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Required Report - public distribution

Date: 6/22/2011

GAIN Report Number: AS1119

Australia

Exporter Guide

2011 Exporter Guide

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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. Australia is the world's 13th largest economy, with nominal GDP of US\$1.3 trillion and one of the highest levels of per capita GDP in the world. The Australian economy has grown for the past 19 years, except for one negative quarter in late 2008. The government has pledged to return the federal budget to surplus in 2013. Australia's central bank projects the economy to grow 4.25% in 2011 and at a similar rate in 2012. The unemployment rate is currently 4.9%. In 2010, Australia was ranked as the second easiest place in the world to start up a business, according to the World Bank. It ranked tenth in terms of 'ease of doing business,' and was the sixth easiest place to obtain business credit.

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 nominal GDP of US\$1.3 trillion and one of the highest levels of per capita GDP in the world. It has a large services sector (80% of GDP) but is also a major exporter of resources, energy, and food. The Australian economy has grown for the past 19 years, except for one negative quarter in late 2008. The government and central bank implemented a combination of fiscal stimulus and monetary easing to help counteract the impact of the global financial crisis. Net government debt peaked at 6.4% of GDP and is falling. The government has pledged to return the federal budget to surplus in 2013. Australia's central bank projects the economy to grow 4.25% in 2011 and at a similar rate in 2012. Unemployment stood at 5.0% in early 2011.

Australia has a deep and sophisticated financial market, regulated in accordance with international norms. In terms of global turnover, Australia's foreign exchange market is the seventh largest in the world, and the Australian dollar/U.S. dollar currency pairing is the fourth-most traded globally (BIS, Triennial Central Bank Survey, December 2010). Australia's four leading banks are currently ranked in the top 12 in the world in terms of financial security and AA rankings. In 2010, Australia was ranked as the second easiest place in the world to start up a business, according to the World Bank. It ranked tenth in terms of 'ease of doing business,' and was the sixth easiest place to obtain business credit.

Australia's trade with the world exceeded US\$500 billion in 2009, with trend growth of 11% over 5 years. Terms of trade are at historic highs, with booming prices for exports of iron ore and coal, although there is a diverse mineral and energy production portfolio. Energy exports will expand further as large LNG projects in northern Australia (such as the Chevron-Exxon-Shell Gorgon project) export gas to East Asia. The Australian dollar has been trading at or near all-time highs versus the U.S. dollar, placing pressure on manufacturing exports and the tourism and education sectors.

Australia's financial system was one of the most resilient throughout the Global Financial Crisis and its four leading banks are currently ranked in the top 12 in the world in terms of financial security and AA rankings. Australia's foreign exchange market is the seventh largest in the world (in terms of global turnover). The Australian/U.S. dollar is the fourth most traded currency pair globally, according to the December 2010 BIS Triennial Central Bank Survey. In 2009, the Australian Stock Exchange (ASX) was the 13th largest in the world and the ASX market capitalization of domestic companies was US\$1.3 trillion, the fourth largest in the Asia-Pacific region.

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/fta/index.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@fas.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, and hotel and supermarket trades.

CONTACT:

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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

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

Trends - 2011

- Positive nutrition: The drive to make food and beverages healthier continues to gain momentum in Australia. Recent research found that 61% of Australian consumers are tired of being told what not to eat and are instead looking for more constructive guidance to assist their food and beverage purchases. This encompasses a movement from food avoidance (such as products with reduced fat and sugar) to positive nutrition and the inclusion of healthy food and ingredients.
- Healthy indulgence: Australians aren't really interested in strict diet plans but there is a huge spike in people trying to control their portion sizes. They don't want to cut out certain food groups or flavors, but they are willing to control the amount they eat. Therefore, the quality over quantity mentality is an important consideration for marketers. Claim terms such as 'portioned indulgence' or 'treat size' convey the message that sensory benefits have not been foregone for the sake of health.

- Packaging: Innovative packaging is a valuable selling point in the Australian market. A recent study found that 50% of Australians think food and drink products are over-packaged and 69% would consider boycotting a product if it didn't meet their environmental criteria.

Market Structure

- 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.
- '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. It is estimated that 50% of Australians aged 18-34 years old eat a meal 'on-the-go' at least once a week.
- The restaurant sector has also benefited from this demographic trend, as away-from-home consumption continues to grow.
- 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 with stores in Sydney & Canberra opening in July 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 **nutritious snacks** category which experienced an overall 5.8% rise in value in 2010. The 'adult' segment of this category experienced a value change of almost 16%. The rice crackers and rice & grain cakes segments of the biscuits category also continue to experience growth with a 6.2% and 5.4% rise in value respectively in 2010.
- The **iced tea** segment of the beverages category is still performing well, with overall growth by grocery volume of 14% in rise in value in 2010 following a 29% rise in 2009.
- The **energy and sports drinks** segments remain some of the best performing in the cold beverage category with value growth of 20% and 12% respectively in 2010. These segments are now valued at \$225 and \$120 million respectively.
- The **functional** segment of the beverage category, which is relatively new to this market, grew very quickly in the past couple of years but has leveled off in 2010. The mineral water segment, however, grew by over 14% in 2010 with the segment split evenly between non-flavored and flavored varieties.
- The value of the **spices** segment of the herbs & spices category grew by almost 11% in 2010 with a growth of 14% by volume. This segment is now valued at \$21 million overall.
- Elsewhere in the condiments category '**wet' recipe bases (sauces/marinades)** grew by almost 23% by value in 2010. This segment is now valued at \$26 million.

Section V: Key Contacts & Other Information

Key Contacts

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Australian Quarantine & Inspection Service Imported Food Program

Web: <http://www.daff.gov.au/aqis/import/food>

Food & Beverage Importers Association

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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/scripts/AttacheRep/default.asp>.

Title of Report	Date
Dairy Semi Annual 2011	05/09/11
Testing of Food from Japan - Update	04/14/11
Sugar Annual 2011	04/13/11
Additional Testing Required for Japanese Food Products	04/08/11
Cotton and Products Annual	04/04/11
Grain and Feed Annual 2011	03/29/11
Livestock and Products Semi-annual 2011	03/18/11
Wine Annual 2011	03/10/11
Public Attitudes Towards Agricultural Biotechnology in Australia	03/08/11
Review of Food Labeling & Policy	02/24/11
Grain & Feed Lock-Up – February 2011	02/01/11

Appendix: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries (\$m/%US market share)	2010	\$8,787	11%
Consumer Food Imports from All Countries (\$m/% US market share)	2010	\$6,453	10%
Edible Fishery Imports from All Countries (\$m/% US market share)	2010	\$1,170	3%
Total Population (millions)/Annual Growth Rate (%)	2010	22.6	1.7%
Urban Population (millions)/Annual Growth Rate (%) ^{1/}	2010	14.3	1.8%
Number of Major Metropolitan Areas ^{2/}	2010	5	
Per Capita Gross Domestic Product (US\$)	2011	55,366	
Unemployment Rate (%)	2011	4.9%	
Per Capita Food Expenditure (US\$)	2011	\$3,620	
Percent of Female Population Employed (%)	2011	59%	
Exchange Rate (Average for Calendar Year)	2010	US\$1.00 = A\$1.09	

1/ Those living in capital cities

2/ Centers with population over 1,000,000

Sources: Global Trade Atlas; Australian Bureau of Statistic; Reserve Bank of Australia

Table B: Consumer Food & Edible Fishery Product Imports

Australia Imports (Millions of U.S. Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
CONSUMER-ORIENTED AGRICULTURAL TOTAL	5,705	55,541	6,453	622	600	668	11	11	10
Snack Foods (Excl. Nuts)	503	547	613	21	24	23	4	4	4
Breakfast Cereals & Pancake Mix	34	45	44	3	3	2	10	7	5
Red Meats, Fresh/Chilled/Frozen	366	396	448	94	100	133	26	25	30
Red Meats, Prepared/Preserved	48	54	78	10	11	11	20	20	15
Dairy Products (Excl. Cheese)	247	182	258	19	7	16	8	4	6
Cheese	357	264	375	33	3	22	9	1	6
Eggs & Products	10	9	11	1	2	1	10	20	12
Fresh Fruit	168	180	194	85	90	83	50	50	43
Fresh Vegetables	42	44	64	7	6	8	17	14	12
Processed Fruit & Vegetables	794	732	814	86	79	85	11	11	10
Fruit & Vegetable Juices	190	154	147	27	29	21	14	19	15
Tree Nuts	181	151	199	5	4	5	3	3	2
Wine & Beer	591	554	642	14	17	8	2	3	1
Nursery Products & Cut Flowers	47	40	42	0	0	0	0	0	0
Pet Foods (Dog & Cat Food)	144	154	178	65	68	75	45	44	42
Other Consumer-Oriented Products	1,984	2,034	2,344	151	157	174	8	8	7
FISH & SEAFOOD PRODUCTS	1,008	1,003	1,170	32	35	37	3	3	3
Salmon	78	68	78	26	25	24	33	36	31
Crustaceans	263	297	348	0	2	4	0	1	1
Groundfish & Flatfish	17	14	13	0	0	0	0	0	0
Molluscs	88	95	121	1	2	3	1	2	2
Other Fishery Products	562	528	611	4	6	6	1	1	1
AGRICULTURAL PRODUCTS TOTAL	7,870	7,654	8,787	819	838	938	10	11	11
AGRICULTURAL, FISH & FORESTRY TOTAL	10,068	9,659	11,319	909	929	1,060	9	10	9

Source: Global Trade Atlas

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

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

(\$000)	2008	2009	2010
New Zealand	1,270,965	1,163,080	1,542,189
United States	621,700	600,443	667,897
China	387,030	384,568	423,878
Ireland	427,547	434,842	382,858
Italy	320,207	317,414	328,004
France	237,248	195,686	249,560
Denmark	224,434	229,544	241,773
Singapore	71,720	67,031	237,944
Thailand	181,811	188,935	230,650
Germany	158,070	164,603	175,219
Canada	148,700	179,893	170,188
Netherlands	180,452	170,420	169,958
United Kingdom	95,473	97,534	104,353
Vietnam	85,603	78,296	102,812
Mexico	68,599	88,385	102,299
Other	1,225,139	1,180,453	1,323,734
World	5,704,695	5,541,127	6,453,315

FISH & SEAFOOD PRODUCTS IMPORTS

(\$000)	2008	2009	2010
Thailand	286,678	267,123	301,866
New Zealand	169,555	165,535	197,880
China	116,563	130,626	169,385
Vietnam	126,465	126,215	154,714
Malaysia	56,388	50,188	62,807
Taiwan	24,999	29,272	37,292
United States	31,639	34,691	37,278
Indonesia	20,834	31,308	28,768
South Africa	20,904	20,740	27,501
Norway	17,885	17,388	23,970
Denmark	18,782	17,427	17,873
Japan	13,558	14,357	13,367
Canada	11,545	12,506	11,970
Myanmar	9,291	6,642	8,277
Namibia	6,112	5,714	8,056
Other	76,584	73,014	69,598
World	1,007,782	1,002,745	1,170,602

Source: Global Trade Atlas