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Report Name: Food Processing Ingredients

Country: Australia

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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 market. Australia's food, beverage, and grocery sectors account for over one-third of the country's total manufacturing sector. In 2020 food industry turnover totaled US$133 billion (A$191 billion) a rise of eight percent over the previous year. The industry is comprised of over 15,800 enterprises.

Market Fact Sheet: Australia

Executive Summary

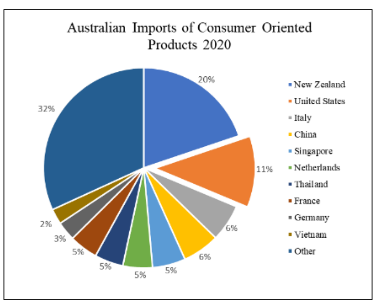
Australia has proven to be an appealing and profitable market for U.S. companies for many years. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.

Australia is the world's 13th largest economy. Australia has one of the highest levels of per capita GDP in the world and is ranked first for median wealth per adult according to Credit Suisse’s 2020 Global Wealth Report. Prior to the onset of COVID-19 the Australian economy recorded 29 years of consecutive economic growth. Australia implemented strong restrictions to COVID-19 and has had one of the lowest rates of infections globally. The economic recovery is well under way and has been stronger than expected. The recovery is expected to continue, with the Reserve Bank of Australia estimating that GDP will grow by 3.5 percent over both 2021 and 2022. GDP is expected to return to its end-2019 level by the middle of 2020.

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 $10.4 billion in 2020. The U.S. accounted for US$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

Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69 percent. The United States accounted for US$1.2 billion (12 percent) of Australia’s total food related imports in 2020. Despite the effects of COVID-19, the market remains an excellent opportunity for U.S. exporters. For more information, please see the Retail Foods report.

Food Service Industry

The Australian consumer foodservice industry is valued at A$59 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 2020

Total Imports of Consumer Oriented Products – $10.3 b
U.S. Share (12%) – $1.2 billion

Food Industry by Channels ($ billion)

Imports - Consumer Oriented Total	$10.3
Imports – US Share	$1.2
Exports – Consumer Oriented Total	$18.6
Exports – to the US	$2.6
Total Food Retailing	$133.0
Food Manufacturing Turnover (July/June)	$74.1

Top Australian Food Retailers
1) Woolworths; 2) Coles (Wesfarmers); 3) Aldi; 4) Metcash
GDP/Population
Population – 25.7 million
GDP (*$ trillion*) – $1.4

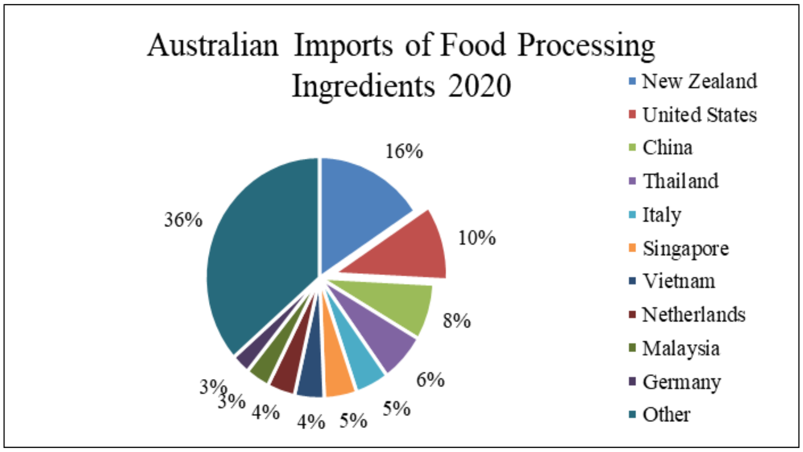
Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
• 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.	• 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**
• 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.	• “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; Trading Economics
Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

SECTION 1 – MARKET SUMMARY

Australia's food, beverage, and grocery sectors account for one-third of the country's total manufacturing sector. In 2020 turnover totaled US$133 billion. The industry is comprised of over 15,800 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).	
Many of the major trends in flavoring ingredients used in Australia have their origins in the United States.	
Australia has an affluent consumer base.	

COVID-19 - The COVID-19 outbreak significantly affected operators in the Food Product Manufacturing sector although this was relatively short-lived. In March 2020, the Australian Government announced several measures aimed at slowing the spread of COVID-19 in the Australian community including mandating the closure of all food and beverage service operators and requiring some food manufacturers to reduce their workforce capacity. State and territory governments moved relatively quickly after lockdowns to open cafes, restaurants, pubs, and bars, which supported those manufacturers supplying these establishments. The most significantly affected food manufacturers were those that depend on local the food-service sector in Victoria (which endured multiple lock downs) or overseas markets. Economic conditions have now improved following the successful containment of the outbreak in Australia, resulting in stronger sales for some food product manufacturers.

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. Most 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, it is possible for U.S. manufacturers 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

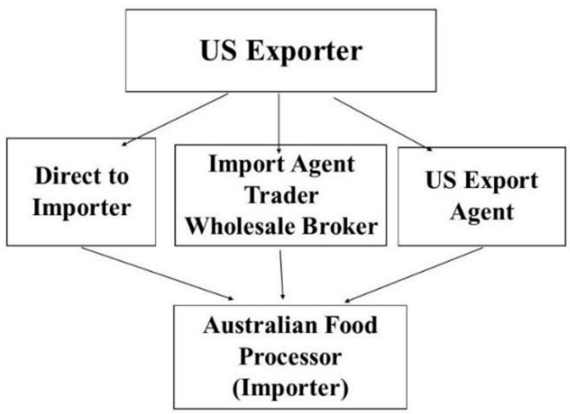
quarantine import conditions refer to the Biosecurity Import Conditions System (BICON) database that is maintained by the Australian Department of Agriculture and Water Resources (http://www.agriculture.gov.au/import/online-services/bicon).

- 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. 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 (41.9 percent market share); Food Investments Pty Ltd (17.4 percent market share); and Bertocchi Smallgoods Pty Ltd (5.6 percent market share).

Dairy product manufacturing (milk and butter) – Most industry imports come from New Zealand and Europe. New Zealand is the largest source of butter and other dairy imports, accounting for 60.8 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 account for 13.6 percent of industry imports. Major players in dairy product manufacturing include Saputo Dairy Australia Pty Ltd (16 percent market share); Fonterra Co-operative Group Ltd. (11.3 percent market share); Lactalis Australia Pty Ltd (10.3 percent market share); and Bega Cheese Ltd (7.5 percent market share).

Cheese manufacturing – Domestic cheese consumption is relatively stagnant. Local consumer preferences have shifted from traditional cheddar varieties towards specialty cheeses with gourmet and other value-added cheese varieties expected to drive growth. The value of imported cheese accounts for an estimated 26 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 (24.7 percent market share); Saputo Dairy Australia Pty Ltd (22.9 percent market share); and Fonterra Co-operative Group Ltd (8.1 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 and imports account for 54 percent of domestic demand. 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 (14.4 percent market share); and Heinz Wattie's Pty Ltd (10.5 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 (12.2 percent market share).

Healthy 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 healthy snack food manufacturing: Nestle Australia Ltd; and Select Harvests Ltd.

SECTION 3 – COMPETITION

Australia's imports of food ingredients totaled $12.4 billion in 2020. The United States is the second largest supplier of these products with imports of US$1.3 billion in 2020.

Australian Imports of Food Ingredients from the World

Partner Country	January - December (US$)		
	2018	2019	2020
World	**$11,393,812,315**	**$11,763,831,274**	**$12,366,351,620**
New Zealand	$2,045,646,702	$1,970,142,368	$1,943,085,357
United States	$1,233,269,213	$1,261,960,296	$1,251,559,156
China	$915,885,602	$926,479,706	$938,227,036
Thailand	$815,033,705	$780,793,222	$814,072,746
Italy	$493,150,664	$514,696,795	$585,660,351
Singapore	$354,022,181	$588,378,865	$571,375,654
Vietnam	$446,022,348	$470,524,638	$517,960,384
Netherlands	$422,566,531	$436,047,423	$488,965,068
Malaysia	$442,530,254	$421,714,635	$421,394,037
Germany	$294,629,904	$312,861,344	$328,540,909
Other	$3,931,055,213	$4,080,231,983	$4,505,510,924

Australian Imports of Food Processing Ingredients from the United States

Commodity Description	Millions of US Dollars		
	2018	2019	2020
Total Food Processing Ingredients from the United States	$1,233,269,213	$1,261,960,296	$1,251,559,156
Miscellaneous Edible Preparations	$247,867,939	$246,474,847	$257,312,888
Meat and Edible Meat Offal	$184,293,134	$255,463,512	$238,494,032
Edible Fruit and Nuts; Peel of Citrus Fruit or Melons	$216,896,774	$194,412,463	$189,421,389
Dairy Produce; Birds' Eggs; Natural Honey; Edible Products of Animal Origin, NESOI	$125,799,523	$110,154,722	$134,770,926
Preparations of Vegetables, Fruit, Nuts, Or Other Parts of Plants	$107,149,101	$109,563,268	$94,469,730
Preparations of Cereals, Flour, Starch or Milk; Bakers' Wares	$51,616,736	$53,698,982	$59,781,152
Cocoa and Cocoa Preparations	$53,326,669	$46,939,861	$41,430,228
Edible Preparations of Meat, Fish, Crustaceans, Mollusks or Other Aquatic Invertebrates	$52,255,351	$38,358,965	$39,729,798
Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruits; Industrial or Medicinal Plants; Straw and Fodder	$36,692,936	$42,791,170	$39,390,978
Animal or Vegetable Fats and Oils and Their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes	$25,534,970	$32,630,179	$25,970,502
Sugars and Sugar Confectionary	$23,836,102	$24,147,426	$24,413,475
Milling Industry Products; Malt; Starches; Inulin; Wheat Gluten	$18,989,165	$25,749,694	$23,293,844
Fish and Crustaceans, Mollusks and Other Aquatic Invertebrates	$19,606,875	$23,042,034	$20,870,829
Edible Vegetables and Certain Roots and Tubers	$18,911,290	$16,585,861	$18,251,601
Cereals	$11,021,119	$13,242,825	$14,364,696
Animal Guts, Bladders and Stomachs (Other Than Fish), Whole and Pieces Thereof, Fresh, Chilled, Frozen, Salted, In Brine, Dried or Smoked	$20,757,612	$16,215,239	$13,094,623
Lac; Gums; Resins and Other Vegetable Saps and Extracts	$11,914,676	$8,362,850	$10,083,261
Coffee, Tea, Mate and Spices	$3,415,149	$3,198,973	$4,062,408
Vinegar and Substitutes for Vinegar Obtained from Acetic Acid	$3,384,091	$927,424	$2,352,797

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 would be willing to pay more for foods and beverages that don't 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

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/#/search.

- 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 many 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 Sydney, September 6-9, 2021. 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 – June 27-29, 2021, Melbourne

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Specialised Events
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Tel: +61 3 9999 5460

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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, Health Snack Food Production in Australia

NOTES:

1. 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.

The exchange rate used to convert Australian dollars to U.S. dollars throughout this report is the average exchange rate for 2020 derived from data published by the Reserve Bank of Australia: US$1.00 = A$1.44

Attachments:

No Attachments