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Report Highlights:

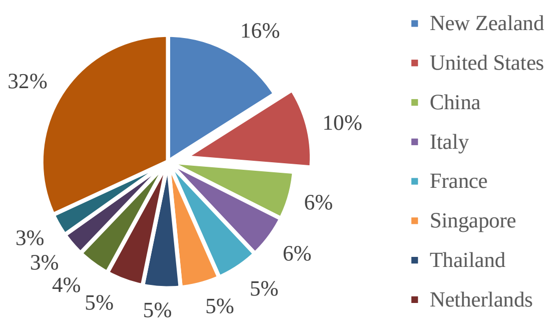
Although Australia is experiencing rising inflation, supermarket and grocery store incomes are benefitting by largely passing the price increases on to customers. Profit margins in supermarkets and grocery stores rose by 4.2 percent in 2022. The value of Australian consumer oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US$14.5 billion in 2022. The United States accounted for US$1.4 billion or 10 percent of Australia's total food related imports. Most of Australia's imports in these sectors are sourced from New Zealand, and the United States is the second largest supplier.

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.

Australian Imports of Consumer Oriented Products



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 US$ 87 billion. For more information, please see the Food Processing report.

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$1.4 billion (10 percent) of Australia's total food related imports in 2022. The market remains an excellent opportunity for U.S. exporters.

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	$152
Food Manufacturing Turnover (July/June 2019/20; 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

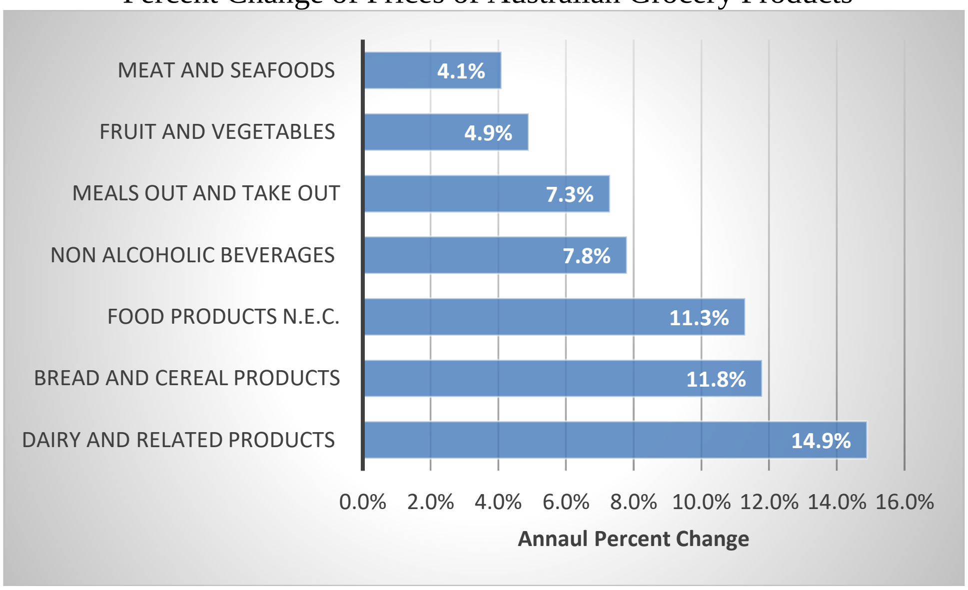
Strengths	Weaknesses
• U.S. products have excellent image and acceptance. • Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables.	• Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. • Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Opportunities	**Threats**
• 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.	• 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

Australia is experiencing a cost-of-living crisis due to rising inflation. The cost of essential goods such as housing, utilities, gas, and groceries are among the top concerns of Australian consumers. From March 2021- March 2022, the Consumer Price Index (CPI) increased by 5.1 percent, which is Australia's highest annual increase since the introduction of GST in 2000. At the end of 2022, Australia's inflation reached nearly 8 percent. According to the Reserve Bank of Australia, 8 percent inflation was the peak, and it will ease through 2023. As of March 2023, CPI was at 7 percent, still quite far away from the target range of 2-3 percent. With inflation rates on the rise, the cost of food and beverages is rising even faster. According to the Australian Bureau of Statics, food and non-alcoholic beverages had some of the largest increases. Dairy products saw the biggest increase at 14.9 percent, followed by bread and cereal products with an 11.8 percent increase.

Percent Change of Prices of Australian Grocery Products



Source: ABS Consumer Price Index, Australia, March Quarter 2023

Although consumers have been experiencing higher prices due to inflation, supermarket and grocery store incomes are benefitting with many stores largely passing on the price increases onto the customers. Profit margins in supermarkets and grocery stores rose 4.2 percent in 2022.

The value of Australian consumer oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US$14.5 billion in 2022. The United States accounted for US$1.4 billion or 10 percent of Australia's total food related imports. Most of Australia's imports in these sectors are sourced from New Zealand – the United States is the second largest supplier.

The value of food and liquor retailing in Australia in 2022 totaled A$219 billion (US$152 billion). Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 61 percent.

Consumer aspirations, both personal and social, along with product developments by suppliers and retailers, continue to be important influences on shopping choices. For example – **Sustainability:** Consumers support products and brands that address concerns for better environmental outcomes. Food producers and retailers have made considerable investments into sustainability platforms. **Waste reduction:** Consumers desire to reduce household food waste. **Integrity of food production systems:** Consumers have supported products positioned to resonate with them (such as free-range egg, poultry, and meat products). **Healthy eating:** The high profile given to obesity has increased the awareness of managing portion sizes.

Key Market Drivers and Consumer Trends

Healthy indulgence: Australians are not really interested in strict diet plans, but there is a huge spike in people trying to control their portion sizes. They do not want to cut out certain food groups or flavors, but they are willing to control the amount they eat.

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.

Health concerns among Australians increasingly encompass not only finished products, but also the production process. The same is true about ethical and environmental concerns, with issues like sustainable production, fair wages for farmers and animal welfare playing an increasingly influential role in consumer purchasing decisions.

Online shopping – Australian consumers have traditionally been slow to go online for groceries, preferring to shop in-store, particularly for fresh products. However, the COVID-19 pandemic dramatically changed this. It is expected that usage of online shopping will be permanently affected to some degree.

Organic packaged food is the second strongest performer among the main health and wellness packaged food categories in this regard, after "free from." One factor constraining the development of this sector in Australia is the difficulty in obtaining official accreditation, a process that can take up to three years. This is among the reasons why organic packaged food products tend to have high prices as compared to standard alternatives, which limits demand. Demand for organic packaged food is expected to continue outstripping supply, which will continue to hinder the development of the category locally but presents excellent opportunities for U.S. exporters. For U.S. suppliers, USDA Organic certification is recognized in Australia.

Advantages	**Challenges**
U.S. culture well accepted and similar to Australia	Strong emphasis on "Australian Made" campaign
No language barriers to overcome.	Strict quarantine regulations for fresh produce, meat, and dairy products.
The United States and Australia have a free trade agreement that minimizes import tariffs.	An increasing number of low-cost foods ingredients are available from developing countries.
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.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.

Strong market dominance by two main retailers, with well established distribution systems.	
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

The best way to enter the market is through a distributor, importer, agent, or broker who then targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Major chains and wholesalers have their own distribution centers and national coverage. Targeting major chains through an agent/distributor will reduce the risk of entering an inappropriate state market in Australia. Specialist distributors or wholesalers may also be approached.

Once the products are in the market, product launches for supermarkets are popular and effective. Provide agent/distributor with promotional material and product suitable for in-store demonstrations. Exporters should also consider combining promotional advertising such as in-store displays and store catalogues, major industry magazines (e.g. Retail World), newspapers, television, radio, and public transport.

A great way to meet buyers, distributors, and importers is to exhibit at Australian food shows. Fine Food Australia, is the premier international food, drink and equipment exhibition is endorsed by the U.S. Department of Agriculture and is held September each year, alternating between Sydney and Melbourne (see http://www.finefoodaustralia.com.au/ for more information). 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, exhibiting at trade shows such as 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.

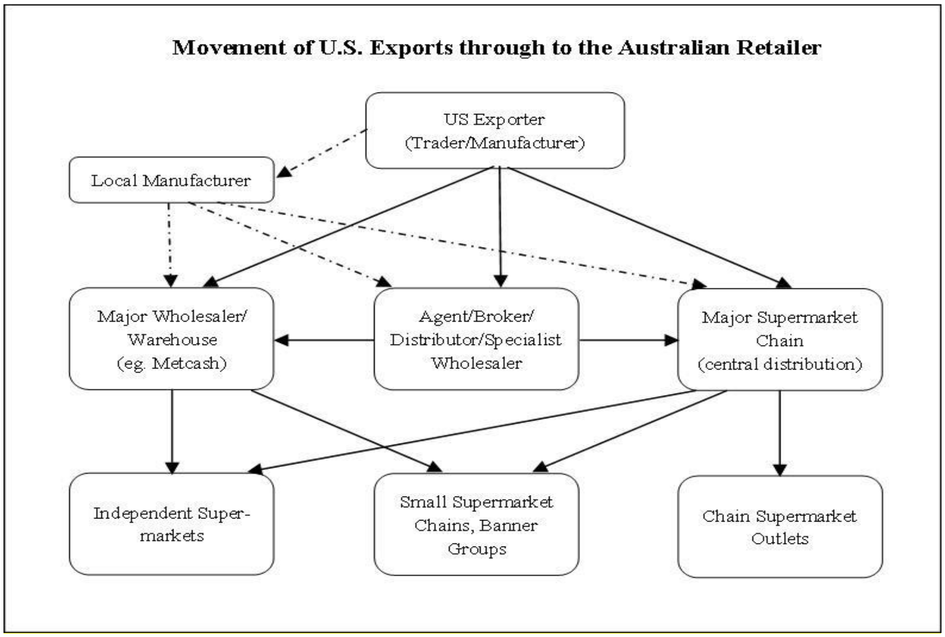
U.S. exporters can contact their U.S. State Regional Trade Groups to obtain additional support. STRGs are a non-profit trade development group funded by USDA/FAS and private industry. The STRGs help U.S. companies with creating and expanding export markets for value-added food and agricultural products.

Market Structure

Distribution Channels

Distribution centers and wholesalers are the two main distribution channels to enter major supermarkets and smaller supermarket chains. Distribution points in Australia are centralized. All major supermarket chains and warehouse/wholesale clubs operate their own network of national and regional distribution centers. Food products will be stored in warehouses prior to delivery. Transport between distribution centers in Australia is predominantly by road.

Product flows in a similar manner for each of the major supermarkets chains, with each operating central distribution centers. Independent supermarkets and smaller supermarket chains purchase their food products through the major wholesalers or direct from manufacturers. The larger chains are also direct importers.



Banner groups, such as the Independent Grocers of Australia (IGA), are used by many independent retailers to improve the buying, advertising, and competitive power of smaller grocery and convenience stores. Under banner groups, retailers can negotiate better prices, coordinate marketing campaigns, and collaborate to establish new programs that benefit consumers.

Company Profiles & Top Host Country Retailers

Retailer Name	# of Outlets	Market Share (January 2023)	Website
Woolworths (Woolworths & Woolworths Metro) Supermarkets & Express Stores	1,400	37 %	https://www.woolworths.com.au/
Coles Supermarkets	800	27.7%	https://www.coles.com.au/
Aldi Discounter Supermarkets	550	10.1%	https://www.aldi.com.au/
Metcash (IGA, Foodland, Friendly Grocer) Independent Small Grocers	1,600	6.8%	https://www.metcash.com/
Costco Warehouse Membership	15	2.4%	https://www.costco.com.au/

Source: IBISWorld, Supermarket websites

Retail Outlets

The supermarkets industry is one of the most fiercely competitive sectors in Australia with Coles and Woolworths accounting for 64 percent of the market. In recent years there has been rapid growth from German-owned ALDI and American-owned Costco, which is continuing to affect the industry. Changing consumer sentiment and shopping preferences have also influenced the industry's trading conditions. Shoppers have shifted their shopping habits over the last decade with some of the key determinants being food safety, location, and good value.

Most grocery shopping is still done in the major supermarkets with consumers preferring the convenience over supporting local and independent outlets. However, shoppers indicated that local greengrocers and markets hold sentimental value, and they would choose to go to them, if possible, for their fresh fruit and vegetable purchases. Supermarkets and grocery stores continue to maintain most of the retail food market share, at around 61 percent. The market share of cafés, restaurants and takeaway food outlets is around 27 percent, reflecting consumers' continued desire for convenience. Other food retailers, such as butchers and bakeries, remain relatively stable with around five percent market share.

The following table summarizes total food retail sales and sector shares for the past five years.

Description	**2018**	**2019**	**2020**	**2021**	**2022**
Total Food and Liquor Retailing (A$m)	**$176,082**	**$182,038**	**$191,093**	**$198,093**	**$218,710**
Supermarkets and Grocery Stores Food Retailing	$109,147	$113,493	$125,274	$125,850	$132,754
Percent of Total Food and Liquor Retailing	62 %	62 %	66 %	63 %	61 %
Cafes, Restaurants & Takeaway Food Retailing	$45,531	$46,801	$39,749	$45,783	$58,154
Percent of Total Food and Liquor Retailing	26 %	26 %	21 %	23 %	27 %
Liquor Retailing	$12,139	$12,334	$15,625	$15,927	$16,594
Percent of Total Food and Liquor Retailing	7 %	7 %	8 %	8 %	8 %
Other Specialized Food Retailing	$9,265	$9,409	$10,446	$10,776	$11,207
Percent of Total Food and Liquor Retailing	5 %	5 %	5 %	5 %	5 %

Source: ABS Cat. No. 8501.0; Retail Trade, Australia

Total turnover in **US$m** is:

Description	**2018**	**2019**	**2020**	**2021**	**2022**
Total Food and Liquor Retailing	**$131,692**	**$126,735**	**$132,695**	**$148,689**	**$151,653**

Aggressive pricing initiatives taken by the major supermarket retailers in recent years are expected to last for the longer term, although other factors such as loyalty programs and online sales are also coming into play. Competition within grocery retailing is expected to intensify with aggressive discounting continuing to be used to appeal to value-conscious consumers.

Warehouse clubs made an appearance in the Australian marketplace following the launch of Costco's first store in Melbourne in 2009 and its expansion since to all main cities across Australia. This presents a further challenge to value gains for supermarkets. Costco remains the only warehouse club in the Australian market and offers a variety of U.S. and Australian products.

Convenience stores focus on providing a daily routine stop for consumers, with an emphasis on driving visit frequency through selling freshly prepared hot food and drinks to attract time-pressed customers. The industry only includes businesses that primarily sell convenience store goods and excludes all service (gas) stations and is therefore highly fragmented and diverse, with a significant number of owner-operated enterprises which include stores operating under banner groups and franchise agreements which are usually run as individual businesses. Convenience stores in Australia are facing growing competition from smaller-sized supermarkets. Best exemplified by the Woolworths Metro and Coles Local formats, these smaller outlets are increasingly found in busy inner city locations and densely populated suburban areas. Like convenience stores, they target time-pressed consumers who tend to shop more frequently, but buy fewer items at a time. Crucially, however, smaller supermarkets generally offer lower prices, while some also serve as "click and collect" points for online customers.

Independent small grocers have been the most affected by the strong industry competition over the past few years. The COVID-19 pandemic also had an impact on this sector as consumers turned to services such as home delivery and click-and-collect which are not offered by these smaller players. Most industry exits have been from this sector. This channel will remain at a competitive disadvantage to supermarkets due to the weaker buying power and economies of scale of the larger businesses. Independent players are also unable to match the marketing budgets of larger retailers and will therefore struggle to compete.

Grocery Sales by Retailer Type: A$m

Retailer Type	2018	2019	2020	2021	2022
Convenience Stores	$3057	$3071	$2,966	$3,126	$3,257
Discounters	$9,200	$9,738	$10,809	$10,685	$10,517
Forecourt Retailers	$8,082	$8,832	$7,734	$8,074	$9,189
Warehouse Clubs	$1,872	$2,216	$2,612	$2,868	$3,086
Small Local Grocers	$7,032	$7,112	$8,364	$8,021	$8,532
Foods/Drink/Tobacco Specialists	$18,202	$18,412	$21,652	$20,765	$22,087
Supermarkets	$86,928	$92,617	$100,312	$96,985	$100,962
All Grocery Retailers	**$134,373**	**$141,998**	**$154,449**	**$150,524**	**$157,630**

Source: Euromonitor International, Retailing in Australia

SECTION III. COMPETITION

Imported products will have to compete with 'Australian Made' products. Australians generally have a strong awareness and affinity for buying Australian made goods. Over two-thirds of Australian consumers indicate they believe it is important for grocery products to be sourced locally. However, only one-third claims to actually buy local food and drinks regularly. Higher prices continue to be a major drawback of local offerings, with lower prices more important to some shoppers than a product being produced locally.

Although most Australians would say that they want to buy Australian-made 'whenever possible' or 'often,' this does not translate into behavioral change in-store, as evidenced by the meteoric rise of ALDI stores in the supermarket sector. Factors that matter most to Australian grocery buyers are high standards of food safety; location close to home; good value; convenient trading hours; and hygienically prepared food.

The value of total Australian imports of consumer oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports was US$14.5 billion in 2022. The United States is the second largest supplier (behind New Zealand) of imported consumer-oriented foodstuffs to the Australian market, holding a 10 percent share in 2022 valued at almost $1.4 billion. The U.S./Australia Free Trade Agreement signed in 2005 allows nearly all U.S. products to enter the Australian market tariff free.

Product Category Total Australia Import	Main Supplies in Percentage
Dairy Products **$1.5 billion USD**	1. New Zealand – 49% **2. USA- 15%** 3. Italy – 5%
Food Preparations **$1.6 billion USD**	1. Singapore – 26% 2. New Zealand – 15% **3. USA – 10%**
Distilled Spirits **$789 million USD**	1. UK- 34% **2. USA- 18%** 3. France- 11%
Dog & Cat Food **$446 million USD**	1. Thailand- 35% **2. USA- 30%** 3. France- 15%
Pork & Pork Products **$597 million USD**	1. Denmark- 30 % 2. Netherlands- 26% **3. USA- 19%**

International suppliers of branded products remain a vital part of the industry. Aside from lowering prices, supermarkets have broadened their product range to attract new customers. For example, products previously only sold by specialist retailers are now on the shelves in the major supermarkets. To achieve this, companies have resorted to importing the required merchandise from international suppliers and distributors themselves. Imported products need to be **competitively priced** to compete with the growing number of discount chain stores. Offerings to the major chains need to be different and **innovative** – they are not looking for additional suppliers of basic products.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Trends in Imports from the United States Consumer-Oriented Foods

Product Category	Growth 2018-2022 (Percent)	Australian Imports from the United States 2022 ($million)
Dairy Products	+33	223.6
Food Preparations	+4	164.5
Distilled Spirits	+31	140.7
Dog & Cat Food	+58	135.1
Pork & Pork Products	-42	115.3
Fresh Fruit	-28	86.6
Baked Goods, Cereals & Pasta	+51	62.8
Processed Fruit	-15	52.3
Tree Nuts	-48	51.9
Processed Vegetables	-14	51.3
Chocolate & Cocoa Products	-21	42.2

Source: Australia Bureau of Statistics (ABS)

Products Present in the Market which have Good Sales Potential
Distilled Spirits**,** Cheese**,** Dog & Cat Food**,** 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

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
Canberra, Australia
Tel: +61 2 6214 5854
E-Mail: AgCanberra@fas.usda.gov

Import Regulations
See the Department of Agriculture, Fisheries and Forestry biological import conditions (BICON) database to identify whether your product is prohibited entry to Australia.

Australia's Food Labeling Regulations
The Foreign Agricultural Import Regulations and Standards (FAIRS) report from this office contains detailed information on the Food Standards Code and other food regulations. This report is updated each year and a copy is available on the FAS website.

Trade Shows
Fine Food 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 many 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 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.

INDUSTRY INFORMATION

Australian Food and Grocery Council
Email: info@afgc.org.au
Web: www.afgc.org.au

Food and Beverage Importers Association
Email: info@fbia.org.au
Web: http://www.fbia.org.au

Attachments:

No Attachments