

# **AUSTRALIA**

## **Market Overview**

USDA's Foreign Agricultural Service (FAS) Office of Agricultural Affairs (OAA) in Canberra, hereinafter referred to as "Post," reports that Australia has proven to be an appealing and profitable market for U.S. companies. 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 Australian economy has rebounded strongly following the pandemic, although some labor shortages are still affecting manufacturing and agricultural sectors. International shipping delays have eased, and some importers are reporting some normalization of costs. Consumer confidence and spending have continued despite sharp rises in inflation.

The U.S.-Australia Free Trade Agreement (AUSFTA) also provides advantages for U.S. products, which are well regarded as high quality and good value. In 2021, U.S. exports of agricultural products to Australia totaled just over US\$1.6 billion, an increase of 12% over 2020. Australia ranks 10<sup>th</sup> in the world for U.S. exports of processed foods, totaling US\$1.1 billion in 2021, which was down 4% from that of 2020. Top U.S. processed food exports to Australia include food preparations, processed/prepared dairy products, alcoholic beverages, dog and cat food, chocolate and confectionery, canned, dried and frozen fruit, and snack foods.

## **Market Opportunities and Challenges to U.S. Food Exporters in Australia**

### **Opportunities:**

- 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.

### **Challenges:**

- Australia has strict quarantine requirements for fresh products, and import permits are required for fresh produce.
- Australia is a significant producer of a similar variety of agricultural products.
- "Buy Australian" campaign is significant.

### **Retail Sector**

According to Euromonitor, retail sales in the packaged food market in Australia reached US\$45.7 billion in 2021. That represents a growth rate of 15.5%, or US\$6.1 billion since 2017. By the year 2026, retail sales in the packaged food market in Australia are expected to reach US\$56.1 billion, a growth rate of 17.9%. High growth products in the forecast include ready meals, baby food, pet food, ice cream, frozen desserts, savory snacks, dairy products, edible oils, and cheese.

Post reports that prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Findings from a recent survey show that Australian consumers are adopting a back-to-basics mindset, focusing on simple ingredients and fewer artificial or processed foods. 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 are able to 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 also like indulgent sweet treats, which is an ongoing opportunity for confectionery and sweet snack suppliers.

### **Foodservice Sector**

The Australian consumer foodservice industry is valued at US\$44 billion. Australia's commercial foodservice sector is a competitive market and with an aging 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. The hotel, restaurant, institutional sector (HRI) has recovered well from the impacts of the pandemic, which included lockdowns and mandatory isolations over the past two years. All government restrictions were lifted in December 2021. With the strong recovery in foodservice, restaurants and cafes are trading at pre-pandemic levels, creating demand for a wide range of products.

Top product prospects include sauces and condiments, sliced and shredded cheese, specialty cuisine items including Mexican ingredients, U.S. BBQ seasonings, rubs, and specialty breads. Due to local supply and harvesting issues, processed potato products including frozen french fries and hashbrowns are in very high demand.

### **Food Processing Sector**

Post reports Australia's food, beverage, and grocery sectors account for over one-third of the country's total manufacturing sector. In 2021, food industry turnover totaled US\$77.6 billion, a rise of 1% over the previous year. The industry is comprised of more than 16,000 enterprises.

Australia mostly imports dairy products for manufacturing from New Zealand due to proximity; however, with sharp cost increases of both local and New Zealand products, U.S. dairy products have become competitive, creating opportunity for suppliers. The U.S. is a significant supplier of pork and value-added pork products for Australian food processors. Frozen boneless pork products are mainly used in bacon and small goods and increased costs of local product again provide more opportunities for U.S. suppliers.

Consumer concerns regarding health are growing, with health-conscious consumers shifting away from traditionally high-fat and high-sodium snacks. Consequently, demand for traditional snack foods, such as potato chips, has declined. Supermarkets are expanding their private-label offerings to include healthier and premium snack foods. This provides opportunities for U.S. tree nuts, dried fruits, dried beans, pulses, and extruded natural snack ingredients.