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## Australia

## Retail Food Sector

## Report

## 2003

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**Report Highlights:**

The total value of food retailing in Australia in 2002 was US\$37 billion. Over 70% of food expenditures occur within the supermarket and grocery sector. The total value of food and beverage imports in 2002 was US\$2.8 billion. Agents/distributors are the key to developing exports of U.S. consumer-ready foods to Australia. Product innovation drives growth in many product categories. Convenient, healthy, fresh and diverse meal solutions are a rapidly emerging consumer preference that provides potential for imported products.

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Disclaimer: As a number of different sources were used to collate market information for this report there are areas in which figures are slightly different. The magnitude of the difference is in most cases small and the provision of the data even though slightly different is to provide the U.S. exporter with the best possible picture of the Australian retail food sector where omission may provide less than that.



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**SECTION I. MARKET SUMMARY**

- The market for food grocery sales in Australia is concentrated along the east coast where population and disposable income is greatest. New South Wales (NSW) and the Australian Capital Territory (ACT) dominate with a 35.2% share of the supermarket and grocery sector, followed by 24.4% for Victoria, 18.8% for Queensland, 10.5% for Western Australia, 7.7% for South Australia, 2.1% for Tasmania and 1.2% for the Northern Territory.
- The predominant retail food outlets in Australia are superstore and supermarket chains, small "mom and pop" independent supermarkets and grocery stores, warehouse/wholesale clubs, convenience store chains and independents, and independent supermarkets operating under banner groups. There are only two hypermarkets (Pick 'n' Pay) in Australia, both are located in Brisbane and are owned by Coles Myer Ltd.
- Woolworths and Coles/Bi-Lo continue to hold the majority of the retail value share of the national packaged grocery market with 41.7% and 35.0% respectively. Independent retailers have increased their share of the market to 21.4% in 2002 from 18.8% in 2001.
- Most people rotate between a suite of stores. Only a very low percentage of people (10%) shop only in Woolworths stores and 50% of people shop in both Woolworths and Coles plus other supermarkets.
- The large international retail chain Aldi opened its first store in Sydney in January 2001 and now has 40 stores in New South Wales, 11 in Victoria and one in the ACT. Aldi is expected to operate more than 100 stores across Australia by 2004. Aldi held a 3.2% share of the NSW market in the first half of 2002.
- The major chain and independent supermarket outlets offer a variety of departments including fresh fruit and vegetables, meal solutions including salads and pasta meals, bakery products, fresh seafood, large dairy cases with gourmet cheese sections, delicatessen products and frozen and dry packaged grocery products.
- Australia does not have a system of wet markets; however, traditional fruit and vegetable and fish markets are still popular in all states. Independent grocery stores and smaller supermarket chains rely on these markets for supply. The major chains buy fresh fruit and vegetables, fish and meat directly from producers/suppliers and abattoirs.
- Convenience shopping has become a way of life for Australians as the number of convenience stores continues to grow. Much of the growth has been centered in Sydney. The trend towards inner city living is part of 7 Eleven's (a major convenience store chain) expansion strategy. Today the company has 23 stores in Melbourne's central business district (CBD), compared to none ten years ago.
- Gas mart convenience stores have continued to grow significantly, with the average consumer demanding a store that is close to home, clean and offering "the essentials".

Note: The following exchange rates were used to convert Australian dollars to U.S. dollars for 1997 to 2003.

	1997	1998	1999	2000	2001	2002	2003
AUD/USD	0.7374	0.6285	0.6440	0.5761	0.5128	0.5438	0.6312*

Source: [www.rba.gov.au](http://www.rba.gov.au)

\* Exchange rate for 2003 is the average of January – September only.

### Value of Overall Retail Food Sales Over the Past Five Years

- Table 1 summarizes the total food retail sales and growth for the past five years. The total value of food retailing in 2002 was US\$37 billion, which was an increase of over US\$3 billion from 2001. Over 70% of food expenditure (US\$27.4 billion) occurs within the supermarket and grocery sector, similarly experiencing an increase of 14% since 2001.

**Table 1: Total Food Retailing Over the Past Five Years (US\$ million)**

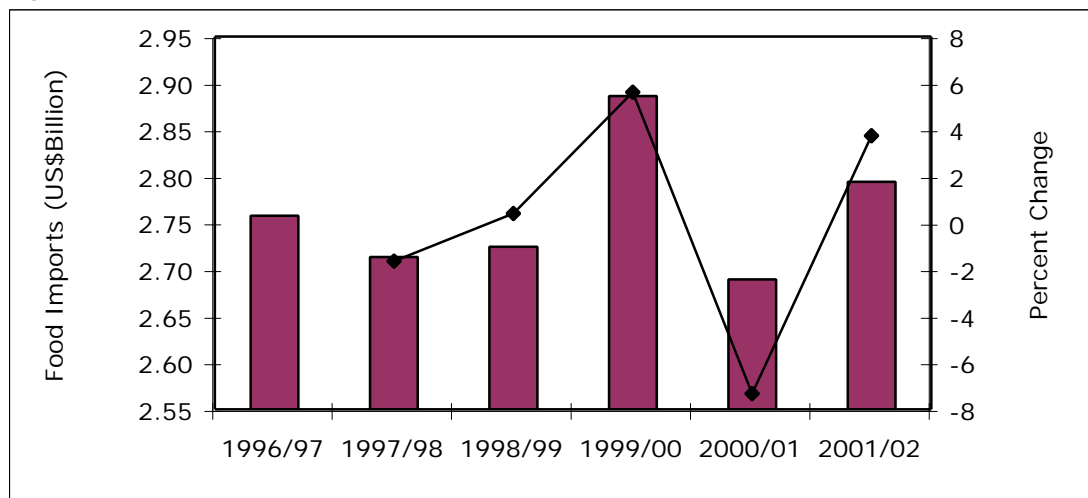
Description	1998	1999	2000	2001	2002
<b>Total Food Retailing</b>	35,280	36,858	35,300	33,088	37,307
Nominal Growth Rate U.S.	-10%	4%	-4%	-6%	13%
Nominal Growth Rate AU	6%	2%	4%	8%	6%
<b>Supermarkets and Grocery Stores Food Retailing<sup>1</sup></b>	24,362	26,295	25,352	23,781	27,044
Real Growth Rate	-10%	8%	-4%	-6%	14%
% of Total Food Retailing	69%	71%	72%	72%	72%
<b>Takeaway Food Retailing</b>	4,515	4,104	3,866	3,699	3,795
Real Growth Rate	-19%	-9%	-6%	-4%	3%
% of Total Food Retailing	13%	11%	11%	11%	10%
<b>Other Food Retailing<sup>2</sup></b>	6,403	6,458	6,081	5,608	6,468
Real Growth Rate	-4%	1%	-6%	-8%	13%
% of Total Food Retailing	18%	18%	17%	17%	17%

1. This class consists of units mainly engaged in retailing groceries or non-specialized food lines, whether or not the selling is organized on a self-service basis.

2. This class consists of units mainly engaged in specialized food retailing e.g. butchers, fresh fish retailing, fresh fruit and vegetable retailing, bread and cake retailing, milk vending and confectionery.

### Value of Imported Food vs Domestic Products Over the Past Five Years

- The total value of imports for the food and beverage sector in 2001/2002 was US\$2.8 billion. This figure includes products at three different levels of transformation, including minimally transformed (indicates basic refining or manufacturing processes), moderately transformed (implies that manufacturing processes have processed or refined raw material into a recognizable product) and elaborately transformed (indicates commodities have undergone processes to create an end use product). Of the total value of food imported into Australia, U.S. imports contributed US\$294 million in 1996, increasing to US\$338 million in 1998 and falling to US\$298 million in 2000.
- In Australian dollars, food imports have risen for the last six years and have a five-year average annual import growth of 7.9%. However, when converted to U.S. dollars (Figure 1), peaks and troughs appear and the five-year average import growth is reduced to less than 1%.

**Figure 1. Total Australian Food Imports from 1995-96 to 2001-02**

- Australian inputs (before value adding processes) into the food and beverage sector have been estimated for each sub-sector and are summarized in Table 2. Local inputs have been estimated by manipulating the latest available Australian Bureau of Statistics (ABS) statistics and are provided as an indicative estimate only.

**Table 2: Estimated Value of Domestic Inputs (2001/02)**

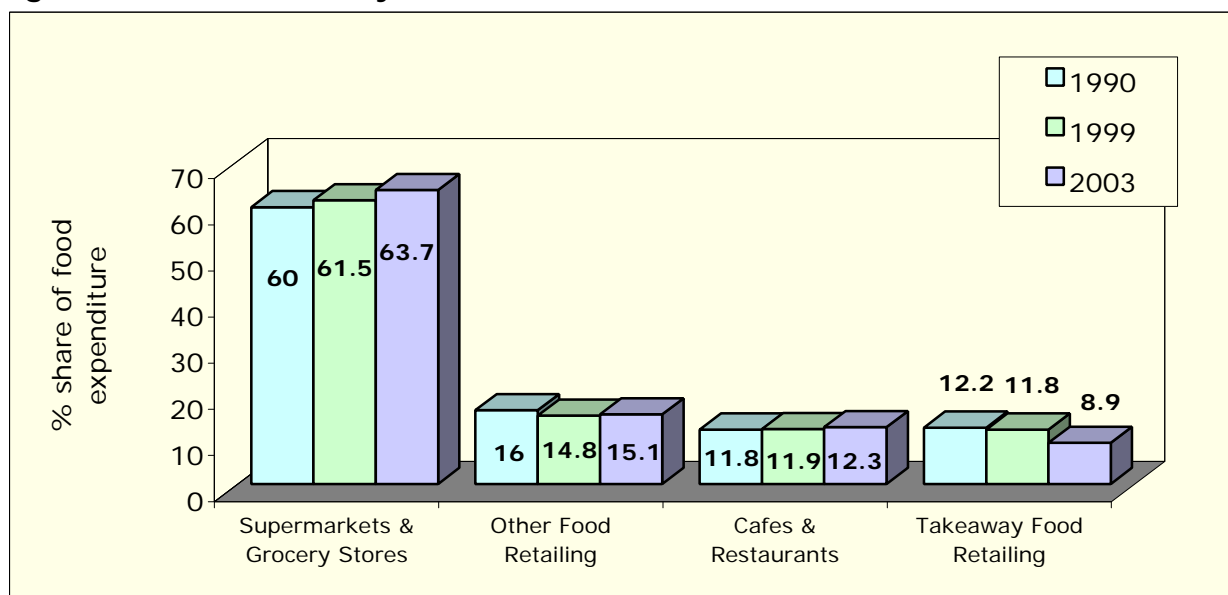
Substantially Transformed	Local Inputs (\$Mil)
Meat	4,392
Seafood	3,019
Dairy	986
Fruit and Vegetables	588
Oil and fat	1,091
Flour mill and cereal	534
Bakery products	2,208
Other food	2,482
Beverage and malt	15,299
<b>TOTAL</b>	<b>30,599</b>

### Expected Growth Overall Retail and Sub-sectors

- The introduction of the GST (Goods and Services Tax) in July 2000 caused negative real retail turnover growth for the first time since 1990. Retail turnover experienced a rapid post-GST recovery during 2001 and 2002, with above average real growth of 3.6% and 4.4% respectively.
- In the first quarter of 2003, retail turnover was down to the long-term average of 2.5%. High gasoline prices are most likely the cause of this decrease and AC Nielsen predicts that this trend could reverse over the remainder of 2003.
- Supermarkets and grocery stores continue to increase their share of the food sector as seen in Figure 2. 'Other food retailing' (which includes fruit and vegetable stores, hot bread shops, butchers and liquor stores) has lost nearly one share point from 1990 to 2003, restaurants and cafes are becoming more popular and takeaway retailing is continuing a downward trend.

- Convenience store sales are growing at more than twice the rate of sales in the grocery channel, with current growth over 10%. Tobacco dominates merchandise sales, followed by soft drinks and confectionary.
- Restaurants and takeaways have been negatively affected by the GST, unlike supermarkets that continue to grow.

**Figure 2: Market Share by Food Channel, 1990-2003.**



### Trends in Distribution Channels

- Distribution points in Australia are centralized. All major supermarket chains and warehouse/wholesale clubs operate their own network of national and regional distribution centers.
- Woolworths will reduce its supermarket distribution centers (DCs) from 31 to 9 regional and two national. This means that fewer DCs will handle up to three times the volume per DC. These new DCs will process all merchandise categories, requiring multiple temperature environments. The national DCs will be a source of slow moving products for all stores.
- 1999 saw the restructuring of the retail food sector with wholesalers divesting corporate supermarket outlets and developing banner groups such as IGA (Independent Grocers of Australia), Foodland, Foodlink, Food-way and Four Square. Global U.S.-based IGA system has been licensed to Metcash Limited (formerly David's Limited).
- In 2002, the non-IGA independents consolidated under three groups – FoodWorks, Australian United Retailers and United Star.
- Woolworths-owned Australian Independent Wholesalers (AIW) collapsed following the decision by FoodWorks to contract its supply business from Metcash.
- In December 2002 a new wholesaler formed, Australian Retail Logistix, to service the United Star Supermarkets Limited members under two banners, 5 STAR and SPAR. Their customers include 250 retail customers in four states.

- Banner groups 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.
- Metcash Trading Limited Australasia has taken over David's Limited (September 2000) to become a leading marketing and distribution company operating in the food and other fast moving consumer goods categories. It has three business units – IGA Distribution, Campbell's Cash & Carry, and Australian Liquor Marketers (ALM).
- Metcash is now equipped to receive EANnet information, i.e. able to receive electronic pricing catalogs from suppliers. EANnet v2.0 is the new on-line data synchronization catalogue for all industry sectors throughout Australasia.
- IGA Distribution has eight strategically situated distribution centers carrying around 14,000 items, which serve the dry, chilled and frozen grocery requirements of over 4,500 independent retail grocery stores on the Eastern seaboard of Australia and South Australia.
- Campbell's Cash & Carry operates 41 wholesale cash and carry warehouses across New South Wales, Victoria, Queensland and South Australia carrying 12,000 liquor, food service, grocery, dairy, frozen, confectionery and tobacco products. Campbells also specializes in distribution to the rapidly growing gasoline and organized convenience store sector.
- Australian Liquor Marketers is the leading broad range liquor wholesaler in Australia. It operates 16 distribution centers across Australia and New Zealand, carrying more than 8,000 products to meet the wine, spirits and beer requirements of more than 13,000 licensed premises.
- Aldi Supermarkets, the German based international discount food retailer, has established itself within the Australian market with approximately fifty grocery stores in three states and currently operates from two distribution centers, one in Sydney (40,000m<sup>2</sup>) and the other in Melbourne (50,000m<sup>2</sup>). Further expansion into Queensland will see a similar sized distribution center built south of Brisbane.
- Coles online has a centralized distribution center, which means a centralized fleet delivering to households across Melbourne and Sydney.

### Number and Type of Retail Outlets

Table 3 outlines the number of food retail outlets and percent change for the period 1997-2001. There has been close to a 50% reduction in total outlet numbers in the sub group 'banner traders and other independents' over the time period. The number of convenience stores has increased by 7% from 2000 to 2001, while other grocery outlets have fallen.



**Table 3: Grocery Market Breakdown by Outlets in Australia, 1997-2001**

	1997	1998	1999	2000	2001	% Growth (total)
Chain Store Outlets <sup>1</sup>	1,490	1,490	1,479	1,522	1,291	-13
Convenience Chain Store Outlets <sup>2</sup>	1,501	1,010	1,321	2,259	2,428	62
Banner Traders & Other Independents <sup>3</sup>	4,190	2,828	2,522	2,585	2,378	-43
<b>TOTAL</b>	<b>7,181</b>	<b>5,328</b>	<b>5,322</b>	<b>6,366</b>	<b>6,097</b>	<b>-15</b>

Table 3 was compiled by the Commercial Economic Advisory Service of Australia (CEASA) as part of the Australian Grocery Review, March 2001 (updated June 2002) to illustrate sector breakdown of outlets.

1. Grocery chains including Woolworths, Coles Myer Ltd, Bi-Lo (Coles), Franklins, Jewel (Metcash).

2. Convenience Stores

3. Warehouses, excluding convenience stores and Metcash's Campbells Cash & Carry, are included with independents.

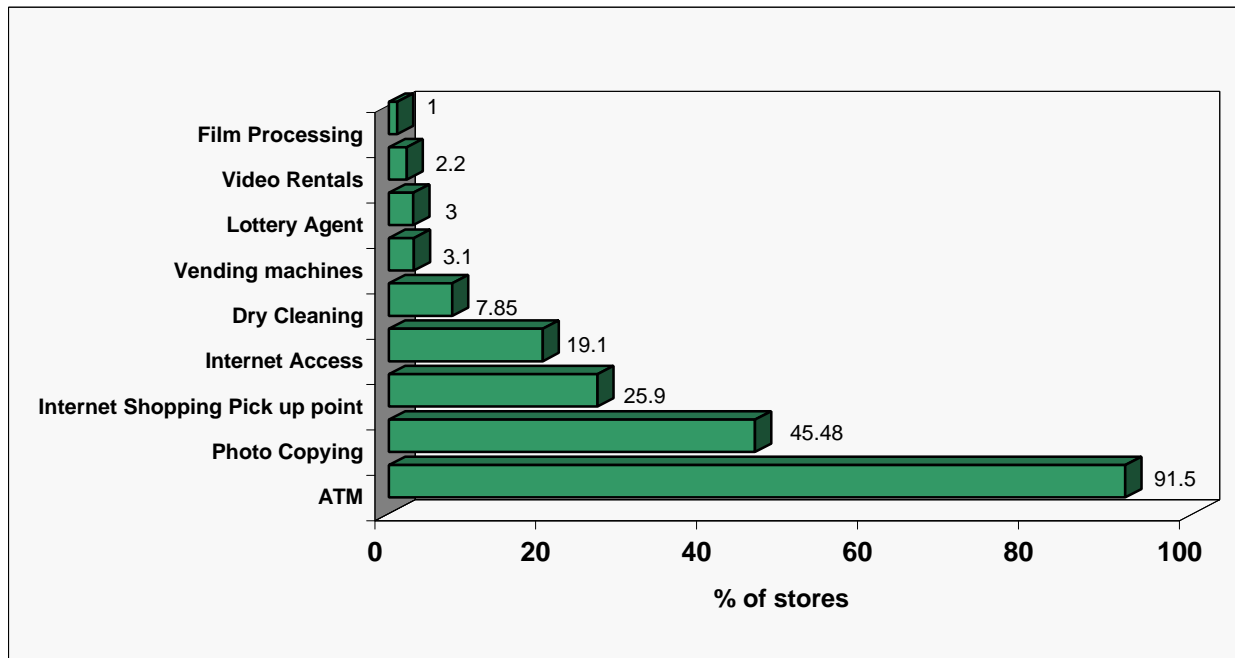
- 7-Eleven is Australia's leading convenience store chain. Numbers have continued to grow in 2003, with the number of 7-Eleven stores now reaching 300 and the company planning on expanding to 500 stores by 2005 (there were 267 7-Eleven stores in 2001). Of note, of 7-Eleven's 300 stores, almost 200 sell petrol.
- Woolworths and independents have been the principal benefactors of Franklins quitting the Australian grocery trade and selling its stores. The independents acquired 100 stores.

#### Trends in Services Offered by Retailers

- The leading chain supermarkets (Coles and Woolworths) have moved towards offering customers convenient shopping that aims to fulfill all of their needs under one roof, i.e. 'one stop shopping'.
- Retailer catalogues work in Australia and each of the major retailers distributes a full color 12-16-page catalogue to over six million homes every week.
- Woolworths currently offers a U.S. 8.3c a gallon discount on fuel at its 280 Plus Petrol outlets and has captured a 10% share of the petrol market, selling 12.2 million gallons a week.
- Woolworths is planning to expand its liquor business from the current level of US\$924.5 million to more than US\$1.4 billion
- Woolworths is preparing to expand into in-store pharmaceuticals by rolling out 100 in-store pharmacies this year.
- Coles Myer paid US\$51 million to take over more than 584 Shell service stations nationwide earlier this year (2003). The Coles Express fuel scheme is being trialed in Victoria, with the roll out to the rest of Australia to be completed by mid-2004.
- Coles supermarket services include: fresh fruit and vegetables, including organic produce; delicatessen; meat department; patisserie and cappuccino café; health foods; health and beauty department; and international and specialty foods. The service department offers dry cleaning, flowers, key cutting, photo developing, photocopying, and home delivery.

- Other new Coles retail innovations include the development of Coles Express stores in Sydney, Melbourne and Brisbane. Coles Express stores cater to the growing numbers of city dwellers, commuters and office workers who require meals on the run, quick service and value for money.
- Big W (owned by Woolworths) was the first to trial self-checkouts in the Southern Hemisphere. Another trial will occur in late 2003/early 2004 in Western Australia.
- Metcash intends to increase its range of generics/private labels by 50% in the next 3-4 years. IGA's First Label and Black and Gold (both generic labels for IGA) make up about 10% of the total sales of independent supermarkets throughout Australia.
- Discussions continue in Australia about the use of plastic bags in supermarkets, with some supermarkets moving towards providing plastic bag alternatives.
- Home shopping via the Internet is continuing to increase rapidly, with all of the major retailers offering this service. Online sales are projected to reach 8% penetration of the total grocery market by 2007-2008.
- Convenience stores offer a range of services (Figure 3). The most common service offered is an ATM, with 91.5% of stores having this facility.

**Figure 3. The per/cent of Convenience Stores offering specialty services 2001**



## Advantages and Challenges

**Table 4: Advantages and Challenges for U.S. retail food exporters**

Advantages/Opportunities	Challenges/Weaknesses
Affluent consumers concentrated in only a few geographical regions.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.
Australians are the highest users of online shopping for food/groceries. 14% of Australians who shop online buy food/groceries online, as concluded by a recent Taylor Nelson Sofres (TNS) report from a worldwide survey of 42,000 people.	Australian dollar has increased against the U.S. dollar making imports relatively less expensive, however, European and Asian imports are now also less expensive.
Purchasing for wider geographical areas will expand. There is currently a trend towards global retailing due to the global sourcing of products.	Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited.
Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables.	Australian made and manufactured products are advertised as such and some advertising campaigns create awareness of buying Australian.
Tariffs on imported food products are low, at 0% (e.g. canned or minced salmon, citrus, grapes, condiments, pet food, chilled beef, almonds), 3% or 5% (e.g. breakfast foods).	The canned food category is hardly growing because of the onset of alternative packaging and lack of manufacturer innovation in some segments.
Australian consumers are experimental and desire new and innovative ideas and authentic, restaurant quality taste sensations.	
Opportunity to trial innovative products and capture/gain market share in the canned food category.	
No language barriers.	

## SECTION II: ROAD MAP FOR MARKET ENTRY

### Entry Strategy

#### *Market Access for Imported Products*

- Enter the market through a distributor, importer, agent or broker who then targets specific food category/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 your agent/distributor will also reduce the risk of entering an inappropriate state market in Australia.
- Specialist distributors or wholesalers may also be approached. For example Trutaste Nuts is an Australian nut wholesaler supplying domestic and international markets with nuts sourced both locally and overseas. Similarly, Stuart Alexander & Co is a leading confectionary distributor.
- Promote your product. 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. For example:
  - EDLP: Every Day Low Price, including Rollback. Incremental lift is achieved by using display and catalogue only - the price remains constant from week to week.
  - Multi-buy: 3 for the price of 2 and by one get one free (BOGOF) offers have become a popular way of giving consumers a discount without reducing sales value.
  - Bonus offer: buy product A, get product B for free.
- Couple promotion with advertising such as in-store display and store catalogues, major industry magazines (e.g. Retail World), newspapers, television, radio and public transport.
- A 10% temporary price cut typically yields a 40% increase in sales, according to numerous studies conducted by ACNielsen's Advanced Analytics team. However, in-store display can add an incremental 65% and catalogue another 20-25% to baseline sales.
- Exhibit at Australian food shows, which are popular. Fine Food Australia, the premier international food, drink and equipment exhibition, is an annual show, alternating between the cities of Sydney and Melbourne. In 2003, Fine Food was held in Sydney. It featured 570 exhibitors and attracted 26,317 trade visitors. There were exhibitors from 27 countries including the United States. In September 2004, Fine Food will be held in Melbourne.
- Product may also be sold through Internet home shopping, which has developed rapidly in Australia.
- For unique and innovative products it may be appropriate to join forces with an Australian company to manufacture under license. U.S. products may then obtain brand recognition and a committed sales force.

#### *Competitive Analysis*

- Imported products will have to compete with "Australian Made" products. There is a general awareness and affiliation for buying Australian made goods amongst the wider population.
- Imported products need to be competitively priced to compete with the growing number of discount chain stores, e.g. Aldi.

- Convenient, healthy, fresh and diverse meal solutions that are easy to buy, easy to store and easy to eat, is a rapidly emerging consumer preference that provides future potential for imported products.
- The use of food brokers in Australia is increasing. Food brokers can assist market entry by bridging the gap between retailer's reports and what is actually happening in the supermarkets. Brokers can also assist in getting a new product into distribution quickly. Some companies also offer warehousing and distribution options.

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

- 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 in Australia. This enables U.S. exporters to deliver innovative product lines that are otherwise not available from Australian manufacturers. For example, the new packaging used for Hormel Foods kids meal, a plastic base (that can be heated) with a metal ring pull. This element of design fits well with the concept of 'time poor consumers' who want convenient packaging.
- Ready to eat meals are still underdeveloped in Australia compared to the United States. This is another area where there is opportunity for U.S. products to enter, although there are quarantine issues with regard to products containing meat and egg products.
- Branding can be an advantage as many U.S. brands have significant market shares.

### ***Ability or Willingness of U.S. Exporters to Meet Market Requirements***

- The Australian market is very 'Americanized' and most food categories are compatible with Australian tastes. Indeed, many categories are dominated by American brands, such as Mars, who have been very successful in the Australian market. However, some American product launches have not been so successful, especially within the chocolate confectionary segment.
- Many U.S.-owned food manufacturers have an existing presence in the Australian market thereby making market entry easier.
- Food labeling in Australia is stringent, and manufacturers will have to weigh up the costs involved for manufacturing changes for a relatively small market (Australia's population is approximately 20 million). Sometimes the quantity required for the Australian market is not compatible with the large volume U.S. production runs.
- Another option that is currently used for some American branded products (for example Pringles) is labeling that satisfies many different export markets. This assists in making the Australian market more accessible.
- It is often helpful to engage a broker who knows the market, knows what the retailers need by way of presentation documents, and, generally, has high-level trade relationships.

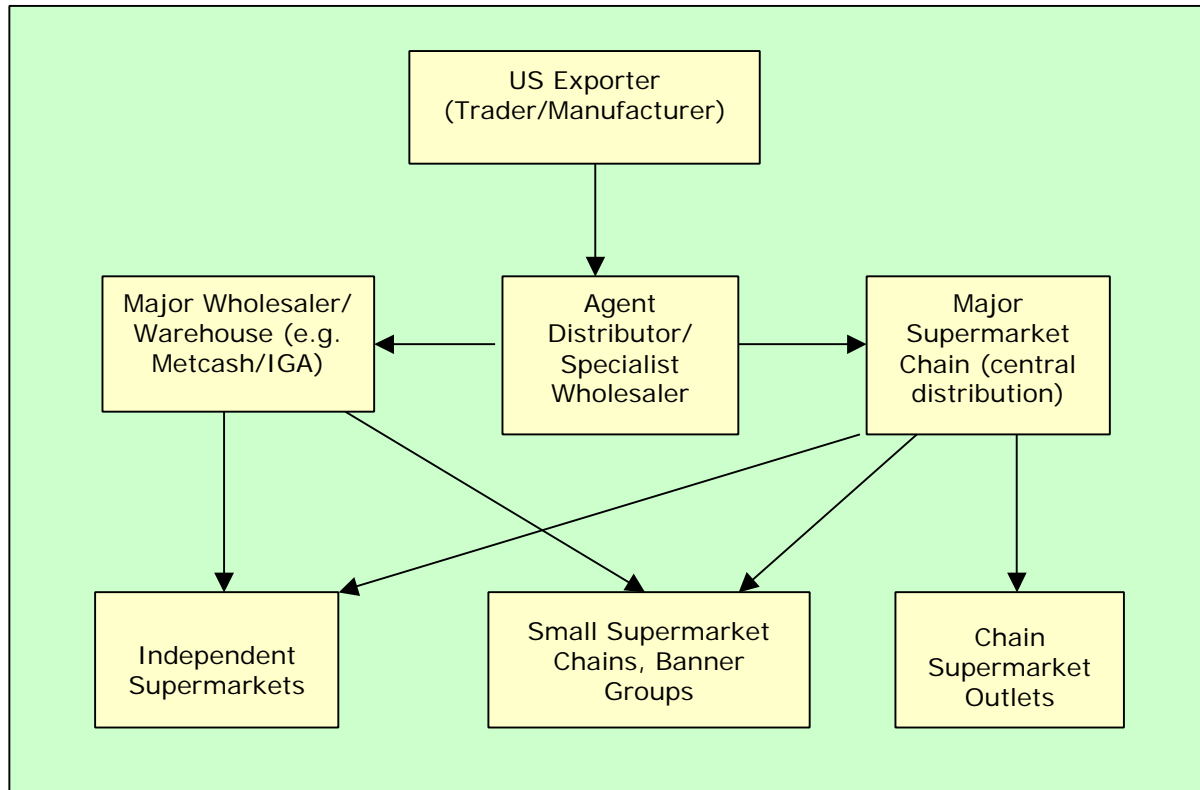
### **Market Structure**

#### ***U.S. Product Flow***

- There are two major distribution channels to major supermarket and smaller supermarket chains, i.e. major chain supermarket distribution centers and major wholesalers.
- Food products will be stored at some point in warehouses prior to distribution and delivery.

- Transport in Australia between distribution centers is predominantly by road.
- The following flow chart depicts the movement of food products from the U.S. exporter through to the retailer.

**Figure 4: Movement of U.S. Exports Through to the Retailer.**



### ***Significant Changes or Trends***

- Competition between major supermarket chains is forcing prices lower. Smaller supermarket chains and “Mom and Pop” independent supermarkets also are being squeezed with price competition between the chains. However, they remain in the market due to their convenience factor.
- Fundamental changes are occurring in Australia, similar to the United Kingdom and the United States, with a variety of formats -- such as “express” stores -- with a smaller range of lines, large fresh and pre-packed food sections and a large number of check-outs.

### ***Flow Pattern Between Different Retailers***

- 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, direct from manufacturers or cash vans. Cash vans sell grocery items from the back of a truck at supermarkets.

### Margins

- Wholesale gross margins are 0.5% to 2.5% of sales.
- Manufacturers margins are 25% to 35% of product cost. Advertising and trade promotion takes 10-15% so an average of around 5% net.
- Retail gross margins can vary greatly depending on the product and type of retailer (Table 5).

**Table 5: Retail Gross Margins, March 2001**

	Chains (%)	Independents (%)	Convenience Stores (%)	Small Independents (%)
Dry Groceries	19.5	14-19	20	20
Deli	30	25-35	32.6	n/a
Meat	28	25-35	23	n/a
Fruit & Veg	27	25-35	35.7	n/a
Bakery	60	60-70	30	n/a
Frozen	25	22-30	30	n/a
Dairy	22	15-19	23	n/a

Information sourced from CEASA Grocery Review June 2002.

#### A. SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

##### Company Profiles

Tables 6a and 6b provide a list of chain supermarkets and warehouses/wholesale clubs respectively. The lists are not exhaustive, however they do include the major chains, banner groups and warehouse/wholesalers. Woolworths and Coles Myer dominate the Australian retail food scene. Foreign retailers are mostly South African and German owned.

**Table 6a. Chain Supermarkets/Superstores.**

Retailer Name & Outlet Type	Ownership	Sales (\$Mil)	No. Of Outlets	Locations	Purchasing Agent Type
<b>Coles Myer Ltd</b>	Local	15,728	667		Warehouse, wholesaler, manufacturer & brokers
Coles				National	
Bi Lo				NSW, VIC, QLD, SA	
Newmart				WA	
Pick`n`Pay				QLD	
Fast`N`Fresh				VIC	
<b>Woolworths</b>	Local	16,111	680		Warehouse, wholesaler, suppliers, brokers & growers.
Woolworths				National	
Safeway				NSW/ACT, VIC	
Food for Less				NSW/ACT, QLD	
Flemings				NSW/ACT	
Woolworths Metro				NSW/ACT & QLD	

<b>Franklins</b>	Foreign South African retailer Pick'n'Pay - 50	N/A	74	NSW	Warehouse, wholesaler and suppliers.
<b>Action</b> (part of FAL)	Local	N/A	74	NSW	Majority via wholesaler
<b>Aldi</b>	Foreign (German)	N/A	36	NSW	N/A

Information sourced from the Grocery Industry Review and company websites.

**Table 6b. Warehouses/Wholesale Clubs**

<b>Retailer Name &amp; Outlet Type</b>	<b>Owner-ship</b>	<b>Sales (\$Mil)</b>	<b>No. Of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
<b>No Frills Wholesale Cash N Carry<sup>1</sup></b>	Local	N/A	3	Tasmania	N/A
<b>Metcash Limited and Campbells Cash &amp; Carry</b>	78% South African and Local	4,159	41	NSW, VIC, QLD and SA	N/A

1. Cash N Carry outlets service businesses throughout Tasmania who do not qualify to receive deliveries from the distribution centers or require additional products that are not available from the DC's. Its customer base includes supermarkets, milk bars, takeaways, hotels / motels, restaurants, service stations, caterers, school canteens, sporting / service clubs and many more.

### ***Trends in the Number and Type of Outlets Opening***

- As a whole, the total number of chain supermarkets continues to increase.
- There is also a growing number of discount supermarkets.

### ***Trends in the Sale of Imported Verses Domestic Product***

- Over time the share of imported product for sale in supermarkets and through wholesalers has remained fairly static at around 10%.

### ***Internal and External Market Drivers***

- Customers are looking for clean, safe products that are healthy and free of harmful chemical residues.
- Convenience is high on customers' agendas, with limited time to produce home cooked meals (both partners working - seeking nutritional quality with take out convenience).
- Substantial interest in new food lines (such as international cuisines) – expressed first through restaurants and then retail.



**B. CONVENIENCE STORES, GAS MARTS, KIOSKS****Entry Strategy**

- Appoint an agent/distributor in Australia to ensure distribution, availability of product and product promotion.
- Product flows from U.S. exporter through agents/distributors to wholesalers and then through to convenience stores/gas marts/kiosks.
- Also major supermarket chains are entering the convenience store/gas mart market. Agents/distributors should market product to category managers for major chains.
- Entry strategy for convenience stores is similar to that for supermarkets except that the agent/distributor should target the major wholesaler category managers as well as managers at major supermarket chains responsible for the new wave of gas/convenience store concepts.
- Convenience stores generally sell limited lines, gasoline and fast food. They are open long hours and are easily accessible to customers. This is changing somewhat with larger convenience stores carrying greater numbers of lines.

**Market Structure**

Tables 7a and 7b summarize company profiles for major gas marts and convenience stores. The top six companies (i.e. by store numbers) have been presented. Four companies Caltex/Ampol, Mobil, BP Express and Shell dominate this sector. For the majority of convenience stores and gas marts turnover is unavailable at this time.

**Table 7a. Gas Marts**

<b>Retailer Name &amp; Outlet Type</b>	<b>Owner-ship</b>	<b>Sales (\$Mil)</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
<b>Shellshop and Shell Select</b>	British Dutch	NA	122	National	Wholesaler Distributor Manufacturer
<b>Caltex/Ampol ShopStop, Road Pantry Star Mart</b>	50% offshore ownership	NA	172	National except NT	Wholesaler Distributor Manufacturer
<b>Mobil Quix</b>	U.S.	NA	146	National (except NT, Tasmania)	Wholesaler Manufacturer Distributor
<b>BP Express (BP Australia Ltd, subsidiary of parent BP Amoco)</b>	UK	NA	158	National except Tasmania	Wholesaler Manufacturer Distributor
<b>BP Food</b>	Local	NA	36	Western Australia	Wholesaler Manufacturer Distributor
<b>Horizon Food Stores, Horizon Petroleum Pty Ltd.</b>	NA	NA	11	Vic	Wholesaler Manufacturer Distributor

**Table 7b. Convenience Stores company profile**

<b>Retailer Name &amp; Outlet Type</b>	<b>Owner-ship</b>	<b>Sales (\$Mil)</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
<b>7-Eleven</b>	Local ownership franchise from U.S.	NA	267	Metropolitan and provincial cities in NSW, Qld and Vic.	Wholesaler Manufacturer Distributor
<b>City Convenience Stores</b>	Foreign	N/A	68	52 in NSW	Wholesaler & direct from vendors.
<b>Foodwise</b>	Local		37	VIC	Wholesaler & direct from vendors.
<b>NightOwl</b>	Local Independent Franchise Systems	NA	34	East Coast (38 Qld) – urban centers	Wholesaler Manufacturer Distributor
<b>Captain Cook</b>	Local		8	Sydney	Wholesaler Manufacturer Distributor

Table 7b contains latest available data from 2001.

### **Overall Trends**

- The top ten convenience growth categories as (in order of % \$ growth March 2001 versus March 2002): phone cards, maps/directories, cigars, chewing/bubble gum, cigarettes/tobacco, yogurts, sunglasses, newspapers/magazines, cigarettes and breakfast cereal.
- The top ten convenience categories (in order of % shares) are: cigarettes, carbonated beverages, chocolate, newspapers and magazines, white milk, automotive, phone cards, sugar confectionary, flavored milk and ice cream.
- Convenience stores are becoming more popular as many shoppers are becoming frustrated with waiting in queues, crowded aisles and congested stores common in supermarkets. Customers also want to shop close to home, even if it means products are more expensive.
- The convenience segment is experiencing significant growth, with higher than average annual sales growth of 19% per year.

### **Trends in the Number and Type of Outlets**

- The store numbers of convenience stores jumped by 229, or almost 20% last year according to the Australian Association of Convenience Stores.
- 7-Eleven increased its store numbers from 247 to 267 in twelve months.
- City Convenience Stores show the greatest growth, from 45 to 75 outlets.

- The major chains are also entering the convenience sub sector through the introduction of CBD Express stores by Coles and Metro by Woolworths, which are situated near major railway and bus stops. These stores are slick with a pre-packaged and prepared whole meal focus attracting consumers before reaching the corner “Mom and Pop” shop near home. Woolworths Metro and Coles Express supermarkets are planned for both CBD and urban areas. IGA has also introduced an Express store in Sydney’s CBD.

### ***Major Internal and External Drivers***

- Corner store convenience stores and kiosks may be disadvantaged by consumer interest in “fresh” and healthy foods and also increases in supermarket numbers in the CBD.
- All the convenience stores cater to city apartment dwellers and night owls who have no time or inclination to find a supermarket still open in the early hours.

### ***Customer Profile***

- Commuters using public transport as well as private cars requiring gasoline and shopping on the way home.
- Customers in the middle-to-high income range and in lower age brackets.
- Impulse buyers.

## **C. TRADITIONAL MARKETS – MOM/POP INDEPENDENT GROCERY, WET MARKETS**

### **Market Entry**

#### ***Independent Grocery***

- Similar strategy to that for small supermarket markets and convenience stores, with appointment of agent/distributor for sale through major wholesalers.

#### ***Wet Markets***

- Australia does not have a system of wet markets; however, there is a system of markets for fresh produce with substantial presence in major cities. The majority of fresh produce moving through these markets is local, although overseas produce is available. Fresh produce from overseas should move directly through a specialist wholesaler or be sold directly to major chain supermarkets to avoid delays in the distribution channel.

### **Sub-Sector Profile**

Table 8 provides information on the major smaller independent supermarkets in Australia. Supermarkets under the IGA banner dominate the independent sub sector with over 1000 outlets. Australian United Retailers has the second largest number of outlets at 542. None of the independent banners have national coverage.

**Table 8. Smaller Independent Grocery Stores/Supermarkets**

<b>Retailer Name &amp; Outlet Type</b>	<b>Owner-ship</b>	<b>Sales (\$Mil)</b>	<b>No. Of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
<b>Australian United Retailer</b>	Local	N/A	542		Manufacturers, wholesalers, brokers, cash vans
AUR Supermarkets			19	QLD	
UR Food-Rite			76	NSW, VIC & TAS	
AUR Foodstore Foodmarkets			37	NSW & QLD	
AUR Buy-Rite-Fresh			25	NSW & QLD	
AUR 7 Day Express			86	NSW & QLD	
Associates			299		
<b>Dewsons</b>	Local	N/A	49	WA	Manufacturers, wholesalers, brokers, cash vans
<b>Foodworks</b>	Local	N/A	140		Wholesaler & direct from vendors.
Foodworks			72	NSW/ACT, VIC, QLD	
Foodworks Fresh			140	ACT, VIC & QLD	
Liquorworks			8	VIC	
<b>IGA</b>			1043		Warehouse wholesaler
Supermarket			191	NSW/ACT, VIC, QLD	
Everyday			351	NSW/ACT, VIC, QLD & SA/NT	
Friendly Grocer			252	NSW/ACT, VIC & SA/NT	
X-Press			95	NSW/ACT & QLD	
Tuckerbag			48	NSW/ACT	
Foodland			101	NSW/ACT & NT/SA	
Foodbarn			5	NSW/ACT	

**Market Structure**

- Supermarkets source much of their fresh fruit and vegetables directly from growers/producers, leaving lower quality at these markets. Poorer quality produce is left for small convenience stores to purchase. It is unknown what the price effect of this practice is.
- The sector is losing market share to the supermarket and convenience sectors, with major chains opening small supermarkets in the CBD catering for fresh, pre-packaged meal and everyday needs.

- There has been an increase in deli type products offered and ready made cakes and pastries.
- Customers working longer hours, greater population mobility and introduction of meal solutions place pressures on this sector.
- This sector is also under pressure on price and opening hours from big three chain supermarkets.
- The sector is sustained by sales of snack foods and regular essentials, such as milk and bread.
- Customers include the less mobile.

### SECTION III: COMPETITION

For seven of the twelve categories in Table 9, New Zealand (NZ) is the major supply source of imports and for two of the remaining categories is in the top three. In large part this is due to its geographic closeness and the Australian-New Zealand Closer Economic Relationship Trade Agreement (ANZCERTA), a bilateral trade agreement which exists between the two countries.

Table 9 details the net imports for 12 major retail product categories. Major supply sources are limited to major import sources as data is not available on the total local production for each category.

**Table 9: Summary of the overall competitive situation facing U.S. imports in the retail food sector.**

Product Category	Major Supply Source on imports.	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
<b>Snack Foods<sup>1</sup></b>  Net Imports: 42,075 tons US\$129.9m	NZ 21% USA 8% UK 7% Spain 7%	<ul style="list-style-type: none"> <li>▪ Trade Agreements.</li> <li>▪ Close proximity and therefore reduced transaction costs</li> <li>▪ Brand recognition.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many U.S. branded products are made in Australia.</li> <li>▪ Australia processing plants have access to a large range of raw materials.</li> </ul>
<b>Breakfast cereals<sup>2</sup></b>  Net Imports: 5,175 tons US\$8m	NZ 31% USA 23% Canada 11% Poland 10%	<ul style="list-style-type: none"> <li>▪ NZ - Trade Agreements.</li> <li>▪ USA - Kellogg's holds nearly 50% of the grocery value.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some Kellogg's products sold in Australia are 'Made in Australia.</li> </ul>
<b>Red meat</b>  Net Imports: 1,204 tons US\$2.6m	NZ 74% Australia 14% USA 11%	<ul style="list-style-type: none"> <li>▪ NZ - Trade Agreements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Australia is the world's largest beef exporter and one of the largest lamb and mutton exporters.</li> <li>▪ Strict import conditions</li> </ul>
<b>Poultry<sup>3</sup></b>  Net Imports: 904 tons US\$2.1m	NZ 46% USA 17% Croatia 12% Slovakia 7%	<ul style="list-style-type: none"> <li>▪ Trade Agreements</li> <li>▪ NZ and USA are able to meet and satisfy tight regulations for import.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Uncooked Poultry imports banned.</li> <li>▪ Import conditions for cooked poultry products are strict.</li> </ul>

<p><b>Dairy<sup>4</sup></b></p> <p>Net Imports: 65,476 tons US\$149m</p>	<p>NZ 81% Italy 3%</p>	<ul style="list-style-type: none"> <li>▪ Trade Agreements</li> <li>▪ NZ brand recognition and patronage with NZ owned brands representing approx. 17.1% market share.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Australian products are widely regarded as synonymous with quality and variety.</li> <li>▪ Comparative price advantages and the safety issues further assist the case for local and New Zealand product.</li> </ul>
<p><b>Egg Products</b></p> <p>Net Imports: 710 tons US\$2m</p>	<p>Thailand 71% UK 13% USA 6%</p>	<ul style="list-style-type: none"> <li>▪ Thailand - competitive export prices for eggs</li> <li>▪ Strong and growing egg export market.</li> <li>▪ Close proximity benefits transporting of perishable goods.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Import restrictions favors local supply.</li> <li>▪ Many of the suppliers are co-operative based farmer groups.</li> <li>▪ Private label represents nearly 40% value of the market segment.</li> <li>▪ Limited shelf life.</li> </ul>
<p><b>Fish and Seafood</b></p> <p>Net Imports: 91,715 tons US\$318m</p>	<p>NZ 31% Thailand 9% South Africa 7% China 7%</p>	<ul style="list-style-type: none"> <li>▪ Half the quantities of imported seafood come from just two countries — New Zealand and Thailand.</li> <li>▪ The quantity of chilled fish imported has grown 30% in just four years.</li> <li>▪ NZ has a clean/green image.</li> <li>▪ Australians are increasingly willing to experiment with various food types and preparations, creating a market for species and products that are unavailable locally.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Imported seafood products now provide more than 60% of seafood sold in Australia.</li> <li>▪ Consumption of imported seafood has reached 140,000 tons a year or 50 per cent more than levels of 10 years ago, with an industry value today of about US\$544 million.</li> <li>▪ Australian fisheries are unable to meet demand for some products.</li> </ul>
<p><b>Fruits &amp; Vegetables</b></p> <p>Net Imports: 99,177 tons US\$134m</p>	<p>NZ 27% USA 24% Turkey 16%</p>	<ul style="list-style-type: none"> <li>▪ Trade Agreements</li> <li>▪ NZ has a clean/green image</li> <li>▪ Close proximity</li> <li>▪ Counter-cyclical supply</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many quarantine bans or severe restrictions exist for fresh fruit and vegetable</li> <li>▪ Supply chain favor local grown fruit</li> </ul>

<b>Nuts</b>  Net Imports: 29,062 tons US\$66m	Vietnam 24% Philippines 17% NCD 13% Indonesia 12% USA 10%	<ul style="list-style-type: none"> <li>▪ Vietnam is the second largest cashew exporter in the world.</li> <li>▪ Efficient producer with yields generally higher than in competing countries.</li> <li>▪ Processing is competitive with low labor costs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The climate in Australia favorable for producing many different types of nuts.</li> </ul>
<b>Beverages</b>  Net Imports: 91,715 ton US\$318m	NZ 57% ASTA 12% Malaysia 6% Italy 4% China 4%	<ul style="list-style-type: none"> <li>▪ Trade Agreements</li> <li>▪ Close proximity (bulky goods).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coca Cola Amatil holds nearly 60% of the market share.</li> </ul>
<b>Infant/Baby Products<sup>5</sup></b>  Net Imports: 5,068 tons US\$27.4m	Ireland 49% NZ 30% USA 17%	<ul style="list-style-type: none"> <li>▪ USA brand Heinz Watties holds 51.5% of the grocery value.</li> <li>▪ Well-established and respected brand names dominate the segment and this segment is reportedly hard to break into.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Well-established Australian brand names such as Golden Circle are branching out into Baby Food.</li> </ul>
<b>Pet Food</b>  Net Imports: 40,725 tons US\$46m	Thailand 48% USA 32% NZ 18%	<ul style="list-style-type: none"> <li>▪ Competitive export prices</li> <li>▪ Large number of USA brands on the market (approximately 65.8% of the grocery value belongs to USA owned brands).</li> </ul>	<ul style="list-style-type: none"> <li>▪ U.S. owned brands (such as Uncle Bens) are produced in Australia from almost all Australian/New Zealand ingredients.</li> </ul>

The level of information available from the Australian Customs Tariff codes restricts the analysis in this table. The primary constraint is that imports are recorded by food type and not end use. For example, all nuts will appear as nuts (by type and how they are prepared). However, nuts are potentially a 'snack food' but have not been included as such. Details of which tariff codes have been included in each category are documented as follows to assist with the interpretation of this information.

1. Snack Food category includes import tariff codes 1704 – sugar confectionary not containing cocoa and 1806 – chocolate and other food preparation containing cocoa.
2. Breakfast cereal category includes import tariff code 1904 – prepared foods obtained by the swelling or roasting of cereals or cereal products.
3. Poultry category includes tariff code 1602.3 Prepared or preserved poultry meat.
4. Dairy Category includes Cheese, yogurt, dairy desert (not ice cream), drinks, dairy dips, butter, margarine and milk
5. This category includes tariff code 1901.10.00 Preparations for infant use, put up for retail sale.



## SECTION IV: BEST PRODUCT PROSPECTS

## Category A: Products Present in the Market Which Have Good Sales Potential

Products presented in table 10 all experienced strong growth over the period 2001–2002. These products are likely to continue this trend due to current market drivers as discussed in Section I.

Table 10. Products Present in the Market Which Have Good Sales Potential

Product Category	2002 Market share (\$Mil)	2002 Imports (\$Mil)	5-yr Avg Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the USA
<b>Rice</b>	The value of the Aust. rice market is US\$56	US\$23	7%	Free	<ul style="list-style-type: none"> <li>▪ Sunrice an Australian owned/ manufactured brand, dominates the rice category.</li> <li>▪ As UK brand leader in Basmati rice, Tilda achieved phenomenal success with the UK launch of Rizazz in 2001 and a similar success story is predicted for the Australian launch.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Basmati is one of the highest growing (19.5% - 01/02) rice segments in Australia.</li> <li>▪ Rice segment overall is growing at 3.3%.</li> <li>▪ Imported UK (Tilda brand) products hold 10.8% share of the Basmati segment.</li> <li>▪ The Rizazz range has been developed in response to a growing consumer trend towards nutrition, healthy eating habits and a increased need for speedy meal solutions, but not at the expense of quality.</li> </ul>
<b>Still Water</b>	US\$49	US\$7	<1%	Free	<ul style="list-style-type: none"> <li>▪ A large number of brands already in the market.</li> <li>▪ Coca Cola Amatil holding 25% corporate market share.</li> <li>▪ Level of imports has remained similar over the last 5 years.</li> </ul>	<ul style="list-style-type: none"> <li>▪ High growth category with grocery value increasing +20.7% over 2001/2002.</li> <li>▪ Imports permitted.</li> <li>▪ No import tariff.</li> </ul>

<b>Ready to eat meals – frozen<sup>1</sup></b>	Grocery Value US\$66	US\$320	10%	4%	<ul style="list-style-type: none"> <li>▪ Some import restrictions for meat and vegetable preparations .</li> <li>▪ McCain is the leading brand name holding 37.4 % market share and is a significant and respected member of the frozen food industry.</li> <li>▪ McCain Foods (Aust) has three production facilities in Australia.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consumer acceptance of frozen meals increasing.</li> <li>▪ Average amount spent by each consumer in this category is increasing.</li> <li>▪ Growth has solid future potential due to the trends of convenience and time poor consumers.</li> <li>▪ Grocery Value Change over 2001/2002 +30.1%</li> </ul>
<b>Snacks – rice and noodles</b>	Category worth US\$85 <sup>2</sup>	US\$21 <sup>3</sup>	4% <sup>4</sup>	Rice – Free Noodles – 5%	<ul style="list-style-type: none"> <li>▪ Australian consumers are price conscious and the trend is towards multi-packs for value shopping.</li> <li>▪ Many products in Cups/bowls display low fat appeal.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Category grew 12% over the past 12 months.</li> <li>▪ Consumers in the portable segment eat on the go and are ready to pay a little extra.</li> </ul>
<b>Jam</b>	US\$64	US\$16	6%	5%	<ul style="list-style-type: none"> <li>▪ Brand shares by volume are IXL 19.3%, Cottees, 16.8%, Golden Circle 16.2%, Monbulk, 8.5%.</li> <li>▪ Golden Circle has just released three flavors of diet jam.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A lot of growth is expected to come from low joule varieties because of Australia's rising rate of diabetes and health conscious consumers.</li> <li>▪ Jam has the highest household penetration of all shelf stable spreads.<sup>5</sup></li> </ul>

<b>Canned Tomatoes</b>	Grocery value US\$40 <sup>6</sup>	US\$20	Up by 14%	5%	<ul style="list-style-type: none"> <li>▪ The canned food category as a whole is hardly growing, partly because of alternative packaging and a lack of innovation.</li> <li>▪ 85% of imports are from Italy compared to 5% from the USA.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Import and private labels have more than 50% market share.</li> <li>▪ Segment is driven by price encouraging some Australian manufacturers to move away from tomatoes.</li> </ul>
<b>Canned Tuna</b>	Grocery Value US\$129	US\$56  23,809 tons	Up by 63%	5% tariff for Tunas packed in airtight cans	<ul style="list-style-type: none"> <li>▪ Unilever is the leader in value added tuna with 43.7% share of the market.</li> <li>▪ There are a lot of brands with much the same product on the shelf.</li> <li>▪ Sustainable sources of fish.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth is largely attributed to the new flavors and varieties on offer.</li> <li>▪ Growth is also because of the healthy image of tuna i.e. omega 3 oils and low fat options.</li> </ul>

1. Includes Custom Tariff Code 2106.90.90.

2. Category consists of simmer - instant pasta, rice, and 2-minute noodles, cups, bowls & cooking noodles.

3. Only includes noodle imports, Custom Tariff Code 1902.30.00

4. Only includes noodle growth, Tariff code 1902.30.00.

5. 26.9% of total spreads category sales (AC Nielsen, MAT to Jan 12, 2003).

6. Segment includes canned and dehydrated tomatoes. This is the best available estimate.

### **Category B: Products Not Present in Significant Quantities But Which Have Good Sales Potential**

Products identified in this category include new innovative products that have recently been developed and currently advertised in retail industry magazines and others foods (e.g. organic products and energy drinks) that, by comparison to similar products on the market (e.g. other fresh fruit and vegetables and soft drinks), represent a small proportion of the market.

**Table 11. Products Not Present in Significant Quantities but Which Have Good Sales Potential**

Product Category	2002 Market share (\$Mil)	2002 Imports (\$Mil)	5-yr Avg Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the USA
<b>Breakfast Drinks</b>	Grocery Value US\$9	N/A	N/A	3-5%	<ul style="list-style-type: none"> <li>▪ Sanitarium is the category leader with over 80% share.</li> <li>▪ B-fast drinks constitutes just 2.25% value share of the Breakfast cereal and drink category.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Breakfast skipping is on the increase therefore the potential for convenient breakfasts such as drinks is large and growing.</li> </ul>
<b>Nutritious Snacks – Muesli Bars</b>	Grocery Value - US\$48	N/A	N/A	5% on muesli type preparations	<ul style="list-style-type: none"> <li>▪ Goodman Fielder (Uncle Toby's brand) is the clear market leader with nearly 40% market share.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tasty, healthy, portable, convenient, single serve are all elements driving the growth in this segment.</li> <li>▪ Imports permitted.</li> <li>▪ Growth of 17.5% in 01/02.</li> <li>▪ Muesli Bars make up 24% of the nutritious snack market.</li> </ul>
<b>Pickled Vegetables</b>	Grocery value US\$42	US\$0.42	Only 2002 stats available.	Free	<ul style="list-style-type: none"> <li>▪ Riviana Foods label Always Fresh is the market leader with 25.6% share. Always Fresh have increased their brand share with successful brand campaigns and national consumer promotions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth for this category over 2000/01 was 8.2%.</li> <li>▪ This type of product is convenient for export given long life span of product.</li> <li>▪ Some types are consumed as snacks.</li> </ul>

<b>Energy Drinks</b>	Grocery Value US\$16	N/A	N/A	5%	<ul style="list-style-type: none"> <li>▪ There is continuous innovation from smaller, new players however the leading brands are V (Fruco) at 37% then Red Bull 19%.</li> <li>▪ Grocery channel yet to capitalize on this category in terms of adequate shelf space and promotions.</li> <li>▪ Despite huge growth (40% in 2000 and 35% in 2001) the total % share of the cold beverage market is 2.0%.</li> </ul>	<ul style="list-style-type: none"> <li>▪ This category is the most active segment in the soft drink market (Retail World Sept/Oct 2002).</li> <li>▪ It has been the fastest growing category for two years running.</li> <li>▪ Consumers of energy drinks are a younger demographic who are big spenders.</li> <li>▪ New products are likely to be driving growth.</li> </ul>
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### Category C: Products Not Present in the Market Because They Face Significant Barriers.

**Table 12: Products Not Present in the Market Because They Face Significant Barriers**

Product Category	2002 Market share (\$Mil)	2002 Imports (\$Mil)	5-yr Avg Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the USA
<b>Chicken – uncooked</b>	N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> <li>▪ Totally prohibited in Australia from all countries</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
<b>Chicken Frozen<sup>1</sup></b>	Grocery value US\$52	US\$2	N/A	Free	<ul style="list-style-type: none"> <li>▪ Strict import restrictions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Un-canned cooked chicken imports permitted.</li> <li>▪ Australian consumers are increasing their intake of chicken.</li> <li>▪ Grocery value of frozen chicken category increased 10.8% over 2001/2000.</li> </ul>

<b>Frozen Veg<sup>3</sup></b>	\$US225	\$US8	7%	5%	<ul style="list-style-type: none"> <li>▪ Many frozen fruit and vegetables are not permitted due to risks of serious plant pathogens</li> </ul>	<ul style="list-style-type: none"> <li>▪ Some States of America are approved to export certain products into Australia.</li> </ul>
<b>Dried &amp; Fresh Fruit<sup>5</sup></b>	Grocery Value \$US71 <sup>4</sup>	\$US121 52 tons	N/A	N/A for banned substances Figs and Dates – Free Tomatoes and Prunes – 5%	<ul style="list-style-type: none"> <li>▪ Dried fruit imports are not permitted except for figs, dates, tomatoes, and prunes, which have specific import conditions.</li> <li>▪ Little growth over 2001/2002 (&lt;1%)</li> <li>▪ Many fresh fruit imports are prohibited and very strict quarantine regulations are enforced for those that are not prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Australians are among the largest consumers of dried fruits in the world, with average annual consumption around 1.8 kg per person.</li> <li>▪ Prunes represent 15.8% of the grocery volume of dried fruit.</li> <li>▪ Seasonal advantage.</li> </ul>

1. This category includes prepared or preserved poultry meat and the best available estimate for this segment.

2. Includes frozen vegetables & potatoes

3. Custom Tariff Code 0710 Vegetables (uncooked or cooked by steaming or boiling in water).

4. Grocery value of dried fruit only.

5. Tariff codes include 0804, 0805, 0806 and 0813 and include both fresh and dried fruit. This analysis was unable to be further refined.

## SECTION V. POST CONTACT AND FURTHER INFORMATION

### Import Regulations

Information on Food Law and Policy in Australia can be obtained from the [www.ausfoodnews.com.au](http://www.ausfoodnews.com.au) website.

See the Australian Quarantine & Inspection Service import conditions (ICON) database to identify whether your product is prohibited entry to Australia.

[http://www.aqis.gov.au/icon32/asp/ex\\_querycontent.asp](http://www.aqis.gov.au/icon32/asp/ex_querycontent.asp)

### 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. It 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. A copy of this report can be obtained by conducting a "AGR Number" (Option 3) search on the following page web page: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp> for report number AS3028.

An Internet version of the code can be located on the FSANZ web site at: <http://www.foodstandards.gov.au/foodstandardscode/>

### Industry Information

**The Association of Sales & Marketing Companies Australiasia (ASMCA)**  
[www.asmca.com](http://www.asmca.com)

The association is a representative voice for brokers, agencies, importers, demonstration and marketing companies. The ASMCA keeps its members abreast of matters affecting customer relations, technology, standards, market growth and sales trends.

### Australian Food & Grocery Council

Level 2, Salvation Army Building  
2-4 Brisbane Avenue  
Barton ACT 2600  
Australia

Tel: +61-2-6273 1466  
Fax: +61-2-6273 1477  
Email: [info@afgc.org.au](mailto:info@afgc.org.au)  
Web: <http://www.afgc.org.au>

**Food and Beverage Importers Association**

181 Drummond St  
Carlton Victoria 3053  
Australia

Tel: +61-3-9639 3644  
Fax: +61-3-9639 0638  
Email: [ajb@spirit.com.au](mailto:ajb@spirit.com.au)  
Web: <http://www.fbia.org.au/index.html>

**Trade Shows**

**Fine Food** is the largest food industry show in Australia. The show gives buyers the chance to sample new products and talk directly to the suppliers. The new natural product section is expected to be a major draw card, with chefs and retailers discovering products that kind to the environment, kind to consumers and a big hit on the menu. In 2004, the show will be held at the Melbourne Convention and Exhibition Center from September 6-9. For further information please contact Australian Exhibition Services at the address below.

Timothy Collett, Show Director  
Australian Exhibition Services Pty Ltd  
Illoura Plaza, 424 St Kilda Road  
Melbourne Victoria 3004  
Australia  
Tel: +61-3-9261 4500  
Fax: +61-3-9261 4545  
Email: [food@ausexhibit.com.au](mailto:food@ausexhibit.com.au)  
Web: <http://www.finefoodexpo.com.au>

**Bibliography**

The majority of company information contained in this report was sourced from corporate websites. Details on sales and revenue was obtained via the following website: <http://www.seek.co.nz/if.asp?loc=ibis>. Additional company information was clarified by consultation with appropriate members of staff within the company.

Other resources include the following industry magazines:

- \$ Australian Food & Beverage Industry Compendium, 2001 and 2002 editions.
- \$ Retail World Magazine
- \$ [www.news.com.au](http://www.news.com.au)

Publications include:

- \$ Australian Bureau of Statistics Catalogue Numbers 8501, 5422, 5206, 1350 and 4306.
- \$ AC Nielsen Grocery Report, 2002 and 2003.