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Australia

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Approved By:
Grant Pettrie, Agricultural Counselor

Prepared By:
Lindy Crothers, Agricultural Marketing Specialist

Report Highlights:
Australia is a prosperous, politically and economically stable, industrialized nation. Per capita GDP is approximately US$44,400, comparable to major industrialized western countries. Australian economic growth has slowed as a result of the GFC. Real GDP growth eased to 2.3 percent in 2008 and 1.5 percent in 2009 (first quarter), well below trend. Negative wealth effects from falling equity and house prices, compounded by falling consumer and business confidence led to a contraction of domestic demand, but net exports have increased and confidence is showing signs of recovery.

Post: Canberra

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.

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. Following a prolonged economic expansion of 17 years, global events have slowed Australia's economic growth well below trend. Declining commodity prices, tightening credit conditions in global capital markets, and slowing world growth have reduced activity. However, the downturn has been milder than in most other advanced countries. This is because of strong commodity exports, a flexible exchange rate, a healthy bank sector and an economic stimulus policy response. Per capita GDP is approximately US$44,400, comparable to major industrialized western countries.

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 almost 22 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, including in the restaurant and food processing industries.

Australia has a Western-style capitalist economy, with GDP per capita on par with the more developed countries in the world. Australian economic growth has slowed as a result of the GFC. Real GDP growth eased to 2.3 percent in 2008 and 1.5 percent in 2009 (first quarter), well below trend. Negative wealth effects from falling equity and house prices, compounded by falling consumer and business confidence led to a contraction of domestic demand, but net exports have increased and confidence is showing signs of recovery.

Australia's current account deficit narrowed to close to 4 percent of GDP in 2008. The improvement reflected large increases in commodity contract prices negotiated in early 2008 for iron ore and coal exports. These contracts have since been partly renegotiated (China has not yet formally renegotiated iron ore contracts) with price falls of over 30 percent, bringing them back to 2007 levels – still the second highest on record. In early 2009, the current account deficit declined to less than 2 percent of GDP. Net foreign liabilities have stabilized at around 60 percent of GDP over the past two years.

The U.S. - Australia Free Trade Agreement 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. Australia also has free trade agreements in place with New Zealand (closer economic relations treaty), Singapore, Thailand, Chile and ASEAN & New Zealand. Australia is also in the process of negotiating FTAs with China, Japan, Malaysia, Korea, the Gulf Cooperation Council and the Trans-Pacific Partnership Agreement. Free trade agreements under consideration by Australia include India, Indonesia and a Pacific Agreement on Closer Economic Relations (PACER) Plus. Details of these agreements and negotiations are available on the Australian Department of Foreign Affairs and Trade website at: http://www.dfat.gov.au/trade/ftas.html.

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 and Agriculture Import Regulations and Standards (FAIRS) Country 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://gain.fas.usda.gov/Pages/Default.aspx or requested from this office (AgCanberra@usda.gov). We recommend that U.S. exporters use this report extensively if planning to enter the Australian market.
- Exporters should also work very closely with their importers/distributors to ensure that all requirements are met before any product is shipped.
- The Australian Quarantine and Inspection Service (AQIS) also maintains an online database, called ICON, of the import conditions for all agricultural products coming into Australia. U.S. exporters should make use of this database to ensure that they are going to be able to meet all the relevant quarantine conditions. The database is available at: http://www.aqis.gov.au/icon/asp/ex_querycontent.asp
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand Food (FSANZ). 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/.
- Food safety and plant and animal health import regulations can be found on the AQIS

Internet site at: http://www.aqis.gov.au/ or through links in the FAIRS report mentioned above.

Trade Shows

There is 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 geographic size and the high cost of internal airfares and transport, we believe that attending and/or exhibiting at Fine Food is the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia. This show is now endorsed by FAS and U.S. Pavilions are planned at Fine Food 2009, 2010 and beyond.

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. 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, the Pacific, Europe and the Americas. Visitors from all over the Asia Pacific region also attend the show.

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:
Ms. Minnie Constan, Exhibition Director
Diversified Exhibitions Australia Pty Ltd
Illoura Plaza
424 St Kilda Road
Melbourne VIC 3004
AUSTRALIA
Tel: +61-3-9261-4500
Fax: +61-3-9261-4545
E-mail: food@divexhibitions.com.au
Web site: http://www.foodaustralia.com.au/

Fine Food Australia 2009 - Sydney
Darling Harbour Convention & Exhibition Centre, September 7-10, 2009.

Fine Food Australia 2010 – Melbourne
Melbourne Exhibition & Convention Centre, September 13-16, 2010

Fine Food Australia 2011 - Sydney
Darling Harbour Convention & Exhibition Centre, September 5-8, 2011

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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 (see Section II above on FAIRS Report).
- 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.
- 'Healthy', 'clean', 'green' and 'organic' and 'natural' are currently very important selling points amongst a growing segment of the market.
- Some of the U.S. success in this market has been providing off-season fresh fruit (such as table grapes and cherries) 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 and the U.S. is the number two supplier (after New Zealand) of imported 'consumer oriented' food products.
- 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. 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.
- Aldi, the German-owned supermarket chain, have made strong inroads into the Australian market in recent years.

- Costco has just opened their first store in Melbourne, Australia with plans to open more in the coming years.
- 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 21+ 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.

Section IV: Best High-Value Product Prospects

- The **organic, healthy 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. Examples of this are the rice & grain cakes segment of the biscuits category which experienced growth of 9% in value in 2008 (on top of 21% growth in value in 2007). Likewise, the 'low fat' segment of the Chilled Dips category also experienced 20% growth in value in 2008.
- **The iced tea** segment of the beverages category is still performing well, with overall growth by grocery volume of 33% in 2008. This was a growth of over 30% in value over the previous year.
- **The energy drinks** segment remains the best performing in the cold beverage category with volume growth of 35% in 2008 (on top of 50% growth in volume in 2007). The value of this sector is now US$109 million - a rise of US$16 million over the 2007 value.
- The Mexican meals category in the **International Meals** segment experienced 19% growth by value & 11% by volume in 2008.

Section V: Key Contacts & Other Information

Key Contacts

Agricultural Counselor
U.S. Embassy
Moonah Place
Yarralumla, ACT 2600
Australia
Tel: +61-2-6214-5854
Fax: +61-2-6273-1656
E-mail: AgCanberra@usda.gov

Food Standards Australia New Zealand
P.O. Box 7186
Canberra BC, ACT 2610
Australia
Tel: +61-2-6271-2222
Fax: +61-2-6271-2278
E-mail: info@foodstandards.gov.au

Web: http://www.foodstandards.gov.au/

Australian Quarantine & Inspection Service Imported Food Program
Web Site: http://www.daffa.gov.au/aqis/import/food

Food & Beverage Importers Association
181 Drummond Street
Carlton, VIC 3053
Australia
Tel: (+61-3) 9639-3644
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.

Recent Marketing Reports from FAS/Canberra:

These reports may be downloaded at the FAS Attache Reports page at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS9028	FAIRS Country Report	07/27/09
AS9027	Agricultural Biotechnology Report	06/14/09
AS9025	Australia Gains Improved Access for Citrus & Mangos to China	06/17/09
AS9024	Global Biosecurity Conference to be held in Australia: Call for Abstracts	06/11/09
AS9007	New Import Conditions for Chicken Meat Finalized	03/05/09
AS8051	Final IRA for Chicken Meat released by Biosecurity Australia	10/31/08
AS8046	Exporter Guide	09/15/08
AS8044	FAIRS Export Certificate Report	09/04/08
AS8040	Competitiveness of Grocery Pricing in Australia Investigated	08/20/08

Appendix I: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$7,885	10%
Consumer Food Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$5,728	11%
Edible Fishery Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$1,013	3%
Total Population (Millions)/Annual Growth Rate (%)	(2008)	21.8	1.7%
Urban Population (Millions)/Annual Growth Rate (%) [1/]	(2008)	13.7	1.8%
Number of Major Metropolitan Areas [2/]	(2008)		5
Per Capita Gross Domestic Product (US$)	(2008)		44,400
Unemployment Rate (% as at July)	(2009)		5.9%
Per Capita Food Expenditures (US$)	(2009)		$3,646
Percent of Female Population Employed (%)	(2009)		58.3%
Exchange Rate (Average for Calendar Year)	(2008)	US$1.00 = $1.17	

1/ Those living in capital cities.

2/ Centers with population over 1,000,000

SOURCES: Global Trade Atlas & various Australian Bureau of Statistics publications.

Table B: Consumer Food & Edible Fishery Product Imports

Australia Imports US$Million	**Imports from the World** 2006	2007	2008	**Imports from the U.S.** 2006	2007	2008	**U.S Market Share** 2006	2007	2008
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,824	4,920	5,728	378	508	623	10	10	11
Snack Foods (Excl. Nuts)	337	435	503	14	17	21	4	4	4
Breakfast Cereals & Pancake Mix	31	33	34	2	3	3	8	8	10
Red Meats, Fresh/Chilled/Frozen	259	359	366	51	87	94	20	24	26
Red Meats, Prepared/Preserved	29	37	48	7	8	10	23	21	20
Dairy Products (Excl. Cheese)	108	163	247	5	6	19	5	3	8
Cheese	229	263	357	0	6	33	0	2	0
Eggs & Products	8	9	10	2	1	1	18	10	10
Fresh Fruit	129	159	168	50	68	85	38	43	50
Fresh Vegetables	33	41	42	4	6	7	12	15	17
Processed Fruit & Vegetables	499	644	794	38	53	86	8	8	11
Fruit & Vegetable Juices	117	179	190	11	25	27	10	14	14
Tree Nuts	149	147	181	13	8	5	9	5	3
Wine & Beer	309	453	591	5	8	14	2	2	2
Nursery Products & Cut Flowers	33	40	47	0	0	0	1	1	0
Pet Foods (Dog & Cat Food)	99	126	144	50	58	65	50	46	45
Other Consumer-Oriented Products	1,453	1,832	2,007	125	153	152	9	8	8
FISH & SEAFOOD PRODUCTS	856	966	1,013	24	28	32	3	3	3
Salmon	66	72	78	19	21	26	29	30	33
Surimi	11	13	10	0	0	0	4	3	3
Crustaceans	273	284	263	1	1	0	0	0	0
Groundfish & Flatfish	180	218	216	2	2	2	1	1	1
Molluscs	89	86	88	1	1	1	1	2	1
Other Fishery Products	236	292	358	1	2	2	1	1	1
AGRICULTURAL PRODUCTS TOTAL	5,289	6,759	7,885	524	660	816	10	10	10
AGRICULTURAL, FISH &FORESTRY TOTAL	6,989	8,767	10,027	576	722	904	8	8	9

Source: Global Trade Atlas

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

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS				**FISH & SEAFOOD PRODUCTS IMPORTS**			
($1,000)	**2006**	**2007**	**2008**	($1,000)	**2006**	**2007**	**2008**
New Zealand	860,144	1,081,907	1,271,703	Thailand	206,127	238,257	287,077
United States	378,007	507,975	622,743	New Zealand	129,239	166,437	169,555
Ireland	326,025	426,445	427,547	Vietnam	120,272	121,257	126,465
China	228,783	304,912	387,074	China	101,782	118,042	116,845
Italy	217,401	296,741	333,725	Malaysia	25,507	35,250	56,908
France	147,562	193,651	240,958	United States	24,336	27,858	31,731
Denmark	131,873	175,111	224,434	Taiwan	21,544	25,384	24,999
Thailand	127,204	155,064	181,847	Indonesia	19,746	23,052	22,095
Netherlands	130,613	152,598	180,492	South Africa	21,714	25,087	20,904
Germany	98,201	128,022	158,111	Denmark	18,410	16,741	18,782
Canada	122,210	162,600	148,705	Norway	12,773	18,700	17,885
United Kingdom	81,710	88,690	95,722	Japan	10,373	8,987	13,558
Belgium	51,545	71,337	92,999	Canada	19,218	14,710	11,545
Vietnam	67,783	65,774	85,603	Argentina	12,676	15,595	9,409
Austria	34,284	60,325	73,637	Myanmar	12,321	12,247	9,291
Other	820,889	1,049,192	1,202,776	Other	99,601	98,433	75,543
World	3,824,234	4,920,345	5,728,074	World	855,641	966,034	1,012,592

Source: Global Trade Atlas