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Report Name: Food Processing Ingredients

Country: Australia

Post: Canberra

Report Category: Food Processing Ingredients

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Report Highlights:

Australia has proven to be an appealing and profitable market for U.S. companies for many years. Apart from an extremely strict quarantine regime, it offers few barriers to entry, a familiar legal and corporate framework, and a sophisticated and straightforward business culture. While it is important to understand and appreciate Australia's cultural differences, the long and successful history of U.S. firms in Australia suggests the potential of this market. Australia's food, beverage, and grocery sectors account for one-third of the country's total manufacturing industry. In 2021 food industry turnover totaled A\$116 billion (US\$80.4 billion). The industry is comprised of over 16,000 enterprises.

Market Fact Sheet: Australia

Executive Summary

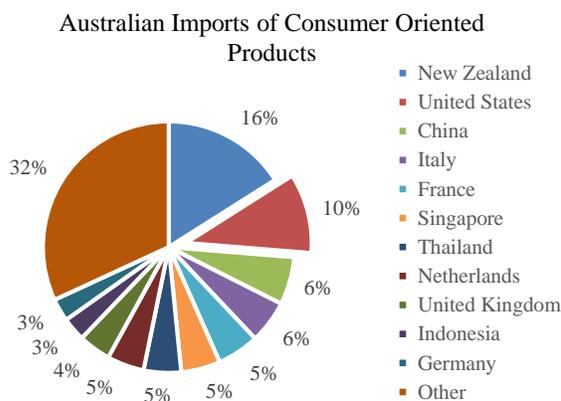
Australia has proven to be an appealing and profitable market for U.S. companies for many years. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.

Australia is the world's 13th largest economy. Australia has one of the highest levels of per capita GDP in the world and is ranked first for median wealth per adult according to Credit Suisse's 2022 Global Wealth Report. Prior to the onset of COVID-19 the Australian economy recorded 29 years of consecutive economic growth. Economic growth is forecast to slow in 2023 with rising interest rates and the higher cost of living. GDP growth in 2022 was around four percent and the Reserve Bank of Australia is estimating that GDP will grow by 2.25 percent in 2023 and one percent in 2024.

The U.S. - Australia Free Trade Agreement provides advantages for U.S. products as tariff rates for many U.S. food products exported to Australia are zero.

Imports of Consumer Oriented Products

In 2022, Australia imported \$12.8 billion worth of consumer-oriented with the United States' market share at 10 percent of the total imports (\$1.3 billion). Most of Australia's imports in this sector are sourced from New Zealand with 16 percent of the market share.



Source: Australian Bureau of Statistics

Food Processing Industry

Australia's food processing industry is the largest manufacturing sector in the country. It is comprised of over 16,000 enterprises and employees over 272,000 people. The sector's revenue is mainly generated by large companies. The food manufacturing turnover for 2021-2022 was US\$ 87 billion.

Food Retail Industry

Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 60.7 percent. The United States accounted for US\$1.7 billion (8 percent) of Australia's total food related imports in 2022. The market remains an excellent opportunity for U.S. exporters. For more information, please see the [Retail Foods](#) report.

Quick Facts CY 2022

Total Imports of Consumer Oriented Products - \$12.8 billion

Australia's Top Consumer-Oriented Growth Products

- | | |
|-------------------------|------------------------|
| 1) Dairy Products | 6) Processed Fruit |
| 2) Distilled Spirits | 7) Coffee |
| 3) Bakery Goods | 8) Condiments |
| 4) Processed Vegetables | 9) Chewing Gum & Candy |
| 5) Dog & Cat Food | 10) Wine |

Food Industry by Channels (\$ billion)

Food Exports	\$53.2
Food Exports to the U.S.	\$3.9
Food Imports	\$20.8
Food Imports from the U.S.	\$1.7
Total Food Retailing	\$164.8
Food Manufacturing Turnover (July/June 2020/2021; latest available data)	\$87

Top Australian Food Retailers

- | | |
|-----------------------|------------------------------------|
| 1) Woolworths | 4) Metcash/IGA |
| 2) Coles (Wesfarmers) | 5) Costco |
| 3) Aldi | 6) Australian United Retailers Ltd |

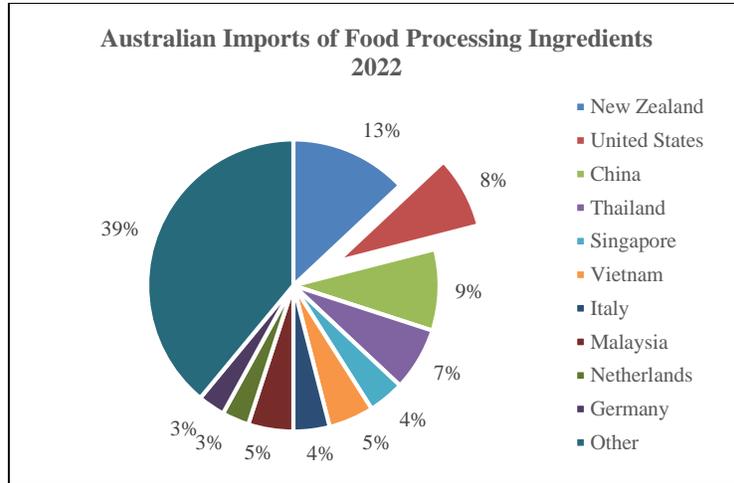
Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
<ul style="list-style-type: none"> U.S. products have excellent image and acceptance. Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables. 	<ul style="list-style-type: none"> Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Opportunities	Threats
<ul style="list-style-type: none"> The U.S./Australia Free Trade Agreement enables many U.S. products to enter Australia tariff free. Australian consumers are experimental and desire new and innovative products. 	<ul style="list-style-type: none"> Most categories have substantial market leaders. Country of origin labeling is compulsory, and many Australian-made products bear the "Australian Made" logo.

Data Sources: Trade Data Monitor; Australian Bureau of Statistics; Euromonitor; IBISWorld; Trading Economics
Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

SECTION I. MARKET SUMMARY

The food, beverage and grocery sectors are the largest manufacturing sectors in Australia, accounting for one-third of all manufacturing activity. The food manufacturing turnover for 2021-2022 reached AU\$116 billion (US\$80.4 billion). The industry is comprised of over 16,000 enterprises (excluding those in the fresh produce sector) and employs over 272,000 people. There is a large representation of sole traders, and small and medium sized enterprises (SMEs). Although there is a large number of SMEs, they only account for a small portion of the sector’s turnover and employment. The sector’s revenue is mainly generated by large companies. Note: 2020-21 is the latest available data.



Source: Trade Data Monitor/Australian Bureau of Statistics

Advantages and Challenges Facing U.S. Products in Australia

Advantages	Challenges
U.S. culture well accepted and similar to Australia.	Strict quarantine regulations for 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 United States and Australia have a free trade agreement that minimizes import tariffs.	Australian labeling and advertising laws are different from the United States. This may require costly changes to food labels.
Australian consumers are experimental and desire new and innovative products. This presents an opportunity to test innovative 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.
Counter-seasonal production and marketing seasons between Australia and the United States mean that some fruit and vegetable imports do not compete with locally produced fruit and vegetables.	An increasing number of low-cost foods ingredients are available from developing countries.
Australia does not produce enough quantities of some ingredients or specific varieties (e.g., tea, coffee, cocoa, certain nuts, dried fruit, and natural colors).	
Many of the major trends in flavoring ingredients used in Australia have their origins in the United States.	

SECTION II – ROAD MAP FOR MARKET ENTRY

Entry Strategy

Market entry can be greatly facilitated by local representation. The local representative should be able to provide market knowledge, up-to-date information, guidance on business practices, trade-related laws, food standards, sales contact. The type of local representation depends on the exporter and the products. The U.S. supplier should provide samples, product specifications, and nutritional data for all products and provide representatives with the necessary training. Using marketing materials and product information will allow the representative to canvas the customer base to determine the level of interest with existing and potential buyers, and market development expertise. It is suggested to engage a broker who knows the market, manufacturers, and generally has a strong relationship with traders. These contacts should include the following: warehousing, distribution, and assistance with customs and quarantine paperwork.

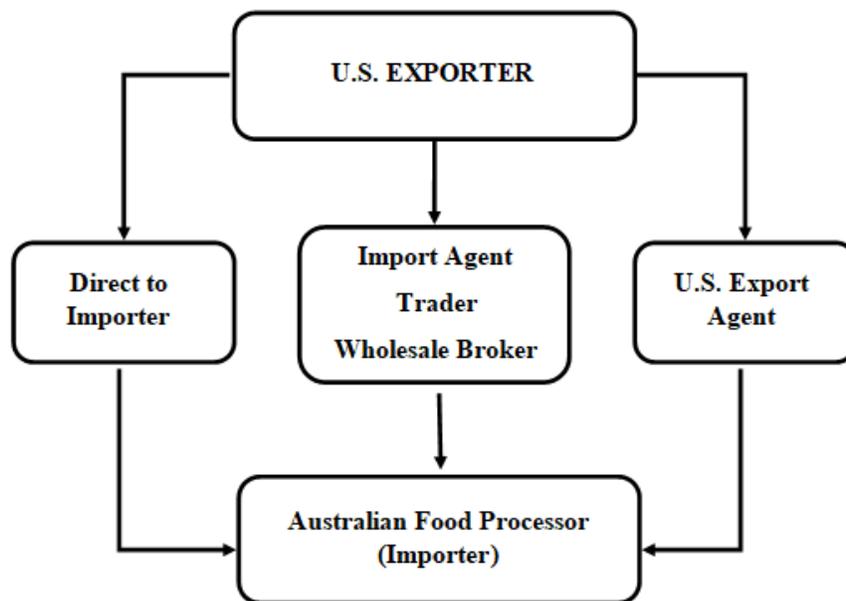
Import Procedure

Most food ingredient imports move through a third party in the form of an import agent, trader, or wholesaler. Often this third party can provide invaluable assistance to help overseas suppliers meet import conditions. Most food processors in Australia use import agents to source product as well as buying direct from other processors or producers.

Australia has strict import conditions and labeling requirements are different than those required in the United States. The Food and Agriculture Import Regulations and Standards (FAIRS) narrative report also provides information on Australia's import requirements. The latest version of this report can be downloaded from the [USDA website](#).

Distribution Channels

Imported food ingredients, for the most part, move from the U.S. exporter to the Australian processor through an import agent or by Australian companies going directly to the U.S. exporter. The diagram below shows the flow of product through the distribution chain.

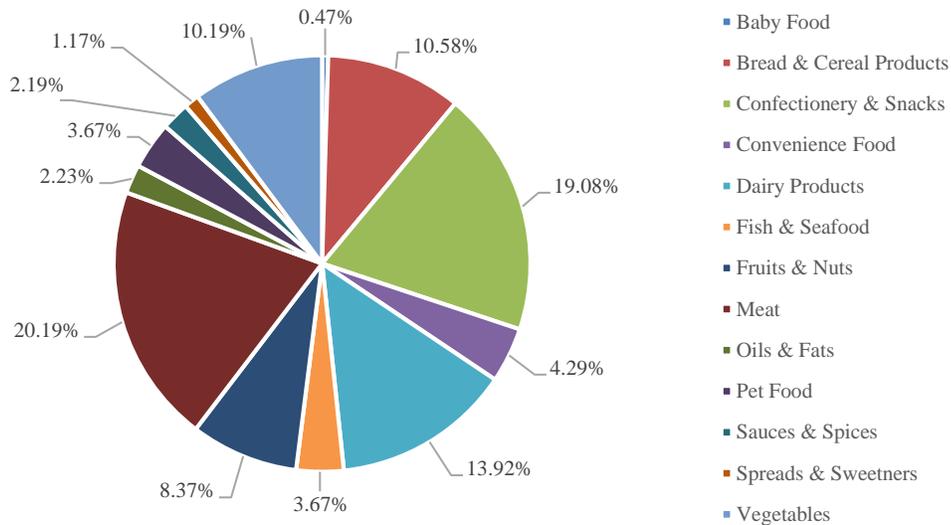


Market Structure

The Australian market is very “Americanized,” with most U.S. food categories compatible with Australian tastes, providing many opportunities for U.S. exporters. Due to the size of the U.S. market, it is possible for U.S. manufacturers to develop a range of products far beyond that which can be achieved in Australia. This enables U.S. exporters to deliver innovative product lines that are otherwise not available - for example food colors and flavors. There are many opportunities for imported products in the Australian food processing market and many ways in which to gain market access.

Share of Major Segments in the Food Processing Industry

According to Statista, the food processing industry is made up of multiple segments. The largest segment in 2022 was meat at US\$16.74 billion with confectionery and snacks right behind at US\$15.82 billion.



Source: Statista

Company Profiles

Fonterra Co-Op Group	George Weston Foods
JBS Foods Australia	Nestle
Asahi Holdings	Lion
Coca-Cola Europacific Partners	Wilmar Sugar
Bega Cheese	Lactalis Australia
Saputo Dairy Australia	Pepsi Co Australia
Ingham’s	Baiada Poultry
Treasury Wine Estates	Mondelez Australia
Thomas Foods International	Mars Wrigley
Teys Australia	Manildra Group

Sector Trends

Processed/cured meat products – Increases in prices of fresh meat has meant that price-conscious consumers have turned to processed/cured products as a cheaper alternative. Processed pig meat and pork for further processing has been progressively allowed into Australia since

1990. Imports consist mainly of frozen boneless pork for further processing. The United States and Denmark are the most significant sources of imports. In 2022, imports of pork and pork products from the United States were valued at \$115 million.

Dairy ingredients – Australia is a large importer of dairy ingredients. Most imports in this sector come from New Zealand accounting for 49 percent of the market, and the United States with 15 percent. New Zealand shipments are primarily milk and butter while the United States is the largest supplier of ingredients such as whey and lactose.

Cheese manufacturing – Domestic cheese consumption is relatively stagnant. Local consumer preferences have shifted from traditional varieties towards premium and specialty cheese varieties. The total value of imported cheese is \$547 million with the United States supplying around 24 percent of those imports.

Fruit and vegetable processing – The Australian domestic fruit and vegetable processing industry has struggled with increasing external competition in recent years as supermarkets have been increasingly sourcing processed goods from overseas. The United States has an advantage over some other countries because of their reputation of trusted suppliers of safe, high-quality products – this should be emphasized when approaching this market. The dominance of Australia’s supermarket giants Coles and Woolworths has encouraged growth in cheaper imports to be sold as private-label products. In 2022, imports from the United States were valued at \$104 million.

Bakery product manufacturing industry – Per capita bread consumption is falling, but Australians are spending more on higher quality, fresher breads, and baked goods such as sourdough, ciabatta, brioche, and baguettes. Rising health consciousness has caused demand for whole meal, seeded, gluten-free and other breads enriched with added nutrients, which are perceived to be healthier products.

Healthy snack food manufacturing – Consumer concerns regarding health and obesity are growing, with health-conscious consumers shifting away from traditionally high-fat and high-sodium snacks. Supermarkets are expanding their private-label offerings to include healthier and premium snack foods. This provides opportunities for U.S. tree nuts and dried fruits. Aside from the largest operators, the industry also includes several small-scale producers that specialize in niche, lower volume products. This sector is made up of many small-scale manufacturers so there are no major players.

SECTION III. COMPETITION

Australia’s imports of food ingredients totaled \$13.6 billion in 2022. The United States is the third largest supplier of these products with imports of US\$1.1 billion (eight percent) in 2022, behind New Zealand (thirteen percent) and China (nine percent).

Australian Imports of Food Ingredients from the World

Partner Country	January - December (US\$)		
	2020	2021	2022
World	12,129,024,590	12,418,055,277	13,581,962,072
New Zealand	1,919,962,101	1,833,661,531	1,817,653,623
China	921,121,769	1,014,784,901	1,193,229,831
United States	1,220,352,587	1,137,115,232	1,148,399,038
Thailand	805,266,121	749,403,055	896,267,836
Singapore	568,895,412	645,079,149	645,079,150
Vietnam	512,160,750	569,995,247	744,760,037
Italy	569,615,171	559,266,498	611,832,229
Malaysia	413,694,566	514,999,429	611,874,916
Netherlands	480,860,844	490,448,141	490,448,141
Germany	321,287,089	350,248,634	350,248,634
Other	4,395,808,179	4,553,042,703	5,072,168,637

Source: Australian Bureau of Statistics

SECTION IV – BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Distilled Spirits

Cheese

Dog & Cat Food

Table Condiments

Baked Snack Foods (Pastries, Pretzels, etc)

Chocolate

Products Not Present in the Market in Significant Quantities which have Good Sales Potential

Ice Cream

Prepared/Preserved Pork

Wine

Beer

Flavoring (Vegetable Saps & Extracts)

Breakfast Cereals & Other Breakfast Products

Products Not Present Because They Face Significant Barriers

Cooked Turkey

Apples

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

Office of Agricultural Affairs

U.S. Embassy

Tel: +61 2 6214 5854

E-Mail: AgCanberra@usda.gov

Other Relevant Reports

Copies of other reports from this office can be found by conducting a search at:

<https://gain.fas.usda.gov/#/search>.

- Food and Agriculture Import Regulations and Standards (FAIRS).
- Exporter Guide (search in the Exporter Assistance category).
- Retail Foods Report (search in the Exporter Assistance category).
- Food Service Report (search in Exporter Assistance category).

Trade Shows

Fine Food Australia is the largest food, beverage and equipment show in Australia and presents U.S. exporters with the most efficient and cost-effective way to enter the Australian market. Australia is a very large country and internal transportation is expensive and time consuming. Fine Food offers an opportunity for U.S. exporters to access a 'one-stop-shop' for entry to the Australian market because many of the major importers, distributors, etc., exhibit at the show or at least visit. This presents an ideal opportunity for U.S. exhibitors to meet with many of the big players in this market in one place. The show is held every September alternating between Melbourne and Sydney. This year the show is in Sydney, September 11-14, 2023. Fine Food is endorsed by the U.S. Department of Agriculture. For information on participating in the U.S. Pavilion at Fine Food, please contact the Office of Agricultural Affairs listed above.

Foodservice Australia – April 30-May 2, 2023, in Melbourne

Tim Collett, Managing Director

Specialised Events

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NOTES

1. The following chapters of the Harmonized Tariff Code were used for querying trade data to include in this report.

02 Meat and edible meat offal; **03** Fish and crustaceans, etc.; **04** Dairy products; eggs; honey; **0504** Guts, bladders and stomachs of animals (not fish); **07** Edible vegetables ; **08** Edible fruit and nuts; **09** Coffee, tea, mate, and spices; **10** Cereals (wheat, rye, barley, oats, corn, rice, buckwheat, millet, other cereals); **11** Products of milling industry; malt; starches; inulin; wheat gluten; **12** Oilseeds; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw fodder; **13** Lac; gums, resins, other vegetable saps, and extracts; **15** Animal, vegetable fats, and oils; **16** Preparations of meat, fish, crustaceans, mollusks; **17** Sugar and sugar confectionery; **18** Cocoa and cocoa preparations; **19** Preparations of cereals, flour, starch or milk; pastry cooks' products; **20** Preparations of vegetables, fruit nuts or other parts of plants; **21** Miscellaneous edible preparations (extracts, yeasts, sauces, soups, ice cream, NESOI); **2209** Vinegar
NOTE: NESOI = Not elsewhere specified or included.

2. The exchange rate used to convert Australian dollars to U.S. dollars throughout this report is the average exchange rate for 2022 derived from data published by the Reserve Bank of Australia: A\$1.00 = US\$0.69.

Attachments:

No Attachments