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Australia

Food Service - Hotel Restaurant Institutional

2018 Food Service Report

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Report Highlights:

Australia's commercial foodservice sector (i.e., full-service restaurants, fast food outlets, caterers, etc.) is a competitive market and with an ageing population, the institutional foodservice sector (i.e. hospitals, schools, residential care facilities, 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.

Post:

Canberra

Market Fact Sheet: Australia

Executive Summary

Australia's stable economy and strong trade and economic links continue to grow, particularly with emerging economies in Asia.

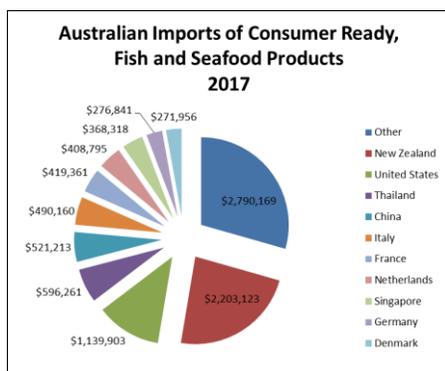
Australia is the world's 14th largest economy, with nominal GDP estimated to be US\$1.2 trillion in 2017. Australia has one of the highest levels of per capita GDP in the world (at around US\$50,000) and is ranked second for average wealth per adult. The Australian economy has enjoyed 26 years of consecutive 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.

The United States is by far the largest supplier of foreign capital to Australia. U.S. Foreign Direct Investment (FDI) accounted for around one quarter of Australia's total FDI stock in 2016, totaling \$195 billion. This has risen strongly over recent years to an estimated US\$860 billion, up from US\$130 billion in 2013. 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).

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

Imports of Consumer Oriented Products

The value of Australian consumer oriented, fish, and seafood imports totaled US\$9.5 billion in 2017. The United States accounted for US\$1.1 billion or 12% of total imports. The majority of Australia's imports from this sector are sourced from New Zealand, while the United States is the second largest supplier.



Source: Global Trade Atlas

Food Processing Industry

Food, beverage, and grocery manufacturing accounts for almost one third of the country's manufacturing sector. In 2015-16 turnover in this sector totaled US\$92.35 billion, of which food and beverage processing accounted for US\$75.63 billion, fresh produce US\$4.65 billion; and grocery (non-food) US\$12.29 billion

Retail Food Industry

The value of food and liquor retailing in Australia grew by 6% in 2017 to US\$116.7 billion. Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69%.

Quick Facts CY 2017

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

Food Industry by Channels (\$ billion)

Imports - Consumer Oriented, Fish & Seafood Total	\$9.5
Imports – US Share	\$1.1
Exports – Consumer Oriented, Fish & Seafood Total	\$17.5
Exports – to the US	\$2.6
Total Food Retailing	\$116.7
Food Manufacturing Turnover	\$75.6

GDP/Population

Population – 24.9 million
 GDP (\$ trillion) – \$1.3
 GDP per capita – \$50,000

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

Sources: Global Trade Atlas; Australian Bureau of Statistics

Strengths/Weaknesses/Opportunities/Threats

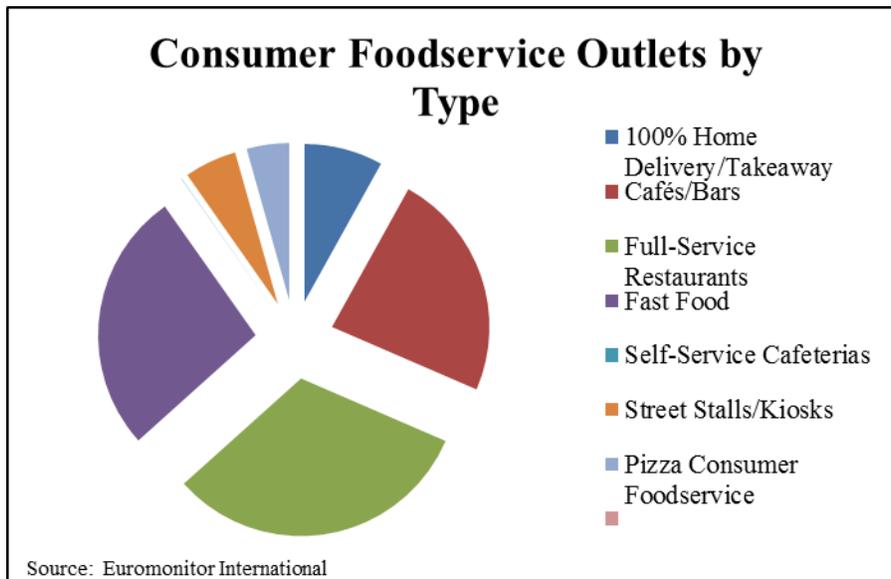
Strengths	Weaknesses
<ul style="list-style-type: none"> U.S. culture well accepted and similar to Australia. No language barriers. U.S. products have excellent image and acceptance. Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables. 	<ul style="list-style-type: none"> 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 similar agricultural products. Australian labeling and advertising laws are different from the U.S., which may require some changes to food labels.
Opportunities	Threats
<ul style="list-style-type: none"> The U.S./Australia Free Trade Agreement enables a majority of U.S. products to enter Australia tariff free. Australian consumers constantly seeking new tastes and cuisines. Strong dining out culture provides opportunities to supply the consumer foodservice sector with new products. Ageing population presents opportunities in the institutional foodservice sector. 	<ul style="list-style-type: none"> 'Buy Australian' campaign is significant. A focus on fresh local food by many restaurants and cafés provides advantages to local producers and suppliers.

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

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

SECTION 1 – MARKET SUMMARY

The Australian foodservice industry is valued at A\$57 billion (US\$41 billion). By far the largest proportion of the Australia’s food industry is the commercial foodservice sector, which consist of more than 70,000 outlets. There are approximately 20,000 outlets in the institutional sector. An ageing population is fueling faster growth in the institutional foodservice sector (5%) compared to the commercial foodservice sector (3.5%).



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

Dining out is a way of life for most Australians and it is estimated that more than one-third of Australian households’ total food and non-alcoholic beverage budget is spent on eating outside of the home. Almost two-thirds of Australians eat out at least once per month for breakfast, brunch, lunch or dinner. Casual dining (i.e., fast food outlets) is the most popular style of dining with fine dining outlets accounting for only 2-3% of the industry total.

Consumers are increasingly concerned about health issues associated with poor diets, excess weight, and obesity. This awareness is likely to result in a decline in demand for fried, greasy and other unhealthy foods or drinks, which have traditionally been sold by fast food establishments.

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. • Ageing population presents opportunities in the institutional foodservice sector. 	<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 U.S., which may require some changes to food labels. • “Buy Australian” campaign is significant. • A focus on purchasing fresh local food by many restaurants and cafés provides advantages to local producers and suppliers.

SECTION 2 – ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY

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

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

- [Fine Food Australia](#) (September 9-12, 2019 in Sydney), is the largest international food, drink and equipment exhibition in the region. The show is endorsed by the U.S. Department of Agriculture and is held each September, alternating between Sydney and Melbourne. Major manufacturers, buyers and importers from all over the country and region attend.
- [Foodservice Australia](#) (June 23-25, 2019 in Melbourne). Show targeted specifically at the foodservice industry.

MARKET STRUCTURE

Consumer Foodservice: Independent vs Chain Restaurants by Value

% value	2012	2013	2014	2015	2016	2017
Chain Foodservice	29.9	30.2	30.5	30.9	30.9	30.7
Independent Foodservice	70.1	69.8	69.5	69.1	69.1	69.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

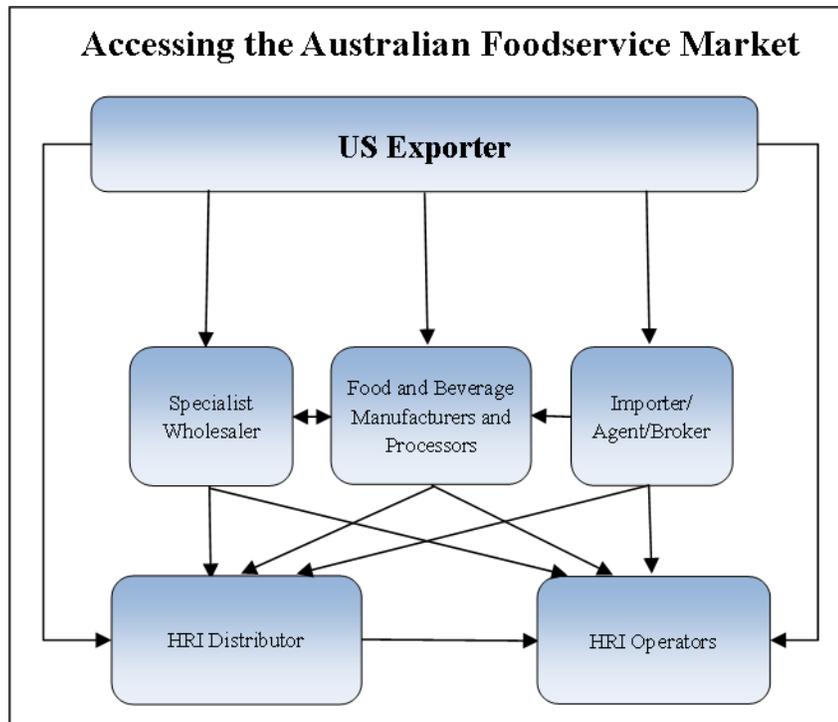
Consumer Foodservice: Independent vs Chain Restaurants by Type

Outlet Type	Independent	Chain	Total
100% Home Delivery/Takeaway	4,769	1,225	5,994
Cafés/Bars	14,776	2,618	17,394
Full-Service Restaurants	23,229	445	23,674
Fast Food	9,097	10,854	19,951
Self-Service Cafeterias	18	10	28
Street Stalls/Kiosks	3,480	508	3,988
Pizza Consumer Foodservice	1,978	1,270	3,248
Consumer Foodservice	55,369	15,660	71,029

Source: Euromonitor International

DISTRIBUTION

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



SECTOR TRENDS AND MAJOR PLAYERS

Restaurants –The Australian restaurant industry is highly fragmented and dominated by many small operators with over 24,500 individual businesses in Australia. Consumer demand for quality food and dining experiences has fueled restaurant industry revenue growth over the past five years. The success of popular cooking TV shows has encouraged consumers to eat at restaurants, boosting industry performance. Australia’s developing foodie culture, combined with increasing consumer health consciousness and a focus on quality, is expected to provide further growth opportunities. Restaurant operators have sought to take advantage of consumer desire for informal dining, with casual, healthier menu options driving sales. Operators are also focusing on higher quality meals and ingredients, for which many consumers are willing to pay a premium price. Rising discretionary income and growing consumer demand for quality food options are projected to support industry revenue growth over the next five years. However, restaurateurs are anticipated to face tough competition as other foodservice operators, such as fast food retailers, try to capitalize on consumer trends that favor eating out. Pubs, cafes and prepared meals from supermarkets are also potential competitive threats to the industry.

Cafes and Coffee Shops – Australia’s coffee culture and its growing number of specialty cafes and coffee shops have contributed to high industry competition. There are approximately 14,200 cafes and coffee shops in Australia. An establishment’s success is largely determined by its customer service, the price and quality of its products, and the overall cafe experience. Coffee quality is crucial, with the coffee brand, texture, temperature, milk, and even crema in an espresso becoming increasingly important to customers. Strong demand for coffee has led to an influx of new operators, with many artisan bakeries and patisseries establishing cafe operations. Consumers demand high-quality, convenient food and beverages, premium ingredients and gourmet cafe-style meals in this sector. Strengthening economic conditions and ongoing consumer interest in health and ethical consumerism also play a large part in the success of businesses in this sector.

Chain Restaurants – The Australian chain restaurants industry operates on a specialized business model that represents a hybrid between traditional restaurants and fast-food services. The concept has proven fairly successful in Australia over the years. Rising discretionary income and increased expenditure on recreation and culture (which tends to boost visits to chain restaurants) have supported growth. As consumers spend more at entertainment and sporting events, they are often more likely to dine at restaurants in conjunction with these activities. The industry faces intensifying competition from independent restaurants and cafes. There are 30 businesses in this sector with the major ones being: [Hog’s Breath Café](#); [La Porchetta Holdings](#); [Taco Bill Mexican](#); and [Fasta Pasta](#).

Fast Food and Takeaway – There are around 25,000 fast food and takeaway businesses in Australia. Consumer health awareness has transformed this sector over the past five years with increased awareness of the nutritional content of fast food and a conscious effort by consumers to choose healthier options have affecting industry demand. Industry operators have responded by introducing a range of healthier, premium choices with less fat, sugar and salt. This change in consumer preferences has also led to an influx of new operators offering higher quality fast food options driving consumers away from unhealthy options and towards healthy alternatives including salad and juice bars, and sushi stores. The shift towards healthier options, combined with foodie culture, has led to an increased number of smaller operators differentiating themselves based on quality. This trend has led to more gourmet options in the fast food market and new food options that were previously considered restaurant meals. Major players have sought to benefit from the food culture shift, introducing premium menus with higher quality ingredients. However, some operators have found it hard to change their image. Consequently, major players such as McDonald’s have struggled to keep up with the rapid growth of smaller premium operators. Fast food operators also face increasingly strong competition from external sources. Supermarkets have expanded their ranges of home-cooked meal replacements and heat-and-serve products such as pastas and pre-packaged mini meals. These retailers have emerged as one-stop shops that provide consumers with fast, affordable and high-quality food. Many of these products substitute traditional fast food. Traditional convenience stores have also attempted to access this market by expanding their fast food options such as pre-made sandwiches and salads, and baked goods. Major players are: [McDonalds Australia](#); Competitive Foods Australia ([Hungry Jack’s](#) which is the name of the Burger King franchise in Australia); [Subway Systems Australia](#); [Yum! Restaurants Australia](#) (KFC); [Domino’s Pizza Enterprises](#).

Hotels and Resorts – There are around 470 hotels and resorts in Australia (including luxury establishments). Most industry operators in this sector derive a significant portion of revenue (20%)

from the sale of meals and beverages prepared at onsite restaurants. Some hotels promote their restaurant and dining establishments as a major attraction. Some of Australia's major hotels, particularly upscale brands, are attached to high-end restaurants and other food-service options that aim to provide guests with onsite dining selections. Rising discretionary income and increasing inbound tourism have boosted revenues in this sector. Many hotels and resorts in Australia are locally owned and operated, but there are several large foreign companies with large portfolios in the market. These include: [Accor Asia Pacific](#), the industry's largest operator; [Event Hospitality and Entertainment Ltd](#); [Mantra Group](#); [IHG Hotel Management](#); and [Hilton International Australia](#).

Corporate Catering – There are over 1,100 establishments in this sector. The industry provides a range of catering services to businesses, government, hospitals, aged care facilities, defense forces, and correctional institutions. These services include one-off catering for events such as seminars, meetings and conferences. Industry operators also engage in full-service contracts, where operators manage full-company catering, company canteens. Larger industry operators dominate lucrative business contracts, while smaller operators tend to focus on catering lunches for small businesses within a narrow geographical region. Large players in this sector are: [Spotless Group Holdings](#); [Sodexo Australia](#).

SECTION 3 – COMPETITION

Imported products have to compete with “Australian Made” products and Australians generally have a keen awareness and affinity for buying Australian made goods. Over two-thirds of Australian consumers indicate they believe it is important for food products to be sourced locally. Higher prices continue to be a major drawback of local offerings and imported products need to be competitively priced in order to compete.

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

The U.S. is the second largest supplier (behind New Zealand) of imported consumer oriented foodstuffs to the Australian market, holding a 12% share in 2017, valued at over \$1.1 billion. U.S. products are well regarded as safe (with regard to food safety) and a good value for money. See the Exporter Guide Report for Australia available on the above website.

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

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

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

SECTION 4 – BEST PRODUCT PROSPECTS

Organic, healthy, and natural products trend 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 organic products. Prospects are excellent for organic and natural products and ingredients.

Australian's want to eat healthier but need help to make it happen and are willing to pay more for foods and beverages that don't contain unhealthy 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 provide ingredients and preparation methods that improve the nutritional profile of products will be strongly positioned to succeed in this market.

SECTION 5 – POST CONTACT AND FURTHER INFORMATION

POST CONTACT

Office of Agricultural Affairs

U.S. Embassy

Moonah Place

Yarralumla, ACT 2600

Australia

Tel: +61 2 6214 5854

E-Mail: AgCanberra@fas.usda.gov

IMPORT REGULATIONS

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

AUSTRALIA'S FOOD REGULATIONS

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

OTHER RELEVANT REPORTS

Copies of other reports from this office can be found by conducting a search at:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

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

USDA ENDORSED TRADE SHOWS

Fine Food is the largest food, beverage and equipment show in Australia and this region and presents U.S. exporters with the most efficient and cost-effective way to enter the Australian market. Australia is a very large country and internal transportation is expensive and time consuming. Fine Food offers an opportunity for U.S. exporters to access a 'one-stop-shop' for entry to the Australian market because a large number of the major importers, distributors, etc., exhibit at the show and at times represent other companies. This presents an ideal opportunity for U.S. exhibitors to meet with a majority of the big players in this market in one place. The show is held every September alternating between Melbourne and Sydney. In 2019 the show will be held in Sydney, September 9-12. Fine Food is endorsed by the U.S. Department of Agriculture. For information on participating in the U.S. Pavilion at Fine Food, please contact the Office of Agricultural Affairs listed above.

INDUSTRY INFORMATION

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

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IBISWorld, Catering Services in Australia, December 2017