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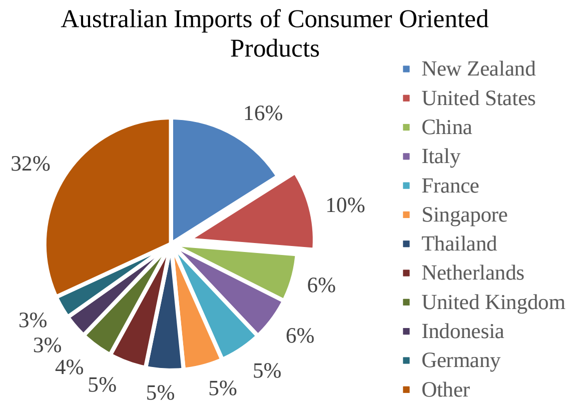
Report Highlights:

2022 saw the start of the post-pandemic recovery for the hospitality industry in Australia. The Australian consumer foodservice industry was valued at A$56 (US$40) billion in 2022. Staff shortages and inflation hit the foodservice industry with new challenges in 2022 which strained the industry's growth.

Market Fact Sheet: Australia

Executive Summary
Australia has proven to be an appealing and profitable market for U.S. companies for many years. Australia's strong economy underpins its open and transparent trade and investment environment, and strong trade and economic links with emerging economies, particularly in Asia.
Australia is the world's 12th largest economy. Australia has one of the highest levels of per capita GDP in the world and is ranked first for median wealth per adult, according to Credit Suisse's 2022 Global Wealth Report. Prior to the onset of COVID-19, the Australian economy recorded 29 years of consecutive economic growth. Economic growth is forecast to slow in 2023 amid rising interest rates and the higher cost of living. GDP growth in 2022 was around four percent, and the Reserve Bank of Australia is estimates that GDP will grow by 2.25 percent in 2023 and one percent in 2024.
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
In 2022, Australia imported $12.8 billion worth of consumer-oriented with the United States' market share at 10 percent of the total imports ($1.3 billion). Australia sources 16 percent of its food from New Zealand.



Source: Australian Bureau of Statistics

Food Processing Industry
Australia's food processing industry is the largest manufacturing sector in the country. Over 16,000 enterprises and 272,000 employees make up the industry. Large companies mainly generate the sector's revenue. The food manufacturing turnover for 2021-2022 was US$ 87 billion.

Food Retail Industry
Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 60.7 percent. The United States accounted for US$1.7 billion (8 percent) of Australia's total-food related imports in 2022. The market remains an excellent opportunity for U.S. exporters. For more information, please see the Retail Foods report.

Quick Facts CY 2022

Total Imports of Consumer Oriented Products - $12.8 billion

Australia's Top Consumer-Oriented Growth Products

1) Dairy Products	6) Processed Fruit
2) Distilled Spirits	7) Coffee
3) Bakery Goods	8) Condiments
4) Processed Vegetables	9) Chewing Gum & Candy
5) Dog & Cat Food	10) Wine

Food Industry by Channels ($ billion)

Food Exports	$53.2
Food Exports to the U.S.	$3.9
Food Imports	$20.8
Food Imports from the U.S.	$1.7
Total Food Retailing	$164.8
Food Manufacturing Turnover (July/June 2020/2021; latest available data)	$87

Top Australian Food Retailers

1) Woolworths	4) Metcash/IGA
2) Coles (Wesfarmers)	5) Costco
3) Aldi	6) Australian United Retailers Ltd

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
• U.S. products have excellent image and acceptance. • Northern hemisphere seasonal advantage for fresh foods, e.g. fruit and vegetables.	• Australia has strict quarantine requirements for fresh products. Import permits are required for fresh produce and some products are prohibited. • Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Opportunities	**Threats**
• The U.S./Australia Free Trade Agreement enables many U.S. products to enter Australia tariff free. • Australian consumers are experimental and desire new and innovative products.	• Most categories have substantial market leaders. • Country of origin labeling is compulsory, and many Australian-made products bear the "Australian Made" logo.

Data Sources: Trade Data Monitor; Australian Bureau of Statistics; Euromonitor; IBISWorld; Trading Economics
Contact: FAS Canberra, Australia; AgCanberra@fas.usda.gov

SECTION I. MARKET SUMMARY

In 2022, the Australian hospitality industry gradually recovered from the COVID-19 pandemic. The eating out culture significantly rebounded with most COVID-19 restrictions ending. Foodservice players, including pubs and full-service restaurants returned to full strength. However, other factors like staff shortages and inflation hit the foodservice industry with new challenges in 2022, which strained industry growth.

The Australian consumer foodservice industry was valued at A$56 (US$40) billion in 2022. Food and non-alcoholic beverages price inflation reached a high of 9.2% in December 2022, but since has eased to 8%. The rising prices stems from several factors including strong price increases across several product segments, labor shortages, and increased fuel prices.

Independent limited-service restaurants, full-service restaurants, and cafes/bars make up most of the consumer foodservice establishments in Australia. This situation differs from other countries such as the United States and the United Kingdom where franchises and chains dominate. Australian consumers prefer the more eclectic food offerings via independent restaurants - a trend borne out of historical immigration mixes. Consumer preferences are also leading to a rise in the popularity of casual dining, which leads to growth in sales for bars/pubs and restaurants in suburban locations. As dining out is so deeply entrenched in Australia's culture, during times of economic downturn consumers trade down rather than stop eating out. As the market becomes increasingly competitive the focus among independents will be on offering unique menus, while many will also focus on differentiating via ambience and level of service.

Trends:

Health consciousness: Consumers are trying to lead healthier lives as they become more aware of health issues associated with poor diets. Consumers visit establishments that more nutritious meal and drink choices, and shift towards low or no-alcohol options. Health-conscious consumers are eating fresher and healthier foods – this trend is expected to increase by 0.6% in 2022-2023.

Real household discretionary income: Declines in discretionary income can limit consumer spending and constrain industry revenue. Consumer's discretionary income will likely fall 7.1% in 2022-2023. Australians have been changing their dining behavior, preferring cheaper mid-tier options over premium dining.

Overview of the foodservice market in Australia in 2022

What lies ahead of the foodservice industry:

- The rising cost of goods and cost of living will significantly impact the foodservice industry as consumers will reduce the amount of money they spend eating out, especially since more money is being spent on mortgages and rent with the high interest rates.
- Demand for online ordering is expected to keep growing, while food delivery and takeout will lose ground as consumers gradually resume traditional dining out habits.

Major Advantages and Challenges for U.S. Exports

Advantages	Challenges
U.S. products have excellent image and acceptance.	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.	Australia is a significant producer of a similar variety of agricultural products.
The U.S./Australia Free Trade Agreement enables most U.S. products to enter Australia tariff free.	Australian labeling and advertising laws are different from the United States, which may require some changes to food labels.
Australian consumers constantly seeking new tastes and cuisines.	"Buy Australian" campaign is significant.
Strong dining out culture provides opportunities to supply the consumer foodservice sector with new products.	A focus on purchasing fresh local food by many restaurants and cafés provides advantages to local producers and suppliers.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

FAS Canberra reminds U.S. exporters to enter the market through a distributor, importer, agent, or broker who understands the Australian market and targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Exporters could also contact specialist distributors or wholesalers.

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

- Fine Food Australia is the largest international food, drink, and equipment exhibition in the region and the southern hemisphere. The U.S. Department of Agriculture endorses the show. It is held each September, alternating between Sydney and Melbourne. Major manufacturers, buyers, and importers from all over the country and region attend. The 2024 edition of Fine Food will take place in Melbourne in September 2024. Contact IMEX Management for information on exhibiting in the USA Pavilion.
- Foodservice Australia is a show explicitly targeted at the foodservice industry which also alternating between Sydney and Melbourne in the opposite years to Fine Food. The 2024 show will be held in Sydney May 19-21.

Market Structure

Restaurants: The Australian restaurant industry is highly fragmented and dominated by many small operators who face competition from other restaurants and operators in other hospitality sectors, such as cafes and pubs.

Changing consumer behavior during Covid, labor shortages, and increased operating costs due to inflation have led many operators to restructure their operations by expanding takeaway menus, reducing portion sizes, and reviewing menus. Online food delivery services supported the industry during lockdowns and have allowed the restaurant sector to compete with other sectors, such as fast food. Rising inflation has meant that consumers currently have lower discretionary income available. This situation has meant that the focus of high-end full-service restaurants has shifted towards more middle-tier outlets in the short term.

Australia's strong "foodie" culture, with continuing consumer health consciousness and a focus on quality, will provide growth opportunities as the economy recovers. However, restaurateurs will face tough competition from foodservice operators, such as fast-food retailers, pubs, cafes, and prepared meals from supermarkets.

Cafes and Coffee Shops: Australia's coffee culture and a growing number of specialty cafes and coffee shops have contributed to high industry competition. An establishment's success largely depends on its by its customer service, the price and quality of its products, and the overall café experience. Coffee quality is crucial, with the coffee brand, texture, temperature, and milk type becoming increasingly important to customers. There is also an increased focus on fair trade and organic coffee.

Cafes have become increasingly popular as an alternative to high-priced restaurants. Although spending on cafes and coffee shop products is discretionary, many consumers consider coffee an affordable luxury and are unwilling to forgo their daily coffee. This trend provides a relatively stable revenue base for operators. Strong demand for coffee has led to an influx of new operators, with many artisan bakeries and patisseries establishing cafe operations. Consumers demand high-quality, convenient food and beverages, premium ingredients, and gourmet, cafe-style meals in this sector.

Fast Food and Takeaway: Consumer health awareness has transformed this sector with increased awareness of the nutritional content of fast food and a conscious effort by consumers to choose healthier options affecting industry demand. Industry operators have responded by introducing a range of nutritious, premium choices with less fat, sugar, and salt. This change in consumer preferences has also led to new operators offering higher quality fast food options including salad and juice bars, and sushi stores. The shift towards healthier choices and a "foodie" culture, has led smaller operators differentiating themselves based on quality. This trend has led to more gourmet options in the fast-food market and new food options previously considered restaurant meals.

Major players have sought to benefit from the food culture shift, introducing premium menus with higher-quality ingredients. However, some operators have needed help to change their image. Consequently, major players have struggled to keep up with the rapid growth of smaller premium operators. Fast food operators also face increasingly intense competition from external sources. Supermarkets have expanded their ranges of home-cooked meal replacements and heat-and-serve products such as pastas and pre-packaged mini meals. These retailers have emerged as one-stop shops that provide consumers with fast, affordable, and high-quality food. Many of these products substitute traditional fast food. Traditional convenience stores have also attempted to access this market by expanding their fast-food options, such as pre-made sandwiches, salads, and baked goods.

Pubs, Bars and Nightclubs: Declining per capita alcohol consumption pressures many traditional pubs and clubs. Many pubs have improved food and beverage options in response to changing consumer preferences, converting establishments to gastro-pubs. To remain competitive, operators must continue responding to changing consumer trends by running more family-friendly establishments, offering high-quality menus, and diversifying their liquor offerings to include craft beverages. Australia also has a large number of 'clubs' which are run by community sporting and service organizations. These operations usually include bars, restaurants and poker (slot) machines, and patrons are required to pay a membership fee.

Hotels and Resorts: Most industry operators in this sector derive a significant portion of revenue (20-25 percent) from selling meals and beverages prepared at onsite restaurants. Some hotels promote their restaurant and dining establishments as a major attraction. Some of Australia's major hotels, notably upscale brands, are attached to high-end restaurants and other food-service options that aim to provide guests with onsite dining selections. Many hotels and resorts in Australia are locally owned and operated, but several large foreign companies with large portfolios in the market. These include AAPC Ltd (trading as Accor Asia Pacific), the industry's largest operator; Event Hospitality and Entertainment Ltd (Rydges, QT, and Atura brands); Hilton International Australia; Holiday Inns Holdings (Australia) Pty Ltd (Australian subsidiary of InterContinental Hotels Group); Marriott International Inc.

Corporate Catering: The industry provides catering services to airlines, mining, businesses, government, hospitals, aged care facilities, defense forces, and correctional institutions. These services include one-off catering for events such as seminars, meetings and conferences. Industry operators also engage in full-service contracts, managing full-company catering, company canteens. Larger industry operators dominate lucrative business contracts, while smaller operators focus on catering lunches for small businesses within a narrow geographical region. Large players in this sector are: Spotless Group Holdings; Compass Group (Australia) Pty Ltd; and Sodexo Australia.

Consumer Foodservice: Independent vs Chain Restaurants by Percent Value

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Chain Foodservice	27.0	26.2	25.9	28.5	30.5	30.4
Independent Foodservice	73.0	73.8	74.1	71.5	69.5	69.6
	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

Consumer Foodservice: Independent vs Chain Restaurants by Type (Number) 2022

Outlet Type	**Independent**	**Chain**	**Total**
Cafes/Bars	11,256	2,919	14,175
Full-Service Restaurant	21,326	336	21,662
Limited-Service Restaurant	13,428	10,939	24,367
Self-Service Cafeterias	14	10	24

Street Stalls/Kiosks	3,054	312	3,366
Total Consumer Foodservice	49,078	14,516	63,594

Source: Euromonitor International

Distribution

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

Sub-Sector Profiles

Leading Chain Consumer Foodservice Brands by Number of Outlets (2022)

Rank	Operator	Main Sector	Global Brand Owner	No. of Outlets
1	Subway	Fast Food/Takeaway	Doctor's Associates Inc.	1,215
2	McCafé	Café/Coffee Shops	McDonald's Corp	1,027
3	McDonald's	Fast Food/Takeaway	McDonald's Corp	1,027
4	Domino's Pizza	Fast Food/Takeaway	Domino's Pizza Inc	737
5	KFC	Fast Food/Takeaway	Yum! Brands Inc	712

Source: Euromonitor

SECTION III. COMPETITION

Imported products must compete with "Australian Made" products and Australians generally have a keen awareness and affinity for buying Australian-made goods. However, this is less of a factor in HRI than retail where country-of-origin labeling of foods is required. Over two-thirds of Australian consumers believe it is essential for restaurants to buy locally produced food products. In addition, there has been a recent push for restaurants and fast-food outlets to indicate where their products originate. Higher prices are a major drawback of local offerings and imports must be competitive.

Australia's quarantine regulations are stringent, and other import regulations and food labeling have different requirements than in the United States. The Food and Agriculture Import Regulations and Standards (FAIRS) report highlights Australian quarantine imports, and food labeling regulations- also providing annual updates. The latest copy of the FAIRS report is available on the FAS website.

The value of Australian consumer-oriented food imports totaled $12.8 billion in 2022. The United States accounted for $1.3 billion or 10 percent of total imports. Australia sources most food imports from New Zealand with the United States the second largest supplier. U.S. products are well regarded as safe and an excellent value for money. See the Exporter Guide Report for Australia, available on the FAS website.

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

Due to economies of scale in the United States, U.S. manufacturers can develop a range of products far beyond what smaller manufacturers in Australia can achieve. This situation enables U.S. exporters to deliver innovative product lines unavailable from Australian manufacturers.

The Australian market is very 'Americanized', and most food categories are compatible with Australian tastes. Over the years, American brands have been very successful in the Australian market.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market with have Good Sales Potential

- **Dairy Products:** cheese, whey, ice cram
- **Distilled Spirits:** whisky, vodka, gin
- **Fresh Fruit:** grapes, oranges, kiwi fruit
- **Processed Products:** snack foods, bread, pastry, mixes and doughs

Top Consumer Oriented Products Imported from the World

Product Category Total Australia Import	Main Suppliers in Percentage
Food Preparations $1.6 billion USD	1. Singapore – 26% 2. New Zealand – 15% 3. **USA-10%**
Dairy Products $1.5 billion USD	1. New Zealand – 49% 2. **USA – 15%** 3. Italy – 5%
Bakery Goods, Cereals & Pasta $1.3 billion USD	1. New Zealand – 11% 2. Thailand – 11% 3. Italy – 9%
Distilled Spirits $789 million USD	1. United Kingdom – 34% **2. USA – 18%** 3. France – 11%

Source: Australian Bureau of Statistics

Top Consumer Oriented Products Imported from the United States

Product Category	Total Australia Import
Dairy Products	$224 million USD
Food Preparations	$164 million USD
Distilled Spirits	$141 million USD
Dog & Cat Food	$135 million USD
Pork and Pork Products	$115 million USD

Source: Australian Bureau of Statistics

Products Not Present in Significant Quantities but which have Good Sales Potential

- Wine
- Zero Alcohol Spirits
- Chocolate and cocoa products

Products Not Present because they Face Significant Barriers

- Fresh Apples
- Cooked Turkey
- Beef and beef products
- Fresh/frozen poultry

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

Office of Agricultural Affairs
U.S. Embassy, Canberra, Australia
Tel: +61 2 6214 5854
E-mail; Agcanberra@usda.gov

Import Regulations

- See the Department of Agriculture, Fisheries and Forestry biological import conditions (BICON) database to identify whether your product is permitted entry to Australia.

Australia's Food Regulations

- 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.
- The entire Australia New Zealand Food Standards Code is available through FSANZ website.

Other Relevant Reports

Copies of other relevant reports from this office can be found by searching at: https://gain.fas.usda.gov/#/search.

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

Industry Information

- Foodservice Suppliers Association of Australia Inc.
- NAFDA – Australian Foodservice Distribution
- Food and Beverage Importers Association

References

Euromonitor International, Consumer Foodservice in Australia
IBISWorld, Hotels and Resorts in Australia
IBISWorld, Chain Restaurants in Australia
IBISWorld, Fast Food and Takeaway Food Services in Australia
IBISWorld, Restaurants in Australia

IBISWorld, Cafes and Coffee Shops in Australia
IBISWorld, Catering Services in Australia
IBISWorld, Pubs, Bars and Nightclubs in Australia

Attachments:

No Attachments