

Required Report: Required - Public Distribution

Date: March 25,2020

Report Number: AS2020-0007

Report Name: Food Processing Ingredients

Country: Australia

Post: Canberra

Report Category: Food Processing Ingredients

Prepared By: Lindy Crothers

Approved By: Levin Flake

Report Highlights:

Australia has proven to be an appealing and profitable market for U.S. companies for many years. Apart from an extremely strict quarantine regime, it offers few barriers to entry, a familiar legal and corporate framework, and a sophisticated – yet straightforward business culture. While it is important to understand and appreciate Australia’s cultural differences, the long and successful history of U.S. firms in Australia suggests the potential of this expanding market. Australia’s food, beverage, and grocery sectors account for over one-third of the country’s total manufacturing sector. In 2019 turnover totaled US\$126 billion (A\$182 billion) a rise of three percent over the previous year. The industry is comprised of over 15,325 enterprises.

Market Fact Sheet: Australia

Executive Summary

Australia has proven to be an appealing and profitable market for U.S. companies for many years. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.

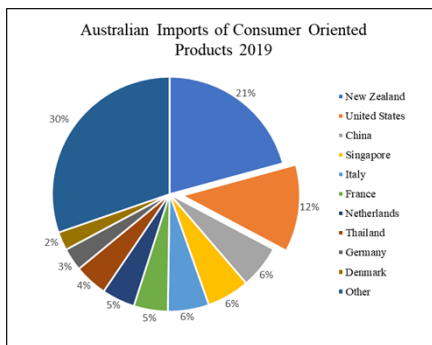
Australia is the world's 13th largest economy, with nominal GDP estimated to be \$1.4 trillion in 2019. Australia has one of the highest levels of per capita GDP in the world and is ranked fourth for median wealth per adult according to Credit Suisse's 2018 Global Wealth Report. The Australian economy has enjoyed 29 years of consecutive economic growth and was expected to realize average annual real GDP growth of 2.8 percent between 2019 and 2023 – the highest forecast among major advanced economies. The effects of Coronavirus on the Australian economy have not been taken into consideration in these figures. The unemployment rate is 5.2 percent and the labor force participation rate has risen to an all-time high of 66 percent.

The United States is by far the largest supplier of foreign capital to Australia. U.S. investments have risen strongly over recent years to an estimated A\$860 billion. Investment in Australia is facilitated in part by its stable macroeconomic management and ease of doing business (it is ranked 14th internationally in the World Bank's 2020 Doing Business index).

The U.S. - Australia Free Trade Agreement provides advantages for U.S. products as tariff rates for many U.S. food products exported to Australia are zero.

Imports of Consumer Oriented Products

The value of Australian consumer-oriented food imports totaled \$9.8 billion in 2019. The United States accounted for \$1.2 billion or 12 percent of total imports. Most of Australia's imports in these sectors are sourced from New Zealand and the United States is the second largest supplier.



Source: Australian Bureau of Statistics

Retail Food Industry

The food and liquor retailing industry in Australia is valued at US\$124 billion. Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69 percent. For more information, please see the [Retail Foods](#) report.

Food Service Industry

The Australian consumer foodservice industry is valued at A\$58 billion (US\$44 billion). By far the largest proportion of the Australia's foodservice industry is the consumer foodservice sector, which consists of more than 71,000 outlets. An ageing population is likely to fuel faster growth in the institutional foodservice sector compared to the commercial foodservice sector. For more information, please see the latest [Food Service](#) report.

Quick Facts CY 2019

Total Imports of Consumer Oriented Products – \$9.8 billion
U.S. Share (12%) – \$1.2 billion

Food Industry by Channels (\$ billion)

Imports - Consumer Oriented Total	\$9.8
Imports – from the United States	\$1.2
Exports – Consumer Oriented Total	\$21.4
Exports – to the United States	\$2.9
Total Food Retailing	\$124.0
Food Manufacturing Turnover	\$82.5

Top Australian Food Retailers

1) Woolworths; 2) Coles; 3) Aldi; 4) Metcash/IGA

GDP/Population

Population – 25.6 million

GDP (\$ trillion) – \$1.4

GDP per capita – \$57,000

Sources: Trade Data Monitor; Australian Bureau of Statistics, Trading Economics

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
<ul style="list-style-type: none"> U.S. culture well accepted and similar to Australia. No language barriers U.S. products have excellent image and acceptance. Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables. 	<ul style="list-style-type: none"> Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. Australia is a significant producer of a similar variety of agricultural products. Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Opportunities	Threats
<ul style="list-style-type: none"> The U.S./Australia Free Trade Agreement enables many U.S. products to enter Australia tariff free. Australian consumers are experimental and desire new and innovative products. Opportunity to trial innovative products and capture/gain market share. Opportunity to enter into private label arrangements as major players expand their private label offerings. 	<ul style="list-style-type: none"> “Buy Australian” campaign is significant. A focus on fresh food presentation by the major supermarket chains provides advantages to local producers. Most categories have substantial market leaders. Country of origin labeling is compulsory, and many Australian made products bear the “Australian Made” logo.

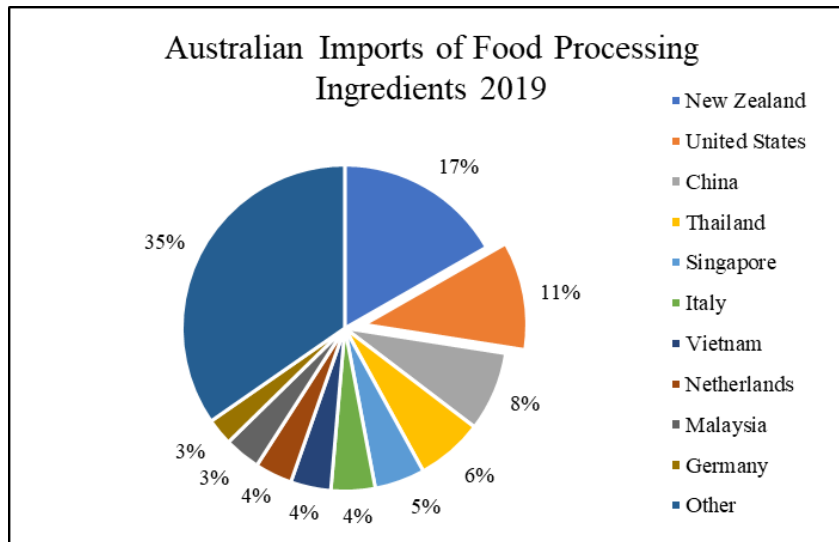
Data Sources: Trade Data Monitor; Australian Bureau of Statistics; Euromonitor; IBISWorld; Trade Economics.

Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

Exchange rate used in this report: US\$1.00 = A\$1.44.

SECTION 1 – MARKET SUMMARY

Australia’s food, beverage, and grocery sectors account for one-third of the country’s total manufacturing sector. In 2019 turnover totaled US\$124 billion. The industry is comprised of over 15,325 enterprises (excluding those in the fresh produce sector).



Source: Trade Data Monitor

Advantages and Challenges Facing U.S. Products in Australia

Advantages	Challenges
U.S. culture well accepted and similar to Australia.	Strict quarantine regulations for 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 United States and Australia have a free trade agreement that minimizes import tariffs.	Australian labeling and advertising laws are different from the United States. This may require costly changes to food labels.
Australian consumers are experimental and desire new and innovative products. This presents an opportunity to test innovative products and capture/gain market share.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.
Counter-seasonal production and marketing seasons between Australia and the United States mean that some fruit and vegetable imports do not compete with locally produced fruit and vegetables.	An increasing number of low-cost foods ingredients are available from developing countries.
Australia does not produce enough quantities of some ingredients or specific varieties (e.g. tea, coffee, cocoa, nuts, dried fruit, and natural colors).	The stronger U.S. dollar against the Australian dollar has made U.S. food ingredients more expensive.
Many of the major trends in flavoring ingredients used in Australia have their origins in the United States.	
Australia has an affluent consumer base.	

SECTION 2 – ROAD MAP FOR MARKET ENTRY

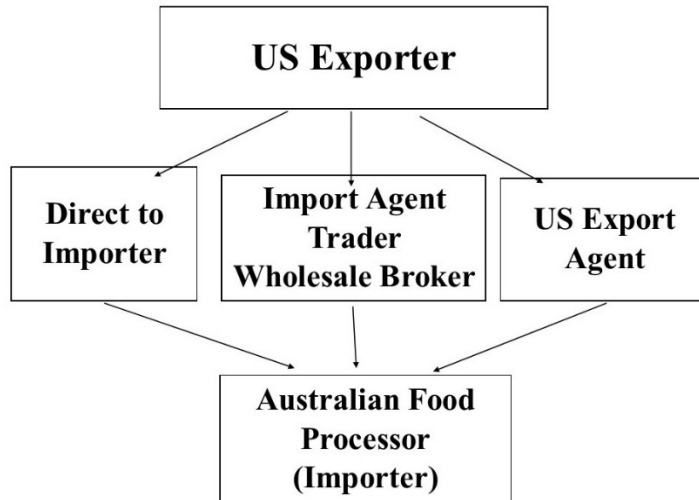
ENTRY STRATEGY

- There are many opportunities for imported products in the Australian food processing market and many ways in which to gain market access. Market entry can be greatly facilitated by local representation. The type of local representation depends on the exporter and the products. The local representative should be able to provide market knowledge, up-to-date information, guidance on business practices, trade-related laws, food standards, sales contacts with existing and potential buyers, and market development expertise. The U.S. supplier should provide samples, product specifications, and nutritional data for all products and provide representatives with the necessary training. Using marketing materials and product information will allow the representative to canvas the customer base to determine the level of interest.
- Most food ingredient imports move through a third party in the form of an import agent, trader or wholesaler. Often this third party can provide invaluable assistance to help overseas suppliers meet import conditions. The majority of food processors in Australia use import agents to source product as well as buying direct from other processors or producers.
- Due to the size of the U.S. market, U.S. manufacturers are able to develop a range of products far beyond that which can be achieved in Australia. This enables U.S. exporters to deliver innovative product lines that are otherwise not available - for example food colors and flavors.
- The Australian market is very “Americanized,” with most U.S. food categories compatible with Australian tastes, providing many opportunities for U.S. exporters.
- It is suggested to engage a broker who knows the market, manufacturers, and generally has a strong relationship with traders. These contacts should include the following: warehousing, distribution, and assistance with customs and quarantine paperwork.
- All food imported into Australia must first comply with strict quarantine requirements stipulated in the [Biosecurity Act 2015](#) and then the [Imported Food Control Amendment Act 2018](#). A release issued after the quarantine inspection is **NOT** a clearance from the Imported Food Inspection Scheme inspection.
- To satisfy quarantine requirements it may be necessary for importers of certain foods to obtain an import permit. This is particularly true for fresh fruit and vegetables or food that may contain any milk, egg, meat or other animal products as an ingredient. In addition to obtaining a permit, some products require additional conditions for importation. To obtain up-to-date information about quarantine import conditions refer to the Biosecurity Import Conditions System (BICON) database that is maintained by the Australian Department of Agriculture and Water Resources (<http://www.agriculture.gov.au/import/online-services/bicon>).
- The Food and Agriculture Import Regulations and Standards (FAIRS) narrative report also provides information on Australia’s import requirements. The latest version of this report can be downloaded from the [USDA website](#).

MARKET STRUCTURE

- Imported food ingredients, for the most part, move from the U.S. exporter to the Australian processor through an import agent or by Australian companies going directly to the U.S. exporter. The diagram below shows the flow of product through the distribution chain.

Distribution of U.S. products to Australian Food Processors



SECTOR TRENDS AND MAJOR PLAYERS

Processed/cured meat products – Increasing domestic demand for pork products has contributed to growth in the value of imports. Processed pig meat and pork for further processing has been progressively allowed into Australia since 1990. Industry imports have increased at an annualized 5.3 percent over the past five years, growing as a share of domestic demand. Imports are still expected to account for over a third of domestic demand in 2019-20. NOTE: imports consist of frozen pork for further processing. Denmark and the United States are the most significant sources of imports. Major players in processed and cured meat product processing include: Industry Park Pty Ltd - trading as JBS Australia (40.4 percent market share); Food Investments Pty Ltd (17.4 percent market share); and Bertocchi Smallgoods Pty Ltd (5.5 percent market share).

Dairy product manufacturing (milk and butter) – Most industry imports come from New Zealand and Europe, where strong dairy industries operate. New Zealand is the largest source of butter and other dairy imports, accounting for 62.8 percent of all industry imports due to its proximity to Australia and the high quality of its dairy produce. The industry also imports butter and other dairy products from the United States, which are anticipated to account for 9.7 percent of industry imports to Australia in the current year. Major players in dairy product manufacturing include: Saputo Dairy Australia Pty Ltd (17.6 percent market share); Fonterra Co-operative Group Ltd. (11.1 percent market share); Lactalis Australia Pty Ltd (10 percent market share); and Lion Pty Ltd (5.8 percent market share).

Cheese manufacturing – Domestic cheese consumption has been relatively stagnant over the last five years. Local consumer preferences have shifted from traditional cheddar varieties towards specialty cheeses, such as goat cheese and feta. The value of imported cheese is expected to increase at an

annualized 8.7 percent over the five years through 2018-19, to account for an estimated 27 percent of domestic demand. Cheese imports have increased over the past five years due to strong demand for premium cheeses from specific regions, such as parmesan and mozzarella cheese from Italy and brie and camembert from France. Additionally, rising demand for low-cost cheeses from countries such as New Zealand and the United States has helped boost imports. In addition, New Zealand and the United States are the two largest suppliers of fresh mozzarella into Australia. New Zealand is also the largest supplier of parmesan cheese and the United States is the largest supplier of grated and powdered mozzarella. Major players in cheese manufacturing include: Bega Cheese Ltd (21.5 percent market share); Saputo Dairy Australia Pty Ltd (20 percent market share); Fonterra Co-operative Group Ltd (8.8 percent market share); and Lion Pty Ltd (6.1 percent market share).

Fruit and vegetable processing – The Australian domestic fruit and vegetable processing industry has struggled with increasing external competition over the past five years. Supermarkets have been increasingly sourcing processed goods from overseas. Australia primarily imports processed fruit and vegetables from New Zealand, the United States, and China. New Zealand is a key supplier given its proximity and lower overhead costs. The United States has an advantage over China because of their reputation of trusted suppliers of safe, high quality products – this should be emphasized when approaching this market. The dominance of Australia’s supermarket giants Coles and Woolworths has encouraged growth in cheaper imports to be sold as private-label products. Major players in fruit and vegetable processing: Simplot Australia (Holdings) Pty Ltd (11.7 percent market share); and Heinz Wattie’s Pty Ltd (10.9 percent market share).

The **bakery product manufacturing industry** is going through a major period of change. While per capita bread consumption is falling, Australians are spending more on higher quality, fresher breads and baked goods such as sourdough, ciabatta, brioche and baguettes. Over the past five years, rising health consciousness has caused demand for whole meal, seeded, gluten-free and other breads, which are perceived to be healthier products. The introduction of functional breads that have been fortified with ancient grains or enriched with nutrients has also contributed to the growing demand for premium breads and bakery products. Major players in bakery product manufacturing: Bakers Delight Holdings Ltd (12.6 percent market share).

Snack food manufacturing - the snack food manufacturing industry has faced changing consumer preferences, volatile input prices, and increasing competition from private-label and substitute products over the past five years. Consumer concerns regarding health and obesity are growing, with health-conscious consumers shifting away from traditionally high-fat and high-sodium snacks. Consequently, demand for traditional snack foods, such as potato chips, has declined. Supermarkets are expanding their private-label offerings to include healthier and premium snack foods. This provides opportunities for U.S. tree nuts and dried fruits. Aside from the largest operators, the industry also includes several small-scale producers that specialize in niche, lower volume products. Major players in snack food manufacturing: PepsiCo ANZ Holdings Pty Ltd (39.3 percent market share); Consolidated Snacks Pty Ltd (18.4 percent market share).

SECTION 3 – COMPETITION

Australia's imports of food ingredients totaled \$11.8 billion in 2019. The United States is the second largest supplier of these products with imports of US\$1.3 billion in 2019.

Australian Imports of Food Ingredients from the World

Partner Country	United States Dollars		
	2017	2018	2019
World	\$11,121,045,579	\$11,393,812,315	\$11,764,033,554
New Zealand	\$2,027,809,690	\$2,045,646,702	\$1,970,142,368
United States	\$1,196,237,482	\$1,233,269,213	\$1,261,974,203
China	\$880,559,701	\$915,885,602	\$926,479,706
Thailand	\$761,302,797	\$815,033,705	\$780,773,537
Singapore	\$471,871,892	\$354,022,181	\$588,401,335
Italy	\$463,543,773	\$493,150,664	\$514,842,452
Vietnam	\$426,113,536	\$446,022,348	\$470,524,638
Netherlands	\$394,374,662	\$422,566,531	\$436,047,423
Malaysia	\$469,895,627	\$442,530,254	\$421,714,635
Germany	\$281,883,923	\$294,629,904	\$312,913,451
Other	\$3,747,452,492	\$3,931,055,213	\$4,080,219,807

Australian Imports of Food Processing Ingredients from the United States

Commodity Description	Millions of US Dollars		
	2017	2018	2019
Total Food Processing Products from United States	\$1,196,237	\$1,233,269	\$1,261,974
Miscellaneous Edible Preparations	\$200,592	\$247,868	\$246,489
Edible Fruit and Nuts; Peel of Citrus Fruit Or Melons	\$217,984	\$216,897	\$194,412
Meat and Edible Meat Offal	\$172,235	\$184,293	\$255,464
Dairy Produce; Birds' Eggs; Natural Honey; Edible Products of Animal Origin, Nesoi	\$145,801	\$125,800	\$110,155
Preparations of Vegetables, Fruit, Nuts, Or Other Parts of Plants	\$114,717	\$107,149	\$109,563
Cocoa and Cocoa Preparations	\$58,605	\$53,327	\$46,940
Edible Preparations of Meat, Fish, Crustaceans, Mollusks Or Other Aquatic Invertebrates	\$51,010	\$52,255	\$38,359
Preparations of Cereals, Flour, Starch or Milk; Bakers' Wares	\$55,401	\$51,617	\$53,699
Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruits; Industrial or Medicinal Plants; Straw and Fodder	\$33,875	\$36,693	\$42,791
Animal or Vegetable Fats and Oils and Their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes	\$25,560	\$25,535	\$32,630
Sugars and Sugar Confectionary	\$32,293	\$23,836	\$24,147
Animal Guts, Bladders and Stomachs (Other Than Fish), Whole and Pieces Thereof, Fresh, Chilled, Frozen, Salted, In Brine, Dried or Smoked	\$16,681	\$20,758	\$16,215
Fish and Crustaceans, Mollusks And Other Aquatic Invertebrates	\$12,671	\$19,607	\$23,042
Milling Industry Products; Malt; Starches; Inulin; Wheat Gluten	\$12,245	\$18,989	\$25,750
Edible Vegetables and Certain Roots and Tubers	\$20,218	\$18,911	\$16,586
Lac; Gums; Resins and Other Vegetable Saps and Extracts	\$9,149	\$11,915	\$8,363
Cereals	\$9,799	\$11,021	\$13,243
Coffee, Tea, Mate and Spices	\$4,155	\$3,415	\$3,199
Vinegar and Substitutes for Vinegar Obtained from Acetic Acid	\$3,246	\$3,384	\$927

Source: Australian Bureau of Statistics

SECTION 4 – BEST PRODUCT PROSPECTS

- The organic, healthy, and natural products market in Australia continues to grow. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for processed organic products. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Australian consumers are adopting a back-to-basics mindset, focusing on simple ingredients and fewer artificial or processed foods. The top 10 ingredients being avoided by Australian consumers are: Antibiotics/hormones in animal products; MSG; artificial preservatives; artificial flavors; artificial sweeteners; foods with BPA packaging; artificial colors; sugar; GM foods; and sodium. These ingredients are being avoided primarily because of their perceived impact on health rather than actual medical conditions.
- The strongest emerging consumer trends are a greater focus on the provenance and quality of products, and which can offer convenience have been able to distinguish themselves from their competitors. This is particularly noticeable in various snacks categories and across dairy, with brands that can tell a story and engage directly with consumers being among the best performers.
- Australians want to eat healthier but need help to make it happen. Consumers want more ‘all natural’ food products on shelves and they are willing to pay more for foods and beverages that do not contain unhealthy ingredients.
- The types of products consumers want to see more of are all natural, no artificial colors, low sugar/sugar free, no artificial flavors, and low fat/fat free. U.S. exporters who are able to provide ingredients and preparation methods that improve the nutritional profile of products will be strongly positioned to succeed in this market.

SECTION 5 – POST CONTACT AND FURTHER INFORMATION

NOTE: the exchange rate used to convert Australian dollars to U.S. dollars throughout this report is the average exchange rate for 2019 derived from data published by the Reserve Bank of Australia: US\$1.00 = A\$1.44.

POST CONTACT

Office of Agricultural Affairs
U.S. Embassy
Tel: +61 2 6214 5854
E-Mail: AgCanberra@fas.usda.gov

OTHER RELEVANT REPORTS

Copies of other reports from this office can be found by conducting a search at:

<https://gain.fas.usda.gov/#/>

- Food and Agriculture Import Regulations and Standards (FAIRS).
- Exporter Guide (search in the Exporter Assistance category).
- Retail Foods Report (search in the Exporter Assistance category).
- Food Service Report (search in Exporter Assistance category).

TRADE SHOWS

Fine Food Australia is the largest food, beverage and equipment show in Australia and this region and presents U.S. exporters with the most efficient and cost-effective way to enter the Australian market. Australia is a very large country and internal transportation is expensive and time consuming. Fine Food offers an opportunity for U.S. exporters to access a 'one-stop-shop' for entry to the Australian market because a large number of the major importers, distributors, etc., exhibit at the show and at times represent other companies. This presents an ideal opportunity for U.S. exhibitors to meet with a majority of the big players in this market in one place. The show is held every September alternating between Melbourne and Sydney. This year the show is in Melbourne, September 7-10, 2020. Fine Food is endorsed by the U.S. Department of Agriculture. For information on participating in the U.S. Pavilion at Fine Food, please contact the Office of Agricultural Affairs listed above.

Foodservice Australia – November 8-10, 2020, Sydney

Tim Collett, Managing Director
Specialised Events
Email: Tim@specialisedevents.com.au
Tel: +61 3 9999 5460

Bibliography

Australian Food and Grocery Council - State of the Industry Report
 Euromonitor International, Packaged Food in Australia
 IBISWorld, Cured Meat and Smallgoods Manufacturing in Australia
 IBISWorld, Cheese Manufacturing in Australia
 IBISWorld, Butter and Dairy Product Manufacturing in Australia
 IBISWorld, Fruit and Vegetable Processing in Australia
 IBISWorld, Flour and Grain Mill Product Manufacturing in Australia
 IBISWorld, Bakery Product Manufacturing in Australia
 IBISWorld, Edible Oils Manufacturing in Australia
 IBISWorld, Baby Food Manufacturing in Australia
 IBISWorld, Snack Food Manufacturing in Australia

NOTES:

- The following chapters of the Harmonized Tariff Code were used for querying trade data to include in this report.

Tariff code	Description
02	Meat and edible meat offal
03	Fish and crustaceans, etc.
04	Dairy products; eggs; honey
0504	Guts, bladders and stomachs of animals (not fish)
07	Edible vegetables
08	Edible fruit and nuts
09	Coffee, tea, mate, and spices
10	Cereals (wheat, rye, barley, oats, corn, rice, buckwheat, millet, other cereals)
11	Products of milling industry; malt; starches; inulin; wheat gluten
12	Oilseeds; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw fodder
13	Lac; gums, resins, other vegetable saps, and extracts
15	Animal, vegetable fats, and oils
16	Preparations of meat, fish, crustaceans, mollusks
17	Sugar and sugar confectionery
18	Cocoa and cocoa preparations
19	Preparations of cereals, flour, starch or milk; pastry cooks' products
20	Preparations of vegetables, fruit nuts or other parts of plants
21	Miscellaneous edible preparations (extracts, yeasts, sauces, soups, ice cream, NESOI)
2209	Vinegar

NESOI = Not elsewhere specified or included.

- Exchange rate used in this report: US\$1.00 = A\$1.44.

Attachments:

No Attachments