



Australia: Commercial Food Processing Machinery

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Summary

This project covers product categories including machinery for food production and food preparation processes. Examples include machinery for canning, sealing containers and bottles; and machinery for processing meat, dairy products, flour milling, slicing machinery, juice extractors, commercial toasters and processing packaging machinery.

The value of the commercial food processing machinery sector is US\$1.2 billion, with imports accounting for US\$680 million. The U.S. is highly regarded for performance and technology and currently holds a 12.5 percent market share in the Australian market. The Australian commercial food processing machinery sector is currently experiencing a growth rate of 5 percent, which is being driven by an increased interest in nontraditional markets such as, vitamin water, energy drinks, new lines of soft drinks/sodas and varieties of other food.

Market Demand

The most significant factor affecting the commercial food processing machinery sector is that Australians continue to demand high quality foodstuffs using gourmet food and as a result of the Global Financial Crisis (GFC) are entertaining at home more frequently.

According to 2009-2010 data from the Australian Bureau of Statistics, Food and beverage processing is Australia's largest manufacturing industry with sales and services income around US\$78 billion accounting for around 18 per cent of manufacturing employment. Meat is the largest segment, with a 26 percent share. Next are grains (19 percent), followed by wine, dairy and sugar.

The demand for food processing machinery is also being driven by other factors such as an interest in health foods. There is a push in Australia toward organic, gluten-free and functional foods, and a greater awareness of the health benefits of such foods. Adding impetus to the sector is also the increasing demand for prepared meals, with the majority of these meals sold in major supermarket chains of Coles and Woolworths. Such foods are resulting in an increased demand for specialist and lower capacity food processing equipment. *IBISWorld* estimates that the useful life of machinery would range from 15 to 20 years before needing reconditioning or replacement. The availability of locally produced ingredients, in order to reduce costs, is also a strong influence on sector activity.

Major areas of growth in food manufacturing in Australia are flour mill and cereal products; sugar, bread, cakes, biscuits, beverages and malt sub sectors. Likewise, with Australian tastes becoming more diverse, the outlook for a greater variety of food equipment is expected.

Market Data

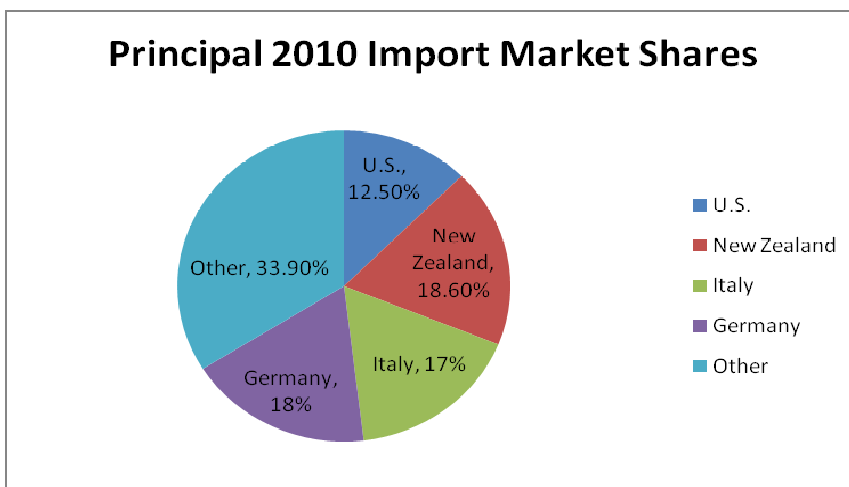
MARKET SIZE FOR THE COMMERCIAL FOOD PROCESSING MACHINERY INDUSTRY
 (All figures in US\$million)

	2009	2010	2011 (estimated)
Total Market Size	1127	1272	1,344
Total Local Production	721	815	861
Total Exports	193	218	231
Total Imports	599	676	714
Imports from the US	74	84	89

Exchange rates:

2009 0.9166
 2010 0.9944
 2011 1.00 (estimated)

Principal 2010 Import Market Shares



Best Prospects

Over the next year, the Australian food processing market will provide good opportunities for U.S. suppliers of the following products:

- Sophisticated equipment that overcomes food safety risks allied with food handling standards, allowing preparation of food in a clean and safe environment.
- Equipment offering productivity and efficiency improvement: Strong design & after sale service capabilities.

Examples of best prospects include the following: robotics, mixing systems, homogenizers, meat and poultry equipment, dairy equipment and hygiene systems.

Key Suppliers

Local Production

The Australian commercial food machinery manufacturing industry is highly fragmented, with a large number of small operators. These local companies, concentrated on the Eastern seaboard (more than 80 percent located in New South Wales, Victoria and Queensland) are popular for their reputation of selling niche machinery in order to remain competitive with imports. For instance, the two leading processing operators in Australia are Heat and Control Pty Ltd (a subsidiary of Heat and Control Inc., California) and Moffat Group Pty. Ltd which accounts for 13 percent of sales in the food processing machinery manufacturing in Australia.

Imports

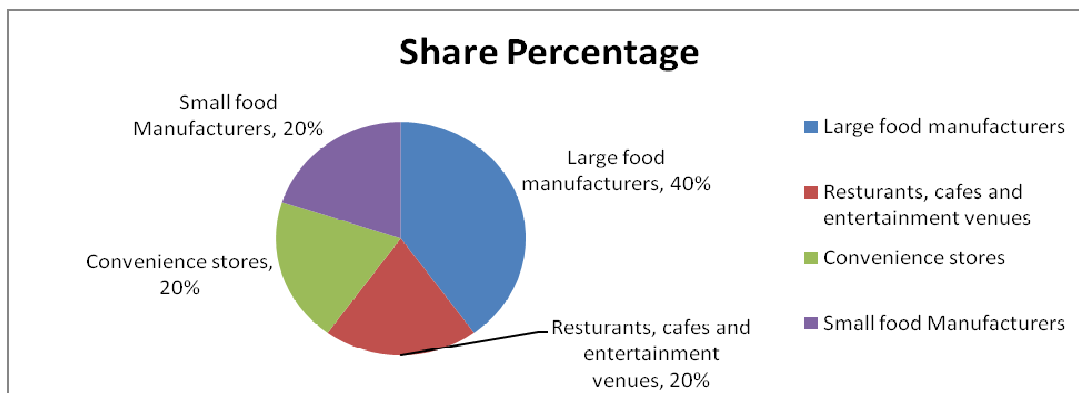
According to ABARE Australian Food Statistics 2010, New Zealand remains the major source of Australia's food processing equipment imports, accounting for \$1.88 billion or 18.6 per cent of total Australian food imports in 2009-10, followed closely by Germany (18 percent), Italy (17 percent), and the U.S. (12.5 percent) as the leading suppliers.

Prospective Buyers

There are over 4,000 food manufacturers in Australia that purchase food processing machinery. These manufacturers produce foodstuffs in the following categories:

- Bakery products
- Beverage and malt manufacturing
- Dairy products
- Flour mill and cereal food manufacturing
- Fruit and vegetable processing
- Meat and meat products
- Oil and fat manufacturing
- Seafood processing
- Sugar and confectionery manufacturing

The market segments of this industry and their share of the market are shown in the graph below:



Large Food Manufacturers

Large food production manufacturers are the primary market for commercial food processing machinery. These food manufacturers can be further divided by industry sector, with most activity in dairy, meat, bakery, sugar and confectionery production.

Small Food Manufacturers

Machinery for smaller applications accounts for 60 percent of industry revenue. Categories include commercial food machinery in restaurants, convenience stores and small food producers. The customer base for this size of machinery is primarily food machinery distributors and to a less degree, retailers.

The Top 10 food and beverage manufactures in Australia are:

Company	Major Food Product Categories
Coca Cola Amatil	Soft drinks, bottled water, fruit juices
Fosters	Beer and wine
Nestle Foods	Dairy, cereals, snack bars, ice cream, confectionary, infant food, pet food
Goodman Fielder	Breads, spreads and oils, dressings, sauces and vinegars, baking, pastry, cakes and desserts, dairy dips and small goods
Murray Goulburn	Dairy products- Devondale and Liddells
Cadbury	Confectionary, soft drinks, chocolate sector leader
Swift Australia	Beef processing
Lion Nathan	Alcohol giants
Fonterra	Dairy products- Mainland, Bega, western star
National Foods/ Kirin	Milk, desserts, yoghurt, juice, specialty cheeses

Source: "Food & Drink" Publication, January 2009

Market Entry

Quality, innovation, price and customer service are key considerations for the Australian market. As this sector in the Australian market is mature and well established, U.S. companies looking to enter into the market would need to aggressively price new equipment and ensure that new equipment has technological competitive advantages as well as being able to establish a long term servicing commitment. Well developed infrastructure in Australia provides support for easy distribution.

Market Issues & Obstacles

The Australian market demands high-quality machinery due, in part, to stringent health regulations. The Australian Quarantine and Inspection Service (AQIS) establish quarantine standards that must be met by machinery used in food related activities. Australia has one of the world's most stringent quarantine conditions, particularly for used machinery. AQIS has the power to re-export contaminated machinery. The agency issues permits for imported machinery, conditional that machinery arrives in a clean state. Further information can be viewed at www.aqis.gov.au.

The Free Trade Agreement between the U.S. and Australia (FTA) eliminates the import duty on food processing equipment from the U.S. Under the FTA, commercial food processing machinery is duty free. The Goods and Service Tax (GST) was introduced in Australia on July 1, 2000, and all commercial food processing machinery being shipped to Australia is subject to this tax. It is a broad-based tax of 10 percent on the sale or provision of most goods and services. While the responsibility to pay GST to the Australian Tax Office lies with the producer/supplier, it is the final consumer who ultimately bears the GST cost. The importer pays the GST to the Australian Customs Service.

Food processing machinery suppliers should be familiar with standards covering food safety. SAI Global publishes these standards, which can be found on the SAI website, www.saiglobal.com.

A search of the SAI website indicates the following Australian standards for food safety:

AS SO 22000 Food Safety Management Set

AS ISO 22004 Food Safety Management Systems

AS 4125.1-2009 Sound laboratory practice in food and water microbiology laboratories

Food processing equipment must conform to Australian Specifications of 240 volts, 50 cycles, and have metric measurements.

Trade Events

Auspack Plus

Date: March 22-25, 2011

Location: Melbourne, Victoria

Website: www.auspackplus.com.au

FoodService Australia

June 19-21, 2011

Location: Melbourne, Victoria

Website: www.foodserviceaustralia.com.au

Fine Food Australia

Date: September 5-8, 2011

Location: Sydney, New South Wales

Website: www.finefoodaustralia.com.au

Resources & Contacts

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Rosebery, NSW 2018

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