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Product Brief

Pet Food

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Report Highlights:

At least one third of Australian households own a pet, with 38 percent of households owning a dog and 27 percent owning a cat. There has been a significant trend towards convenient, single serve packaging of pet food in Australia. There has also been an emergence of pet foods providing functional benefits, such as longer life span for the pet, as well as a move towards gourmet-like pet foods, pet snacks and treats. Consumer behavior has recently shown trends towards purchasing pet food based on the age of the pet, e.g. puppy/kitten food as distinct from dog/cat food. There has also been a move for pet food to be segmented according to whether the pet is an indoor or outdoor pet.

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Disclaimer: As a number of different sources were used to collate market information for this report, there are areas in which figures are slightly different. The magnitude of the differences is, in most cases, small and the provision of the data, even though slightly different, is to provide the U.S. exporter with the best possible picture of the Australian Retail Food Sector where omission may have provided less than that.

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Section I: Market Overview

The overall prospects for U.S. exporters accessing the Australian pet food industry are limited for both the retail and food processing sectors. The retail market is dominated by large supermarkets, which purchase almost all of their dog and cat pet food range from domestic processors. At the processing level two concerns, Uncle Ben's (U.S. subsidiary company) and Friskies (Swiss subsidiary company), dominate the market, controlling 75 to 90 percent of total market value, leaving a number of other Australian processors targeting various fresh, high quality sub-markets.

The Australian pet food market has generally experienced negative growth rates from 1997 to 2001 measured in U.S. dollars. This is largely due to the depreciation of the Australian dollar over this period, although sales volumes have also fallen slightly. If this trend continues, very low to negative growth should be expected in the Australian pet food markets over the short to medium-term. Any appreciation of the Australian dollar against the U.S. dollar would lead to better market opportunity for U.S. exporters.

The quantity and value of pet food imported into Australia has also declined over 1998-2000. Australia disaggregates pet food for cats and dogs into 'canned cat food' and 'other pet food'. The majority of Australian pet food imports consist of fish based canned cat food products from Thailand and New Zealand, with the United States accounting for four percent of the US\$28.7 million in canned cat food Australia imported in 2001. Other pet food imports, comprising dry cat and dog food as well as wet dog food, have also declined since 1997. The U.S. accounted for approximately 71 percent of the US\$12.1 million market of other pet food products imported in 2001.

Trends

There has been a significant trend towards convenient, single serve packaging of pet food in Australia. All key brands in Uncle Ben's Australian range have introduced single serve offers. There has also been an emergence of pet foods providing functional benefits, such as longer life span for the pet, as well as a move towards gourmet-like pet foods, pet snacks and treats (Retail World, 2002). Industry consultation between August and September 2002 confirmed these trends, as well as identifying additional changes in consumer behavior relating to pet food purchases. Of note is that there have been recent trends towards purchasing pet food based on the age of the pet, e.g. puppy/kitten food as distinct from dog/cat food. There has also been a move for pet food to be segmented according to whether the pet is an indoor or outdoor pet.

At least one third of Australian households own a pet. In 1994, there were an estimated 3.1 million dogs and 2.5 million cats kept as household pets in Australia, with 38 percent of households owning a dog and 27 percent owning a cat.

Trends in pet ownership, as identified by the ABS (1995) are as follows:

- the proportion of households with pets generally increased with the age of the oldest child, with 75 percent of households with the oldest child aged between 10 and 14 keeping pets;
- married couples with dependents were the most likely household to keep pets. Of these, 50 percent owned a dog and 33 percent owned a cat;

- Australians spent US\$29.40 million per week on pet food and pet care products in 1994 (latest available date). Average weekly expenditure on cats was US\$4.85 per cat, with weekly expenditure on dogs averaging US\$8.10 per dog; and
- the majority of pets were fed commercial pet foods: 85 percent of cats and 70 percent of dogs. Of the pets fed specially prepared fresh food, 22 percent of the cats and 57 percent of the dogs were pedigree.

Table 1: Advantages and Disadvantages for U.S. Pet food Exports

Advantages	Disadvantages
Zero import tariffs for all pet food products	Imports make up a small proportion of total grocery value of the Australian pet food industry
U.S. pet food products, particularly specialty nutritional brands, are received well in Australia	Very low to negative industry growth
The Australian culture supports pet ownership	Relatively inexpensive supply of domestic meat and vegetables for pet food processing
U.S. digestives/flavor systems are considered by the pet food processing industry to be better quality and more palatable than Australian systems	Current imports largely taken up by multinational companies with subsidiary processing operations in Australia
	Australian retail market dominated by small number of local processors
	Australia has a very stringent quarantine import regime

Section II: Market Sector Opportunities and Threats

Entry Strategy

The opportunities for new-to-market exporters to enter the Australian pet food market are limited. The pet food processing sector is dominated by a small number of very large processors who source the vast majority of their inputs from within Australia. The pet food products that are imported, generally enter Australia in packaged form ready for distribution, and are largely imported by the few key processors operating in the Australian market.

It appears, therefore, that at the supermarket level, the dominant sub-sector of the retail sector, there is limited opportunity for imports, with the overwhelming majority of dog and cat food being purchased from domestic processors. Even the specialist, niche brands, such as Hills Science, that are imported from the U.S. are produced by large multinational companies, such as Colgate Palmolive, who import the product in finished form for further distribution to pet stores and veterinary clinics (Industry Consultation, August – September 2002).

The pet food industry in Australia is highly price competitive. The bulk of Australian pet food is manufactured using domestically sourced meat and vegetable products due to their wide availability as byproducts from Australia's human food processing industries. The large majority of imported pet food is canned cat food, which is predominately a by-product of the human fish food processing industries in Thailand and New Zealand (Industry Consultation, August – September 2002).

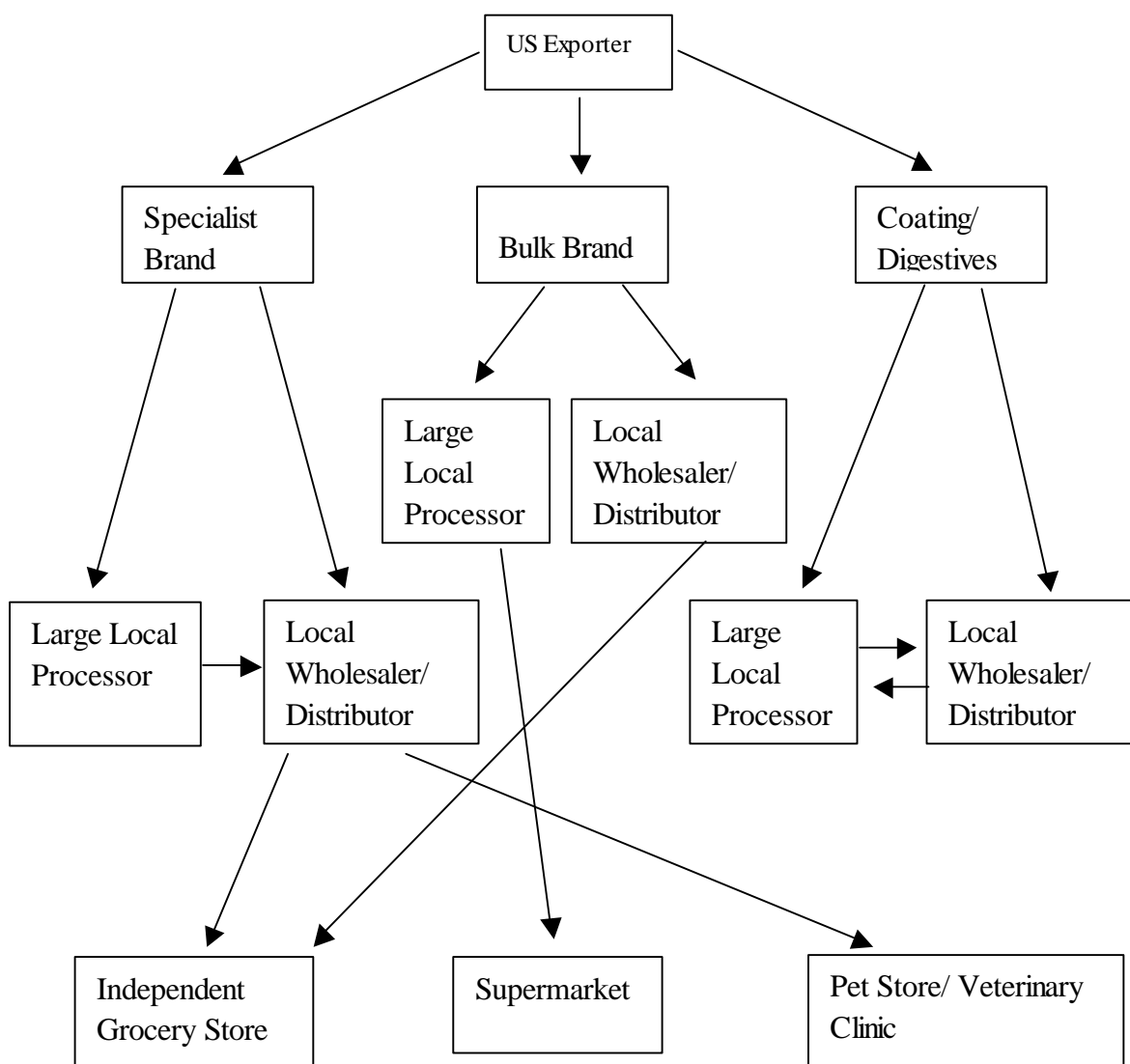
In terms of entry strategies, the product and the most appropriate level to enter the market dictates the strategy. Industry consultation (August and September 2002) has identified the following strategies for products which may hold opportunities for U.S. exporters.

1. Specialist, nutritional products packaged for sale at a veterinary clinic or pet store:
 - the low volumes of pet food sold through individual pet stores and veterinary clinics will force the exporter to sell the product through an Australian distributor, to warehouse and on-sell the product to outlets as required;
 - the exporter can either sell the product directly to a distribution company or through a local import agent; and
 - some specialty products may also be exported to large processors who on-sell to distributors/wholesalers.
2. Bulk pet food products (e.g. canned ready for market):
 - this is the form that the majority of imports (canned cat food) enter the market. Typically the product is imported by the large processing companies, often from international parent companies, ready for the supermarket shelf;
 - commitments between international pet food producing companies and their Australian subsidiaries makes entry at the processor level difficult. For this reason, new-to-market U.S. exporters could target their product towards independent grocery stores by selling their product to wholesale/distribution companies such as Metcash Pty Ltd, who service the majority of independent grocers;
 - also note that this market is highly competitive, with a large number of specialist Australian pet food manufacturers producing specifically for the independent grocery market.

3. Coating and digestives for flavorings to be used by processors:

- coatings and digestives can either be sold directly to the processor or through an Australian wholesale/distribution company;
- industry advice suggests that the majority of food ingredient imports move through import agents where Australian processors, requiring a particular product from a foreign supplier, must purchase through the chosen agent. The majority of the top 20 food processors in Australia use import agents to source product, as well as buying direct from other processors or producers. Some of these same companies are involved in manufacturing U.S. brands under license in Australia, including Uncle Bens Australia; and
- brokers and distributors/wholesalers also form an important part in the food ingredient markets. The majority of local products are obtained direct from producers or through wholesalers and distributors.

Figure 1: Entry Flow Diagram



General Comments on Entry

There is no one best way to enter the Australian market and be successful. However, success is unlikely without local representation and personal visits. What form this local representation takes depends on the exporter, the products and the Australian representative. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices, trade-related laws, food standards, sales contacts, with existing and potential buyers, and market development expertise. The local importer, representative, trading agent, joint venture partner, or distributor should be well known to the U.S. company before any permanent, legal arrangement is finalized. The U.S. supplier needs to provide samples, product specifications and nutritional data for all products and provide representatives with the necessary training. Using marketing material and product information the representative can then canvas the customer base to determine the level of interest. Processors will then test sample products.

The following elements contribute to the success of businesses in the food manufacturing market:

- **Close collaboration with processors and early involvement:** provide technical assistance, complimentary product range, and collaboration with flavor chemists and sensory analysts. A program of mutual product/ingredient development works well in Australia and internationally.
- **Advertising:** Advertising can be undertaken by Australian representatives such as through the industry magazine, *Food Processor*, which publishes advertisements in the form of informative articles.
- **Focused efforts on trends:** Pick the right trends and opportunities.

Market Size, Structure, Trends

In 2001, the total grocery value of the Australian pet food industry was US\$520 million, down from US\$606 million in 2000. Of this, wet and dry cat food accounted for 23 percent and 7 percent respectively, and wet and dry dog food sales contributing 27 percent and 13 percent respectively. Table 2 summarizes the overall market size for pet food in Australia and the trend in sales.

Table 2: Grocery Values US\$* (millions) and Volumes (000's tonnes)**

Category	1997	1998	1999	2000	2001	Average
Cat Food – Wet	189.3	160.0	165.2	148.8	122.5	157.2
Volume	89.7	86.3	86.3	85.8	87.5	87.1
Cat Food – Dry	69.6	59.3	56.8	49.7	40.1	55.1
Volume	28.8	28.8	28.8	27.7	27.5	28.5
Dog Food – Wet	252.7	208.3	210.1	175.8	143.6	198.1
Volume	168.8	162.0	163.5	160.2	159.1	163.6
Dog Food – Dry	127.4	107.4	106.8	89.2	74.1	101.0
Volume	91.6	93.1	91.5	95.2	97.7	92.8

Source: Grocery Industry Marketing Guide 1999 and 2001; *2001 Prices; **Values taken to YE August/September

Analysis of the data presented in Table 2, indicates that the wet dog food market is clearly the largest in terms of grocery value, averaging US\$198 million annually over the five years to 2001. The wet cat food market is the second largest sector valued at an average of US\$157 million annually over the five years to 2000.

The change over the 1997-2001 period indicates that the pet food industry is experiencing very low to negative growth across each of the four categories. Growth in value terms (US\$) was negative, averaging between negative 10-12 percent per annum over the five years. This is largely a result of the depreciation in the Australian dollar over this time period, leading the wet and dry cat food, and the wet dog food segments to experience negative growth. The only sector experiencing positive growth was dry dog food at an average of 1.3 percent per annum from 1997 to 2001.

Australian pet food imports are dominated by canned cat food. Total 'canned cat food' imports averaged US\$29 million, while other pet food, including dry cat food and wet and dry dog food averaged only US\$13 million for the years 1997 to 2001.

Figures for 'canned cat food' indicate that Australian imports for the period from 1997 to 2001 fell by 15 percent or an average of 3.7 percent per annum. Similarly, Australian imports of 'canned cat food' from the U.S. fell by 70 percent between 1997 and 2001, or by an average of 17.5 percent per annum. The U.S. share of Australian imports of 'canned cat food' also fell from 12 percent in 1997 to four percent in 2001.

The 'other pet food' markets are also in decline, with Australian imports falling by five percent between 1997 and 2001, with a 19 percent decline between 1999 and 2001. The U.S. makes up a far greater percentage of the 'other pet food' imports, averaging 77 percent of other imports across the five years from 1997 to 2001. However, it is important to recognize that this share has been declining over the last five years and coupled with declining total imports, the total value of Australian imports from the U.S. has fallen in each of the five years.

The major foreign pet food suppliers to Australia are Thailand, the U.S., New Zealand and Canada. In 2001, 'canned cat food' imports, in terms of value, was dominated by Thailand (66%), followed by New Zealand (20%) and the U.S. (11%). For 'other pet food' imports, comprising wet and dry dog food and dry cat food, foreign supply was dominated by the U.S. (71%) with New Zealand second (14%) and Canada third (4%).

Australian imports of pet food are summarized in Table 3.

Table 3: Australian Pet Food Imports and U.S. Share (US\$ Million 2001 Dollars)

Year	Total Imports US\$ Mill	Total U.S. Imports US\$ Mill	US Share %	Other Share* %
Canned Cat Food				
1997	33.7	4.0	12	83
1998	33.6	2.2	6	59
1999	30.1	1.6	5	50
2000	21.4	1.2	6	71
2001	28.7	1.2	4	66
Total	147.4	10.2	7	66
* Other figures are for Thailand (ranked first)				
Other (dry cat, dog food etc)				
1997	12.7	10.2	80	6
1998	11.1	9.6	86	3
1999	14.9	11.8	79	11
2000	13.9	9.4	68	21
2001	12.1	8.7	71	14
Total	64.7	49.6	77	11
* Other figures are for Canada 1997-98 and New Zealand 1999-2001 (ranked second)				

Source: Australian Bureau of Statistics

The U.S. is also a supplier of flavor coatings and digestives used in pet food manufacturing in Australia. Australian imports of some of the major flavorings coatings and digestives used in pet food manufacturing are summarized in Table 4. Please note that these figures are total imports for each of the products and are used in other food processing other than pet food.

Table 4: Australian Digestive and Coating Imports and U.S. Share (US\$ Millions 2001 Dollars)

Product	1999		2000		2001	
	Total Imports US\$ '000	US Share %	Total Imports US\$ '000	US Share %	Total Imports US\$ '000	US Share %
Textured Proteins	1,173	67	996	60	463	68
Protein Concentrates	4,675	24	13,471	10	13,971	11
Active Yeast	4,683	1	4,640	1	3,302	1
Inactive Yeast	1,134	25	1,122	27	1,162	22
Natural Gums	2,399	8	1,973	4	2,079	5
Colloidal or Semicolloid	110	99	160	71	180	81
Soy Isolates (oils)	984	66	166	-	225	-
Soy Isolates (other)	4,803	-	3,691	-	3,370	-

The figures for Australian imports of coatings and digestives indicate that while the U.S. is a major source for a number of the products, total imports in terms of value are very low. This suggests that the vast majority of digestives and coatings used in Australia are produced domestically and thus opportunities for U.S. flavoring exporters are limited.

Recent Product Launches

The general trend in product development by Australian pet food processors is to expand lines, offering greater variety for consumers. Different products are being developed offering nutritional benefits, fresh or gourmet type foods and foods developed specifically for young or old pets.

Uncle Ben's, Australia's largest pet food manufacturer, has achieved success with recently launched new dog and cat food products under the companies various brand names. Under the Whiskas label, Uncle Ben's launched Whiskas Vitabites, which is considered by the company as the primary reason why their dry cat food category showed positive growth for the first time in three years. For their premium cat food label, Dine, Uncle Ben's launched Dine Petite Gold, in 85 gram packets with extra taste. For dogs, Uncle Ben's has launched new Pedigree Meaty Bites introduces a semi-moist kibble and a line extension for their My Dog product, with My Dog Devotion, a single serve, fine food in a tray. In response to greater consumer emphasis for something special by small dog owners, Uncle Ben's launched Pedigree Little Champions (Retail World, Vol 5, July 2002).

Targeting the independent grocery markets, pet food manufacturers such as VIP Pet Food Products have been developing fresh dog and cat pet foods while Protas Pet Foods have been developing cooked pet foods. These products aim to appeal to the growing gourmet market promoting real meat and chicken products as a healthier choice for pets. The success of these products is not known.

Company Profiles

Processing Sector

The pet food market in Australia is dominated, both in terms of value and volume, by large processing companies producing within Australia. The major corporations in the wet and dry dog and cat food sector, and their market share in terms of value and volume, are summarized in Table 5.

Table 5: Market Share by Corporation (%)

Company	1998		2000	
	Value	Volume	Value	Volume
Cat Food - Wet				
Uncle Ben's	59.9	60.4	64.7	67.5
Friskies	12.1	6.4	14.3	8.6
Safcol	7.9	7.1	7.0	5.5
Chubpak	4.0	3.4	1.9	1.8
Private Label	NA	NA	1.2	1.2
Generics	15.0	21.7	10.1	14.8
Others	1.1	1.0	0.8	0.6
Cat Food - Dry				
Friskies	49.8	50.2	48.4	47.9
Uncle Ben's	39.4	41.7	43.0	41.7
Ralston Purina	NA	NA	1.4	0.6
Green's	3.3*	3.0*	0.7	0.7
Private Label	NA	NA	1.6	1.8
Generics	7.5	5.1	4.9	7.2
Dog Food - Wet				
Uncle Ben's	67.0	63.6	65.3	68.4
Chubpak	8.7	7.6	5.4	6.5
Friskies	6.1	6.8	11.5	10.5
Bush's	4.2	4.6	4.5	4.1
Nature's Gift	NA	NA	0.8	1.1
Private Label	NA	NA	2.8	2.2
House Brands	3.5	4.2	NA	NA
Generics	8.9	12.0	9.4	6.7
Others	1.6	1.2	0.3	0.5
Dog Food - Dry				
Uncle Ben's	50.3	44.2	53.6	51.6
Friskies	24.5	25.1	24.8	25.1
Green's	8.4	8.0	7.7	6.5
Ralston Purina			0.8	0.3
Private Label			1.5	1.7
Generics	14.3	19.1	10.3	12.6
Others	2.5	3.6	1.4	2.2

Source: Grocery Industry Marketing Guide 1999 and 2001,

*Green's and others combined.

An analysis of the above table indicates that two processing companies, Uncle Ben's and Friskies, dominate the Australian pet food market. At the retail level, Uncle Ben's and Friskies' combined market share in 2000, in terms of value for the four different markets, was:

- cat food – wet 79%
- cat food – dry 91%
- dog food – wet 77%
- dog food – dry 78%

Table 6 profiles the major Australian pet food processing companies and includes information about each company's ownership, sales, outlets, locations, and procurement channels. Notice that the leading processor of pet food in Australia, Uncle Ben's, is a subsidiary of a U.S. company, Effem Foods.

Table 6: Company Profiles for the Top Pet food Processing Companies

Company Name and Type of Food Processor	% Aust Ownership	Sales 1999/00 US\$ million	Production Location (JV joint venture)	Procurement Channels^a
Effem Foods (US Parent) (pet food) (subsidiary Uncle Ben's Australia)	0	749	45 countries including: Australia, U.S.	Distributor Direct to processors
Nestle Foods (Swiss Parent) (Subsidiary Friskies, Ralston Purina)	0	1,220	Australia US (JV)	Distributor Direct to processors
Safcol (Australian)	NA	NA	Adelaide (HQ)	Distributor Direct to processors
Chubpak				Distributor Direct to processors
Green's		161.8		Distributor Direct to processors
Bush's (New Zealand)				Distributor Direct to processors
The Great Aussie Pet Food Company (Dry cat & Dog, formulae)	100%	NA	Sydney, Brisbane	Distributor Direct to processors

^a Based on interviews with leading processing companies in Australia, the authors of this report conclude that companies source ingredients directly from producers

Retail Sector

Supermarkets dominate the retail sector, however independent grocery stores, veterinary clinics and pet stores all sell pet food at the retail level.

Table 7 provides a list of supermarkets in Australia. The list is not exhaustive, but does include the major chains, banner groups and warehouse/wholesalers present in this sector. For the majority of smaller banner groups and supermarkets turnover is unavailable at this time.

Table 7: Major supermarket chains, small supermarket chains, warehouse / wholesale clubs

Retailer Name and Outlet Type	Owner-ship	Sales US\$ Mil	No. Of Outlets*	Locations (city/region)	Purchasing Agent Type
Chain Supermarkets/Superstores					
Coles Myer Ltd: Coles New World, Bi-Lo, Express supermarkets and Pick 'n Pay hypermarket.	Local	\$7,419 (2001)	630	National	Manufacturer Importer Agent
Woolworths: Woolworths, Safeway, Metro, Purity/ Roelf Vos, Flemings, Food for Less, Plus Petrol supermarkets.	Local	\$8,984 (2001)	661	National (Safeway in Victoria, Purity in Tasmania)	Manufacturer Importer Agent Wholesaler
Smaller Chain and Banner Group Independent Grocery Stores/Supermarkets					
Metcash Trading Limited: IGA Distribution, Campbells Cash & Carry, Australian Liquor Marketers	South Africa & Local	\$3,168 (2001 incl whole sale business)	1078	National	Metcash Trading Limited Warehouse/ Wholesaler
Foodland Associated Limited (FAL)	Local	\$1,285 (2000 – WA included only)	133	Western Australia (36% share), New Zealand	FAL Warehouse/ Wholesaler
United Star Banner: 5 Star Supermarkets, 5 Star Handimarkets, Superstar Fresh, Freshmart	Local	NA	262	Queensland	AIW Warehouse/ Wholesaler
Foodstore Banner Group (and associates), supermarket	Local	NA	215	Queensland	Metcash/AUR Warehouse/ Wholesaler
Foodland Supermarkets	Local	\$750 (2000)	91	South Australia	FAL Warehouse/ Wholesale

FoodWorks Banner Group (FoodWorks and FoodWorks Express), supermarket	Local	\$282 (1998)	83	Victoria	AIW Warehouse/Wholesaler
Fresco IGA Supermarkets (new comer)	Local	\$157 expected	20	NSW	Metcash Warehouse/Wholesaler
Warehouses/Wholesale Clubs					
Australian Independent Wholesalers (AIW) (owned by Woolworths; services stores out of Brisbane and Canberra)	Local	\$565 (2000 estimate)	Supplies 419 (estimate)	NSW/ACT, Victoria, Queensland	Importer Manufacturer Distributor Agent
Pet Pacific	Local	NA	NA	NSW	Importer/Manufacturer or Warehouse
Pets International	New Zealand	NA	NA	NSW	Importer/Manufacturer or Warehouse
Independent Veterinary Supplies	Local	NA	NA	SA	Importer/Manufacturer or Warehouse

Source: ACNielsen Half-Yearly Report 2000, in Retail World 2000; Internet homepages;

* Number of outlets is not exclusive due to banners and warehousing.

Coles Myer Pty Ltd and Woolworths dominate the supermarket sector. Until 2001 there were three major supermarket chains operating in Australia. In 2001 however, the Franklins chain was sold off to a number of other chains, primarily Woolworths, Coles and the larger independent grocery chains.

There have been ongoing attempts in Australia to encourage consumers to purchase Australian owned products at the retail level with organizations such as Ausbuy promoting Australian owned and made products (www.ausbuy.com.au). The impact of such initiatives on consumer purchasing decisions and thus import levels seems to be negligible. Approximately 10 percent of products sold in supermarkets are imported (Food and Beverage Importers Association), a share that has not changed significantly over time.

Trends for the major external drivers appear to be positive. Seasonally adjusted economic growth for year ending June 2002 was 3.8 percent with growth in the retail sector of 6.3 percent for the same year. With inflation relatively low at 2.7 percent, real economic growth was 2.6 percent, indicating that purchasing power is increasing. A review of the customer profile suggests consumer confidence is positive, growing 2.2 points in September 2002 to 122.1, up 8.7 percent from 111.4 for the calendar year 2001 (Roy Morgan Research, www.roymorgan.com.au, September, 2002).

General consumer trends, as outlined earlier in the report, are towards more gourmet fresh and cooked pet foods, as well as single serve packaging and foods catering for the specific nutrient requirements for young or old pets, and in particular small as distinct from large dogs. Rising purchasing power associated with real economic growth will perpetuate these trends as consumers will have more disposable income and thus be better able to afford more expensive pet food products.

Section III Costs and Prices

Tariff Rates, Tariff Rate Quotas and Import Duties

There are no tariffs imposed on the importation of pet food into Australia. The relevant tariff codes for pet foods are summarized in Table 8.

Table 8: Tariff Codes

Reference Number	Good	Tariff
2309	Preparations of a kind used in animal Feeding	
2309.10	Dog or cat food, put up for retail sale	Free
2309.90	Other	Free

Source: *Customs Tariff Act 1995*, Schedule 3

Inspection Fees and Customs Brokers Fees

In order to gain customs clearance a customs fee of US\$61.55 for up to 3 different lines is charged plus approximately US\$49.25 for quarantine approval. These fees are payable for air/sea consignments of set value limits. Administration fees of between US\$20.50 – US\$30.75 are also charged depending on the number of lines and size of the consignment. The processing of the clearance should take no longer than 72 hours provided the forms are submitted electronically prior to the arrival of the goods. The inspection of consignments is random and between 85 percent-90 percent of consignments are inspected.

Storage costs vary between customs brokers and sea freight forwarding agents. For example, one company quoted US\$2.55/pallet/wk and another US\$6.65/pallet/wk. Handling costs may be charged in addition to these fees.

Cold storage fees vary between US\$2.55-3.60 per pallet per wk. In addition there is an in-and-out handling fee equal to the weekly charge.

Taxation Implications

Pet foods as marketed specifically for animal consumption incur a 10 percent goods and services tax (GST). This does not vary for wet and dry pet foods.

An important point to note is the importer's ability to delay the payment of the GST. This arrangement is made through customs authorities and the amount is automatically added to the next Business Activity Statement. This allows time for the importer to sell the product.

Average mark ups between different stages of the marketing chain

Across the different stages of the marketing chain, mark-ups are generally as follow:

- wholesale gross margins are typically between 0.5 and 2.5 percent of sales (CEASA, Grocery Review, June 1999); and
- specifically addressing the mark-up for pet food products, comparison of the average USD value of one tone imported, against the average value of one tone at the grocery level, indicated a total margin of nine percent.

Cost of securing retail store shelf space

Industry consultation regarding the cost of securing retail store shelf space provide conflicting views. Retail World, the producer of the major industry magazine, suggested that payment for retail store shelf space did exist, however, the actual cost was based on an individual arrangement between the retailer and the supplier with an individually negotiated price. It was outlined that the pricing structure depended on the company, store location, the positional location within the store and the type of good.

However, a contact at a major supermarket chain in Australia advised that shelf space (linear, facing) is not sold, and cannot be purchased by companies for their products in Australia. There are 150 dry grocery, dairy and freezer lines, across a range of stores with varying demographics. The contact advised it is not possible to police such arrangements, and, therefore, shelf space and product facing was determined on the basis of the sales of the products. Due to the large amount of in-store activity and the variance in demographics between stores payment for shelf space was not possible.

Other factors affecting transport

Information relating to Australian freight details can be found at the following address.

www.pc.gov.au/inquiry/shipping/finalreport/appendixc.pdf.

Other sea/air freight information can be found at Bureau of Transport and Economics via their International Cargo Statistics Database, www.bte.gov.au/docs/ics.htm#Top.

Section IV: Market Access

Import Conditions

Import conditions for pet food imports from all countries, as of the 12 September 2002 are as follows:

Condition C5100

A Quarantine Entry must be lodged for each consignment and the item must be inspected on arrival

Condition C5206

A Permit application is required prior to importation and must be approved by the Canberra AQIS office.

Condition C8631

According to the *Quarantine Proclamation 1988*, animal food is considered to be an article likely to introduce a pest or disease. This includes food for animals that are of plant, animal (including fish) or microbial origin.

Note for importers: Further to the requirement for an import permit, AQIS policy requires that all (animal derived) dry pet food, other than rawhide chews, must be derived from an establishment approved by AQIS. For countries other than the U.S. and New Zealand, this involves individual on-site AQIS audits. All expenses relating to inspections/audits must be borne by the importer.

Pet food from the U.S. must be manufactured in a facility approved by APHIS/USDA for export to Australia.

Treatment T9901

Treatment is required when goods are found to be infested or contaminated.

Treatment T9902

Treatment as required by the Permit Conditions.

In addition, there are further requirements for pig ear imports. These are:

Condition C9509

Backed pig ear

Applications must be accompanied by details of processing, including the minimum time and core temperature at which the ear is maintained.

Rawhide Pig ear

The ability of any pH treatment to penetrate into cartilage in rawhide chews derived from ears has not been assessed. Permits will not be issued for this commodity until an Import Risk Assessment (IRA) has been completed by Biosecurity Australia. Pig ears and other product containing cartilage are not considered rawhide chews and, therefore, must not be imported under the rawhide case in the AQIS Import Conditions database (ICON).

Licensing

Import licensing requirements in Australia require that the above-mentioned conditions be met by the exporter. In particular, for pet food, the importer is required to provide details of the product including common name, scientific name, a product description including species and country of origin, strain/variety and whether the product is unprocessed, frozen or uncooked, as well as information on package size, total size and size per unit. Import permit application forms can be downloaded from the Australian Quarantine Inspection Service (AQIS) at, www.affa.gov.au/content/output.cfm?ObjectID=9633CA21-D1EF-44FB-B0D0BC04A26E18E6. Import Permit Application fees for pet food products in Australia are US\$30.77 per item (AQIS).

Import permits are typically awarded for a two year period. However, in particular reference to U.S. exports of dry pet foods containing chicken based coatings and digests, permits are being issued by AQIS on a six month basis for exporters who have not been inspected and approved as meeting cooking temperature and time requirements for cooked chicken products. This development is due to concerns relating to Infectious Bursal Disease.

Section V: Key Contacts and Further Information

The Internet addresses of key contacts have been provided within the body of this report in the appropriate sections. For additional information on Australian import regulations and other issues, the following web sites may also be useful:

- www.ausfoodnews.com.au. As well as information on Australian Food Law and Policy, this website contains information on food industry trade events and links to information sources relating to other sectors of the food industry;
- www.affa.gov.au. The Agriculture Fisheries and Forestry Australia website contains information relating to Australian market access and biosecurity issues and requirements with links to AQIS and Biosecurity Australia; and
- www.abs.gov.au. The Australian Bureau of Statistics website will enable exporters to access various trade, economic and social statistics.

Post Contact:

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U.S. Embassy

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Yarralumla, ACT 2600

Australia

Tel: +61-2-6214-5854

Fax: +61-2-6273-1656

Email: AgCanberra@usda.gov