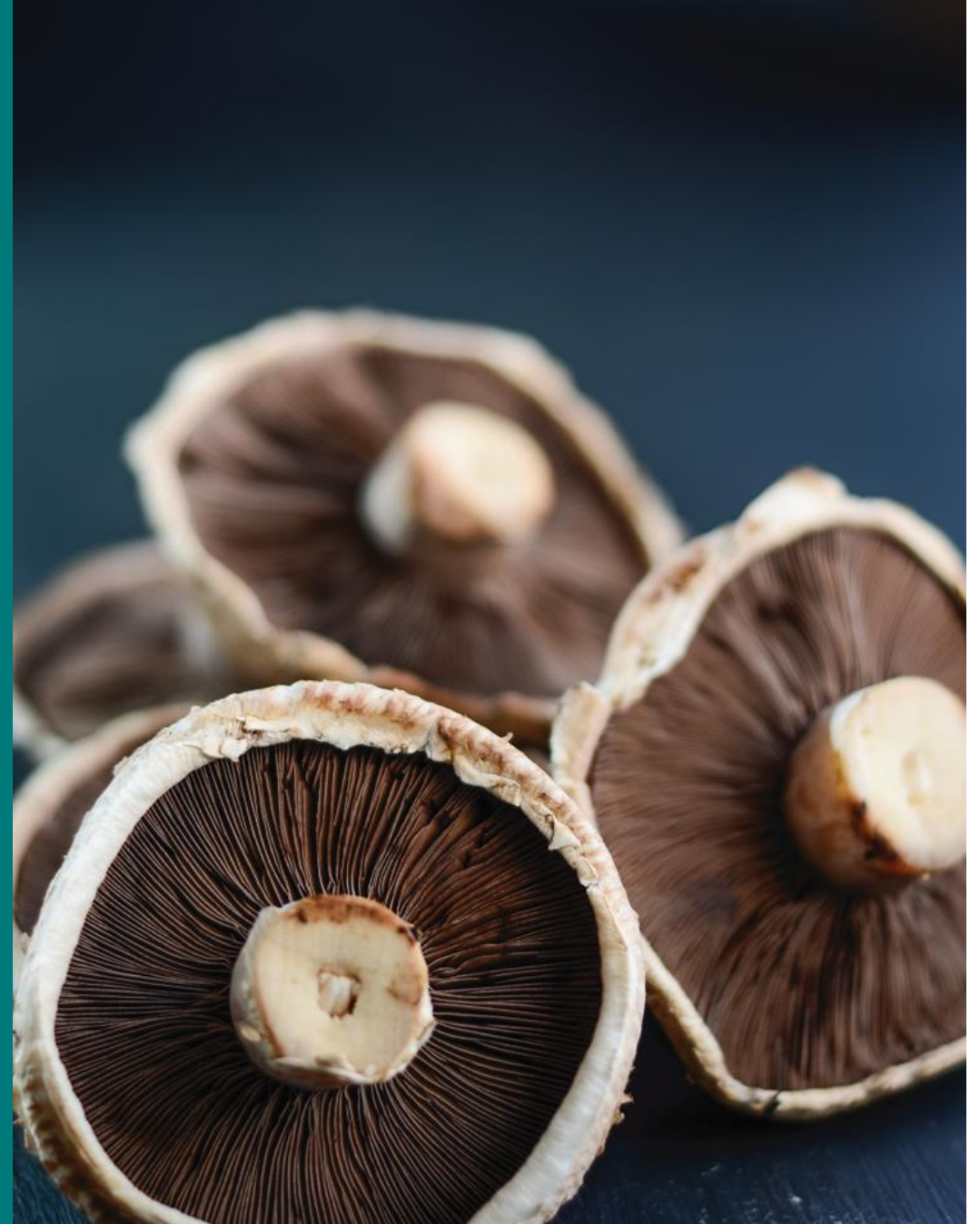
Australian
MUSHROOMS

MU22102 | Food Service Strategy 24-27

Prepared by

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Section 1

Strategy Purpose and Approach



MU22102 | Project Brief

01

Improve food service understanding and capability amongst mushroom industry stakeholders

02

Shape the 'where to play' for the mushroom industry, sizing and prioritising addressable channel segments

03

Guide the 'how to win', unpacking the most effective and efficient actions the mushroom industry can undertake to influence channel stakeholders and grow category volume

Strategy Development and Delivery

INPUTS

Analysis of dining out food service monthly channel sales and mushroom volumes and values in all sub-channels.

Assessment of existing research. Review of past & current food service programs.

Discussions with informed food service and mushroom industry stakeholders, including USMC.

Mushroom industry stakeholder workshop to review draft strategy and align on priorities.

OUTPUTS

Mushroom Food Service Research Knowledge Base Summary Report

Mushroom Industry workshop deck and materials.

Final Strategy Document detailing 3-year Mushroom Food Service Strategy

OUTCOME

Quantified & assessed mushroom category volume growth opportunities

Channel stakeholder points of influence mapped to growth opportunities

Growth opportunities detailed by sub-channel, end-use meal occasion, seasonal flow and supply chain participation

IMPACT

Improved food service capability amongst mushroom industry stakeholders

Mushroom category volume growth in the domestic food service channel over the next 3 years.



Section 2

Key Findings & Implications

Complete bounce back post covid for Dining Out/Takeaway spend

The only disruption to food service growth patterns was due to covid in the 2020 and 2021 years.

There is significance in the strength of sales recovery in the 2022 year. This was the first full year after covid restrictions and the channel sales growth over 2019, which was the last year before covid restrictions, was 24.3%.

This is widely taken as a signal of the strength of household demand for eating out or purchasing food that others have prepared.



Mushrooms are an established and stable food service ingredient, yet declining demand demonstrates wholesale price sensitivity.

¼ of all mushroom production is distributed via foodservice channel.

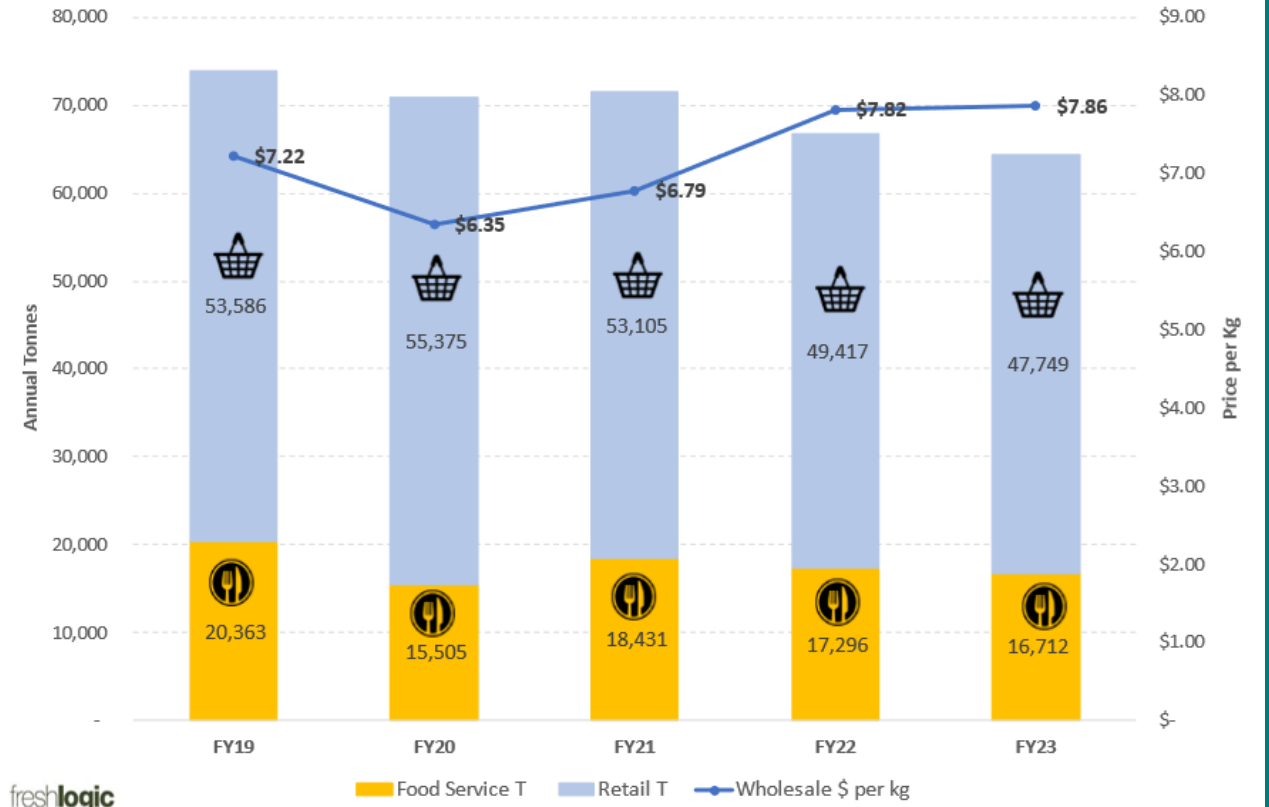
Mushroom value in foodservice channel has declined faster than in retail (-5% v -2% CAGR FY18-23) and volumes have not yet returned to pre-covid levels.

The wholesale price of mushrooms* is considerably higher than vegetable categories (\$7.86 vs \$3.19/kg), but cheaper than some minced meat (\$7.86 vs \$10-15/kg).

* Wholesale price charged at central markets. Providers likely to add 15-20% margin for sale to Foodservice buyer.

Mushroom Fresh Market Distribution Channel Volumes
FY 19 to FY 23

Source: ABS HES, Freshlogic Analysis



Food Service market & distribution channels | Mushroom Category

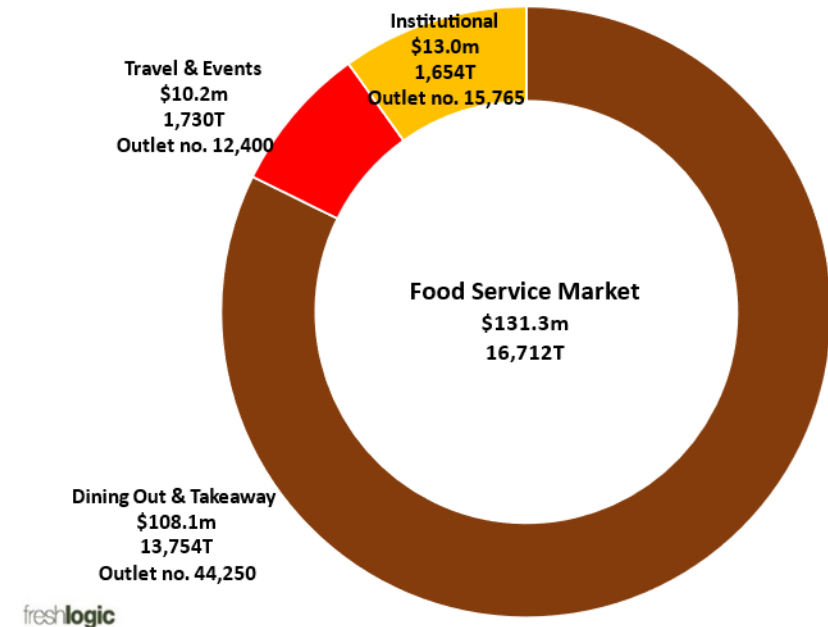
There are 3 broad channels and 12 sub-channels in Food Service.

Food Service accounted for 16,712T and \$131.3m in Mushroom sales in FY23.

Dining Out/ Takeaway accounts for the bulk of Mushroom volume in the Food Service Channel. This is consistent with this channels share of all Fruits & Vegetables into food service.

National Food Service Channel Profile & Outlet Numbers				
	Value (\$M)	Volume (T)	Outlet Numbers (#)	Share of outlet (%)
Dining Out & Takeaway	\$ 108.1	13,754	44,250	61.1%
Travel & Events	\$ 10.2	1,304	12,400	17.1%
Institutional	\$ 13.0	1,654	15,765	21.8%

Jun-23 MAT - Food Service Channel Share by Volume



3 Channel Groups	12 Sub-Channels
Dining Out & Takeaway	Café & Restaurant, Independent Takeaway Pubs Clubs & Function Centres, QSR.
Travel & Events	Accommodation, Events & Catering, Travel
Institutional	Correctional, Education, Health & Aged Care Military and Workplace

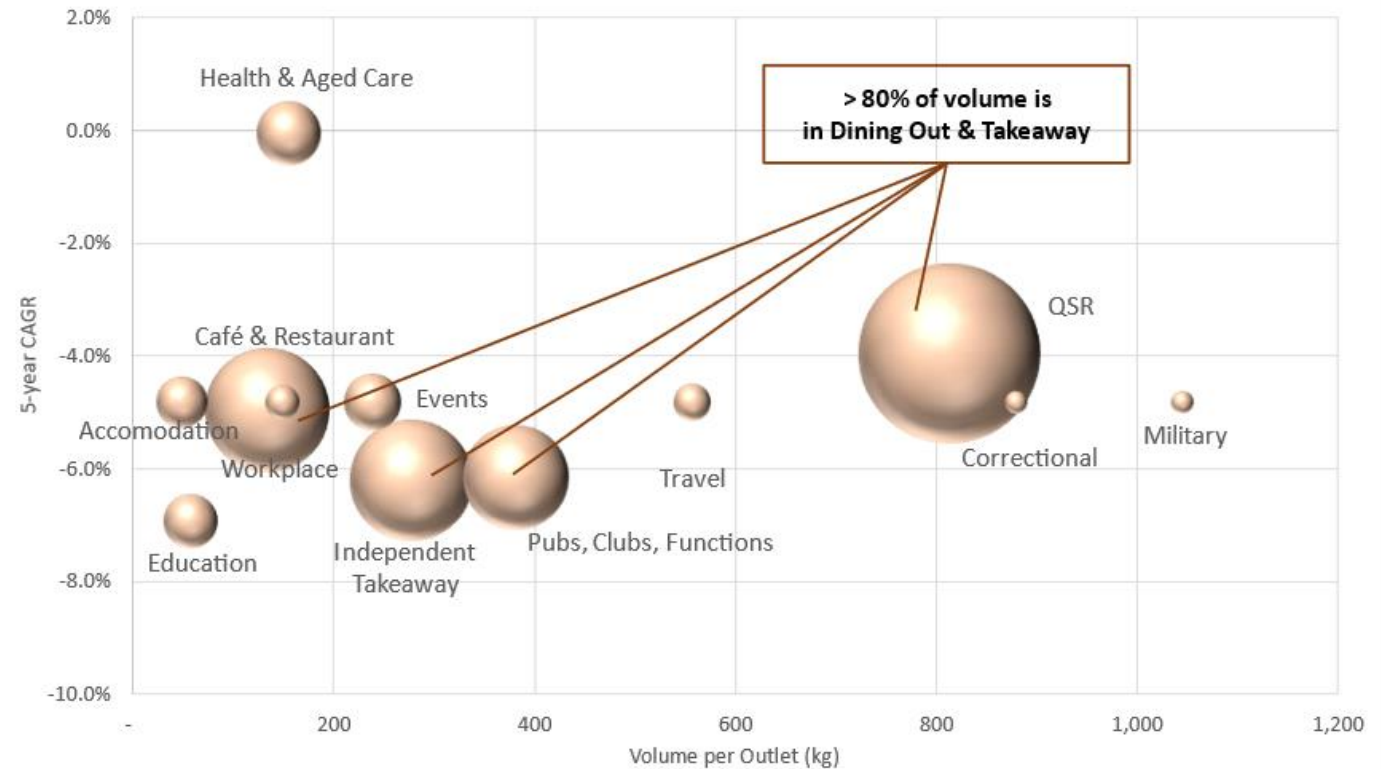
Growth in the Food Service market requires a dedicated approach to Dining Out & Takeaway channels, especially QSR.

Dining out & Takeaway (incorporating QSR, Café & Restaurant, Independent Takeaway, Pubs & Clubs) represent >80% of all mushroom foodservice volume. QSR accounts for nearly ½ of all Dining out & Takeaway and 1/3rd of all Food Service. Making a significant impact on mushroom volumes will require solutions that are suited to these channels.

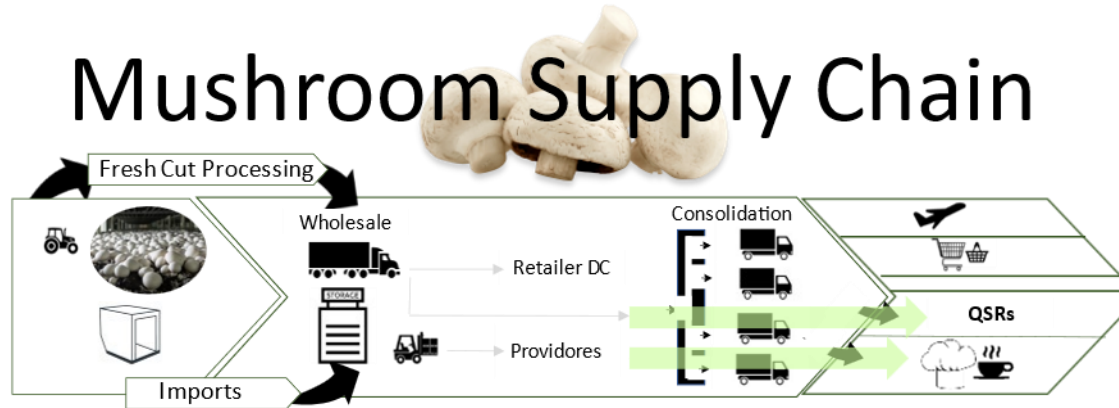
Mushrooms do not feature highly in the menu items of QSR, with the exception of pizza chains, who account for only 18% of the outlets of the top 10 QSR chains in Australia.

Food Service 12 Sub-channels FY23 & Growth

Bubble Size = Total Volume



Mushroom Supply Chain



Combined Ordering & Delivery

Food service enterprise buying fruit and vegetables are seeking a combination of product sourcing and delivery as a solution. Most want all fruit & vegetable orders combined into one delivery.

Providores Critical to FS Channel

The providores vary from a wholesaler by their capacity to source all products including specialty items, and a willingness to sell product in smaller portions than standard wholesale carton outers.

Purchasing via Greengrocers & Supermarkets

Smaller restaurants/cafes will have arrangements with local greengrocers to source all their fruit & vegetables or may even purchase from local supermarkets, especially Costco, which carries bulk packs well suited to food service quantities.

QSR scale and efficiency

QSR focussed menus allow for a smaller range of F&V. This smaller range combined with common ownership provides scope for logistic efficiencies that are typically captured with common ordering system and transport systems.

Long term contracts in Institutional channel.

Institutional channels typically organise the supply and delivery of their fresh fruit and vegetables in long term contracts that are often initiated in tenders.

Providores are a critical stakeholder in the Foodservice supply chain, servicing thousands of B2B customers across all sub-channels.

Providores are often trusted sources of information on fresh fruit & vegetable product seasonal availability.

Their operating mode is framed by consolidating numerous client orders into bulk requirements, sourcing that bulk then receiving the stock and breaking it out into client orders that are assembled and loaded into transport to accommodate a delivery run schedule.

There are two tiers of providores who source and supply fresh fruit & vegetables to food service enterprises.

1. Tier 1 Larger providores, that typically operate warehouses near central markets, offer national or multi-state servicing of larger buyers including QSR or restaurant chains, source product from central wholesalers and or direct from grower. Their pricing is based on the cost of product plus a fee. However, they are known to offer medium term (monthly & quarterly) pricing for selected fresh products.
2. Tier 2 Central market-based providores are a distribution pathway that services a wide range of SME food service buyers of fresh mushrooms. Their clientele includes Restaurants, Cafes, Independent Takeaway, Pubs & Clubs. They buy at market price and either add a fee for service or charge a unit price that includes their mark up. If wholesale market prices change so does their price to food service clients.

In Sydney market there are 120 providores and similar proportional numbers in each capital city central market.



Mushrooms already have strong positive perception amongst Foodservice operators. Cost to serve is a primary barrier and there is interest in developments that reduce cost.

Foodservice cost pressures and labour shortages are rising, driving a trend towards meals that are easy for untrained staff to assemble, hence the considerable upswing in menu items such as burgers, tacos, poke bowls, pizzas etc, that are desired by patrons and viable for less skilled staff.

Mushrooms are an established and mature ingredient in the foodservice channel, with year round availability, few concerns around quality vs other vegetables. Minor quality issues around product drying out and losing weight is more a function of operator knowledge re handling and storage.

Price per Kg is the primary barrier to mushroom demand amongst Foodservice operators. There is express interest in product forms for mushrooms that extend shelf life, reduce waste and reduce costs.



Despite their significant price premium, exotic varieties represent a threat to the Agaricus market, especially in those channels seeking to provide a more premium or diverse dining experience.

Exotic mushrooms are estimated to represent 8.45% of fresh market volume (combination of imports and local production).

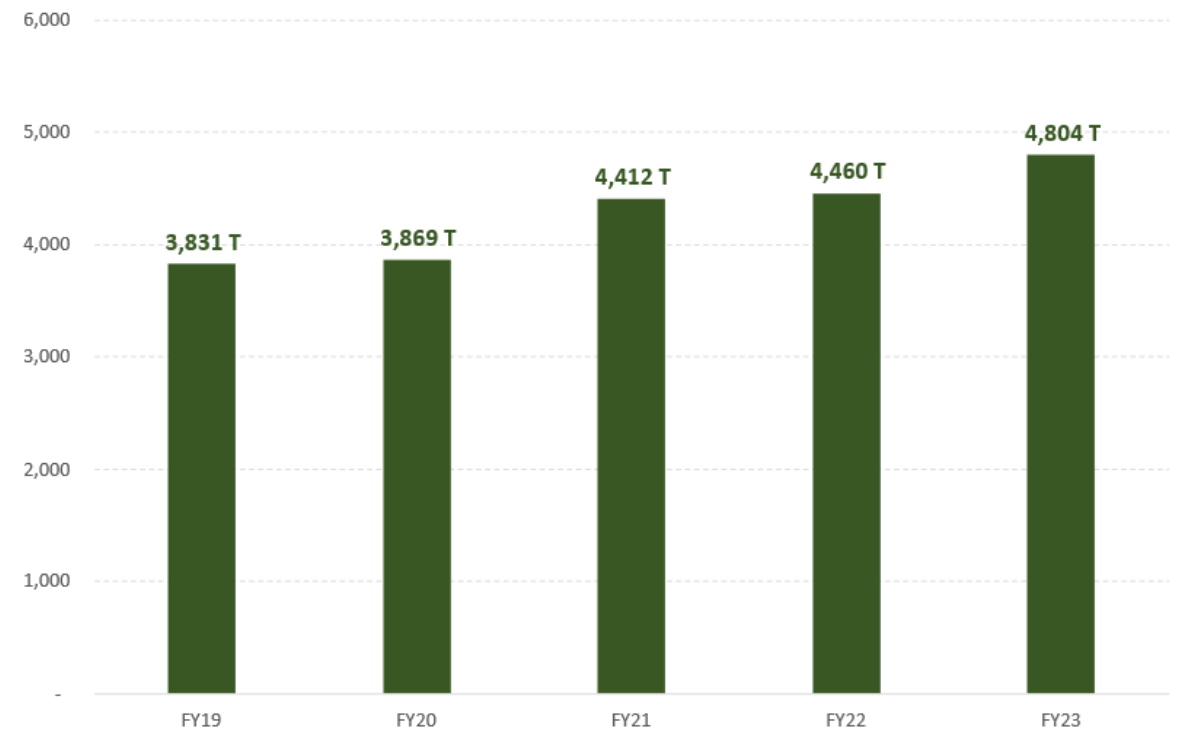
Imports of exotic mushrooms have grown at CAGR 10% from 2018-23, vs total mushroom production decline of CAGR -3% over the same period.

Demand for exotic mushrooms is fuelled by growing diversity in Australian population ethnicity and diversity of foodservice cuisines.

Australia's most popular cuisines are Australian, Italian and Thai, followed by Chinese and Indian. Chinese is the most popular cuisine amongst meat eaters, who represent 66% of the Australian population. (YouGov poll Oct 2023).

Australian Exotic Mushroom Import (T)

FY19 - FY23



Data indicates that there are both breakfast and non-breakfast opportunities for mushrooms in Foodservice.

The domestic demand growth study, run by HIA in 2022, demonstrated that 74% of all Mushrooms consumption occasions occur at dinner. Whilst breakfast accounts for only 12% of occasions, they are more likely to be eaten for breakfast, when compared to other vegetables.

It was also found that when mushrooms are eaten when dining out, 60% of those occasions were breakfast, whereas only 23% were dinner occasions, this is contrary to total vegetable dining out consumption, which is more evenly spread across all meal times (note the sample size for dining out occasions is small, hence findings are indicative only).

There appears to be an opportunity to boost the use of mushrooms during lunch and dinner in the food service sector.



There is potential for mushrooms to re-ignite their role as a dominant fresh plant-based meat alternative.

In 2020, sales of plant-based-meat brands like Impossible and Beyond Meat grew 45 percent in a single year. The arrival of realistic products amid rising concern about climate change seemed to herald a new era of plant-based-meat consumption.

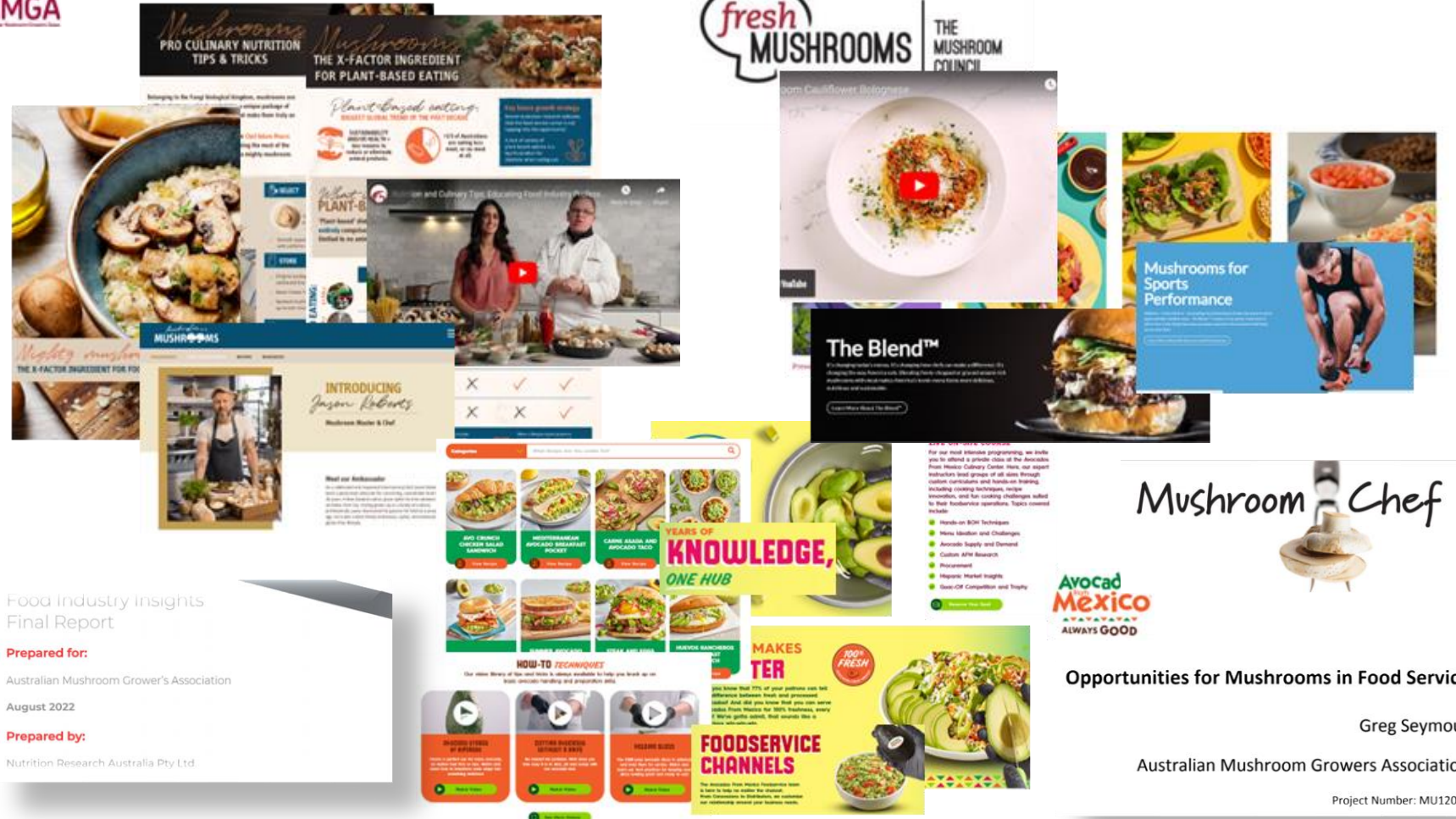
In 2021 sales began to dip, Beyond Meat's stock price fell ~80% in one year, Impossible conducted two rounds of layoffs in 2022, Quorn conceded sales would not continue as forecasted.

Demand faltered due to the eating experience, particularly taste and consumer concerns about the ingredients used and the processed food nature of the production.

This decline has created a gap for a fresh, healthy plant-based meat alternative, a role that mushrooms has historically held, especially in Foodservice.



For over 20 years, the Mushroom industry has invested in programs to understand and influence the Australian Foodservice sector. The current demand growth strategy must learn from and build upon past and current programs, both from mushrooms and other industries.



Over the next 3 years



Growing demand for mushrooms will require a dedicated and innovative approach to foodservice channel growth, to broaden the use of an already established ingredient.



Measurable returns in Food Service will require a focus on the Dining Out & Takeaway channels (i.e. QSR, Café/Restaurant, Pub/Club & Independent Takeaway).



The relative cost of mushrooms requires both an appreciation of their flavourful benefits vs other vegetables and their positioning as a hero ingredient as a direct alternative to more expensive meat based alternatives.



There is potential for mushrooms to re-ignite their role as a dominant fresh vegetarian alternative. Achieving this will require greater emphasis on the operational challenges faced by the bulk of foodservice operators.



Whilst breakfast is an important current day part in Foodservice, improving the association of mushrooms with lunch and dinner meals may further increase the demand of mushrooms in food service by consumers.



Future investment must build upon past learnings, focus on priority channels, tailor materials to suit this busy B2B audience and accommodate measurement to provide evidence of impact on operator demand.



Section 3

Strategic Priorities

Strategic Priorities and Enablers



1.0

Continuously connect with priority B2B Foodservice channel operators to re-establish Mushrooms as the fresh, natural ingredient that packs a flavour punch.

Regular industry engagement via key B2B touchpoints and communication channels is required to build top of mind awareness and consideration of mushrooms as a valuable and consistent ingredient on the food service menu.

Messages and mediums must be tailored to the key audiences amongst priority sub-channel end users; Cafes/Restaurants, Pubs/Clubs, Independent Takeaway, Accommodation and Catering. It is anticipated that media investment will result in residual reach to other foodservice sub channels by default.

Food Service industry engagement must be measured, with benchmarks set, in order to ensure the continual improvement of the industry engagement over time.



2.0

Re-ignite Mushrooms as the hero vegetarian ingredient for Foodservice, across all day parts.

Food Service dedicated R&D, to develop a suite of vegetarian and meat-alternative recipes that hero mushrooms. Consider relevant meal types prepared in priority Foodservice channels across all day parts.

Launch Mushrooms as the Fresh Healthy Vegetarian meal for dining out, competing directly with the processed plant-based meats, targeting priority B2B Food Service operators; Providores, Cafes/Restaurants, Pubs/Clubs, Independent Takeaway.

Develop materials that deliver recipes together with critical operational guides considering sourcing, handling and preparation, as well as cost to serve and margin per meal vs meat-based and processed plant-based alternatives.

Create incentives, educational workshops and promotional programs to drive the uptake of these innovative recipes, tailoring the approach as relevant to different channels and customers.



3.0

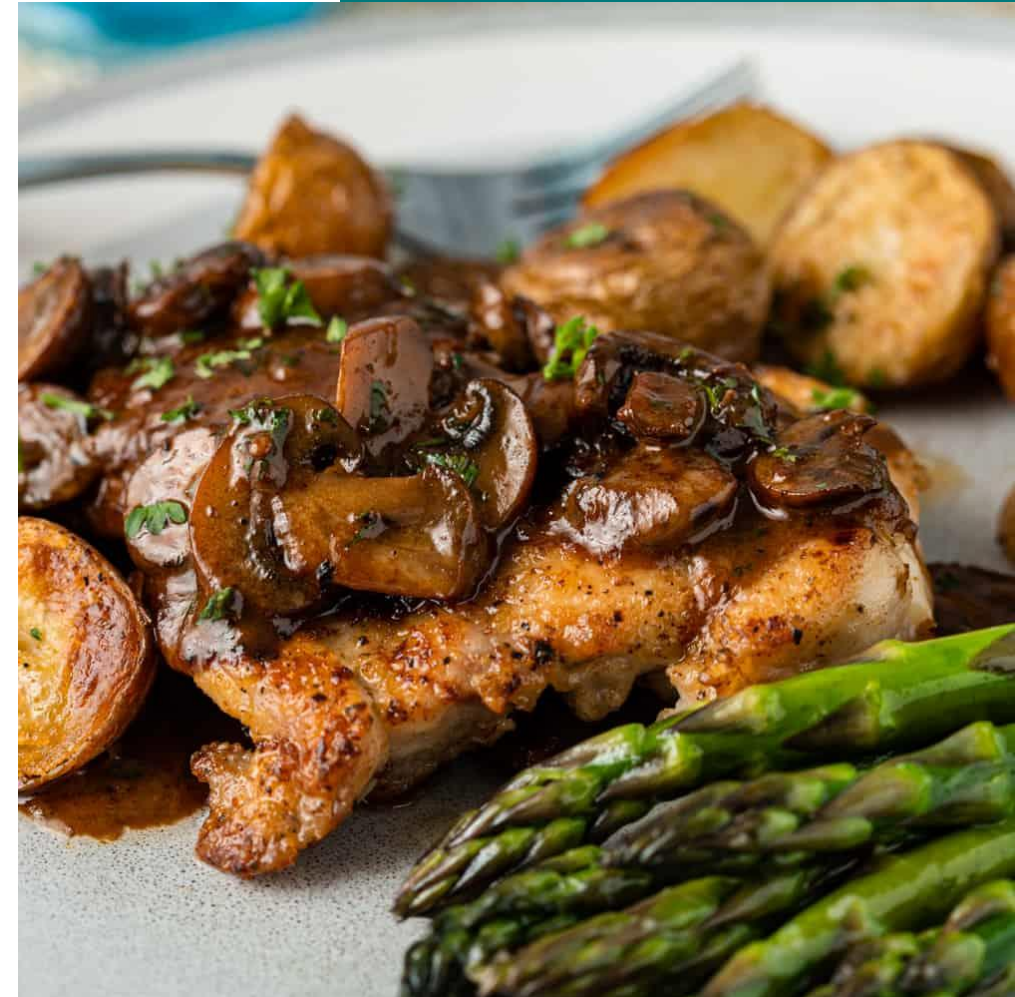
Drive Mushrooms as the fresh natural ingredient with unique flavour.

Leverage and build upon past programs that have been designed to inspire the use of Mushrooms by Foodservice operators, as a key meal ingredient that delivers a unique flavour.

Develop materials that inspire the use of mushrooms across all day parts, seasons and at different price points, minimising waste and optimising value. Deliver recipes together with critical operational guides considering sourcing, handling and preparation, as well as cost to serve and margin per meal.

Adapt materials to ensure relevance to key audiences across the priority channels of Providores, Cafes/Restaurants, Pubs/Clubs, Accommodation and Catering.

Create incentives, educational workshops and promotional programs to drive the uptake of this continuous program. This program can also be incorporated into the Culinary School program currently underway as part of AMGA project.



4.0

Develop versatile fresh mushroom products that facilitate operational ease.

Develop a pipeline of innovative fresh mushroom product forms that improve ease of handling, storing and preparing, minimising waste and reducing cost.

Consider use and application aligned to priority channels of QSR, pubs/clubs, catering and accommodation. It is anticipated that the pipeline may suit opportunities within institutional channels, due to stringent cost requirements of those operators.

Partner with stakeholders amongst priority sub-channel end users. Develop business case and share back with mushroom industry commercial operators to inspire implementation.



5.0

The Foodservice Home of Australian Mushrooms

Build a central digital platform, dedicated to the Food Service industry, as an interactive source of information and inspiration for the use of Mushrooms.

Leverage existing Australian Mushrooms Foodservice page, but create a dedicated site that is adapted to the unique needs of a B2B Foodservice community. Draw inspiration from international examples such as US Mushroom Council and Mexican Avocados.

Ensure the site can funnel different decision makers from different sub-channels, to service their unique needs with tailored materials.

Provide links to local commercial providers (growers and aligned providers) and ensure there is a compelling reason for Food Service industry operators to visit the site on a semi-regular basis.

Build in measurement tools to track the journey of Foodservice B2B audience and monitor site effectiveness.



6.0 The Mushroom Foodservice Toolkit

Develop a toolkit of digital materials that support each of the four strategic priorities.

Leverage and build upon existing materials. Ensure all materials are tailored to the specific needs and requirements of different decision makers across different sub-channels, and incorporate relevant operational perspectives.

House on the central digital platform and incorporate into regular foodservice channel B2B engagement program.

Build in measurement tools to track the journey of Foodservice B2B audience and monitor toolkit effectiveness.



Priorities Assessment

	ASSESSMENT CRITERIA					
	Volume Impact	Impact Horizon	Scalability	Ease of Execution	Central Support	Relative Investment
1 Continuously connect with priority B2B Foodservice channel operators.	Low	Short Term	High	High	High	Medium
2 Re-ignite Mushrooms as the hero vegetarian ingredient.	High	Medium Term	Medium	Medium	High	Medium
3 Drive Mushrooms as the fresh natural ingredient with unique flavour.	Medium	Medium Term	Medium	Medium	High	Medium
4 Develop versatile mushroom products.	High	Long Term	High	Low	High*	High
5 The Foodservice Home of Australian Mushrooms.	Low	Short Term	High	High	High	Low
6 The Mushroom Foodservice Toolkit.	Low	Short Term	Medium	High	High	Low

* Central development of solutions and business case to be shared broadly with commercial stakeholders.

Priority Timing

	F25	F26	F27
1 Continuously connect with priority B2B Foodservice channel operators.	Develop	Execute	
2 Re-ignite Mushrooms as the hero vegetarian ingredient.	Develop	Execute	
3 Drive Mushrooms as the fresh natural ingredient with unique flavour.	Develop	Execute	
4 Develop versatile mushroom products.	Develop		
5 The Foodservice Home of Australian Mushrooms.	Develop	Execute	
6 The Mushroom Foodservice Toolkit.	Develop	Execute	

Priority Sizing

	1	2	3	4	5	6
	Continuously connect with priority B2B Foodservice channel operators.	Re-ignite Mushrooms as the hero vegetarian ingredient.	Drive Mushrooms as the fresh natural ingredient with unique flavour.	Develop versatile mushroom products.	The Foodservice Home of Australian Mushrooms.	The Mushroom Foodservice Toolkit.
Providores	●	●	●	●	●	●
Independent Takeaway	●	●		●	●	●
QSR	●			●	●	●
Restaurant & Cafe	●	●	●	●	●	●
Pubs & Clubs	●	●	●	●	●	●
Events & Catering	●	●	●	●	●	●
Travel	●	●		●	●	●
Accommodation	●	●	●	●	●	●
Health	●			●	●	●
Defence	●			●	●	●
Correctional	●			●	●	●
Workplace	●				●	●

Priority Sizing

1

2

3

4

5

6

	Continuously connect with priority B2B Foodservice channel operators.	Re-ignite Mushrooms as the hero vegetarian ingredient.	Drive Mushrooms as the fresh natural ingredient with unique flavour.	Develop versatile mushroom products.	The Foodservice Home of Australian Mushrooms.	The Mushroom Foodservice Toolkit.
ROLE	Saliency & Web Traffic Driver	Increase Purchase	Increase Purchase	Increase Purchase	Enabler	Enabler
TARGET	Cafes/ Restaurants, Pubs/ Clubs, Independent Takeaway, Accommodation & Catering	Providores, Cafes/Restaurants, Pubs/Clubs, Independent Takeaway	Providores, Cafe/Restaurant, Pubs/Clubs, Accommodation & Catering	QSR, Pubs/Clubs, Catering and Accommodation	Total Food Service	Total Food Service
REACH (within target)	30%	30%	30%	10%	30%	30%
IMPACT	Increase mushroom saliency , site traffic	15% increase in Kg/Outlet amongst target reached	10% increase in Kg/Outlet amongst target reached	50% increase in Kg/Outlet amongst target reached	Increase mushroom consideration, site re-visit	Increase mushroom saliency and consideration
VOL GROWTH (2027 vs 2023)		+344t	+178t	+459t (post '27)		



Section 4

3 year strategic goals

3 year Mushroom Food Service Strategic Goals

STRATEGIC INTENT

Return the mushroom category to 2018 volume levels in the Food Service channel (by 2030).

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Production (t)	70,463	72,006	68,823	68,936	63,868	61,498				
Fresh Supply	71,877	73,949	70,880	71,536	66,713	64,461				
Food Service	20,167	20,363	15,505	18,431	17,296	16,712	<i>15,945</i>	<i>15,945</i>	<i>16,423</i>	<i>17,245</i>
Retail	51,710	53,586	55,375	53,105	49,417	47,749				
Export	89	71	66	66	69	42				
Import	3,288	3,839	3,874	4,413	4,533	4,823				
Processing	1,786	1,825	1,744	1,747	1,618	1,558				
Fresh Supply \$m	\$ 555	\$ 534	\$ 450	\$ 485	\$ 522	\$ 507				
WS Price	\$ 7.88	\$ 7.42	\$ 6.54	\$ 7.04	\$ 8.17	\$ 8.24				

APPROACH & ASSUMPTIONS

Mushroom category continues to decline at current 5 year CAGR level (-5%) in 2024.

Mushroom category is holds flat in 2025 and is returned to growth at 3% in 2026 and 5% in 2027.

Mushroom wholesale price indexed to competitive proteins and vegetables remains stable over time, significant reductions vs vegetables likely to boost volume results.

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Thank you