

# Finding Familiarity—and Sales— In the Australian Market

Seeking something familiar for turbulent times? Picture this as your next export destination: a stable, modern, industrialized democracy with close U.S. ties, a vast land mass and well-to-do consumers whose language, culture and tastes seem almost like home.

Besides our neighbor up north, where might you look? Try down under.

Sydney, Melbourne and Brisbane lack the proximity of Toronto, Montreal and

Vancouver, but many products that score with U.S. or Canadian shoppers find a similar welcome in Australia.

Despite its distant location and modest population of less than 20 million, Australia consistently ranks among the world's 15 or 20 largest export markets for U.S. consumer foods and beverages. For snacks, processed fruits and vegetables, and pet food, Australia is among our top 10 customers.

Bulk commodities generally account for less than 10 percent of total U.S. agricultural exports to this market—not surprising, since Australia is itself a leading agricultural producer and exporter. Soybean

meal and other value-added intermediate products play a larger role in U.S. sales, but consumer foods typically top the list.

Exports of U.S. consumer foods to Australia climbed to a record \$171 million in 2000, up by half since 1994. Then traders got a taste of the downside last year as U.S. sales slumped 16 percent to \$144 million. Sales this year remained subdued, the result of a strong U.S. dollar and the slow-down in the Australian economy, among other factors.

Despite the fluctuations, the underlying trend has been upward—especially for products offering value and quality at com-



petitive prices. For U.S. exporters comfortable with the changing demands and competitive pressures of a dynamic market, prospects for sales growth in coming years look promising.

**Finding Success in a Crowded Field**

Like most markets, Australia presents a mix of attractions and challenges. Aside from the commonalities in language and culture, U.S. exporters will find an educated and affluent society, with the infrastructure to support a vibrant commercial sector. This includes a modern legal and financial system; state-of-the-art transportation and communications systems; and a well-developed, economically diverse market.

Although Aussie consumers show a preference for local products, they rely on imports to provide the wide selection of foods they take for granted. An estimated 85 percent of products on Australian su-

permarket shelves are either imported or produced locally by foreign companies.

Despite a crowded field, U.S. products have an excellent image and are widely accepted. Their success reflects a number of factors, including quality, variety and a

**AUSTRALIA PRESENTS A MIX OF ATTRACTIONS AND CHALLENGES.**

good match with the tastes and lifestyles of Australian consumers.

Equally important are effective consumer promotions, the complementary timing of the growing seasons in the two hemispheres and the perception that U.S.



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products offer good value for the money. For high-quality convenience foods, the United States is seen as the trendsetter.

Tariffs on most imported foods already are low (generally 0-5 percent), with more tariffs scheduled to be reduced in the next few years. However, strict quarantine regulations limit imports of many fresh products, including fresh fruits and vegetables, meats and dairy products.

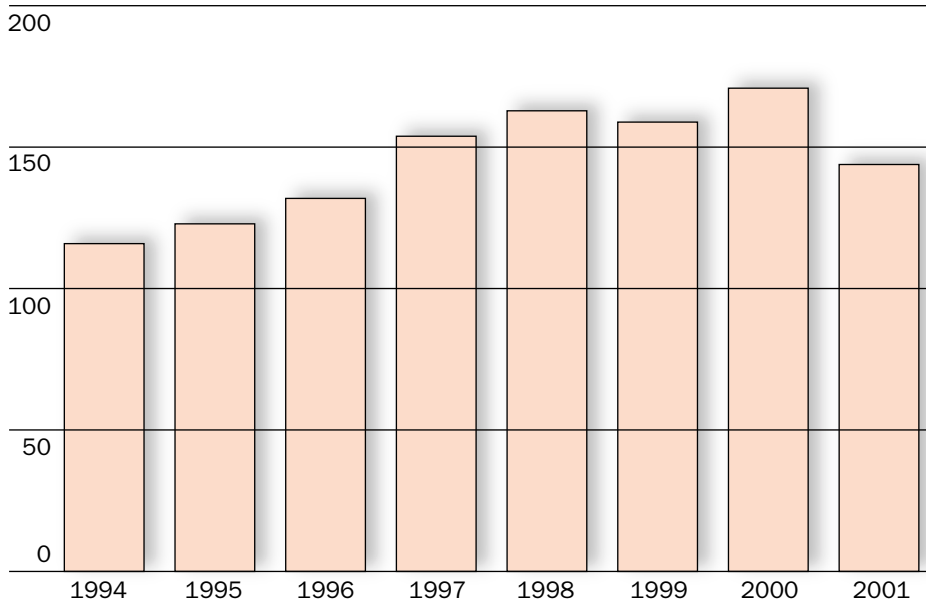
Another challenge for U.S. exporters comes from the major competitors in this market, including the United Kingdom and other European Union countries. Historic ties and common tastes in foods strengthen their position. As a neighbor and treaty partner in economic cooperation, New Zealand is the leading supplier in Australia's imported food market.

Brands manufactured in Australia, including a number of popular U.S. brands such as Mars and Gatorade, may enjoy an advantage over imports because of consumer familiarity with these brands. In addition, advertising campaigns sometimes capitalize on loyalty to locally produced products.

Of course, prices also influence a consumer's purchasing decisions, so exchange rates can be friend or foe to U.S. exporters. The current strength of the U.S. dollar relative to the Australian dollar adds to the challenge of maintaining competitive prices for many U.S. food products.

**U.S. Consumer Food Exports to Australia Scored Steady Gains Through Most of Last 8 Years**

\$ Million



## Making the Sale: Best Bets on How, When and Where

**F**or an exporter with truly global ambitions, missing a market may be an oversight. Missing a continent seems like downright carelessness. Australia is the world's only country occupying an entire continent.

It also has one of the most urbanized populations among developed countries. More than 85 percent of Australians live in large cities along the coast or in towns within 100 miles of the ocean. So, despite the small population and large land mass, the consumers aren't hard to find.

Here are a few tips, insights and information sources on getting products into the market and onto the consumer's table:

- Australian consumers have sophisticated tastes and are receptive to new-to-market products. At the same time, the increasingly diverse, multicultural population is opening more opportunities for ethnic foods.
- Because of their central role in servicing retail and other buyers, agents/distributors are often the best bet for exporters of consumer-ready foods. More than 90 percent of imported retail foods are distributed through agents/distributors, who can target specific food category managers at leading wholesalers and supermarket chains.
- Innovative packaging earns an advantage in this market.
- Exporters of unique and innovative products may benefit by joining forces with an established Australian company to manufacture under license.
- Most major Australian importers visit the United States at least once a year to check on product trends and place orders.
- Advertising pays, and product launches for supermarkets are popular and effective. Prizes, competitions, value-packs and in-store demonstrations work well for introducing new products, especially when coupled with advertising in major industry magazines and general media.
- Australians tend to take their annual vacations in December and January, combining Christmas and New Year's celebrations with the summer school vacation period. Business slows down, and appointments may be difficult to schedule.
- The joint Food Standards Code for Australia and New Zealand is on the Web at: [www.foodstandards.gov.au](http://www.foodstandards.gov.au)
- Import regulations can be found in the FAS Food and Agricultural Import Regulations and Standards (FAIRS) report on Australia. Go to the FAS Web site at [www.fas.usda.gov](http://www.fas.usda.gov), select **Export Programs**, then **FAIRS** and then **Australia**.
- In December 2001, strict labeling requirements went into effect for genetically modified foods (where the introduced DNA or protein is present in the final product).
- Fine Food, a large food and drink (also supermarket, hotel, restaurant and equipment) exhibition, is Australia's leading international food show. It's held each year, alternating between Sydney and Melbourne. The 2003 show will be held September 9-12 in Sydney. See the exhibition Web site at: [www.foodaustralia.com.au](http://www.foodaustralia.com.au)
- Population too small for your ambitions? Sink an anchor into the Australian market, and you may find a solid and convenient base for expansion into Southeast Asia.

The U.S. market share of Australia's total consumer food imports by value was estimated at 18 percent in 2001. This was second only to New Zealand, with a 32-percent market share.

### Just Like Home, Convenience Sells

Convenience, perceived health or dietary benefits and strong flavors are three themes that help sell products in this market. Among the best export prospects are pasta sauces, fresh and ready-to-serve soups, Asian-style noodles, premium spices, confectionery products, seafood, sports/energy drinks and frozen meals.

Pasta sauces make up one of the fastest growing categories in supermarket sales, providing consumers with a key ingredi-

ent for a fast, easy-to-prepare, flavorful meal. Fresh and ready-to-serve soups continue to gain in popularity as consumers seek a convenient, low-fat product with a homemade taste. Asian noodles, with a variety of sauces to match, have become hugely popular, and high-quality, whole spices got a strong boost from the introduction of disposable grinders in 2000.

The United States is the market leader in the fast-growing energy/sports drink category. Industry observers suggest that strength in this category is partly a reflection of consumer interest in products that look good, taste good and "do good."

In general, ready-to-eat, ready-to-cook foods have not attained the same level of acceptance that they have in the United

States or Europe, mainly because of the abundance of affordable, high-quality take-out foods. Nevertheless, as people become busier, they increasingly view cooking as a time-consuming chore, so this is one area where opportunities are expanding. Among frozen meals, new varieties that emphasize nutritional value are often perceived to be healthier than takeout foods.

Other growth prospects include hot beverages, such as herbal teas, and chilled, frozen and canned seafood. In recent years, the United States has ranked as Australia's third- or fourth-largest supplier, by value, of imported fish and seafood products.

The majority of Australians are stay-at-homes when it comes to evening meals, although nearly 30 percent of consumers—

## EXPORTERS ACTIVE IN THIS MARKET FIND THAT NEW OPPORTUNITIES EMERGE WITH SOME REGULARITY.

with younger age groups heavily represented—eat at least two evening meals per week away from home. Overall, according to a 2001 survey, 80 percent of evening meals come from supermarket or grocery store purchases. More than 90 percent of households have microwave ovens.

### Big Players Dominate Grocery Sales

Two companies now dominate the Australian grocery sales picture—Woolworths and Coles. Both are national in scope and have been acquiring smaller independent chains to maintain or expand market share. In recent years, these retail

giants have also become their own importers for many foods, bypassing the more traditional importers.

Woolworths has a 38-percent share of the grocery market, and Coles about 28 percent. Each chain has more than 600 stores concentrated in the states of New South Wales, Victoria and Queensland. Metcash is the primary supplier/distributor to independent chains, controlling about 12 percent of the grocery market. It has a virtual monopoly on wholesale deliveries to independents on Australia's east coast and also runs its own chain of Jewell stores.

While their numbers remain very small

compared with the major chains, more organic supermarkets have opened up in the last few years, particularly in northern New South Wales and Queensland. For essentials and snack foods, gas mart convenience stores play a significant and growing role in the retail market.

Major supermarkets generally offer a variety of products and services in addition to frozen and dry grocery products. These include fresh fruit and vegetable sections, prepared salads and pasta meals, bakery products, fresh seafood, large dairy cases with gourmet cheeses and delicatessen products.







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Home shopping for food and groceries through the Internet is rapidly expanding. Australia reportedly has the highest level of home shopping in the world, with 14 percent of the population participating. Woolworths offers online grocery shopping in parts of Sydney, Canberra and Melbourne, and Coles offers this service in Sydney and Melbourne.

Exporters active in this market find that new opportunities emerge with some regularity. In July this year, California table grapes began arriving in Australia after a decade of negotiations over a phytosanitary ban.

On a much broader front, the United

States and Australia recently agreed to pursue a free trade agreement to expand market access and address phytosanitary and other trade barriers. For U.S. exporters, such an agreement could add significantly to the wide variety of U.S. foods that have already found a place at the Australian table.

If you've pictured Australia as a vacation destination but not as a prospective market, chew on this: The land of kangaroos, koalas and crocodiles is also the habitat for 19 million generally affluent, educated, urbanized, English-speaking consumers with a hearty appetite for imported, value-added foods. ■

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For additional information, see FAS Reports AS2027, AS1039, AS1030, AS1024 and AS1023. To find them on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

