

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia

### Retail Foods

### Retail Food Sector Report 2018

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**Report Highlights:**

Health, wellness, and the environment continue to be key purchasing factors for Australian consumers. Portion sizes are increasingly important as consumers want quality over quantity and they expect packaging to be informative and environmentally responsible. 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%. The United States accounted for US\$1.1 billion or 12% of Australia's total food related imports in 2017. Australia's economy continues to be strong and the market presents an excellent opportunity for U.S. exporters.

**Post:**

Canberra



The following exchange rates were used to convert Australian dollars to U.S. dollars for 2013 to 2017

|          | 2013   | 2014   | 2015   | 2016   | 2017   |
|----------|--------|--------|--------|--------|--------|
| A\$/US\$ | 0.9600 | 0.8990 | 0.7465 | 0.7434 | 0.7692 |

Source: Reserve Bank of Australia [www.rba.gov.au](http://www.rba.gov.au)

In circumstances where only fiscal year data is available (Australian fiscal year July-June), the following exchange rates have been used:

|          | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|----------|---------|---------|---------|---------|---------|
| A\$/US\$ | 1.0239  | 0.9148  | 0.8288  | 0.7272  | 0.7542  |

Source: Reserve Bank of Australia [www.rba.gov.au](http://www.rba.gov.au)

## 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, business-friendly regulatory approach, and strong trade and economic links with emerging economies, particularly in Asia.

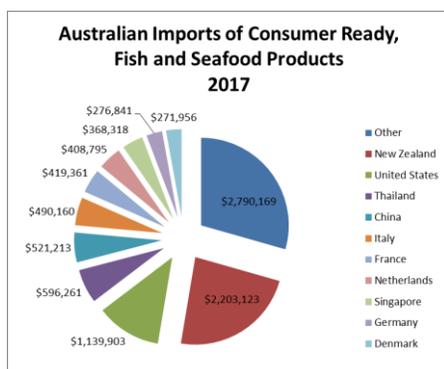
Australia is the world's 14th largest economy, with nominal GDP estimated to be US\$1.2 trillion in 2017. Australia has one of the highest levels of per capita GDP in the world (at around US\$50,000) and is ranked second for average wealth per adult. The Australian economy has enjoyed 26 years of consecutive 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 United States 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 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. 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, fish, and seafood imports totaled US\$9.5 billion in 2017. The U.S. accounted for US\$1.1 billion or 12% of total imports. The majority of Australia's imports in these sectors are sourced from New Zealand – 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 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

### 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  |

#### Top Australian Food Retailers

- 1) Woolworths
- 2) Coles (Wesfarmers)
- 3) Aldi
- 4) Metcash/IGA

#### GDP/Population

Population – 24.9 million

GDP (\$ trillion) – \$1.3

GDP per capita – \$50,000

Sources: Global Trade Atlas; Australian Bureau of Statistics

### Strengths/Weaknesses/Opportunities/Threats

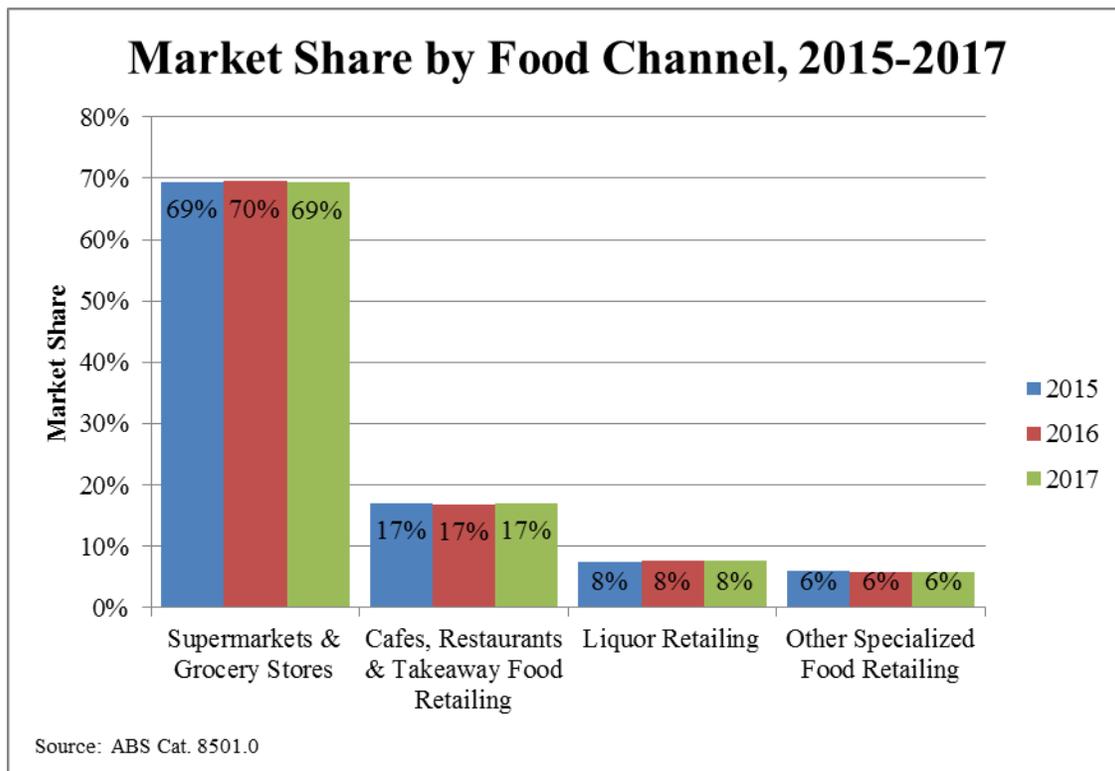
| Strengths                                                                                                                                                                                                                                                                                                                                                                                                                                            | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• U.S. culture well accepted and similar to Australia</li> <li>• No language barriers</li> <li>• U.S. products have excellent image and acceptance.</li> <li>• Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables.</li> </ul>                                                                                                                                                  | <ul style="list-style-type: none"> <li>• Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited.</li> <li>• Australia is a significant producer of a similar variety of agricultural products.</li> <li>• Australian labeling and advertising laws are different from the U.S., which may require some changes to food labels.</li> </ul> |
| Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                        | Threats                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <ul style="list-style-type: none"> <li>• The U.S./Australia Free Trade Agreement means that U.S. products enter Australia tariff free.</li> <li>• Australian consumers are experimental and desire new and innovative products.</li> <li>• Opportunity to trial innovative products and capture/gain market share.</li> <li>• Opportunity to enter into private label arrangements as major players expand their private label offerings.</li> </ul> | <ul style="list-style-type: none"> <li>• 'Buy Australian' campaign is significant.</li> <li>• A focus on fresh food presentation by the major supermarket chains provides advantages to local producers.</li> <li>• Most categories have substantial market leaders.</li> <li>• Country of origin labeling is compulsory and many Australian made products bear the "Australian Made" logo.</li> </ul>                             |

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

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

## SECTION 1 – MARKET SUMMARY

- The value of Australian consumer oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US\$9.5 billion in 2017. The U.S. accounted for US\$1.1 billion or 12% of Australia’s total food related imports. The majority of Australia’s imports in these sectors are sourced from New Zealand – the United States is the second largest supplier.
- The value of food and liquor retailing in Australia grew by 6% in 2017 totaling US\$116.7 billion. Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 69%.
- Consumer aspirations, both personal and social, along with product developments by suppliers and retailers, continue to be important influences on shopping choices. For example:
  - **Sustainability:** Consumers support products and brands that address concerns for better environmental outcomes. These aspirations have met with considerable investments by food producers and retailers into sustainability platforms to anticipate and respond to these changing consumer preferences.
  - **Waste reduction:** Consumers desire to reduce household food waste, partly to protect the environment and save money.
  - **Integrity of food production systems:** Consumers have supported products positioned to resonate with them (such as free-range egg, poultry, and meat products).
  - **Healthy eating:** The high profile given to obesity has increased the awareness of managing portion sizes.



## ***SECTION 2 – ROAD MAP FOR MARKET ENTRY***

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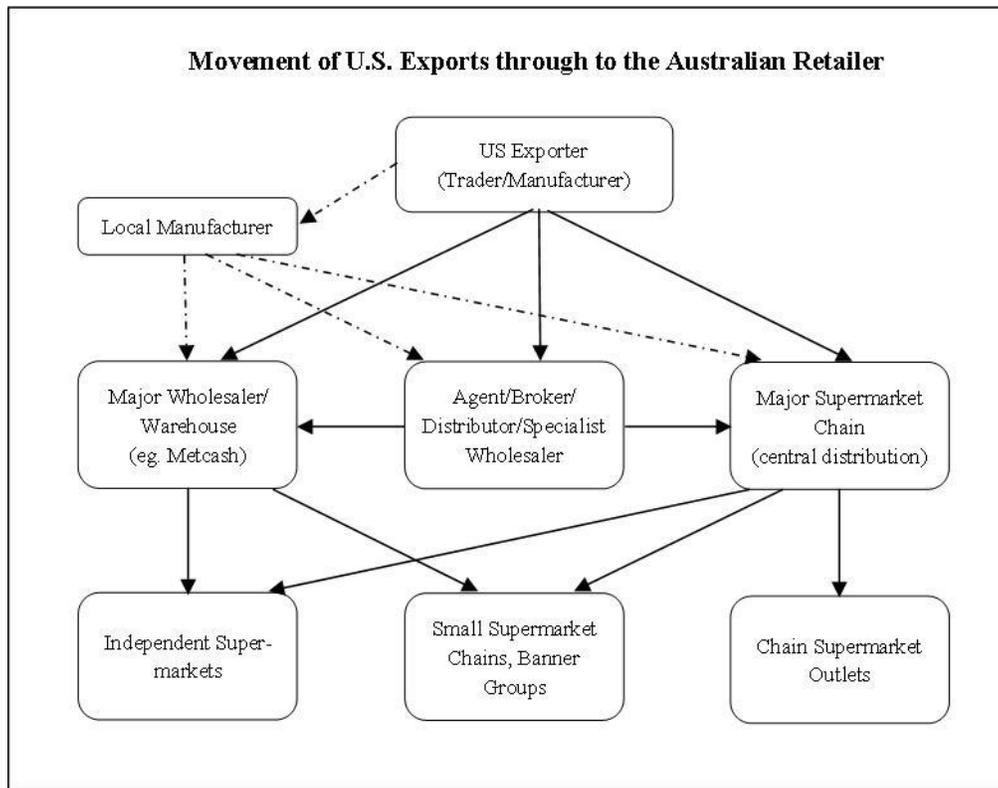
### ***ENTRY STRATEGY***

- Enter the market through a distributor, importer, agent or broker who then targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Major chains and wholesalers have their own distribution centers and national coverage. Targeting major chains through an agent/distributor will reduce the risk of entering an inappropriate state market in Australia. Specialist distributors or wholesalers may also be approached.
- Product promotion - product launches for supermarkets are popular and effective. Provide agent/distributor with promotional material and product suitable for in-store demonstrations. Promotional formats may vary.
- To enhance marketing activities, exporters should consider combining promotional advertising such as in-store displays and store catalogues, major industry magazines (e.g. Retail World), newspapers, television, radio and public transport.
- Exhibit at Australian food shows. Fine Food Australia, the premier international food, drink and equipment exhibition is endorsed by the U.S. Department of Agriculture and is held each September, alternating between Sydney and Melbourne (see <http://www.finefoodaustralia.com.au/> for more information). 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, exhibiting at trade shows such as 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.

### ***MARKET STRUCTURE***

#### **Distribution Channels**

- Distribution centers and wholesalers are the two main distribution channels to enter major supermarkets and smaller supermarket chains. Distribution points in Australia are centralized. All major supermarket chains and warehouse/wholesale clubs operate their own network of national and regional distribution centers.
- Food products will be stored in warehouses prior to delivery.
- Transport between distribution centers in Australia is predominantly by road.
- Product flows in a similar manner for each of the major supermarket chains, with each operating central distribution centers.
- Independent supermarkets and smaller supermarket chains purchase their food products through the major wholesalers or direct from manufacturers. The larger chains are also direct importers.
- Banner groups, such as the Independent Grocers of Australia (IGA), are used by a large number of independent retailers to improve the buying, advertising, and competitive power of smaller grocery and convenience stores. Under banner groups, retailers are able to negotiate better prices, coordinate marketing campaigns, and collaborate to establish new programs that benefit consumers.



### Types of Retail Outlets

- The **traditional grocery retailers** channel has been shrinking and losing market share to modern grocery retailers such as supermarkets. Liquor retail establishments have propped up this sector.
- Australians tend to choose **modern grocery retailers** over traditional ones due to the more comprehensive range of products than traditional retailers. Modern grocery retailers such as supermarkets also compete with the offering of food specialists such as bakers and butchers, as well as health food stores, confectioners, and newsagents. Furthermore, the scale of these modern grocery retailers allows them to offer better prices, further encouraging consumers to choose this channel.
- **Independent small grocers** remain at a disadvantage to modern grocery retailers due to their lower buying power and economies of scale. Furthermore, they are also unable to match the marketing spend of larger modern retailers leading to them struggling to compete against modern grocery retailers.
- **Food/drink/tobacco specialists** remained the leading distribution channel for **alcoholic drinks** in Australia in 2017. This channel was led by Woolworths' BWS and Dan Murphy's, Australia's biggest liquor retailer, and Wesfarmers' First Choice and Liquorland. Just over nine out of 10 sales of alcoholic drinks by value were from food/drink/tobacco specialists in 2017.
- The **other grocery retailers** channel is comprised of small retail formats with a primary focus on selling food, beverages, and tobacco. These include outlets specializing in health food, organic products, and dietary supplements, as well as those offering direct sales from producers such as vineyards, dairies, and farms.

## Grocery Sales by Retailer Type: A\$m

| Retailer Type                  | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| Convenience Stores             | 2,523   | 2,576   | 2,654   | 2,707   | 2,763   | 2,847   |
| Discounters                    | 3,884   | 4,666   | 5,273   | 6,088   | 6,818   | 7,529   |
| Forecourt Retailers            | 6,577   | 6,739   | 6,924   | 7,242   | 7,626   | 7,982   |
| - Chained Forecourts           | 5,394   | 5,604   | 5,839   | 6,178   | 6,583   | 6,938   |
| - Independent Forecourts       | 1,183   | 1,135   | 1,085   | 1,064   | 1,043   | 1,043   |
| Hypermarkets                   | -       | -       | -       | -       | -       | -       |
| Supermarkets                   | 76,440  | 78,618  | 80,033  | 82,793  | 84,562  | 88,414  |
| Modern Grocery Retailers       | 89,424  | 92,599  | 94,883  | 98,830  | 101,769 | 106,771 |
| Food/Drink/Tobacco Specialists | 15,683  | 16,319  | 17,037  | 17,167  | 17,270  | 17,739  |
| Independent Small Grocers      | 2,399   | 2,408   | 2,410   | 2,347   | 2,272   | 2,236   |
| Other Grocery Retailers        | 4,257   | 4,300   | 4,347   | 4,388   | 4,490   | 4,617   |
| Traditional Grocery Retailers  | 22,340  | 23,026  | 23,794  | 23,903  | 24,033  | 24,592  |
| Grocery Retailers              | 111,763 | 115,625 | 118,677 | 122,733 | 125,802 | 131,363 |

Source: Euromonitor International

## SECTOR TRENDS AND MAJOR PLAYERS

### Key Players

- **Woolworths** is an Australian-owned company that has been trading since the 1920s. Trading under the logo of the "Fresh Food People," the company operates in Australia and New Zealand, as well as India (through a partnership with Tata Group). In Australia, the company's core business is grocery retailing through supermarkets and convenience stores. Woolworths is the number one player in the grocery sector with a 37% value share of the market in 2017.
- **Coles** supermarkets are part of Wesfarmers Limited and are the second largest player in the grocery sector with a 30% value share in 2017. Coles have been able to turn around a lagging performance by achieving one of the fastest rates of growth for sales per outlet through revitalization of their stores, aggressive discounting, growing their private label offering, and a strong emphasis on advertising.
- **Aldi Stores Supermarkets Pty Ltd**, the German based international discount food retailer which began trading in Australia in 2001, is the only discounter in Australia and continues to increase its market share (9% in 2017). Aldi has established strong loyalty among consumers as a result of a no-frills and honest approach to grocery retailing. Since its entry into the Australian market, the company has forged relationships with local manufacturers and producers, enabling it to portray itself as supporting domestic enterprises.
- **Metcash Trading Limited Australasia** ranks fourth in supermarkets in value terms (7% in 2017). Metcash is Australia's largest grocery wholesaler and is a leading marketing and distribution company operating in the food, and other fast moving consumer goods, categories. Its retail brands include IGA, Supa IGA (supermarkets), and IGA Express (convenience stores).
- Major players in the **convenience stores** segment are **Metcash** (through the banner group Lucky-7) with a 12.2% share; and **7-Eleven**, with 7.4% share.

- **Hypermarkets** – there are no hypermarkets in Australia, with no investment made by retailers to develop the channel since a failed attempt by Coles in the 1990s.

### **Trends in Retail Food and Sub-sectors**

- The supermarkets industry is one of the most fiercely competitive sectors in Australia with the rapid growth of German-owned ALDI over the past five years significantly altering the industry.
- ALDI has grown in popularity, partly due to its discount private-label products. This has forced the two established industry giants, Woolworths and Coles, to cut prices and expand their private-label product ranges.
- Changing consumer sentiment and shopping preferences have also influenced the industry's trading conditions. Shoppers have shifted their shopping habits over the last decade with some of the key determinants being food safety, location and good value.
- Most grocery shopping is still done in the major supermarkets with consumers preferring the convenience over supporting local and independent outlets. However, shoppers indicated that local green-grocers and markets hold sentimental value and they would choose to go to them if possible for their fresh fruit and vegetable purchases.
- Ongoing price wars between Woolworths and Coles have been exacerbated by the rise of ALDI, which has led to lower prices over the past five years.
- Supermarkets and grocery stores continue to maintain the vast majority of the retail food market share, at around 70%. The market share of cafés, restaurants and takeaway food outlets is around 17%, reflecting consumers' continued desire for convenience. Other food retailers, such as butchers and bakeries, remain relatively stable with around 5-6% market share.
- Aggressive pricing initiatives taken by the major supermarket retailers in recent years are expected to last for the longer term. Competition within grocery retailing is expected to intensify with aggressive discounting continuing to be used to appeal to value-conscious consumers.
- Competition between major supermarket chains has encouraged segment and product discounting strategies. Smaller supermarket chains and independent supermarkets are facing increasing price competition. However, they remain in the market due to their convenience factor, the scale of the market in remote areas, and customer loyalty.
- **Private label** in Australia tends to be more prominent in the grocery channel. ALDI's private-label strategy has been so successful in Australia that it has changed the perception that Australians had of the quality of private-label brands.
- Leading supermarket operators, Coles and Woolworths, are increasing their range of private-label products each year.
- Grocery retailers are also diversifying their ranges of private-label by developing different segments in terms of sophistication and pricing. Better-for-you products, such as organic or gluten-free packaged food are gaining momentum within private-label in grocery, as they are more competitively priced than branded products. Private-labels good are now offered across all segments, from basic to high-end and organic ranges.
- The major supermarkets are investing heavily to grow their share of private-label. Changing consumer shopping trends and the increasing popularity of private-label goods in ALDI stores have led to Coles and Woolworths improving their private-label merchandise ranges. The private-label segment has grown strongly over the past five years, now accounting for approximately 25% of all supermarket sales.

- David Jones, one of Australia's major department store chains, is looking to expand into the gourmet food market, and is expected to stock its establishments with high-quality private-label products, putting further pressure on existing players.
- Consumers who traded down to lower-priced products during the GFC are continuing to shop with a highly value-conscious mindset. Growing satisfaction with private label products has resulted in many consumers sticking with those products even during periods of positive consumer sentiment when they would have previously switched back to branded products.
- **Warehouse clubs** made an aggressive expansion in 2011 following the launch of Costco's first store in Melbourne in 2009 and its expansion since to all main cities across Australia. This presents a further challenge to value gains for supermarkets. Costco has gained significant consumer interest due to its bulk sales and low pricing structure across both its grocery and non-grocery product ranges. Costco remains the only warehouse club in the Australian market and offers a variety of U.S. products.
- **Convenience stores** focus on providing a daily routine stop for consumers, with an emphasis on driving visit frequency through selling freshly prepared hot food and drinks to attract time-pressed customers. The industry only includes businesses that primarily sell convenience store goods and excludes all service (gas) stations and is therefore highly fragmented and diverse, with a significant number of owner-operated enterprises which include stores operating under banner groups and franchise agreements which are usually run as individual businesses.
- Although not considered part of the 'convenience' sector, Woolworths and Coles are large competitors in the sector through alliances with petrol retailing companies. These large retail chains have significant economies of scale and are able to offer lower prices and a wider product range. This constrains revenue and demand for traditional convenience store products.
- Many convenience stores have attempted to change their image over the past five years. Once regarded as expensive alternatives to supermarkets, many consumers now see convenience stores as a quick and easy source of basic groceries, fresh milk, beverages and confectionery. While high prices and limited product lines have made them less popular than local grocery stores, consumers are often willing to pay the higher prices as a trade-off for the convenience and quick service. Many consumers use convenience stores to top up on daily needs, rather than as a place to do the weekly or monthly shop.
- Convenience stores are projected to continue battling against the big supermarkets over the five years through 2022-23, with industry revenue forecast to grow by an annualized 0.4% over the period. This marginal rise in revenue will largely stem from a greater focus on fresh food and an increased range of services.
- The **independent small grocers** channel has been struggling to differentiate itself in order to compete with modern grocery retailers, with many players exiting the channel or joining a larger banner. This channel will remain at a competitive disadvantage to supermarkets due to the weaker buying power and economies of scale of the larger businesses. Independent players are also unable to match the marketing budgets of larger retailers and will therefore struggle to compete.

## Consumer Trends

- **Positive nutrition:** The drive to make food and beverages healthier continues to gain momentum in Australia. Australian consumers are looking for constructive guidance to assist their food and beverage purchases rather than being told “what not to eat.” 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. Claims such as ‘portioned indulgence’ or ‘treat size’ convey the message that sensory benefits have not been foregone for health’s sake.
- 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.
- **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 five food priorities** were: 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.
- **Health concerns** among Australians increasingly encompass not only finished products, but also the production process. The same is true with regard to ethical and environmental concerns, with issues like sustainable production, fair wages for farmers and animal welfare playing an increasingly influential role in consumer purchasing decisions.
- **Organic** packaged food is second strongest performer among the main health and wellness packaged food categories in this regard, after “free from.” One factor constraining the development of this sector in Australia is the difficulty in obtaining official accreditation, a process that can take up to three years. This is among the reasons why organic packaged food products tend to have high prices as compared to standard alternatives, which limits demand. Demand for organic products is becoming somewhat restricted by growing consumer interest in **free from** packaged food, particularly from dairy and gluten varieties. Demand for organic products is also bolstered by consumer concerns about the health effects of genetically modified organisms (GMOs).
- Demand for organic packaged food is expected to continue outstripping supply, which will continue to hinder the development of the category as a whole, but presents excellent opportunities for U.S. exporters.
- The accessibility of organic packaged food products to Australian consumers will continue to improve over the forecast period. The expansion of private label organic ranges by retailers like Aldi, Woolworths, and Coles will be a key driver of this trend as they maintain wide portfolios that cover multiple organic packaged food categories. Concerns over the environmental impact of food production and rising health awareness will continue to lead many consumers to buy organic whenever possible. However, ongoing supply shortages mean that many companies may struggle to meet rising demand.
- **Packaging** has grown in importance in recent years and innovative packaging is a valuable selling point in the Australian market. 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. Australian consumers expect that packaging will 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. In 2018, due to consumer demand, major supermarkets are removing as much plastic packaging as possible from their fresh produce sections.

- Australian consumers have been slow to go **online** for groceries, preferring to shop in-store, particularly for fresh products. However, time-poor customers and Australia's ageing population have boosted industry growth over the past five years. Investment in e-commerce platforms or a digital strategy has been largely limited to supermarkets and food/drink/tobacco specialty shops. Australian consumers are still heavily entrenched in the habit of shopping for groceries in stores, inspecting and selecting fresh products, and comparing prices on the shelves.
- Value-driven consumers also tend to perceive that online prices are higher than in-stores, especially with the aggressive price promotions evident in supermarkets. High delivery fees as well as inconvenient home delivery times have deterred some customers, leading to the major supermarkets to roll out expanded 'click and collect' arrangements, allowing customers to order online and pick-up their groceries from the store.
- Demand for online grocery services is projected to continue rising over the next five years, particularly once AmazonFresh enters the industry later in 2018.

## **SECTION 3 – COMPETITION**

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### **Competitive Analysis**

- Imported products will have to compete with ‘Australian Made’ products. 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 grocery products to be sourced locally. However, only one-third claims to actually buy local food and drinks regularly. Higher prices continue to be a major drawback of local offerings, with lower prices more important to some shoppers than a product being produced locally.
- Imported products need to be **competitively priced** to compete with the growing number of discount chain stores.
- **Food labeling** in Australia is stringent and has different requirements than in the United States. Full details of Australia’s 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](#).
- Manufacturers need to consider the costs involved with changes in labeling for a relatively small market (Australia’s population is almost 25 million). Sometimes the quantity required for the Australian market is not compatible with large volume U.S. production. An option that is currently used for some U.S. branded products is labeling that satisfies many different export markets. This assists in making the Australian market more accessible.

### **Comparative Advantage of U.S. Products**

- The United States 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 more than \$1.1 billion.
- The U.S./Australia Free Trade Agreement signed in 2005 allows most U.S. products to enter the Australian market tariff free.
- Due to the large U.S. market, 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.
- U.S. products are well regarded as safe (with regard to food safety) and a good value for money.
- The Australian market is very ‘Americanized’ and most food categories are compatible with Australian tastes. Many categories are already dominated by American brands, such as Kraft, Mars, Campbell’s, Kellogg’s, Coca-Cola, and Pepsi, who have been very successful in the Australian market.
- Most of these U.S.-owned food manufacturers also have a long-standing manufacturing presence in the Australian market, thereby making market entry easier.

### **Value of Overall Retail Food Sales**

- The following table summarizes total food retail sales and growth for the past five years. The total value of food retailing in 2017 was US\$117 billion.
- The supermarket and grocery sector accounts for 62% of food expenditure (US\$81 billion in 2017).

### Total Food Retailing Over the Past Five Years (US\$m)

| Description                                                       | 2013    | 2014    | 2015    | 2016    | 2017    |
|-------------------------------------------------------------------|---------|---------|---------|---------|---------|
| <b>Total Food Retailing (US\$m)</b>                               | 124,900 | 124,595 | 106,830 | 109,427 | 116,729 |
| <b>Supermarkets and Grocery Stores Food Retailing<sup>1</sup></b> | 86,729  | 86,181  | 74,167  | 76,064  | 80,935  |
| % of Total Food Retailing                                         | 69%     | 69%     | 69%     | 70%     | 69%     |
| <b>Cafes, Restaurants &amp; Takeaway Food Retailing</b>           | 20,221  | 21,248  | 18,191  | 18,478  | 19,951  |
| % of Total Food Retailing                                         | 16%     | 17%     | 17%     | 17%     | 17%     |
| <b>Liquor Retailing</b>                                           | 9,546   | 9,424   | 8,065   | 8,421   | 9,057   |
| % of Total Food Retailing                                         | 8%      | 8%      | 8%      | 8%      | 8%      |
| <b>Other Specialized Food Retailing<sup>2</sup></b>               | 8,404   | 7,742   | 6,407   | 6,464   | 6,787   |
| % of Total Food Retailing                                         | 7%      | 6%      | 6%      | 6%      | 6%      |

1. This category consists of units mainly engaged in retailing groceries or non-specialized food lines (i.e. grocery retailing, grocery supermarket operation, convenience store operation, etc.)

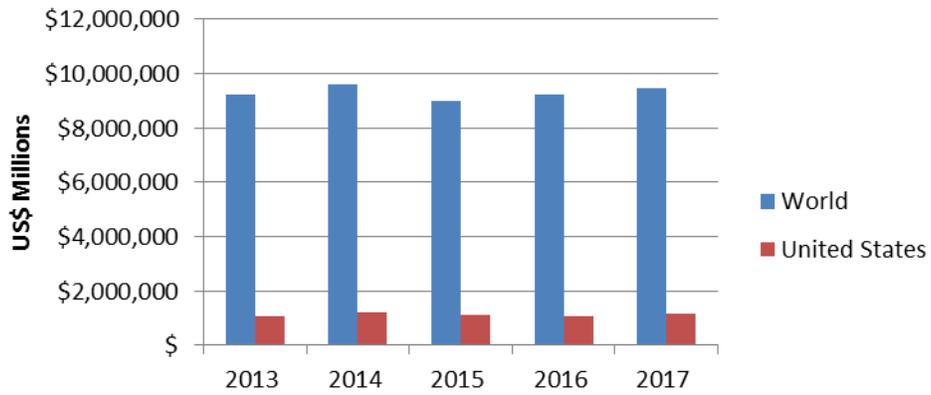
2. This category consists of units mainly engaged in: fresh meat, fish and poultry retailing; fruit and vegetable retailing; bread and cake retailing; milk vending, and confectionery.

Source: ABS Cat. No. 8501.0

### Value of Imported Food vs Domestic Products

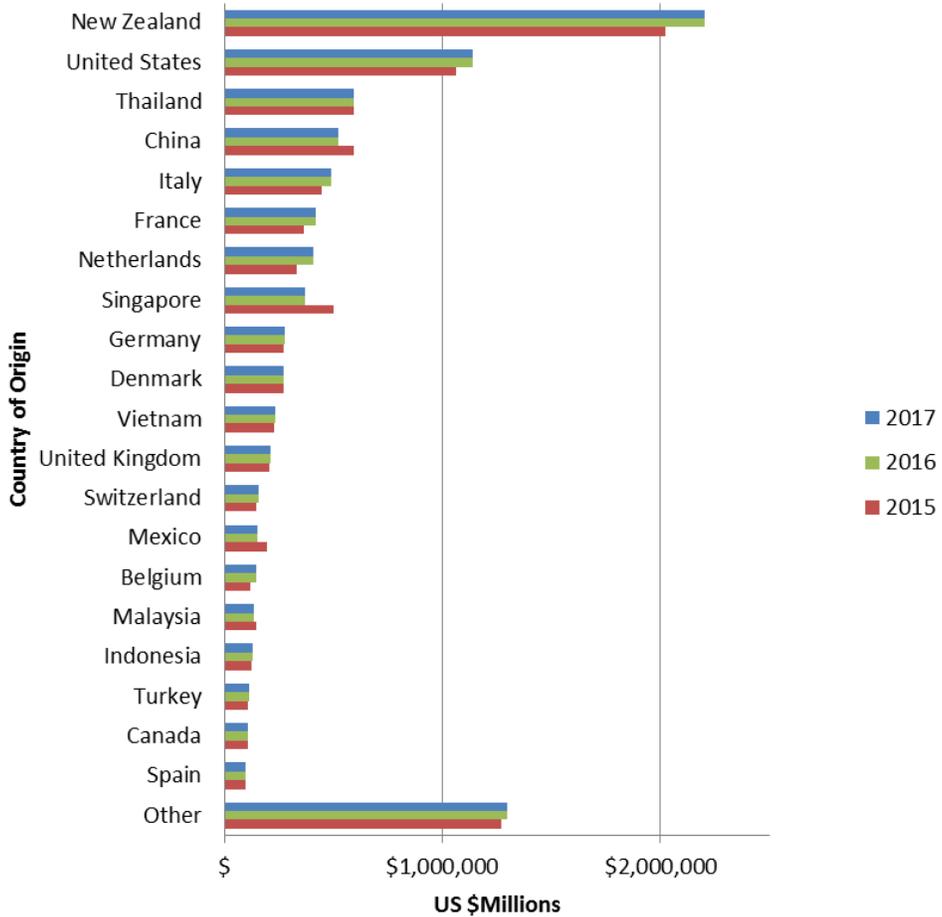
- The value of Australian consumer oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US\$9.5 billion in 2017.
- The United States accounted for US\$1.1 billion or 12% of Australia's total food related imports in 2017. The majority of Australia's imports in these sectors are sourced from New Zealand.
- Although most Australians would say that they want to buy Australian-made 'whenever possible' or 'often,' this does not translate into behavioral change in-store, as evidenced by the meteoric rise of Aldi stores in the supermarket sector.
- Factors that matter most to Australian grocery buyers are: high standards of food safety; location close to home; good value; convenient trading hours; and hygienically prepared food.

### Australian Imports of Consumer Ready & Seafood Products



Source: Global Trade Atlas

### Australian Imports of Consumer Ready & Fish & Seafood Products



Source: Global Trade Atlas data

## ***SECTION 4 – BEST PRODUCT PROSPECTS***

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- 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 organic products. 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 Australians want to eat healthier, but need help to make it happen. Almost 50% 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 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***

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### ***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](mailto: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](http://www.ausfoodnews.com.au) website.

### ***AUSTRALIA'S FOOD LABELING 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).

## **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. This year the Fine Food Show is in Melbourne, September 10-13, 2018.

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**

- **Australian Food and Grocery Council**  
Email: [info@afgc.org.au](mailto:info@afgc.org.au)  
Web: [www.afgc.org.au](http://www.afgc.org.au)
- **Food and Beverage Importers Association**  
Email: [info@fbia.org.au](mailto:info@fbia.org.au)  
Web: <http://www.fbia.org.au>
- **The Association of Sales and Marketing Companies Australasia (ASMCA)**  
Web: [www.asmca.com](http://www.asmca.com)  
The association is the peak industry body, which represents the interests of sales and marketing companies in Australia and New Zealand. A list of brokers in each state is also available on the [website](#).

## **REFERENCES**

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