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Australia

Exporter Guide

2017 Exporter Guide

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Report Highlights:

Australia is a prosperous, economically stable, and industrialized nation. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and trade and economic links with emerging economies, particularly in Asia. The U.S. - Australia Free Trade Agreement provides some advantages for U.S. products, which are well regarded as high quality and good value. In 2016 Australia imported over US$1.4 billion in total agricultural products from the United States. The United States is the second largest supplier of agricultural products to Australia, comprising 10 percent of total imports. The United States is also the number two supplier (after New Zealand) of imported ‘consumer oriented’ food products accounting for 12 percent of total imports in 2016. Consumer oriented products account for more than 76 percent of all U.S. agricultural product exports to Australia.

Post:

Canberra

Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. They share a common heritage, culture and language, and have supported each other in every major international crisis of the past century.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex businesses and industries. Its state-of-the-art transportation and telecommunications systems (both internal and international) also support a well-developed and economically diversified market.

Underpinning Australia's strong economy is its open and transparent trade and investment environment, business-friendly regulatory approach and its trade and economic links with emerging economies, particularly in Asia.

Australia is the world's 14th largest economy, with nominal GDP estimated to be US$1.2 trillion in 2017, accounting for 1.6 percent of the global economy. Australia has one of the highest levels of per capita GDP in the world (at around US$50,000) and is ranked second for average wealth per adult. The Australian economy has enjoyed 26 years of consecutive economic growth and is forecast to see annual real GDP growth of 3 percent in 2018, up from around 2.5 percent in 2016/17. The unemployment rate fell to around 5.4 percent in 2017 and the labor force participation rate rose to close to all-time highs.

The U.S. is by far the largest supplier of foreign capital to Australia. U.S. FDI accounted for around one quarter of Australia’s total FDI stock in 2016, totaling $195 billion. This has risen strongly over recent years, up from US$130 billion in 2013. Total U.S. investment in Australia (direct plus indirect) is around $860 billion. Investment in Australia is facilitated in part by its stable macroeconomic management and ease of doing business (it is ranked 15th internationally in the World Bank’s 2016 ‘Doing Business’ index).

Australia is a major exporter of resources, energy, and agricultural products. In total, goods and services exports accounted for more than 20 percent of GDP in 2017. Australia’s top five export markets are China, Japan, Korea, the United States, and India. It currently has free trade agreements with the first four of these countries, and is negotiating a trade agreement with India. Terms of trade have come off historic highs, but commodity prices remain high and will support ongoing investment in various resources. Gas investment, production and exports have increased significantly in recent years to meet rising domestic and international demand. Australia’s services sectors have also performed strongly, with particular growth in education and tourism exports. Australia’s strength in services reflects its highly skilled workforce and strong educational institutions.

Australia has a well-established and sophisticated financial sector supported by strong regulations. These regulations contributed to the financial sector’s strength throughout the global financial crisis, helping the economy avoid a recession over that period.

Australia has proven to be an appealing and profitable market for U.S. companies for many years. Apart from a very 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 that other U.S. companies will also find this market to be rewarding and attractive. A publication on 'Doing Business in Australia," including importing is available at: http://www.corrs.com.au/thinking/insights/doing-business-in-australia/.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its almost 25 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane, Perth, and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich, and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America, and Asia. This population mix is influencing cultural diversity and resulting in vibrant restaurant and food processing industries.

The U.S. - Australia Free Trade Agreement provides some advantages for U.S. products. For example, tariff rates for all U.S. food products exported to Australia dropped to zero upon implementation of the agreement in January 2005. Australia also has free trade agreements in place with New Zealand, Singapore, Thailand, Chile, ASEAN (with New Zealand), Malaysia, Japan, Korea, and China. Australia is also in the process of negotiating bilateral FTAs with India, Indonesia, Hong Kong, and Peru, and is also involved in negotiations in the Trans-Pacific Partnership, the Gulf Cooperation Council, the Regional Comprehensive Economic Partnership Agreement, the Pacific Trade and Economic Agreement (PACER Plus), the Environmental Goods Negotiations, and Trade in Services Agreement. Details of these agreements and negotiations are available on the Australian Department of Foreign Affairs and Trade website at: http://www.dfat.gov.au/fta/.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to 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 U.S. and Australia have a free trade agreement that removes import tariffs.	Australian labeling and advertising laws are different from the U.S. This may require some changes to food labels.
Australian consumers are experimental and desire new and innovative products. This presents an opportunity to trial such 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.

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Australia is a sophisticated market that is interested in new-to-market food products.
- An increasingly multicultural society creates opportunities for ethnic food products.
- After sales services, such as cooperative advertising, is an important aspect of successfully entering the market.
- Innovative packaging has an advantage and is becoming increasingly important to consumers.
- A large number of the major Australian importers visit the United States at least once a year to see what is available and placing orders if the items are appealing.
- The Food and Agriculture Import Regulations and Standards (FAIRS) Country Report for Australia contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site: http://gain.fas.usda.gov/Pages/Default.aspx or requested from this office (AgCanberra@fas.usda.gov). We recommend that U.S. exporters use this report extensively if planning to enter the Australian market.
- Exporters should also work very closely with their importers/distributors to ensure that all requirements are met *before* any product is shipped.
- The Australian Department of Agriculture and Water Resources (DAWR) maintains an online database, called BICON, which includes import conditions for all agricultural products coming into Australia. U.S. exporters should make use of this database to ensure that they are going to be able to meet all the relevant quarantine conditions. The database is available at: http://www.agriculture.gov.au/import/online-services/bicon.
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand (FSANZ). The Code applies to both Australia and New Zealand. More information, and a copy of the Code, is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au/. The FAIRS report mentioned above gives comprehensive guidance on how to use the Food Standards Code and other food related legislation.
- Food safety and plant and animal health import regulations can be found on the DAFF Internet site at: http://www.agriculture.gov.au/import or through links in the FAIRS report mentioned above.

Trade Shows

There is one major food show in Australia, Fine Food Australia, which is held every September alternating between the cities of Sydney and Melbourne. Major buyers and importers from all over the country and region attend. Due to Australia's large geographic size and the high cost of internal airfares and transport, attending and/or exhibiting at Fine Food is the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the Australasian region. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service, and hospitality industries at one venue. As well as exhibitors from Australia, regular exhibitors include groups from Asia, the Pacific, Europe, and the Americas. Buyers from all over Australia and the Asia Pacific region also attend the show. Fine Food is on the list of USDA endorsed shows.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, and hotel and supermarket trades.

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Fine Food Australia 2018 – Melbourne
Melbourne Convention & Exhibition Centre, September 10-13, 2018

Fine Food Australia, 2019 – Sydney
Sydney Convention & Exhibition Centre, September 9-12, 2019

This information is provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Market Structure & Trends

Market Structure

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-oriented foods and ingredients for further processing continue to dominate the import market for foodstuffs.
- Tariffs on most imported foods have been reduced to zero under the U.S./Australia Free Trade Agreement.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they may have good market potential in Australia (see also Section II above on FAIRS Report).
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also a large importer of further processed and consumer-ready products.
- ‘Healthy’, ‘clean’, ‘green’ and ‘organic’ and ‘natural’ are very important selling points amongst a growing segment of the market.
- Some of the U.S. success in this market has been providing off-season fresh fruit (such as table grapes, cherries, peaches, nectarines, and plums) to Australian consumers. Success, however, is very much tied to good consumer promotion efforts and being able to meet quarantine requirements.
- U.S. products are well regarded as good quality and value for money in this market. The U.S. is the number two supplier (after New Zealand) of imported ‘consumer oriented’ food products.
- It is estimated that more than 85 percent of the products on Australian supermarket shelves are imported, made from imported ingredients or produced locally by foreign owned companies.
- The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods that match the tastes of the majority of the population are helpful in maintaining this position.
- With the Australian population becoming more multi-cultural, imports are rising from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries.
- The Treaty of Closer Economic Cooperation with New Zealand makes that country a strong player in the imported food market.
- The high degree of urbanization, the high ratio of females in the workforce, and the relative prosperity of Australia, makes food consumption a very competitive field.
- Fast foods and "take-away" foods are also very popular. It is estimated that 50 percent of Australians aged 18-34 eat a meal ‘on-the-go’ at least once a week.
- The restaurant sector has also benefited from this demographic trend, as away-from-home consumption continues to grow.
- Australians are active international travelers and are exposed to new cuisines when traveling.
- Australian food manufacturers have been consolidating, which has led to greater competition by brands for shelf space in supermarkets.
- Two chains still dominate Australian grocery sales - Woolworths and Coles.
- Both these companies are national in scope and are also organized along state lines. They have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares.

- In recent years, these food-retailing giants have increasingly become their own importers, bypassing more traditional importers.
- Metcash is a supplier/distributor to independent chains and is the third largest player in the packaged grocery market.
- Aldi, the German-owned supermarket chain, have made strong inroads into the Australian market in recent years and now have a 9 percent share of the market.
- In 2009, Costco opened their first store in Melbourne, Australia. Since that time, Costco has expanded quickly and it now has seven stores: two in Melbourne (Victoria), two in Sydney (NSW), one store in each of Canberra (ACT), Brisbane (Queensland), and Adelaide (South Australia). Costco Australia has plans to add additional stores in Melbourne, Sydney, and Brisbane within the next two years.
- All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
- The domestic food-processing sector in Australia is large and more sophisticated than the population base of almost 25 million would indicate.
- Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia to penetrate the Southeast Asian market. This is a trend that will continue to expand in the near term.
- In 2016 Australia imported more than US$1.4 billion in total agricultural products from the United States.
- Consumer oriented products account for more than 76 percent of all Australia's agricultural product imports from the U.S.
- The U.S. is the 2nd largest supplier of consumer-oriented food products to the Australian market after New Zealand, accounting for 12 percent of total imports of these products.
- Imports of consumer oriented products from the U.S. were valued at $1.1 billion in 2016.
- Australia ranks as the 10th largest export market for U.S. consumer-oriented products.

Trends

- **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 therefore 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 transportation 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, resealable packaging, and clear on-pack communication.
- A recent report on food consumption, habits, attitudes and trends determined **Australia’s top food priorities** are: eating more fresh fruit and vegetables; smaller portion sizes; reducing sugar intake from food; eating healthier snacks; and cutting down on fat.
- **Snacking still popular** – two-thirds of respondents to a recent survey indicated that they eat between meals and that health snacks are a priority.

Section IV: Best High-Value Product Prospects

Best Product Prospects

The **organic, healthy and natural products** market in Australia continues to grow rapidly. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for the processed segment. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Findings from a Nielsen survey in 2016 show that 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 survey showed that Australian's want to eat healthier, but they need help to make it happen. Almost 50 percent of consumers indicated that they wished there were more 'all natural' food products on shelves – they also indicated that they would be willing to pay more for foods and beverages that don't contain undesirable 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 incorporate ingredients and preparation methods that improve the nutritional profile of products will be strongly positioned to succeed in this market.

It should be noted that although consumers are trying to eat more healthily, they still want to treat themselves so confectionery is still on their shopping lists!

Section V: Key Contacts & Other Information

Key Contacts

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Department of Agriculture & Water Resources – Importing Food
Web: http://www.agriculture.gov.au/import/goods/food

Food & Beverage Importers Association
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Other Information

The home page for the Foreign Agricultural Service is located at: http://www.fas.usda.gov.

Appendix: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries ($m/%US market share)	2016	$11,414	11%
Consumer Food Imports from All Countries ($m/% US market share)	2016	$8,746	12%
Edible Fishery Imports from All Countries ($m/% US market share)	2016	$1,374	3%
Total Population (millions)/Annual Growth Rate (%)	2017	24.8	1.6%
Urban Population (millions)/Annual Growth Rate (%) [1/]	2017	17	1.6%
Number of Major Metropolitan Areas [2/]	2017	5	
Per Capita Gross Domestic Product (US$)	2016	$55,670	
Unemployment Rate (%)	2017	5.5%	
Per Capita Food Expenditure (US$)	2016	$4,994	
Percent of Female Population Employed (%)	2017	56.6%	
Exchange Rate (Average for Calendar Year)	2016	US$1.00 = A$1.35	

1/ Those living in capital cities

2/ Centers with population over one million

Sources: Global Trade Atlas; Australian Bureau of Statistic; Reserve Bank of Australia; Department of Foreign Affairs & Trade

Table B: Consumer Food & Edible Fishery Product Imports

Australian Imports (Millions of U.S. Dollars)	**Imports from the World**			**Imports from the U.S.**			**U.S Market Share**		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
CONSUMER-ORIENTED AGRICULTURAL TOTAL	9,078	8,559	8,746	1,187	1,122	1,061	13	13	12
Snack Foods (Excl. Nuts)	843	835	798	64	79	82	8	9	10
Breakfast Cereals & Pancake Mix	109	110	107	6	5	6	6	5	5
Red Meats, Fresh/Chilled/Frozen	511	465	432	154	133	144	30	29	33
Red Meats, Prepared/Preserved	145	146	148	22	31	24	15	21	17
Dairy Products (Excl. Cheese)	353	299	368	64	31	34	18	10	9
Cheese	474	441	445	87	75	67	18	17	15
Eggs & Products	16	11	13	3	2	1	21	13	5
Fresh Fruit	336	271	292	155	126	115	46	47	39
Fresh Vegetables	67	60	71	5	2	2	7	3	3
Processed Fruit & Vegetables	1,144	1,059	1,094	148	150	149	13	14	14
Fruit & Vegetable Juices	173	168	160	12	11	5	7	7	3
Tree Nuts	298	324	297	17	31	30	6	9	10
Wine & Beer	934	871	873	25	22	19	3	3	2
Nursery Products & Cut Flowers	85	83	75	0	0	0	0	0	1
Pet Foods (Dog & Cat Food)	238	218	232	83	80	82	35	37	35
Other Consumer-Oriented Products	3,351	3,196	3,341	340	344	301	10	11	9
FISH & SEAFOOD PRODUCTS	1,618	1,327	1,374	47	41	40	3	3	3
Salmon	128	96	91	33	26	22	25	27	24
Crustaceans	549	404	401	5	4	5	1	1	1
Groundfish & Flatfish	23	22	22	0	1	1	1	4	3
Molluscs	138	123	160	3	3	5	2	2	3
Other Fishery Products	781	682	700	6	8	8	1	1	1
AGRICULTURAL PRODUCTS TOTAL	11,923	11,211	11,414	1,381	1,317	1,255	12	12	11
AGRICULTURAL, FISH & FORESTRY TOTAL	15,322	14,241	14,435	1,537	1,471	1,393	10	10	10

Source: Global Trade Atlas

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($000)	2014	2015	2016
New Zealand	1,987,873	1,741,602	1,996,985
United States	1,187,131	1,122,056	1,061,063
China	523,861	508,472	511,185
Singapore	626,999	551,029	503,074
Italy	486,654	441,380	442,007
Thailand	369,350	379,211	394,138
France	389,337	356,385	363,953
Netherlands	337,584	322,347	330,242
Germany	288,244	269,712	269,816
Denmark	281,406	258,019	238,188
Vietnam	170,550	190,185	206,685
United Kingdom	224,574	205,962	205,303
Mexico	162,542	200,246	194,849
Austria	79,433	98,448	153,527
Switzerland	165,559	150,776	149,366
Other	1,962,640	1,914,195	1,874,607
World	9,078,177	8,559,251	8,745,622

FISH & SEAFOOD PRODUCTS IMPORTS

($000)	2014	2015	2016
Thailand	370,607	317,185	322,416
China	293,104	207,561	228,542
Vietnam	222,385	174,623	183,602
New Zealand	175,353	146,149	155,654
Malaysia	86,028	71,861	71,198
Indonesia	68,833	71,861	60,731
Norway	58,348	47,349	57,161
Taiwan	45,212	44,991	42,398
United States	47,368	41,327	40,038
Denmark	52,140	35,789	39,557
South Africa	25,790	19,913	20,655
Japan	11,436	14,104	15,909
Poland	17,755	13,392	14,177
Canada	15,985	13,940	13,783
Myanmar	14,557	12,516	10,457
Other	112,945	94,599	97,338
World	1,617,846	1,327,158	1,373,617

Source: Global Trade Atlas