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Australia

Exporter Guide

Exporter Guide 2010

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Report Highlights:
Australia is a prosperous, politically and economically stable, industrialized nation. Per capita GDP is approximately US$41,982, among the highest in the world. The Australian economy grew for 16 consecutive years until the global financial crisis, with only one quarter of negative growth in the fourth quarter of 2008. Growth quickly recovered due to a fiscal stimulus package, expansionary monetary policy and continued demand from China for Australian exports. Australia was the best performing economy in the OECD in 2009 and economic growth has now returned to its long-term average, with a 3% rise in GDP expected in 2010-11 and almost 4% in 2011-12.

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.

Australia is the world's 13th largest economy with a GDP of over US$1 trillion, a population of 22.4 million with a per-capita GDP of US$41,982 (in purchasing power parity terms), among the highest in the world. The Australian economy grew for 16 consecutive years until the global financial crisis, with only one quarter of negative growth in the fourth quarter of 2008. Growth quickly recovered due to a fiscal stimulus package, expansionary monetary policy and continued demand from China for Australian exports. Australia was the best performing economy in the OECD in 2009 and economic growth has now returned to its long-term average, with a 3% rise in GDP expected in 2010-11 and almost 4% in 2011-12. Fiscal and monetary stimulus is now being withdrawn and there are early signs that private activity is recovering. Unemployment peaked at 5.75% in 2009 and is forecast to be below 5% in 2011. The government is predicting a return to fiscal surplus in 2013-14.

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 22.4 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.

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, the Trans-Pacific Partnership Agreement and a Pacific Agreement on Closer Economic Relations (PACER) Plus. Free trade agreements under consideration by Australia include India and Indonesia. 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 (FSANZ). The Code 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 (usually in September) 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 endorsed by FAS and U.S. Pavilions are planned at Fine Food each year.

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.

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

Fine Food Australia 2012 – Melbourne
Melbourne Convention & Exhibition Centre, September 10-13, 2012

Fine Food Australia 2013 – Sydney
Sydney Convention & Exhibition Centre, September 9-12, 2013

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Section III: Market Structure & Trends

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-oriented foods and ingredients for further processing 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 and being able to meet quarantine requirements.
- 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.
- In 2009, Costco opened their first store in Melbourne, Australia with plans to open more in the coming years (Sydney in 2011).
- 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 22+ 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 crackers segment of the biscuits category which experienced a 10.5% rise in value in 2009. The rice & grain cakes segment of this category also experienced a 7.4% rise in value in 2009.
- **The iced tea** segment of the beverages category is still performing well, with overall growth by grocery volume of 35% and value of 29% in 2009.
- **The energy drinks** segment remains the best performing in the cold beverage category with volume growth of 48% in 2009 (on top of a 35% increase in 2008 & 50% in 2007). The value of this sector is now US$165 million - a rise of US$56 million over the 2008 value.
- The **functional** segment of the **still water** category, which is relatively new to this market, has grown very quickly over the past year. In 2009 the grocery value of this segment showed growth of 110% with volume growth of 104%.
- The Mexican food category in the **International Meals** segment experienced 13% growth by value & 9% by volume in 2009.

Section V: Key Contacts & Other Information

Key Contacts

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Other Information

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

Recent Reports from FAS/Canberra:

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

Title of Report	Date
Grain & Feed Update – August 2010	07/30/2010
Ag DownUnder Issue 4, 2010	07/22/2010
Food & Agriculture Import Regulations & Standards Report	07/21/2010
Agricultural Biotechnology Annual	07/14/2010
Biofuels Annual 2010	07/06/2010
Ag DownUnder Issue 4 2010	06/25/2010
Increased Access for Australian Fresh Fruit to China & Japan	06/23/2010
Ag DownUnder Issue 3 2010	06/11/2010
Canola Production Forecast to Jump in 2010-11	06/03/2010
Ag DownUnder – Issue 2	05/28/2010
Soybean Meal Imports Down – U.S. Share Up	05/21/2010
Australia 2010 Vintage Wine Harvest Update	05/20/2010
Australian Pulse Crop to Increase in 2010/11	05/17/2010
Ag DownUnder – Issue 1	05/14/2010
Dairy and Products Semi Annual	05/14/2010
Beef Grading Agreement Opens Way for Increased Beef Exports to Chile	05/05/2010
Sugar Annual 2010	04/15/2010
Cotton and Products Annual	03/29/2010
Grain and Feed Annual	03/16/2010
Wine Annual 2010	03/01/2010
Livestock and Products Semi-annual 2010	03/01/2010
Government announces Ag Research Initiative to Increase Productivity & Cut Carbon Emissions by 50 percent	02/18/2010

Statistical Appendix

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$7,669	11%
Consumer Food Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$5,564	11%
Edible Fishery Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2008)	$1,007	3%
Total Population (Millions)/Annual Growth Rate (%)	(2010)	22.4	2.0%
Urban Population (Millions)/Annual Growth Rate (%) [1/]	(2008)	14.0	2.2%
Number of Major Metropolitan Areas [2/]	(2008)		5
Per Capita Gross Domestic Product (US$)	(2009)	48,051	
Unemployment Rate (% as at July)	(2010)		5.3%
Per Capita Food Expenditures (US$)	(2010)		$3,733
Percent of Female Population Employed (%)	(2009)		58.6%
Exchange Rate (Average for Calendar Year)	(2009)	US$1.00 = $1.26	

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 (Millions of U.S. Dollars)	Imports from the World 2007	 2008	 2009	Imports from the U.S. 2007	 2008	 2009	U.S Market Share 2007	 2008	 2009
CONSUMER-ORIENTED AGRICULTURAL TOTAL	4,920	5,728	5564	508	623	601	10	11	11
Snack Foods (Excl. Nuts)	435	503	547	17	21	24	4	4	4
Breakfast Cereals & Pancake Mix	33	34	45	3	3	3	8	10	7
Red Meats, Fresh/Chilled/Frozen	359	366	396	87	94	100	24	26	25
Red Meats, Prepared/Preserved	37	48	54	8	10	11	21	20	20
Dairy Products (Excl. Cheese)	163	247	182	6	19	7	3	8	4
Cheese	263	357	264	6	33	3	2	0	1
Eggs & Products	9	10	9	1	1	2	10	10	20
Fresh Fruit	159	168	180	68	85	90	43	50	50
Fresh Vegetables	41	42	44	6	7	6	15	17	14
Processed Fruit & Vegetables	644	794	732	53	86	79	8	11	11
Fruit & Vegetable Juices	179	190	154	25	27	29	14	14	19
Tree Nuts	147	181	151	8	5	4	5	3	3
Wine & Beer	453	591	554	8	14	17	2	2	3
Nursery Products & Cut Flowers	40	47	40	0	0	0	1	0	0
Pet Foods (Dog & Cat Food)	126	144	154	58	65	68	46	45	44
Other Consumer-Oriented Products	1,832	2,007	2058	153	152	158	8	8	8
FISH & SEAFOOD PRODUCTS	966	1,013	1007	28	32	35	3	3	3
Salmon	72	78	68	21	26	25	30	33	36
Surimi	13	10	14	0	0	0	3	3	0
Crustaceans	284	263	297	1	0	2	0	0	0
Groundfish & Flatfish	218	216	204	2	2	4	1	1	2
Molluscs	86	88	95	1	1	2	2	1	2
Other Fishery Products	292	358	328	2	2	1	1	1	0
AGRICULTURAL PRODUCTS TOTAL	6,759	7,885	7669	660	816	835	10	10	11
AGRICULTURAL, FISH & FORESTRY TOTAL	8,767	10,027	9601	722	904	923	8	9	10

Source: Global Trade Atlas

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

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($000)	**2007**	**2008**	**2009**
New Zealand	1,081,907	1,271,703	1,163,769
United States	507,975	622,743	601,181
Ireland	426,445	427,547	434,842
China	304,912	387,074	384,665
Italy	296,741	333,725	332,449
Denmark	175,111	224,434	229,544
France	193,651	240,958	199,021
Thailand	155,064	181,847	188,935
Canada	162,600	148,705	179,909
Netherlands	152,598	180,492	170,502
Germany	128,022	158,111	164,659
United Kingdom	88,690	95,722	97,556
Mexico	59,696	68,599	88,385
Turkey	69,013	71,529	79,090
Vietnam	65,774	85,603	78,296
Other	1,052,145	1,229,284	1,171,669
World	4,920,345	5,728,074	5,564,472

FISH & SEAFOOD PRODUCTS IMPORTS

($000)	**2007**	**2008**	**2009**
Thailand	238,257	287,077	267,478
New Zealand	166,437	169,555	165,535
China	118,042	116,845	130,967
Vietnam	121,257	126,465	126,215
Malaysia	35,250	56,908	50,673
United States	27,858	31,731	34,812
Indonesia	23,052	22,095	32,413
Taiwan	25,384	24,999	29,272
South Africa	25,087	20,904	20,740
Denmark	16,741	18,782	17,427
Norway	18,700	17,885	17,388
Japan	8,987	13,558	14,357
Canada	14,710	11,545	12,506
Argentina	15,595	9,409	8,293
Myanmar	12,247	9,291	6,642
Other	98,433	75,543	72,185
World	966,034	1,012,592	1,006,902

Source: Global Trade Atlas