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Australia

Exporter Guide

Annual

2005

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Report Highlights:
Australia is a prosperous, politically & economically stable, industrialized nation. Per capita GDP is US$30,978, comparable to major industrialized western countries. The Australian economy continues to enjoy solid growth with low inflation. Australia's consumer-oriented agricultural imports were valued at around $2.9 billion in 2004, of which the U.S. supplied 9 percent. Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

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Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. Australia and the United States share a common heritage, culture and language and have supported each other in every major international crisis of the past century. Yet, despite friendship and close ties, most Americans do not know much about Australia. American television romanticizes Australia's vast continental landmass and unique wildlife, and its frontier/surfer/barbecue/sporting stereotypes. But few Americans know the real, contemporary Australia.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market. Per capita GDP is approximately US$30,978, comparable to major industrialized western countries. The economy is growing steadily, unemployment and interest rates are low and investment terms are competitive. The major concerns are a large external account deficit and high oil prices impacting on inflation.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 20 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and Perth and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia, who are all making their cultural influences felt more vibrantly.

The Australian economy enjoyed solid growth and low inflation in 2004 with real gross domestic product having grown by 3 percent, while the Consumer Price Index grew by 2.3 percent. Growth is expected to moderate somewhat in 2005 as the high levels of domestic consumption and housing investment, which has fueled growth in recent years, steadily unwinds. It is expected that growth in 2005 will be supported by continued high demand for Australia's minerals exports, strong company profits and high business investment. Unemployment is anticipated to remain at low levels, while interest rates are expected to maintain their current neutral stance. Inflation is likely to edge higher in 2005, although not to rates which would lead to further tightening of monetary policy.

The U.S. and Australia have recently signed a Free Trade Agreement that has provided some advantages for U.S. products. For example, tariff rates for all U.S. food products exported to Australia dropped to zero upon implementation of the agreement in January 2005.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to fresh produce, meat and dairy products
No language barriers to overcome	Australia is a significant producer of a wide variety of agricultural products.
U.S. products have excellent image and acceptance.	‘Buy Australian’ campaign is significant.
The U.S. and Australia have a free trade agreement that removes import tariffs.	Australian labeling & advertising laws are different from the U.S. This may require some changes to food labels.

Section II: Exporter Business Tips

$ Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
$ Australia is a sophisticated market that is interested in new-to-market food products.
$ An increasingly multicultural society creates opportunities for ethnic food products.
$ After sales services, such as cooperative advertising, is an important aspect of successfully entering the market.
$ Innovative packaging has an advantage.
$ Most of the major Australian importers visit the United States at least once a year to see what is available and to place orders if the items are appealing.
$ The Food Standards Code is developed and updated by Food Standards Australia New Zealand Food (FSANZ) - formerly ANZFA. The Code is a joint code that applies to both Australia and New Zealand. The joint Code came into final effect in December 2002. More information, and a copy of the Code, is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au/.
$ The Food and Agriculture Import Regulations and Standards (FAIRS) report for Australia contains detailed information on Australia’s food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site: http://www.fas.usda.gov/scriptsw/attacherep/default.htm
$ In December 2001, mandatory requirements for labeling genetically modified foods, where introduced DNA or protein is present in the final food, came into effect in Australia. The requirements are covered in Standard 1.5.2 of the joint Australia New Zealand Food Standards Code and FSANZ has developed a User Guide to help interpret the requirements. This information is available on the Internet by clicking on the above links or at the FSANZ web site listed above.
$ Australian Maximum Residue Limits are in the schedules of Standard 1.4.2 of the joint Australia New Zealand Food Standards Code. MRLs are constantly changing and guidance on the latest available information is available from this office at the following e-mail address: AgCanberra@usda.gov.
$ Food safety and plant and animal health import regulations can be found at the Australian Quarantine Inspection Service (AQIS) Internet site at: http://www.aqis.gov.au/ or through links in the FAIRS report mentioned above.

Trade Shows

At this time, there is only one major food show in Australia, Fine Food Australia, which is held each year alternating between the cities of Sydney and Melbourne. Major buyers and importers from all over the country and region attend. Due to Australia's large physical size and the high cost of internal airfares and transport, it is felt that attending and possibly exhibiting at Fine Food is perhaps the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the region. The event also incorporates the hotel industry show and a wine industry show. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service and hospitality industries at one venue. As well as exhibitors from Australia, regular exhibitors include groups from Asia, Europe and the Americas.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, hotel and supermarket trades.

CONTACT: Mr. Tim Collett, Exhibition Director
Australian Exhibition Services
Illoura Plaza
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AUSTRALIA
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Web site: http://www.foodaustralia.com.au/

Fine Food Australia 2006

Melbourne Exhibition & Convention Center, September 11-14, 2006.

This information is provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Market Structure & Trends

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-ready foods continue to dominate the import market for foodstuffs.
- Tariffs on imported foods have been reduced to zero under the U.S./Australia Free Trade Agreement.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they may have good market potential in Australia.
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also an importer of further processed and consumer-ready products.
- Value added products and innovative packaging are valuable selling points in the Australian market.

- $ Some of the U.S. success in this market has been providing off-season fresh fruit to Australian consumers. Success, however, is very much tied to good consumer promotion efforts.
- $ U.S. products are well regarded as value for money in this market.
- $ It is estimated that over 85 percent of the products on Australian supermarket shelves are imported, made from imported ingredients or produced locally by foreign owned companies.
- $ The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods that match the tastes of the majority of the population are helpful in maintaining this position.
- $ With the Australian population becoming more multi-cultural, imports are rising from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries.
- $ The Treaty of Closer Economic Cooperation with New Zealand makes that country a strong player in the imported food market.
- $ The high degree of urbanization, the high ratio of females in the workforce and the relative prosperity of Australia, makes food consumption a very competitive field.
- $ The use of microwaves is firmly established in Australia – well over 90 percent of households have a microwave. This, plus the large number of women in the workforce, has led to an increase in more oven or microwave ready meals.
- $ Fast foods and "take-away" foods are also very popular.
- $ The restaurant sector has also benefited from this demographic trend, as away-from-home consumption is growing rapidly.
- $ Australians are active international travelers and are exposed to new cuisines when traveling.
- $ Australian food manufacturers have been consolidating, which has led to greater competition by brands for shelf space in supermarkets.
- $ Two chains dominate Australian grocery sales - Woolworths and Coles.
- $ Both these companies are national in scope and are also organized along state lines. They have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares.
- $ In recent years, these food-retailing giants have increasingly become their own importers, bypassing more traditional importers.
- $ Metcash is a supplier/distributor to independent chains and is the third largest player in the packaged grocery market.
- $ All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
- $ The domestic food-processing sector in Australia is large and more sophisticated than the population base of 20+ million would indicate.
- $ Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This is a trend that will continue to expand in the near term.
- $ ‘Clean’, ‘green’ and ‘organic’ and ‘natural’ can be great selling points amongst a growing segment of the market.

Section IV: Best High-Value Product Prospects

- The **organic and natural products** market in Australia is growing rapidly. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for the processed segment. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages.
- **The Fruit/tea drinks** segment is the best performing in the cold beverage category with overall growth by grocery volume of 58 percent in 2004.
- **Sports and energy drinks** are also performing very well in 2004 with volume growth of 26 and 14 percent respectively. The value of these two sectors is now US$62 million.
- The **fresh pasta sauce** segment grew by 14 percent (by grocery volume) from in 2004 and now has a grocery value of US$20 million.
- **Frozen Asian foods** (spring rolls, dim sims, etc) increased their grocery volume by a little over 13 percent in 2004 with the total grocery value of the segment now at US$34 million.
- **Nutritious snacks** - with a grocery value of US$341 million, the market for nutritious snacks grew by 14 percent in 2004. Health and convenience is a good combination and the nutritional snack category is currently one of the fastest growing categories in Australian supermarkets. The ‘other snacks’ segment (dips, health bars, muesli slice, toaster pastries, muffins, etc) of this category is the fastest growing, with growth of over 24 percent in both volume and value in 2004.

Section V: Key Contacts & Other Information

Key Contacts

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Fax: +61-2-6271-2278
E-mail: info@foodstandards.gov.au
Web Site: http://www.foodstandards.gov.au/

Imported Food Inspection Scheme
Australian Quarantine & Inspection Service
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Fax: +61-2-6272-5888
E-mail: foodimp@aqis.gov.au

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Fax: (+61-3) 9639-0638
E-mail: Tony.Beaver@fbia.org.au
Web: http://www.fbia.org.au

Other Information

The home page for the Foreign Agricultural Service is located at: http://www.fas.usda.gov.

Various FAS reports can be downloaded at:
http://www.fas.usda.gov/scriptsw/attacherep/default.htm.

For Australia, the following market sector reports are available:
- Food & Agriculture Import Regulations & Standards (FAIRS)
- Retail Sector Report (2003)
- Food Processing Sector Report (2004)
- Hotel, Restaurant & Institutional Sector Report (2004)
- Organic Products (2004)
- Functional Food Products (2004)
- Pet Food Product Brief (2003)
- Confectionery Product Brief (2003)
- Snack Food Product Brief (2003)

Appendix I: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2004)	$4,105	10%
Consumer Food Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2004)	$2,920	9%
Edible Fishery Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2004)	$657	3%
Total Population (Millions)/Annual Growth Rate (%)	(Aug 2005)	20.4	1.3%
Urban Population (Millions)/Annual Growth Rate (%)	(Aug 2005)	17.3	0.6%
Number of Major Metropolitan Areas 1/	(2005)		5
Size of the Middle Class (Millions)/Growth Rate (%)			n/a
Per Capita Gross Domestic Product (US$)	(2005)		30,978
Unemployment Rate (%)	(Aug 2005)		5.0%
Per Capita Food Expenditures (US$)	(CY2004)		$2,323
Percent of Female Population Employed (%)	(Aug 2005)		57.4%
Exchange Rate	(Aug 2005)	US$1.00 = $1.31	

1/ Centers with population over 1,000,000

SOURCES: UN Statistics & various Australian Bureau of Statistics publications & estimates from Economic & Agriculture Sections, US Embassy, Canberra, Australia.

Table B: Consumer Food & Edible Fishery Product Imports

Australia Imports (In Millions of U.S. Dollars)	Imports from the World 2002	2003	2004	Imports from the U.S. 2002	2003	2004	U.S Market Share 2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,909	2,294	2,920	182	220	256	10	10	9
Snack Foods (Excl. Nuts)	156	196	267	10	9	14	6	5	5
Breakfast Cereals & Pancake Mix	8	14	26	2	1	2	23	7	8
Red Meats, Fresh/Chilled/Frozen	102	129	187	1	1	1	0	0	1
Red Meats, Prepared/Preserved	16	21	21	5	5	3	29	23	16
Dairy Products (Excl. Cheese)	49	73	91	2	2	2	3	2	2
Cheese	114	131	172	1	1	1	0	0	0
Eggs & Products	4	5	8	1	1	1	12	12	11
Fresh Fruit	55	71	104	19	25	41	35	35	39
Fresh Vegetables	13	20	23	2	4	3	19	19	11
Processed Fruit & Vegetables	266	325	409	29	35	38	11	11	9
Fruit & Vegetable Juices	63	80	108	6	8	9	9	10	9
Tree Nuts	65	85	106	8	10	9	13	12	9
Wine & Beer	115	141	200	2	3	4	2	2	2
Nursery Products & Cut Flowers	20	23	27	1	1	1	1	1	2
Pet Foods (Dog & Cat Food)	46	59	77	15	19	35	32	33	46
Other Consumer-Oriented Products	818	920	1,092	82	99	92	10	11	8
FISH & SEAFOOD PRODUCTS	498	588	657	15	18	21	3	3	3
Salmon	32	39	48	12	13	13	36	34	27
Surimi	11	16	14	1	1	1	4	3	3
Crustaceans	140	161	182	1	1	1	1	0	0
Groundfish & Flatfish	124	143	150	1	1	1	0	1	1
Molluscs	52	59	75	1	1	2	1	1	2
Other Fishery Products	141	171	187	1	2	4	1	1	2
AGRICULTURAL PRODUCTS TOTAL	2,811	3,468	4,105	358	438	419	13	13	10
AGRICULTURAL, FISH & FORESTRY TOTAL	3,891	4,772	5,612	405	483	465	10	10	8

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

(US$1,000)	2002	2003	2004
New Zealand	424,284	514,782	670,938
Ireland	155,890	224,321	265,311
United States	182,196	220,428	256,405
Italy	107,158	131,280	166,738
China (Peoples Republic of)	94,200	104,774	147,577
Denmark	63,433	88,660	126,433
Canada	64,622	72,787	102,166
France	55,608	75,612	101,756
Thailand	81,460	87,819	89,094
United Kingdom	67,067	59,995	83,661
Netherlands	72,128	62,864	78,531
Germany	32,636	54,687	75,565
Singapore	25,933	37,587	58,726
Vietnam	28,959	40,514	54,780
Spec Cats	22,921	50,467	53,628
Other	430,892	466,919	589,047
World	1,909,463	2,293,584	2,920,397

FISH & SEAFOOD PRODUCTS IMPORTS

(US$1,000)	2002	2003	2004
Thailand	126,061	148,692	163,418
New Zealand	96,101	103,449	108,414
Vietnam	31,785	52,320	79,449
China (Peoples Republic of)	21,973	39,312	54,307
India	22,661	25,354	25,067
South Africa	21,530	23,380	22,276
United States	15,456	18,056	20,682
Indonesia	16,978	18,741	19,282
Malaysia	17,096	16,008	16,185
Taiwan (Estimated)	10,311	13,499	14,852
Canada	12,818	12,236	14,267
Denmark	6,452	8,370	12,916
Japan	10,757	10,384	10,235
Chile	10,818	10,317	10,220
Burma	8,188	8,406	9,447
Other	69,499	79,438	75,813
World	498,482	587,966	656,842

Source: United Nations Statistics Division