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## Australia

### Product Brief

### Snack Food

2003

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#### **Report Highlights:**

**The major snack food brands in Australia are dominated by large food processing companies, the majority of which are owned by U.S. multinationals. Opportunities for large scale exports of packaged snack food products to the Australian retail sector are limited. The ingredients market for snack foods may offer greater opportunities for U.S. exporters than the retail market, particularly for those products targeted towards nutritional snacks. The best prospects in the snack food sector appear to be seasonings, flavors, cooking oils, thickeners, processed fruit and nuts, and possibly yogurt probiotics.**

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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 OVERVIEW

In 2001, the total grocery value of the Australian snack food industry was US\$490.7 million, US\$64.5 million higher than 2000. Salty snacks, the dominant segment, accounted for 55.4 percent of the snack food market in 2001, but experienced negative value growth of 1.9 percent. The Nutritious snack segment, accounted for 35.9 percent of snack foods and achieved value growth of 2.8 percent for the same period. The Nuts segment contributed US\$43 million in 2001. The low to negative rates of growth in value can be attributed to the depreciation of the Australian dollar vis-à-vis the U.S. dollar, with both the salty snack and nutritious snack segments growing strongly in volume by 16 percent and 14 percent respectively. The Nuts segment declined by two percent in volume.

Based on a review of the snack food market, limited opportunities exist for large scale exports of U.S. products to the Australian packaged ready for retail sale sector. Opportunities are limited because of the brand domination of the market by large food processing companies in Australia, the majority of which are owned by U.S. multinationals.

The ingredients market for snack foods may offer greater opportunities for U.S. exporters than the retail market, particularly those targeted towards nutritional snacks. Recent reports suggest that Coles Supermarkets, the second largest supermarket chain in Australia, has increased allocation to the category. Nutritious snacks have also been segmented as a separate category in stores. Both these factors suggest further opportunities for continued growth. The market typically consists of muesli and other bars (cereal, oven bakes, fruit filled), cheese dips and fruit snacks (Retail World 2002).

Again, there are challenges in supplying this snack food processing sector, with the large food processing companies advertising their intention to source domestically produced product over imported product. However, one of the large processors advised there are opportunities for purchasing seasonings, flavors and cooking oils on the world market (generally from Asia due to price). Other ingredients that present opportunities include thickeners, processed fruit and nuts, and possibly yogurt probiotics.

According to the U.S. Bureau of the Census Trade Data, in the calendar year 2001, the U.S. exported US\$17 million of snack foods (excluding nuts) to Australia, declining from US\$38.6 million in 2000. U.S. exports to Australia represented one percent of total U.S. exports of snack foods, indicating that Australia is a relatively small market for U.S. suppliers.

Import statistics available from Australian sources do not provide detail for snack foods. Categories of substantially transformed products, for which statistics are collected, include cereal and baking products; bread, cake and pastry; and biscuits.

The following provides an overview of Australian imports by the broad categories of substantially transformed fats and oils, cereal food and baking mix, biscuit, and minimally transformed fruit and nuts. Generally, import values of products from the U.S. were either unchanged from 1999/00 to 2000/01 or increased slightly.

**Cereal Food and Baking Mix:** Australia imported US\$101 million of cereal food and baking mix in 2000/01. U.S. imports accounted for **US\$6 million** in 2000/01. Thailand was the major source of imports in this category with US\$23 million, followed by Ireland with US\$14 million.

**Bread, Cake and Pastry:** In 2000/01 Australia imported US\$47 million in this category. The U.S. led with **US\$13 million** of exports to Australia in 2000/01, unchanged from the previous year. New Zealand followed closely with exports to Australia of US\$8 million.

**Biscuit:** Australia imported US\$42 million of biscuit products in 2000/01. Imports from Thailand led with US\$8 million, followed by New Zealand with US\$5 million. Imports from the **U.S.** accounted for **US\$3 million** in 2000/01.

**Fats and Oil:** In 2000/01, Australia imported US\$141 million of fats and oil. Total imports from the **U.S.** in 2000/01 were valued at **US\$2 million**. Malaysia was a leading exporter of fats and oils to Australia in 2000/01 with US\$41 million, followed by Spain with US\$32 million.

**Fruit and Nuts:** In 2000/01, Australia imported US\$56 million in this category. For that year, imports from New Zealand led with US\$21 million, followed by the **U.S.** with **US\$16 million**.

(Source: ABS International Trade, electronic data service, cat. No. 5464.0 Canberra Australian Food Statistics 2002 AFFA publication)

**Table 1: Advantages and Disadvantages for U.S. Exporters to the Australia Snackfood Market**

<b>Advantages</b>	<b>Disadvantages</b>
Low to zero tariffs for snack food ingredients.	Imports make up a small proportion of total grocery value for the Australian snack food Industry.
U.S. brands dominate the market.	Australian retail market is dominated by a small number of local processors.
U.S. flavor systems are considered in the Australian food processing industry to be better quality and more palatable than domestic systems.	The majority of ingredients for processed snack foods are sourced locally.
The nutritious snack food segment is not mature and new products are constantly emerging. Consumers do not yet exhibit strong brand loyalty, suggesting opportunities for new innovative products.	Imports from the U.S. are relatively expensive due to appreciation of the U.S. dollar.
Snack food market is growing in volume and value (AUD).	Due to the relative depreciation of the Australian dollar, volume growth may be negated by declining value.
	Australia has a low cost manufacturing base, making processors in Australia very cost-competitive with imported products.

## SECTION II MARKET SECTOR OPPORTUNITIES AND THREATS

### FOOD PROCESSING SECTOR

#### Entry Strategy

The desired method of entry for an exporter new to the Australian food processing market varies depending on the size of the processor being supplied. Small food processors, such as Greens General Foods, that are unable to fill a container load of imported goods, typically source product from local distributors. However, larger food processors and small processors using a large quantity of one ingredient are in a position to source directly from the supplier. For example, a small food processor in Australia, due to the large quantity of canned blueberries used in their products, sourced these by the container load directly from the United States.

Ingredients required by the large processing operations of Uncle Toby's, Kellogg's, Snack Brands Australia and Smith's Snackfood Co are likely to be sourced through both channels – direct through to the supplier and through distributor/wholesaler. These companies did not confirm this; however, their size and turnover would allow them to source directly from a U.S. exporter.

Specialist distributors or wholesalers exist and may also be approached to gain entry to or supply the market. Australia's leading suppliers are seeking products that demonstrate innovation and marked differentiation. Issues including product tracing for genetically modified organisms, metal contamination and antibiotics may be important. Australia requires careful labeling. (Further information is provided in Section IV of this Product Brief).

An example of a specialist wholesaler is Trutaste Nuts ([www.trutaste.com.au](http://www.trutaste.com.au)), Australia's largest nut-in-shell wholesaler supplying domestic and international markets with high quality nuts sourced locally and overseas. Where possible they source Australian product, however, they import walnuts from California and Oregon, hazelnuts from Oregon and pistachios from California. Trutaste also imports dried fruits. Other ingredient wholesalers include:

- Essential Ingredients Pty Ltd ([www.essentialingredient.com.au](http://www.essentialingredient.com.au))
- Woods & Woods ([www.wandw.com.au](http://www.wandw.com.au), natural raw ingredient specialist)
- Kingfood Australia ([www.kingdood.com.au](http://www.kingdood.com.au))
- Others ([www.candy.net.au](http://www.candy.net.au) for distributors such as Budget Snack Brokers, Network Foods Limited and the Healthy Snack People Pty Ltd).

#### **General Comments on Entry**

There is no one best way to enter the Australian market and be successful. However, success is unlikely without local representation and personal visits. What form this local representation takes depends on the exporter, the products and the Australian representative. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices, trade-related laws, food standards, sales contacts with existing and potential buyers, and market development expertise. The local importer, representative, trading agent, joint venture partner, or distributor should be well known to the American

company before any permanent, legal arrangement is finalized. The U.S. supplier needs to provide samples, product specifications and nutritional data for all products and provide representatives with the necessary training. Using marketing material and product information the representative will then canvas the customer base to determine the level of interest. Processors will then test sample products.

### ***Market Size, Structure, Trends***

The snack food sector is highly concentrated worldwide, supporting a number of global and multi-national brands. Frito-Lay (U.S. company), which owns Smith's Snackfood Co. - leading processing company in Australia - claims 40 percent share of the international market. Proctor & Gamble (U.S. company), producer of Pringles, follows Frito-Lay with five percent (The Letterhead Food Research Association, Press Release 782).

This concentration is reflected in the Australian market, which is dominated by three **foreign owned processing companies**. The two top 25 umbrella brands in Australia in 2000/01 were snack food brands manufactured by Australian subsidiaries of U.S. parents.

- Arnott's' Biscuits and Snackfoods (ranked #1) are manufactured by Arnott's Campbell's and generate US\$308 million plus in sales;
- Kellogg's' Cereal and Nutritious Snacks (ranked #2) are manufactured by Kellogg's Australia and generate between US\$205-230 million in sales;
- Uncle Tobys' Cereal, Bread and Nutritious snacks (ranked #3), an Australian firm, manufactured by Goodman Fielder, generate sales between US\$128-154 million; and
- Smith's Snack Foods (ranked #21) manufactured by Smith's Snackfood Co generated between US\$51-77 million in sales.

There have been ongoing attempts to encourage consumers to purchase products produced by Australian-owned companies. Organizations such as Ausbuy promote Australian-owned and made products ([www.ausbuy.com.au](http://www.ausbuy.com.au); refer also to [www.topspotmedia.com.au/auzziepower/auzziepower.htm](http://www.topspotmedia.com.au/auzziepower/auzziepower.htm)). The impact of such initiatives on consumer purchasing decisions and thus imports seems to be negligible. Approximately 10 percent of products sold in supermarkets are imported, a share that has not changed significantly over time (Food and Beverage Importers Association, 2002).

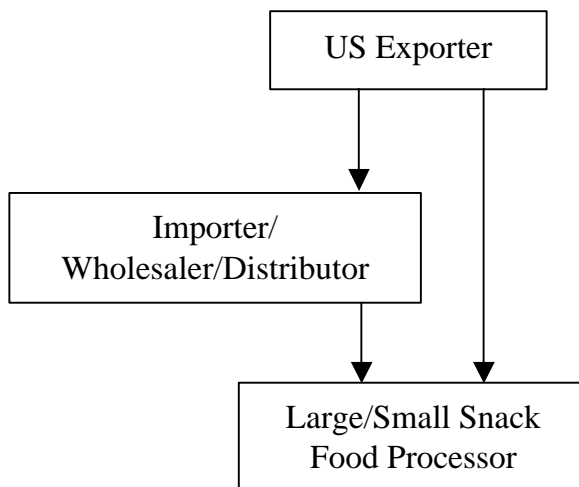
Leading information providers in the sector suggest there is growth potential and opportunities in the Australian market, particularly in the nutritious snack segment. These opportunities are likely to be absorbed by Australian food processing companies; however, U.S. exporters of ingredients or those offering licences to manufacture may also benefit. The important trends include:

- Consumers tending to eat a number of smaller snacks during the day rather than the three full meals, with ‘cash rich’ time poor consumers contributing to demand for snacks that are easy to buy, store and eat;
- Growing nutritious snack market with launches of products such as lunch box ideas for children and ideas for health conscious, but short of time, adults. For example, Kellogg’s is advertising its Be Natural Snack Bars brought from the Healthy Snack People, which targets the growing market for healthy young adults;
- Targeting nutritious snacks towards time of day snacking and demographics. For example, Lowan Whole Foods, a processor of nutritious snacks, is focusing on ‘AM eating occasions’ and capitalizing on the ‘grazing’ phenomenon. Their products are segmented according to eating occasions, demographics, variety and taste. Uncle Toby also launched a US\$1.5 million campaign in 2001 for a new range of adult breakfast snacks, toast oat bars aimed at women between 18-54 years seeking a healthy, low fat snack.
- Consumers swinging between brands to find the right product amidst a continually growing number of offerings. The lack of brand loyalty in the nutritious snack market is resulting in significant investments in promotion and product development. For example, Kellogg’s is investing US\$1.5 million in television promotions of K-Time (breakfast bar) positioning it as a ‘guilt-free snack’ and spending US\$0.5 million on TV advertising for the Be Natural Snack Bars.

To provide an overview of the types of products being launched in Australia by large domestically based processing companies the list for 2001 includes (Source: Retail World Grocery Guide 2002):

- Smith’s: New varieties of chips, pretzels, corn chips (line extension)
- Smith’s: Doritos corn chips Pizza flavored (line extension)
- Smith’s: Twisties Tiny Cheese Shots (line extension)
- Snack Brands: Thins Pizza Supreme variant (line extension)
- Golden Circle: Salsa dips, four varieties (**NEW**)
- Kraft: 8 pack Snack abouts (crackers and dip) (line extension)
- Uncle Tobys: Breakfree healthy snacks, new range of cookies and bars (**NEW**)
- Kellogg’s : K-time square variant breakfast bars (line extension)
- Roma Foods: Orgran fruit filled snack bars, 99 per cent fat free - blueberry, apricot and are wheat, dairy and gluten free high in fiber (**NEW**)
- Lowan: Harvest Fruit filled bars, Kids bytes – grains, fruit and yogurt individually wrapped for freshness – strawberry and apple flavour (**NEW**)
- YBD: Nana Diver Fruit Bars (line extension)
- Vital woman: Energy bar 98.8 per cent fat free Orange Zest and Wild Lemon - soft, moist, chewy bar to offer sustainable energy - formulation includes naturally occurring carbohydrates (**NEW**)



**Figure 1: Flow of Product from U.S. Exporter through to Processor**

The major corporations in the nutritious, salty and nut segments of the snack food market and their market shares are summarized in Table 2.

**Table 2: Market Share by Corporation (%)**

Company	Country of ownership	2000		2001	
		Value	Volume	Value	Volume
<b>NUTRITIOUS SNACK FOODS</b>					
Uncle Toby's	AU	51.2	46.5	45.7	42.2
Kellogg	US	14.3	12.9	18.1	18.3
Private Label		13.1	17.2	12.3	15.9
Others		21.4	23.4	23.9	23.6
<b>NUTS</b>					
Smith's Snackfood Co	US	22.3	25.1	22.8	26.2
Olympic		4.8	3.0	4.5	2.7
Snack Brands Australia	US	3.9	2.9	5.0	3.5
Private label		47.5	52.6	46.1	50.8
Others		21.5	16.4	21.6	16.8
<b>SALTY SNACK FOODS</b>					
<b>Potato</b> (Share of Subsector)		<b>56.8</b>	<b>53.3</b>	<b>54.9</b>	<b>52.3</b>
Smith's Snackfood Co	US	38.7	38.3	35.9	37.1
Snack Brands Australia	US	28.4	29.0	30.4	30.3
Arnott's	US	7.5	5.9	9.1	7.0
Proctor & Gamble	US	7.2	6.0	7.7	6.4
Private Label		13.5	16.3	13.1	15.9
Others		0.9	0.6	3.8	3.3

<b>Corn</b> (Share of Subsector)		<b>14.8</b>	<b>18.6</b>	<b>15.9</b>	<b>19.6</b>
Smith's Snackfood Co	US	53.4	49.3	60.8	56.1
Snack Brands Australia	US	26.1	25.6	20.8	21.1
Viva		4.3	5.1	4.3	5.9
Private Label		14.1	17.9	10.9	14
Others		2.2	2.0	3.2	2.9
<b>Extruded</b> (Share of Subsector)		<b>14.1</b>	<b>14.6</b>	<b>12.2</b>	<b>12.5</b>
Smith's Snackfood Co	US	66.5	58.5	64.8	57.3
Snack Brands Australia	US	18.5	21.8	19.3	20.9
Private Label		12.8	18.1	13.6	20.1
Others		2.2	1.6	2.3	1.7
<b>Miscellaneous</b> (Share of Subsector)		<b>4.6</b>	<b>6.8</b>	<b>6.2</b>	<b>5.4</b>
Arnott's	US	6.3	6.3	12	8.9
Private Label		5.0	5.7	4.3	4.9
Others		88.7	88.2	83.7	86.2
<b>Mixed</b> (Share of Subsector)		<b>7.8</b>	<b>4.3</b>	<b>8.8</b>	<b>7.9</b>
Smith's Snackfood Co	US	55.4	50.4	47.9	44
Snack Brands Australia	US	28.6	29.4	38.7	39.3
Private Label		12.9	16.0	11	13.6
Others		3.1	4.2	2.4	3.1
<b>Pretzels</b> (Share of Subsector)		<b>2.0</b>	<b>2.5</b>	<b>2.0</b>	<b>2.3</b>
Smith's Snackfood Co	US	90.4	89.2	90.0	88.5
Other		9.6	10.8	10.0	11.5

Source: Retail World Grocery Guides 1999-2001

### Nutritious Snack Foods

- Categorization of nutritional snacks has changed over time to meet the rapidly changing market. Categorization is due to the multitude of products available in this food category. In 1998, categories included muesli bars and other bars, in 2000 the categories increased to include dips, popcorn and fruit bars.
- The segment is dominated by two major players - Uncle Tobys (produced by Goodman Fielder) and Kellogg's. Uncle Tobys lost market share from 1998 to 2001, with Kellogg's and Private Label brands increasing their share.
- Goodman Fielder's category manager for snacks was reported as saying that consumers were finding it difficult and confusing to shop the nutritious snacks category (Retail World 2002). As a result, they have developed consumer insight-based initiatives in all major grocery chains.
- Uncle Tobys, the leader of the category, recently launched a number of new products including Cookies, Toasted Oat bars, and Fruit & Yoghurt Bars. Uncle Tobys also expanded its Muesli Bar range with the addition of a new Soft Bakes range (Retail World 2002).

## Salty Snack Foods

- Salty snacks is the largest segment of the snack food market, generating grocery sales of US\$232 million in 2000/01.
- Potato snacks represent the largest category within salty snacks, accounting for 55 percent in value terms.
- The Smith's Snackfood Company dominates all salty snacks sub categories and is the largest single producer in Australia by value and volume.
- Snack Brands Australia, recently taken over by Arnott's, was the second largest processor in the salty snacks segment.

## Nuts

- The nuts segment, now a separate category within the snack foods market, was originally classified as a nutritious snack.
- Smiths Snackfood Company is the largest single player with 23 percent of the value of the market, increasing its market share by about two percent over the period 1998-2001.

## Company Profiles

Table 3 profiles the Snackfood processing companies in Australia and includes information about company ownership, sales, outlets, locations, and procurement channels.

**Table 3: Profiles of Snack Food Processing Companies**

<b>Company Name &amp; Type of Food Processor</b>	<b>Food Sales US\$ million</b>	<b>Company Ownership</b>	<b>Production Location (domestic, off-shore, JV)</b>	<b>Procurement Channels**</b>
<b>The Smith's Snackfood Company</b> (U.S. Parent Pepsico, Frito-Lay) (Salty Snacks, Nuts)	70 (1999/00)	US	Australia	Direct Distributors
<b>Snack Brands Australia</b> (U.S. Parent Arnott's Campbell's) (Salty Snacks, Nuts)	272* (2000/01) Salty snack share only	US	Australia PNG Indonesia	Direct Distributors
<b>Uncle Tobys</b> (Owned by Goodman Fielder) (Cereal, Bread & Nutritious Snacks)	150 (2001)	75 Aust 25 Shareholders	Australia South Pacific, Taiwan Indonesia (JV)	Direct Import Agents Distributors
<b>Kellogg Australia</b> (U.S. Parent)(Nutritious Snacks)	NA	U.S. Parent Ready to eat products manufactured in Australia	Sydney	Direct Distributors

<b>Kraft Foods</b> (U.S. Parent) (Salty and Nutritious Snacks)	NA	US	Australia (5 factories) U.S. (51 Factories; 7 Distribution) Canada (11 Factories; 3 Distribution)	Direct Import Agents Distributors Import Brokers
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Source: Company websites and industry literature;

\*Retail World June 24-July 5, Vol. 55, 2002.

\*\*Information collected for Hassall & Associates (2001) Australian Food Processing Sector Report and information from websites and industry magazines has assisted in preparing this information. However, the majority of suppliers would not provide details directly.

### Imports vs Domestic Products

- Australian food processors advertise that they prefer to source raw materials and ingredients for processing domestically.
- Specific products, such as some nuts, processed blueberries, cooking oil, flavors and seasonings, are imported to supply snack food processing.

### Major Internal and External Drivers

Trends for the major external drivers appear to be positive.

- Seasonally adjusted economic growth for the year ending June 2002 was 3.8 percent, with growth in the retail sector of 6.3 percent for the same period.
- Inflation is relatively low at 2.7 percent for 2001/02, real economic growth was 2.6 percent, indicating that real purchasing power is rising.

### Customer Profile

A review of the customer profile suggests consumer confidence is positive, growing 2.2 points in September 2002, and up 8.7 percent for calendar year 2001 (Roy Morgan Research, [www.roymorgan.com.au](http://www.roymorgan.com.au), September, 2002). Employment levels have also been rising with the unemployment rate decreasing to approximately six percent. The average weekly wage in Australia is about US\$351 per household (Australian Bureau of Statistics 2001 Census).

Australians generally prefer branded products. Private label brands account for only about 10 percent of the value of grocery sales.

There is a continuing interest in new food products which are healthy and convenient for time poor adults. The following trends suggest continuing opportunities to develop such foods:

- Concerns over obesity rates have led to the release of innovative products in the snack food market. In Australia, one half of women, two thirds of men and one fifth of children are overweight or obese. For example, Arnott's has developed a new range of **Rice Shapes** and the Rix range of **rice chips**. Smith's has also responded, developing their **rice/potato chip mix** called Baked Lays. The central feature being the **lower fat content**.

- Consumers are demanding products that can be easily consumed while in transit or sitting at the desk. This has resulted in the emergence of ‘On-the-go’ and ‘desk-fast’ breakfasts. The breakfast bars from Kellogg’s K-Time range have been most popular in this area.
- Packaging is reflecting healthy eating demands with colors reflecting wholesomeness, and package quality and design reflecting product quality, nutritional benefits and real fruit. Features advertised include oven baked, low fat and good source of dietary fiber.

## **RETAIL FOOD SECTOR**

### **Entry Strategy**

Opportunities are limited for U.S. exporters of pre packaged snack foods ready for retail sale. Australian food processing companies dominate the supply of these products to supermarkets.

Where opportunities do exist, processed products are typically supplied through wholesalers and distributors. This approach to purchasing eliminates the supermarkets and convenience stores from the direct importation of U.S. products. The purchasing departments of the two largest supermarket chains, Woolworth’s and Coles, confirm this practice.

Therefore, U.S. exporters should strongly consider entering 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. Major chains and wholesalers have their own distribution centers and national coverage. Targeting major chains through your agent/distributor will also reduce the risk of entering the inappropriate state market in Australia.

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.

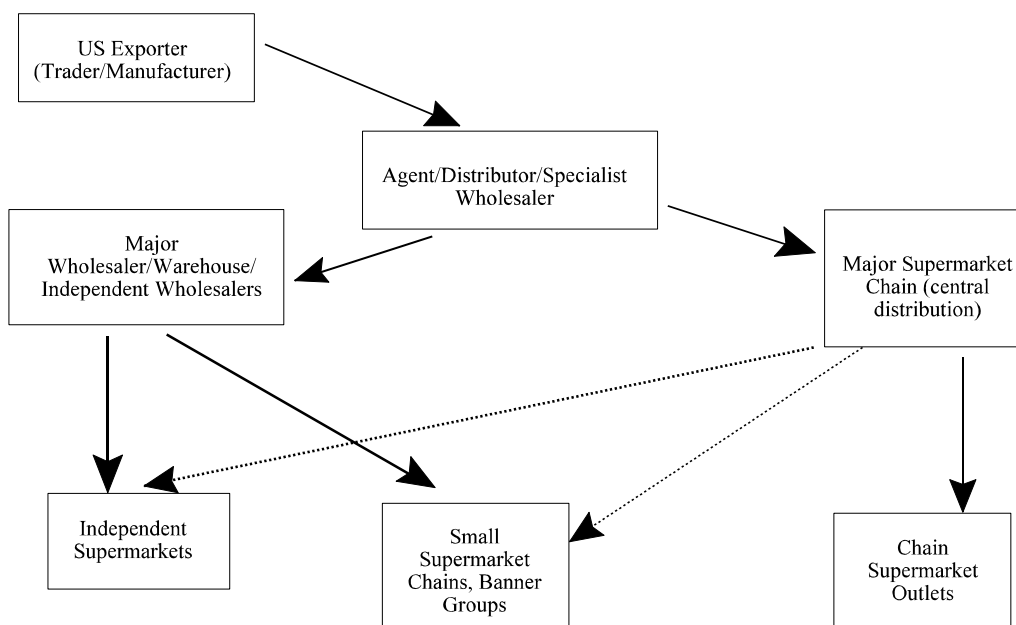
There is an interesting company based in the Australian state of Victoria called United Taste of America (<http://www.usafoods.com.au/php/prod.phtml?cat=salty>). The company sells retail-ready products from the United States on line. Products are marketed as the All American Grocery Store. Snack food products on offer include cornnuts, Pringles, Bugles, and pretzels.

U.S. exporters will need to provide promotional material. Australian food processors provide significant promotional support for new product launches. For example Lowan Foods, producers of nutritional snacks, has provided public relations support, a seasonal in-pack magazine, national demonstrations, new print campaign and new television commercials for their new children’s fruit filled snack bar. Prizes, competitions and value packs are popular, particularly for snack foods in the kids range. In addition, exhibiting at Australian trade shows such as ‘Fine Food’ exhibitions is important.

For unique and innovative products it may be appropriate to join forces with an Australian company to manufacture under license. U.S. products may then obtain brand recognition and a committed sales force. House Brands (HB)/generic brands are not recommended as they continue to account for a relatively small share of the market.

Figure 2 depicts the flow of goods from U.S. exporters through the retail food sector, identifying distribution channels.

**Figure 2: Market Entry Strategy for Retail Sector**



### **Market Size, Structure, Trends**

Table 4 outlines trends in snack food sales by segment. The data indicate that the salty snack market is clearly the largest in terms of grocery value, recording US\$272 million in 2000/01. The salty snack sector has been growing in terms of volume and value in Australian dollars. However, because of the depreciation of the Australian dollar vis-à-vis the US dollar, the market experienced a nine percent decline in US\$ from 1999/00 to 2000/01. For the same period there was a 16 percent increase in grocery volume.

The nutritional snacks market is the second largest sector, valued at US\$176 million in 2000/01, registering an increase from 1999/00 despite the declining Australian dollar. Nutritional snacks is the fastest growing sector of snack foods, recording a significant increase in grocery volume.

**Table 4: Grocery Sales (USD million) and Volume (tons)**

Segment	Units	1997/98*	1999/00*	2000/01*
<b>Salty Snacks</b>	AUD	337	488	530
	USD	36	298	272
	%Growth USD			<b>-9%</b>
	ton	26,288	36,358	42,027
	%Growth (t)			<b>16%</b>
<b>Nutritious Snacks</b>	AUD	208	282	343
	USD	146	172	176
	%Growth USD			<b>2%</b>
	ton	16,926	20,878	23,879
	%Growth (t)			<b>14%</b>
<b>Nuts</b>	AUD	74	82	84
	USD	52	50	43
	%Growth USD			<b>-14%</b>
	ton	7,626	7,586	7,408
	%Growth (t)			<b>-2%</b>

Source: Grocery Industry Marketing Guide 1999, 2001 and 2002. Converted to 2001 Dollars.

\*Year end for values is August/September.

Table 5 and Table 6 summarize grocery sales and volume growth from 1999/00 to 2000/01 for the salty and nutritious snack segments.

**Table 5: Salty Snack Subsectors - Grocery Sales (USD million) and Volume (tons)**

Subsector	Units	1999/00	2000/01	2000/01 Share
<b>Potato</b>	AUD	277	291	
	USD	169.36	149.33	55%
	% Growth USD			-12%
	Ton	21,044	21,981	52%
	% Growth (t)			4%
<b>Corn</b>	AUD	72	84	
	USD	44.1	43.23	16%
	% Growth USD			-2%
	Ton	7,322	8,239	20%
	% Growth (t)			13%
<b>Extruded</b>	AUD	69	65	
	USD	41.96	33.23	12%
	% Growth USD			-21%
	Ton	5,751	5,252	12%
	% Growth (t)			-9%
<b>Miscellaneous/Others</b>	AUD	22	33	
	USD	13.64	16.82	6%
	% Growth USD			23%
	Ton	1,696	2,259	5%
	% Growth (t)			33%

<b>Mixed</b>	AUD	38	47	
	USD	23.18	23.85	9%
	% Growth USD		3%	
	Ton	2,672	3,320	8%
	% Growth (t)		24%	
<b>Pretzels</b>	AUD	10	10	
	USD	5.93	5.33	2%
	% Growth USD		-10%	
	Ton	985	976	2%
	% Growth (t)		-1%	

**Table 6: Nutritious Snack Subsectors - Grocery Sales (USD million) and Volume (tons)**

Sub Sector	Unit	1999/00	2000/01	2000/01 Share
<b>Kids/teens Dips &amp; Bites</b>	AUD	57	63	
	USD	35	32	20%
	% Growth USD		-7%	
	Ton	3,199	3,253	14%
	% Growth (t)		2%	
<b>Kids/Teens Grain Bars</b>	AUD	101	96	
	USD	62	49	30%
	% Growth USD		-21%	
	Ton	8,960	8,360	37%
	% Growth (t)		-7%	
<b>Kids/Teens Fruit Bars/Snacks</b>	AUD	51	52	
	USD	31	27	16%
	% Growth USD		-13%	
	Ton	3,538	3,482	15%
	% Growth (t)		-2%	
<b>Adults Fruit/Grain Bars</b>	AUD	88	111	
	USD	54	57	34%
	% Growth USD		5%	
	Ton	6,011	7,381	33%
	% Growth (t)		23%	

**Company Profiles**

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

Coles Myer Pty Ltd and Woolworths dominate the supermarket sector. Until 2001 there were three major supermarket chains operating in Australia. In 2001 however, Franklins chain was sold off to a number of other chains, primarily Woolworths, Coles and a number of the larger independent grocery chains.

For the major Gas Mart and Convenience Stores chain refer to FAS Attache Reports - Australian Retail Food Sector (2001), Report No: AS1023.



**Table 7: Profiles of Supermarket Chains, Banner Groups and Wholesalers**

<b>Retailer Name and Outlet Type</b>	<b>Owner-ship</b>	<b>Sales USD Mil</b>	<b>No. Of Outlets*</b>	<b>Locations (city/region)</b>	<b>Purchasing Agent Type</b>
<b>Chain Supermarkets/Superstores</b>					
Woolworths: Woolworths, Safeway, Metro, Purity/ Roelf Vos, Flemings, Food for Less, Plus Petrol supermarkets	Local	\$8,984 (2001)	661	National (Safeway in Victoria, Purity in Tasmania)	Manufacturer Importer Agent Wholesaler
Coles Myer Ltd: Coles New World, Bi-Lo, Express supermarkets	Local	\$7,419 (2001)	630	National	Manufacturer Importer Agent
Pick 'n Pay hypermarket (InterFrank operating company purchased Franklins and No Frills Trademark)	South African	\$157 expected for Fresco	73 (50 Franklins, 20 Fresco IGA Stores)	NSW	NA
Aldi (carries 550 own brands)	German	NA	26	NSW	
<b>Smaller Chain and Banner Group Independent Grocery Stores/Supermarkets</b>					
Foodland Associated Limited (FAL) (includes Action chain) Joined with AUR	Local	\$1,285 (2000 - WA included only)	133	Western Australia (36% share), New Zealand Queensland, NSW	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

Warehouses/Wholesale Clubs					
Metcash Trading Limited: IGA Distribution, Campbells Cash & Carry, Australian Liquor Marketers (National)	78% South African and Local	\$5,400 (2000 includes supermarkets)	Supplies 4588	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, Queensland	Importer Manufacturer Distributor Agent
Australian United Retailers (AUR) Banner of Qld Foodlink, Foodstore and Four Square Qld members and Foodland Vic members	Local	NA	Supplies approx 718	Queensland, Victoria	Metcash Warehouse/ Wholesale

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

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

### Trends in Outlets

- The Hong Kong owned Franklins operation has closed in Australia involving the sale to chain and independent operators. Pick 'n Pay, the South African Hypermarket giant has purchased Franklins and No Frills trademarks and 73 stores. Woolworths, Metcash- supplied IGA owners, and Coles also purchased stores.
- Woolworths purchased 71 Franklins outlets and Coles only 20, thus Woolworths will increase its share over Coles/Bi-Lo, its nearest rival.
- Aldi, the German discount supermarket chain, plans to open another 26 stores in NSW, and enter the Victorian (2003) and Queensland market (2004).
- New shelf layouts for the nutritious snacks category clearly segment the category from other snacks thus allowing consumers to shop with greater ease.
- Shell plans to expand its convenience store gas marts by opening another 20 Shell Select Stores this year and 60 over the next three years. Features include ATM, Touch Terminals (renew car registration, buy bus tickets, phone cards etc), Café, snacks etc.
- Coffee areas or cafes are becoming common with convenience and express stores and gas marts.

## SECTION III: COSTS AND PRICES

### Tariff Rates, Tariff Rate Quotas and Import Duties

Australia does not impose tariff rate quotas on imported products. Tariff rates do apply to some products. The rates are generally between five and ten percent, depending on the product. Australia follows the International System of Harmonized Tariff Codes. The Customs Tariff Act 1995, Schedule 3 outlines the tariff rates for each product. The Customs Tariff Act 1995 is available at [www.austlii.edu/au](http://www.austlii.edu/au).

## Inspection Fees and Customs Brokers Fees

In order to gain customs clearance, a customs fee of US\$61.55 for up to 3 different lines is charged plus approximately US\$49.25 for quarantine approval. These fees are payable for air/sea consignments of set value limits. Administration fees of between US\$20.50-US\$30.75 are also charged depending on the number of lines and size of the consignment. The processing of the clearance should take no longer than 72 hours, provided the forms are submitted electronically prior to the arrival of the goods. The inspection of consignments is random and between 85 and 90 percent of consignments are inspected.

Storage costs vary between customs brokers and sea freight forwarding agents. For example, one company quoted US\$2.55/pallet/wk and another US\$6.65/pallet/wk. Handling costs may be charged in addition to these fees.

Cold Storage charges vary between US\$2.55-3.60 per pallet per week. In addition there is an in-and-out handling fee equal to the weekly charge.

## Taxation Implications

A Goods and Services Tax (GST) of 10 percent is payable on various food items. The Australian Taxation Office offers the following guide as to those products to which GST applies.

**Table 8: Food that is not GST-free**

Item	Category	Food
9		Popcorn
11		food known as muesli bars or health food bars, and similar foodstuff
12		crystallised fruit, glaze fruit and drained fruit
13		crystallised ginger and preserved ginger
15	Savoury snacks	potato crisps, sticks or straws, corn crisps or chips, bacon or pork crackling or prawn chips
16		seeds or nuts that have been processed or treated by salting, spicing, smoking or roasting, or in any other similar way
18		food similar to that covered by item 15 or 16, whether or not it consists wholly or partly of any vegetable, herb, fruit, meat, seafood or dairy product or extract and whether or not it is artificially flavoured
19		food consisting principally of food covered by item 15 to 18
32	Biscuit goods	food that is, or consists principally of, biscuits, cookies, crackers, pretzels, cones or wafers

An important point to note is the importers ability to delay the payment of the GST. This arrangement is made through customs authorities and the amount is automatically added to the next Business Activity Statement. This allows time for the importer to sell the product.

## Average Markups Between Different Stages of the Marketing Chain

Across the different stages of the marketing chain, mark-ups are generally as follows:

- wholesale gross margins are typically between 0.5 and 2.5 percent of sales (CEASA, Grocery Review, June 1999);
- Manufacturers margins are 25-35 percent on product cost. Advertising and trade promotion takes 10-15 percent so average of around five percent net; and
- Retail gross margins are provided in Table 9.

**Table 9: Retail Gross Margins June 1999 (no update available)**

	Chains %	Independents %	Convenience Stores %	Small Independents %
Dry Groceries	19.5	14-19	20	30
Bakery	60	60-70	30	n/a

Source: (CEASA Grocery Review June 1999).

## Cost of Securing Retail Store Shelf Space

Industry consultation regarding the cost of securing retail store shelf space provides conflicting views. Retail World, the producer of the major industry magazine, suggests that payment for retail store shelf space did exist, however, the actual cost was based on an individual arrangement between the retailer and the supplier with an individually negotiated price. It was outlined that the pricing structure depended on the company, store location, the positional location within the store and the type of good.

However, a contact at a major supermarket chain in Australia advised that shelf space (linear, facing) is not sold, and cannot be purchased by companies for their products in Australia. There are 150 dry grocery, dairy and freezer lines, across a range of stores targeting varying demographics. The contact advised that it is not possible to police such arrangements, and therefore, shelf space and product facing was determined on the basis of the sales of the products.

## Other Factors Affecting Transport

Information relating to Australian freight details can be found at the following address.  
[www.pc.gov.au/inquiry/shipping/finalreport/appendixc.pdf](http://www.pc.gov.au/inquiry/shipping/finalreport/appendixc.pdf).

Other sea/air freight information can be found at Bureau of Transport and Economics via their International Cargo Statistics Database, [www.bte.gov.au/docs/ics.htm#Top](http://www.bte.gov.au/docs/ics.htm#Top).

## SECTION IV: MARKET ACCESS

### Australian Food Standards

All foods sold in Australia must comply with a range of laws designed to protect public health and safety and to assist consumers. These laws apply equally to imported and locally produced foods. Food ingredients are often freely imported to Australia. However, food ingredients face regulations including those outlined in the Australia New Zealand *Food Standards Code*.

There are general labeling requirements outlined in Part 1.2 of the Australia New Zealand *Food Standards Code (FSC)*. The full Code may be viewed at the following web site:

<http://www.foodstandards.gov.au/foodstandardscode/>. More detailed guidance on Australia's food laws is available in the Foreign Agricultural Import Regulations and Standards (FAIRS) report. A copy of the most recent version of this report is available by conducting a search at the following web site:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

As Australia is a signatory to the World Trade Organization's Sanitary and Phytosanitary agreement there are obligations in terms of how it considers applications to export food to Australia.

### Import Regulations

Food Law and Policy can be obtained from the [www.ausfoodnews.com.au](http://www.ausfoodnews.com.au) website or [www.austlii.edu.au](http://www.austlii.edu.au).

Operational quarantine clearance of imported foods is quite straightforward as long as conditions for the entry of the food have been established. Importers should be aware that some commodities require additional approvals from agencies other than Australian Quarantine and Inspection Service (AQIS). It is the importers' responsibility to check with these agencies.

AQIS, which exists within the Department of Agriculture, Fisheries, and Forestry (AFFA) maintains and implements import conditions for a range of products. The Import Conditions (ICON) database can be accessed through the following website: [http://www.aqis.gov.au/icon/asp/ex\\_querycontent.asp](http://www.aqis.gov.au/icon/asp/ex_querycontent.asp). The conditions outline what exporters and importers are required to do in order to gain access to the Australian market for specific products. If required, import permits are issued by AQIS.

## SECTION V: KEY CONTACTS AND FURTHER INFORMATION

The internet addresses of key contacts have been provided within the body of this report in the appropriate sections. For additional information on Australian import regulations and other issues, the following websites may also be useful:

- [www.ausfoodnews.com.au](http://www.ausfoodnews.com.au). As well as information on Australian Food Law and Policy, this website contains information on food industry trade events and links to information sources relating to other sectors of the food industry;
- [www.affa.gov.au](http://www.affa.gov.au). The Agriculture Fisheries and Forestry Australia website contains information relating to Australian market access and biosecurity issues and requirements with links to AQIS and Biosecurity Australia.
- [www.abs.gov.au](http://www.abs.gov.au). The Australian Bureau of Statistics website will enable exporters to access various trade, economic and social statistics.
- [www.dialinfolink.com.au](http://www.dialinfolink.com.au). Dialinfolink manufacturing includes stories and new items related to products and services in manufacturing and technology.

### Post Contact:

Office of the Agricultural Counselor (FAS/USDA)  
U.S. Embassy  
Moonah Place  
Yarralumla, ACT 2600  
Australia  
Tel: +61-2-6214-5854  
Fax: +61-2-6273-1656  
Email: [AgCanberra@usda.gov](mailto:AgCanberra@usda.gov)