

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Exporter Guide

Exporter Guide 2015

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Report Highlights:

Australia is a prosperous, politically and economically stable, industrialized nation. Australia is the world's 13th largest economy, with nominal GDP of US\$1.5 trillion and one of the highest levels of per capita GDP in the world. The economy has grown for 24 consecutive years and it grew by 2.7% from 2010 to 2014 and is expected to grow at 3% from 2015 to 2019. Australia has low inflation is ranked highly for ease of doing business and transparency and has attracted significant capital inflows for many years. The unemployment rate is currently 6.3% (August 2015).

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 business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market.

Australia is the world's 13th largest economy, with nominal GDP of US\$1.5 trillion and one of the highest levels of per capita GDP in the world. Australia has a population of 24 million and is the only country to wholly occupy a whole continent, with the mainland covering 7.7 million square kilometers. Notably, the Australian economy is entering its 24th consecutive year of economic growth. It grew by 2.7% from 2010 to 2014 and is expected to grow at 3% from 2015 to 2019. Australia has low inflation and is ranked highly for ease of doing business and transparency and has attracted significant capital inflows for many years. The United States is the major investor with an FDI stock of A\$150 billion in 2013 followed by the United Kingdom and Japan. Australia is also a major investor in the U.S. economy.

Australia's trade with the world was around US\$500 billion in 2014, with a growth rate of over 10% over five years. Australia is a major exporter of resources, energy, food, and goods and services exports accounted for over 20% of GDP in 2014. Australia's major export markets are China, Japan, Korea, the United States and India. Its major sources of imports are China, the United States, Japan, Singapore and Germany. Terms of trade have come off historic highs, with prices for exports of iron ore and coal moderating as production increases after a minerals investment boom. Energy exports will nevertheless continue to expand as large projects in northern Australia (such as Gorgon) increase supplies of gas to East Asia.

Australia has a sophisticated financial market, regulated in accordance with international norms. In terms of global turnover, Australia's foreign exchange market is the seventh largest in the world, and the Australian dollar/U.S. dollar currency pairing is the fourth-most traded globally (BIS, Triennial Central Bank Survey, 2013). Four of Australia's leading banks are currently ranked in the top 12 in terms of world financial security and AA rankings. In 2014, Australia was ranked as one of the easiest places in the world to start up a business, according to the World Bank. The Australian dollar was about US\$0.73 in August 2015. Australia's A\$1.6 trillion superannuation system is the fourth largest in the world and is a major driver behind Australia's globally significant funds management industry. This pool of assets is expected to grow to A\$7.6 trillion or 180 per cent of GDP over the next two decades.

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 24 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and 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, who are all making their cultural influences felt more vibrantly, including in the restaurant and food processing industries.

The U.S. - Australia Free Trade Agreement has provided 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, and Korea. Australia concluded negotiations with China in November 2014 and that agreement will enter into force when domestic processes have been completed. Australia is also in the process of negotiating bilateral FTAs with India and Indonesia and is also involved in negotiations in the Trans-Pacific Partnership, the Gulf Cooperation Council, the Regional Comprehensive Economic Partnership Agreement, and the Pacific Trade and Economic Agreement (PACER Plus). 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 & 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 to place 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 (DoA) maintains an online database, called ICON, of the 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://apps.daff.gov.au/icon32/asp/ex_querycontent.asp.
- 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.daff.gov.au/biosecurity/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 each year (usually in 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, we believe that 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.

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.

CONTACT:

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Fine Food Australia, 2016 – Melbourne

Melbourne Convention & Exhibition Centre, September 12-15, 2016

Fine Food Australia, 2017 – Sydney

Sydney Convention & Exhibition Centre, September 11-14, 2017

Fine Food Australia 2018 – Melbourne

Melbourne Convention & Exhibition Centre, September 10-13, 2018

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

Trends

- **Positive nutrition:** The drive to make food and beverages healthier continues to gain momentum in Australia. Recent research found that 61% of Australian consumers are tired of being 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 both 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 carbon footprint of transportation. Increasingly, consumers expect that packaging will also be recyclable. A recent study found that 50% of Australians think food and drink products are over-packaged and 69% would consider boycotting a product if it didn't meet their environmental criteria.
- **Fairtrade** goes mainstream: According to Fairtrade Australia and New Zealand, Australian consumers purchased more than 42 million Fairtrade Certified products during 2012, spending A\$191 million (US\$196) in the process. On average, Fairtrade's annual growth over the past five years has been over 50%. Certified chocolate products, coffee and cotton are the most popular purchases. Fairtrade Certified products are now much easier to track down, as they are no longer confined to health food stores, with large supermarket chains and many premium and even mainstream consumer brands now offering them.
- **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.

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 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 over 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% of Australians aged 18-34 years old 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 10% share of the eastern states 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 23.5+ million would indicate.
- Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This is a trend that will continue to expand in the near term.
- In 2014 Australia imported over US\$1.5 billion in total agricultural products from the United States. The U.S. is the second largest supplier of these products supplying 10% of total imports.
- Consumer oriented products account for 77% of all U.S. agricultural product exports to Australia.
- The U.S. is the 2nd largest supplier of consumer-oriented food products to the Australian market after New Zealand, accounting for 13% of total imports of these products.
- Imports of consumer oriented products from the U.S. were valued at \$1.2 billion in 2014, an increase of over 12% from the previous year.
- Australia ranks as the 8th largest export market for U.S. consumer-oriented products (by value).

- Global Trade Atlas data shows that U.S. exports of consumer oriented products to Australia rose by 23% in 2014 and are already up by 12% (by value) in the first half of 2015 compared to the same period in 2014 (Jan-June).

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. The whole **health foods** category increased in value by 14.2% in 2014 and is valued at A\$394 million. **Nutritional snacks** accounts for the largest share (19%) of the health foods category rising in value by almost 10% over the previous year.
- In the **cold beverages** category, **non-sweetened waters and still water** both showed double-digit growth in 2014. **Functional waters** grew by 54.6% in value and **coconut water** grew by over 150% in both value & volume in 2014.

Section V: Key Contacts & Other Information

Key Contacts

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Australian Quarantine & Inspection Service Imported Food Program

Web: <http://www.daff.gov.au/biosecurity/import/food>

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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)	2014	\$11,923	12%
Consumer Food Imports from All Countries (\$m/% US market share)	2014	\$9,078	13%
Edible Fishery Imports from All Countries (\$m/% US market share)	2014	\$1,618	3%
Total Population (millions)/Annual Growth Rate (%)	2015	23.6	1.4%
Urban Population (millions)/Annual Growth Rate (%) ^{1/}	2015	16.6	1.8%
Number of Major Metropolitan Areas ^{2/}	2015	5	
Per Capita Gross Domestic Product (US\$)	2015	60,216	
Unemployment Rate (%)	2015	6.3%	
Per Capita Food Expenditure (US\$)	2015	\$4,388	
Percent of Female Population Employed (%)	2015	59%	
Exchange Rate (Average for Calendar Year)	2014	US\$1.00 = A\$0.90	

^{1/} Those living in capital cities

^{2/} Centers with population over 1,000,000

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		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
CONSUMER-ORIENTED AGRICULTURAL TOTAL	8,237	8,633	9,078	1,015	1,058	1,187	12	12	13
Snack Foods (Excl. Nuts)	749	814	843	51	56	64	7	7	8
Breakfast Cereals & Pancake Mix	66	90	109	4	5	6	6	6	6
Red Meats, Fresh/Chilled/Frozen	509	471	511	178	142	154	35	30	30
Red Meats, Prepared/Preserved	133	139	145	23	22	22	18	16	15
Dairy Products (Excl. Cheese)	284	339	353	38	55	64	13	16	18
Cheese	400	397	474	56	52	87	14	13	18
Eggs & Products	9	13	16	2	2	3	21	19	21
Fresh Fruit	256	275	336	124	139	155	49	51	46
Fresh Vegetables	67	66	67	8	5	5	12	8	7
Processed Fruit & Vegetables	1,062	1,080	1,144	137	133	148	13	12	13
Fruit & Vegetable Juices	204	171	173	21	16	12	10	10	7
Tree Nuts	267	259	298	17	19	17	6	7	6
Wine & Beer	851	940	934	16	20	25	2	2	3
Nursery Products & Cut Flowers	59	76	85	0	0	0	0	1	0
Pet Foods (Dog & Cat Food)	195	232	238	82	92	83	42	40	35
Other Consumer-Oriented Products	3,125	3,270	3,351	257	299	340	8	9	10
FISH & SEAFOOD PRODUCTS	1,464	1,539	1,618	49	54	47	3	4	3
Salmon	95	115	128	33	38	33	35	33	25
Crustaceans	434	462	549	4	5	5	1	1	1
Groundfish & Flatfish	21	23	23	0	1	0	0	4	1
Molluscs	153	149	138	7	4	3	4	3	2
Other Fishery Products	761	789	781	4	6	6	1	1	1
AGRICULTURAL PRODUCTS TOTAL	11,008	11,282	11,923	1,309	1,346	1,381	12	12	12
AGRICULTURAL, FISH & FORESTRY TOTAL	14,378	14,585	15,322	1,470	1,515	1,537	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)	2012	2013	2014
New Zealand	1,854,541	1,926,647	1,987,873
United States	1,015,111	1,058,007	1,187,131
Singapore	683,579	677,309	626,999
China	543,792	535,135	523,861
Italy	394,722	441,377	486,654
France	335,941	382,443	389,337
Thailand	305,577	344,663	369,350
Netherlands	308,944	303,642	337,584
Germany	245,391	253,325	288,244
Denmark	225,302	247,179	281,406
United Kingdom	166,750	214,230	224,574
Vietnam	135,775	139,313	170,550
Switzerland	162,772	168,689	165,559
Mexico	130,004	167,299	162,542
Canada	161,170	146,935	138,591
Other	1,567,239	1,626,509	1,737,923
World	8,236,612	8,632,703	9,078,177

FISH & SEAFOOD PRODUCTS IMPORTS			
(\$000)	2012	2013	2014
Thailand	410,432	392,361	370,607
China	218,221	248,331	293,104
Vietnam	180,253	176,132	222,385
New Zealand	209,392	205,652	175,353
Malaysia	75,451	88,438	86,028
Indonesia	46,728	60,271	68,833
Norway	27,664	33,087	58,348
Denmark	29,240	38,100	52,140
United States	48,884	54,174	47,368
Taiwan	44,075	46,313	45,212
South Africa	31,328	36,535	25,790
Poland	4,501	10,919	17,755
Canada	15,694	13,336	15,985
Myanmar	9,574	13,986	14,557
Japan	17,560	20,321	11,436
Other	94,752	100,701	112,945
World	1,463,750	1,538,658	1,617,846

Source: Global Trade Atlas