

EXPORTING COFFEE

from the
Pacific
Islands
to Australia

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Pacific Islands
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INTRODUCTION

This fact-sheet has been prepared to give Pacific Island exporters (or potential exporters) a general overview of Government regulations, consumer trends, industry requirements and the design aspects of packaging and labelling for those seeking to export to Australia.

PT&I urges anyone interested in exporting to first check with the relevant local authority, government department or agency in their country about licensing and other regulations before contacting Australian importers or undertaking any export planning.

All exporters should be aware that product quality, consistency, a reliable supply and the development of a relationship with buyers are important factors that contribute to successful exporting.

Whilst this fact-sheet does not provide technical details, it does include the contact points and addresses of industry bodies and organisations who are able to assist with specific technical information.

THE AUSTRALIAN COFFEE MARKET

Australia is a net importer of coffee. On an annual basis, Australian companies import over 55,000 tonnes of green bean, roast, roast and ground, and other coffee products. This means that imported coffee does not necessarily compete with Australian coffee because local Australian coffee growers do not produce enough coffee to meet the total Australian coffee market demand.

Australian coffee producers have adopted a niche or boutique attitude toward their product and are working hard to focus on the differentiating features. This means they are concentrating on supplying low volumes of premium coffee for specific segments of the coffee market in Australia. They are also working hard to make sure they maintain very high standards of presentation and quality.

AUSTRALIAN MARKET TRENDS

Overall, the Australian coffee market is very competitive, brand loyal, sophisticated and increasingly differentiated. Although the coffee market in Australia is not growing significantly it is changing in terms of consumer or customer tastes and the types of coffee products that are being consumed.

The increasing sophistication of the Australian coffee market is shown in the growth of the pure coffee market (this market is made up by the premium and roast and ground coffee segments). This means that more consumers are buying more pure coffee products instead of instant coffee.

High quality coffee products sourced from all over the world are readily available and new roasts, new types of beans and flavour blends are regularly introduced.

It is important to note that the coffee market in Australia is divided into different market 'segments' and this is based on the different types of consumers and the different types of coffee products.

WHO BUYS COFFEE?

In Australia there are two main end-users or consumers of coffee and coffee products. These are:

The food service industry.

This includes cafés, restaurants, hotels, coffee vendors and other outlets where people buy or drink prepared or 'ready to drink' coffee products.

The popularity and number of cafés in Australia has grown rapidly over the last 50 years and so have consumer expectations. Most food service outlets in Australia serve high quality fresh coffee and an increasing number of them are blending and roasting their own coffee bean blends on the premises.

This market segment requires green bean, roasted or roast and ground coffee.

The in-home consumer.

This group includes people who buy coffee and coffee products from a shop or supermarket to prepare and drink at home or in the office.

The in-home market segment is dominated by instant or soluble coffee. This type of coffee is still the largest single sector of the total hot beverage market. The market (retail) for instant coffee is worth AUD 434.6 million and represents 83 per cent of the total coffee market. However, the market for instant coffee has declined recently as more and more Australian coffee drinkers are brewing their own coffee at home and often using high quality beans.

The main area of sales growth for the in-home market is in pure coffee. The 'café style' roast and ground coffees are becoming more popular and coffee manufacturers are focusing on trying to create a café experience at home. A wide range and variety of branded retail packs are now available in shops in Australia.

WHAT SORT OF COFFEE DO CONSUMERS WANT?

The Market for Instant Coffee

Instant coffee is still the main type of coffee bought by the in-home consumer.

The Australian market for instant coffee is dominated by the Nescafé brand, which has approximately 60 per cent (value share) of the whole in-home coffee consumer market. Studies have shown that coffee drinkers have a very high level of brand loyalty and that price is not the most important factor when they decide which instant coffee to buy.

The instant coffee market is a highly competitive segment because of the shift to other coffee products. Manufacturers invest a great deal in making their products different to all the others. They also spend a lot of money promoting their products, creating new or innovative packaging for their coffee and are developing 'specialty' brands and product lines.

Australian stores and supermarkets carry a wide range of instant coffee products which include the traditional instant coffee; coffee 'styles' such as cappuccino, espresso, latte and mocha; and blends guaranteed to contain 100 per cent Brazilian, Colombian or other high quality beans.

The Pure Coffee Market

The pure coffee market segment, which includes premium and roast and ground coffee, is growing and the competition is fierce. This segment targets the specialty coffee companies (which are the bulk importers who blend and sell coffee under established brands), food service industry (which often buys green bean for on-site roasting or pre-blended roasted beans – 1kg to bulk packs) and more and more, in-home consumers (usually 200g or 250g vacuum packs of branded roast or roast and ground coffee).

This market segment focuses on quality. It is highly innovative and companies are constantly launching new specialty blends and flavours and finding new ways of making the product more attractive and user friendly for consumers.

Products targeting the in-home market are characterised by extremely high quality packaging, aggressive promotion, celebrity endorsements and clever (and often expensive) marketing campaigns.

Recently, consumers have shown an increased interest in Fair-Trade or organic coffee. This relatively new market segment represents only a small percentage of coffee drinkers however many of the major brands in Australia are interested in further exploring this new consumer interest.

Organic and Fair-Trade coffee is currently sold by most major and independent Australian supermarkets as well as being served at cafés throughout the country.

If you would like more information on Fair-Trade, please visit www.fta.org.au

AUSTRALIAN TRADE

It is important to remember that on a global scale, Australia is a small market and that coffee as a commodity is handled in Australia by a very small number of large companies that have well-established wholesale and distribution networks.

Australia is and will continue to be a coffee importer and there is a good market for coffee imports. It is important for you to remember that your product must be able to match the high quality, supply consistency, professionalism and service standards of the established international suppliers.

Australian companies import coffee from over 65 countries, in a number of forms (green bean, roasted, roast and ground and retail packaged).

Green bean is the most common coffee import (by volume) and is largely regarded as a commodity to be used in the manufacture of instant coffee, coffee products and for blending. In 2006, Vietnam supplied the largest amount to Australia, with 17,123 tons. Papua New Guinea was the second largest supplier with 10,298 tons.

Roast and ground coffee (which is the high quality blended, branded and packaged product) is mainly supplied by internationally recognised companies.

In 2006, the leading companies supplying this market were Italian companies with 2,796 tons and German companies with 397 tons. Of the Pacific Island countries, Papua New Guinean companies exported 24.26 tons and Vanuatu 100kg.

The principal Australian import channels include sales agents, importer/distributors, direct importer-users and various combinations of these. Sales agents remain the preferred means of doing business in-country, although manufacturer direct buying (preferred supplier arrangements) are becoming more common.

PACKAGING AND LABELLING

If you wish to set up your product in the retail market as a branded and differentiated product you must comply with Australia's packaging and labelling requirements. As well, you must present an attractive and functional product to the consumer.

Because first impressions are very important in consumer marketing, the presentation of your product is going to be the first thing that catches the consumer's eye.

In Australia, all packaged retail food must carry the following information to satisfy State regulations:

- Product name / description.
- List of ingredients - if the name of the product does not show all of the ingredients then these must be listed in descending order according to quantity.
- Name and address of packer / distributor
- Net weight
- Use by or the date of the packing
- Country of origin
- Labels must be written in English
- The printing on packaging must be legible (readable) and must be prominently contrasted against the background.

AUSTRALIAN QUARANTINE

Australia does not have many of the diseases and pests found in other countries. It applies strict quarantine regulations help keep out pests and diseases which could devastate crops, livestock or the environment and inspection of international passengers, cargo, mail, animals and plants (or their products) is provided by the Australian Quarantine and Inspection Service (AQIS).

You can find the latest information on the types of items and products which can be imported into Australia and what the associated import requirements are, by searching ICON, AQIS's import conditions database, at www.aqis.gov.au/icon.

AUSTRALIAN CUSTOMS

All goods imported into Australia must be cleared by the Australian Customs Services (ACS). It is the responsibility of importers to obtain a formal Customs clearance for consignments of goods above set value limit (which is \$250 per consignment for goods imported by sea or air cargo).

It is important for any company in the Pacific Islands to remember that when exporting products to Australia to contact the customer or buyer, so that their customs agent is made aware of the arrival of the goods. This will help expedite the release of the goods to the buyer.

The minimum documentation required to be submitted with customs import entries include an air way-bill or bill of lading, invoices (including packing lists, insurance documents etc) relating to the shipment and a certificate of origin.

Currently under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) coffee imports from Forum Island Countries (FIC) are not subject to any customs duty. Please note that a Goods and Service Tax (GST) of 10 per cent may apply to retail-ready coffee entering Australia.

Importers are required to pay documentation and inspection costs associated with clearing commercial consignments by AQIS. Importers are also liable for the costs of treatments such as fumigation which is carried out by approved providers. These charges are invoiced separately by those approved treatment providers.



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