Asian Market Insights

A review of market data concerning Asian Food and beverage markets

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Contents

Introduction and background

Food Innovation Australia Limited (FIAL) commissioned Caroline Veldhuizen to perform a foundational document review and data search. The aim was to identify and understand Asian food and beverage market challenges and emerging needs and/or gaps which Australian Small to Medium Enterprises (SMEs) can take advantage of through:

- exports;
- technology transfer and partnerships;
- collaborative research and development; and
- service provision.

The emphasis of the study was on identifying opportunities for trade. However, the review itself highlighted the need, in the longer term, to pursue more integrated partnerships to develop research and development and innovation in both Asia and Australia, as a means to accessing export opportunities and deeper relationships, especially related to the issue of food security.

The Australia in the Asian Century White Paper, 2012 prepared by the Commonwealth Government and the National Food Plan White Paper, 2013 prepared by the Department of Agriculture, Fisheries and Forestry (DAFF) are the cornerstone documents which provide the background for this study. The former explores the paramount importance of Australia's engagement with Asia not only with respect to trade and viewing Asia as an enormous export opportunity, but also with respect to innovation and research and development, security ties and deeper people to people ties. The second document, the National Food Plan, sets out the nation's strategic priorities for ensuring food security and supporting and promoting growing exports.

In order to support Australian businesses and increase their capacity to grow exports to Asia, as well as to form other mutually beneficial relationships, FIAL require succinct information on the significant volume of information already available concerning the Asian food and beverage market and the opportunities for Australian firms. An understanding of emerging trends and opportunities was required to inform discussions with Australian stakeholders about the ways that FIAL could assist the Australian food and beverage industry in the Asian market in the short and longer term.

This study will also assist FIAL to build a capability map of the market research and study tours carried out to collect data on the emerging Asian markets, opportunities, trends and consumer insights. It is also envisaged that some of the findings from this work will be used to build a set of questions for the survey that FIAL will ask SMEs and MNEs to complete during September and October to clarify the issues and areas where they need assistance.

Key findings

The key findings from the qualitative analysis are outlined below and then described more fully in Chapters 3 and Appendix 1. Key findings for the quantitative analysis are not shown here as they are very preliminary at the time of finalising this initial report.

Trends - Asia

- Increasing urbanisation, rising incomes and changing lifestyles have led to increasingly diversified, segmented and sophisticated markets for food and beverages in Asia as well as increasing demand for imported, processed and convenience foods;
- Food safety, quality and health attributes of food are increasingly important and an essential aspect of the Australian brand in Asia. Branding is increasingly important and requires thorough, skilful execution;
- Modern retail and more organised distribution networks are making many markets more accessible, but distributor relationships are becoming increasingly important;
- Multinationals are increasingly dominating many aspects of the Asian food and beverage market so that scale and collaborative relationships are essential.

Market challenges - Asia

- Deep knowledge, frequent physical presence and well established relationships are essential for doing business in Asia and require an investment in developing knowledge and understanding, and investing in the right people;
- Exporters must understand their markets thoroughly and be demand focussed, service driven, and provide reliable supply;
- Adaptation of business models, clustering, collaboration and specialisation are often required to leverage knowledge and expertise, meet the challenge of the need for scale and allow for flexibility according to the requirements of the market opportunity;
- Strategic risk management is crucial to allow for lack of transparency and differences in business environments;
- Tariffs, quotas and subsidies still present major challenges in some countries;
- Investment in research and development and other forms of innovation is essential to add the kind of value to highly processed foods that can be recovered through premium pricing. For many producers exporting to Asian markets, competitiveness is determined by intellectual property all along the chain;
- More emphasis needs to be given by Australian suppliers to developing and supplying unique high quality food and beverage products with a distinct Australian identity but which are comprehensible and of appeal to Asian consumers, including marketable brand names and packaging;

- Robust traceability labelling is required as a minimum to achieve premiums in many markets, and brand awareness around such issues as food safety and sustainability has to be protected.

Market opportunities - Asia

- The opportunities for Australian firms are shifting from the primary resource end of value chains (which will nevertheless remain important) to the supply of value-added inputs and products;
- Innovative and highly differentiated products, well packaged and energetically and skilfully marketed, can command premiums in foreign markets;
- There is potential to deepen relationships through collaboration based on a shared interest in food security – this is a policy issue but also something that firms with research and development capability could consider;
- Younger populations in many Asian countries are interested in trying new foods and, due to changing lifestyles there is an increased demand for convenience foods;
- Australia's existing reputation as a producer of high quality food creates considerable opportunities to further build reputation and brand – this is something that SMEs can leverage off to assist marketing - 'clean green' and 'high quality' are the main hallmarks of brand development in Asia;
- Seasonal complementarity and proximity create opportunities for trade of fruits and vegetables;
- There are opportunities in producing and selling Asian style food, not just niche market western style food;
- Increasingly modern retail, and distribution channels and networks are helping to make many Asian markets more accessible to exporters;
- Opportunities in exporting processed food to Asia are considerable but the opportunities may close rapidly as Asian producers become more viable and high quality, and multinationals fill the market space.

Trends – market research

- There is a heavy emphasis on pre-farm gate research and not sufficient on post farm-gate;
- There is an emphasis on generalised rather than specific market research;
- Study Tours are relatively common and there is considerable funding arising out of the National Food Plan and the Asian Century White Paper (such as the AsiaBound program for students) but relatively few formalised reports have been generated as a result of these tours.

1 Methods and analysis

1.1 Mode of search

The data was collected by conducting a web based search of Australian Federal and State Government websites, as well as a more generalised search for documents concerning study tours and the Asian food and beverage market more generally.

The data search does not purport to be comprehensive; rather it provides a base-line sufficient to identify some emerging trends and insights.

1.2 Definition of Asia

The Australia in the Asian Century White Paper identifies Asia as the group of nations that stretch from India through Southeast Asia to Northeast Asia, including Indonesia, other Association of Southeast Asian Nations (ASEAN) members (Burma, Brunei Darussalam, Cambodia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam), China, South Korea and Japan. A map, which shows this region, appears below.

1.3 Data Analysis

1.3.1 Quantitative analysis

Documents were identified and entered into a Word document and Excel Spread Sheet.

The word summary recorded a brief description of each document located, key quotes and information extracted, trends and insights discussed and finally any information on bilateral trade conditions. Each category of information was recorded in a separate section of the summary which is annexure 1 to this report. The Word summary also contains information available on the web regarding study tours conducted during the last three years, many of which did not have associated reports.

The information regarding each document located during the search was then entered into an excel spread-sheet. This analytic tool reports the basic identifying information copied from the Word summary and also includes measures of quality (representativeness, perspective and recency), relevance and coverage for each document.

The measures were defined as follows:

Quality - Representativeness

0= personal opinion
1= objective comment / not based on non-representative data
2= objective comment / based on representative sample data
3= objective comment based on Census data

Quality - Perspective

0= personal opinion (not representing an interest group)
1= broad overview of Asia with generalised discussion
2= country specific with generalised discussion
3= specific market intelligence on localised consumer trends

Quality - Recency

0= last release before 1995
1= 1995 to 1999
2= 2000 to 2008
3= after 2008

These three quality scores were evenly weighted to result in a score out of 10.

Relevance

0= Not relevant at all
1= Specific sections of document generally relevant
2= Specific sections of document highly relevant
3= Directly addresses Asian food and beverage market issues in detail

Relevance was also given a score out of 10.

Coverage was related to the degree to which each document covered the following countries in the Asian region:

JA	Japan
CH	China
IND	India
INDO	Indonesia
MAL	Malaysia
THAI	Thailand
TAIW	Taiwan
KOR	Korea
VIET	Vietnam
CAM	Cambodia
PH	Philippines
OTH	Other Asian

Coverage

0= Does not deal with topic at all
1= Slight coverage of topic
2= Moderate coverage of topic
3= High coverage of topic

This coding resulted in the ability to calculate and display:

- The count of all documents for which there was some coverage for each of the topics or countries
- The sum of the coverage scores for each of the countries – a greater gap between the count and the sum indicates generally higher coverage scores
- The quality and relevance scores for all of the documents reaching a defined coverage threshold – for instance a coverage threshold of three *'(3) high coverage of topic*' could be nominated. The average quality and relevance score for all documents meeting this threshold could then be calculated for each of the countries and displayed.
- Graphs were generated showing the sum and count for each country, the distance between the sum and count for each country (with the higher the distance the greater the coverage) and the number of documents for each country meeting a defined coverage threshold.

It is anticipated that this analysis tool will become more useful as the library of documents increases and manual analysis and overview becomes less easy to perform. The excel spread sheet is provided electronically and forms part of this report. The quantitative analysis is summarised in this report. However, the gaps in market research identified through this analysis are preliminary findings only, subject to refinement as more documents are identified.

Documents located during the web search were downloaded from the web in Pdf format and are also provided electronically and form part of this report.

1.3.2 Qualitative analysis

Documents were reviewed qualitatively using the Word summary as a basis. All specific referencing and quotes are contained in this summary and are not reproduced in the synthesis contained in Chapter 2. The qualitative analysis involved extracting and synthesising the following information regarding Asian food and beverage markets, from the documents:

- General market and consumer trends for the whole of Asia
- Country specific market and consumer trends
- General market challenges for the whole of Asia
- Country specific market challenges
- Opportunities in the food and beverage industry in the whole of Asia
- Country specific opportunities
- Core characteristics of bilateral trade agreements by country
- Trends in market research regarding Asia and Australian opportunities in that market.

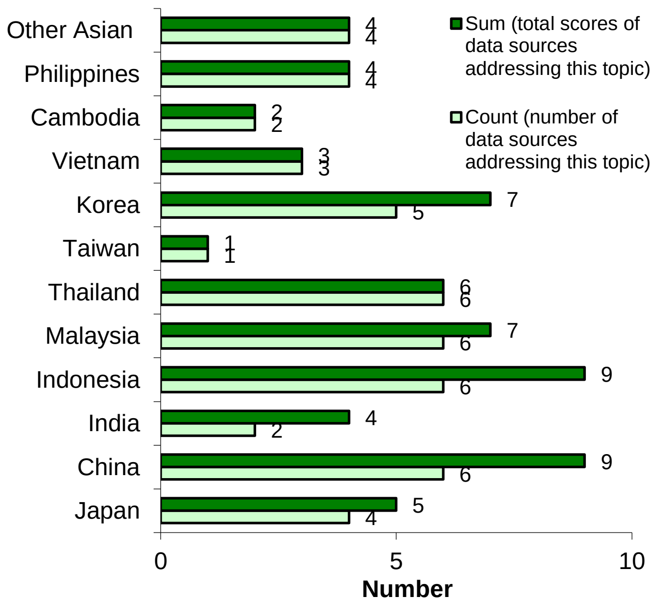
1.4 Presentation of results

Quantitative results are set out in Chapter 2 of this report and the Excel spread sheet, and qualitative results are set out in Chapter 3. The summary of documents forms Annexure 1 to this report. For ease of interpretation results are largely contained in graphs and tables.

2 Results - Quantitative

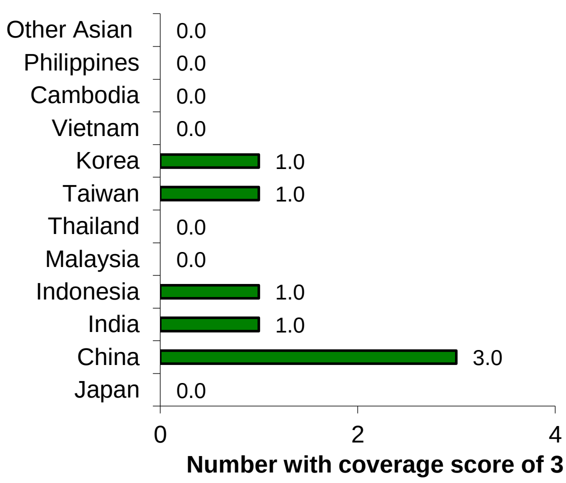
2.1 Numbers of documents and sum of document coverage scores

The graph below shows the numbers of documents located for each country or topic and the sum of the coverage scores for each of those documents. The greater the difference between the sum and count the higher the average coverage score for the documents located.



The spread sheet shows a quality and relevance score for each document and average quality and relevance scores for documents by coverage level.

The graph below shows the number of documents by country that had the maximum coverage score of '*3 – Directly addresses Asian food and beverage market issues in detail'.*



3 Results - Qualitative

The material contained in this section is drawn from the summary of search outcomes which is attached as Appendix 1. The extracts and quotes are categorised into the tables set out below. The descriptions of documents from which the extracts and quotes are drawn, and specific referencing such as page numbers, are contained in the summary document. The most up-to–date documents are used to identify the trends, challenges and opportunities in the tables and when they are more than 3 years old this is noted.

The tables present a synthesis of information collected to date and will be augmented in further stages of the project. Nevertheless they provide some insights into the Asian market which are informative and accurate. In some instances rows in tables are left blank where no information on a specific country has been collected to date.

3.1 Consumer and market trends for the whole of the Asia

Table 1 Consumer and market trends - Asia

Consumer and Market trends - Asia
Agrifood demand in Asia is expected to double to 2050 and accounts for 71 per cent of the global increase to 2050. China accounts for 43 per cent of the projected increase in global demand (that is 60 per cent of the increase in Asian demand), while **India** contributes 13 per cent of this growth in global demand;
In most of Asia, increasing urbanisation, increasing incomes and changing lifestyles have led to increasingly sophisticated and diversified diets and markets for food and beverages;
Demand is increasingly segmented between different socio-economic and cultural groups (big divide between urban and rural, especially in countries such as China and India). Generally there is growth at the low-cost discount and premium ends and loss of market share in the middle categories;
In many Asian countries there are expanding markets where the ‘safety’ of food is paramount;
High quality, safe, premium overseas branded products are increasingly sought;
Increasing importance of Australia’s country of origin brand to export potential – national brand based on ‘clean, green’ credentials;
Modern retail (dominated by multinationals) and more organised and structured distribution outlets are being established throughout the developing countries of Asia. It is important that Australian producers understand new, rapidly evolving Asian distribution systems and tailor their entry strategies accordingly;
Global consumer mega-trends identified by the Food Processing Industry Strategy Group Final Report (non-government members), 2012 were: ➢ Health and wellness ➢ Sensory and indulgence ➢ Comfort and uncertainty ➢ Sustainability and ethics ➢ Individualism and expression ➢ Evolving landscapes (refers to socio-demographic and economic change impacting consumer societies)

Consumer and Market trends - Asia
➢ Smart and connected ➢ Easy and affordable;
Increasing importance of scale and increasingly embedded MNCs which increase barriers to entry and mean that SMEs need to consider options that see them partnering with the MNCs, whether via distribution arrangements or joint ventures;
Increasing importance of branding in all Asian markets;
Major shift in the weight of agrifood industry power away from the agrifood processors towards the food and beverage retailers, with this process just beginning in Asia;
Growth in institutional catering and contract food services – this catering is increasingly being outsourced;
Growth in convenience food and fast food markets;
Products need to be specifically targeted toward consumer driven specifications.

3.2 Consumer and market trends by country

Table 2 Consumer and market trends by country

Country	Trends – by country
Japan	**Fish, meat, cereals, vegetables, and fruit** saw strong Japanese import growth 2010/11; **Retailers and food service groups** are seeking to differentiate their offerings and this can often be done on the basis of health properties; **Food security** is a major issue in **Japan –** consumers require safe products supported by solid safety standards and procedures.
China	**Increased** demand for 'safe' premium foods is increasing and most of our exports are increasingly servicing niche markets where quality is paramount; **Consumption** of higher value foods, especially of animal origin is increasing. The foods with higher rates of growth include milk and dairy products, aquatic products, poultry meats and fruits; **Growing concern** within China about the country's ability to meet its changing and increasing food and beverage requirements; **Amount spent** on food increasing but the proportion of household budgets spent on food and beverage declining; **Per capita consumption** of staple foods such as wheat and rice declining while the indirect consumption of grains (chiefly maize) is increasing; **Large differences** in consumption between urban and rural regions; **Food consumption patterns** and levels different between regions mainly due to differences in local income levels, food availability and ethnic background. **Consumption convergence** is taking place, but slowly; **The demand for safe, premium foods** has, to a small extent, been negatively affected by the supply of some foods of dubious quality; **Some wealthy Chinese**, consume only imported foods out of concerns for food safety; **Growth in income and urbanisation** are the key drivers of change, with

Country	Trends – by country
	urbanization likely to intensify; **China is driving the higher global import demand** for beef, wheat, dairy products, sheep meat and sugar.
India	India accounts for over 60 per cent of the projected increase in global import demand for dairy products; Nearly 26 to 27 per cent of the Indian population is in the age group of 20 to 34, which is the age group of new age consumers who have the ability as well as the willingness to spend on quality products; Urbanisation, higher disposable incomes and more women working in India mean that there is more focus on ready to eat convenience foods. This accompanied by increasing health and quality consciousness; The market for branded foods is growing at a healthy rate of 10 to 15 per cent, representing a growing opportunity for the organised food retailers; An improvement in the standard of living has caused people to become more health and environment conscious; The modern day consumer is looking for convenience, not just in purchasing but also in carrying, cooking and eating. Portability and single serve packaging are on the rise to meet the need of 'eat where you are'; The food service sector is growing rapidly as urbanisation and incomes increase.
Indonesia	**Indonesia has a young and increasing** population, and is urbanising rapidly, which is exposing consumers to international trends and tastes; **People on lower incomes** traditionally eat rice with a garnishing of vegetables and as income increases the proportion of the diet comprised of fish, meat, eggs, dairy and fruit increases; **Spending on prepared food** rises rapidly with income, with urban Indonesians traditionally eating out a lot. Spending on convenience foods also rising strongly; **Almost 90% of Indonesians are Muslim** and observe Islamic dietary laws; **Branded product** is perceived as carrying an assurance of quality and health protection; **The average Indonesian** shops mostly at traditional outlets – large wet markets and smaller provision stores, but modern retail is growing strongly; **Hotels and fast food chains** dominate the modern food service sector and account for most food service imports; **Australia is the top supplier** to Indonesia of wheat, dairy products, vegetables and live cattle but its ranking as a supplier of consumer-oriented products has slipped during the last five years (as at 2004); **There is increasing awareness** of healthy lifestyle issues.
Malaysia	
Thailand	
Taiwan	**An affluent population is driving demand** for high quality food products; **High tourism demand** especially from Chinese tourists.
Korea	**Supermarkets** and large retailers (particularly discount chains) are driving sales increases; **Increasing** consumer concern for country of origin and food safety.
Cambodia	
Philippines	
Vietnam	

Country	Trends – by country
Hong Kong	**Sophisticated consumer market** with high disposable income and also tourism boom; **Strong focus on food safety and healthy lifestyle** which are driving demand for safe, natural and organic food and health food products; **Demand for** greater diversity in food options.

3.3 Market challenges for the whole of the Asia

Table 3 Market challenges - Asia

Market challenges - Asia
The challenge of linking with Asian regional value chains and developing long-term relationships (this takes time and a commitment to building cultural awareness);
The requirement for deeper engagement to facilitate the necessary multi-faceted understanding of Asian consumers and specific markets;
The challenge of developing products, services and expertise that are valued in Asia – by innovating and understanding the diversity in demand, conditions and customs;
The need for a strong focus on service provision;
The need for businesses to invest in people and knowledge to make them more able to interact in Asian markets;
Requirement to develop new business models (for example: vertical integration, contractual arrangements or partnerships) to allow flexibility according to the requirements of the market opportunity;
The need for firms to enhance capabilities through specialisation and clustering, potentially through developing regional hubs or clusters that build on inter-firm co-operation (difficult to 'go it alone');
The challenge of scale – in many cases cross-border partnerships , mergers or acquisitions will be necessary to build the scale necessary to be competitive in Asia;
The challenge of building strategies to manage business risks and pressures that can arise from more sophisticated and integrated value chains – building in redundancy and resilience (i.e. not stretching to full capacity as a matter of practice);
Increasingly intense competition throughout Asia, with developing Asian countries increasing their export flows within and outside the Region and often more price competitive than Australia;
Continued trade barriers in the form of tariffs and quotas can be an issue in many Asian countries, as well as labeling and other documentary requirements. This can be exacerbated by subsidies available to exporters from other countries;
For manufacturers there is a need to be competitive right across the value chain as, for many food manufacturers, little cost competiveness is gained in the initial stages in Australia – there needs to be augmentation of processing and packaging through emphasis on quality, uniqueness of product, service, market positioning, channel development, promotion and brand development and support;
Investment in research and development and other forms of innovation is essential to add the kind of value to highly processed foods that can then be recovered through premium pricing. For many producers exporting to Asian markets, competitiveness is determined by intellectual

Market challenges - Asia
property all along the chain;
Selling through accumulators can provide access to markets for small firms but this can mean that the small firms are not familiar enough with their market to be successful;
Continuing to manufacture and produce food in accordance with western traditions and tastes may limit market access in Asia. Australian product ends up being viewed by Asian consumers as derivative and therefore inferior to ‘authentic’ products from Europa and the United States;
Accessing distribution chains in foreign markets can be challenging and difficult;
Trade barriers can make exporting difficult where free trade agreements do not exist. Currently there appears to be a lack of transparency for industry regarding import requirements for Asian markets, especially food regulation. There is also a lack of clarity on the level of domestic subsidies active in potential export markets;
A challenge and required strategy for Australia will be continuing to seek to maximise the average unit price for exported agrifood products, by excelling in the product quality and precise characteristics demanded in particular by higher income Asian consumers;
More emphasis needs to be given by Australian suppliers to developing and supplying unique high quality food and beverage products with a distinct Australian identity but which are comprehensible and of appeal to Asian consumers, including marketable brand names and packaging;
Australian agrifood suppliers should also be giving increased attention to the full range of potential customers in Asian markets;
Robust traceability labelling required as a minimum to achieve premiums in many markets, and brand awareness around such issues as food safety and sustainability has to be protected robustly;.
Well-structured and defined logistics are paramount, along with a heightened mutual investment in market communication;
Need to build loyalty through reliable supply and mutual respect;
Integrity of brand, not just a marketing message, is key;
Protection of biosecurity is crucial to underpinning ‘safe’ branding.

3.4 Market challenges by country

Table 4 Market challenges by country

Country	Challenges by country
Japan	
China	**Increasing** self-sufficiency in some commodities such as wheat and rice and the resulting need to constantly re-evaluate market opportunities; **Changing** supply chains – more advanced supply chains will make foods available in locations and at times that would have otherwise not been possible – this impacts on consumption patterns and needs to be factored in to understand projected demand patterns for different foods; **China’s population is ageing** – need to factor this into projections as tastes and preferences for older groups are very different to those of younger groups who are likely to try new foods more willingly; **Informal barriers** for exports related to bureaucratic enforcement of rules that are not always transparent;

Country	Challenges by country
	The country is diverse, with significant dietary differences from region to region; **Access to China by SMEs will be difficult unless** they operate under a trusted brand, and identifying distribution channels will be critical.
India	**While modern retail is booming** a high percentage of retail is still carried out through more traditional formats which are less accessible to exporters; **Lack of refrigerated transportation** and inefficient market or distribution linkages cause complications.
Indonesia	**Political and social instability** and anti-Australian sentiment fuelled by issues such as East Timor, disputes about animal welfare and live exports, and refugees; **The degree of ethnic and cultural diversity** is immense and accordingly some parts of the market are much segmented. This is compounded by the urban – rural divide which correlates to income disparities; **China is becoming increasingly** significant as a supplier of fresh fruit and vegetables and certain processed food items (2004). Thailand and other South East Asian countries, as well as India and Pakistan, are also significant fresh food suppliers; **Wholesale distribution channels**, logistics and infrastructure present significant challenges for exporters to Indonesia; **Successful companies invest plenty of time** in finding the right partner (agent/importer/distributor) to represent them on the ground in Indonesia and investing time in professional, but well-established, relationships is vital;. **Successful relationships** are based upon trust, communication and commitment; **The Indonesian business environment** is not easy – payment risks, lack of transparency and security concerns all need careful consideration.
Malaysia	
Thailand	
Taiwan	
Korea	**Food safety is of critical importance** to consumers and the South Korean Government is tightening regulatory systems in response to various food incidents and labelling issues; **South Korea has relatively high tariff** rates and quota restrictions covering a broad range of imported food products; **Favourable image of Australian products** as premium safe and quality **but** price competitiveness is an issue; **Price competitiveness is an issue so targeting less price sensitive** sectors can be a good strategy (organic and natural food, premium and unique products with story-telling, functional ingredients and food technology); **Fast moving business culture** requires sophistication.
Cambodia	
Philippines	
Vietnam	

3.5 Market opportunities for the whole of the Asia

Table 5 Market opportunities - Asia

Opportunities - Asia
The opportunities for Australian firms are shifting from the primary resource end of value chains (which will nevertheless remain important) to the supply of value-added inputs and products;
Possibilities of deepening relationships through collaboration based on shared interest in food security – this is a policy issue but also something that firms with research and development capability could consider;
Younger populations in many Asian countries are interested in trying new foods and, due to changing lifestyles there is an increased demand for convenience foods;
Australia's existing reputation as a producer of high quality food creates considerable opportunities to further build this reputation and brand – this is something that SMEs can leverage off to assist marketing;
Seasonal complementarity and proximity create opportunities for trade of fruits and vegetables;
Innovative and highly differentiated products, well packaged and energetically and skillfully marketed, can command premiums in foreign markets;
Opportunities in producing and selling Asian style food not just niche market western style food;
Increasingly modern retail, and distribution channels and networks, are helping to make many Asian markets more accessible to exporters;
Opportunities in exporting processed food to Asia are considerable but opportunity may close rapidly as Asian producers become more viable and high quality and multinationals fill the market space;
Importance of consistent branding to market access – 'clean green' and 'high quality' the main hallmarks of brand development in Asia.

3.6 Market opportunities by country

Table 6 Opportunities by country

Country	Opportunities – by country
Japan	**Size and diversity of market**, as well as its sophistication provides ongoing opportunities for niche products as well as commodities; **Japan has increasing export opportunities** in Asia and Australia can leverage its current relationships in Japan to take advantage of this trend; **Austrade biggest opportunity (2013)** – premium packaged food; **Ongoing market opportunities can be leveraged off** Australia's reputation as a reliable, stable, long-term supplier, known for safe food (standards and processes), high quality, counter-seasonal supply, proximity to emerging markets, health properties; **Emerging demand in Japan** for high quality processed food, natural and organic products, products with a story, functional foods, sweets and snacks, lamb, olive oil, dairy (ice-cream/yoghurt/cheese.

Country	Opportunities – by country
China	**Expected growth** in demand for meats, dairy and away from home consumption; **Demand for safe, premium foods** is expected to increase; The document ' Food consumption trends in China, 2012' also sets out regional differences which are not reproduced here – useful maps for each commodity; **Likelihood of continued need to import sugar** and increased need to import poultry and dairy products as well as relatively small quantities of high quality beef and mutton/lamb; **China will import more** tropical fruits and out of season temperate fruits; Imports of coarse grains (such as parley and perhaps maize) and oilseeds such as rapeseed are likely to increase; **As well as increasing our exports**, indirect opportunities will arise from China's imports from other markets, potentially creating space for our imports into these other markets; **Younger people** are prepared to try foreign foods and the food consumption styles of other cultures; **Australia's existing reputation** as a producer of high quality food creates considerable opportunities to further build this reputation and brand; **Much of Australia's import volume to China** serves niche markets and thus does not adversely affect Chinese local producers – this complementarity, together with seasonal complementarities, can be built upon; **Growth in the number of food retail outlets and chains** also present an opportunity for Australian exporters of food to China**.** All of the foreign-funded supermarkets plan to increase their investment in China; **Market feedback has shown interest** in Australian suppliers of: milk powder; Ultra high Temperature treated (UHT) milk; cheese butter and margarine; seafood (oysters, live lobsters, live abalone, live king crab); fresh fruit (citrus); wheat barley and rice; frozen re meats (beef, veal, lamb); processed foods, particularly baby food; wine and beer; fruit juice; convenience and 'instant foods'; and confectionary and snack products; **Austrade biggest opportunity (2013)** – packaged foods.
India	**The growth of organised food retail** has led to opportunities for both domestic and international players in food processing to enter the Indian market with their high quality and niche products; **Fruit and vegetables:** apples in the off-season as a potential import to India with collaboration on varietal development also suggested. Production partnerships for relatively new fruits such as blueberries and raspberries, varietal development of strawberries, partnering in setting up cost efficient cold chain logistics and cold storage infrastructure, sweeter varieties of peas and green pea based snacks to target niche urban consumer markets, juice bar chains and new products and processing techniques for berries and stone fruits; (2007) **Dairy:** scope for setting up large scale dairy farms in India to produce cheap milk and cater to the demand of Indian population, also the set up can be used as a sourcing base for exports of milk and milk based products to neighbouring countries; (2007) **Grain based products**: The processed wheat based product market is

Country	Opportunities – by country
	growing at 6% while the wheat production is stagnating. Australian businesses have good opportunities for partnering with Indian business in developing the wheat based products market such as: opportunities for Australian companies lie in joining hands with SME players to make different varieties of cookies and biscuits with limited transfatty acids; bakery franchising; explore direct exports of pasta into India and develop the market further; (2007) **Austrade biggest opportunity (2013)** – canola oil.
Indonesia	**Looking to the future** and assuming moderate economic growth, per capita consumption of temperate fruit, poultry, beef, other meat, baked products and dairy goods will grow most rapidly. Consumption of cereals will grow slowly, except for wheat and flour based products; **Packaged goods likely to enjoy strong growth** include baby food and confectionary. Sales of frozen and chilled foods as well as ready to eat meals will also grow, although off a low base; **Modern retail is growing rapidly** but most consumption is still through more traditional channels; **At the top end of the market** (top class hotels and more expensive restaurants) approximately 15 per cent of food used is imported. Other imported food used by the food service sector goes to institutions with an international element to their menus; **Accumulators or consolidators** can play an important role in servicing markets in which export volumes are small and have skills not necessarily possessed by new or niche exporters; **The basic ingredients of success** in Indonesia, as elsewhere, are products that provide value for money and reliable servicing of consumer requirements; **Austrade sees most opportunities for growth in Australian exports** of dairy, health foods, fruit and vegetables, seafood and a range of grocery items as well as certain ingredients for food processing (at 2004); **Indonesia has recently signed the ASEAN** Australia New Zealand Free Trade Agreement (AANZFTA), expected to reduce tariffs for Australia's imports and exports to and from Indonesia. Indonesia has announced that it will lower or exempt 8,742 Australian and New Zealand commodities from import duties, commencing for some in the 2011-13 period; **Austrade biggest opportunity (2013)** – food security.
Malaysia	**Growth in this middle to high income market**, coupled with a sizeable expatriate population and tourist market, indicates that there are good growth prospect opportunities; **Free Trade Agreement** provides fresh opportunities especially in dairy, processed foods and fruits; **Austrade identified food opportunities** for Australia (2013) as processed food (artisan and gourmet products); functional foods; convenience foods; food ingredients; private label manufacturing; cereals; dairy products (cheese and butter); hospitality and food handling; **Malaysian customers are looking for** highly differentiated products tailored to the market and support to develop the brand. Business customers are also looking for a long-term commitment to the market and expertise to support value chain integration.

Country	Opportunities – by country
Thailand	**The large tourist sector** and expatriate population means there is strong demand for imported food. Retail and convenience sectors are growing strongly; **There is strong and increasing demand** for foods that meet quality and safety benchmarks resulting from disease and contamination scares; **Each year tariffs are reduced** on a significant range of food products as a result of the 2005 Free Trade Agreement.
Taiwan	**An affluent population is driving demand** for high quality food products; **High tourism demand** especially from Chinese tourists; **Austrade biggest opportunity (2013)** – food service.
Korea	**Food safety is of critical importance** to consumers and the South Korean Government is tightening regulatory systems in response to various food incidents and labelling issues; **Overall the South Korean market** for food and beverages is vibrant, rapidly adapting to new trends and focussed on cost and value…….Customers will purchase Australian products if they are competitively priced and suppliers are flexible and responsive; **Constant demand for** dairy ingredients, butter blend and bulk cheese; organic soybean, non GMO maize and canola oil; natural and organic products, baby foods; sweets, snacks ,sauces, jam and fruit juice; nuts and dried fruits; wine, particularly premium wine; **Emerging demand** in South Korea for table grapes, premium western vegetables, food technology; **Increasing demand for products** for sale in discount chains; **Austrade biggest opportunity (2013)** – wine.
Cambodia	
Philippines	**A rapidly expanding food service sector** will provide considerable opportunities for Australian food exporters; **Supermarkets, hypermarkets and convenience stores** are expanding in the urban centres; **Tariff rates,** currently undergoing unilateral reduction for most consumer oriented products, range from 3 per cent to 15 per cent except for industries considered to be sensitive such as poultry, pork, potatoes and coffee which have minimum access volumes and significantly higher tariff rates.
Vietnam	**Austrade biggest opportunity (2013)** – grains.
Hong Kong	**Sophisticated consumer market** with high disposable income and also tourism boom and demand for greater diversity in food options; **Strong focus on food safety and healthy lifestyle** which are driving demand for safe, natural and organic food and health food products which provides opportunity for Australia given positive perception of Australia as a supplier of fresh, quality and safe products.

3.7 Bilateral trade arrangements with Australia by country

The primary objective of Free Trade Agreements (FTAs) is to improve market access by reducing tariffs, increasing quotas and reducing domestic support.

As well as country specific FTAs there are also regional FTAs such as the Trans-Pacific Partnership (TPP).

Australia also actively works in the World Trade Organisations (WTO) Doha round of multilateral trade negotiations to secure better trading conditions for Australian exporters.

There is also an ASEAN – Australia – New Zealand FTA dealing with trade and technical issues.

Australia is also working through the WTO and Codex Alimentarius Commission to support science based standards in international trade.

Table 7 Bilateral trade arrangements with Australia by country

Country	Bilateral arrangements
Japan	FTA being negotiated
China	FTA being negotiated
India	MOU signed to to establish a joint working group on co-operation in agriculture
Indonesia	Tariffs on imported food products are low – 5% for most products **Indonesia** has recently signed the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA), expected to reduce tariffs for Australia's imports and exports to and from Indonesia. **Indonesia** has announced that it will lower or exempt 8,742 Australian and New Zealand commodities from import duties, commencing for some in the 2011-13 period.
Malaysia	FTA signed in 2001-12 – included increased quotas and other gains for milk producers, open access and reduced tariffs for rice and elimination of tariffs of most fruits. Involved in TPP negotiations
Thailand	FTA Agreement in place since 2005 Each year tariffs are reduced on a significant range of food products as a result of the 2005 Free Trade Agreement
Taiwan	
Korea	FTA being negotiated South Korea has relatively high tariff rates and quota restrictions covering a broad range of imported food products
Cambodia	
Philippines	
Vietnam	Involved in TPP negotiations
Brunei Darussalam	Involved in TPP negotiations
Singapore	Involved in TPP negotiations

3.8 Trends in market research

There is a heavy emphasis on pre-farm gate research and not sufficient on post farm-gate;

There is an emphasis on generalised rather than specific market research;

Study Tours are relatively common and there is considerable funding arising out of the National Food Plan and the Asian Century White Paper (such as the AsiaBound program for students) but relatively few formalised reports have been generated as a result of these tours.

Appendix 1: Web search for documents relating to the Asian food and beverage market

Federal Government

Department of Prime Minister and Cabinet

- Australia in the Asian Century White Paper, 2012
  Commonwealth Government
  This is a cornerstone document regarding Australia's engagement with Asia. Broad overview and description of policy directions with chapter 7 dealing specifically with operating and connecting to growing Asian markets, with a case study of Australia's agriculture and food sector. Highlights possibilities of collaboration based on shared interest in food security.

Department of Agriculture, Fisheries and Forestry (DAFF)

- Department of Agriculture, Fisheries and Forestry (DAFF) Annual Report 2011-12
  Overview of Australian exports and imports of agricultural , fisheries and forestry products including assessment of performance in maintaining and improving market access for various products (see particularly Section 3 Report on Performance – Program 1.13 International Market Access p 149)
- Food consumption Trends in China, April 2012
  A reported submitted to DAFF and prepared by Chinese academics from various universities
  Includes comprehensive analysis of emerging trends of urbanisation and increasing income and the areas where demand for imports will grow – emphasis on Australia as a provider of premium quality goods.
- National Food Plan White Paper, 2013
  DAFF
  Document sets out nation's strategic priorities for ensuring food security and supporting and promoting growing exports. Discusses the research initiatives required to boost Asian exports; refers to the Asian Markets Research Fund and the What Asia Wants Study.
- Exporting Australian Processed Foods: Are We Competitive, 2000
  Prepared by InState Pty Ltd for DAFF
  Review of food manufacturing industry and the factors leading to relatively low export growth up to 2000. The study included surveys and face to face interviews with a representative sample of food manufactures from around Australia and had some insights regarding the challenges of being competitive in Asia
- Food Demand to 2050: Opportunities for Australian Agriculture, 2012
  ABARES (Australian Bureau of Agricultural and Resource Economics and Sciences) conference paper for DAFF

Objective of the report is to assess the implications of rising world food demand to 2050, in Regions such as Asia, for Australian food exports. Presents a partial equilibrium model of world food markets, upon which it then makes projections.

- Food Exporters Guide to Indonesia, 2004
  Handbook prepared for InState for DAFF
  A comprehensive guide to exporting food to Indonesia including Chapters on Indonesian consumers, retail and food service, supply chains, business environment, Australian food exports and political and economic environment. Appendices include tariff information, useful contacts and freight forwarding services.
- Strengthening the India-Australia Corridor in Select food and Agri-Business Sectors, 2007
  Rabobank India Finance Ltd for the National Food Industry Strategy
  This report contains the results of a study into the issues and opportunities in the Indian food processing industry and examines specific agrifood supply chains where Australian expertise and participation could benefit the production of food in both countries – supported by the National Food Industry Strategy. It looks specifically at opportunities in cold food chain logistics, fruit and vegetables, dairy and grain based products.

Department of Industry, Innovation, Science, Research and Tertiary Education

There are a number of publications in this Department which deal with innovation and touch upon the agriculture and business sectors. Given the market challenges that are faced in accessing Asian consumers closer attention may have to be given to understanding the way that research and development partnerships can be used as bridges to export markets within the Asian Region. This has not specifically been the focus of the current research.

- Food Processing Industry Strategy Group Final Report (non-government members), 2012
  Department of Industry, Innovation, Science, Research and Tertiary Education
  Considers trends in food processing and markets in Australia and overseas, and carries out a SWOT analysis of the food and beverage industry in Australia. The report identifies global megatrends.

Department of Foreign Affairs and Trade

The Department of foreign Affairs and Trade has publications which provide comprehensive updates and profiles on the composition of trade with Asia – these are not itemised here.

- Feeding the Future: A Joint Australia-China Report on Strengthening Investment and Technological Cooperation in Agriculture to Enhance Food Security, December 2012
  Department of Foreign Affairs and Trade
  Deals with issue of co-operation between Australia and China that lifts productivity and productive capacity – investment includes technological innovation and pilot projects, particularly in Northern Australia and Shanghai Municipality, Shandong Province, Anhui Province and Shaanxi Province. Not directly relevant.

- Subsistence to Supermarket vI: Agrifood Multinational Corporations In Asia, December 2001
  Department of foreign Affairs and Trade
  This report discusses the dominance of global agrifood by European and North American MNCs, many of whom possess well developed and embedded brands which have been developed over decades. The Asian crisis presented an opportunity for many of these MNCs to expand and recent years have seen considerable and ongoing consolidation of ownership through mergers and acquisitions and rationalisation of operations. Full publication can be purchased for $35.00
- Subsistence to Supermarket vII: Changing Agrifood Distribution in Asia, August 2002
  Department of Foreign Affairs and Trade
  This report examines how Asia's traditional system of agrifood distribution is being rapidly left behind, being overtaken by a new network of modern food retail and food service outlets and giant shopping malls which are creating their own supply chains and distribution systems. It examines drivers and impacts as well as key players in various Asian markets and the growth market of institutional catering, convenience food and fast food dining. Full publication can be purchased for $35.00
- Subsistence to Supermarket vIII: Asian Agrifood Demand Trends and Outlook to 2010, July 2004
  Department of Foreign Affairs and Trade
  This publication is out-dated in that it looks at trend out to 2010. Nevertheless it has a broad overview of trends in agrifood exports to Asia. Looks at the likelihood of remarkable increase in Agrifood demand across 22 categories and also discusses the increasing focus on quality and the importance of Australia focussing on high value exports to maximise returns, given relatively limited export capacity. Full publication can be purchased for $35.00
- Subsistence to Supermarket vIV: Asia and the Agrifood Trade Framework, August 2002
  Department of foreign Affairs and Trade
  Volume IV looks at the global agrifood trade framework, at Asian economies' agrifood trade regimes, and issues for agricultural negotiations in the new WTO Doha Round. It details the tariff and other barriers facing Australian agrifood exporters in 14 Asian economies, as well as Australia's approaches to agrifood trade negotiations and trade with the region. Full publication can be purchased for $35.00
- China: Asian Agrifood Megamarket, August 2004
  Department of foreign Affairs and Trade
  China is the second largest agrifood market in Asia (after Japan), with annual food and beverage expenditure approaching US$200 billion, and expanding fast. This booklet surveys the key drivers of change in China's agrifood demand trends, and presents the modelling results of the possible size of China's agrifood demand by 2010 for a wide range of major agrifood categories. It also looks at recent trends in Australia-China agrifood trade. Full publication can be purchased for $20.00.
- A New Japan: changes in Asia's Megamarket, 1997
  Department of Foreign Affairs and Trade

Book that reviews the Japanese governance, trading and economic climate generally with a Chapter titled 'Agrifood: Opportunities despite Protection' which reviews Japanese agrifood policy. Main issue is that the publication is out-of -date. It does, however, provide detailed, comprehensive coverage of the Japanese food market at that time. Content available online.

- Australia –Korea: Strengthened Economic Partnership, 2001
  Department of foreign Affairs and Trade and the Australia-Korea Foundation
  Document not accessible as links broken but Table of contents shows that there is a Chapter concerning agriculture and food
  As this document was not accessed details are not in the spread sheet.

Australian Trade Commission – Austrade

This website has comprehensive market information for many Asian countries which can be accessed through country profiles or industry pages. For each country in the Asian market there is a general overview brochure and then the option of accessing an information page relevant to the food and beverage market within that country. There is also relatively detailed information about 'doing business' in each country including comments on business culture and trade conditions.. The site offers base-line resources for exporters and would be an ideal starting point for potential exporters as it also contains numerous case studies of established exporters. The site also contains country strategies for Asia directed at initiatives to deepen engagement with Various Asian countries but these are aspirational and generalised.

I will not attempt to summarise the web-site material here as it simply too voluminous. Brief country profiles can be downloaded in Pdf format. Rather, I have focussed on identifying reports and information sources that provide more targeted information on the food and beverage market in Asia. These are identified and described below.

- Agribusiness and Food: Trade opportunities in the Asian Century (Adelaide and Perth), 2013
  Austrade
  PowerPoint presentation of key opportunities in Asia with specific market information for Malaysia (specific food opportunities) and China, Hong Kong and Taiwan.
- Agribusiness and Food: Trade opportunities in the Asian Century (Brisbane), 2013
  Austrade
  PowerPoint presentation of key opportunities in Asia with specific market information for South Korea (specific food opportunities) and China, Hong Kong and Taiwan (repeat of above).
- Agribusiness and Food: Trade opportunities in the Asian Century (Melbourne), 2013
  Austrade
  PowerPoint presentation of key opportunities in Asia with specific market information for Japan (specific food opportunities) and South Korea (repeat of above).
- Agribusiness and Food: Trade opportunities in the Asian Century (Sydney), 2013
  Austrade

PowerPoint presentation of key opportunities in Asia with specific market information for Japan (repeat of above) South Korea and china (repeat of above). – not included in spread sheet due to repetition

State Governments

Victorian Department of State Development, Business and Innovation

- Business Victoria website – Indonesian Food sector – market snap shot
  Victorian DSDBI
  The snap shot provides a summary of current food and beverage trade and trade conditions. It also suggests market opportunities and market entry strategies and lists trade shows that can provide market entry points.
- Business Victoria website – South-East Asia overview of export opportunities
  Victorian DSDBI
  Provides a summary of the ASEAN countries trade conditions and refers to the Victorian Government's South East Asia Engagement Plan. Details current and emerging export opportunities, provides market entry tips and details of specific sector opportunities including for food and beverage suppliers.
- South East Asia Market Engagement Plan, 2013
  Victorian government
  Outlines Plan for future engagement with identification of core strategic priorities. Identifies recent engagement through trade missions on page 11 – many of these involved food. The Plan identifies Indonesia, Malaysia and Singapore as potentially having the biggest trade opportunities due to their growing purchasing power parity with more economically advanced countries and offers useful insights on market challenges.

Private enterprise research reports and information

- Good Morning Asia: Offshore Primary Industry Study (Korea, Taiwan, China), 2013
  Blaire and Jane Smith for the New Zealand Farm Environment Trust
  Study tour by New Zealand winners of an environmental award, with primary focus of assessing emerging market opportunities for red meat and dairy products in Korea, Taiwan and China. Although reportage is by NZ couple the report contains fine grained and very useful market insights for Australian exporters.
- NAB Agribusiness View is an on-line publication with numerous articles about opportunities in, and accessing, Asian food and beverage markets.
- Imagining Australia in the Asian Century: How Australian businesses are capturing the Asian opportunity, 2012
  Boston Consulting Group
  This report contains an overview of strategies for firms in different sectors to exploit opportunities in Asian markets. Case studies are used as basis of discussion and then generalised. Discusses the need to adapt business models in order to specialise, build relationships and adapt to consumer demand. Craig Moyston Group, a large exporting agribusiness group was one of the case studies.

Study tour information

- Agricultural and Food Marketing Association for Asia and the Pacific organise study tours throughout Asia. The website is www.afmaasia.org/index and shows recent events and study tours plus the upcoming opportunities, with many of them relevant to gaining an understanding of Asian markets. Some publications were available on the website but these were relevant to policy rather than accessing markets.

The website contained information regarding the International Agribusiness Marketing Conference 2013 as follows: Federal Agricultural Marketing Authority (FAMA) of Malaysia will be organizing the International Agribusiness Marketing Conference 2013 (IAMC2013) from 22nd to 23rd October 2013 in Kuala Lumpur, Malaysia…... The theme of IAMC 2013 is "Sustainable Agribusiness: Connecting Small-holders to Markets and Entrepreneurship."

- Agrifood Asia also organises study tours in China. The website is www.agrifoodasia.com. No reports of previous tours were available on the website.
- The Crawford School of Public Policy held a China 360^0 Immersion Study Tour in May 2013 – not specifically focussed on food and beverage but on Chinese culture, business and policy. Website for the school is www.crawford.anu.edu.au. A more extensive search of the website is likely to reveal academic articles mainly related to public policy.
- Griffith University MBA students, though the University's Asia Pacific Centre for Sustainable Enterprise, took part in a study tour to India in July 2013 funded through the AsiaBound program of the Federal Government (Deakin University is also advertising for students who may be interested in this program). This program arose out of the the Asian Century White Paper and provides funding for 3,600 Australian students each year to build their understanding of the significance of the Asian Century through a study experience in Asia. The website is www.griffith.edu. A further search would be recommended to locate any papers relevant to Accessing Asian food markets.
- NAB agribusiness team undertook the "Farm Gate to China is Open' study tour in April 2013 with over a dozen agribusiness customers. Some summary information on insights can be found on their website www.nab.com.au . The summary emphasises the importance of on the ground exposure, personal relationships and getting business structures right. A generalised one page fact sheet was also available. These are generally very generic and NAB marketing oriented but do link to resources and information on relevant agribusiness study tours which are held frequently. A beef study tour in Indonesia is planned for 22-27 September 2013.
- CBH Group, (The CBH Group is one of Australia's leading grain organisations, a co-operative with operations extending along the value chain from grain storage, handling and transport to marketing, shipping and processing. The CBH Group is based in Western Australia and is owned and controlled by more than 4500 grain growers.) conducted a SE Asia Growers study tour in March 2013 and there is some 'blog-type' information available on the website www.cbh.com.au .
- Food South Australia, through Lean Manufacturing, conducts an annual study tour to Japan www.foodsouthaustralia.com.au/guide-to/production/lean-maufacturing .

- Syngenta (25,000 employees in over 90 countries dedicated to the purpose of bringing plant potential to life) runs study tours and trips to south East Asia as part of its Syngenta Connections Program. Discussion is contained in the company's publication 'Gro' on its website www.syngenta.com and relates to emerging market opportunities especially in relation to exchange of information and technology to support international food security.

Important statistics, quotes and further details of information in documents

Federal Government

Department of Prime Minister and Cabinet

Australia in the Asian Century White Paper, 2012

The report has a consistent theme based on the mutual interest, with Asian countries, in food security as a basis for building research and development and other partnerships.

The report discusses the following challenges:

- Linking with Asian regional value chains and developing long-term relationships (this takes time and a commitment to building cultural awareness) p187
- Deeper engagement to facilitate the necessary multi-faceted understanding of Asian consumers and specific markets p191
- Developing products, services and expertise that are valued in Asia – by innovating and understanding the diversity in demand, conditions and customs p187
- The need for a strong focus on service provision p191
- The need for businesses to invest in people and knowledge to make them more able to interact in Asian markets p189
- Requirement to develop new business models (for example: vertical integration, contractual arrangements or partnerships) to allow flexibility according to the requirements of the market opportunity p191
- The need for firms to enhance capabilities through specialisation and clustering, potentially through developing regional hubs or clusters that build on inter-firm co-operation (difficult 'go it alone') p191
- The challenge of scale – in many cases cross-border partnerships , mergers or acquisitions will be necessary to build the scale necessary to be competitive in Asia p191
- The challenge of building strategies to manage business risks and pressures that can arise from more sophisticated and integrated value chains – building in redundancy and resilience (i.e. not stretching to full capacity as a matter of practice) p191

And opportunities

- The opportunities for Australian firms are shifting from the primary resource end of value chains (which will nevertheless remain important) to the supply of value-added inputs and products p191

Department of Agriculture, Fisheries and Forestry

Department of Agriculture, Fisheries and Forestry Annual Report 2011-12

Snapshot page 1:

- "Around 60 per cent of Australia's agricultural production is exported"
- "Our three largest export destinations for agricultural products are **South East Asia, China and Japan** which together account for around 48 per cent of Australia's agricultural exports"
- For details of types of exports and imports see summary at beginning of report
- "Food processing is the largest sector in the manufacturing industry"

DAFF supported a report that examined Chinese food consumption trends and drivers of demand p155

Food consumption Trends in **China**, April 2012

Reasonably high level analysis of **Chinese food consumption** trends with focus on analysis of current demand and projections of consumption of each of these commodities to 2020.

Explores the impacts of increasing income and urbanisation and also considers the price elasticities of demand for various food products. Meats, dairy and away from home food consumption are areas of expected growth in demand. Demand for 'safe' and premium foods is also expected to increase with most of our exports directed toward niche markets.

Increasing self-sufficiency in some commodities such as wheat and rice and the need to constantly re-evaluate market opportunities pix

Likelihood of continued need to import sugar and increased need to import poultry and dairy products as well as relatively small quantities of high quality beef and mutton/lamb pix

As well as increasing our exports, indirect opportunities will arise from China's imports from other markets, potentially creating space for our imports into these other markets px

Changing supply chains – more advanced supply chains will make foods available in locations and at times that would have otherwise not been possible – this impacts on consumption patterns and needs to be factored in to understand projected demand patterns for different foods p2

China's population is ageing – need to factor this into projections as tastes and preferences for older groups are very different to those of younger groups who are likely to try new foods more willingly p2

Imports of coarse grains such as barley and perhaps maize and oilseeds such as rapeseed are likely to increase. China will import more tropical fruits and out of season temperate fruits p2, p68

Australia's existing reputation as a producer of high quality food creates considerable opportunities to further build this reputation and brand p68

Much of Australia's import volume to china serves niche markets and thus does not adversely affect Chinese local producers – this complementarity can be built upon p68

The report considers differences in consumption between rich and poor, rural and urban and different consumption patterns by Region in relation to each commodity. It has very useful maps showing per capita consumption of selected commodities by region.

National food Plan White Paper, 2013

The Plan highlights research priorities including helping SMEs to access overseas markets including grant and assistance schemes. It pledges investment in a market research fund including a "What Asia Wants study" to identify needs and preferences. Also pledges funds to building brand identity (p8, p30 p32).

Chapter 3 (commencing on p25) of the report deals with growing exports but the discussion is generalised and generally aspirational.

Importance of the Australian national brand is highlighted and initiatives to support and build it (based on the Australia Unlimited campaign) are set out in the Plan p32

Exporting Australian Processed Foods: Are We Competitive, 2000- Prepared by InState Pty Ltd for DAFF

The report highlighted the difficulty in accessing **Asian markets** when much of our food is manufactured according to western traditions and tastes p29.

For manufacturers there is a need to be competitive right across the value chain as, for many food manufacturers, little cost competiveness is gained in the initial stages in Australia – there needs to augmentation to processing and packaging through emphasis on quality, uniqueness of product, service, market positioning, channel development, promotion and brand development and support p3

Investment in research and development and other forms of innovation is essential to add the kind of value that can then be recovered through premium pricing p3

Selling through accumulators can provide access to markets for small firms but often this means that the firms are not familiar enough with their market to be successful p4

"……competitiveness is determined by intellectual property all along the chain" p25

Opportunities in producing and selling Asian style food not just niche market western style food p29

"….Australian product ends up being viewed by Asian consumers as derivative and therefore inferior to 'authentic' products from Europa and the United States."p30

Scale of Australian food processing plants tended to be smaller than many of their competitors' and affects competitiveness in Asian and other markets.

Pages 37 and 38 dealt specifically with access to export markets – "At interview smaller and less experienced exporters were more likely to say that their lack of knowledge of foreign markets, including distribution networks was a barrier to their export activity." p37

There is also discussion of the perceived accessibility and potential of various Asian markets.

Size and diversity of the Japanese market, as well as its sophistication, provides ongoing opportunities for niche products as well as commodities p38

Accessing distribution chains in foreign markets can be challenging and difficult p41

There are informal barriers for exports related to bureaucratic enforcement of rules that are not always transparent p43

Food Demand to 2050: Opportunities for Australian Agriculture, 2012 - ABARES (Australian Bureau of Agricultural and Resource Economics and Sciences) conference paper for DAFF

Agrifood demand in **Asia** is expected to double to 2050 and accounts for 71 per cent of the global increase to 2050 p1

"**China** accounts for 43 per cent of the projected increase in global demand (that is 60 per cent of the increase in Asian demand), while **India** contributes 13 per cent of this growth" p1

"The projected increase in the real value of global Agrifood demand is greatest for vegetables and fruit, meats, dairy products, cereals and fish."

"Dairy products, meat and fish are expected to grow faster in average annual growth terms between 2007 and 2050…." p1 Rising demand usually equates with higher relative world prices.

"China is driving the higher global import demand for beef, wheat, dairy products, sheep meat and sugar, while India accounts for over 60 per cent of the projected increase in global import demand for dairy products" p1

Urbanisation and income growth lead to diversification of diets in developing countries p4

Agrifood imports in **Asia** are projected to grow by 2.3 per cent annually with **China** accounting for most of the rise in Asian imports p8

Graphs illustrate projected exports of various Australian commodities.

The proportion of our exports made up of meat products is expected to rise but global competition in all commodity groups is expected to be intense p13. Our biggest contribution to global food security is expected to be provision of technical cooperation assistance to food-deficient countries p14.

The report highlights the crucial role of innovation and research and development to allow Australia to increase exports and deal with land and water constraints p14.

Food Exporters Guide to Indonesia, 2004 - Handbook prepared for InState for DAFF

Young and increasing population, urbanising rapidly which is exposing consumers to international trends and tastes p3

People on lower incomes traditionally eat rice with a garnishing of vegetables and as income increases the proportion of the diet comprised of fish, meat, eggs, dairy and fruit increases p3.

Almost 90% of Indonesians are Muslim and observe Islamic dietary laws p3

Spending on prepared food rises rapidly with income with urban Indonesians traditionally eating out a lot. Spending on convenience foods also rising strongly p3

"Looking to the future and assuming moderate economic growth, per capita consumption of temperate fruit, poultry, beef, other meat, baked products and dairy goods will grow most rapidly. Consumption of cereals will grow slowly, except for wheat and flour based products" p3.

"Packaged goods likely to enjoy strong growth include baby food and confectionary. Sales of frozen and chilled foods as well as ready to eat meals will also grow, although off a low base" p3

The degree of ethnic and cultural diversity is immense and accordingly some parts of the market are very segmented and this is compounded by the urban – rural divide which correlates to income disparities, as in China p3, p5.

The handbook contains detailed information on what Indonesians eat and an analysis of recent growth trends.

The average Indonesian shops mostly at traditional outlets – large wet markets and smaller provision stores but modern retail is growing strongly. Hotels and fast food chains dominate the modern food service sector and account for most food service imports p13. The report contains a detailed analysis of the retail sector and the way it is changing as well analysis and description of wholesale and other distribution networks..

"At the top end of the market (top class hotels and more expensive restaurants) approximately 15 per cent of food used is imported" p23. Other imported food used by the food service sector goes to institutions with an international element to their menus p23.

Australia is the top supplier to Indonesia of wheat, dairy products, vegetables and live cattle but its ranking as a supplier of consumer-oriented products has slipped during the last five years (as at 2004). China is becoming increasingly significant as a supplier of fresh fruit and vegetables and certain processed food items p27 Thailand and other South East Asian countries, as well as India and Pakistan, are also significant fresh food suppliers p33

Wholesale distribution channels, logistics and infrastructure present significant challenges for exporters to Indonesia p27.

"Accumulators or consolidators can play an important role in servicing markets in which export volumes are small and have skills not necessarily possessed by new or niche exporters" p40. Austrade can provide information in this regard.

Successful companies invest plenty of time in finding the right partner (agent / importer / distributor) to represent them on the ground in Indonesia and investing time in professional, but well-established, relationship is vital p43. Successful relationships are based upon trust, communication and commitment p52.

The Indonesian business environment is not easy – payment risks, lack of transparency and security concerns all need careful consideration p43

"The basic ingredients of success in Indonesia, as elsewhere, are products that provide value for money and reliable servicing of consumer requirements" p43

Austrade sees most opportunities for growth in Australian exports of dairy, health foods, fruit and vegetables, seafood and a range of grocery items as well as certain ingredients for food processing (at 2004) p57.

Strengthening the India-Australia Corridor in Select food and Agri-Business Sectors, 2007 - Rabobank India Finance Ltd for the National Food Industry Strategy

This report has detailed analysis of Indian retail, consumer trends, the cold food chain and opportunities in the fruit and vegetable, dairy and grain-based food sectors.

"The growth of organised food retail has led to opportunities for both domestic and international players in food processing to enter the Indian market with their high quality and niche products" p4.

The report identifies apples in the off-season as a potential import to India with collaboration on varietal development also suggested. Production partnerships for relatively new fruits such as blueberries and raspberries, varietal development of strawberries, partnering in setting up cost efficient cold chain logistics and cold storage infrastructure, sweeter varieties of peas and green pea based snacks to target niche urban consumer markets, juice bar chains and new products and processing techniques for berries and stone fruits are all identified as opportunities in the fruit and vegetable sector pp4 and 5.

Dairy: "There is ample scope for setting up large scale dairy farms in India to produce cheap milk and cater to the demand of Indian population, also the set up can be used as a sourcing base for exports of milk and milk based products to neighbouring countries."p6

Grain based products: "The processed wheat based product market is growing at 6% while the wheat production is stagnating. Australian businesses have good opportunities for partnering with Indian business in developing the wheat based products market……..Opportunities for Australian companies lie in joining hands with SME players to make different varieties of cookies and biscuits with limited transfatty acids…..Bakery franchising in another area of interest for the Indian investors wherein Australia has good expertise….Australian firms could explore direct exports of its pasta into India and develop the market further."p7

Department of Industry, Innovation, Science, Research and Tertiary Education

Food Processing Industry Strategy Group Final Report (non-government members), 2012

The report emphasises the importance of Australia's reputation for safety and high quality, particularly our disease free status. It also and draws attention to over-emphasis on pre farm gate research and provides an overview of general research in food production and markets.

The food processing industry accounts for approximately 22 per cent of gross value added of the Australian manufacturing industry and approximately 24 per cent of manufacturing employment. Processed foods represented approximately 63 per cent (by value) of total food exports during 2010-11 and processed *food product manufacturers* are the second largest manufacturing exporters (after *primary metal and metal product manufacturing*) p23.

"Over time, as an economy develops, the food and beverage processing sector does seem to play a diminishing role in the economy" p33.Seems to be a trend throughout much of the developing world and underlines the importance of exports to keeping the industry viable.

Opportunities in exporting processed food to Asia are considerable but opportunity may close rapidly as Asian producers become more viable and high quality and multinationals fill the market space p37.

"Growth in the number of food retail outlets and chains also present an opportunity for Australian exporters of food to **China.** All of the foreign-funded supermarkets plan to increase their investment in **China**" p37

"Access to **China** by SMEs will be difficult unless they operate under a trusted brand, and identifying distribution channels will be critical " p37.

Re **China**: "Market feedback has shown interest in Australian suppliers of: milk powder; Ultra high Temperature treated (UHT) milk; cheese butter and margarine; seafood (oysters, live lobsters, live abalone, live king crab); fresh fruit (citrus); wheat barley and rice; frozen re meats (beef, veal, lamb); processed foods, particularly baby food; wine and beer; fruit juice; convenience and 'instant foods'; and confectionary and snack products" p38.

The Republic of **Korea, Indonesia, Malaysia, Thailand and the Philippines** are also identified in the report as growing markets for Australian processed foods and there is brief comments of basic market conditions and drivers for each of these markets with consistent trends of increasing emphasis on food safety and security and the supply of premium goods through growing retail outlets.

Korea: "Food safety of critical importance to consumers and the South Korean Government is tightening regulatory systems in response to various food incidents and labelling issues" p38.

" Overall the South Korean market for food and beverages is vibrant, rapidly adapting to new trends and focussed on cost and value…….Customers will purchase Australian products if they are competitively priced and suppliers are flexible and responsive" p38.

"South Korea has relatively high tariff rates and quota restrictions covering a broad range of imported food products" p38

Indonesia: growing preference for imported goods, particularly meat, dairy and convenience snacks p38.

Malaysia: "Growth in this sector, a middle to high income market, coupled with a sizeable expatriate population and tourist market, indicates that there are good growth prospect opportunities" p39.

Thailand: The large tourist sector and expatriate population means there is strong demand for imported food. Retail and convenience sectors are growing strongly p39.

There is strong and increasing demand for foods that meet quality and safety benchmarks resulting from disease and contamination scares p39.

Each year tariffs are reduced on a significant range of food products as a result of the 2005 Free Trade Agreement p39.

The Philippines: "A rapidly expanding food service sector will provide considerable opportunities for Australian food exporters" p39.

"Supermarkets, hypermarkets and convenience stores are expanding in the urban centres" p40.

"Tariff rates, currently undergoing unilateral reduction for most consumer oriented products, range from 3 per cent to 15 per cent except for industries considered to be sensitive such as poultry, pork, potatoes and coffee which have minimum access volumes and significantly higher tariff rates" p40.

Japan is currently biggest importer of Australian food, but share has been steadily declining as other Asian markets grow.

General Asia: "Trade barriers can make exporting difficult where free trade agreements do not exist. Currently there appears to be a lack of transparency for industry regarding import requirements for Asian markets, especially food regulation. There is also a lack of clarity on the level of domestic subsidies active in potential export markets." p41

Department of Foreign Affairs and Trade

<u>Subsistence to Supermarket: Asian Agrifood Demand Trends and Outlook to 2010, July 2004</u>
Department of Foreign Affairs and Trade

"Considering the very large volumes of potential demand projected for each agrifood category by the IMPACT modelling, compared with the relatively moderate volumes of most of Australia's agrifood export capacity, a key strategy for Australia will be continuing to seek to maximise the average unit price for exported agrifood products, by excelling in the product quality and precise characteristics demanded in particular by higher income Asian consumers. There should also be more emphasis given by Australian suppliers to developing and supplying unique high quality food and beverage products with a distinct Australian identity but which are comprehensible and of appeal to Asian consumers, including marketable brand names and packaging. Australian agrifood suppliers should also be giving increased attention to the full range of potential customers in Asian markets" Executive Summary

Australian Trade Commission – Austrade

Agribusiness and Food: Trade opportunities in the Asian Century (Adelaide and Perth) – Austrade, 2013

Food opportunities for Australia in **Malaysia**:

"Processed food (artisan and gourmet products); functional foods; convenience foods; food ingredients; private label manufacturing; cereals; dairy products (cheese and butter); hospitality and food handling." Slide 18

In the food area, **Malaysian** customers are looking for highly differentiated products tailored to the market and support to develop the brand. Business customers are also looking for a long-term commitment to the market and expertise to support value chain integration. Slide 19

Outlines general market trend for:

China: Highlights food safety concerns and issues which impact on self-sufficiency such as high pollution, water scarcity, loss of arable land and wastage through inefficient storage and distribution chains. Slide 23;
Hong Kong: Sophisticated consumer market with high disposable income and also tourism boom; strong focus on food safety and healthy lifestyle which are driving demand for safe, natural and organic food and health food products; positive perception of Australia as a supplier of fresh, quality and safe products; there is demand for greater diversity in food options. Slide 24; and
Taiwan: Affluent population driving demand for high quality food products; high tourism demand especially from Chinese tourists; major restaurant chains dominate the market. Slide 25

Breaks the China market up into North, East, South and West and suggests that they are separately identifiable markets rather than one big market but provides no detailed analysis.

Identifies Australia's biggest market opportunities (gaps in supply by domestic producers) in Asian countries as follows (slide 40):

- **China**- packaged food
- **Vietnam** – grains
- **Indonesia** – food security
- **South Korea** – wine
- **Taiwan** – food service
- **Japan** – premium packaged food
- **India** – canola oil.

Agribusiness and Food: Trade opportunities in the Asian Century (Brisbane), 2013 - Austrade

South Korea trends **–** supermarkets and large retailers (particularly discount chains) are driving sales increases; increasing consumer concern for country of origin and food safety; favourable image of Australian products as premium safe and quality but price competitiveness is an issue so targeting less price sensitive sectors can be a good strategy (organic and natural food, premium and unique products with story-telling, functional ingredients and food technology); fast moving business culture requires sophistication. Slides 10 and 13

Constant demand for dairy ingredients, butter blend and bulk cheese; organic soybean, non GMO maize and canola oil; natural and organic products, baby foods; sweets, snacks ,sauces, jam and fruit juice; nuts and dried fruits; wine, particularly premium wine. Emerging demand in **South Korea** for table grapes, premium western vegetables, food technology. Slide 14

Provides a table outlining typical value-add at each point in the value chain - gives guidelines as to margin in **South Korea.**

Agribusiness and Food: Trade opportunities in the Asian Century (Melbourne), 2013 - Austrade

Fish, meat, cereals, vegetables, and fruit – strong Japanese import growth 2010/11. Slide 8

Food security is a major issue in **Japan –** consumers require safe products supported by solid safety standards and procedures. Product differentiation is also crucial with the health properties of food important. Slide 9

Japan has increasing export opportunities in Asia and Australia can leverage its current relationships in Japan to take advantage of this trend. Slides 12 and 13

Australia is recognised as a reliable, stable, long-term supplier and is known for safe food (standards and processes), high quality, counter-seasonal supply, proximity to emerging markets, health properties. Retailers and food service groups are seeking to differentiate their offerings. Slide 14

Emerging demand in **Japan** for high quality processed food, natural and organic products, products with a story, functional foods, sweets and snacks, lamb, olive oil, dairy (ice-cream/yoghurt/cheese). Slide 15

State Governments

Business Victoria website – **Indonesian** Food sector – market snap shot

"**Indonesia** is our closest northern neighbour and offers a wide range of opportunities for Victorian food suppliers. A large and expanding middle class, increasing awareness of healthy lifestyle issues and a strong growth in the modern retail sector all contribute to Indonesia's growing demand for imported food products. There are opportunities for Victorian food suppliers of dairy products, selected fresh fruit, processed meats (halal), packaged grocery products, gourmet foods, and organic and health foods" p2.

Business Victoria website – **South-East Asia** overview of export opportunities

“The 10 countries comprising the **Association of South East Asian Nations (ASEAN**) are Burma, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. Together they have a combined population of approximately 608.8 million and a Gross Domestic Product (GDP) of US$2.2 trillion.”

Specific sector opportunities:
“**Food and Beverage:** dairy nutriceuticals; meat and meat processing (including halal); and tradable services.
Key markets: Indonesia, Malaysia, Philippines, Vietnam.”

Private enterprise research reports and study tours

Good Morning Asia: Offshore Primary Industry Study (Korea, Taiwan, China), 2013, Blaire and Jane Smith for the New Zealand Farm Environment Trust

Products need to be specifically targeted toward consumer driven specifications.

Robust traceability labelling required as a minimum to achieve premiums in many markets, and brand awareness around such issues as food safety and sustainability has to be protected robustly.

Well-structured and defined logistics are paramount, along with a heightened mutual investment in market communication.

“Above all New Zealand primary produce exporters need to build strong, secure global business relationships in healthy demand driven market places through a heightened level of in-market presence, knowledge and a superior level of consumer-driven structured market flexibility” p4

General findings pp5-8: Need for visible physical presence in markets; need for two-way communication with consumer, importers, distributors and all levels of supply chain; emphasis on importance of being demand driven,; importance of protecting brand and knowing destination as well as basing relationships on brand rather than just price; need to build loyalty through reliable supply and mutual respect; integrity of brand not just a marketing message is key; protection of biosecurity is crucial to underpinning ‘safe’ branding.

Red meat in Korea pp9-17: need to address the preference for grain fed beef through marketing and information; beef is presented in retail and food service environments on a quality rated scale reflecting the amount of marbling in the product; domestically produced Han-woo beef holds premier and unassailable brand position; auditing of brand logos and peak body assistance in building brand awareness is crucial; reliability of supply is essential to loyalty.

Red meat in Taiwan pp18 - 28: Relatively low consumption of beef compared to other kinds of meat such as poultry; most beef used in the food service sector with higher quality cuts increasingly recognised; country of origin labelling rigorously enforced which assists branding; country has a well-developed meat import chain; most people eat out once a day; strong preference for chilled marbled beef – consumer education therefore paramount to heighten understanding of quality of grain fed, leaner product; consumers respond well to strong brand images; personal relationships are paramount.

Red meat in China pp29-: Complex, diverse market with challenges of internal infrastructure and bureaucracy making import into this country very difficult; like Taiwan pork seafood and poultry are more commonly consumed than beef but there is great potential growth; frozen meat market only; Chinese also like display and select (and then kill) formats; labelling of country of origin and more generally is problematic and not well enforced; local beef is grass fed and accepted; China is not becoming westernised but it is becoming globalised – finding its own way; relationship building takes time; Chinese consumers have an affinity for brands; surety of supply is crucial; food selection, preparation and consumption are all deeply entwined within cultural values and traditions

Trends

Food consumption Trends in China, April 2012

- Increasing demand in countries such as China for 'safe' premium goods and the associated trend for Asian markets to be looking for high-quality, safe and clean overseas branded products – however Asia is far from being a mono-culture and this needs to be considered in the approach to that market pviii
- Amount spent on food increasing but the proportion of household budgets spent on food and beverage declining pviii
- Consumption of higher value foods, especially of animal origin is increasing. The foods with higher rates of growth include milk and dairy products, aquatic products, poultry meats and fruits pviii
- Growing concern within China about the country's ability to meet its changing and increasing food and beverage requirements pviii
- Amount spent on food increasing but the proportion of household budgets spent on food and beverage declining pviii
- Per capita consumption of staple foods such as wheat and rice declining while the indirect consumption of grains (chiefly maize) is increasing pviii
- Large differences in production and consumption between urban and rural regions.
- Food consumption patterns and levels differ between regions mainly due to differences in local income levels, food availability and ethnic background. Consumption convergence is taking place, but slowly pviii
- The demand for safe, premium foods has, to a small extent, being negatively affected by the supply of some foods of dubious quality pix
- Some wealthy Chinese, consume only imported foods out of concerns for food safety.
- Growth in income and urbanization are the key drivers of change, with urbanization likely to intensify pix

Food Demand to 2050: Opportunities for Australian Agriculture, 2012 - ABARES (Australian Bureau of Agricultural and Resource Economics and Sciences) conference paper for DAFF

- China is likely to be the most strategically important market for Australia due to its projected rise in food imports (particularly of meat but also of vegetables, fruit and fish), with India second most important.
- The biggest increase in world food imports is likely to be in the category of meat, with vegetables and fruit a distant second and then cereals and dairy products.

Food Exporters Guide to Indonesia, 2004 - Handbook prepared for InState for DAFF

- Highlights that the increasing opportunities for Australian food exporters who have the advantage of proximity to Asian markets is matched by the increase in competition from developing Asian neighbours such as China. These countries are increasing their output and investing in research and development. The US and New Zealand are also competitive in the Indonesian market.

Strengthening the India-Australia Corridor in Select food and Agri-Business Sectors, 2007 - Rabobank India Finance Ltd for the National Food Industry Strategy

- Nearly 26 to 27 per cent of the Indian population is in the age group of 20 to 34, which is the age group of new age consumers who have the ability as well as the willingness to spend on quality products p17.
- Urbanisation, higher disposable incomes and more women working in India mean that there is more focus on ready to eat convenience foods. This accompanied by increasing health and quality consciousness pp18 and 19.
- The market for branded foods is growing at a healthy rate of 10 to 15 per cent, representing a growing opportunity for the organised food retailers p20.
- An improvement in the standard of living has caused people to become more health and environment conscious p20.
- "The modern day consumer is looking for convenience, not just in purchasing but also in carrying, cooking and eating. Portability and single serve packaging are on the rise to meet the need of 'eat where you are' " p20.
- The food service sector is growing rapidly as urbanisation and incomes increase.

Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education

Generally publications of this Department stress the importance of innovation and research and development to industry generally and to exploiting opportunities within Asia. This suggests directions for Australian food and beverage exporters to pursue opportunities for research and product development collaboration which may create bridges into the Asian market and overcome the significant challenges related to scale.

Food Processing Industry Strategy Group Final Report (non-government members), 2012

- Importance of consistent branding to market access – 'clean green' and 'high quality' the main hallmarks of brand development in Asia p37;
- Increasing possibilities to access markets through partnerships with retailer suppliers who are expanding in many of the Asian markets p37;
- Global consumer mega-trends identified by the Food Processing Industry Strategy Group Final Report (non-government members), 2012 were:
    - Health and wellness
    - Sensory and indulgence
    - Comfort and uncertainty
    - Sustainability and ethics
    - Individualism and expression
    - Evolving landscapes (refers to socio-demographic and economic change impacting consumer societies)
    - Smart and connected
    - Easy and affordable p124.

Subsistence to Supermarket VI: Agrifood Multinational Corporations In Asia, December 2001
Department of Foreign Affairs and Trade; and

Subsistence to Supermarket VII: Changing Agrifood Distribution in Asia, August 2002
Department of Foreign Affairs and Trade

Trends extracted for Executive Summaries:

- Increasing importance of scale and increasingly embedded MNCs which increase barriers to entry and mean that SMEs need to consider options that see them partnering with the MNCs, whether via distribution arrangements or joint ventures. The importance of branding also emerges very clearly from these two reports
- Increasing segmentation of food retail market in many Asian countries, with growth at the low-cost discount and premium ends and loss of market share in the middle categories
- Major shift in the weight of agrifood industry power away from the agrifood processors towards the food and beverage retailers, with this process just beginning in Asia
- Growth in institutional catering and contract food services – this catering increasingly being outsourced
- Growth in convenience food and fast food markets
- Importance of Australian producers to understand new, rapidly evolving Asian distribution systems and tailor their entry strategies accordingly.

Agribusiness and Food: Trade opportunities in the Asian Century (Adelaide and Perth) - Austrade

- China – changing consumer patterns; differentiation through branding and innovation; competition is intense; positive 'clean, green' perception of Australia.

Trends – research

Food Processing Industry Strategy Group Final Report (non-government members), 2012

- Emphasis on pre-farm gate research and not enough on the post farm gate sector which generates most value
- Study Tours are relatively common and there is considerable funding arising out of the National Food Plan and the Asian Century White Paper (such as the AsiaBound program for students) but relatively few formalised reports have been generated as a result of these tours.

Bilateral Arrangements between Australia and Asian countries and trading conditions

This section summarises key information regarding Free Trade Agreements (FTAs) and other bilateral and multilateral arrangements relevant to Australia's Asian market access. The information has been extracted from documents and is not intended to be definitive in this area. The terms of FTAs need to be individually explored.

Federal Government

Department of Agriculture, Fisheries and Forestry Annual Report 2011-12

The primary objective of Free Trade Agreements (FTAs) is to improve market access by reducing tariffs, increasing quotas and reducing domestic support p150

As well as country specific FTAs there are also regional FTAs such as the Trans-Pacific Partnership (TPP) p150

Australia also actively works in the World Trade Organisations Doha round of multilateral trade negotiations to secure better trading conditions for Australian exporters p149

Comprehensive Free Trade Agreement with **Malaysia** signed in 2011-12 - included increased quotas and other gains for milk producers, open access and reduced tariffs for rice and elimination of tariffs of most fruits p151

At the time of issue of the DAFF 2011-12 Annual Report negotiations were well advanced for Free Trade Agreements with **China, Japan and the Republic of Korea**. There were also negotiations for bilateral technical market access (includes issues concerning labelling, pest and disease requirements and residue limits) to improve understanding and acceptance of Australian production and inspection systems p150

Brunei Darussalam, Singapore, Vietnam and Malaysia amongst the countries involved in TPP negotiations which deal with market access as well as other issues such as 'country of origin' guidelines p150

Australia is also working through the WTO and Codex Alimentarius Commission to support science based standards in international trade p153

There is an existing Free Trade Agreement with **Thailand** p152

There is also an ASEAN – Australia – New Zealand FTA dealing with trade and technical issuesp152

Memorandum of understanding signed with **India** to establish a joint working group on co-operation in agriculture p155.

Food Exporters Guide to Indonesia, 2004 - Handbook prepared for InState for DAFF

Indonesia's tariffs on imported food products are low – 5% for most products.

Food Processing Industry Strategy Group Final Report (non-government members), 2012

Following entry into the WTO **China** reduced its overall average tariff for agricultural products from 21.2 per cent to 15.3 per cent. However it still has pockets of high tariff protection.

South Korea has relatively high tariff rates and quota restrictions covering a broad range of imported food products.

Thailand signed a FTA with Australia in 2005, with many tariffs progressively reducing and providing Australia, with competitive advantage.

The Philippines has some of the lowest applied tariffs in the Region.

"Currently there appears to be a lack of transparency for industry regarding import requirements for **Asian markets**, especially food regulation. There is also a lack of clarity on the level of domestic subsidies active in potential export markets" p41.

State Governments

Business Victoria website – Indonesian Food sector – market snap shot

Formal negotiations for the **Indonesia**-Australia Comprehensive Economic Partnership Agreement are about to commence and trade in goods is one of the issues to be addressed.

Indonesia has recently signed the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA), expected to reduce tariffs for Australia's imports and exports to and from Indonesia. **Indonesia** has announced that it will lower or exempt 8,742 Australian and New Zealand commodities from import duties, commencing for some in the 2011-13 period.

Indonesian tariffs have been reduced over the last few years. Tariffs on food are mostly at 5 per cent and other duties include 10 per cent VAT and 2.5 per cent PPN tax on most imported food products.

Business Victoria website – **South-East Asia** overview of export opportunities

"Australia and New Zealand have entered a free trade agreement with ASEAN which, to date, is the largest free trade agreement that Australia has ever signed. AANZFTA binds current low tariffs and over time, eliminates tariffs on between 90 and 100 per cent of tariff lines, covering 96 per cent of current Australian exports to the region."