Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/3/2000

GAIN Report #AS0012

Australia

HRI Food Service Sector

Hotel, Restaurant, Institutional Food Service Sector

Report

2000

Approved by:
Randolph H. Zeitner
U.S. Embassy
Prepared by:
Hassall & Associates Pty Ltd

Report Highlights:
Australians spend 30% of their food budget on takeaway or dining out. The food service sector in Australia was worth US$13.7 billion in 1998/99, accounting for around 35% of total food sales and is growing at twice the rate of retail food sales.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1], AS

This report was drafted by consultants:

Hassall & Associates Pty Ltd
GPO Box 4625
Sydney, NSW 1044
Tel: +61-2-9241-5655
Fax: +61-2-9241-5684
E-mail: hassyd@ozemail.com.au

Disclaimer: As a number of different sources were used to collate market information for this report, there are areas in which figures are slightly different. The magnitude of the differences is, in most cases, small and the provision of the data, even though slightly different, is to provide the U.S. exporter with the best possible picture of the Australian Retail Food Sector where omission may have provided less than that.

TABLE OF CONTENTS

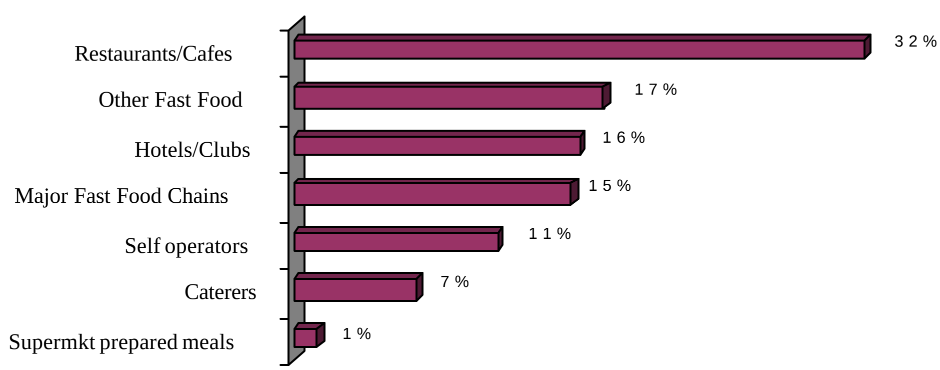
SECTION I: MARKET SUMMARY

The Australian food service sector consists of three main sub-sectors - Hotels and Resorts, Restaurants, and Institutional Contracts. Larger hotel and resort restaurants are increasing their profile by attracting internationally renowned chefs and developing interesting menus. A gap that existed in the fine dining sector in Australia is being filled with improvements in the quality of hotel/resort restaurants and the development of new hotels. There are many smaller hotels, which generally don't have in-house restaurants, but exist in suburbs with a proliferation of places to eat. The restaurant sub-sector is characterized by independently owned restaurants. Within the restaurant sub-sector, the traditional fast-food chains, mainly US branded, have lost 3% market share over the last three years, partly to cafes and through the transfer of business to ethnic cuisine fast-food outlets. The institutional contract sub-sector is dominated by three main caterers/distributors.

Australians spend 30% of their food budget on takeaway or dining out, spending on average US$18.86 (AUD = USD$0.64) per week on meals away from home of which US$7.70 is spent on takeaway food. A further US$5.14 is spent on non-alcoholic beverages. The food service industry served nearly 4.2 billion meals in 1998 or 222 meals per head compared with 216 in 1996, according to a study by BIS Shrapnel (1999). There is potential for substantial growth particularly if we look at the US where consumers eat out at hotels and restaurants twice as often as Australians. The study forecasts the number of meals served will increase by 4% annually over the next 2 years, with restaurants, cafes and fast-food chains reaping the benefits.

The food service sector in Australia was worth US$13.7 billion in 1998/99 (AUD = USD$0.625), accounting for around 35% of total food sales, and is growing at twice the rate of retail food sales (BIS Shrapnel, 1999). The following graph provides a breakdown of the Australian Food Service market sub-sectors. Restaurants / Cafes accounted for A$7 billion (US$4.4 billion) of the market in 1998, increasing from A$6.3 billion (US$4.6 billion) in 1996-97, representing a growth rate of 11%.

Australian Foodservice Sub-Sector Sales 1999



Source: "The Australian foodservice market 1998-2000", BIS Shrapnel

Imported foods accounted for approximately 12% of total food costs in 1998. Of the total value of food imported to Australia US imports contributed US$256 million in 1994, increasing to US$321 million in 1998 (AUD = USD$0.63). Of this, US$26 million was imported as seafood or seafood preparations in 1998.

Value of Imported Food vs Domestic Products (USD Million)

	1994	***1995***	***1996***	***1997***	***1998***
ROW Imported Food Products	2,299	2,534	2,620	2,569	2,370
US Imported Food Products	256	307	281	309	321
Domestic Food Products	36,265	36,994	39,165	36,056	30,650
Total value of Food Products in Australia	38,819	39,835	42,066	38,933	33,342

Source: Australian Bureau of Statistics, Cat Nos. 5422 / 5206

The food service market consists of 76,000 outlets, nine per cent more than recorded in the survey of 1996. 60,000 are commercial (restaurants, hotels, fast-food chains, clubs and cafes), and 16,000 institutional (schools, hospitals and prisons). The increase in outlets has been driven by growth in restaurants and fast-food outlets (FoodService News September 1999).

The number of cafes, restaurants and bars in Australia increased from 14,000 to 20,000 in the past three years. The coffee sector is now one of the highest ranking in terms of the food industry's annual turnover. Australia imports more than 40,000 tons of coffee annually and Australian coffee production is expanding.

The distribution of the food service sector across Australia can be seen in the following chart. NSW / ACT is the leaders in all four divisions.

States Share of Retail Food Sales 1998 (Percentage)

States	***Takeaway Outlets***	***Other Food Outlets***	***Cafes & Restaurants***	***Supermarkets & grocery***
NSW/ACT	36.9	40.9	37.1	33.2
Vic	20.8	21.3	23.8	25.4
Queensland	20.8	15.2	19.8	18.6
SA/NT	9.8	9.8	6.9	9.3
WA	9.2	11	11.7	10.8
Tas	2.4	1.8	1.2	2.7

Source: Retail World ACNielsen Report, Food Retailing, Jun 21-2July 1999, ABS 8501.0

The key demand drivers and macro-economic factors affecting the food service sector include:

- **Trend towards healthy food choices:** A recent consumer survey found that 78% of Australians believe diet influences health; 65% of people worry about chemicals in food; 53% worry about out-of-season produce; and more than 40% are concerned about genetic engineering. Australians are also increasing their consumption of fresh produce with fruit and vegetables accounting for 57% of total food intake. BIS Shrapnel confirmed this trend in their 1999 survey of food service operators where 51% of respondents agreed that fresh produce popularity was reducing demand for processed products. Additionally 80% of respondents agreed that customers are demanding more healthy foods (e.g. low fat, vegetarian, organic).
- **Emphasis on quality:** Restaurants enlist dedicated suppliers to produce fruit and vegetables to their quality specifications of variety and freshness. The success of gourmet delis / sandwich bars is also based on the presentation of high quality fresh produce.
- **Menu diversification & ethnic diversity influencing food choices:** Multiculturalism has had, and will continue to have, a major impact on the food service industry with around 75% of Australians eating ethnic foods regularly. More than 30% of first courses in restaurants in Australia can be classified as ethnic dishes. Cuisine represented includes Mediterranean, African, European, South American, South East Asian, North East Asian, Indian, and Middle Eastern.
- **Adventurous palates:** Most Australians have traveled overseas and/or grown up in a multicultural society and as a result have been exposed to a variety of flavors. Also, Australians are developing more of a taste for spicy food using around 68% more spices in food preparation than a decade ago.
- **European influence:** A report in 'EuroWow!' on the latest innovative retail concepts in Europe considers European concepts are more relevant for Australia than concepts developed in America. Restaurant menus are increasingly taking on classic French principles.
- **Domestic demand buoyant:** Australian consumers are confident in the Australian economy due in part to growth in real incomes and employment. This has lead to an increase in disposable incomes available for dining out.
- **Longer working hours and two income families:** Both men and women spend increasing number of hours at work dictating the trend of people looking for convenience and value for money. In the Murdoch Magazines Food in Focus study, 90% of Australians eat more than three non-home-prepared meals per week, 45% of which are eaten at home.
- **Internet:** Food service companies including caterers, home-service, food distributors and specialist manufacturers are turning to the Internet to increase sales and improve distribution. **www.nafda.com.au**, **www.wineplanet.com.au**, **www.greengrocer.com.au**, and **www.richmondhillcafe&larder.com.au:affiliated**, are examples.
- **Product Innovation:** Australians are prepared to try innovative foods and international chefs consider it easier to experiment in Australia and break with tradition.
- **Lifestyle:** Eating out is playing an increasing role in socializing and entertainment.
- **Growth in International Conventions:** Sydney, and Australia, has experienced substantial growth in the number of international conventions held partly due to an increase in advertising and appropriate venues.
- **Indulgence**: The market is breaking down into specific segments with consumers demanding "indulgence food one day, and healthy products the next".

A conclusion from these trends is that the Restaurant sub-sector will continue to grow, in particular we will see an expansion of ethnic cuisine restaurants offering high quality, value for money food and coffee shops.

Advantages and Challenges Facing U.S. Products in Australia

Advantages	Challenges
Growing confidence in Australia's economic fundamentals with 33 quarters of expansion.	Australian dollar has depreciated against the US dollar making imports relatively more expensive.
US fruit producers will have a seasonal advantage in supplying fresh fruits, particularly blueberries, strawberries, raspberries and blackberries.	Many competitive U.S. products are prohibited entry or face rigid SPS regulations, e.g. of the berry fruits, only strawberries are currently allowed entry (see section IV, B)
US suppliers are able to supply specialty seafood products including species from North America to the food service industry.	As most products are available in Australia for the food service industry, US products have to compete on price in an extremely competitive market.
Tariffs on imported food products are low - 0% for canned or minced salmon, citrus, grapes, condiments, chilled beef, almonds, and stone fruit.	With the emphasis on quality Australian chains and restaurants are likely to buy fresh produce locally as it is viewed as fresher by consumers.
Australian consumers are experimental and desire authentic, restaurant quality taste sensations. Innovative products that make it easier for food service operators have potential.	US suppliers have to compete with the popularity of South East Asian, Italian, and European cuisine.
During Olympics most food service wholesalers in NSW expected an increase in business, as did one third of respondents in other sates. 60% expected the boom to last no more than 3 months.	In 1998, 75% of consumers "always" or "sometimes" prefer domestic products up from 61% in 1996. Melbourne and Sydney residents are some of the strongest supporters of protectionist policies (i.e. "Buy Australian").
	The Australian food service industry has access to one of the widest and freshest supplies of food in the world.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Channels

- US Exporters will need to establish local and US representation.
- For most food product categories, wholesalers are the main source of supply to food service operators in terms of the flow of goods as reported by BIS Shrapnel in 1999. This is with the exception of bread, meat, fresh poultry, fresh fruit and vegetables, and dairy products, which are mostly supplied by specialist retailers, distributors or manufacturers. However, specialist food service distributors distribute many products developed specifically for the food service industry.
- Specialist distributors or importers may be more successful for these product categories. For example Simped Food is a manufacturer/supplier of desert ingredients and sources fresh fruit in the off season from major specialist distributors in the US.
- Exporters may find more success by targeting distributors and wholesalers that stock a wide range of items as the food service market is looking to one-stop-shop servicing distributors that can offer a range of dry and frozen goods.
- Use Australian food service supplier Internet sites to locate specialist/generalist distributors. For example **www.nafda.com.au** provides interesting industry links to **www.supplysite.com** and **www.foodservice.net.au**. Many of the linked sites are international allowing you to advertise your products to Australian buyers as well as to the rest of the world. Also look at **http://www.ausfoodnews.com.au/foodcomp.htm** and **http://www.ausfoodnews.com.au/foodserv.htm**

Product Promotion

- Build brand awareness through advertising and promotion. A recent survey determined that: 89% of marketing executives believed promotional products effectively built brand awareness; 53% used promotional products; and 30% believed such products were more memorable than mainstream advertising. The most popular promotional products are calendars, items that can be worn and office accessories.
- Educate potential customers of industry product endorsements your products may have received. Australian consumers respond positively to a quality product endorsement. If your product has won awards in US ensure adequate advertising. Also if restaurants/caterers you supply have won awards, ensure your products include educational material advertising successes.
- Exhibit at trade fairs in Australia (see Section V).
- Make it easier for distributors/caterers to use your products by packaging products into menu suggestions that target school canteens for example.
- Depending on the nature of your product, whether it is geared towards the institutional, restaurant or hotel/resort sub-sectors, different food service suppliers should be targeted. For example:
    - larger wholesalers are dominant in the institutional sector (except for non-boarding schools);
    - smaller suppliers appear to be dependent on the trade from restaurants;
    - coffee shops, clubs and hotels, fast food and restaurant chains rely mostly on the large wholesalers and distributors; and

- function and contract caterers appear to use suppliers of all sizes.

Food Safety

- Ensure your product meets the food safety requirements of each sector. The Institutional Sector has particular requirements, as does the seafood industry.

School Canteens

- Products must meet the Federation of Canteens in Schools (FOCIS) standards on nutrient criteria and be registered with FOCIS.
- Register with the School Canteen Association in the relevant state (see Section V).
- The Western Australia School Canteens Association (WASCA) is developing the Star Choice Canteen Buyer's Guide which includes all products registered nationally as "Healthy Kids" products as well as those registered with WASCA as Star Choice. As such, register your product as a "Healthy Kids" product and with Star Choice where possible.
- Registered products should include industry logos in their promotion.
- Register with the Australian National Heart Foundation where possible.

B. Market Structure

Independent distributors dominate the food service network in Australia. The industry is fragmented and is represented by over 750 distributors nationally who service an estimated 73,000 outlets. The fragmented nature of the industry means food service operators need to deal with a large number of distributors and wholesalers to meet their requirements. In a survey conducted by BIS Shrapnel (1999) nearly half of the food wholesalers interviewed used five or more suppliers. This percentage increases to 62% in the case of larger companies. However, the results suggest there is a trend towards a decrease in the number of suppliers used. Importers are more likely to succeed by targeting the main distributors, buyer groups and wholesalers that generally have national coverage or specialist distributors of a particular product.

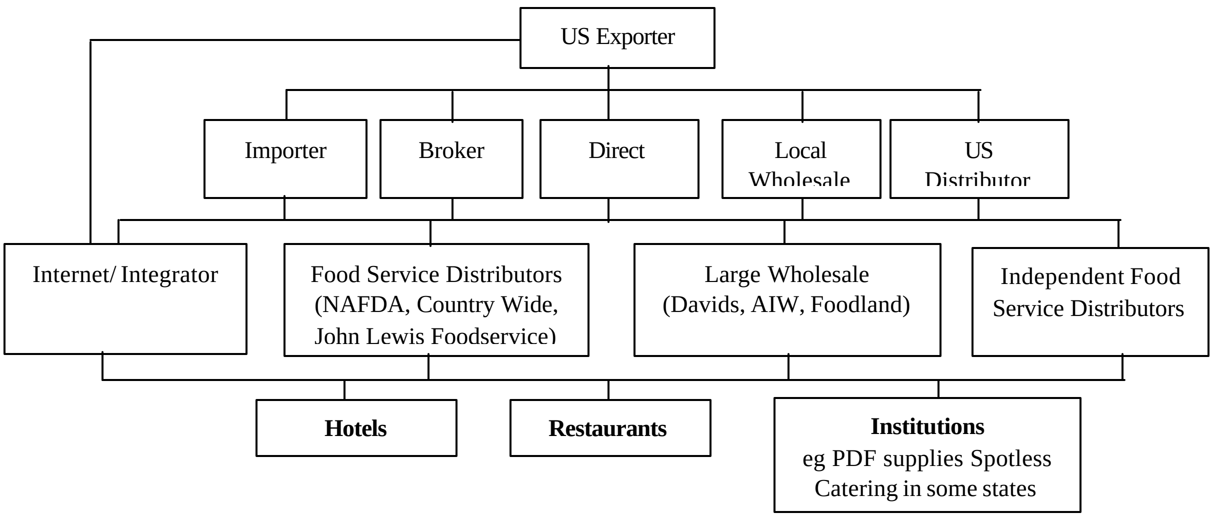
Most distributors are small (five employees or less) and located mainly in rural towns while the largest (up to 600 employees) are found primarily in the key capital cities, especially Sydney and Melbourne. The industry fragmentation is driven by the high expectations of customers who expect virtual 24-hours, 7-days a week, service.

In order to compete more effectively, some small distributors have banded together to form buying groups, such as Countrywide and NAFDA, two of the largest distribution networks in Australia. Countrywide is mainly located in country areas, with a membership of 96, and NAFDA is largely metropolitan based, with a membership of 54.

Most large food producers or manufacturers still distribute a large proportion of their own products, particularly for bread, cold beverages, dairy products and fresh/frozen meats. Coca-Cola, Arnott's, George Weston's bakery division, and Goodman Fielder Foodservices maintain their own in-house distribution network.

The food service distribution network services the traditional food service outlets such as hotels, clubs, restaurants and institutional and business canteens, caterers, delicatessens and specialty food stores. The McDonalds and PepsiCo chains employ individual distributors FJ Walker services McDonald's and Tricon services KFC and Pizza Hut.

The structure of the Australian Food Service distribution network as shown below, shows the flow of product from the US exporter through to the food service sub-sectors.



The Internet is emerging as a player in the distribution of fresh produce to restaurants with the flow of goods moving from the manufacturer via the Internet/Integrator to the consumer. Greengrocer.com is a distributor of fresh produce to homes and is developing a market in the restaurant sub-sector. The flow of goods is from the manufacturer, Internet/Integrator, to the consumer or if possible manufacturer to consumer. Wineplanet.com is another example of Internet selling. The major distributors and wholesalers also have Internet capability.

C. Sub-sector Profiles

Abbreviations used in this section: NT = Northern Territory; SA = South Australia; WA = Western Australia; VIC = Victoria; QLD = Queensland; NSW = New South Wales; TAS = Tasmania; ACT = Australian Capital Territory.

1. Hotels and Resorts

Company Profiles

Name of Hotel/Resort	Food Sales*	Number	Location	Purchasing Agent
Park Royal Hotels & Resorts	25% of total turnover	20	National, Capital Cities and Tourist Destinations	Internal buyers/ wholesaler
Hyatt International	25% of total turnover	8	National except NT & TAS	Internal buyers/ wholesaler
Sheraton Hotels & Resorts	50% of total turnover	12	National except NT/SA and TAS	Internal buyers/ wholesaler
Accor (Novotel)	NA	18	National	NA
Accor (IBIS)	NA	6	Major capital cities	NA

Source: Based on advice from industry.
*Due to competitive nature of the sector not able to divulge turnover figures.

The Hotel sub-sector represents 16% or US$2.19 billion of the food service sector. The major chain hotels are listed in the table above, however the market is expanding with new chains opening including the US chain Westin Hotels opening in Sydney and Melbourne's CBD.

There are a number of challenges, which face US suppliers in this sector:
- Hotel chains and independent hotels generally serve food which is localized; and
- Australian products are more prevalent than imports and US products are not common.

Despite these challenges the following growth trends offer opportunities to US suppliers:
- Hotels and Resorts are increasing their push into the growing business convention and function sector. Australia, and Sydney in particular, is a popular destination for international conventions suggesting an expanding market.
- The market for breakfast is growing in Australia. Offerings include continental breakfasts, fruit platters, hash browns, pancakes with maple syrup, sausages etc. Hotels have the largest share of the market serving approximately 70 million breakfasts each year, while cafes and food outlets serve approximately 21 million breakfasts.
- The serviced apartments and bed and breakfast accommodation market is gaining rapidly on the four and five-star hotel sector. Opportunities exist with portion controlled, easy to heat dinners such as high quality cook-chill or 'heat in the bag' meals.
- The demand for healthy food applies to the Hotel sector. Some hotels have implemented the Harvard Health Program promoting the health of traveling people in the business and leisure market. Seafood is a natural choice for the program presenting opportunities for suppliers of specialty products.

2. Restaurants

Fast Food Company Profiles

Company Name	Sales (AUS$ Mil)	Number of Outlets	Location	Nationality	Purchasing Agent Type
McDonald's Australia	$1,037 (1998)	672	National	Local franchise	F J Walker Distributor
KFC	NA	430	National	US	Tricon Services
Pizza Hut	$341 (1998)	372	National	US	Tricon services
Sub Way	NA	223	National (50% in QLD)	US, local franchise	Local Wholesaler/ Distributor
Pizza Haven (ranked 2 in Pizza market)	$75.4 (1998)	220	National	Local	Local Wholesaler/ Distributor
Eagle Boy's Pizza	NA	142	National	Local	Local Wholesaler/ Distributor
Domino's Pizza		136	National	US local franchise	Local Wholesaler/ Distributor
Arnold's Ribs & Pizza	$5 (1998)	20	NSW, QLD, ACT	Local	Local Wholesaler/ Distributor
Hungry Jacks	NA		National	US Local franchise of Burger King	Local Wholesaler/ Distributor Import Agent
Wendy's	NA	300	National	US	Local Wholesaler/ Distributor Importer Agent
Pure & Natural Diners	NA	34	Major Cities/Towns	Local	Local Wholesaler/ Distributor
Fancy Fillings	$6.3 (1998)	21	NSW, VIC, QLD, WA	Local	Local Wholesaler/ Distributor
Hokka Hokka (Asian fast food)	$12.6 (1998)	30	NSW, VIC, QLD	Local	Local Wholesaler/ Distributor Import Agent

Source: Corporate web-sites; Franchise Council of Australia (1999) Franchising Yearbook & Directory 1999; Industry Advice.

Major fast-food chains represent 15% of the total food service industry.

Pizza and hamburger franchises are the backbone of the Australian fast food industry with Australians consuming over 100 million pizzas per year. The market for pizzas is highly competitive in Australia, with menu diversification, product innovation and low prices vital for success. Fast-food chains are also offering reduced-fat menu options, showing that the trend towards healthy eating has influenced chains.

Although the traditional fast-food restaurant sub-sector in Australia is substantial, a number of challenges face US suppliers:

- Australia sells the cheapest pizzas in the world, at half the price of US pizzas.
- The majority of fresh produce is supplied locally.
- The majority of US fast-food chains are locally franchised.
- The sub-sector is facing competition from a developing up-market convenience food sector.
- Ethnic quick service restaurants are growing in number and popularity.

Family Style/Mid-Level Company Profiles

Company Name	Sales (US$ Mil)	Number of Outlets	Location	Nationality	Purchasing Agent Type
Sizzler	NA	87	National	US	Local Wholesaler/ Distributor Import Agent
Hog's Breath Café (Australia) Pty Ltd	$25 (1998)	36	National	Local franchise	Local Wholesaler/ Distributor Import Agent
The Keg Restaurant & Bar	NA	17	VIC, NSW, QLD	Local	Local Wholesaler/ Distributor Import Agent
Montezuma's (Mexican)	NA	18	NSW, QLD, VIC, SA	Local	Local Wholesaler/ Distributor Import Agent
Taco Bill Mexican Restaurant	NA	21	National	Local	Direct

Source: Corporate web-sites; Franchise Council of Australia (1999) Franchising Yearbook & Directory 1999; industry advice.

Australian family-style/medium level restaurants are for the most part independently owned. Restaurants and specialty food service shops predominantly serve modern-Australian, Italian, seafood, Japanese, Chinese, Thai, Indian and Mexican cuisine. For example Australia has over 3,000 Chinese restaurants.

Independent and franchise restaurants deal with distributors and wholesalers and often visit fresh produce and meat markets. To tackle this market, targeting wholesalers and distributors will be more successful and beverages and quality condiments are likely to be the most successful products.

Trends in family-style/medium level restaurants include:

- An increase in Asian food outlets.
- An increase in the total number of restaurants.
- Consumers willing to pay more for quality products.
- Continuation of multicultural flavors dominating, reflecting the ethnicity of Australia.
- New ideas will continue to flow from Asia and Europe.
- Food festivals are popular events and provide a good idea of trends.

Coffee Shops Company Profiles

Company Name	Sales (US$m)	Number of Outlets	Location	Nationality	Purchasing Agent Type
Donut King (US, local franchise)	NA	146	Australia	US Local Franchise	Local Wholesaler/ Distributor Import Agent
Muffin Break	NA	105	National	Local	Local Wholesaler/ Distributor Import Agent
Michel's Patisserie	NA	68	National	Local	Direct Local Wholesaler/ Distributor
The Coffee Club	NA	46	QLD	Local	Direct Local Wholesaler/ Distributor Importer Agent
Coffee DCM Donuts (local franchise)	NA	29	NSW, VIC, QLD	Local	Direct Local Wholesaler/ Distributor Importer Agent

Source: Corporate web-sites; Franchise Council of Australia (1999) Franchising Yearbook & Directory 1999; industry advice.

As with family style restaurants the majority of coffee shops in Australia are independent and locally owned. However, franchises are popular with expansions planned. McDonald's has also expanded into the café industry with a chain of up market stand alone cafes, Serious About Coffee – SACs.

Coffee shops and fast food outlets represent the fastest growing segment in the breakfast market, recording 8% growth per annum in 1995-97 (BIS Shrapnel 1999). Business breakfasts are also becoming common place. McDonald's is the only quick service restaurant with a significant share of the breakfast market. As for Hotels this sub-sector represents opportunities for US suppliers.

Specialty Shops Company Profiles

Ice cream is an area of growth in the food service market with many coffee shops providing an ice cream bar. During 1998 Australians spent more than US$943 million on ice cream. Most ice-cream is sold through supermarkets, convenience stores, milk bars, delicatessens, petrol stations, news agencies and other stores. However a small growing market of franchised ice cream parlors accounted for US$107-126 million of the total market in 1998, representing an increase of 8% over 1997. Premium ice cream parlors represent the biggest area of growth in the industry worldwide. In Australia there are more than 600 franchised ice cream outlets and growth of 6% is expected in 1999. Opportunities for US suppliers would be in the boutique end of the market and catering industry where new flavors using quality ingredients enjoy a premium and popularity.

3. Institutional

This sub-sector's business - cafeterias, military (defense), schools/universities, hospitals, nursing/retirement homes, function catering (sporting, entertainment, conventions, Olympics) and Internet home delivery services - present opportunities to US suppliers. The companies listed in the following table are the primary suppliers to these sectors.

Company Profiles

Company Name	Sales (US$m)	Sector	Location	Purchasing Agent Type
Spotless Catering (caterer)	NA	Functions (stadiums, conventions, Olympics)	National	Local wholesaler/ Distributor Import Agent Direct
Nestle Foodservices – National (distributor)	NA	Schools/universities, restaurants, hotels, functions	National	Local wholesaler/ Distributor Import Agent Direct
PFD Food Services (distributor)	NA	23 outlets supplying hotels, restaurants and caterers.	VIC, TAS, SA, NSW	Local wholesaler/ Distributor Import Agent Direct
NAFDA (buying group, distributor)	NA	Nursing/retirement homes, hospitals, fast-food chains and hotels	National	Local wholesaler/ Distributor Import Agent Direct
John Lewis Food service (distributor)	NA	Fast-food chains Hotels Catering Companies	National	Local wholesaler/ Distributor Direct

Eurest Australia/Eurest Whizz Kids (caterer, distributor)	$92 (1999)	Business cafeterias 3 Defense industry 1 School cafeterias 4 University 3 (Function catering, healthcare)	VIC/NSW	Local wholesaler/ Distributor Import Agent Direct
BidVest (distributor)	NA	Nursing/retirement homes, hospitals, fast-food chains and hotels	National	Local wholesaler/ Distributor Import Agent Direct
Grinners Buffet Catering (caterer)	NA	61 (functions)	NSW	Local wholesaler/ Distributor Direct
The Essential Ingredient (wholesaler)	NA	Supplier of wineplanet.com/ home delivery	NSW	Manufacturer Import Agent Wholesaler
Valcorp Fine Foods (wholesaler)	NA	Function caterers, hotels	National	Import Agent Local Wholesaler Direct
Countrywide Australia (buying group, distributor)	NA	Catering companies, hospitals, fast-food chains, hotels	National	Local wholesaler Import Agent Direct
GEMA Catering (caterer)	NA	Function catering (conventions, entertainment)	NSW	Local wholesaler/ Distributor Direct
Springett's Wholesale Pty Ltd	NA	600 outlets incl Hospitals, schools, hotels, service stations)	NSW	Local distributor Direct Importer
Laissez-Faire	NA	Function Catering (Olympic contracts)	NSW	Local distributor Direct

Source: Corporate web-sites; industry advice; *Food service News* magazine, 1999 editions.

Supplier Information

- PFD Food Services, is an Australia-wide catering/distributor specialist, supplying hotels, restaurants and functions. PFD is a member of NAFDA PFD Food Services.
- Australian Foodservice Distribution (AFD), a division of NAFDA (**www.nafda.com.au**), distributes products for NAFDA including its own private label products.
- John Lewis Food Service is a division of grocery wholesaler Davids and is one of the top three catering distributors in NSW, promoting a range of over 8,000 items nationally.
- Spotless Services is a catering company and the preferred supplier for the Olympics (contract not yet signed).

- Wineplanet.com, **www.wineplanet.com.au**, online liquor retailer, offers a range of 4,000 wines, 350 competitively priced spirits and liqueurs and at least 1,300 food products including tea, coffee, oils and non-perishables. They have recently launched a Spirits & Liqueurs section of the site which is soon to include imported wines, opening opportunities for US exporters. Sydney Food Wholesaler, The Essential Ingredient, is currently the sole supplier of Wineplanet.
- Eurest Australia is the newest entrant in the food service catering market and has expanded into education catering services with acquisition of Melbourne catering company Whizz Kids. Also recently acquired P&O Catering.

Military (Defense)

Each State and Territory in Australia has a Department of Defense. In terms of size it is substantially smaller than that of the US. However, if US suppliers have developed suitable products they can target suppliers to the Defense industry. For large contracts the Department has to advertise through open tenders. Food stuffs commonly sought include the basics such as bacon and ham, biscuits, bread and bread rolls, butter, cheeses, coffee and tea, cordial, eggs, fish, frozen vegetables, fresh fruit and vegetables, ice cream, fruit juice, small goods, poultry and meat.

School / University Cafeterias

The following trends apply to this sector:
- The sale of fresh fruit has expanded in schools.
- Balancing the diets of Australian children with low fat and low sugar products is a priority.
- School cafeteria operators demand foods that are healthy, exciting, colorful and tasty.
- Vegetarian dishes are becoming popular.
- There is increased demand for ‘Healthy Kids’ registered products by cafeteria operators.
- The sale of chips, sweets, carbonated drinks, and chocolate has fallen dramatically.
- The bottled water market continues to grow strongly.
- Suppliers are offering complete menus to cafeterias.

Nursing / Retirement Homes

Australia has an aging population of a generation used to satisfying their nutritional needs. Opportunities will continue to grow therefore in the nursing home and retirement care market.

Hospitals

‘Healthier Food Choices for Hospitals’, an initiative of NSW Hospitals, is a nutrition strategy to promote safer and more nutritious food choices for people in the State. Other states have similar programs highlighting the trend towards healthy food in institutional catering.

There are 1,236 hospitals in Australia with 764 public and 472 private hospitals. The following table shows the distribution of establishments across Australia.

States	Number of Hospitals	Percentage Share
New South Wales	389	31
Victoria	270	22
Queensland	261	21
South Australia	133	11
Western Australia	132	11
Tasmania	35	3
Australian Capital Territory	10	0.1
Northern Territory	6	0.1

Source: Australian Institute of Health and Welfare (1999).

Hospitals (public and private) provide food for patients, staff, and Meals on Wheels clients in the community and make up 3% of food service outlets. Across the hospital system there were 22.5 million patient days for 1997/98 (Australian Institute of Health and Welfare, 1999) and more than 900,000 patients enter NSW hospitals per year, suggesting a large market for institutional food service (NSW Health Department 1996). Examples of distributors who serve the industry include NAFDA, BidVest, Countrywide Australia, and Springett's Wholesale.

Function Catering

Function catering is an expanding market in Australia. The Sydney Convention and Visitors Bureau (SCVB) advise there is currently US$429 million worth of work in progress, which is the highest work-in-progress figure in the 30-year history of the Bureau. This may be related to an increase in the number of venues catering for functions of various sizes. In particular the US$200 million Superdome on Olympic Boulevard offers a variety of facilities. Planned pre and post-Olympic uses include live entertainment, concerts, opera, circus spectaculars, ice shows, private functions, banquets, trade shows and a multitude of sporting events.

The special event catering industry is highly competitive and menu management systems have been implemented by most catering firms. Portion and quality control are important factors allowing control from both a quality and cost perspective. Menu Management Systems will be employed for the Sydney 2000 Olympics, particularly by Spotless Catering Services, a preferred supplier for the Olympics (contract not yet signed). Spotless Catering has developed portion control systems in conjunction with seafood suppliers in Tasmania, such as Tassal and Aquatas. Opportunities could open for US suppliers of portion controlled seafood products.

Spotless Catering Services is also responsible for catering at the enormous Colonial Stadium development at the Docklands in Melbourne. 19 concession stands have stand-alone cooking facilities with each outlet serving at least 3,000 patrons. Meals have to be blast chilled and 'regenerated' on demand and be identical in size. Opportunities exist therefore for US suppliers of products to event catering companies.

SECTION III: COMPETITION

The primary competition for US suppliers are Australian suppliers, particularly as the trend is towards the consumption of fresh produce including meat, fruit, vegetables and dairy. In general food service distributors are indecisive about the purchase of products made in Australia, however the large majority of food service operators indicate that they prefer Australian products although perceived as being more expensive than imports (BIS Shrapnel 1999).

US products are not generally seen as price competitive by food distributors. In particular, the depreciation of the Australian dollar against the US dollar is a major competitive challenge for US products. As a result imports from North America are generally specialty products such as canned fish (60% of all fish fillets eaten in Australia are imported), chocolate (i.e. Hershey's), and beverages (US Sport drinks). Additionally US imports are at a disadvantage at present with the Australian dollar having depreciated against the US dollar.

US suppliers also face competition from major food service trends. BIS Shrapnel (1999) found that the types of cuisine considered to be the fastest growing were Italian (23% of respondents), Other Asian (16%), Thai (14%), Australian/English (12%), Mexican (9%), Chinese (6%), Vegetarian (3%), Seafood (1%), Other (2%) and Don't know (14%). Queensland and Western Australia registered Italian as the most mentioned with 32% and 31% respectively.

On the positive side, Australia has low (3-5%) to zero tariffs on imported food products and imports are well presented in the market place.

Ethnically, US suppliers are at a disadvantage with Australians having strong ethnic links to the Mediterranean, Europe and Asia and a tendency to favor such foods. US products that capture these flavors will be more able to compete.

SECTION IV: BEST PRODUCT PROSPECTS

Distributors to the food service industry, chefs and caterers advise that Australia produces and processes basically all food products required by the food service industry. Because of the diversity of local product and that domestic substitutes exist for most imports, US imports face significant competition from Australian products. That being said, there are some products which have good sales potential in Australia and these have been discussed in previous sections of this report.

A. Products Present in the Market Which Have Good Sales Potential

1. Healthy products which are convenient for use in food service

Savory Finger Foods are increasing in popularity with the introduction of savory baby potatoes by Chefs Pride (half a baby potato, filled). Asian snacks are also expanding market share. A gap in the hospitality industry for a low cost, high quality, convenient mini-savory snack provided Patties Bakery with an opportunity to develop **bite-sized mini-party pies, sausage rolls, and vegetable triangles** specifically for the hospitality industry. This gap suggests there is room to expand in this segment. Patties Bakery is the national market leader in the party segment of the frozen savory snack category.

Mediterranean cuisine remains a regular feature on catering menus providing opportunities for easy to use, low preparation, high quality products. Sandhurst Fine Foods explains antipasto is always popular in catering because of the low preparation costs. Artichokes, dolmades, sun-dried tomatoes and specialty olives are in high demand. Eggplant paste is developing rapidly as a substitute for tomato paste with gourmet pizzerias. Basil pesto and olive paste are now popular alternatives to traditional garlic and herb bread, and capers are also in demand.

2. Products Suitable for Large Events

At the Olympic Stadium there is the largest installation of Pitco Fryers in the world with 200 installed. Most people in the stands will consume pies, chips and drinks, and a range of Asian styles, hamburgers, chicken and pizzas offering opportunities for US exporters.

3. Bottled Water: increased use in hospitality industry

Sales of bottled water have increased by 30 percent since June 1998 due to concern about Sydney's water supply. Water lists are appearing next to wine lists at restaurants. Coca-Cola's Mount Franklin has been the dominant brand of water in Australia, and Nestle owns dozens of international water brands including Perrier. Southcorp (Australian company) has released a bottled water product branded ERA. Bottled water is regarded as the fasted growing category of the non-alcoholic beverage market in Australia.

4. International Catering Trade Fair (Sydney, May 2000)

Qualified buyers at the ICTF are seeking:

Asian food products, cooking oils, baked goods, fish products, bakery ingredients, beverages, frozen foods, canned foods, fruit juices, cheese & dairy, herbs & spices, coffee, ice cream & yoghurt, convenience foods, liquor, portion control products, seafood, sauces & seasonings, soups, wines.

B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Specialty Seafood

- A distributor to the food service industry advised that specialty seafood products are sought after such as tinned or processed North American fish species.

- Seafood is very popular during the Easter and Christmas periods. Christie Seafoods, a wholesaler supplying the hospitality industry, predicts demand for 2000 will be at an all time high. Lobster (as more affordable), oysters, crabs, prawns and other shellfish are popular with more interest in fresh products. Competition is fierce between hotels all vying for the top specialty seafood products. Spiraling demand may create opportunities for exotic (but affordable) products.

Imported Salmon

- The recent change in Australia's quarantine restrictions for fresh salmon, opens a potentially lucrative market for fresh/frozen salmon cutlets, fillets, etc. US product was very well received at a recent Alaska Seafood Marketing Institute reception in Sydney.

Exotic Cuisines

- Australia presents opportunities for the introduction of new cuisines and ingredients prepared to assist with their introduction. Predictions for cuisine developing include a resurgence of traditional Chinese roasting ships, which offer cheap, tasty meals at a low cost, and foods of the West Indies, and Seychelles. Cajun cuisine also has potential suiting Australia's spicy palate. Palm hearts, which come from baby palm trees are also popular suggesting Spanish and South American dishes, in which they are used, are becoming more widespread.

C. Products Not Present Because They Face Significant Barriers

Industry advice suggests that where products are not present in a market it is primarily because the distribution channel is not yet developed for a particular area, or demand for the product is not large enough to warrant supply. Generally everything required in Australia is available so much so that Australia exports culturally specific products to originating countries (e.g. exporting Asian cuisine to Asia).

Berries

- Wild blueberries are extremely popular with innovative chefs around the world and have not been easy to source in Australia. Competition exists from locally grown blueberries with consumption increasing dramatically, however there is significant interest in wild berries. Chefs Pride in Australia sells frozen wild blueberries on their dietary benefits and flavor. Blueberry Farms of Australia, is Australia's largest producer of fresh blueberries with 70 percent of the market or 1,100 tons. In Australia, in one NSW supermarket alone, demand for fresh blueberries has grown 700 percent in seven years.

- Of the berry fruits, currently only US strawberries have access to the Australian market. This is because Australia prohibits entry of any plant products until an Import Risk Analysis (IRA) has been carried out. At this time, no applications have been made for other berry fruit to be imported. Until an application is made by US exporters and Australian importers, no progress will be made on this issue.

SECTION V: POST CONTACT & FURTHER INFORMATION

Import Regulations & Food Safety Regulations

Food Law and Policy can be obtained through links located on the **www.ausfoodnews.com.au** web site.

Food Standards are under the control of the Australia New Zealand Food Authority (ANZFA), **http://www.anzfa.gov.au**.

Food safety import regulations can also be found at **www.aqis.gov.au** and in this Post's Food and Agriculture Import Regulations and Standards (FAIRS) report for Australia which contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site and conducting a "AGR Number" search for report number AS9033: http://www.fas.usda.gov/scriptsw/attacherep/default.htm.

Our report on the Retail Sector can also be downloaded at the same site by conducting a search for report number AS9055.

Australian Maximum Residue Limits are in Standard A-14 of the Food Standards Code. The Internet version of the Code can be obtained from Health Communication Network Ltd **http://www.hcn.net.au/anzfa/**. A subscription of A$350 applies for new members. To become a subscriber the following Internet site will guide you through subscribing.
http://www.anzfa.gov.au/FoodStandards/New_Format_For_Food_Standards_Code.htm

Industry Information

Table of Industry Bodies and Contact Phone Numbers for the School Catering Sector.

Abbreviation	Name	Phone Number
FOCIS	Federation of Canteens in Schools	612 9798 6505
NSWSCA	NSW School Canteen Association	612 9798 6505
QAST	Queensland Association of School Tuckshops	617 3235 4191
WASCA	Western Australia School Canteen Association	618 9244 1992
SASCA	South Australian School Canteen Association	618 8411 1060
TSCA	Tasmania School Canteen Association	613 6224 2722
ACTSCA	ACT School Canteen Association	612 6282 2158
NTSCA	Northern Territory School Canteen Association	618 8999 6209

Trade Shows

May 7-10, 2000	Sydney International Catering Trade Fair, Sydney Convention Center (Reed Exhibition Companies 61-2 9442 2567 – 1 food and beverage hall, 1 hospitality and 2 equipment halls). Will feature the Great Aussie Meat Pie Competition.
Nov 17-20 2000	Fine Food Australia, Melbourne (Trade Show), Food and Drink exhibition, Melbourne Exhibition Center, Melbourne, Australia, 613 9261 4500

Seafood Services Australia is the single contact for people in farming, processing, transporting, wholesaling, retailing, exporting, and importing seafood. The organization provides guidance on food safety, quality management, standards and advice on technical issues. A publication that may be of interest is ‘The seafood catering manual’.

Post Contact

Randolph Zeitner
Agricultural Counselor
U.S. Embassy
APO AP 96549
Tel: +61-2-6214-5854
Fax: +61-2-6273-1656
e-mail: AgCanberra@fas.usda.gov
fas@optusnet.com.au