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Retail Food Sector

Report

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Report Highlights:

Agent/distributors are the key to developing exports of U.S. consumer-ready foods to Australia. Product innovation is driving growth in many product categories, particularly international cuisine and nutritious snack foods.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
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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.

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SECTION I. MARKET SUMMARY

Note: The following exchange rates were used to convert Australian dollars to US dollars for 1996 to 2000.

	1996	1997	1998	1999	2000
AUD/USD	0.7846	0.7374	0.6285	0.644	0.5908

Description and Comparison of Sub-sectors of the Retail Food Sector

Table 1. Total Food Retailing Over the Past Five Years (USD million - 1998 dollars)*

Description	1996	1997	1998	1999	2000
Total Food Retailing	41639	40864	35192	36857	35300
Growth Rate USD	11%	-2%	-14%	5%	-4%
Growth Rate AUD	5%	4%	1%	2%	4%
Supermarkets and Grocery Stores Food Retailing**	29036	28098	24555	26295	25352
Growth Rate USD	12%	-3%	-13%	7%	-4%
Growth Rate AUD	5%	3%	3%	5%	5%
% of Total Food Retailing	70%	69%	70%	71%	72%
Takeaway Food Retailing	5910	5822	4406	4104	3866
Growth Rate USD	15%	-1%	-24%	-7%	-6%
Growth Rate AUD	9%	5%	-11%	-9%	3%
% of Total Food Retailing	14%	14%	13%	11%	11%
Other Food Retailing***	6693	6944	6230	6458	6081
Growth Rate USD	7%	4%	-10%	4%	-6%
Growth Rate AUD	1%	10%	5%	1%	3%
% of Total Food Retailing	16%	17%	18%	18%	17%

Sources: ABS Statistics Cat. No. 8501.0; Food CPI 1989-1990 = 100 adjusted to 1997/98 CPI = 100.

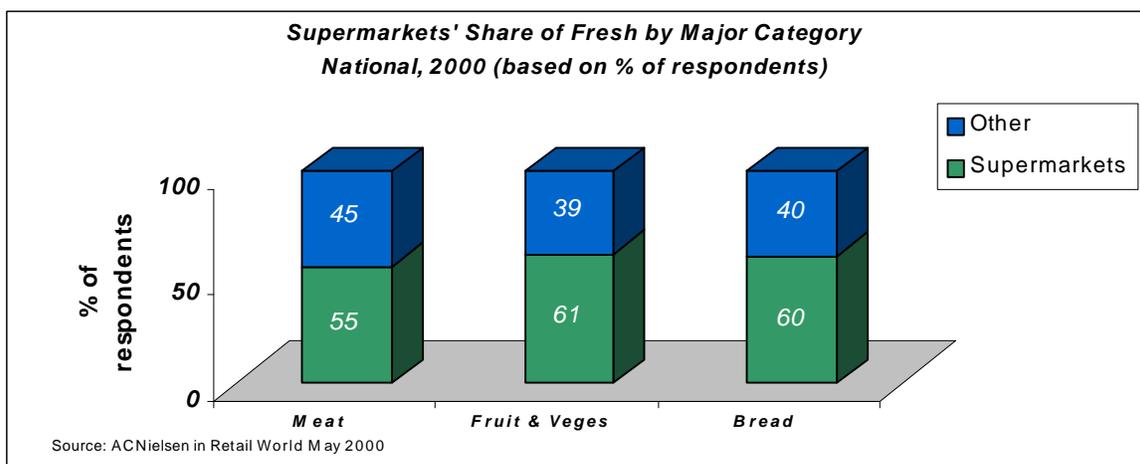
* Quarterly food CPI index was used to convert nominal turnover figures into 1998 dollars, and US exchange rates provided by the USDA to convert AUD to USD.

** This class consists of units mainly engaged in retailing groceries or non-specialised food lines, whether or not the selling is organised on a self-service basis.

*** This class consists of units mainly engaged in specialised food retailing eg butchers, fresh fish retailing, fresh fruit and vegetable retailing, bread and cake retailing, milk vending, confectionery etc.

- The market for food grocery sales in Australia is concentrated along the east coast where population and disposable income are greatest. NSW/ACT dominates with a 34% share of the supermarket and grocery sector, followed by 24.9% for Victoria, 18.8% for Queensland, 11% for Western Australia, 7.8% for South Australia, 2.4% for Tasmania and 1.3% for the Northern Territory (ABS Statistics Cat. No. 8501.0).

- The predominant retail food outlets in Australia include superstore supermarket chains, supermarket chains, small “mom and pop” independent supermarkets and grocery stores, warehouse/wholesale clubs, convenience store chains and independents, and independent supermarkets operating under banner groups. There are only 3 hypermarkets in Australia owned by Coles Myer Ltd.
- There is a growing trend of organic supermarkets opening up in Northern NSW and also Queensland (however the number of these supermarkets is very small in comparison to the 3 major supermarket chains present in the Australian market).
- Woolworths, Coles and Metcash (took over Davids in September 2000) continue to hold the majority of the national retailer value shares with 37.4%, 27.7% and 11.7% respectively.
- The large International Retail chain, Aldi, opened up two stores in NSW in late 2000, with the hope of taking Franklins position of selling the cheapest groceries which are 20-30% cheaper than the other major food retailers.
- The major chain and independent supermarket outlets offer a variety of services including fresh fruit and vegetables, meal solutions including salads and pasta meals, bakery products, fresh seafood, large dairy cases with gourmet cheese sections, delicatessen products in addition to frozen and dry packaged grocery products.
- Australia does not have a system of wetmarkets, however, traditional markets such as fruit and vegetable and fish markets are still popular in all States. Independent grocery stores and smaller supermarket chains rely on these markets for supply. The major chains buy fresh fruit and vegetables, fish and meat directly from producers/suppliers and abattoirs often owning and operating their own processors. In terms of the end consumer the majority of fresh food is purchased through supermarkets as seen in Figure 1.



Expected Growth Overall Retail and Sub-sectors (supermarkets, convenience, traditional)

- The introduction of the GST (goods and services tax) in July 2000 has had mixed results in the retail food sector. It has restricted volume growth in categories that became more expensive (such as frozen meals), however prevented an expected slowdown in those categories where the GST drove prices down (such as soft drinks).

- Both retail spending and GDP growth are expected to slow during 2001. This is primarily due to the delayed effect of interest rate hikes in late 1999 and early 2000 (ACNeilson Report 2001).
- The Australian dollar has depreciated significantly against the AUD and in April was at a record low of under USD0.50. Therefore, to penetrate the Australian market it may be necessary for US exporters to buffer the movement in exchange rates by reducing prices.
- Aldi's entry is expected to see the resurgence of specialist, independent butchers, fruiterers and delicatessens, who will "live" next door to Aldi's limited assortment outlets.

Value of Imported Food vs Domestic Products over the past 5 years

- Imports constitute approximately 9% of total food and beverage consumption in Australia as shown in Table 2.
- The United States' share of Australia's food and beverages imports in 2000, worth USD 2.9 billion, was approximately 12% increasing from 11% in the previous year. Of this share USD 23 million was imported as seafood or seafood preparations in 2000.
- It should be noted that many popular brands are produced locally by US parent companies, such as Mars and Gatorade.

Table 2. Imported Versus Domestic Food Consumption 1996 – 2000 (USD Million 1998 dollars)

<i>Description</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Total Value of Domestic Food Products	39,165	36,056	30,650	31,221	28,030
Growth Rate		-8%	-15%	2%	-10%
Total Value of Imported Food & Bev*	2,901	2,877	2,691	2,989	2,892
Value of US Imports of Food & Bev	281	309	321	317	298
US Share %	10%	11%	12%	11%	12%
Growth of US Imports		10%	4%	-6%	-6%
(Seafood and Preparations of, incl in US Imports)	33	25	26	27	23
Total Food and Beverage Consumption**	42,066	38,933	33,342	34,210	30,922
Share of Imports of F&B Consumption	7%	8%	9%	9%	9%

Source: *ABS Cat. No. 5422.0; ** Private final consumption expenditure on food & alcoholic beverages (ABS Cat. No. 5206.0)

Number and Type of Retail Outlets

- The number of grocery store outlets has fallen dramatically since WWII with a reduction from around 25,000 to 5,600 stores in 1999 (Table 3).
- In the 1950s the average turnover per grocery store was around AUD 220,000 (1998 dollars) which increased to over AUD 7 million in 1999. Australians spent more than AUD 2,000 each on groceries in 1999 where as in 1952 they spent AUD 635 (in real terms).

Table 3. Grocery Retailing: number of stores, turnover and population, Australia 1952-1999
(AUD 1998 Dollars)

	1952/53	1971/72	1992/93	1998	1998 USD
ACNIELSEN – defined grocery stores	25,349	11,085	5,433	5,631	-
Grocery Turnover (ABS. AUD million)	5,474	9,844	30,877	40,832	26,296
Average turnover per store (AUD '000s)	218	890	5,683	7,251	4,670
Population (ABS in millions)	8.6	12.6	17.4	19	-
Stores per thousand people	2.95	0.88	0.31	0.28	-
Expenditure per person per annum	634	778	1,775	2,149	1,384

Source: ACNielsen Report, June 2000.

- The following table was compiled by the Commercial Economic Advisory Service of Australia (CEASA) as part of the Australian Grocery Review, March 2001 to illustrate sector breakdown of outlets.

Table 4. Grocery Market Breakdown by Outlets in Australia from 1996-2000

	1996	1997	1998	1999	2000
Chain Store Outlets*	1,358	1,411	1,490	1,479	1,522
Convenience Chain Store Outlets**	1,583	2,262	1,501	1,321	2,259
Banner Traders & Other Independents***	4,552	4,783	4,186	2,522	2,585
TOTAL	7,493	8,456	5,836	5,322	6,366

Source: Australian Grocery Review March 2001, CEASA.

* Grocery chains including Woolworths, Coles Myer Ltd, Bi-Lo (Coles), Franklins, Jewel (Metcash).

** Convenience Stores.

*** Warehouses, excludes convenience stores and Metcash's Campbells Cash & Carry is included with independents.

Trends in Distribution Channels

- Distribution points in Australia are centralized. All major supermarket chains and warehouse/wholesale clubs operate their own distribution centers.
- Metcash Trading Limited Australasia has taken over David's Limited (September 2000) to become a leading marketing and distribution company operating in the food and other fast moving consumer goods categories. It has three business units – IGA Distribution, Campbell's Cash & Carry, and Australian Liquor Marketers.
- Recently, the third largest food retailer chain in Australia, Franklins, underwent a managed sell-down. Franklins sold 36 stores to Foodland Association Limited, 53 stores to the Australian subsidiary of the South African based retail group Pick 'n Pay Stores Limited and 67 stores to Woolworth's Limited.
- 1999 saw the restructuring of the retail food sector with wholesalers divesting corporate supermarket outlets and developing banner groups such as IGA (Independent Grocers of Australia), Foodland, Foodlink, Foodway and Four Square. Global US-based IGA system has been licensed to Metcash Limited (formerly David's Limited). Banner groups improve the buying, advertising and competitive power of smaller grocery and convenience stores through handbill advertising, and consumer brand recognition.

- IGA Distribution owns eight distribution centers carrying around 14,000 items which serve the dry, chilled and frozen grocery requirements of over 4,500 independent retail grocery stores on the Eastern seaboard of Australia and South Australia.
- Campbell's Cash & Carry serves the requirements of some 50,000 retailers and businesses in the grocery, liquor, food service and small business sectors but also specialise in the distribution of the rapidly growing petrol and convenience store sector.
- Gas mart convenience stores have continued to grow significantly, with the average consumer demanding a store that is close to home, clean and offers "the essentials".
- Food-way has opened its first Food-way Express store in Victoria (Melbourne University) and would like to develop similar sites at other universities given the initial success.
- Aldi Supermarkets, the USD 41 billion/year German based international discount food retailer, will operate centralised distribution centres in Sydney.

Trends in Services Offered by Retailers

- Major supermarket chains are developing new ways of selling to consumers by increasing the range of selling formats, the range of fresh products on offer, convenience and controlling more of the supply chain with their own distribution channels and established links with suppliers of fresh product.
- A progressive shift from the grocery aisle to the fresh food departments has seen a shift from canned and packet items to chilled and semi-prepared items.
- Chain supermarkets are moving away from in-store preparation of value-added fresh foods due the risk in food hygiene. The supermarkets have tended to move towards more centralized production of value-added fresh products with vendor partners, while trying to keep the ambience in the stores of baked or cooked foods on the premises.
- Home shopping via the Internet is continuing to increase rapidly with all of the major retailers having this service. The Woolworths-controlled online grocer.com.au will expand its consumer range to include dry grocery, dairy and household goods for the first time in 2001.
- The global sourcing of products will be one of the outcomes of the trend towards global retailing. Large retailers wanting to take advantage of their size will be encouraging the emergence of large-scale suppliers. Therefore purchasing for wider geographical areas (continental and global rather than local or even national) will expand.
- Ready-to-eat/ready-to-cook foods have never fulfilled early expectations in Australia, and remains relatively underdeveloped compared with Europe and the US. The main reason for this is the abundance of affordable and high quality take-away offerings. However, both ready to serve or in-a-meal assembly format, is one area where there is still opportunity for both food manufacturers and retailers due to the fact that people are becoming busier and view cooking as a chore.
- Within the food sector, supermarkets and grocery stores have largely maintained their 63% share of the market. Cafes and restaurants have increased their share of food expenditure and the takeaway sector is still declining in terms of market share (AC Nielson May 2001).

Customer Trends

- The overall trends for food consumption over the last 30 years have changed considerably. Australians' tastes in food are changing. There is a move away from a predominantly red meat diet to one which includes more poultry (which was the fastest growing product over the 30 years), seafood, fruit and vegetables.

- The global shift toward dual income families, a breakdown of the traditional nuclear family and time pressed consumers is having a direct impact on the growth of frozen ready meals. Also, the shift towards snacking in Australia as opposed to the standard “three meals a day”, has contributed to the growth of the frozen savoury category, worth approximately USD 86 million and growing 4.1% per annum (Retail World, April 2001).
- While locally based producers provide about 90% of domestic consumption, the rate of importation has continued to increase steadily over recent years. There are a number of reasons for this:
 - the changing population mix of a multicultural society whereby people desire foods from home;
 - the variety of quality, low cost foods increasingly becoming available in world markets from developing countries;
 - the inability of domestic food producers to satisfy local demand; and
 - Australian consumer tastes are changing – people are prepared to experiment with new foods and cuisine.

Table 5. Advantages and Challenges for US retail food exporters

Advantages/Opportunities	Challenges/Weaknesses
There is currently a trend towards global retailing due to the global sourcing of products. Purchasing for wider geographical areas will expand.	Australian dollar has depreciated against the US dollar making imports relatively more expensive.
Ready-to-eat meals are still underdeveloped in Australia compared to the US. This is one area where there is still opportunity for manufacturers and retailers.	Large current account deficit of USD 5.89 billion leaves Australia vulnerable to currency fluctuations and interest rates.
US seen as trend setter for high quality convenience foods, providing opportunity to capitalize on well established US trends and systems - e.g. eating out of home.	Australia and New Zealand Food Standards Council (ANZFSC) has agreed to require mandatory labeling of foods produced using gene technology and foods containing genetically modified ingredients.
The US is the market leader in the snack food and sport drink categories.	Growth in processed lines with country of origin benefits eg Asian cuisine, French Cheese, Italian biscuits and pasta; imports would need to demonstrate US cultural advantage over competitors.
Northern hemisphere seasonal advantage for fresh foods eg fruit, nuts, etc.	Import permits are required for fresh produce and many products are prohibited.
US ahead in use of internet by consumers, capitalize on this developing distribution channel in Australia.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.
Tariffs on imported food products are low at either 0% (canned or minced salmon, citrus, grapes, condiments, petfood, chilled beef, almonds, stone fruit), 3% or 5% (breakfast foods).	Australian made and manufactured products are advertised as such and advertising campaigns create awareness of buying Australian.

Australian consumers are experimental and desire new ideas and authentic, restaurant quality taste sensations.	Local/US brands manufactured in Australia have strong recognition particularly with breakfast cereals, juices, pet food resulting in competition for US imports.
Supermarkets and convenience stores are increasingly consumer focussed ensuring products sell.	The GST was implemented in 2000 on all but fresh foods and bread reducing the popularity of processed foods, particularly amongst lower income earners.
	Manufacturers and suppliers of meal solutions encounter retail display and cold chain management problems, particularly with chilled products.

SECTION II. ROAD MAP FOR MARKET ENTRY

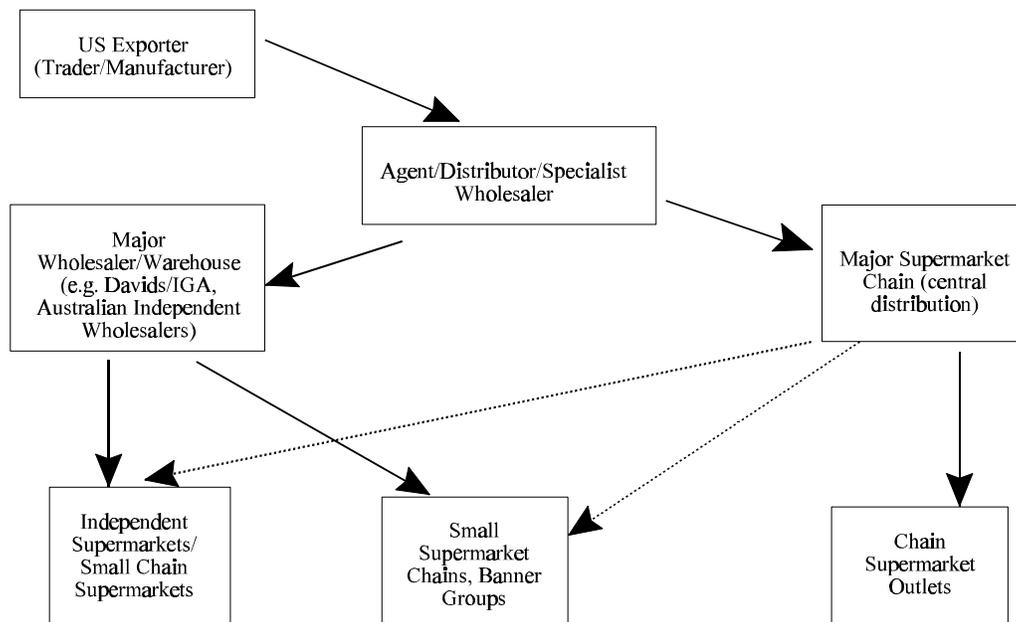
A. Super Stores, Supermarkets, Hyper Markets or Super Centers, Club and Warehouse Outlets

Entry Strategy

- Enter the market through an appointed agent, distributor or import broker who then targets specific food category/merchandise managers at major wholesalers and major supermarket chains. 90+% of imported retail food products are distributed through agents/distributors (Industry advice, October 1999). Major chains and wholesalers have their own distribution centers and national coverage. Targeting major chains through your agent/distributor will reduce the risk of entering the inappropriate State market in Australia.
- Specialist distributors or wholesalers may also be approached. For example Trutaste Nuts is Australia's largest nut-in-shell wholesaler supplying domestic and international markets with high quality nuts sourced locally and overseas.
- Advertise your product. Product launches for supermarkets are popular and effective. Provide agent/distributor with promotional material and product suitable for in-store demonstrations. Prizes, competitions and value packs are popular. Couple this with advertising such as in major industry magazines (eg *Retail World*), newspapers, television, radio and public transport.
- Selling to supermarkets will require payment of listing fees which will need to be negotiated with the retailer/wholesaler.
- Exhibit at Australian food shows, which are growing in popularity in Australia. For example the Fine Food, which is the largest food trade show in Australia.
- Product may also be sold through Internet home shopping which has developed rapidly in Australia.
- For unique and innovative products it may be appropriate to join forces with an Australian company to manufacture under license. US products may then obtain brand recognition and a committed sales force.

Market Structure - US Product Flow

- The following flow chart depicts the movement of food products from the US exporter through to the retailer. There are two major distribution channels to major supermarkets and smaller supermarket chains, ie major chain supermarket distribution centers and major wholesalers.
- Food products will be stored at some point in warehouses prior to distribution and delivery.
- Transport in Australia between distribution centres is predominantly by road.



Unique distribution structural patterns

- Metcash currently has a monopoly on wholesale deliveries to independent grocery stores on Australia's east coast (the bulk of Australia's market). Metcash runs its own chain of Jewell stores and holds 50 percent of Australian Liquor Marketers, the country's largest wine and spirits distributor.
- The majority of small supermarket chains (and independent supermarkets) are members of banner groups. Banner groups are steadily increasing membership and amalgamations are occurring. Banner groups confer national buying power and exposure to smaller supermarkets and independent supermarkets.
- Coles has a presence in all states. The national head office of Coles is in Melbourne (Victoria), where they maintain a national buying and category management system. Woolworth's National Head Office is in Sydney (NSW) with the States retaining autonomy for negotiating, ranging, promotions category and shelf management issues.

Significant changes or trends

- Competition between major supermarket chains is forcing prices down. Smaller supermarket chains and "Mom and Pop" independent supermarkets continue to face pressure due price competition between the chains. However, they remain in the market due to their convenience factor.
- As a result of a reduction in the number of independent supermarkets the market for major wholesalers is shrinking (major supermarkets act as their own wholesalers).
- Fundamental changes are occurring in Australia, similar to the UK and the US with a variety of formats such as "express" stores with a smaller range of lines, large fresh and pre-packed food sections and a large number of check-outs.

- With the underdevelopment of the Australian meal solutions market, there is potential for growth. However, US exporters should be aware of challenges associated with cold chain management for chilled and frozen foods. Challenges include for example:
 - limiting meal variety to more vegetarian style meals (pasta sauce with greater than 5% meat requires a permit) for preservation purposes,
 - a large distribution area and a small population; and
 - no one specialising in cold chain management for meal solutions. Air freight carriers are not part of the meal solution supply chain reducing control on product safety so product moves by truck reducing shelf life.

Flow pattern between different retailers

- 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.

Margins

- Wholesale gross margins are between 0.5% to 2.5% on sales.
- Manufacturers margins are 25% to 35% on product cost. Advertising and trade promotion takes 10-15% so average of around 5% net.
- Retail gross margins are provided in Table 6.

Table 6. Retail Gross Margins March 2001

	Chains %	Independents %	Convenience Stores %	Small Independents %
Dry Groceries	19.5	14-19	20	30
Deli	30	25-35	32.6	n/a
Meat	28	25-35	23	n/a
Fruit & Veg	27	25-35	35.7	n/a
Frozen	25	22-30	n/a	n/a
Dairy	22	15-19	n/a	n/a
Bakery	60	60-70	30	n/a

Source: (CEASA Grocery Review March 2001).

Company Profiles

Table 7 provides a list of supermarkets in Australia. The list is not exhaustive however includes the major chains, banner groups and warehouse/wholesalers. For the majority of smaller banner groups and supermarkets turnover is unavailable at this time.

Table 7. Major supermarket chains, small supermarket chains, warehouse/wholesale clubs

Retailer Name and Outlet Type	Owner-ship	Sales USD Mil	No. Of Outlets*	Locations (city/region)	Purchasing Agent Type
Chain Supermarkets/Superstores					
Coles Myer Ltd: Coles New World, Bi-Lo, Express supermarkets and Pick 'n Pay hypermarket.	Local	\$8,400 (2000)	559	National	Manufacturer Importer Agent
Woolworths: Woolworths, Safeway, Metro, Purity/ Roelf Vos, Flemings, Food for Less, Plus Petrol supermarkets.	Local	\$10,100 (2000)	554	National (Safeway in Victoria, Purity in Tasmania)	Manufacturer Importer Agent Wholesaler
Franklins: Franklins Fresh barn, Franklins Big Fresh superstore, Franklins No Frills supermarket *	H o n g Kong	NA	283	NSW, Queensland, Victoria and South Australia.	Manufacturer Importer Agent Wholesaler
Smaller Chain and Banner Group Independent Grocery Stores/Supermarkets					
Metcash Trading Limited: IGA Distribution, Campbells Cash & Carry, Australian Liquor Marketers	South Africa and Local	\$5,400 (2000 incl whole sale business)	66	National	Metcash Trading Limited Warehouse/ Wholesaler
Foodland Associated Limited (FAL): Foodland WA, Advantage, Supa Value, Farmer Jack's supermarkets and Action Food Barns	Local	\$1,285 (2000 – WA included only)	736	Western Australia (36% share), New Zealand	FAL Warehouse/ Wholesaler
United Star Banner: 5 Star Supermarkets, 5 Star Handimarkets, Superstar Fresh, Freshmart	Local	NA	262	Queensland	AIW Warehouse/ Wholesaler
Foodstore Banner Group (and associates), supermarket	Local	NA	215	Queensland	Metcash/AUR Warehouse/ Wholesaler
Foodland Supermarkets	Local	\$750 (2000)	91	South Australia	FAL Warehouse/ Wholesale
FoodWorks Banner Group (FoodWorks and FoodWorks Express), supermarket	Local	\$282 (1998)	83	Victoria	AIW Warehouse/ Wholesaler
Food-way Community Supermarkets Banner Group (satellite of FoodWorks)	Local	NA	85	Victoria	AIW Warehouse/ Wholesaler

Cut-Price Supermarkets (Foodlink Banner Group)	Local	NA	51	Queensland	Metcash/AUR Warehouse/Wholesaler
Thrifty-T Foodmarkets, supermarket (Foodlink Banner Group)	Local	NA	29	Queensland	Metcash/AUR Warehouse/Wholesaler
SPAR, supermarket (Banner Group)	Local	NA	28	Queensland	AIW Warehouse/Wholesaler
Drake Foodmarkets (trading as Timesavers and Foodland supermarkets)	Local	NA	24	South Australia	Metcash Warehouse/Wholesaler
Fresco IGA Supermarkets (new comer)	Local	\$157 expected	20	NSW	Metcash Warehouse/Wholesaler
United Supermarkets (Eudunda Farmers Ltd.)	Local	NA	20	South Australia	Wholesaler
Ritchies Stores, supermarket	Local (under IGA Banner)	NA	18	Victoria	Metcash Warehouse/Wholesaler
Buy-Rite Foodmarkets, supermarket	Local (Foodlink Banner Group)	NA	13	Queensland	Metcash Warehouse/Wholesaler
Warehouses/Wholesale Clubs					
Metcash Limited and Campbells Cash & Carry, supplies IGA Banner Stores, range of convenience stores and gas marts, independents supermarkets and Mom & Pop independents	78% South African and Local	\$5,400 (2000 includes supermarkets)	Supplies 4,588	National	Importer Manufacturer Distributor Agent
Australian Independent Wholesalers (AIW) (owned by Woolworths; services stores out of Brisbane and Canberra)	Local	\$565 (2000 estimate)	Supplies 419 (estimate)	NSW/ACT, Victoria, Queensland	Importer Manufacturer Distributor Agent
Australian United Retailers (AUR) Banner of Qld Foodlink, Foodstore and Four Square Qld members	Local	NA	Supplies 627	Queensland	Metcash Warehouse/Wholesale

Western Australian Grocery Wholesalers	Local	NA	400	Western Australia and Eastern markets	Manufacturer (private label)
Murray Goulburn Trading Pty Ltd Wholesalers	Local	NA	26	Victoria	Importer Manufacturer Distributor Agent
Springett's Wholesale Pty Ltd. (supplies 600 outlets, service stations, hospitals, schools, hotels, motels, etc)	Local	NA	600	NSW	Importer Manufacturer Distributor Agent

Source: ACNielsen Half-Yearly Report 2000, in Retail World 2000; Internet home pages;

* Number of outlets is not exclusive due to banners and warehousing.

Trends in the Number and Type of Outlets Opening

- 2000 was a year of sustained growth for Australia's two largest grocery chains, Woolworths and the Coles/Bi-Lo group, with Woolworths increasing a further 1.1 share point and Coles/Bi-Lo by 0.9 (39% and 27.2% respectively).
- Individually, however, Woolworths is now almost 10 share points ahead of its nearest rival Coles. Combined Woolworths and the Coles/Bi-Lo group command 70% share of Australia's supermarket business.
- The continuous decline in Franklins share of the market forced them into receivership earlier this year with a managed sell-down of the Franklin stores to Woolworths and other independents.
- The independent sector suffered again with a further decline in market share. Metcash, which services the majority of independents in the eastern states of Australia, lost a share point and currently has a market share of 12%.

Trends in the Sale of Imported vs Domestic Product

- Over time the share of imported product for sale in supermarkets and through wholesalers has remained fairly static at around 10%.

Internal and External Market Drivers

- Customers are looking for clean, safe products, healthy, free of harmful chemical residues.
- Convenience is high on customers' agendas with limited time to produce home cooked meals (both partners working - seeking out nutritional quality with take away convenience).
- There is substantial interest in new food lines expressed first through restaurants and then retail such as international cuisines.

Customer Profile

- In the last 2 years customers have moved toward multiple shopping trips rather than one set shopping day.
- The majority of Australians eat all 7 evening meals at home, although 29% eat at least 2 evening meals away from home (AC Neilson 2001).
- Of all evening meals, 80% is bought from a supermarket or grocery store.
- The incidence of eating out is highest in the 18-24 age bracket.

- A growing number of Australians are prepared to try a new type of food when they see it (55%).
- 72% of Australians aged over 14 agree that health food is not necessary if you eat properly. Most Australians are not willing to compromise healthy foods for taste, so therefore taste is still an important factor in determining demand for foods.
- Across Australia just 21% of main grocery buyers are male. Among large households, they become even rarer and in households with both adults working, the main grocery buyer is overwhelmingly female.
- Shoppers are less price-sensitive and HB/generics are at their lowest share for many years.
- The most important factor in terms of determining where buyers are going to shop is convenience followed by cheap prices, easy parking, and range of merchandise and one-stop shopping.

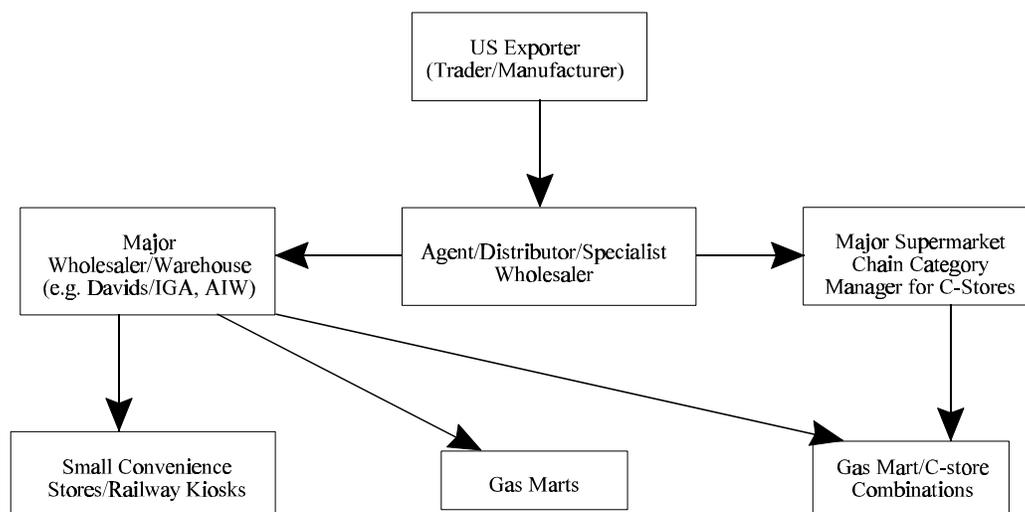
B. Convenience Stores, Gas Marts, Kiosks

Entry Strategy

- Appoint an agent/distributor in Australia to ensure distribution, availability of product and product promotion.
- Entry strategy for convenience stores is similar to that for supermarkets except that the agent/distributor should target the major wholesaler category managers as well as managers at major supermarket chains responsible for the new wave of gas/convenience store concepts.
- Convenience stores generally sell limited lines, gas and fast food, are open long hours and are easily accessible by customers. This is changing somewhat with larger convenience stores carrying greater number of lines.

Market Structure - US Product Flow

- Product flows from US Exporter through agents/distributors to wholesalers and then through to convenience stores/gas marts/kiosks.
- Also major supermarket chains are entering the convenience store/gas mart market. Agents/distributors should market product to category managers for major chains.



Company Profiles

Table 8. Gas Marts, Convenience Stores and Combinations

Retailer Name and Outlet Type	Ownership	Sales (USD Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Gas Mart/Convenience Store					
Shellshop and Shell Select	British Dutch	NA	Over 1,000	National	Wholesaler Distributor Manufacturer
Caltex/Ampol ShopStop, Road Pantry Star Mart	50% offshore ownership	NA	1000 sites, owns and operates only 136	National except NT	Wholesaler Distributor Manufacturer
Caltex/IGA Everyday	Corporate	NA	2	Trial Sydney, NSW	Wholesaler Manufacturer Distributor
Mobil Quix Food Stores	US	NA	98	National (except NT, Tasmania)	Wholesaler Manufacturer Distributor
“fast & fresh” Coles/Mobil	Local & US	NA	Trials	Victoria	Coles distribution warehouse
BP Express & BP Shop (BP Australia Ltd, subsidiary of parent BP Amoco).	UK	NA	1 3 0 B P Express, 1300 total nationally	National except Tas	Wholesaler Manufacturer Distributor
BP Food	Local	NA	36	Western Australia	Wholesaler Manufacturer Distributor
Horizon Food Stores, Horizon Petroleum Pty Ltd.	NA	NA	7	Vic	Wholesaler Manufacturer Distributor
Volume Plus 24 hour Convenience Store	Egyptian	NA	20	NSW	Wholesaler Manufacturer Distributor
Apco Service Stations Pty Ltd.	Local	NA	16	Victoria	Wholesaler Manufacturer Distributor
Convenience Stores					
7-Eleven, convenience Stores (plus gas)	Local ownership franchise from US	NA	244	Metropolitan and provincial cities in NSW, Qld and Vic.	Wholesaler Manufacturer Distributor
Nightowl, convenience Stores	Local	NA	36	East Coast (38	Wholesaler

	Independent Franchise Systems			Qld) – urban centres	Manufacturer Distributor
Four Square Stores, convenience store	Local Independent Franchise Systems	NA	447	NSW, Vic, Qld	Wholesaler, Manufacturer Distributor
7-2-7 Stores (banner group Foodlink Ltd), convenience store	Local	NA	118	Queensland	Wholesaler Manufacturer Distributor
Family Fare Stores (banner group Foodlink Ltd), convenience store	Local	NA	33	Queensland	Wholesaler Manufacturer Distributor

Significant Changes or Trends

- Major refurbishment of gas mart convenience stores and rebranding such as with BP connect.
- The convenience store market is changing very rapidly in Australia and the Oil Company's have been responding to the changing demands of consumers by developing their outlets and the product range offered.
- Metcash Limited is the preferred supplier for grocery to most gas marts and convenience store chains in Australia.
- Variety, cleanliness, good selection, the essentials, a deli, 24 hour service, easy access parking and delivery are several reasons for the growth in convenience stores and gas marts.
- Convenience stores are becoming more popular as many shoppers are becoming frustrated with waiting in queues, crowded aisles and congested stores common in supermarkets. Customers also want to shop close to home, even if it means products would be more expensive.
- Many of the large distributors, such as Metcash Limited, are working closely with the gas marts and convenience stores owners to develop the right product range, delivery timetable and administrative service.
- Caltex has joined the home meal solutions market with the launch of main meals, soups, garlic breads, salads and desserts for its Ampol and Caltex Shop Stop convenience stores.

Trends in the Number and Type of outlets

- In the two years from 1998 to 2000 there has been an increase in the number of convenience stores and gas marts from 4,000 stores to 4,357 stores.
- The convenience store market is worth USD 2,139 million per year in retail sales.
- The major chains are also entering the convenience sub-sector with the introduction of CBD Express and Metro stores by Coles and Woolworths which are situated near major railway and bus stops. These stores are slick with a pre-packaged and prepared whole meal focus attracting consumers before reaching the corner "Mom and Pop" shop near home. Woolworths Metro and Coles Express supermarkets are planned for both CBD and urban areas. IGA have also introduced an Express store in Sydney's CBD.

Major Internal and External Drivers

- Corner store convenience stores and kiosks may be disadvantaged by consumer interest in “fresh” and health foods and also increases in supermarkets in the CBD.

Customer Profile

- Commuters using public transport as well as private cars requiring petrol and shopping on the way home.
- Customers in the middle income to high income range and in the lower age brackets.
- Also as per supermarket profile.

C. Traditional Markets – Mom/pop Independent Grocery, Wet Markets

Entry Strategy

Mom/Pop Independent Grocery

- Similar strategy to that for small supermarket markets and convenience stores with appointment of agent/distributor for sale through major wholesalers.

Wet Markets

- Australia doesn't have a system of wet markets, however there is a system of markets for fresh produce with substantial presence in major cities. The majority of fresh produce moving through these markets is local, however overseas produce is available. Fresh produce from overseas should move directly through a specialist wholesaler or be sold directly to major chain supermarkets to avoid delays in the distribution channel.

Market Structure

- Heavily reliant on Metcash Limited as a wholesaler.
- Supermarkets in Australia have absorbed much of the fresh produce market as shown in Figure 1.
- Supermarkets source much of their fresh fruit and vegetables directly from growers/producers leaving lower quality at these markets. Poorer quality produce is left for small convenience stores to purchase. It is unknown what the price effect of this practice is.
- Fresh vegetable markets will survive as long as there is a burgeoning café industry/ small fruit stores, and small supermarket chains and independents.

Table 9. Mom and Pop Independent Grocery Stores

Independent	Ownership	Sales (US\$Mil)	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Mom/Pop Independent Grocery					
Supabarn Supermarkets	Local	NA	5	NSW	Wholesaler Fresh Produce Markets Manufacturer
Advantage	NZ Franchise owned by FAL (local)	NA	0	WA	Wholesaler Fresh Produce Markets Manufacturer
Advance Supermarket	Local	NA	0	NSW	Wholesaler Fresh Produce Markets Manufacturer
Ace/Jacks	Retail Logistics Australian	NA	0	NSW	Wholesaler Fresh Produce Markets Manufacturer
King's Family Supermarkets Pty Ltd (IGA banner and FoodWorks banner)	Local	NA	5	Victoria	Wholesaler Fresh Produce Markets Manufacturer
Progressive Supermarkets (banner group Foodlink Ltd)	Local	NA	8	Queensland	Wholesaler Distributor Manufacturer
Murray Goulburn Supermarkets	Local	NA	5	Victoria	Wholesaler Fresh Product Market Distributor Manufacturer
Fishers Stores Consolidated Pty Ltd (IGA banner)	Local	NA	7	Victoria	Wholesaler Distributor Manufacturer

Sub-Sector Profile

- Losing market share to supermarkets and the convenience sector with major chains opening small supermarkets in the CBD catering for fresh, prepackaged meal and everyday needs.
- Customers working longer hours, greater population mobility and introduction of meal solutions place pressures on this sector.
- This sector is under pressure on price and opening hours from big three chain supermarkets.
- Difficulties with turnover volume and out of date products.
- Sector is sustained by sales of snackfoods and regular essentials such as milk and bread.
- Customers would include the less mobile.

SECTION III. COMPETITION

Domestically-Produced Goods and Imports

- In terms of the food processing industry, imports only exceed domestically produced products for oil and fat manufacturing (64% share), seafood processing (81% share) and spirit manufacturing (82% share). For all other food processing industries locally produced products dominate (ABS Statistics).
- In 1999/2000 the US exported USD 313 million of processed food to Australia. The largest categories were fruit and vegetable processing (USD 67m), seafood (USD 24m) and spirit manufacturing (USD 72m).
- The Australian dairy, meat and fruit industries are dominated by local production.

Comparative Advantages/Disadvantages of Locally-produced vs Imported Products

Advantages

- Low to zero tariffs on imported food products – 0% to 5%.
- Imported products are well presented in the market place and consumers will purchase imported products to meet needs and culinary tastes rather than go without.
- Consumer profile in Australia is such that products with new attributes that current products do not have will be tried and may do well if nutritional, convenient and innovative.
- High consumer US brand recognition.

Disadvantages

- Imports are at a disadvantage at present as the Australian dollar has depreciated against the US dollar and subsequently imports are relatively more expensive.
- The current trend in retail food is towards freshness which will disadvantage foods travelling long distances as they will be perceived as being less fresh.
- Locally produced brands which include US brands, are strong – Australian culture has strong links to certain brand names particularly with condiments and breakfast cereals. However, consumers are willing to try new things.
- For restrictions on imported products please see the Australian Quarantine and Inspection Service website, www.aqis.gov.au

Advantages/Disadvantages of US Products vs Other Foreign Products

Advantages

- US products are seen to be of high quality.
- Many US brands are manufactured under license in Australia and through subsidiaries of US parents, so awareness and acceptance of US products is substantial.
- Mexican cuisine has enjoyed growth in the Australian market for over 10 years and continues to grow.

Disadvantages

- Australians have strong ethnic links to the Mediterranean, Europe and Asia and tend to favor such foods and as such US products which capture these flavors will be more likely able to compete. There is a strong café culture, particularly in Victoria with the largest Italian population in Australia.
- Growth areas include Asian and Indian cuisine with areas in supermarkets dedicated to the sale of oriental products.

Import Statistics for Major Product Categories

Australian imports of major product categories are presented below and include total Australian imports for the category, US imports and share of total imports, and imports from the second highest or highest country of origin.

Table 10: Australian Imports of Selected Food Categories (USD Million 2000 Dollars)
1996-2000 Total Imports, US Imports and Main Competitor Imports

Petfood (HS Code 2309.1)					Fruit & Vegetable Juice (HS Code 2009)				
Year	Total Imports	US Imports	US Share	Other*	Year	Total Imports	US Imports	US Share	Other*
1996	43	10	24%	27	1996	75	3	3%	39
1997	44	13	31%	27	1997	50	3	6%	19
1998	42	14	34%	24	1998	52	6	12%	19
1999	42	15	35%	21	1999	72	9	12%	35
2000	34	12	36%	15	2000	51	3	6%	23
*Figures are for imports from Thailand (ranked first)					*Figures are for imports from Brazil (ranked first). China ranked second, USA third				
Breakfast Foods (HS Code 1904)					Citrus, Fresh or Dried (HS Code 0805)				
Year	Total Imports	US Imports	US Share	Other*	Year	Total Imports	US Imports	US Share	Other
1996	5	1	27%	0	1996	15	15	99%	
1997	10	4	41%	2	1997	14	13	98%	
1998	15	4	25%	4	1998	16	16	99%	
1999	9	2	18%	2	1999	13	9	75%	
2000	8	2	21%	1	2000	14	11	82%	
*Figures are for imports from NZ (ranked second after US), UK is ranked third.									

Sugar Confectionary (HS Code 1704)					Frozen Vegetables (HS Code 0710)				
Year	Total Imports	US Imports	US Share	Other*	Year	Total Imports	US Imports	US Share	Other*
1996	58	15	26%	7	1996	33	8	24%	21
1997	57	10	17%	9	1997	25	6	23%	16
1998	54	10	19%	8	1998	25	5	19%	16
1999	54	6	12%	9	1999	28	3	12%	19
2000	54	6	11%	7	2000	29	4	12%	20
*Figures are for imports from Spain (ranked first). NZ is ranked (2nd) and USA (3rd).					*Figures are for imports from NZ (ranked first)				
Flours & Meals of Oilseeds or Oleaginous Fruits (other than mustard) (HS Code 1208)					Dried Legumes (HS Code 0713)				
Year	Total Imports	US Imports	US Share	Other	Year	Total Imports	US Imports	US Share	Other*
1996	45	45	99%		1996	13	6	48%	5
1997	39	39	98%		1997	11	5	49%	4
1998	24	23	97%		1998	9	4	44%	4
1999	28	27	97%		1999	10	4	42%	4
2000	39	38	98%		2000	8	3	43%	3
*Figures are for imports from the US (ranked first)					*Figures are for imports from NZ (ranked second)				
Chocolate & Cocoa Products (HS Code 1806)					Other Dried Fruit (apricots, prunes, apples, other fruit and mixtures) (HS Code 0813)				
Year	Total Imports	US Imports	US Share	Other	Year	Total Imports	US Imports	US Share	Other*
1996	89	7	8%		1996	15	1	9%	8
1997	104	24	23%		1997	17	2	11%	9
1998	97	28	29%		1998	16	2	14%	8
1999	86	23	26%		1999	17	4	21%	8
2000	78	20	26%		2000	15	4	25%	7
Imports from USA ranked first in 2000. Change in origin of product over time, table below.					*Figures are for imports from Turkey (ranked first), USA ranked second.				
Chocolate & Cocoa Products by Origin					Fresh Stone Fruit (apricots, cherries, peaches, plums and sloes) (HS Code 0809)				
Origin	1996	1997	1998	1999	Year	Total Imports	US Imports	US Share	Other*
USA	8	30	42	35	1996	5	1	15%	4
UK	27	23	18	15	1997	5	1	28%	3
ITAL	17	15	16	15	1998	2	0	23%	2
BLGM	17	14	14	13	1999	5	2	36%	3
NZ	10	11	11	14	2000	5	2	40%	2
Other	23	37	45	40	*Figures are for imports from NZ (ranked first)				

Sauces & Seasonings etc (HS Code 2103)					Almonds (Shelled and Unshelled) (HS Code 0802.1)				
Year	Total Imports	US Imports	US Share	Other*	Year	Total Imports	US Imports	US Share	Other
1996	86	9	11%	21	1996	11	11	100%	
1997	89	11	12%	17	1997	9	9	96%	
1998	86	11	12%	16	1998	5	4	96%	
1999	89	9	10%	19	1999	4	4	85%	
2000	90	10	11%	17	2000	1	1	98%	
*Figures for imports from NZ (ranked first), Hong Kong second, US third.									
Prepared Salmon Products (HS Code 1604.11.00.50, 1604.20.00.57)					Walnuts (Shelled and Unshelled) (HS Code 0802.3)				
Year	Total Imports	US Imports	US Share	Other*	Year	Total Imports	US Imports	US Share	Other*
1996	47	23	49%	21	1996	10	6	58%	4
1997	34	20	59%	11	1997	10	6	64%	3
1998	38	23	61%	12	1998	10	5	54%	2
1999	16	10	62%	5	1999	7	5	72%	2
2000	38	19	51%	10	2000	9	7	77%	2
*Figures for imports from Canada (ranked second), US ranked first.					*Figures for imports from China (ranked second), USA ranked first.				
Source: ABS Statistics									

US Market Share of Australian Retail Food Sector by Major Product Categories

Many US products are manufactured in Australia through subsidiaries of American companies.

Table 11. Retail Food Sector Product Categories – Who Produces What?

Key: AU = Australia, CA = Canada, NZ = New Zealand, FRA = France, UK = United Kingdom, HKG = Hong Kong

Categories	Australian(AU)/Other Companies/Brands/% Share	USA Companies/Brands/% Share
Snack Foods and Confectionery		
Biscuits	Players AU 3.3%, Westons UK 8.6%, RITZ, Lanes (Chips Ahoy) NZ 7.1%, Dick Smith AU 0.3%, Sakata JA 4.0%	Arnott's (Shapes 8.1%, Tim Tam 5.3%) 53.1%
Confectionery	Kenman AU 1.8%, Nestle Swiss 18.3%, Cadbury UK 37.3%, Ferrero Swiss 3.1%	Mars 12.7%, Whitmans 2.5%

Snack Foods (nutritious – fruit bar driving growth, driven by Bellis and Uncle Toby’s)	Uncle Tobys (Brands: Crispies, Oven Baked Fruit Bars) AU 51.2%, Bellis AU 2.2%.	Kellogg’s (Rice Bubble Treats) 14.3%
Soups Instant	Unilever foods British/Dutch 58.1%	Minor
Soups dry packet	Unilever Foods (Continental) British/Dutch 60.6%, Uncle Toby’s AU 32.2%	Minor
Soups: Canned Wet	Rosella Swiss 15.1%	Heinz 40.5%, Campbells 45.3%
Corn Chips	Snack Brands AU 26.1%	Smith’s Snackfood Company 53.4%
Cereal Snacks	SBA AU 14.4%, HB/generics 13.1%	Smith’s Snackfood Co 70.7%
Nuts	Olympic 4.8%, SBA AU 3.9%,	Smith’s Snackfood Co (Nobby’s) 22.3%,
Potato Chips	SBA AU 28.4%, Procter & Gamble 7.2%	Smith Snackfood Co. 38.7%, Arnott’s (Kettle Chip Co.) 7.5%
Breakfast cereals	Uncle Tobys AU 19.4%, Sanitarium (Weetbix 11.4%) AU 16.4%	Kellogg (Nutri-Grain 9.9%, Corn Flakes 6.3%, Coco Pops 5.6%, Just Right 4.2%) 52%
International Meals – Mexican Food & Dips (8.7 growth)	Pillsbury (Old El Paso) 68.9%, SBA AU 3.8%	MasterFoods 9.4%, Smiths Snackfood Co. (Tostitos) 7.8%
Fresh Meat: (51% of fresh meat sold through Butchers, 49% sold through Supermarkets). Imports from the US are only 5% of total import/domestic processing.		
Dairy: Some Italian, French and NZ exposure however mainly Australian producers and manufacturers. Australia is a major dairy exporter.		
Dairy Deserts	National Foods (Yo Go 17.2%, Fruche 24.6%) AU 60.1%, Nestle Swiss 17.8%	Minor
Yoghurts	Dairy Farmers (Ski 25.4%, Danone 6.5%) AU 34.3%, National Foods Group (Yoplait 26.5%) AU 26.7%, Nestle Swiss 15%	Minor
Eggs and products		Quarantine based import restrictions
Fish and Seafood (USA dominates imports of prepared salmon products followed by Canada)		
Canned Red Salmon	Greens AU (Paramount 10.2%), Safcol AU 6.4%, Generics 15.7%	John West and Ally 51.7% US brands (imported by Unilever)
Canned Pink Salmon	Greens AU (Paramount 9.6%), Safcol AU 1.3%, Generics 13.8%, HBs 8.4%	John West and Ally 51.7% US brands 59.8% (imported by Unilever)
Canned Australian Salmon	Safcol 20.2%, Generics 54.9%.	Heinz (Greenseas) 24.8%

Fruit and vegetables		
Frozen vegetables (3.6% growth in value) – main products are peas, sauce vegetables, mixed veges and corn cobs.	McCain CA 26.5%, HB/Generics 20.4%.	Simplot (Edgell/BirdsEye) 31.9%, Wattie's 11%
Canned Fruit	Goulburn Valley Canned Fruit (Ardmona) 32.3% AU, SPC AU 24.8%	Minor
Dried Fruit	Sunbeam AU Foods 22.7%, Angus Park Fruit AU 21.4%, HB/generics 27.4%, Other 28.4%.	Minor
Asparagus Canned		Simplot (Edgell) 25.6%, John West 24.7%
Jams (growth 2.6%)	Cadbury Schweppes Cottee's (Cottee's 19.5%, Monbulk 14%) UK 33.5%, Allowrie AU 4.2%, Dick Smith Products 6.6%	IXL 22.2%,
Yeast Spreads	Sanitarium (Marmite) AU 1.9%	Kraft (Vegemite 89.2%), MasterFoods (Promite 8.9%)
Nursery products (baby food)		
Baby biscuits		Heinz 77.4%
Baby food processed/wet	Nutricia AU 6.4%, Only Organic AU 2.0%, Gerber FRA 0.1%	Heinz 90%
Baby food cereal	Farex Swiss 24.1%	Heinz 83%
Pet Food: USA is the dominant player, especially cat foods imported from the US. Market Leader Uncle Ben's is part of Effem Foods Pty Ltd		
Bird Seed	Golden Cob 18.5%, Trill 15.3%, Generics 38.2%	
Cat Food : Canned /Wet	Friskies Swiss (Fancy Feast) 8.2%, Safcol AU 7%, Chubpak AU 1.9%, HB/generics 10.1%	Uncle Ben's (Whiskas, Kiticat and Dine) 63.5%
Cat Food: Packet/Dry	Friskies Swiss 48.4%, HB/Generics 6.5%	Uncle Ben's 43.0%
Dog Food: Canned/Wet	Chubpak AU 5.4%, Friskies Swiss 11.5%, Bush's AU 4.5%	Uncle Ben's 67% (Brands: Pal 35.5%, Chum 23.5%, My Dog 6.3%)
Dog Food: Dry-regular	Friskies Swiss 24.8%, Green's AU 7.7%, HB/Generics 10.3%. Other (Other Brands: Trusty 7.3%, Lucky Dog/Puppy 16.1%).	Uncle Ben's 53.6% (Brands: Pedigree 40.8%, Good-O 7.2%)
Condiments	Dips – Snack Food Australia 13.7%,	Dips and mustards. Dominated by MasterFoods 33.8% & 68.8% respectively

Frozen Foods		
Poultry Products (growth of 7.3%)	Inghams AU 63.8%, Bartter Enterprises (Steggles) AU 3.2%, Colonial Farm AU 5.6%	Birds Eye 23.8%, minor US, import restrictions based on quarantine have historically prevented poultry meat import
Dinners (growth in value 7.2%)	McCain CA 41.2%, Findus Swiss 36%, Michelina's 6.6%	
Fish (growth in value of 7.3%)	HB/Generics 19%.	Birds Eye 38.9%, I&J 19.6%, Simplot (Sealord) 10.3%
Savory Pastries (growth value of 5.4%)	Four 'n Twenty AU (18.5%),	Herbert Adams (8.5%, Sargents 9.1%, Big Ben 4.3%)
Beverages		
Cordials	Cadbury /Schweppes Cottee's (Cottee's) UK 34.5%), Golden Circle AU 15.6%, Berri AU 11.4%, HB/Generics 20.3%.	Minor
Fruit Juices and Drinks (\$700m market)	Berri AU 50.4%, Golden Circle AU 13.2%, Bev-Pak 10.0%	Minor
New Age Drinks	Fruit based/iced teas other - Oasis UK 32.1% Spritz AU 30.7%, Liptonice 26.9%; Mixers -, Kirks AU 12.6%, HB/generics 37.9%	Minor
Soft-Drinks	Coca Cola (Coca Cola, Sprite) AU 58.4%, Cadbury Schweppes UK 14.5%	Pepsico 10.3%
Soy UHT Drinks	Sanitarium AU (So Good) 44.3%, Vitasoy Int. 20.3%, Australian Natural Foods Ltd AU 20.1%, Others 2.6%	Minor
Sport/Energy Drinks (Energy drinks have taken off over the past year with a value growth of 55.2%).	Schweppes (Sport Plus) UK 3.5% Energy Drinks - most are American	Sports Drinks - Powerade 49.5%, Gatorade 32% Energy Drinks - Lucozade 47.7%, Red Bull 16%, V-Vitalise 12.6%
Coffee/Tea Over the past two years the coffee market has grown by only 2.3%. The tea market has grown especially with the herbal infusions part.	Unilever British/Dutch dominates majority of segments	

Source and Shares: Information provided in Retail World, Grocery Industry Marketing Guide 2001, and is information provided by consumer packaged goods manufacturers and importers.

SECTION IV. BEST PRODUCT PROSPECTS

Important Tips

Packaging

- The recent history of tampering with products in supermarkets has created increased interest in tamper evident packaging.
- In addition to safety considerations, the aesthetics of design is also an important factor, along with the total impact of the packaging on the environment.
- The most popular sized drink container is the 1.25 liter PET bottle followed by the 600 ml PET size. Glass has been in long term decline and aluminum cans are also experiencing decline

Labeling

- A product composed of genetically modified plants/animals has to be labeled as such.
- Ensure labeling outlines nutritional values (folate content, high protein, mineral and vitamin content), quality, and health values such as low fat, no cholesterol and low sodium as these attributes are searched for in foods.

Frozen Food

- On average, frozen food has grown 6.5% between 1999 and 2000.
- Driven by a number of factors including consumer pressures for greater product innovations, and wide variety and good value for money, frozen ready meals in Australia were worth USD 211 million in 2000.

A. Products Present in the market which have Good Sales Potential

Pasta Sauces

- The pasta sauce market is one of the fastest growing categories in the supermarket. Grocery value of the pasta sauces market is USD 85 million, a growth of 8.8% between 1999 and 2000.
- Value growth in the pasta sauce market was driven by the expansion of the premium, or value-added segment, over the past two years.
- Bolognese sauce is about 50% of the market. Pasta bake is the second largest segment and pour-over, non-meat sauces, such as Five Brothers and Dolmio Heat and Pour is the third largest segment.
- Pesto is a stable segment and the stir-throughs, such as Dolmio, Leggo's and Prima are growing strongly because they are a convenient way of eating pasta.

Soups

- **Fresh and ready to serve soups** continue to grow in popularity as consumers demand a low fat alternative, with a home-made taste that is easy to prepare. Campbell's is the market leader at 46.1% followed by Heinz with 34.1% and then Baxters soups with 6.4%.
- The ready to serve segment grew 31% in the past year.

- There are several reasons why canned soups continue to grow in popularity. These include;
 - working women have less time to prepare food,
 - one and two person households are on the increase,
 - TV and print media drive quality and interest in food,
 - consumers are more health conscious and time poor,
 - demand for safer or GM free foods.
- The **condensed soup** sector is declining in importance. There is lack of interest due to condensed soup's lack of quality, taste and texture. Preference for convenience, ready to serve soups is also driving consumers away from condensed soup. The market leader of the condensed soup segment is Heinz at 47.6%, followed by Campbell's with 35.5% and Unilever with 10.3% of the market.

Asian Noodles

- Popularity towards gourmet restaurant food has encouraged the same restaurant flavors to be recreated at home.
- **Asian noodles** in particular have become hugely popular with shelf stable cooking noodles growing 61.5% and noodle sauces 234.7%. The diversity of **noodle sauces** is attributed to this growth - the strong flavored sauces being used not only for noodles dishes, but stir-frys and marinades.
- Within the noodles segment, Bamboo Pot is the market leader at 22.1%, followed by Taings with 21.5% and Noble House with 5.8%.
- The need for quick, easy, healthy and tasty meals is another reason for this continual growth showing consumers are more than ever, time poor and cash rich.

Herbs and Spices

- **Premium spices** grew 61.8% in 2000 after the innovative release of disposable grinders. The market leader of the premium herbs and spices segment is Masterfoods with 45.7% of the market, followed by McCormick Foods at 30.8% and then Unilever at 7.8%.
- Increased spice use was also reflected in the **economy spices** growing 33.1%. The economy spices segment is led by Ward McKenzie at 22.8%, followed by Hoyts at 19.4% and then HBG with 6.3% of the market.
- **Rock salt** increased in growth by 30.8% in 2000 due to the fact that there is a need for fresh flavors at home. Attractive table presentation of rock salt is also in vogue.
- **Herb and spice manufacturers** believe that although consumers spend less time in the kitchen during weekdays, weekends are proving to be a time for experimental cooking. This has also led to increased herb and spice use and consumers pre-preparing meals in preparation for the week ahead.

Confectionery

- The confectionery market is highly concentrated, with a large majority of the market being accounted for by the three leading firms: Cadbury Schweppes, Nestle and Mars Confectionery.
- In 2000, the domestic market recorded strong growth – in excess of 4%, both in volume and value. This growth was reflected in all categories. Manufacturers tapping into consumer needs and shopper behavior have been one of the keys to this growth.
- The block category was driven largely by the success of Cadbury Breakaway, which launched in Australia in 1999. In addition Nestle, by introducing the dark chocolate Club Fruit & Nut, has also attracted considerable interest into the market.
- The boxed chocolate category has continued its high sales growth pattern around traditional seasons, with Christmas representing 34% of total boxed chocolate annual sales.

- Competition and innovation now drive the chewing gum market, which was initially underdeveloped due to the single supplier monopoly. Ferndale's whitening sugar-free GLEAN was a 2000 chewing gum success. Ferndale is now experimenting with new menthol eucalyptus gum. The main competitors in the chewing gum market are Wrigley's and Ferndale.
- Icon brands, such as Freddo, continue to post good growth. Cadbury now sells in excess of 100 million Freddos per year.

Fish Market

- Fish and seafood consumption in Australia continues to grow as time poor, but health conscious consumers, increasingly look to this sector to satisfy their hunger for healthy, convenient foods.
- Australians consume about USD 354 million worth of locally produced fresh fish and seafood, while the total consumption of all types of fish and fish products – fresh, frozen, chilled and canned – is estimated to be about USD 1.5 billion.
- **The chilled fish sector** (which includes fresh fillets as well as thawed frozen fish and seafood served in the chiller cabinet, and prepared products such as breaded and marinated fish and seafood products) is booming, with sales value of USD 800 million in 1999, up from USD 142 million in 1995.
- Simplot dominates the Australian **frozen fish** market (71%) and is the main player in all of the subcategories, which include fish fingers, fish portions, fish dinners, fish fillets, natural seafood and seafood snacks. After Simplot brands, private label players are most active as a group and as individuals.
- Valued at USD 206 million in 2000, the **canned fish** segment is the largest and most active and innovative of the canned food market in Australia. Tuna accounts for 54.3% of the market, followed by pink and red salmon, which together hold 24.6% of the market and then sardines and shell fish.
- Greenseas and John West remain the leading **tuna brands**, but other players such as Sirens, Seakist, Safcol and Trident, are bringing out unusual flavor variants and value added innovations, adding to the competition.
- The canned sardines/herring market (USD 19 million), has grown by 4.7% between 1999 and 2000, with Safcol (28%) and Paramount (100.7%) experiencing the greatest growth.

Tea Market

- Tea is the best performing segment in the hot beverage category.
- Herbal infusions have become more mainstream thanks to the leading tea brands such as Lipton and Twining introducing herbal infusions. This has meant that herbal type teas are now also selling in supermarkets rather than just health food shops. Estimates of the total size of the herbal market is USD 17.7 million with an estimated growth of 2% in 2000 (AC Neilson, 2001).
- Green tea has been a star performer in the tea market with an estimated combined growth of 26%, taking the total market value to USD 5.9 million.
- Tea bags continue to dominate the tea category accounting for 85.2% of the market. In 2000 the segment grew 1.8%.
- Cup bags account for 56.5% of the market and is driving the growth in the market with an increase of 6.4% in value.
- Unilever leads the tea category with 40.6% of the market, and its Lipton brand accounts for 23.5% of the market. Twinings is second with 17.4% share. Dilmah has experienced excellent growth of 10.1%, which has seen the brand take over the number three brand position.

B. Products NOT Present in the market in significant quantities which have Good Sales Potential

Nutritious Biscuits

- Products that meet specific consumer dietary requirements are now in demand, particularly as consumers have become not only health conscious, but taste conscious as well.
- To meet such requirements Roma Food products will soon release its carob-coated, gluten-free cookie. Recent market trends show a need for specific dietary requirements to be met which includes gluten intolerant, diabetes and low fat diets. Roma Foods believes, that even though this area is small in comparison to the sweet biscuits, it is growing rapidly.
- Also, in the healthy biscuit segment, rice crackers continue to boom. Rice crackers and snacks category leader, Sakata, builds its continued success on marketing rice crackers as a versatile item. In the future, innovation will make the market grow, which may mean packaging innovation such as being resealable.

Sports/Energy Drinks

- Sports/energy drinks is growing by more than 40% per annum. In the energy drinks segment the market leader is Lucozade at 47.7% followed by Red Bull with 16% of the market and then V-Vitalise at 12.6%. In the sports drink market, POWERADE is the market leader at 49.5%, followed by Gatorade (32%). Sport Plus, Energizer, Adams Ale all have an average of 3.5% share of the market each.
- A report by AC Neilson showed that sales of energy/sports drinks almost doubled in 2000. It is believed that the reason why these drinks are so popular is because people want products that not only look good and taste good, but also “do good”.
- The report also argues strongly for more shelf space for these drinks, as 17% of retail outlets still do not stock any energy or sports drinks and 59% of pubs and clubs do not yet list Red Bull.
- Over 20 new brands were launched in 2000, including entries by four of the top five UK soft drink companies.

Frozen meals

- The rise of home meal replacement trends is having a direct impact on the growth of frozen ready meals. Driven by a number of factors including consumer pressures for greater product innovation, a wide variety and good value for money, frozen ready meals in Australia were worth USD 211 million in 2000.
- New varieties and the recent shift towards nutritional value have prompted consumers to perceive frozen meals healthier than take-away foods.
- McCain Foods, the largest player in the market (42%) has launched new brands: a new Healthy Choice range and a new lasagna variety.
- The frozen ready meal category will continue to grow strongly due to key consumer trends such as time constraints, trends to smaller households and fragmented eating patterns among families.

C. Products Not Present, Significant Barriers

- Frozen poultry products are prohibited entry in Australia. Cooked poultry products are permitted however an import permit is required.
- Many fresh products are prohibited at present.

See www.aqis.gov.au/icon/asp/ex_querycontent.asp, import conditions (ICON) database to identify whether your product is prohibited entry to Australia.

Note: Important sources of information for Section IV include Retail World Magazine and the Grocery Industry Marketing Guide, 2001.

SECTION V. POST CONTACT AND FURTHER INFORMATION

Import Regulations

Food Law and Policy can be obtained from the www.ausfoodnews.com.au website.

See www.aqis.gov.au/icon/asp/ex_querycontent.asp, import conditions (ICON) database to identify whether your product is prohibited entry to Australia.

Australia's Food Sanitation Regulations

See the Foreign Agricultural Import Regulations and Standards (FAIRS) report for Australia for detailed information on Australia's import requirements, including labeling. The latest version of this report will be available on the following web-site in mid-August 2001:

www.fas.usda.gov/scripts/attacherep/default.asp.

Industry Information

Food and Beverage Importers Association
181 Drummond St
Carlton VIC 3053
Email: ajb@sprint.com.au
Tel: +61-3-9639-3644

Australian Food & Grocery Council
Level 2, Salvation Army Building
2-4 Brisbane Avenue, BARTON ACT 2000
Tel: +61-2-6273-1466
Fax: +61-2-6273-1477
Web: www.afgc.org.au
Email: info@afgc.org.au

Trade Services and Commercial Credit Guarantee Programs

Trade Shows and Exhibitions

Aug 27-30 2001 Fine Food Australia, Sydney Convention & Exhibition Centre, Darling Harbour.
See www.foodaustralia.com.au for more details.

Sept 1-4, 2002 Fine Food Australia, Melbourne Exhibition & Convention Centre, Melbourne.
See www.foodaustralia.com.au for more details.

For more information contact:
Australian Exhibition Services Pty Ltd,
Illoura Plaza, 424 St Kilda Rd
Melbourne VIC 3004
Tel: +61-3-9261-4500
Email: food@ausexhibit.com.au

Sep 27-30 2001 Ausdrinks 2001, Surfers Paradise, QLD. See www.softdrink.org.au for more
details.

Web-sites that may be of interest include:

- TSCentral, free internet service, listing world wide events - www.tscentral.com
- Online Events, subscription service lists events in Australasia - www.onlineevents.com.au

Research, Education and Economics

Food News Bulletin on Australian Processed Food and Beverages www.affa.gov.au/docs/food/publications.html

Australian Food Companies and Importers

FoodConnect Australia™ www.foodconnect.com.au/trade.htm e-commerce export product, with a great list of exhibitions and trade shows relevant to all agrifood producers/businesses.