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Report Name: Retail Foods Annual

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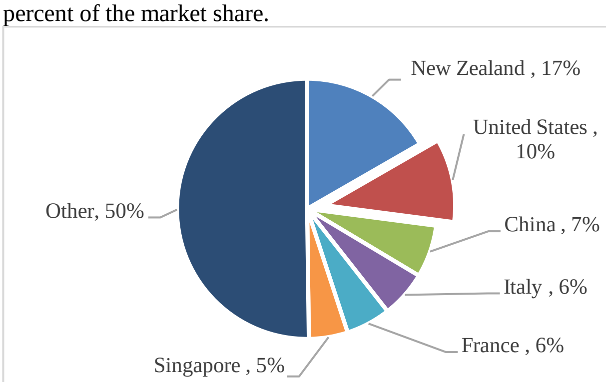
Report Highlights:

Australia is experiencing a cost-of-living crisis due to rising inflation. Consumer behavior and societal trends are driving shifts in shopping habits. Meanwhile, sustainability, waste reduction, food integrity, and healthy eating are key factors influencing product choices. The value of Australian consumer-oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US$13.9 billion in 2023. The United States accounted for US$1.3 billion or 10 percent of Australia's total food related imports. Most of Australia's imports in these sectors are from New Zealand, and the United States is the second largest supplier.

Market Fact Sheet: Australia

Executive Summary
Australia is the world's 14th largest economy. It has one of the highest levels of per capita GDP in the world and is ranked second for median wealth per adult according to UBS's 2023 Global Wealth Report.
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.

Consumer-Oriented Agricultural Imports
In 2023, Australia imported $12.3 billion worth of consumer-oriented products with the United States' market share at 10 percent of the total imports ($1.3 billion). Most of Australia's imports in this sector are sourced from New Zealand with 17 percent of the market share.



Source: Australian Bureau of Statistics

Food Retail Industry
Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 67 percent. In 2022, profit margins in supermarkets rose by 4.2 percent. Australia's food retail sales reached US$137.6 billion in 2023. For more information, please see the Retail Foods report.

Food Processing Industry
Australia's food processing industry is the largest manufacturing sector in the country. It comprises over 16,000 enterprises and employs over 272,000 people. The sector's revenue is mainly generated by large companies. The food manufacturing turnover for 2021-2022 was US$ 95.1 billion. For more information, please see the Food Processing Ingredients report.

Food Service Industry
The industry faces challenges due to the rapid growth of inflation and increased cost of living, the momentum the foodservice industry gained in 2022, halted in 2023. The Australian consumer foodservice industry was valued at US$39 billion in 2023. Consumers are choosing to dine out at cheaper locations such as limited service and fast casual instead of full-service restaurants, which are typically more expensive. For more information, please see the Food Service Report, updated report to be released December 2024.

Quick Facts CY 2023

Total Imports of Consumer Oriented Products - $12.3 billion

Australia's Top Consumer-Oriented Growth Products

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

Food Industry by Channels ($ billion)

Retail Food Industry	$137.6
Food Service – HRI	$39
Food Processing (2021-2022 latest available data)	$95.1
Food and Agriculture Exports	$50.3

Top Australian Food Retailers

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

GDP/Population
Population (millions): 26.6
GDP (billions USD): $1.7
GDP per capita (USD): $60,993

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

Australia is experiencing a cost-of-living crisis due to rising inflation. The cost of essential goods such as housing, utilities, gas, and groceries are among the top concerns of Australian consumers. According to the Australian Bureau of Statistics (ABS), the Consumer Price Index (CPI) increased by 3.8 percent from June 2023 to June 2024. Among the most significant price rises were housing (5.5%), food and non-alcoholic beverages (3.3%), and alcohol and tobacco (6.9%).

Although consumers experience higher prices due to inflation, supermarket and grocery store incomes are increasing, with many food retail stores passing operating and input costs to customers. Australian supermarkets have been facing scrutiny for their pricing.

The Australian Competition and Consumer Commission (ACCC) is probing supermarket pricing practices due to allegations of price gouging and abuse of market power. Simultaneously, the Treasury is examining the Food and Grocery Code of Conduct to address the power imbalance between major supermarkets, Coles and Woolworths, and their suppliers. Treasury recommended a mandatory supermarket Food and Grocery Code of Conduct adherence (which is currently voluntary), increased penalties and improved supplier complaint and protection regulations.

The value of Australian consumer-oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs and related products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports totaled US$13.9 billion in 2023. The United States accounted for US$1.3 billion or 10 percent of Australia's total food-related imports. Most of Australia's imports in these sectors are from New Zealand, with the United States being the second largest supplier.

The value of food and liquor retailing in Australia in 2022 totaled A$232 billion (US$154 billion). Supermarket and grocery expenditures continue to account for the bulk of food retailing purchases with a share of 60 percent.

Consumer behavior and societal trends are driving shifts in shopping habits. At the same time, sustainability, waste reduction, food integrity, and healthy eating are key factors influencing product choices. For instance, consumers increasingly favor brands and products that prioritize environmental responsibility. Retailers and food producers have responded by investing in sustainable practices.

Additionally, there's a growing focus on reducing household food waste, leading to changes in packaging and consumer habits. Consumers also seek products that align with their values, such as those from ethically sourced or sustainably farmed sources. Finally, concerns about obesity have heightened awareness of portion control and the importance of healthy eating.

Key Market Drivers and Consumer Trends

Cost of Living Pressures are prompting consumers to rethink their spending habits. As prices for essential goods continue to soar, shoppers increasingly turning away from premium items. Sales of more expensive products, such as prepared meals, specific cuts of meat, seasonal fruits, and artisanal bread, are expected to decline. As a result, consumers are seeking out budget-friendly alternatives, including private labels. Negative consumer sentiment will likely persist for some time, driving demand for affordable shopping experiences. Stores like Costco and Aldi, known for their value-oriented offerings, are poised to benefit from this trend as shoppers prioritize cost-effectiveness over higher-priced retailers.

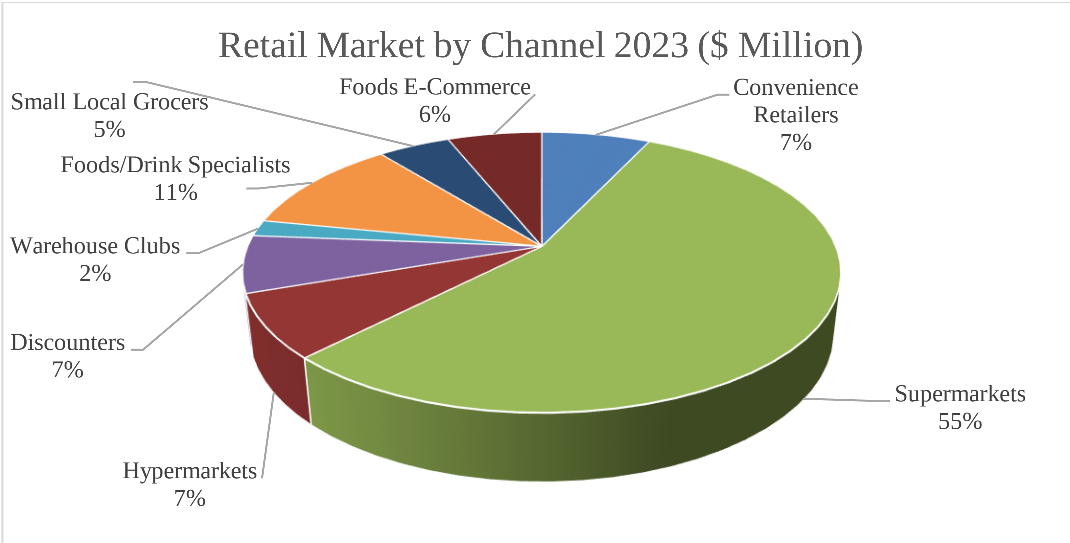
Technology is revolutionizing the way we shop for groceries. Big supermarkets embrace cutting-edge tech to meet customer expectations and create a better shopping experience. By using artificial intelligence and machine learning, supermarkets can better understand their customers, recommend products that match their preferences, and predict future sales trends.

Australian consumers have shown a preference for traditional, in-store grocery shopping, particularly for fresh items. However, **online grocery shopping** is poised to disrupt the industry. Grocery retailers are responding by improving their distribution capabilities and expanding their online offerings, focusing on fast delivery and a wide selection of products.

Healthy indulgence: Australians are increasingly focused on mindful eating rather than rigid diets. They're looking to reduce portion sizes without sacrificing their favorite foods.

Advantages	Challenges
U.S. culture is well accepted and similar to Australia	Strong emphasis on “Australian Made” campaign
No language barriers to overcome.	Strict quarantine regulations for fresh produce, meat, and dairy products.
The United States and Australia have a free trade agreement that minimizes import tariffs.	An increasing number of low-cost foods ingredients are available from developing countries.
Counter-seasonal production and marketing seasons between Australia and the United States mean that some fruit and vegetable imports do not compete with locally produced fruit and vegetables.	Need to produce innovative food products to break into highly competitive retail food sector as most categories have substantial market leaders.
Strong market dominance by two main retailers, with well established distribution systems.	
Many of the major trends in flavoring ingredients used in Australia have their origins in the United States.	

Retail Sales by Channel



Source: Euromonitor International

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way to enter the market is through a distributor, importer, agent, or broker who targets specific food categories or merchandise managers at major wholesalers and major supermarket chains. Major chains and wholesalers have their own distribution centers and national coverage. Targeting major chains through an agent/distributor will reduce the risk of entering an inappropriate state market in Australia. Specialist distributors or wholesalers may also be approached.

Once the products are in the market, product launches for supermarkets are popular and effective. Provide agent/distributor with promotional material and products suitable for in-store demonstrations. Exporters should also consider combining promotional advertising such as in-store displays and store catalogs, major industry magazines (e.g., Retail World), newspapers, television, radio, and public transport.

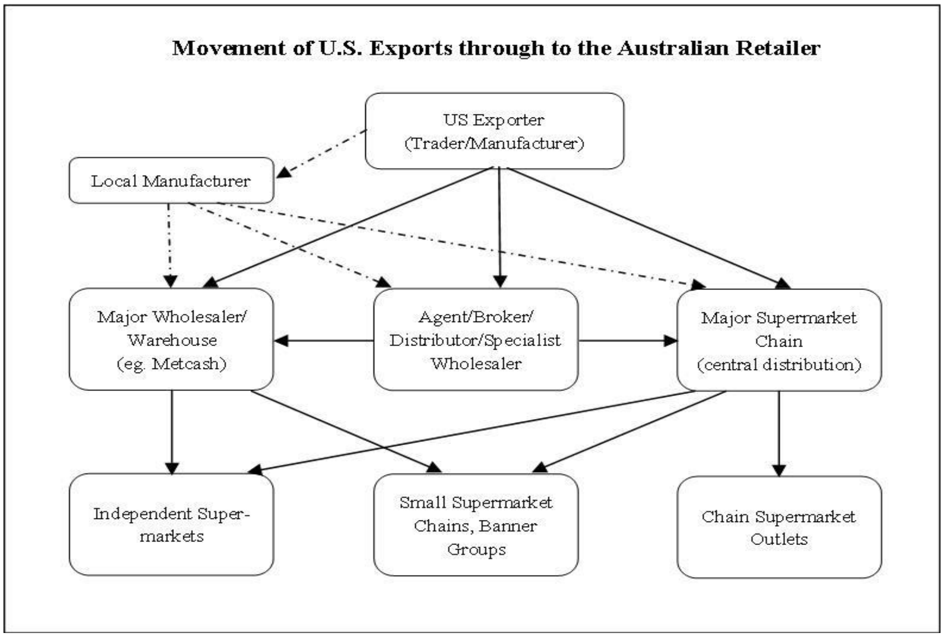
A great way to meet buyers, distributors, and importers is to exhibit at Australian food shows. Fine Food Australia is the premier international food, drink, and equipment exhibition in Australia. The show is endorsed by the U.S. Department of Agriculture and is held in September each year, alternating between Sydney and Melbourne (see http://www.finefoodaustralia.com.au/ for more information). Major buyers and importers from all over the country and region attend. Due to Australia's large geographic size and the high cost of internal airfares and transport, exhibiting at trade shows such as Fine Food is the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia.

U.S. exporters can contact their U.S. State Regional Trade Groups (SRTG) to obtain additional support. STRGs are a non-profit trade development group funded by USDA/FAS and private industry. The STRGs help U.S. companies with creating and expanding export markets for value-added food and agricultural products.

Market Structure

Distribution Channels

Distribution centers and wholesalers are the two main channels to enter major supermarkets and smaller supermarket chains. Distribution points in Australia are centralized. All major supermarket chains and warehouse/wholesale clubs operate their own network of national and regional distribution centers. Food products will be stored in warehouses prior to delivery. Transport between distribution centers in Australia is predominantly by road.



Product flows are similar for the major supermarket chains, which operate central distribution centers. Independent supermarkets and smaller supermarket chains purchase their food products through the major wholesalers or direct from manufacturers. The larger chains are also direct importers.

Many independent retailers use banner groups, such as the Independent Grocers of Australia (IGA), to improve the buying, advertising, and competitive power of smaller grocery and convenience stores. Under banner groups, retailers can negotiate better prices, coordinate marketing campaigns, and collaborate to establish new programs that benefit consumers.

Company Profiles & Top Host Country Retailers

Retailer Name	# of Outlets	Market Share (2024)	Website
Woolworths (Woolworths & Woolworths Metro) Supermarkets & Express Stores	1,400	38.2%	https://www.woolworths.com.au/
Coles Supermarkets	850	29%	https://www.coles.com.au/
Aldi Discounter Supermarkets	590	8.6%	https://www.aldi.com.au/
Metcash (IGA, Foodland, Friendly Grocer) Independent Small Grocers	1,600	6.7%	https://www.metcash.com/

Costco Warehouse Membership	15	3.5%	https://www.costco.com.au/

Source: IBISWorld, Supermarket websites

The following table summarizes total food retail sales and sector shares for the past five years.

Description	2019	2020	2021	2022	2023
Total Food and Liquor Retailing (A$m)	**$182,038**	**$191,093**	**$198,093**	**$218,710**	**$232,434**
Supermarkets and Grocery Stores Food Retailing	$113,493	$125,274	$125,850	$132,754	$139,197
Percent of Total Food and Liquor Retailing	62 %	66 %	63 %	61 %	60%
Cafes, Restaurants & Takeaway Food Retailing	$46,801	$39,749	$45,783	$58,154	$63,986
Percent of Total Food and Liquor Retailing	26 %	21 %	23 %	27 %	28%
Liquor Retailing	$12,334	$15,625	$15,927	$16,594	$17,967
Percent of Total Food and Liquor Retailing	7 %	8 %	8 %	8 %	8%
Other Specialized Food Retailing	$9,409	$10,446	$10,776	$11,207	$11,284
Percent of Total Food and Liquor Retailing	5 %	5 %	5 %	5 %	5%

Source: ABS Cat. No. 8501.0; Retail Trade, Australia

Total turnover in **US$m** is:

Description	2019	2020	2021	2022	2023
Total Food and Liquor Retailing	**$126,735**	**$132,695**	**$148,689**	**$151,653**	**$154,290**

Retail Outlets

The Australian supermarket industry is highly competitive, dominated by Coles and Woolworths, which together control 67% of the market. The recent rapid growth of ALDI and Costco, both international chains, has significantly impacted the industry. Shifting consumer preferences, including increased focus on food safety, convenient location, and value, have also influenced market dynamics.

Supermarkets remain the primary destination for grocery shopping, largely due to their convenience. However, local greengrocers and markets hold a special appeal for many consumers, especially for fresh produce. While supermarkets account for over 60% of the retail food market, cafés and restaurants also play a significant role. Butchers and bakeries have a more modest market share.

While loyalty programs and online sales are gaining traction, the grocery retail landscape is characterized by intense price competition. Low price strategy will remain a defining feature of the grocery retail landscape. Major supermarket retailers are likely to continue their aggressive pricing initiatives to appeal to value-conscious consumers.

Warehouse clubs

The arrival of Costco in Australia in 2009 marked the introduction of warehouse clubs to the market. With stores now in major cities across the country, Costco poses a new challenge to supermarkets, particularly regarding value. As the sole warehouse club in Australia, Costco offers a unique mix of U.S. and Australian products.

Convenience stores that provide a quick and easy shopping experience, rely on freshly prepared food and drinks to attract time-constrained customers. While the industry is highly fragmented, many owner-operated stores, banner groups and franchises are also common. In Australia, convenience stores face increasing competition from smaller-sized supermarkets like Woolworths Metro and Coles Local. These smaller outlets, often located in busy urban areas, offer lower prices and target the same time-pressed consumers as convenience stores. Some smaller supermarkets also serve as "click and collect" points for online grocery shopping.

Independent small grocers have faced significant challenges in recent years due to intense industry competition and the impact of the COVID-19 pandemic. The shift towards home delivery and click-and-collect services, which smaller grocers often cannot provide, has further disadvantaged them. As a result, many independent grocers have exited the market. These businesses are at a competitive disadvantage due to their weaker buying power, economies of scale, and limited marketing budgets compared to larger supermarket chains.

Grocery Sales by Retailer Type: A$m

Retailer Type	2019	2020	2021	2022	2023
Convenience Stores	$11,007	$11,207	$11,402	$13,706	$13,539
Discounters	$9,738	$10,809	$10,685	$10,517	$12,917
Warehouse Clubs	$2,216	$2,612	$2,868	$3,086	$3,613
Small Local Grocers	$7,112	$8,364	$8,021	$8,532	$9,032
Foods/Drink/Tobacco Specialists	$18,412	$21,652	$20,765	$22,087	$21,453
Supermarkets	$92,617	$100,312	$96,985	$100,962	$106,917
All Grocery Retailers	**$141,998**	**$154,449**	**$150,524**	**$157,630**	**$167,471**

Source: Euromonitor International, Retailing in Australia

SECTION III. COMPETITION

Imported products will have to compete with 'Australian Made' products. Australian consumers are increasingly aware of the importance of buying locally produced goods, but price often takes precedence. While most Australians express a preference for Australian-made products, their purchasing habits often reflect a focus on price, convenience, and quality. Despite the growing trend of local sourcing, foreign-made goods continue to compete fiercely in the Australian market, mainly due to lower prices and wider availability.

The value of total Australian imports of consumer-oriented (i.e., snack foods, breakfast cereals, meat and poultry, dairy, eggs, and products, fresh fruit and vegetables, processed fruit and vegetables, fruit and vegetable juices, nuts, wine, beer, nursery products, pet food, etc.), fish, and seafood imports was US$14 billion in 2023. The United States is the second largest supplier (behind New Zealand) of imported consumer-oriented foodstuffs to the Australian market, holding a 10 percent share in 2023 valued at almost $1.3 billion. The U.S./Australia Free Trade Agreement signed in 2005 allows nearly all U.S. products to enter the Australian market tariff-free.

Product Category **Total Australia Import**	**Main Supplies in Percentage**
Dairy Products **$1.6 billion USD**	1. New Zealand – 49% **2. USA- 13%** 3. Italy – 5%
Food Preparations **$1.5 billion USD**	1. Singapore – 27% 2. New Zealand – 16% **3. USA – 9%**
Distilled Spirits **$666 million USD**	1. UK- 32% **2. USA- 20%**

	3. France- 10%
Pork & Pork Products **$557 million USD**	**1. USA – 37%** 2. Denmark- 30 % 3. Netherlands- 26%
Dog & Cat Food **$351 million USD**	1. Thailand- 35% **2. USA- 27%** 3. France- 15%

Foreign brands play a significant role in the Australian grocery market, providing supermarkets with a wider range of products at competitive prices. To attract new customers, supermarkets have expanded their offerings beyond traditional staples to include specialty items often found in smaller, niche retailers. This situation has increased reliance on international suppliers and distributors to source these products. To compete with the growing number of discount retailers, imported goods must be priced competitively and offer unique, innovative features that differentiate them from existing products.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Distilled Spirits, Cheese, Dog & Cat Food, Baked Snack Foods (Pastries, Pretzels, etc), Chocolate

Products Not Present in the Market in Significant Quantities which have Good Sales Potential

Ice Cream, Wine, Beer, Tea, Non-Alcoholic Beverages

Products Not Present Because They Face Significant Barriers

Cooked Turkey, Apples, Beef

Trends in Imports from the United States Consumer-Oriented Foods

Product Category	Growth 2019-2023 (Percent)	Australian Imports from the United States 2023 ($million)
Pork & Pork Products	-31	208.7
Dairy Products	+28	206.6
Distilled Spirits	+18	133.1
Food Preparations	-20	131.7
Dog & Cat Food	+5	95.9
Processed Vegetables	+19	72.0
Fresh Fruit	-50	71.8
Baked Goods, Cereals & Pasta	+25	61.8
Processed Fruit	-18	49.2
Chocolate & Cocoa Products	-3	45.6
Condiments & Sauces	+5	45.3
Tree Nuts	-138	43.1

Source: Australia Bureau of Statistics (ABS)

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 prohibited entry to Australia.

Australia's Food Labeling 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.

Trade Shows
Fine Food is the largest food, beverage, and equipment show in Australia and this region and presents U.S. exporters with the most efficient and cost-effective way to enter the Australian market. Australia is a very large country, and internal transportation is expensive and time consuming. Fine Food allows U.S. exporters to access a 'one-stop-shop' for entry to the Australian market because many the major importers, distributors, etc., exhibit at the show and at times represent other companies. This presents an ideal opportunity for U.S. exhibitors to meet with many of the big players in this market in one place. The show occurs every September, alternating between Melbourne and Sydney. In 2025, the show is in Sydney, September 8-11, 2025. Fine Food is a U.S. Department of Agriculture endorsed show. For information on participating in the U.S. Pavilion at Fine Food, please contact the Office of Agricultural Affairs listed above.

INDUSTRY INFORMATION
Australian Food and Grocery Council
Email: info@afgc.org.au
Web: www.afgc.org.au

Food and Beverage Importers Association
Email: info@fbia.org.au
Web: http://www.fbia.org.au

Attachments:

No Attachments