Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 11/26/1999

GAIN Report #AS9056

Australia

Exporter Guide

1999

Prepared by:
Randolph H. Zeitner
U.S. Embassy
Drafted by:
Lindy Crothers

Report Highlights:
Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia. Australia has educated, affluent consumers willing to try new products. Value added products and innovative packaging are important selling points in the Australian market.

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

Section I: Market Overview

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$20,500, 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 19 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

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Companies with innovative packaging have an advantage in entering this market.
- Australia is a sophisticated market which is interested in new-to-market food products.
- Increasing multi-culturalism is creating opportunities for Asian food products.
- After sales services, such as cooperative advertising, are an important aspect of entering this market successfully.
- 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 interesting.
- 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 by conducting a "AGR Number" search for report number AS9033: http://www.fas.usda.gov/scriptsw/attacherep/default.htm
- Australian Maximum Residue Limits are in Standard A-14 of the Food Standards Code. The Internet version of the Code can be obtained from Health Communication Network Ltd http://www.hcn.net.au/anzfa/. A subscription of $350 applies for new members. To become a subscriber the following Internet site will guide you through subscribing: http://www.anzfa.gov.au/FoodStandards/New_Format_For_Food_Standards_Code.htm
- The Food Standards Code is under the control of the Australia New Zealand Food Authority (ANZFA). The ANZFA web site is at the following address: http://www.anzfa.gov.au.
- Food safety import regulations can also be found at the Australian Quarantine Inspection Service (AQIS) Internet site at: www.aqis.gov.au

Trade Shows

- At this time there is only one major food show in Australia, Fine Food - The International Food, Drink & Equipment Exhibition, which is held 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.

Fine Food 2000

The 20th Australian International Food, Drink & Equipment Exhibition, Melbourne Exhibition & Convention Center, November 17-20, 2000. Fine Food 2000 will, for the first time, also incorporate the Supermarket Show.

CONTACT: Mr. Tim Collett, Exhibition Director
Australian Exhibition Services
Illoura Plaza
424 St Kilda Road
Melbourne VIC 3004
AUSTRALIA
Tel: 61-3-9261-4500
Fax: 61-3-9261-4545
E-mail: food@ausexhibit.com.au
Web site: http://www.ausexhibit.com.au/food/

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the region. 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 once. 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.

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.

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 educated, affluent consumers, willing to try new products. Consumer-ready foods continue to dominate the import market for foodstuffs.
- Most tariffs on imported foods are low or are scheduled to be lowered in the next few years.
- 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.

< 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 19 million, the capacity of Australia to fulfill its consumer needs in a rational economic fashion is limited.

< The United States share of the Australian market for consumer ready foods has been around 20 percent for the past three years.

< Value added products and innovative packaging are important selling points 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.

< 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.

< 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.

    S 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.

    S Coles has a 30.3 percent share and 559 stores concentrated in the same three states.

    S Franklins has a 14.2 percent share and has 261 stores concentrated primarily in New South Wales and Queensland.

    S 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 19 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.
- 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.

Section IV: Best High-Value Product Prospects

- Canned fish - tuna currently makes up 50% of the canned fish at grocery followed by pink (13%) and red salmon (12%) respectively, with sardines accounting for 10%.
- Rapidly growing range of flavored canned tunas, nutritional information and variety packs such as lunch kits, gourmet tuna meals.
- Frozen prepared meals.
- Indian Cuisine - growth in restaurants has led to a growth in supermarkets for alternative meals and Indian/Thai segments have benefitted growing at over 17% throughout 1999. The size of the market is approximately US$12.9 million. There is currently no or limited US presence. The Indian food category alone is generating growth of 26.2%. Growth is in simmer sauces and pastes, with the largest segment Indian pastes accounting for 30.1% of Indian sales followed by canned sauces at 24.5%.
- Asian Cuisine - this segment is worth approximately US$29 million. Products driving growth are curry pastes, curry sauces, noodles and coconut milk. Also the fresh Asian noodles and sauces segment continue to be one of the fastest growing ethnic food cuisines in Australia with the market valued at US$17 million and growing at 46%.
- Mexican Cuisine is an established cuisine and is now worth US$86.1 million.
- Snack Foods
  - Australians have a penchant for snacking on nutritious snacks. Savory snacks and biscuits sales have shown healthy expansion at 12.7% with consumer acceptance of flavored snacks and rice crackers as healthy snacking alternatives. Flavored snacks are 34% of the category at US$69 million. Products are marketed as snack foods rather than everyday biscuits.
  - Nutritious snacks as a category has seen new product activity and has developed into a USD 130 million business, with new emerging players as well as innovation from market leaders. Uncle Tobys fruit filled bars have lifted the segment by 200%.
  - Activity in niche areas such as crisp breads and snacks.
  - Rice crackers exploded from US$20 m to US$41 million grocery value in the main chains in last 12 months.
- Soft Drinks - In 1997/98 soft drinks were the number one item in Australian and New Zealand Supermarket trolleys (Australian Soft Drink Association Ltd) and the number one preferred beverage of choice. Over the past decade soft drink consumption has increased by 60%. Australians primarily enjoy cola flavor. Most popular sized drink container is the 1.25 liter PET bottle with a move towards the 600 ml PET size. Glass has been in long term decline, aluminum cans experiencing decline.
- Breakfast Foods - consumer preoccupation with convenience and “healthy foods” is driving the resurgence of this market now valued at US$465. “Portable” breakfast cereals, such as breakfast bars and liquid breakfast cereals, are growing the most, up 28% in value on a year ago.

- < International Meals - Cajun cuisine spices are available, however the convenience meal components, such as bottled sauces, not. Grocery value for the international meal category is growing at; 14.7% for Asian cuisine, 23.1% for Indian cuisine, and 19.6% for Mexican cuisine. Total grocery value for these cuisines is US$82 million.
- < UHT Soy drinks and products delivered strong growth in 1998 with a high level of new brand/product launches. The grocery value was US$77.6m, up 16%. Further growth is expected in the long life soy drinks. There is no U.S. presence in this segment.
- < Bread Mixes - flour/bread mix segment is growing strongly with 250,000 bread makers sold in 1998 and the segment continuing to grow. The grocery value of flour in Australia is US$45 million and is growing at 18.6%. Bread mixes have increased by 189% on volume and 158.3% on value.

Section V: 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@fas.usda.gov

Australia New Zealand Food Authority
P.O. Box 7186
Canberra Mail Exchange, ACT 2610
Australia
Tel: 61-2-6271-2222
Fax: 61-2-6271-2278
E-mail: info@anzfa.gov.au
Web Site: http://www.anzfa.gov.au

Imported Food Inspection Program
Australian Quarantine & Inspection Service
GPO Box 858
Canberra, ACT 2601
Tel: 61-2-6272 3097
Fax: 61 + 2 6272 3682
Email: Peter.Maple@aqis.gov.au (Program Director)
Web Site: http://www.aqis.gov.au

APPENDIX 1 - STATISTICS

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports from All Countries ($Mil)/U.S. Market Share (%)	$3,476	12%
Consumer Food Imports from All Countries ($Mil)/U.S. Market Share (%)	$1,577	14%
Edible Fishery Imports from All Countries ($Mil)/U.S. Market Share (%)	$458	6%
Total Population (Millions)/Annual Growth Rate (%)	19.0	1.4%
Urban Population (Millions)/Annual Growth Rate (%)	16.2	1.5%
Number of Major Metropolitan Areas 1/		5
Size of the Middle Class (Millions)/Growth Rate (%)		n/a
Per Capita Gross Domestic Product (US$)		20,500
Unemployment Rate (%)		7.1
Per Capita Food Expenditures (US$)		$2459
Percent of Female Population Employed 2/		50
Exchange Rate		US$1.00 = A$1.6

1/ Centers with population over 1,000,000
2/ Percent against total number of women (15 years old or above)

SOURCE: Various Australian Bureau of Statistics publications.

TABLE B: CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Australia Imports (In Millions of Dollars)	Imports from the World 1996	1997	1998	Imports from the U.S. 1996	1997	1998	U.S Market Share 1996	1997	1998
CONSUMER-ORIENTED AGRICULTURAL TOTA	1,551	1,601	1,577	329	310	213	21	19	14
Snack Foods (Excl. Nuts)	167	181	167	18	31	35	11	17	21
Breakfast Cereals & Pancake Mix	4	10	14	1	4	4	27	41	25
Red Meats, Fresh/Chilled/Frozen	31	38	21	1	1	1	2	3	0
Red Meats, Prepared/Preserved	12	14	15	1	3	4	0	26	29
Poultry Meat	1	1	0	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	54	50	62	4	2	3	8	5	4
Cheese	108	97	91	1	1	1	0	0	0
Eggs & Products	4	4	2	1	1	1	15	11	24
Fresh Fruit	50	48	47	17	16	18	34	34	37
Fresh Vegetables	12	13	14	3	4	4	23	27	26
Processed Fruit & Vegetables	255	245	236	36	34	38	14	14	16
Fruit & Vegetable Juices	68	47	49	2	3	6	3	6	13
Tree Nuts	73	75	65	19	18	12	27	24	18
Wine & Beer	67	89	94	2	3	2	4	3	2
Nursery Products & Cut Flowers	17	18	18	1	1	1	6	3	3
Pet Foods (Dog & Cat Food)	39	41	40	9	13	14	24	31	34
Other Consumer-Oriented Products	592	631	641	214	177	74	36	28	12
FISH & SEAFOOD PRODUCTS	474	467	458	32	24	26	7	5	6
Salmon	46	34	39	21	19	22	46	55	58
Surimi	11	11	8	1	1	1	11	6	8
Crustaceans	143	150	153	1	1	2	1	1	1
Groundfish & Flatfish	106	110	101	1	1	1	0	0	0
Molluscs	51	51	41	2	1	1	3	2	0
Other Fishery Products	118	111	117	7	2	1	6	2	1
AGRICULTURAL PRODUCTS TOTAL	2,608	2,650	2,503	502	487	362	19	18	14
AGRICULTURAL, FISH & FORESTRY TOTAL	3,609	3,681	3,476	602	574	432	17	16	12

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

($1000)	1996	1997	1998
New Zealand	304,741	288,030	276,384
United States	329,074	310,318	212,889
Ireland	12,252	68,597	173,238
Italy	97,180	95,497	105,391
Thailand	75,522	82,342	76,648
United Kingdom	70,402	70,464	64,084
Netherlands	66,542	63,953	58,385
France	41,094	56,056	55,569
China (Peoples Republi	48,370	50,466	51,519
Canada	33,083	43,419	30,815
Spain	23,161	28,373	29,176
Germany	28,056	26,079	26,910
Brazil	47,975	24,486	26,240
Turkey	21,826	27,300	26,057
Areas NES	102	12,437	24,475
Other	351,567	353,076	338,844
World	1,550,997	1,600,961	1,576,692

FISH & SEAFOOD PRODUCT IMPORTS

($1000)	1996	1997	1998
Thailand	135,049	146,962	144,436
New Zealand	89,423	84,960	80,554
United States	31,576	23,776	25,779
S.Afr.Cus.Un	13,251	20,475	22,101
Vietnam	13,950	16,724	18,073
Malaysia	21,249	19,653	16,823
Japan	9,923	12,110	16,037
Canada	23,131	13,943	13,802
Chile	11,747	10,597	11,170
India	3,258	3,067	10,902
Taiwan (Estimated)	13,658	12,879	10,656
Indonesia	6,051	10,480	9,223
Singapore	10,577	8,139	8,814
China (Peoples Republi	7,959	9,209	6,642
Kenya	2,958	4,851	6,391
Other	79,842	69,177	56,469
World	473,621	467,019	457,880

Source: United Nations Statistics Division