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Required Report - public distribution

Date: 4/16/2019

GAIN Report Number: AS1907

Australia

Food Processing Ingredients

2019 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 – yet 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 expanding market.

Australia’s food, beverage, and grocery sectors account for over one third of the country’s total manufacturing sector. In 2018 turnover totaled US\$124 billion (A\$176 billion). The industry is comprised of over 36,000 enterprises. The largest number of companies are in the fresh produce sector, followed by food and beverage manufacturing and grocery (non-food) manufacturing.

Post: Canberra

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.

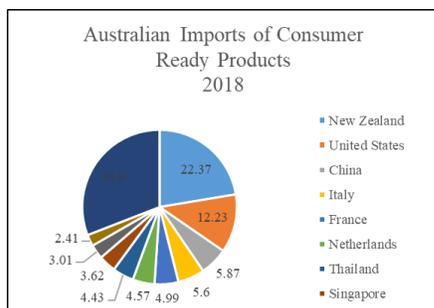
Australia is the world's 13th largest economy, with nominal GDP estimated to be \$1.3 trillion in 2018. Australia has one of the highest levels of per capita GDP in the world and is now ranked first for median wealth per adult according to Credit Suisse's 2018 Global Wealth Report. The Australian economy has enjoyed 27 years of consecutive economic growth and is expected to realize average annual real GDP growth of 2.8% between 2019 and 2023 – the highest forecast among major advanced economies. The unemployment rate is 5.1 percent and the labor force participation rate rose to an all-time high of 65.7 percent in April 2018 and remains at the same rate in March 2019.

The United States is by far the largest supplier of foreign capital to Australia. U.S. investments have risen strongly over recent years to an estimated \$860 billion. Investment in Australia is facilitated in part by its stable macroeconomic management and ease of doing business (it is ranked 18th internationally in the World Bank's 2019 Doing Business index).

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

The value of Australian consumer oriented, fish, and seafood imports totaled \$9.8 billion in 2018. The U.S. accounted for US\$1.2 billion or 12 percent of total imports. The majority of Australia's imports in these sectors are sourced from New Zealand and the United States is the second largest supplier.



Source: Global Trade Atlas

Retail Food Industry

The value of food and liquor retailing in Australia grew by three percent in 2018 to US\$124 billion. Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69%. For more information, please see the [Retail Foods](#) report.

Food Service Industry

The Australian foodservice industry is valued at \$41 billion. By far the largest proportion of the Australia's food industry is the commercial foodservice sector, which consist of more than 70,000 outlets. An ageing population is fueling faster growth in the institutional foodservice sector. For more information, please see the [Food Service](#) report.

Quick Facts CY 2018

Total Imports of Consumer Oriented Products – \$9.8 billion
U.S. Share (12%) – \$1.2 billion

Food Industry by Channels (\$ billion)

Imports - Consumer Oriented, Fish & Seafood Total	\$9.8
Imports – US Share	\$1.2
Exports – Consumer Oriented, Fish & Seafood Total	\$18.9
Exports – to the US	\$2.6
Total Food Retailing	\$124.0
Food Manufacturing Turnover	\$92.5

Top Australian Food Retailers

- 1) Woolworths
- 2) Coles (Wesfarmers)
- 3) Aldi
- 4) Metcash/IGA

GDP/Population

Population – 25.2 million
 GDP (\$ trillion) – \$1.3
 GDP per capita – \$50,000

Sources: Global Trade Atlas; Australian Bureau of Statistics

Strengths/Weaknesses/Opportunities/Threats

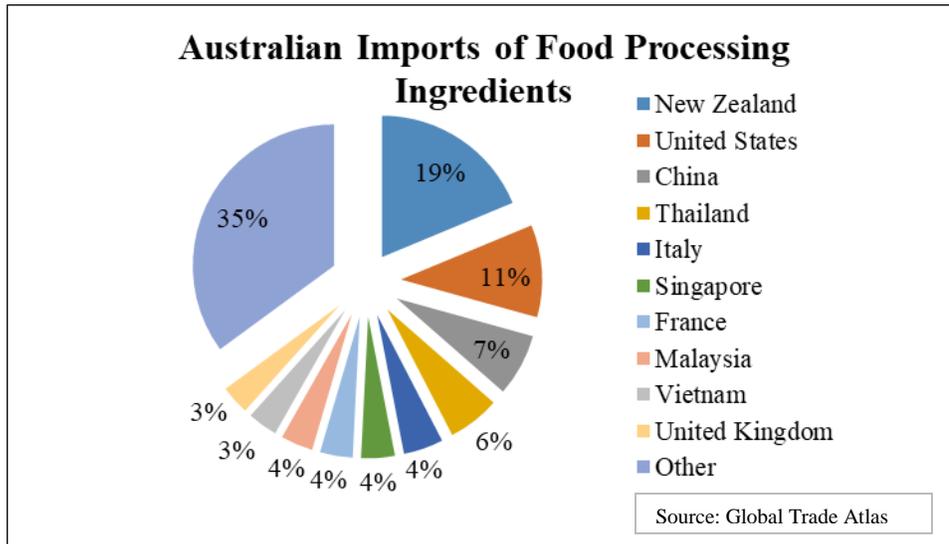
Strengths	Weaknesses
<ul style="list-style-type: none"> • U.S. culture well accepted and similar to Australia. • No language barriers • U.S. products have excellent image and acceptance. • Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables. 	<ul style="list-style-type: none"> • Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. • Australia is a significant producer of a similar variety of agricultural products. • Australian labeling and advertising laws are different from the U.S., 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. • Opportunity to trial innovative products and capture/gain market share. • Opportunity to enter into private label arrangements as major players expand their private label offerings. 	<ul style="list-style-type: none"> • "Buy Australian" campaign is significant. • A focus on fresh food presentation by the major supermarket chains provides advantages to local producers. • Most categories have substantial market leaders. • Country of origin labeling is compulsory and many Australian made products bear the "Australian Made" logo.

Data Sources: Global Trade Atlas; Australian Bureau of Statistics; Euromonitor; IBISWorld

Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

SECTION 1 – MARKET SUMMARY

Australia’s food, beverage, and grocery sectors account for over one third of the country’s total manufacturing sector. In 2018 turnover totaled US\$124 billion (A\$176 billion). The industry is comprised of over 36,000 enterprises. The largest number of companies are in the fresh produce sector, followed by food and beverage manufacturing and grocery (non-food) manufacturing.



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 sufficient quantities of some ingredients or specific varieties (e.g. tea, coffee, cocoa, nuts, dried fruit, and natural colors).	
Many of the major trends in flavoring ingredients used in Australia have their origins in the United States.	
Australia has an affluent consumer base.	

SECTION 2 – ROAD MAP FOR MARKET ENTRY

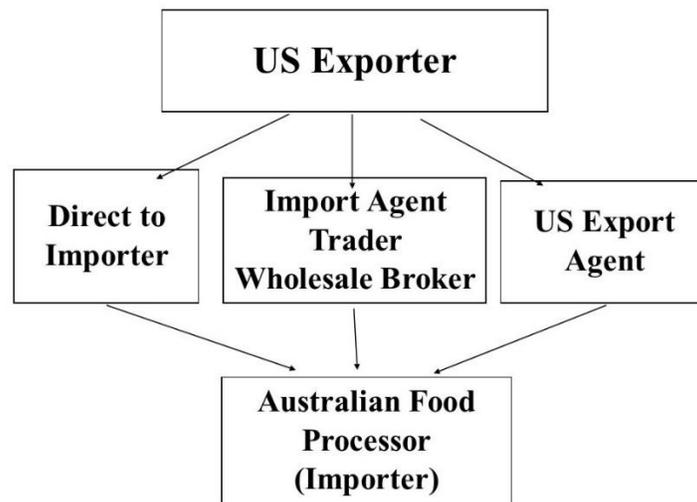
ENTRY STRATEGY

- There are many opportunities for imported products in the Australian food processing market and many ways in which to gain market access. Market entry can be greatly facilitated by local representation. The type of local representation depends on the exporter and the products. The local representative should be able to provide market knowledge, up-to-date information, guidance on business practices, trade-related laws, food standards, sales contacts with existing and potential buyers, and market development expertise. 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.
- The majority of 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. The majority of food processors in Australia use import agents to source product as well as buying direct from other processors or producers.
- Due to the size of the U.S. market, U.S. manufacturers are able 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.
- The Australian market is very “Americanized,” with most U.S. food categories compatible with Australian tastes, providing many opportunities for U.S. exporters.
- 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.
- All food imported into Australia must first comply with strict quarantine requirements stipulated in the [*Biosecurity Act 2015*](#) and then the [*Imported Food Control Act 1992*](#). A release issued after the quarantine inspection is **NOT** a clearance from the Imported Food Inspection Scheme inspection. NOTE: The Imported Food Control Act 1992 was amended through the *Imported Food Control Amendment Act 2018*, which received signed in September 2018. Changes to the legislation can be found at: <http://www.agriculture.gov.au/import/goods/food/reform>.
- To satisfy quarantine requirements it may be necessary for importers of certain foods to obtain an import permit. This is particularly true for fresh fruit and vegetables or food that may contain any milk, egg, meat or other animal products as an ingredient. In addition to obtaining a permit, some products require additional conditions for importation. To obtain up-to-date information about quarantine import conditions refer to the Biosecurity Import Conditions System (BICON) database that is maintained by the Australian Department of Agriculture and Water Resources (<http://www.agriculture.gov.au/import/online-services/bicon>).
- The [*Food and Agriculture Import Regulations and Standards*](#) (FAIRS) narrative report also provides information on Australia’s import requirements.

MARKET STRUCTURE

- 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.

Distribution of U.S. products to Australian Food Processors



SECTOR TRENDS AND MAJOR PLAYERS

Processed/cured meat products – Increasing import competition in the pig meat market has contributed to growth in the value of imports. Processed pig meat and pork for further processing has been progressively allowed into Australia since 1990. Imports generally account for one quarter of pig products consumed domestically. The focus of local producers on large volumes of high-quality product is expected to boost demand for imported, cheaper cuts of meat to fill domestic demand gaps. In 2017-18, imports accounted for 7.5 percent of domestic demand. NOTE: Imports consist of frozen pork for further processing. Denmark and the United States are the most significant sources of imports. Major players include: [Industry Park Pty Ltd. - trading as JBS Australia.](#) (38.5% market share); Food Investments Pty Ltd. (16.7% market share); and [Bertocchi Smallgoods Pty Ltd](#) (5.2% market share).

Dairy Product Manufacturing (milk and butter) – Imports grew at an annualized nine percent over the five years through 2018-19. The majority of industry imports come from New Zealand and Europe, where strong dairy industries operate. The largest source of dairy imports is New Zealand, accounts for over 60 percent of imports due to its proximity to Australia and its high-quality dairy produce. The United States is also major source of butter and other dairy product imports to Australia. Major players include: [Saputo Dairy Australia Pty Ltd](#) (16.0% market share); [Fonterra Co-operative Group Ltd.](#) (11.9% market share); [Parmalat Australia Pty Ltd.](#) (10% market share); and [Lion Pty Ltd.](#) (6.5% market share).

Cheese Manufacturing – Domestic cheese consumption has been relatively stagnant over the last five years. Local consumer preferences have shifted from traditional cheddar varieties towards specialty

cheeses, such as goat's cheese and feta. The value of imported cheese is expected to increase at an annualized 8.4 percent over the five years through 2018-19, to account for an estimated 27 percent of domestic demand. Cheese imports have increased over the past five years due to strong demand for premium cheeses from specific regions, such as parmesan and mozzarella cheese from Italy and brie and camembert from France. Additionally, rising demand for low-cost cheeses from countries such as New Zealand and the United States has helped boost imports. New Zealand and the United States are the two largest suppliers of fresh mozzarella into Australia. New Zealand is also the largest supplier of parmesan cheese and the United States is the largest supplier of grated and powdered mozzarella. Major players include: [Bega Cheese Ltd.](#) (21.9% market share); [Saputo Dairy Australia Pty Ltd](#) (19.8% market share); [Lion Pty Ltd.](#) (12.1% market share); and [Fonterra Co-operative Group Ltd.](#) (8.9% market share).

Fruit and Vegetable Processing – The Australian domestic fruit and vegetable processing industry has struggled with increasing external competition over the past five years. Supermarkets and grocery stores are major purchasers of processed fruit and vegetables. Australia primarily imports processed fruit and vegetables from New Zealand, China, and the United States. New Zealand is a key supplier given its proximity and lower overhead costs. The United States has an advantage over China 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. Major players include: [Simplot Australia \(Holdings\) Pty Ltd.](#) (11.3% market share); and [Heinz Wattie's Pty Ltd.](#) (10.7% market share).

The **bakery product manufacturing industry** is going through a major period of change. While per capita bread consumption is falling, Australians are spending more on higher quality, fresher breads and baked goods. Over the past five years, rising health consciousness has caused demand for whole meal, seeded, gluten-free and other breads, which are perceived to be healthier products. The introduction of functional breads that have been fortified with ancient grains or enriched with nutrients has also contributed to the growing demand for premium breads and bakery products. Major players include: [Bakers Delight Holdings Ltd.](#) (12.7% market share); and [Retail Food Group Ltd.](#) (3.0-4.0% market share).

Snack food manufacturing - the snack food manufacturing industry has faced changing consumer preferences, volatile input prices, and increasing competition from private-label and substitute products over the past five years. Despite these challenges, the industry has recorded solid growth over the period. Increased demand for higher value and gourmet products has also supported industry growth over the past five years. Consumer concerns regarding health and obesity are growing, with health-conscious consumers shifting away from traditionally high-fat and high-sodium snacks. Consequently, demand for traditional snack foods, such as potato chips, has declined. Supermarkets are anticipated to expand their private-label offerings to include healthier and premium snack foods. Aside from the largest operators, the industry also includes several small-scale producers that specialize in niche, lower volume products. Major players include: [PepsiCo ANZ Holdings Pty Ltd](#) (45.7% market share); [Consolidated Snacks Pty Ltd](#) (12.9% market share);

SECTION 3 – COMPETITION

Australia's imports of food ingredients totaled \$13.2 billion in 2018, up three percent over the previous year. The United States is the second largest supplier of these products with imports rising by two percent in 2018 to reach US\$1.4 billion. U.S. products with the largest growth were milling products, fish and crustaceans, and lacs, gums, and resins.

Australian Imports of Food Ingredients from the World

Partner Country	United States Dollars		
	2016	2017	2018
World	\$12,206,054,522	\$12,878,105,941	\$13,246,560,886
New Zealand	\$2,214,092,888	\$2,413,643,350	\$2,418,797,258
United States	\$1,233,707,233	\$1,360,454,826	\$1,386,134,520
China	\$895,211,003	\$919,660,080	\$960,976,201
Thailand	\$742,268,549	\$767,745,907	\$821,599,961
Italy	\$537,780,186	\$586,554,567	\$636,659,751
France	\$430,475,220	\$481,621,294	\$538,406,566
United Kingdom	\$404,558,765	\$424,619,722	\$473,226,785
Vietnam	\$422,176,952	\$440,350,302	\$458,832,214
Netherlands	\$342,189,439	\$423,013,560	\$458,350,301
Malaysia	\$452,894,360	\$473,363,532	\$445,461,125
Other	\$4,530,699,926	\$4,587,078,790	\$4,648,116,206

Source: Global Trade Atlas

Australian Imports of Food Processing Ingredients from the United States

Commodity Description	Millions United States Dollars		
	2016	2017	2018
Total Food Processing Products	\$1,233,707	\$1,360,455	\$1,386,135
Miscellaneous Edible Preparations	\$231,816	\$200,616	\$247,852
Edible Fruit & Nuts; Citrus Fruit or Melon Peel	\$173,007	\$217,984	\$217,209
Meat and Edible Meat Offal	\$147,784	\$172,235	\$184,424
Beverages, Spirits and Vinegar	\$161,037	\$167,478	\$155,789
Dairy Prods; Birds Eggs; Honey; Edible Animal Products Nesoi	\$87,491	\$145,783	\$125,779
Prep Vegetables, Fruit, Nuts or Other Plant Parts	\$108,182	\$114,700	\$107,149
Cocoa and Cocoa Preparations	\$62,778	\$58,605	\$53,327
Edible Preparations of Meat, Fish, Crustaceans etc.	\$44,611	\$51,010	\$52,255
Prep Cereal, Flour, Starch or Milk; Bakers Wares	\$55,449	\$55,401	\$51,617
Oil Seeds etc.; Misc Grain, Seed, Fruit, Plant etc.	\$35,595	\$33,875	\$36,693
Animal or Vegetable Fats, Oils etc. & Waxes	\$16,532	\$25,560	\$25,535
Sugars and Sugar Confectionary	\$25,179	\$32,290	\$23,836
Animal (Not Fish) Guts, Bladders, Stomachs & Parts	\$14,285	\$16,681	\$20,758
Fish, Crustaceans & Aquatic Invertebrates	\$16,205	\$12,671	\$19,607
Milling Products; Malt; Starch; Inulin; Wheat Gluten	\$15,814	\$12,245	\$18,989
Edible Vegetables & Certain Roots & Tubers	\$15,534	\$20,218	\$18,911
Lac; Gums, Resins & Other Vegetable Sap & Extract	\$7,864	\$9,149	\$11,968
Cereals	\$10,031	\$9,799	\$11,021
Coffee, Tea, Mate & Spices	\$4,513	\$4,155	\$3,415

Source: Global Trade Atlas

SECTION 4 – 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 processed organic products. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Findings from a recent survey show that Australian consumers are adopting a back-to-basics mindset, focusing on simple ingredients and fewer artificial or processed foods. The top 10 ingredients being avoided by Australian consumers are: Antibiotics/hormones in animal products; MSG; artificial preservatives; artificial flavors; artificial sweeteners; foods with BPA packaging; artificial colors; sugar; GM foods; and sodium. These ingredients are being avoided primarily because of their perceived impact on health rather than actual medical conditions.
- The survey showed that Australian's want to eat healthier but need help to make it happen. Almost 50 percent of consumers indicated that they wished there were more 'all natural' food products on shelves. They also indicated that they would be willing to pay more for foods and beverages that don't contain unhealthy ingredients.
- The types of products consumers want to see more of are: all natural, no artificial colors, low sugar/sugar free, no artificial flavors, and low fat/fat free. U.S. exporters who are able to provide ingredients and preparation methods that improve the nutritional profile of products will be strongly positioned to succeed in this market.

SECTION 5 – POST CONTACT AND FURTHER INFORMATION

POST CONTACT

Office of Agricultural Affairs
U.S. Embassy
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E-Mail: AgCanberra@fas.usda.gov

OTHER RELEVANT REPORTS

Copies of other reports from this office can be found by conducting a search at:
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

- 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 this region 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 a large number of the major importers, distributors, etc., exhibit at the show and at times represent other companies. This presents an ideal opportunity for U.S. exhibitors to meet with a majority 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 9-12, 2019. 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 – June 23-25, 2019

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 IBISWorld, Cheese Manufacturing in Australia
 IBISWorld, Butter and Dairy Product Manufacturing in Australia
 IBISWorld, Fruit and Vegetable Processing in Australia
 IBISWorld, Flour and Grain Mill Product Manufacturing in Australia
 IBISWorld, Bakery Product Manufacturing in Australia
 IBISWorld, Edible Oils Manufacturing in Australia
 IBISWorld, Baby Food Manufacturing in Australia
 IBISWorld, Snack Food Manufacturing in Australia

NOTES:

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

Tariff code	Description
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)
22	Beverages, spirits, and vinegar

NESOI = Not elsewhere specified or included.

2. Exchange rate used in this report: US\$1.00 = A\$1.42.