

Required Report: Required - Public Distribution

Date: December 15,2020

Report Number: AS2020-0038

Report Name: Exporter Guide

Country: Australia

Post: Canberra

Report Category: Exporter Guide

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Report Highlights:

Australia is a prosperous and industrialized nation with a stable economy. 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 with good value. The United States accounted for US\$1.2 billion or 11 percent of Australia's total food related imports in 2019. Despite some impact due to COVID-19, Australia's economy has begun to recover, and consumer sentiment has rebounded.

Market Fact Sheet: Australia

Executive Summary

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

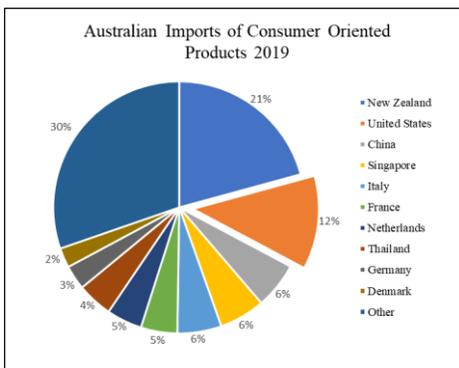
Australia is the world's 13th largest economy. Australia has one of the highest levels of per capita GDP in the world and is ranked sixth for median wealth per adult according to Credit Suisse's 2019 Global Wealth Report. Prior to the onset of COVID-19 the Australian economy recorded 29 years of consecutive economic growth. The Australian economy contracted by seven percent during the first half of 2020. A recovery in economic activity is underway across the country but is proceeding at an uneven pace due to continued outbreaks and associated lockdowns in some states. Australia implemented strong restrictions to COVID-19 and has had one of the lowest rates of infections globally.

The food and liquor retailing industry in Australia is valued at A\$164 billion (US\$115 billion). Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69 percent.

The U.S. - Australia Free Trade Agreement provides advantages for U.S. products as tariff rates for many U.S. food products exported to Australia are zero.

Imports of Consumer Oriented Products

The value of Australian consumer-oriented food imports totaled \$9.8 billion in 2019. The United States accounted for US\$1.2 billion or 12 percent of total imports.



Retail Food Industry

Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69 percent. The United States accounted for US\$1.2 billion (11 percent) of Australia's total food related imports in 2019. Despite the effects of COVID-19, the market remains an excellent opportunity for U.S. exporters. For more information, please see the latest [Retail Food Sector](#) report.

Food Processing Ingredients Industry

Australia's food, beverage, and grocery sectors account for over one-third of the country's total manufacturing sector. In 2019 turnover totaled US\$126 billion (A\$182 billion) a rise of three percent over the previous year. For more information, please see the latest [Food Processing Ingredients Sector](#) report.

Quick Facts CY 2019

Total Imports of Consumer Oriented Products – \$9.8 billion

U.S. Share (12%) – \$1.2 billion

Food Industry by Channels (\$ billion)

Imports - Consumer Oriented Total	\$9.8
Imports – US Share	\$1.2
Exports – Consumer Oriented Total	\$21.4
Exports – to the US	\$2.9
Total Food Retailing	\$124.0
Food Manufacturing Turnover	\$82.5

Top Australian Food Retailers

Woolworths; Coles (Wesfarmers); Aldi; Metcash/IGA

GDP/Population

Population – 25.6 million; GDP (\$ trillion) – \$1.4

GDP per capita – \$57,000

Strengths	Weaknesses
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. Australia is a significant producer of a similar variety of agricultural products. Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Opportunities	Threats
<ul style="list-style-type: none"> The U.S./Australia Free Trade Agreement enables many U.S. products to enter Australia tariff free. Australian consumers are experimental and desire new and innovative products. Opportunity to trial innovative products and capture/gain market share. Opportunity to enter into private label arrangements as major players expand their private label offerings. 	<ul style="list-style-type: none"> “Buy Australian” campaign is significant. A focus on fresh food presentation by the major supermarket chains provides advantages to local producers. Most categories have substantial market leaders. Country of origin labeling is compulsory, and many Australian made products bear the “Australian Made” logo.

Data Sources: Trade Data Monitor; Australian Bureau of Statistics; Euromonitor; IBISWorld
Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. They share a common heritage, culture, 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, and its trade and economic links with emerging economies, particularly in Asia.

Australia is the world's 13th largest economy, with nominal GDP estimated to be \$1.5 trillion in 2019. Australia has one of the highest levels of per capita GDP in the world and is ranked sixth for median wealth per adult according to Credit Suisse's 2019 Global Wealth Report. Prior to the onset of COVID-19 the Australian economy recorded 29 years of consecutive economic growth. Australia implemented strong restrictions to COVID-19 and has had one of the lowest rates of infections globally. As of mid-December, Australia had just a few cases in returned travelers in quarantine and no community transmission.

The Australian economy contracted by seven percent during the June quarter, the largest decline since quarterly accounts began sixty years ago, but less than had been forecast. A recovery in economic activity is underway across the country but is proceeding at an uneven pace due to continued outbreaks and associated lockdowns in some states. Nationally, more than half of the employment lost in the initial downturn has been regained, but significant spare capacity remains in the labor market. Domestic recovery is set to be supported by the further easing in restrictions and substantial monetary and fiscal policy stimulus. Even after the GDP forecast upgrade, the severity of the downturn in the first half of the year means that GDP is not expected to return to its pre-pandemic level until the end of 2021.

In comparison to other regions, Australia has been relatively successful in containing COVID-19 however the impact of the virus on the Australian economy has been damaging and has led to the first technical recession in Australia since 1991-92. Consumer sentiment deteriorated significantly, weakening demand across most industries but rebounded to a seven year high in November 2020. Households scaled back discretionary spending due to fears relating to rising unemployment and economic uncertainty. Supply chain disruptions, and ongoing travel and tourism restrictions continue to affect recovery. Household spending is expected to strengthen in the first half of 2021, as the reopening of interstate borders and relaxation of social distancing measures encourage economic activity.

In March 2020, the Australian Government announced several measures aimed at slowing the spread of COVID-19 in the Australian community. These measures included mandating the closure of all food and beverage service operators except those offering delivery or takeaway services and at the same time banning all non-Australian citizens and residents entering the country. Lockdown periods were introduced along with mandated 'work from home' arrangements (where possible) across government and business. These

restrictions contributed to a sharp downturn in demand in the hotel, restaurant, and tourism sectors. Revenue in these sectors has dropped sharply in the current year.

Supermarkets and grocery stores, on the other hand, avoided being badly affected as consumers were forced away from their customary habits of eating out once or twice a week and switched to eating at home during significant lockdown periods. Revenue in the supermarket/grocery sector is forecast to increase in the current year.

The Australia-U.S. Free Trade Agreement (AUSFTA) came into effect in 2005 and 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 many other countries and regions. 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/>.

The United States is the most significant investor in Australia, accounting for over a quarter of Australia's total foreign investment stock. The United States is also Australia's largest destination for investment abroad, accounting for 28 percent of Australia's total overseas investment stock. Investment in Australia is facilitated in part by its stable macroeconomic management and ease of doing business (it is ranked 14th internationally in the World Bank's '[Doing Business](#)' index). Further analysis of the economic relationship between the United States and Australia is available at: <https://www.ussc.edu.au/analysis/enduring-partners-the-us-australia-investment-relationship>.

Australia has an internationally competitive agricultural sector that exports over 60 percent of its output. The Australian manufacturing sector has recently experienced some rebalancing in terms of sectors, products, technologies, and supply chains in response to long-term local and global shifts.

Although Australia is the 19th largest market for U.S. agriculture globally, for a number of products it is vital market for U.S. exports. It is the 9th largest market for U.S. consumer food products in total and even more important for some individual products (see table below).

Key U.S. Products to Australia

Product	2019 US Exports to Australia (\$m)	# Market for U.S. Exports
Consumer-Oriented Products Total	\$1,148	9
Pork & Pork Products	\$288	6
Waters, Non-Alcoholic	\$24	8
Dairy Products - Total	\$147	9
- Fresh Cheese	\$35	2
- Cheddar Cheese	\$15	3
- Ice Cream	\$22	4
Fresh Fruit - Total	\$99	9
- Table Grapes	\$50	3
- Peaches & Nectarines	\$6	4
- Citrus	\$24	5
- Cherries	\$12	8
Walnuts, Shelled	\$19	10
Pistachios, Shelled	\$6	8
Dog and Cat Food	\$88	4
Processed Fruit	\$56	7
- Dates, Fresh/Dried	\$18	2
- Cranberries, Dried	\$11	6
- Blueberries, Frozen	\$4	4
Processed Vegetables	\$52	10
Condiments and Sauces	\$42	6
Chocolate Products	\$40	8
Distilled Spirits	\$103	4

Source: GATS/FAS

Apart from a very strict quarantine regime, Australia 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. Information on ‘Doing Business in Australia,’ including importing is available at: <https://corrs.com.au/insights/doing-business-in-australia-2019>.

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 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.

Advantages	Challenges
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 II: Exporter Business Tips

As educated, affluent consumers, Australians are willing to try new products. The population has absorbed a growing number of newly arrived immigrants from all over the world who bring with them diverse dietary tastes. In addition, foreign travel is relatively common, especially by the generation now entering the work force, and these consumers have broadened their culinary horizons. Australian demographics are similar to those in the United States, with a large number of two-income families and the consequent need for more processed and consumer-ready foods. Australian consumers are oriented toward the same factors that many U.S. consumers seek – freshness, wholesomeness, and healthy lifestyles. To a large extent, they are prepared to pay extra for them.

Given Australia's large agricultural base, market prospects for U.S. food products are best in areas drawing on innovative products, economies of scale, and the U.S. position as a counter-seasonal supplier of fresh product. The United States faces competition in this market from New Zealand, European and Canadian suppliers, as well as from specialty suppliers in Asian countries. Domestic production is also well established and growing in product lines. Foreign investment in the Australian food sector is substantial, with many large multinational companies participating.

Generally, doing business in Australia is straightforward for U.S. exporters when compared with other foreign markets. Culture, language, and business practices are remarkably common. Subtle cultural differences do exist however, that can either invigorate or undermine a business relationship. In their dealings, both Americans and Australians are wise to take the time and effort to confirm that their perceptions about roles and expectations are consistent with those of their counterparts. Depending on the product or service to be exported, Australian agents/distributors expect support from their U.S. suppliers, including training, advertising, and promotion. Timely delivery of goods is expected and is rarely a problem, as major U.S. freight forwarders have offices in Australia. Air and sea freight are commonly used.

The Australian market requires that companies be price competitive, expect lower profit margins, and anticipate sales of smaller quantities. In addition to Australian domestic supply, products from all over the world are represented in this market, where sellers and end-users alike are searching for something new. It is important for U.S. companies to adapt their pricing to the local market, which is active and highly competitive. To structure prices competitively, suppliers must consider all the cost elements that imported products must bear. The key factors are freight rates; handling charges; a Goods and Services Tax (GST); marketing costs, such as advertising and trade promotion; and agent or distributor commissions. U.S. exporters should note that sea freight rates from the United States to Australia are high when compared with those from within Asia, and even from Europe.

The cost of living is generally higher in Australia, and this is coupled with higher wages. Australian wholesalers and retailers traditionally have sought the highest markup the market would absorb, rather than thinking of volume buying or selling. Suppliers need to be able to deliver quality products or services at attractive prices. To compete successfully, exporters should consider granting maximum wholesale discounts, keeping in mind that what may seem to be a small transaction to the U.S. exporter appears as a major order to an Australian buyer.

Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia. 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.

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.

Many 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.

Trade Shows

There is one major food and beverage show in Australia, Fine Food Australia, which is held every September alternating between the cities of Sydney and Melbourne. Fine Food is on the list of USDA's endorsed shows. Admission to Fine Food is "trade only" and is restricted to persons in the food, drink, equipment, and hotel and supermarket trades.

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.

Major buyers and importers from Australia and the Oceania region attend. Due to Australia's large geographic size and the high cost of internal airfares and transport, 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.

CONTACT:

Ms. Minnie Constan, Event Director
Diversified Communications Australia Pty Ltd

Email: finefood@divcom.net.au

Web: <http://www.finefoodaustralia.com.au/>

Fine Food Australia 2021 – Sydney

Sydney International Convention Centre, Darling Harbour, September 6-9, 2021

Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Import Food Standards and Regulations/Import Procedures

- 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.
- 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: <https://gain.fas.usda.gov/#/search>
- Exporters should also work very closely with their importers/distributors to ensure that all requirements are met *before* any product is shipped.
- Australia also has very strict sanitary and phytosanitary standards, which are an impediment to the import of many fresh food products.
- 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 utilize 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>.
- Food safety and plant and animal health import regulations can be found on the DAWR Internet site at: <http://www.agriculture.gov.au/import> or through links in the FAIRS report mentioned above.

Section IV: Market Sector Structure & Trends**Market Sector Structure****Retail Food Sector**

Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69 percent. The United States accounted for US\$1.2 billion (11 percent) of Australia's total food related imports in 2019. Despite the effects of COVID-19, Australia's economy is expected to recover relatively quickly, and the market remains an excellent opportunity for U.S. exporters. For more information, please see the latest [Retail Food Sector](#) report.

Food Processing Ingredients Sector

Australia's food, beverage, and grocery sectors account for over one-third of the country's total manufacturing sector. In 2019 turnover totaled US\$126 billion (A\$182 billion) a rise of three percent over the previous year. The industry is comprised of over 15,325 enterprises. For more information, please see the latest [Food Processing Ingredients Sector](#) report.

Food Service Sector

The Australian consumer foodservice industry is valued at A\$59 billion. Australia's commercial foodservice sector is a competitive market and with an ageing population, the institutional foodservice sector (aged care, hospitals, etc.) 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. Information on the effects of government reaction to COVID-19, and the effects of the restrictions introduced, are included throughout the [Food Service - Hotel Restaurant and Institutional Industry](#) report.

Market 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 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.
- **Snacking still popular** – two-thirds of respondents to a recent survey indicated that they eat between meals and that healthy snacks are a priority.

Section V: Agricultural and Food Imports

Trade statistics can be obtained at the publicly available **USDA/FAS Global Agricultural Trade System (GATS)**

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 processed foodstuffs. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. It should be noted, however, that fresh organic fruits and vegetables are not good prospects for this market due to mandatory import treatment requirements. 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 types of **products consumers are demanding include**: all natural; no artificial colors; low sugar/sugar free; no artificial flavors; and low fat/fat free. U.S. exporters who can 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 healthier, they have not completely ruled out buying confectionery products.

Section VI: Key Contacts & Other Information

FAS/Canberra

U.S. Embassy
Canberra, Australia

Tel: +61-2-6214-5854

Email: AgCanberra@fas.usda.gov

Food Standards Australia New Zealand

Email: info@foodstandards.gov.au

Web: <http://www.foodstandards.gov.au/>

Food & Beverage Importers Association

Email: info@fbia.org.au

Web: <http://www.fbia.org.au>

Attachments:

No Attachments