USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: Food Service - Hotel Restaurant Institutional

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Report Highlights:

The Australian consumer food service industry is valued at A$58 billion (US$40 billion). Australia's commercial food service sector is a competitive market and with an ageing population, the institutional food service sector continues to grow. Most industry operators in the hotel and resort sector derive a significant portion of revenue from the sale of meals and beverages prepared at onsite restaurants.

Market Fact Sheet: Australia

Executive Summary

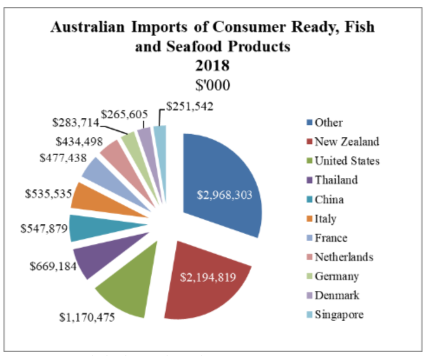
Australia has proven to be an appealing and profitable market for U.S. companies for many years. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.

Australia is the world's 13th largest economy, with nominal GDP estimated to be US$1.3 trillion in 2018. Australia has one of the highest levels of per capita GDP in the world and is now ranked first for median wealth per adult according to Credit Suisse's 2018 Global Wealth Report. The Australian economy has enjoyed 27 years of consecutive economic growth and is expected to realize average annual real GDP growth of 2.8 percent between 2019 and 2023 – the highest forecast among major advanced economies. The unemployment rate is 5.1 percent and the labor force participation rate rose to an all-time high of 65.7 percent in April 2018 and remains at the same rate in March 2019.

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, fish, and seafood imports totaled $9.8 billion in 2018. The U.S. accounted for US$1.2 billion or 12 percent of total imports. The majority of Australia's imports in these sectors are sourced from New Zealand and the United States is the second largest supplier.



Source: Global Trade Atlas

Food Processing Industry

Australia's food, beverage, and grocery sectors account for over one-third of the country's total manufacturing sector. In 2018 turnover totaled US$124 billion (A$176 billion). The industry is comprised of over 36,000 enterprises. The largest number of companies are in the fresh produce sector, followed by food and beverage manufacturing and grocery (non-food) manufacturing. For more information, please see the Food Processing Ingredients report.

Retail Food Industry

The value of food and liquor retailing in Australia grew by three percent in 2018 to US$119.7 billion. Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 68 percent. For more information, please see the Retail Food Industry report.

Quick Facts CY 2018

Total Imports of Consumer Oriented Products – $9.5 billion
US Share (12%) – $1.1 billion

Food Industry by Channels ($ billion)

Imports - Consumer Oriented, Fish & Seafood Total	$9.8
Imports – US Share	$1.2
Exports – Consumer Oriented, Fish & Seafood Total	$18.9
Exports – to the US	$2.6
Total Food Retailing	$124.0
Food Manufacturing Turnover	$92.5

GDP/Population
Population – 25.2 million
GDP (*$ trillion*) – $1.3
GDP per capita – $50,000

Top Food Service Distributors: Metcash Ltd; Bidfood Australia; PFD Food Services

Sources: Global Trade Atlas; Australian Bureau of Statistics

Strengths/Weaknesses/Opportunities/Threats

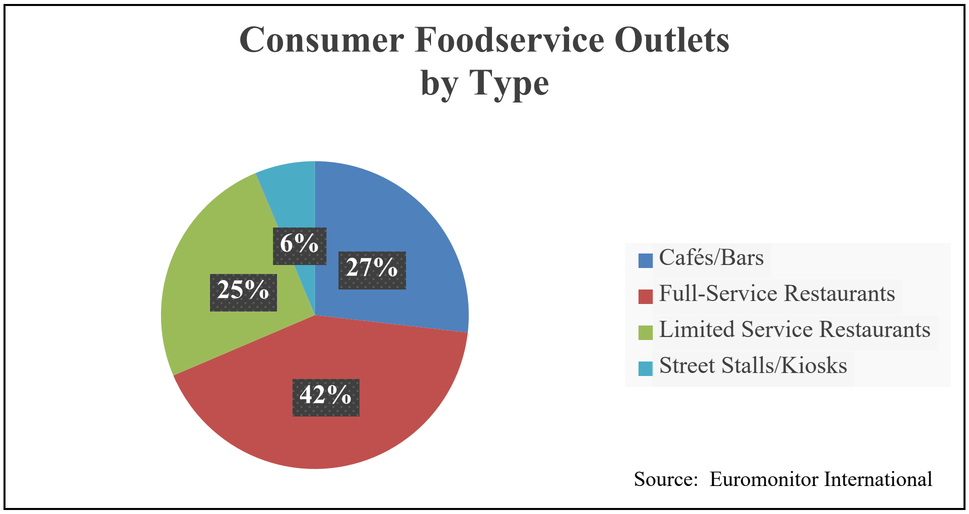
Strengths	Weaknesses
• U.S. culture well accepted and similar to Australia. • No language barriers. • U.S. products have excellent image and acceptance. • Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables.	• Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. • Australia is a significant producer of similar agricultural products. • Australian labeling and advertising laws are different from the U.S., which may require some changes to food labels.
Opportunities	**Threats**
• The U.S./Australia Free Trade Agreement enables a majority of U.S. products to enter Australia tariff free. • Australian consumers constantly seeking new tastes and cuisines. • Strong dining out culture provides opportunities to supply the consumer foodservice sector with new products. • Ageing population presents opportunities in the institutional foodservice sector.	• 'Buy Australian' campaign is significant. • A focus on fresh local food by many restaurants and cafés provides advantages to local producers and suppliers.

Data Sources: Global Trade Atlas; Australian Bureau of Statistics; Euromonitor; IBISWorld

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

SECTION 1 – MARKET SUMMARY

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. There are approximately 20,000 outlets in the institutional foodservice sector. An ageing population is likely to fuel faster growth in the institutional foodservice sector compared to the commercial foodservice sector.



Australia's multicultural population is fueling increased demand for an ever-expanding menu of ethnic foods and specialty ingredients while at the same time asking for simpler and healthier choices.

Dining out is a way of life for most Australians and it is estimated that more than one-third of Australian households' total food and non-alcoholic beverage budget is spent on eating outside of the home. Australians eat out on average two or three times a week for breakfast, brunch, lunch or dinner. Casual dining is the most popular style of dining.

Consumers are increasingly concerned about health issues associated with poor diets, excess weight, and obesity. This awareness is likely to result in a decline in demand for food and beverages containing high levels of fat, salt and sugar, which have traditionally been sold by fast food establishments.

Advantages	Challenges
• 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. • The U.S./Australia Free Trade Agreement enables a majority of U.S. products to enter Australia tariff free. • Australian consumers constantly seeking new tastes and cuisines. • Strong dining out culture provides opportunities to supply the consumer foodservice sector with new products. • Ageing population presents opportunities in the institutional foodservice sector.	• 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. • "Buy Australian" campaign is significant. • A focus on purchasing fresh local food by many restaurants and cafés provides advantages to local producers and suppliers.

SECTION 2 – ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY

It is recommended that exporters enter the market through a distributor, importer, agent or broker who has a good understanding of the Australian market and targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Specialist distributors or wholesalers may also be approached.

Due to Australia's large geographic size and high transportation costs, exhibiting at trade shows is the most cost-effective way for U.S. companies to meet potential partners and customers in Australia.

- Fine Food Australia (September 7-10, 2020 in Melbourne), is the largest international food, drink and equipment exhibition in the region. The show is endorsed by the U.S. Department of Agriculture and is held each September, alternating between Sydney and Melbourne. Major manufacturers, buyers and importers from all over the country and region attend.
- Foodservice Australia (May 17-19, 2020 in Sydney). Show targeted specifically at the foodservice industry.

MARKET STRUCTURE

Consumer Foodservice: Independent vs Chain Restaurants by Value

% value	2013	2014	2015	2016	2017	2018
Chain Foodservice	29.9	30.2	30.6	30.6	30.5	29.7
Independent Foodservice	70.1	69.8	69.4	69.4	69.5	70.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

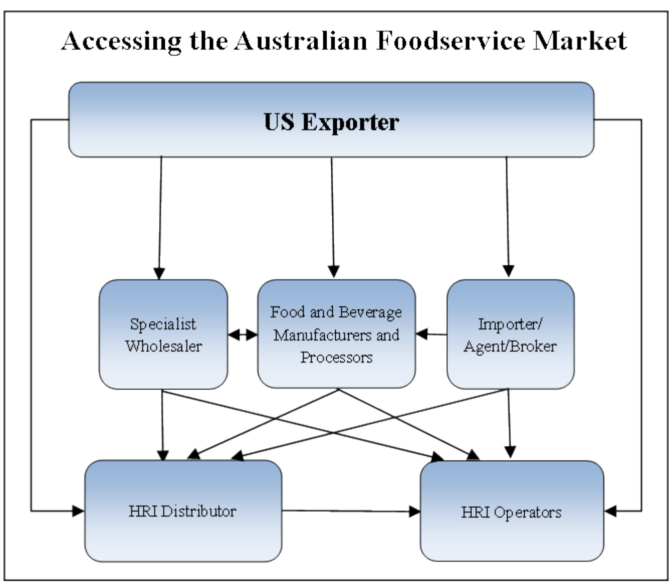
Consumer Foodservice: Independent vs Chain Restaurants by Type (Number)

Outlet Type	Independent	Chain	Total
Cafés/Bars	15,035	2,767	17,802
Full-Service Restaurants	23,425	432	23.857
Limited Service Restaurants	114,081	11,054	25,135
Self-Service Cafeterias	19	10	29
Street Stalls/Kiosks	3,522	448	3,970
Total Consumer Foodservice	56,082	14,711	70,793

Source: Euromonitor International

DISTRIBUTION

- Distribution centers and wholesalers are the two main distribution channels. Distribution points in Australia are centralized.
- Major players are: Metcash Ltd; Bidfood Australia Ltd; and PFD Food Services Pty Ltd.
- Food products will be stored in warehouses prior to delivery.
- Transport between distribution centers in Australia is predominantly by road.



SECTOR TRENDS AND MAJOR PLAYERS

Restaurants –The Australian restaurant industry is highly fragmented and dominated by many small operators with almost 23,000 individual businesses in Australia. Consumer demand for quality food and dining experiences has fueled restaurant industry revenue growth over the past five years. The success of popular cooking TV shows has encouraged consumers to eat at restaurants, boosting industry performance. Australia's developing foodie culture, combined with increasing consumer health consciousness and a focus on quality, is expected to provide further growth opportunities. Restaurant operators have sought to take advantage of consumer desire for informal dining, with casual, healthier menu options driving sales. Operators are also focusing on higher quality meals and ingredients, for which many consumers are willing to pay a premium price. Rising discretionary income and growing consumer demand for quality food options are projected to support industry revenue growth over the next five years. However, restaurateurs are anticipated to face tough competition as other foodservice operators, such as fast food retailers, try to capitalize on consumer trends that favor eating out. Pubs, cafes and prepared meals from supermarkets are also potential competitive threats to the industry.

Cafes and Coffee Shops – Australia's coffee culture and its growing number of specialty cafes and coffee shops have contributed to high industry competition. There are approximately 20,800 cafes and coffee shops in Australia. An establishment's success is largely determined by its customer service, the price and quality of its products, and the overall cafe experience. Coffee quality is crucial, with the coffee brand, texture, temperature, milk, and even crema in an espresso becoming increasingly important to customers. Strong demand for coffee has led to an influx of new operators, with many artisan bakeries and patisseries establishing cafe operations. Consumers demand high-quality, convenient food and beverages, premium ingredients and gourmet cafe-style meals in this sector. Strengthening economic conditions and ongoing consumer interest in health and ethical consumerism also play a large part in the success of businesses in this sector.

Chain Restaurants – The Australian chain restaurants industry operates on a specialized business model that represents a hybrid between traditional restaurants and fast-food services. The concept has proven fairly successful in Australia over the years. Rising discretionary income and increased expenditure on recreation and culture (which tends to boost visits to chain restaurants) have supported growth. As consumers spend more at entertainment and sporting events, they are often more likely to dine at restaurants in conjunction with these activities. The industry faces intensifying competition from independent restaurants and cafes. There are 27 businesses in this sector with the major ones being: Hog's Breath Café; Lovely Pancakes Pty Ltd; La Porchetta Holdings; Taco Bill Mexican; and Fasta Pasta.

Fast Food and Takeaway – There are over 26,000 fast food and takeaway businesses in Australia. Consumer health awareness has transformed this sector over the past five years with increased awareness of the nutritional content of fast food and a conscious effort by consumers to choose healthier options have affecting industry demand. Industry operators have responded by introducing a range of healthier, premium choices with less fat, sugar and salt. This change in consumer preferences has also led to an influx of new operators offering higher quality fast food options driving consumers away from unhealthy options and towards healthy alternatives including salad and juice bars, and sushi stores. The shift towards healthier options, combined with foodie culture, has led to an increased number of smaller operators differentiating themselves based on quality. This trend has led to more gourmet options in the fast food market and new food options that were previously considered restaurant meals. Major players have sought to benefit from the food culture shift, introducing premium menus with higher quality ingredients. However, some operators have found it hard to change their image. Consequently, major players such as McDonald's have struggled to keep up with the rapid growth of smaller premium operators. Fast food operators also face increasingly strong competition from external sources. Supermarkets have expanded their ranges of home-cooked meal replacements and heat-and-serve products such as pastas and pre-packaged mini meals. These retailers have emerged as one-stop shops that provide consumers with fast, affordable and high-quality food. Many of these products substitute traditional fast food. Traditional convenience stores have also attempted to access this market by expanding their fast food options such as pre-made sandwiches and salads, and baked goods. Major players are: McDonalds Australia; Competitive Foods Australia (Hungry Jack's which is the name of the Burger King franchise in Australia); Yum! Restaurants Australia (KFC); Domino's Pizza Enterprises; Subway Systems Australia.

Pubs, Bars and Nightclubs – There are over 6,300 pubs, bars and nightclubs in Australia. Declining per capita alcohol consumption is putting pressure on many traditional pubs and clubs but small bars are continuing to open up throughout the nation's capital cities. Small bars with refined food and beverage offerings have been performing well. Many pubs have improved food and beverage options in response to changing consumer preferences, converting establishments to gastro-pubs. In order to remain competitive, operators will need to continue responding to changing consumer trends by running more family friendly establishments, offering high-quality menus, and diversifying their liquor offerings to include craft beverages.

Hotels and Resorts – There are around 620 hotels and resorts in Australia (including luxury establishments). Most industry operators in this sector derive a significant portion of revenue (22 percent) from the sale of meals and beverages prepared at onsite restaurants. Some hotels promote their restaurant and dining establishments as a major attraction. Some of Australia's major hotels, particularly upscale brands, are attached to high-end restaurants and other food-service options that aim to provide guests with onsite dining selections. Rising discretionary income and increasing inbound and domestic tourism have boosted revenues in this sector. Many hotels and resorts in Australia are locally owned and operated, but there are several large foreign companies with large portfolios in the market. These include: AAPC Ltd (trading as Accor Asia Pacific) is the industry's largest operator; Event Hospitality and Entertainment Ltd; Marriott International Inc.; and Hilton International Australia.

Corporate Catering – There are over 3,700 establishments in this sector. The industry provides a range of catering services to airlines, businesses, government, hospitals, aged care facilities, defense forces, and correctional institutions. These services include one-off catering for events such as seminars, meetings and conferences. Industry operators also engage in full-service contracts, where operators manage full-company catering, company canteens. Larger industry operators dominate lucrative business contracts, while smaller operators tend to focus on catering lunches for small businesses within a narrow geographical region. Large players in this sector are: Spotless Group Holdings; Compass Group (Australia) Pty Ltd; Sodexo Australia; and Dnata Catering (previously Alpha Flight Services).

SECTION 3 – COMPETITION

Imported products have to compete with "Australian Made" products and Australians generally have a keen awareness and affinity for buying Australian made goods, although this is less of a factor in HRI than retail where foods are labeled as Australian. Over two-thirds of Australian consumers indicate they believe it is important for food products to be sourced locally. Higher prices continue to be a major drawback of local offerings and imported products need to be competitively priced in order to compete.

Australia's quarantine regulations are stringent and other import regulations and food labeling have different requirements than in the U.S. Full details of Australia's quarantine, import and food labeling regulations can be found in the Food and Agriculture Import Regulations and Standards (FAIRS) report which is updated each year. The latest copy of the FAIRS report is available on the FAS website.

The value of Australian consumer oriented, fish, and seafood imports totaled US$9.8 billion in 2018. The United States accounted for US$1.2 billion or 12 percent of total imports. The majority of Australia's imports in these sectors are sourced from New Zealand and the United States is the second largest supplier. U.S. products are well regarded as safe (with regard to food safety) and a good value for money. See the Exporter Guide Report for Australia available on the above website.

The U.S.-Australia Free Trade Agreement signed in 2005 allows most U.S. products to enter the Australian market tariff free.

Due to economies of scale in the United States, U.S. manufacturers are able to develop a range of products far beyond that which can be achieved by smaller manufacturers in Australia. This enables U.S. exporters to deliver innovative product lines that are otherwise not available from Australian manufacturers.

The Australian market is very 'Americanized' and most food categories are compatible with Australian tastes. Many categories are dominated by American brands that have been very successful in the Australian market.

SECTION 4 – BEST PRODUCT PROSPECTS

Food market trends in Australia include:

- **Positive nutrition:** The drive to make food and beverages healthier continues to gain momentum in Australia. Australian consumers do not want to be 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.
- Demand for **healthy food** is being boosted by demographic shifts. An aging population and rising birth rates have had a positive impact on the development of the health and wellness market since 2005. Middle-aged or elderly consumers and parents with young children tend to be better informed about health and dietary matters than other groups, and thus represent a key target for health and wellness manufacturers.
- **Packaging:** Packaging has grown in importance in recent years and innovative packaging is a valuable selling point in the Australian market. It is often the packaging that conveys convenience to the consumer, and snazzy packaging attracts the attention of consumers. Packaging ensures that offerings conform to market trends by communicating unique selling points and offering freshness and convenience. By being lightweight, packaging can reduce the product's carbon footprint. Increasingly, consumers expect that packaging will also be recyclable. Studies have found that half of Australians think food and drink products are over-packaged and three quarters of them would consider boycotting a product if it didn't meet their environmental criteria.
- **Freshness** is an important area of concern for packaged food sales. Foodservice players and consumers appreciate the peace of mind from knowing the offerings are in good condition. This can be achieved with single-serve pack sizes, re-sealable packaging, and clear on-pack communication.
- **Australia's top food priorities** are: eating more fresh fruit and vegetables; smaller portion sizes; reducing sugar intake; eating healthier snacks; and cutting down on fat.

SECTION 5 – POST CONTACT AND FURTHER INFORMATION

POST CONTACT

Office of Agricultural Affairs
U.S. Embassy
Moonah Place
Yarralumla, ACT 2600
Australia
Tel: +61 2 6214 5854
E-Mail: AgCanberra@fas.usda.gov

IMPORT REGULATIONS

- See the Department of Agriculture and Water Resources biological import conditions (BICON) database to identify whether your product is prohibited entry to Australia - https://bicon.agriculture.gov.au/BiconWeb4.0/ImportConditions/Search/
- Information on Food Law and Policy in Australia can be obtained from the www.ausfoodnews.com.au website.

AUSTRALIA'S FOOD REGULATIONS

- In Australia, Food Standards Australia New Zealand (FSANZ) regulates the delivery of safe food. FSANZ is a bi-national independent statutory authority that develops food standards for composition, labeling, and contaminants (including microbiological limits) that apply to all foods produced or imported for sale in Australia and New Zealand. FSANZ operates under the Food Standards Australia New Zealand Act 1991.
- The Foreign Agricultural Import Regulations and Standards (FAIRS) report from this office contains detailed information on the Food Standards Code and other food regulations. This report is updated each year and a copy is available on the FAS website.
- An Internet version of the entire Australia New Zealand Food Standards Code is available through FSANZ website.

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) – contains detailed information on Australia's food labeling and quarantine requirements.
- Exporter Guide (search in the Exporter Assistance category).
- Food Ingredients Report (search in the Exporter Assistance category).
- Retail Report (search in the Exporter Assistance category)

USDA ENDORSED TRADE SHOWS

Fine Food 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. In 2020 the show will be held in Melbourne, September 7-10. 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.

INDUSTRY INFORMATION

- ***Foodservice Suppliers Association of Australia Inc.***
  Contact: http://fsaa.org.au/contact/
  Web: www.fsaa.org.au
- ***NAFDA – Australian Foodservice Distribution***
  Email: enquiries@nafda.com.au
  Web: www.nafda.com.au
- ***Food and Beverage Importers Association***
  Email: info@fbia.org.au
  Web: www.fbia.org.au

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IBISWorld, Catering Services in Australia, April 2019
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Attachments:

No Attachments