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Australia

Exporter Guide

2014 Exporter Guide

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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$1.4 trillion and one of the highest levels of per capita GDP in the world. The economy has grown for 22 consecutive years and it grew by 2.4% in 2013 and is expected to grow at 2.6% in 2014. Australia has low inflation (currently 2.3%), is ranked highly for ease of doing business and transparency and has attracted significant capital inflows for many years. The unemployment rate is currently 6.1% (August 2014).

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$1.4 trillion and one of the highest levels of per capita GDP in the world. Australia has a population of 23.5 million and is the only country to wholly occupy a whole continent, with the mainland covering 7.7 million square kilometers. Notably, the Australian economy has grown for 22 consecutive years. It grew by 2.4% in 2013 and is expected to grow at 2.6% in 2014. Australia has low inflation (currently 2.3%), is ranked highly for ease of doing business and transparency and has attracted significant capital inflows for many years. The United States is the major investor with an FDI stock of A$132 billion in 2013 followed by the United Kingdom and Japan. Australia is also a major investor in the U.S. economy.

Australia's trade with the world was around US$500 billion in 2013, with a growth rate of over 10% over five years. Australia is a major exporter of resources, energy, food, and goods and services exports accounted for 22% of GDP in 2013. Australia's major export markets are China, Japan, Korea, the United States and India. Its major sources of imports are China, the United States, Japan, Singapore and Germany. Terms of trade have come off historic highs, with prices for exports of iron ore and coal moderating as production increases after a minerals investment boom. Energy exports will nevertheless continue to expand as large projects in northern Australia (such as Gorgon) increase supplies of gas to East Asia.

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, 2013). Four of Australia's leading banks are currently ranked in the top 12 in terms of world financial security and AA rankings. In 2013, 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. The Australian dollar was about US$0.92 in August 2014.

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 Australian Department of Agriculture (DoA) 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://apps.daff.gov.au/icon32/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. 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 and other food related legislation.
- 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.

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Fine Food Australia 2015 – Sydney
Sydney Showgrounds, September 21-24, 2015

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

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Section III: Market Structure & Trends

Trends

- **Positive nutrition:** The drive to make food and beverages healthier continues to gain momentum in Australia. Recent research found that 61% 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, Fairtrade's annual growth 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 and now have a 10% share of the eastern states market.
- In 2009, Costco opened their first store in Melbourne, Australia. Since that time, Costco has expanded quickly and it now has six stores: two in Melbourne (Victoria), two in Sydney (NSW), one store in each of Canberra (ACT) and Brisbane (Queensland). Plans are underway to open a store in Adelaide (South Australia) in November 2014.
- 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 23.5+ 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.
- In 2013 Australia imported over US$1.5 billion in total agricultural products from the United States, an increase 3% from the previous year and following a 12% increase in 2012.
- Consumer oriented products account for around 70% of all U.S. agricultural product exports to Australia.
- Australia ranks as the 9th largest export market for U.S. consumer-oriented products (by value).
- Global Trade Atlas data shows that U.S. exports of consumer oriented products to Australia are already up by 26% (by value) in 2014 year compared to the same period in 2013 (Jan-June).
- The U.S. is the 2nd largest supplier of consumer-oriented food products to the Australian market after New Zealand, accounting for 12% of total imports of these products.

Section IV: Best High-Value Product Prospects

Best Product Prospects

- The **organic, healthy and natural products** market in Australia continues to grow 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 that **nutritional snacks** account for the largest share of the Health Foods category – 30.5% volume – up by 10% over the previous year. The entire health foods category is valued at A$366 million. In the snack food category, the nutritious snacks segment is now valued at A$453 million. The 'adult' segment of this segment continues to grow – up 5.6% in value in the past year.
- **The iced tea** segment of the beverages category continues performing well, with overall growth by grocery value of 15% in 2013 after similar rises in the preceding years.
- In the **water** category, **non-sweetened waters, sill water and mineral water** all grew by approximately 20% in 2013. Sales of **coconut water** grew by over 100% in both value & volume in 2013.
- **Mexican dips** continue to increase in popularity with growth of 16% in value and 12% volume in 2013.

Section V: Key Contacts & Other Information

Key Contacts

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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)	2013	$11,282	12%
Consumer Food Imports from All Countries ($m/% US market share)	2013	$8,633	12%
Edible Fishery Imports from All Countries ($m/% US market share)	2013	$1,539	11%
Total Population (millions)/Annual Growth Rate (%)	2013	23.5	1.7%
Urban Population (millions)/Annual Growth Rate (%) 1/	2013	16.3	2.0%
Number of Major Metropolitan Areas 2/	2013	5	
Per Capita Gross Domestic Product (US$)	2014	61,137	
Unemployment Rate (%)	2014	6.1%	
Per Capita Food Expenditure (US$)	2014	$3,761	
Percent of Female Population Employed (%)	2014	59%	
Exchange Rate (Average for Calendar Year)	2013	US$1.00 = A$0.97	

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; Department of Foreign Affairs & Trade

Table B: Consumer Food & Edible Fishery Product Imports

Australian Imports (Millions of U.S. Dollars)	**Imports from the World** 2011	2012	2013	**Imports from the U.S.** 2011	2012	2013	**U.S Market Share** 2011	2012	2013
CONSUMER-ORIENTED AGRICULTURAL TOTAL	7,793	8,237	8,633	931	1,015	1,058	12	12	12
Snack Foods (Excl. Nuts)	734	749	814	34	51	56	5	7	7
Breakfast Cereals & Pancake Mix	59	66	90	3	4	5	5	6	6
Red Meats, Fresh/Chilled/Frozen	468	509	471	180	178	142	38	35	30
Red Meats, Prepared/Preserved	105	133	139	18	23	22	17	18	16
Dairy Products (Excl. Cheese)	309	284	339	23	38	55	7	13	16
Cheese	407	400	397	43	56	52	11	14	13
Eggs & Products	10	9	13	1	2	2	11	21	19
Fresh Fruit	261	256	275	110	124	139	42	49	51
Fresh Vegetables	73	67	66	11	8	5	15	12	8
Processed Fruit & Vegetables	1,084	1,062	1,080	150	137	133	14	13	12
Fruit & Vegetable Juices	218	204	171	22	21	16	10	10	10
Tree Nuts	247	267	259	8	17	19	3	6	7
Wine & Beer	726	851	940	9	16	20	1	2	2
Nursery Products & Cut Flowers	53	59	76	0	0	0	1	0	1
Pet Foods (Dog & Cat Food)	189	195	232	95	82	92	50	42	40
Other Consumer-Oriented Products	2,850	3,125	3,270	226	257	299	8	8	9
FISH & SEAFOOD PRODUCTS	1,340	1,464	1,539	44	49	54	3	11	11
Salmon	88	95	115	28	33	38	32	35	33
Crustaceans	404	434	462	6	4	5	2	1	1
Groundfish & Flatfish	17	21	23	0	0	1	2	0	4
Molluscs	150	153	149	5	7	4	3	4	3
Other Fishery Products	682	761	789	4	4	6	1	1	1
AGRICULTURAL PRODUCTS TOTAL	10,587	11,008	11,282	1,171	1,309	1,346	11	12	12
AGRICULTURAL, FISH & FORESTRY TOTAL	13,700	14,378	14,585	1,311	1,470	1,515	10	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)	2011	2012	2013
New Zealand	1,812,633	1,854,541	1,926,647
United States	931,140	1,015,111	1,058,007
Singapore	620,097	683,579	677,309
China	530,011	543,792	535,135
Italy	380,866	394,722	441,377
France	290,025	335,941	382,443
Thailand	282,115	305,577	344,663
Netherlands	231,353	308,944	303,642
Germany	205,598	245,391	253,325
Denmark	224,050	225,302	247,179
United Kingdom	139,355	166,750	214,230
Switzerland	171,909	162,772	168,689
Mexico	108,315	130,004	167,299
Canada	157,642	161,170	146,935
Vietnam	124,044	135,775	139,313
Other	1,583,846	1,567,239	1,626,509
World	7,792,998	8,236,612	8,632,703

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS IMPORTS

($000)	2011	2012	2013
Thailand	357,900	410,432	392,361
China	220,939	218,221	248,331
New Zealand	203,346	209,392	205,652
Vietnam	162,173	180,253	176,132
Malaysia	75,924	75,451	88,438
Indonesia	30,194	46,728	60,271
United States	43,994	48,884	54,174
Taiwan	36,775	44,075	46,313
Denmark	25,020	29,240	38,100
South Africa	28,956	31,328	36,535
Norway	28,534	27,664	33,087
Japan	15,847	17,560	20,321
Myanmar	7,751	9,574	13,986
Canada	14,728	15,694	13,336
Poland	4,792	4,501	10,919
Other	83,131	94,752	100,701
World	1,340,004	1,463,750	1,538,658