Required Report: Required - Public Distribution **Date:** March 31, 2022

Report Number: AS2022-0005

Report Name: Food Processing Ingredients

Country: Australia

Post: Canberra

Report Category: Food Processing Ingredients

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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, 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 one-third of the country's total manufacturing industry. In 2021 food industry turnover totaled A$116 billion (US$77.6 billion) a rise of one percent over the previous year. The industry is comprised of over 16,000 enterprises.

Market Fact Sheet: Australia

Executive Summary

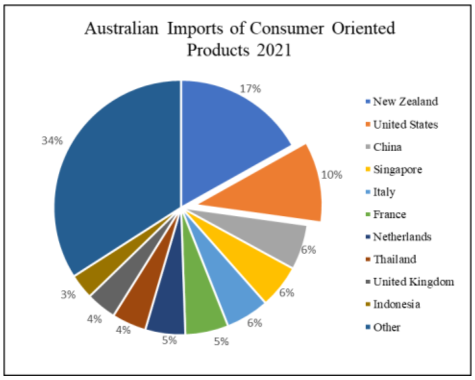
Australia has proven to be an appealing and profitable market for U.S. companies for many years. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.

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 2021 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 deaths globally. The economic recovery has been significantly better than expected. GDP growth in 2021 was around five percent and the Reserve Bank of Australia is estimating that GDP will grow by 4.2 percent in 2022 and two percent in 2023.

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 $12.2 billion in 2021 with the U.S. accounting for US$1.3 billion or 10.3 percent of total imports. Most of Australia's imports in these sectors are sourced from New Zealand with the United States being 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 63.5 percent. The United States accounted for US$1.3 billion (10 percent) of Australia's total food related imports in 2021. 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$54 billion (US$40.5 billion). By far the largest proportion of the Australia's foodservice industry is the consumer foodservice sector, which consists of almost 63,000 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 2021

Total Imports of Consumer Oriented Products – $12.2 billion
U.S. Share (10.3%) – $1.3 billion

Food Industry by Channels ($ billion)

Imports - Consumer Oriented Total	$12.2
Imports – US Share	$1.3
Exports – Consumer Oriented Total	$19.8
Exports – to the US	$2.8
Total Food Retailing	$148.9
Food Manufacturing Turnover (July/June 2019/20; latest available data)	$77.6

Top Australian Food Retailers
1) Woolworths 2) Coles (Wesfarmers)
3) Aldi 4) Metcash/IGA

GDP/Population
Population – 25.7 million
GDP (*$ trillion*) – $1.3
GDP per capita – $58,000

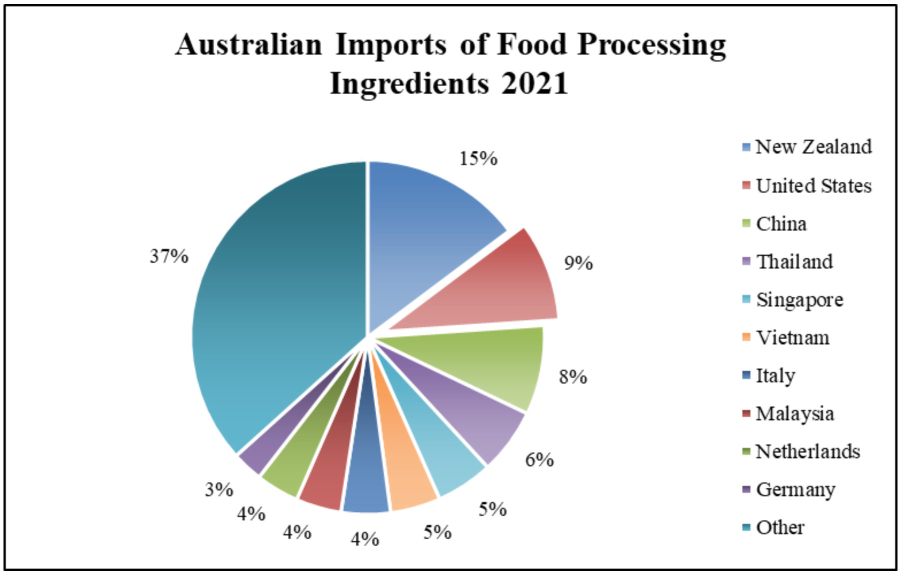
Strengths/Weaknesses/Opportunities/Threats

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 approximately one-third of the country's total manufacturing industry. In 2019-20 (latest available data) food manufacturing turnover totaled A$116 billion. The industry is comprised of over 16,000 enterprises (excluding those in the fresh produce sector).



Source: Trade Data Monitor/Australian Bureau of Statistics

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.	

The initial 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 manufacturers supplying this subdivision. Economic conditions have now improved, and sales are rising for food product manufacturers that supply the retail market.

In October 2020, the Australian government announced a A$1.5 billion investment in manufacturing – including food and beverage manufacturing – called the Modern Manufacturing Strategy (MMS). The MMS is designed to assist Australian manufacturers scale-up, become more competitive and resilient, and build scale in the global market. This development offers opportunities for U.S. suppliers of ingredients to increase sales to Australia. Further information on the strategy for food and beverage manufacturing is available on the Department of Industry, Science, Energy and Resources website.

SECTION 2 – ROAD MAP FOR MARKET ENTRY

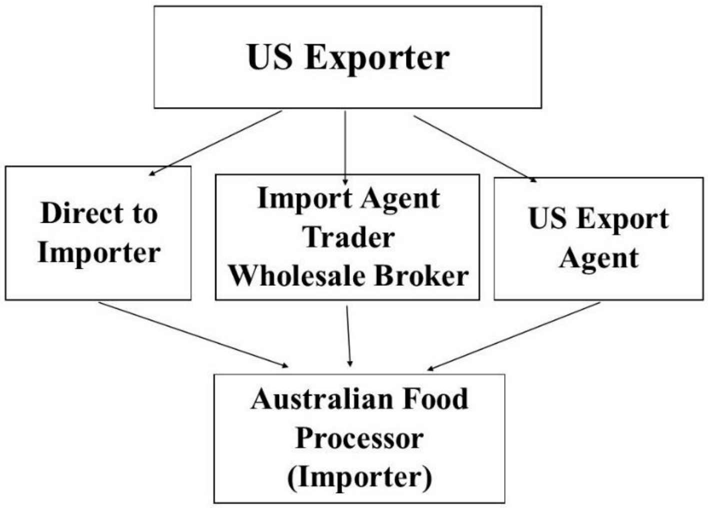
ENTRY STRATEGY

- 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.
- Australia has strict import conditions and labeling requirements are different than those required in the United States. 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 – Increases in prices of fresh meat has meant that price-conscious consumers have turned to processed/cured products as a cheaper alternative. Processed pig meat and pork for further processing has been progressively allowed into Australia since 1990. Imports consist mainly of frozen boneless pork for further processing. The United States and Denmark are the most significant sources of imports. In 2021, imports of pork and pork products from the United States were valued at $195 million. Major players in processed and cured meat product processing: Industry Park Pty Ltd, Food Investments Pty Ltd, and Bertocchi Smallgoods Pty Ltd.

Dairy product manufacturing (milk and butter) – Most imports in this sector come from New Zealand, which is the largest source by far, accounting for 70 percent of all industry imports due to its proximity to Australia and the high quality of its dairy produce. The United States is the second largest supplier, accounting for six percent of imports which consist mainly of whey, butter, and yoghurt/buttermilk/kefir products. Major players in dairy product manufacturing: Saputo Dairy Australia Pty Ltd, Bega Cheese Ltd, Fonterra Co-operative Group Ltd, and Lactalis Australia Pty Ltd.

Cheese manufacturing – Domestic cheese consumption is relatively stagnant. Local consumer preferences have shifted from traditional varieties towards premium and specialty cheese varieties. The total value of imported cheese is $537 million with the United States supplying around 20 percent of those imports. Major players in cheese manufacturing: Bega Cheese Ltd, Saputo Dairy Australia Pty Ltd, and Fonterra Co-operative Group Ltd.

Fruit and vegetable processing – The Australian domestic fruit and vegetable processing industry has struggled with increasing external competition in recent years as supermarkets have been increasingly sourcing processed goods from overseas. The United States has an advantage over some other countries 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. In 2021, imports from the United States were valued at $104 million. Major players in fruit and vegetable processing: Simplot Australia (Holdings) Pty Ltd, and Heinz Wattie's Pty Ltd.

Bakery product manufacturing industry – Per capita bread consumption is falling, but Australians are spending more on higher quality, fresher breads, and baked goods such as sourdough, ciabatta, brioche and baguettes. Rising health consciousness has caused demand for wholemeal, seeded, gluten-free and other breads enriched with added nutrients, which are perceived to be healthier products. Major players in bakery product manufacturing: Bakers Delight Holdings Ltd.

Healthy snack food manufacturing – Consumer concerns regarding health and obesity are growing, with health-conscious consumers shifting away from traditionally high-fat and high-sodium snacks. 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. This sector is made up of many small-scale manufacturers so there are no major players.

SECTION 3 – COMPETITION

Australia's imports of food ingredients totaled $12.4 billion in 2021. The United States is the second largest supplier of these products with imports of US$1.1 billion (nine percent) in 2021.

Australian Imports of Food Ingredients from the World

Partner Country	January - December (US$)		
	2019	2020	2021
World	11,763,831,274	12,129,024,590	12,418,761,847
New Zealand	1,970,142,368	1,919,962,101	1,833,661,365
United States	1,261,960,296	1,220,352,587	1,137,096,568
China	926,479,706	921,121,769	1,014,791,450
Thailand	780,793,222	805,266,121	749,401,941
Singapore	588,378,865	568,895,412	645,079,149
Vietnam	470,524,638	512,160,750	570,022,803
Italy	514,696,795	569,615,171	559,266,485
Malaysia	421,714,635	413,694,566	515,702,608
Netherlands	436,047,423	480,860,844	490,448,141
Germany	312,861,344	321,287,089	350,248,634
Other	4,080,231,983	4,395,808,179	4,553,042,703

Source: Australian Bureau of Statistics

Australian Imports of Food Processing Ingredients from the United States

Commodity Description	January-December (US$)		
	2019	2020	2021
Total Food Processing Ingredients from the United States	1,261,960,296	1,220,352,587	1,137,096,568
Miscellaneous edible preparations	246,474,847	250,711,825	261,169,175
Meat and edible meat offal	255,463,512	234,161,798	178,330,297
Edible fruit and nuts; peel of citrus fruit or melons	194,412,463	181,333,859	160,952,051
Dairy produce; birds' eggs; natural honey; edible products of animal origin, nesoi	110,154,722	133,125,987	136,615,728
Preparations of vegetables, fruit, nuts, or other parts of plants	109,563,268	92,406,767	87,184,781
Preparations of cereals, flour, starch or milk; bakers' wares	53,698,982	57,233,306	59,363,311
Edible preparations of meat, fish, crustaceans, mollusks or other aquatic invertebrates	38,358,965	39,236,738	41,830,056
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	42,791,170	38,929,908	41,738,464
Cocoa and cocoa preparations	46,939,861	40,244,932	38,408,548
Sugars and sugar confectionary	24,147,426	23,593,574	29,446,703
Milling industry products; malt; starches; inulin; wheat gluten	25,749,694	22,524,197	17,306,002
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	32,630,179	25,381,839	15,623,462
Fish and crustaceans, mollusks and other aquatic invertebrates	23,042,034	20,553,442	14,231,728
Edible vegetables and certain roots and tubers	16,585,861	17,891,454	13,778,041
Animal guts, bladders and stomachs (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked	16,215,239	13,043,589	12,708,891
Cereals	13,242,825	13,806,318	11,725,641
Lac; gums; resins and other vegetable saps and extracts	8,362,850	9,890,821	11,050,247
Coffee, tea, mate and spices	3,198,973	4,012,203	4,175,498
Vinegar and substitutes for vinegar obtained from acetic acid	927,424	2,270,030	1,457,943

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 snack 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 can 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 many of the major importers, distributors, etc., exhibit at the show or at least visit. 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 Melbourne, September 5-8, 2022. 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 – October 23-25, 2022, in Sydney

Tim Collett, Managing Director
Specialised Events
Email: Tim@specialisedevents.com.au
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NOTES

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

   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
   NOTE: NESOI = Not elsewhere specified or included.

2. The exchange rate used to convert Australian dollars to U.S. dollars throughout this report is the average exchange rate for 2021 derived from data published by the Reserve Bank of Australia: A$1.00 = US$0.75.

Attachments:

No Attachments