

FUNCTIONAL AND LUXURY FOODS OPPORTUNITIES FOR SOUTH AUSTRALIA IN SINGAPORE

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FUNCTIONAL & LUXURY

PREMIUM
FOOD AND WINE FROM OUR
CLEAN
ENVIRONMENT





This fact sheet presents a high level summary of the opportunities for South Australia to supply luxury and functional foods to Singapore.

Country context

Singapore's Government launched the Health Promotion Board in 2001 to promote and support the country's functional food industry through technical and funding support.

There is now a strong demand for functional foods across Singapore, with steady growth driven by consumer understanding and acceptance. The local market views functional foods from North America, Europe and Australia as premium and trusted products.

There is a trend of co-locating food service and retail outlets that specialise in functional foods along with major retailers increasing shelf space and prominence for these products. Singaporeans are sophisticated and informed functional food consumers. All health and nutrient function claims are regulated by Singapore's Ministry of Health which has detailed guidelines to ensure compliance.

The country has been able to attract significant foreign investment and High Net Worth Individuals to relocate, increasing its local market demand for luxury foods.

Singapore has world-class infrastructure to handle delicate, imported produce, particularly items that depend on stringent handling procedures, such as fine wines, fresh seafood and luxury chocolates.

Luxury foods in Singapore are best classified as either Chinese (largely medicinal or health-providing), or Western delicacies (stemming from a belief that products that appeal to a Western palate are luxurious). A taste for Western delicacies has particularly been imported by returning students.

Functional food opportunities in Singapore

ALOE VERA

Australia's aloe vera market is largely an export one, catering to cosmetics and functional beverages containing aloe vera extracts. Demand is driven by interest in the plant's native medicinal and antioxidant properties. The fact that aloe vera is locally-sourced contributes much of its product appeal in the domestic market. South Australia currently produces a minor crop of aloe vera, but could expand operations to capitalise on the growing demand.

In Singapore, aloe vera is typically consumed through beverages, but the aloe vera used in personal care products is a far more developed industry. Currently there is limited domestic production or refinement of aloe vera products in Singapore.

CAROTENOIDS

Carotenoids are naturally-produced pigments found in plants, algae, bacteria, yeasts and moulds and are used in fruit and vegetable juices and as a natural food colouring. Although industry growth will be confined to beverages in the short-term, the dairy and baked-good sectors will also see market interest in the coming period. South Australia does have a variety of agricultural sources of carotenoids, as well as a growing algal carotenoid production industry.

Singapore's carotenoid market is currently underdeveloped. There is potential scope for growth in consumer demand if the health benefits were better communicated. Due to the currently limited demand there is no significant domestic production of carotenoids.

GLUTEN-FREE FOOD

Australia is the largest established gluten-free market in the Asia Pacific region. As gluten-free awareness continues to grow there is a trend towards cutting gluten out of consumer diets, and heightened customer awareness is driving IT-based packaging innovations on gluten-free products.



Singapore's gluten-free consumers constitute a very small minority of the country's population. Recent attention to gluten-free products has been driven more by consumers seeking a healthier, low-carb diet than to address a medical condition (with the exception of some migrant populations). There is limited availability of gluten-free products in Singapore other than from specialised outlets. Due to the limited demand, there is no significant production of gluten-free products or ingredients currently in Singapore.

LACTOSE-FREE FOOD

Still largely restricted to liquid milk and baby milk powder, lactose-free products are generally perceived to be less-fattening and easier for people to digest. Lactose-intolerance is more widely spread among non-European populations, and continued development of digestive-related product options, beyond dairy and into confectionery and baked goods, will drive consumer demand in this market.

The rate of mild to moderate lactose intolerance across Singapore is quite high, yet there is a low demand for lactose-free foods and a limited manufacturing sector for them. This may be attributable to a limited awareness of lactose intolerance and options to address it.

OTHER 'FREE FROM' FOODS

In Singapore, there is currently limited awareness and consumption of low or anti-allergenic foods.

PHYTOSTEROL

The Australian market for phytosterol tends to revolve around oils, seeds and nut products, used as heart health ingredients and for their potential to lower cholesterol. South Australia could explore how to use its canola industry to develop phytosterol extraction capabilities.

In Singapore, high cholesterol accounted for 1 in 3 deaths in 2010. As such, Singaporeans are very perceptive to foods and supplements that claim to reduce cholesterol levels. Soy bean products, a rich source of phytosterols, are a common component in the Singaporean diet, and are often added to dairy products such as milk, yoghurts, and margarine.

POLYPHENOLS

Australia has a wide raw materials base for polyphenol development, but the industry is largely import dependent and focused on the beverage sector. As more Australian manufacturers begin to promote the antioxidant benefits of polyphenols, demand will grow beyond wine, apples, and tea, and there will be a shift to explore use of polyphenols in a broader range of functional foods. Waste products from South Australia's large wine industry is a key source of raw materials for polyphenols, as well as other fruits and vegetables grown across the State.

In Singapore, there is high market penetration of green tea products and a very high consumer acceptance of the health benefits of polyphenols. Outside of green tea consumption, polyphenols are not marketed as active ingredients in other forms. There is limited domestic production of polyphenol functional foods or ingredients in Singapore.

POLYUNSATURATED FATTY ACIDS

Polyunsaturated fatty acids (PUFA) are one of the most well-established classes of functional products in Australia. South Australia's large aquaculture industry is a prime sourcing point to provide marine-based fish oil to the industry, and flax used in the development of vegetarian omega-3 products.

There is high consumption of omega-3 enriched products in Singapore, particularly through infant formula, dairy and eggs, and a strong presence of multinational producers in Singapore with a mature and sophisticated domestic production industry in this area.

PREBIOTICS AND PROBIOTICS

Prebiotics support beneficial bacteria in the gut and are most commonly combined with probiotics. Future growth will be driven by innovations in pro and prebiotic formulations, and increased consumer awareness of the relationship between their digestive health, immunity, and overall wellness. South Australia's large grain industry is a key source for dietary fibre, while fruit and berry processing side streams are sources of soluble fibre, which could also provide opportunities in this space.



In Singapore, market-leading brands Yakult and Vitagen have established a strong market for probiotics, and many of the popular infant formulas are also typically enriched with probiotics. A typical Singaporean diet has a high fibre content naturally which has led to the perception that dietary fibre as a formulated ingredient is not generally required. Prebiotics enjoy greater visibility in the health supplement markets, which should have a positive spill over effect into the mass consumer market. The Genome Institute of Singapore and Nutricia Research are also collaborating to further investigate the health benefits associated with prebiotics and probiotics.

PROTEINS AND PEPTIDES

Australia is a key producer of mainly dairy-based proteins and peptides, and also manufactures fish, egg, gelatin and soy protein products. The growth of the sports nutrition sector has also driven consumer interest in these products, particularly in protein-rich beverages. Downstream processing of South Australia's dairy exports provides a large market opportunity for proteins and peptides as functional ingredients.

Both Malaysia and Singapore are emerging protein and peptide ingredient markets, being driven by a growing interest in healthy eating and weight management. The market for peptides in Singapore is underdeveloped, but the market is growing steadily, driven by factors such as the rise in metabolic and cardiovascular diseases and technological advances in peptide processing.

VITAMIN D

Products rich in vitamin D are particularly important for older persons, to address bone and joint health issues such as osteoporosis. Post-menopausal women are also target customers in this sector, and the primary market for dairy products and beverages fortified with vitamin D. Beverages and baked goods with added vitamin D are also proving popular with younger consumers.

As demand for bone health ingredients continues to grow in South East Asian markets, Singapore will witness a growing focus on vitamin D and calcium. The increasing rate of urbanisation and long work hours reduces the amount of time that Singaporeans spend outdoors during the day. Vitamin D deficiency is therefore prevalent, driving interest in natural products such as fatty fish, egg yolks and mushrooms. There is also uptake of products and supplements enriched with vitamin D, including soy milk and margarine.

Luxury food opportunities in Singapore

ABALONE

Abalone is one of the most valued seafood products globally, especially in Asia. Opportunities for South Australian abalone exist in product differentiation and marketing. A later harvest would allow abalone to grow to an optimal size and therefore demand a higher price per kilogram. Greater uptake of nitrogen freezing is another opportunity for South Australia, as well as better marketing of our clean and green, sustainable credentials, including through product certification. Producers should also explore e-commerce opportunities.

In Singapore, there is strong demand for abalone mainly driven by the large Chinese population. Abalone supply in Singapore has been affected by the tight restrictions imposed by countries of origin to protect their fisheries. Nearly all luxury seafood consumed in Singapore is imported, due to the country's limited capacity for domestic production.

BLUEFIN TUNA

The rise of the sushi and sashimi markets in Japan and in other parts of the world has created a strong and growing demand for Bluefin tuna. Opportunities exist in differentiating how South Australia captures and farms Bluefin tuna and developing an industry-wide marketing program in export markets beyond Japan.

In Singapore, the majority of Bluefin tuna is consumed in high-end sushi restaurants. Japan has placed restrictions on the fishing of immature Bluefin tuna from their waters, impacting Singapore's supply. There is general consumer awareness in Singapore regarding the endangered listing of Bluefin tuna.



BRANDY, COGNAC AND DISTILLED SPIRITS

The Asian luxury market for brandy is currently dominated by products from major French cognac houses. While St Agnes distillery has recently launched some luxury products, overall exports of brandy from Australia are negligible. Opportunities exist for South Australian producers to invest in an 'origin' story for our niche distilled spirits, potentially modelled on Tasmania's success in the export whisky market.

In Singapore, distilled spirits are often purchased as collectables and as indicators of social status. There is currently strong demand from Singapore's young consumers for luxury vodka products.

CAVIAR

Sturgeon is a prohibited (noxious) species in Australia so there is currently no sturgeon farming undertaken in Australia and establishment of aquaculture operations would require licensing. Opportunities exist in pursuing exemption permits, considered on a case-by-case basis, to enable a sturgeon fish production facility in South Australia. This would be subject to stringent environmental assessment and evaluation.

Singapore's growing prosperity has seen an increase in the consumption of caviar, mainly as an indicator of social status. However, caviar is almost exclusively consumed at high end restaurants in Singapore and may be losing its appeal due to a lack of reliable suppliers.

CHOCOLATE

It is feasible for South Australian companies to produce, export and enter the luxury chocolate market, leveraging Australia's reputation in Asia as a reliable manufacturer of high-quality product. Opportunities exist in specifically marketing luxury product to affluent local and international tourists at exclusive airport boutiques, and in high-end and flagship stores.

While the consumption of chocolate in Singapore is significantly lower than most developed countries, it is growing, with purchases being predominantly made as gifts rather than for self-consumption. The luxury segment is dominated by European imports, with Belgian chocolates held in high esteem.

OLIVE OIL

South Australia has a relatively small and niche olive oil industry. However, markets for olive oil are developing strongly in Asia, where the health benefits are increasingly recognised. The opportunity for South Australia lies in the luxury olive oil market, leveraging the purity and reliability of our product, relying on a heritage narrative and appropriate luxury packaging and branding.

Both Malaysia and Singapore procure Spanish, Italian and Tunisian olive oils, which are available in most leading supermarket chains. Olive oils are often sold as part of luxury gift packs.

RED WINE

Driven by the growth of an aspirational middle class across Asia, red wine consumption has experienced a renaissance in those markets. The perceived sole origin for luxury wines in the market has traditionally been in the Bordeaux region of France; however, this conception is shifting thanks to growing customer sophistication. Ensuring traceability across the value chain will be important for South Australian wines, requiring enhanced consideration of processing and packaging technologies.

In Singapore, there is a positive consumer perception of the health benefits of red wines, by virtue of the rich polyphenol content. Demand for luxury red wine is growing, prompted by the increasing number of fine dining restaurants across Singapore, the influx of wine brands into the country, and the new types of wines becoming available in the market. The Singapore government recently passed the Liquor Control Bill which will see restricted hours of sale for take-away alcohol and consumption in public places. Import duties on alcoholic beverages was increased by 25% in 2014.



ROCK LOBSTER

Rock lobster is Australia's largest seafood export by value, and South Australia's southern rock lobster accounts for 19% of total Australian production value. South Australia's high environmental standards should sustain the State's competitive advantage going forward, but the main challenge will be the relatively higher product price compared with other exporters. South Australian producers could also consider value-added luxury product opportunities for rock lobster, including lobster portions, ravioli, and pizza.

In Singapore, rock lobster is an entirely imported product, most often seen in Chinese or western cuisine. The demand for rock lobster remains steady.

TRUFFLES

Australia is the world's fifth largest producer of truffles, with production occurring across the cooler climates of southern Australia. Producers in South Australia are small-scale in comparison with counterparts in other states and tend to rely on local distribution channels such as farmers' markets. South Australian producers should consider growing white truffles, which are more highly valued in Asia and would offer product differentiation against other Australian and Chinese producers. Luxury packaging will also need to be developed to complement the product.

Singapore's economic prosperity has seen an increase in the consumption of truffles particularly within expatriate populations.

WAGYU BEEF

Australia has the largest population of full-blood genetic Wagyu outside of Japan, and it is a key value-added niche sector in our cattle industry. There is some Wagyu production already occurring in south-eastern regions around Adelaide, and South Australia's product is prized for our effective food safety regulations, traceability, and a focus on animal husbandry, farm management and welfare.

Singapore's demand for Wagyu beef continues to increase with the product being widely available in high-end restaurants and specialised supermarkets. Currently Australia, Japan, New Zealand and the United States are the major exporters of Wagyu beef to Singapore. Wagyu represents about 5% of total beef consumption in Singapore.