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Australia

Annual Marketing Plan

Exporter Guide

1999

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Report Highlights:
Australia is a prosperous and economically stable, industrialized nation. The per capita GDP is approx. US$18,500, comparable to industrialized Western European countries. Consumer ready foods continue to dominate the import markets for foodstuffs.

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

Market Summary

Americans and Australians have a warm partnership 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 this century. Yet, despite friendship and close ties, most Americans don't 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; 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 with demand across the many sectors of a modern, industrialized, export-oriented, affluent consumer society. The per capita GDP is approximately US$18,500, comparable to industrialized Western European countries. The economy is growing steadily, inflation and interest rates are low and investment terms are competitive. The major concerns are a relatively high unemployment rate and a large external account deficit.

Australia is the most urbanized society in the industrialized world, even though its land mass is the size of the United States. Of it's 18.7 million people, more than 85 percent live along the east and southeast coast in the large cities of Sydney, Melbourne, Adelaide and Brisbane (Perth is on the west coast) and in towns within 100 miles of the ocean. While the center of the continent is flat, dry, and mineral rich, its coastal areas are wet, mountainous, and densely forested. Its 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 making their cultural influence felt more vibrantly. Indeed, Australia's multi-cultural society was offered as one of it's most appealing national assets in Sydney's successful bid for the Olympic Games of the year 2000.

The Australian economy is enjoying a period of solid growth with low inflation. For the 1998 calendar year, real gross domestic product grew 4.7 percent and the government anticipates growth slowing to around 3 percent in 1999.

Australia has experienced low inflation in recent years, with the consumer price index increasing only 1.6 percent in 1998, one of the lowest inflation rates of the OECD countries. The index is expected to increase 2 to 2.5 percent in 1999.

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	U.S. dollar is high adding to the cost of U.S. products
U.S. product has excellent image and acceptance.	Strong tendency to buy domestic product

Market Structure & Trends

Australia has educated, affluent consumers, willing to try new products. Consumer-ready foods continue to dominate the import market for foodstuffs. Although there has been a recent movement in Australia to encourage the purchase of Australian made or Australian owned company labels of foodstuffs, this has not yet translated itself into lower sales activity at the store level.

Most tariffs on imported foods are low or are scheduled to be lowered in the next few years. However, very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products. Australia has strict Food Standards and labeling requirements which are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they appear to have a good market here in Australia. Addressing the phytosanitary and sanitary restrictions is a key objective of the Embassy.

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. With a population base of 18.7 million, the capacity of Australia to fulfill its consumer needs in a rational economic fashion are limited. The United States share of the Australian market for this type of product has been around 20 percent for the past three years. Value added products and innovative packaging are becoming an important selling point in the Australian market.

Some of the U.S. success in this market has been the complementarity of the Northern/Southern Hemisphere growing seasons. However, success is very much tied to good consumer promotion efforts. At this time there is only one major food show in Australia, Fine Food - The International Food, Drink & Equipment Exhibition, which is held around September each year alternating between the cities of Sydney and Melbourne. This show is attended by major buyers and importers from all over the country. Due to the size of Australia and high cost of internal airfares and transport, it is felt that Fine Food is often the most cost-effective opportunity for U.S. companies to introduce product to the Australian market.

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 either imported 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 which match the tastes of the majority of the population are helpful in maintaining this position. However, with the Australian population becoming more multi-cultural, imports from other countries such as Greece, Italy and Spain, as well as South East Asian countries are also increasing. The Treaty of Closer Economic Cooperation with New Zealand has also made 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 has made food consumption a very competitive field. There has been a move among Australian food manufacturers to consolidate. This has lead to greater competition for shelf space by brand in supermarkets.

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 benefitted from this demographic trend, and away-from-home consumption is growing rapidly. Australians are active international travelers and become exposed to new cuisines on these trips.

Three companies dominate the Australian grocery sales picture. They are Woolworths, Coles and Franklins. All are national in scope and are also organized along state lines and all have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares. There has also been a trend in recent years for these giants of the Australian food retail business to become their own importers and to bypass the more traditional importer.

Woolworths has 35.9 percent of the packaged grocery market and has 554 stores. Their stores are concentrated in the states of New South Wales, Victoria and Queensland. Coles has a 30.3 percent share and 559 stores concentrated in the same three states. Franklins has a 14.2 percent share and has 262 stores concentrated primarily in New South Wales and Queensland. Davids Ltd, a supplier/distributor to independent chains controls 15.4 percent of the packaged grocery market.

Most of the major 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 18.7 million would dictate. Many Australian companies export processed products to South East Asia. This is a trend that will continue to expand in the near term. Additionally, several multinational companies use manufacturing/processing facilities in Australia to be their spearhead in penetrating the South East Asian market. This trend will also accelerate. The acquisition of Edgell/Birdseye by Simplot is an example of this trend.

Best Product Prospects

As mentioned above, companies with innovative packaging have an advantage in entering this market. Australia is a sophisticated market which is interested in new products and packaging. Items such as health foods, bran-based cereals and breads, garlic and garlic products, microwavable products, Mexican food products (especially ready-made entrees), salad dressings, snack foods, and confectionery products are of particular interest to Australian consumers. The increasing multi-culturalism is creating opportunities for Asian food products. Again, emphasis has to be placed on new-to-market foods and innovation in packaging. After sales services, such as cooperative advertising, are an important aspect of entering this market successfully. Most of the major importers visit the United States at least once a year to see what is available and to place orders if the items are interesting.

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APPENDIX 1 - STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports from All Countries ($Mil)/U.S. Market Share (%)	$3,681	16%
Consumer Food Imports from All Countries ($Mil)/U.S. Market Share (%)	$1,601	19%
Edible Fishery Imports from All Countries ($Mil)/U.S. Market Share (%)	$467	5%
Total Population (Millions)		18.7
Annual Population Growth Rate (%)		1.4%
Urban Population (Millions)		14.9
Annual Urban Population Growth Rate, current 5-year average (%)		1.3%
Number of Major Metropolitan Areas (over 1 million)		5
Percent of Female Population Employed		53.9
Per Capita Gross Domestic Product (US$)		18,500
Unemployment Rate (%)		7.4
Per Capita Food Expenditures (US$)		$2370
Exchange Rate		US$1.00 = A$1.6

SOURCE: International Merchandise Trade and Year Book Australia, Australian Bureau of Statistics.

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Australia Imports of Agriculture, Fish & Forestry Products

(In Millions of Dollars)

	Imports from the World			Imports from the U.S.			U.S. Market Share		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,406	1,551	1,601	297	329	310	21%	21%	19%
Snack Foods (Excl. Nuts)	142	167	181	13	18	31	9%	11%	17%
Breakfast Cereals & Pancake Mix	4	4	10	2	1	4	35%	27%	41%
Red Meats, Fresh/Chilled/Frozen	26	31	38	1	1	1	3%	2%	3%
Red Meats, Prepared/Preserved	11	12	14	1	1	3	0.32%	0.41%	26%
Poultry Meat	0	1	1	0	0	0	0%	0%	0%
Dairy Products (Excl. Cheese)	45	54	50	4	4	2	8%	8%	5%
Cheese	96	108	97	1	1	1	0.16%	0.18%	0.41%
Eggs & Products	2	4	4	1	1	1	12%	15%	11%
Fresh Fruit	44	50	48	11	17	16	26%	34%	34%
Fresh Vegetables	12	12	13	4	3	4	33%	23%	27%
Processed Fruit & Vegetables	244	255	245	34	36	34	14%	14%	14%
Fruit & Vegetable Juices	52	68	47	7	2	3	14%	3%	6%
Tree Nuts	66	73	75	15	19	18	22%	27%	24%
Wine & Beer	66	67	89	3	2	3	5%	4%	3%
Nursery Products & Cut Flowers	13	17	18	1	1	1	4%	6%	3%
Pet Foods (Dog & Cat Food)	35	39	41	8	9	13	23%	24%	31%
Other Consumer-Oriented Products	547	592	631	194	214	177	35%	36%	28%
FISH & SEAFOOD PRODUCTS	444	474	467	25	32	24	6%	7%	5%
Salmon	36	46	34	17	21	19	49%	46%	55%
Surimi	7	11	11	0	1	1	0%	11%	6%
Crustaceans	146	143	150	1	1	1	0.67%	0.51%	0.78%
Groundfish & Flatfish	98	106	110	1	1	1	0.17%	0.08%	0.04%
Molluscs	45	51	51	2	2	1	3%	3%	2%
Other Fishery Products	113	118	111	5	7	2	5%	6%	2%

NA - Data not available (not reported) Data: Harmonized Tariff Schedule (HS 6 Digit)
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

APPENDIX C - TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Consumer-oriented Agricultural Products

Reporting Country: Australia Top 15 Ranking	Import		
	1995 1000$	1996 1000$	1997 1000$
United States	296,551	329,074	310,318
New Zealand	274,380	304,741	288,030
Italy	91,541	97,180	95,497
Thailand	68,346	75,522	82,342
United Kingdom	61,178	70,402	70,464
Ireland	9,140	12,252	68,597
Netherlands	64,765	66,542	63,953
France	41,106	41,094	56,056
China (Peoples Republic of)	40,548	48,370	50,466
Canada	25,802	33,083	43,419
Spain	22,589	23,161	28,373
Turkey	22,799	21,826	27,300
Denmark	27,184	32,789	26,603
Germany	32,461	28,056	26,079
Belgium	18,898	20,111	24,550
Other	308,287	346,744	338,846
World	1,405,646	1,550,997	1,600,961

NA - Data not available (not reported) *Data: Harmonized Tariff Schedule (HS 6 Digit)*
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Fish & Seafood Products

Reporting Country: Australia Top 15 Ranking	Import		
	1995 **1000$**	**1996** **1000$**	**1997** **1000$**
Thailand	126,118	135,049	146,962
New Zealand	87,489	89,423	84,960
United States	25,291	31,576	23,776
S.Afr.Cus.Un	13,157	13,251	20,475
Malaysia	23,565	21,249	19,653
Vietnam	14,497	13,950	16,724
Canada	16,571	23,131	13,943
Taiwan (Estimated)	9,163	13,658	12,879
Japan	8,581	9,923	12,110
Chile	8,308	11,747	10,597
Indonesia	5,729	6,051	10,480
China (Peoples Republic of)	8,748	7,959	9,209
Singapore	10,678	10,577	8,139
Norway	6,073	6,056	5,936
Denmark	6,109	7,182	5,873
Other	73,829	72,820	65,286
World	443,918	473,621	467,019

NA - Data not available (not reported) *Data: Harmonized Tariff Schedule (HS 6 Digit)*
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

APPENDIX II - TRADE SHOW CALENDAR

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.

Fine Food 99

The 18th Australian International Food, Drink & Equipment Exhibition, Sydney Convention & Exhibition Center, August 29-September 1, 1999.

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Fine Food is an international exhibition for the food, drink, and equipment industries. As well as exhibitors from Australia, regular exhibitors include groups from Asia, Europe and the Americas. Fine Food exhibitions are held annually, alternating between Melbourne and Sydney. The shows are backed by the most prestigious industry associations. These include Restaurant & Catering Industry Association, Food Industry Association, Australian Food Brokers Association, Australian Culinary Federation, Austrade, Union des Foires Internationales, Australian Food Service Manufacturers Association.

Fine Food was first held in 1984. Since then, it has grown rapidly to become Australia's largest international food exhibition with exhibitors from as many as 25 countries. It is internationally recognized by Union des Fiores Internationales and continues to grow in size and stature.

Admission is restricted to persons in the food, drink or equipment trades. The organizers expect 26,000 visitors comprising retail, food service and hospitality industries.

Fine Food 2000

Melbourne Exhibition & Convention Center, October 1-4, 2000

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