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Australia

Exporter Guide

2013 Exporter Guide - Australia

Approved By:
Hugh Maginnis, Agricultural Counselor
Prepared By:
Lindy Crothers, Agricultural Marketing Specialist

Report Highlights:
Australia is a prosperous, politically and economically stable, industrialized nation. Australia is the world's 12th largest economy, with nominal GDP of US$1.5 trillion and one of the highest levels of per capita GDP in the world. It has a large services sector but is also a major exporter of resources, energy, and food. The Australian economy has grown for 22 consecutive years. Net debt is expected to peak at 12% per cent of GDP in 2014-15. The economy grew by 2.75% in 2011 and 2012 but is now slowing. The unemployment rate is currently 5.8%.

Post:
Canberra

Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. They share a common heritage, culture and language and have supported each other in every major international crisis of the past century.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market.

Australia is the world's 12th largest economy, with nominal GDP of US$1.5 trillion and one of the highest levels of per capita GDP in the world. It has a large services sector (over 70% of GDP) but is also a major exporter of resources, energy, and food. The Australian economy has grown for 22 consecutive years. Net debt is expected to peak at 12% per cent of GDP in 2014-15. The economy grew by 2.75% in 2011 and 2012 but is now slowing. The unemployment rate is currently 5.8% (November 2013).

Australia has a sophisticated financial market, regulated in accordance with international norms. In terms of global turnover, Australia's foreign exchange market is the seventh largest in the world, and the Australian dollar/U.S. dollar currency pairing is the fourth-most traded globally (BIS, Triennial Central Bank Survey, 2010). Four of Australia’s leading banks are currently ranked in the top 12 in terms of world financial security and AA rankings. In 2012, Australia was ranked as the second easiest place in the world to start up a business, according to the World Bank. It ranked tenth in terms of 'ease of doing business,' and was the sixth easiest place to obtain business credit.

Australia’s trade with the world exceeded US$500 billion in 2012, with a growth rate of over 10% over five years. Terms of trade have fallen slightly from historic highs, with strong prices for exports of iron ore and coal and over a diverse mineral and energy production portfolio. Energy exports will expand further as large LNG projects in northern Australia (such as the Chevron-Exxon-Shell Gorgon project) export gas to East Asia. The Australian dollar was trading near parity with the U.S. dollar placing pressure on manufacturing, but from mid-2013 fell to around US$0.92.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 23 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and Perth and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia, who are all making their cultural influences felt more vibrantly, including in the restaurant and food processing industries.

The U.S. - Australia Free Trade Agreement has provided some advantages for U.S. products. For example, tariff rates for all U.S. food products exported to Australia dropped to zero upon implementation of the agreement in January 2005. Australia also has free trade agreements in place with New Zealand, Singapore, Thailand, Chile, ASEAN (with New Zealand) and Malaysia. Australia is also in the process of negotiating bilateral FTAs with China, Japan, Korea, India and Indonesia and is also involved in negotiations in the Trans-Pacific Partnership, the Gulf Cooperation Council, the Regional Comprehensive Economic Partnership Agreement, and the Pacific Trade and Economic Agreement (PACER Plus). Details of these agreements and negotiations are available on the Australian Department of Foreign Affairs and Trade website at: http://www.dfat.gov.au/fta/.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to fresh produce, meat and dairy products
No language barriers to overcome	Australia is a significant producer of a wide variety of agricultural products.
U.S. products have excellent image and acceptance.	'Buy Australian' campaign is significant.
The U.S. and Australia have a free trade agreement that removes import tariffs.	Australian labeling & advertising laws are different from the U.S. This may require some changes to food labels.
Australian consumers are experimental and desire new and innovative products. This presents an opportunity to trial such products and capture/gain market share.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Australia is a sophisticated market that is interested in new-to-market food products.
- An increasingly multicultural society creates opportunities for ethnic food products.
- After sales services, such as cooperative advertising, is an important aspect of successfully entering the market.
- Innovative packaging has an advantage and is becoming increasingly important to consumers.
- A large number of the major Australian importers visit the United States at least once a year to see what is available and to place orders if the items are appealing.
- The Food and Agriculture Import Regulations and Standards (FAIRS) Country Report for Australia contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site: http://gain.fas.usda.gov/Pages/Default.aspx or requested from this office (AgCanberra@fas.usda.gov). We recommend that U.S. exporters use this report extensively if planning to enter the Australian market.
- Exporters should also work very closely with their importers/distributors to ensure that all requirements are met *before* any product is shipped.
- The Department of Agriculture, Fisheries and Forestry (DAFF) maintains an online database, called ICON, of the import conditions for all agricultural products coming into Australia. U.S. exporters should make use of this database to ensure that they are going to be able to meet all the relevant quarantine conditions. The database is available at: http://www.aqis.gov.au/icon/asp/ex_querycontent.asp
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand (FSANZ). The Code applies to both Australia and New Zealand. The joint Code came into final effect in December 2002. More information, and a copy of the Code, is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au/. The FAIRS report mentioned above gives comprehensive guidance on how to use the Food Standards Code.
- Food safety and plant and animal health import regulations can be found on the DAFF Internet site at: http://www.daff.gov.au/biosecurity/import or through links in the FAIRS report mentioned above.

Trade Shows

There is one major food show in Australia, Fine Food Australia, which is held each year (usually in September) alternating between the cities of Sydney and Melbourne. Major buyers and importers from all over the country and region attend. Due to Australia's large geographic size and the high cost of internal airfares and transport, we believe that attending and/or exhibiting at Fine Food is the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the Australasian region. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service and hospitality industries at one venue. As well as exhibitors from Australia, regular exhibitors include groups from Asia, the Pacific, Europe and the Americas. Buyers from all over Australia and the Asia Pacific region also attend the show.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, and hotel and supermarket trades.

CONTACT:
Ms. Minnie Constan, Exhibition Director
Diversified Exhibitions Australia Pty Ltd
Illoura Plaza
424 St Kilda Road
Melbourne, VIC 3004
AUSTRALIA
Tel: +61-3-9261-4500
Fax: +61-3-9261-4545
E-mail: food@divexhibitions.com.au
Web site: http://www.finefoodaustralia.com.au/

Fine Food Australia 2014 – Melbourne
Melbourne Convention & Exhibition Centre, September 8-11, 2014

Fine Food Australia 2015 – Sydney
Dates & venue still to be finalized due to redevelopment of Darling Harbour site.

Fine Food Australia, 2016 – Melbourne
Melbourne Convention & Exhibition Centre, September 12-15, 2016

This information is provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Market Structure & Trends

Trends

- **Positive nutrition:** The drive to make food and beverages healthier continues to gain momentum in Australia. Research has found that the majority of Australian consumers are tired of being told what not to eat and are instead looking for more constructive guidance to assist their food and beverage purchases. This encompasses a movement from food avoidance (such as products with reduced fat and sugar) to positive nutrition and the inclusion of healthy food and ingredients.
- **Healthy indulgence:** Australians aren't really interested in strict diet plans but there is a huge spike in people trying to control their portion sizes. They don't want to cut out certain food groups or flavors, but they are willing to control the amount they eat. Therefore, the quality over quantity mentality is an important consideration for marketers. Claim terms such as 'portioned indulgence' or 'treat size' convey the message that sensory benefits have not been foregone for the sake of health.
- Demand for **healthy food** is being boosted by demographic shifts. An aging population and rising birth rates have both had a positive impact on the development of the health and wellness market since 2005. Middle-aged or elderly consumers and parents with young children tend to be better informed about health and dietary matters than other groups, and therefore represent a key target for health and wellness manufacturers.
- **Packaging:** Packaging has grown in importance in recent years and innovative packaging is a valuable selling point in the Australian market. It is often the packaging that conveys convenience to the consumer, and snazzy packaging attracts the attention of consumers. Packaging ensures that offerings conform to market trends by communicating unique selling points and offering freshness and convenience. By being lightweight, packaging can reduce the carbon footprint of transportation. Increasingly, consumers expect that packaging will also be recyclable. A recent study found that 50% of Australians think food and drink products are over-packaged and 69% would consider boycotting a product if it didn't meet their environmental criteria.
- **Fairtrade** goes mainstream: According to Fairtrade Australia and New Zealand, Australian consumers purchased more than 42 million Fairtrade Certified products during 2012, spending A$191 million (US$196) in the process. On average, annual growth of Fairtrade over the past five years has been over 50%. Certified chocolate products, coffee and cotton are the most popular purchases. Fairtrade Certified products are now much easier to track down, as they are no longer confined to health food stores, with large supermarket chains and many premium and even mainstream consumer brands now offering them.
- **Freshness** is an important area of concern for packaged food sales. Foodservice players and consumers appreciate the peace of mind from knowing the offerings are in good condition. This can be achieved with single-serve pack sizes, resealable packaging, and clear on-pack communication.

Market Structure

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-oriented foods and ingredients for further processing continue to dominate the import market for foodstuffs.
- Tariffs on imported foods have been reduced to zero under the U.S./Australia Free Trade Agreement.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they may have good market potential in Australia (see also Section II above on **FAIRS Report**).
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also a large importer of further processed and consumer-ready products.
- 'Healthy', 'clean', 'green' and 'organic' and 'natural' are very important selling points amongst a growing segment of the market.
- Some of the U.S. success in this market has been providing off-season fresh fruit (such as table grapes and cherries) to Australian consumers. Success, however, is very much tied to good consumer promotion efforts and being able to meet quarantine requirements.

- U.S. products are well regarded as good quality and value for money in this market. The U.S. is the number two supplier (after New Zealand) of imported ‘consumer oriented’ food products.
- It is estimated that over 85 percent of the products on Australian supermarket shelves are imported, made from imported ingredients or produced locally by foreign owned companies.
- The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods that match the tastes of the majority of the population are helpful in maintaining this position.
- With the Australian population becoming more multi-cultural, imports are rising from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries.
- The Treaty of Closer Economic Cooperation with New Zealand makes that country a strong player in the imported food market.
- The high degree of urbanization, the high ratio of females in the workforce and the relative prosperity of Australia, makes food consumption a very competitive field.
- Fast foods and "take-away" foods are also very popular. It is estimated that 50% of Australians aged 18-34 years old eat a meal ‘on-the-go’ at least once a week.
- The restaurant sector has also benefited from this demographic trend, as away-from-home consumption continues to grow.
- Australians are active international travelers and are exposed to new cuisines when traveling.
- Australian food manufacturers have been consolidating, which has led to greater competition by brands for shelf space in supermarkets.
- Two chains still dominate Australian grocery sales - Woolworths and Coles.
- Both these companies are national in scope and are also organized along state lines. They have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares.
- In recent years, these food-retailing giants have increasingly become their own importers, bypassing more traditional importers.
- Metcash is a supplier/distributor to independent chains and is the third largest player in the packaged grocery market.
- Aldi, the German-owned supermarket chain, have made strong inroads into the Australian market in recent years.
- In 2009, Costco opened their first store in Melbourne, Australia with stores in Sydney & Canberra opening in July 2011. Plans are underway to open a store in Brisbane and additional stores in Melbourne and Sydney in the next couple of years.
- All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
- The domestic food-processing sector in Australia is large and more sophisticated than the population base of 23+ million would indicate.
- Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This is a trend that will continue to expand in the near term.

Section IV: Best High-Value Product Prospects

- The **organic, healthy and natural products** market in Australia is growing rapidly. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for the processed segment. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Examples of this are the **wholegrain chips** category of snack food which experienced an overall 16.8% rise in value and 36% rise in volume in 2012. The 'adult' segment of the nutritious snacks category experienced a value change of 9% in 2012 after a rise of 22% in 2011. The rice & grain cakes segment of the biscuits category also continues to experience good growth with a rise of almost 7% in value in 2012 following an 8% rise 2011.
- **Gluten free** segment continues to grow in popularity. In 2012 the frozen savory and dessert categories of this segment both grew by 11%.
- In the International Meals segment, **Mexican food** continues to grow, up by over 11% in both volume and value in 2012. This segment is valued at $177 million.
- **The energy drinks** segment of the cold beverages category continues to perform with value growth of over 9% in 2012. This segment is valued at $280 million.
- The **mineral water** category grew by almost 12% in 2012 with the non-flavored segment of this category showing the largest growth of 16.3%.
- The **non-sweetened waters** segment grew by 12.5% in 2012 and is now valued at almost $280 million.
- The value of the **spice blends** segment of the herbs & spices category grew by just over 15% in 2012. This segment alone is now valued at $32 million overall. The total herbs & spices category was valued at $200 million in 2012.
- In the condiments category, the **marinades** segment was the fastest growing with an increase of over 17% in value in 2012. This segment is now valued at $27 million.

Section V: Key Contacts & Other Information

Key Contacts

Agricultural Counselor
U.S. Embassy
Moonah Place
Yarralumla, ACT 2600
Australia
Tel: +61-2-6214-5854
Fax: +61-2-6273-1656
E-mail: AgCanberra@fas.usda.gov

Food Standards Australia New Zealand
P.O. Box 7186
Canberra BC, ACT 2610
Australia
Tel: +61-2-6271-2222
Fax: +61-2-6271-2278
E-mail: info@foodstandards.gov.au
Web: http://www.foodstandards.gov.au/

Australian Quarantine & Inspection Service Imported Food Program
Web: http://www.daff.gov.au/biosecurity/import/food

Food & Beverage Importers Association

181 Drummond Street
Carlton, VIC 3053
Australia
Tel: +61-3 9639-3644
Fax: +61-3) 9639-0638
E-mail: admin@fbia.org.au
Web: http://www.fbia.org.au

Other Information

The home page for the Foreign Agricultural Service is located at: http://www.fas.usda.gov.

Appendix: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries ($m/%US market share)	2012	$11,008	12%
Consumer Food Imports from All Countries ($m/% US market share)	2012	$8,237	12%
Edible Fishery Imports from All Countries ($m/% US market share)	2012	$1,464	3%
Total Population (millions)/Annual Growth Rate (%)	2013	23	
Urban Population (millions)/Annual Growth Rate (%) [1/]	2011	14.7	1.8%
Number of Major Metropolitan Areas [2/]	2012	5	
Per Capita Gross Domestic Product (US$)	2012	56,572	
Unemployment Rate (%)	2012	5.1%	
Per Capita Food Expenditure (US$)	2012	$3,520	
Percent of Female Population Employed (%)	2012	59%	
Exchange Rate (Average for Calendar Year)	2011	A$1.00 = US$1.03	

1/ Those living in capital cities

2/ Centers with population over 1,000,000

Sources: Global Trade Atlas; Australian Bureau of Statistic; Reserve Bank of Australia

Table B: Consumer Food & Edible Fishery Product Imports

Australian Imports (Millions of U.S. Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share (%)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
CONSUMER-ORIENTED AGRICULTURAL TOTAL	6,453	7,793	8,237	668	931	1,015	10	12	9
Snack Foods (Excl. Nuts)	613	734	749	23	34	51	4	5	7
Breakfast Cereals & Pancake Mix	44	59	66	2	3	4	5	5	6
Red Meats, Fresh/Chilled/Frozen	448	468	509	133	180	178	30	38	35
Red Meats, Prepared/Preserved	78	105	133	11	18	23	15	17	18
Dairy Products (Excl. Cheese)	258	309	284	16	23	38	6	7	13
Cheese	375	407	400	22	43	56	6	11	14
Eggs & Products	11	10	9	1	1	2	12	11	21
Fresh Fruit	194	261	256	83	110	124	43	42	49
Fresh Vegetables	64	73	67	8	11	8	12	15	12
Processed Fruit & Vegetables	814	1,084	1,062	85	150	137	10	14	13
Fruit & Vegetable Juices	147	218	204	21	22	21	15	10	10
Tree Nuts	199	247	267	5	8	17	2	3	6
Wine & Beer	642	726	851	8	9	16	1	1	2
Nursery Products & Cut Flowers	42	53	59	0	0	0	0	1	0
Pet Foods (Dog & Cat Food)	178	189	195	75	95	82	42	50	42
Other Consumer-Oriented Products	2,344	2,850	3,125	174	226	257	7	8	8
FISH & SEAFOOD PRODUCTS	1,171	1,340	1,464	37	44	49	3	3	11
Salmon	78	88	95	24	28	33	31	32	35
Crustaceans	348	404	434	4	6	4	1	2	1
Groundfish & Flatfish	13	17	21	0	0	0	0	2	0
Molluscs	121	150	153	3	5	7	2	3	4
Other Fishery Products	611	682	761	6	4	4	1	1	1
AGRICULTURAL PRODUCTS TOTAL	8,787	10,587	11,008	938	1,171	1,309	11	11	12
AGRICULTURAL, FISH & FORESTRY TOTAL	11,319	13,700	14,378	1,060	1,311	1,470	9	10	10

Source: Global Trade Atlas

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($000)	2010	2011	2012
New Zealand	1,542,189	1,812,633	1,854,541
United States	668,124	931,140	1,015,111
Singapore	237,944	620,097	683,579
China	423,878	530,011	543,792
Italy	328,004	380,866	394,722
France	249,560	290,025	335,941
Netherlands	169,958	231,353	308,944
Thailand	230,650	282,115	305,577
Germany	175,219	205,598	245,391
Denmark	241,681	224,050	225,302
United Kingdom	104,352	139,355	166,750
Switzerland	96,480	171,909	162,772
Canada	169,946	157,642	161,170
Vietnam	102,812	124,044	135,775
Mexico	102,299	108,315	130,004
Other	1,610,087	1,583,846	1,567,239
World	6,453,183	7,792,998	8,236,612

FISH & SEAFOOD PRODUCTS IMPORTS

($000)	2010	2011	2012
Thailand	301,866	357,900	410,432
China	169,385	220,939	218,221
New Zealand	197,880	203,346	209,392
Vietnam	154,714	162,173	180,253
Malaysia	62,807	75,924	75,451
United States	37,278	43,994	48,884
Indonesia	28,768	30,194	46,728
Taiwan	37,292	36,775	44,075
South Africa	27,501	28,956	31,328
Denmark	17,873	25,020	29,240
Norway	23,970	28,534	27,664
Japan	13,367	15,847	17,560
Canada	11,970	14,728	15,694
Myanmar	8,277	7,751	9,574
Korea South	5,777	6,189	7,504
Other	71,876	81,733	91,749
World	1,170,602	1,340,004	1,463,750

Source: Global Trade Atlas