



2016 Top Markets Report **Cold Chain** Country Case Study

Australia

Australia’s established cold chain may benefit from the ratification of TPP, as agriculture and other products exported from the country to TPP partners may see significant increases. The current market may also see improvements in efficiency through consolidation.

Overall Rank

9

High-Income
Category
Ranking

8

Australia has an estimated GDP of \$1.46 trillion. U.S. exports of goods and services are around \$46 billion, making it the United States’ 15th largest export market. U.S. majority owned foreign affiliate sales in Australia were \$184 billion, and distribution services accounted for \$41 billion in 2013.¹

The population of Australia is considered high income, with a per capita income of about \$42,760 (PPP) per year. Unemployment has increased over several years to reach 6 percent in 2014.²

Modern supermarkets make up approximately 35 percent of the Australian food retail market,³ and food spending is expected to grow to \$74 billion by 2020.⁴

The Australian franchise industry is well-established with more than 1,000 franchisors and 65,000 franchise units. Australian franchise concepts make up 92 percent of the market, with the U.S. share at around 3 percent. Nearly 18 percent of franchisors are in the food and beverage sector. With potential growth in the healthy alternative side of food and beverage, opportunities may exist for cold chain operations that service this aspect of the market.

E-commerce in Australia has been estimated to be over \$17 billion in 2015, according to National Australia Bank, with over 12 million Internet subscribers and 20 million cell phone subscribers,

Figure 1:

Competitiveness Index	Score
Government/Regulatory	4.5
Labor Force	4.9
Infrastructure	5.6
Demand	4.7
Industry Interest	4.0

World Economic Forum and Global Cold Chain Alliance

Economic Statistics	
Population	24 Million
Cold Storage Capacity	5.08 M/m ³
Pharmaceutical Sales	\$10.5 Billion
Food Spending	\$67 Billion
Food Spending per Capita	\$2,793
Agribusiness Market	\$44 Billion
Agriculture Imports	N/A
Agriculture Exports	\$80 Billion

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indicating potential for growth in e-commerce for refrigerated products.

The pharmaceutical industry has seen sales of \$10.5 billion in 2015, and sales are expected to remain flat through 2020.

Agriculture production is over \$50 billion more than half of which is exported primarily to its neighbors in the Asia Pacific region. With the newly negotiated Trans-Pacific Partnership (TPP), as well as negotiations with Asian economies for more trade agreements, farm output is expected to expand providing opportunities for U.S. cold chain service providers to

support the industry. The full agribusiness economy, including supporting functions is over \$150 billion, more than 12 percent of the Australian economy.

Australia ranks 13th out of 140 on the World Bank’s Ease of Doing Business 2016 Rankings.⁵ Since 2013 the Australian government has focused on improving the business environment and its openness to investment by reviewing and reforming labor markets and taxation and reducing regulatory barriers. Australia is ranked 13th out of 124 countries in the World Economic Forum’s Human Capital index 2015. The population has a median age of 37 and a labor participation rate of 65.2 percent. More than 50 percent of the workforce is tertiary educated, yet only slightly more than 30 percent of the workforce is engaged in high skilled employment, indicating an educated workforce that is underemployed for its skill level.⁶

Figure 2: World Bank Doing Business Ranking

Country	Ranking (2016)	GDP Per Capita (PPP, 2014)
Australia	13	\$43,929
Russia	51	\$25,635
China	84	\$13,206
Brazil	116	\$15,838
India	130	\$5,701

Transport infrastructure has seen a downward trend since 2011, suggesting that Australia may not be keeping up with growth, especially in ports and rail. The country’s quality of transport infrastructure overall, however, is ranked 16th out of 140 countries in the World Economic Forum Global Competitiveness

index.⁷ In recent years, with the decline of the commodities markets, Australia has been selling off much of its government owned infrastructure to private industry, such as ports that service western commodities industries.

Australia ranked 16th out of 160 countries in the World Bank’s 2014 Logistics Performance Index (LPI). The LPI is an indicator of key dimensions of a country’s logistics performance, including Customs, Infrastructure, International Shipments, Competence, Tracking and Tracing, and Timeliness. While Customs has shown improvement, the Ease of International Shipments has declined significantly.⁸ The ratification of TPP may reverse this decline.

The U.S. has a free trade agreement with Australia that has virtually eliminated tariffs on U.S. exports. Australia is a signatory to the recently negotiated TPP. Upon ratification, U.S. businesses may find increased potential for growth and more opportunities to participate in trade. The agreement will eliminate tariffs, lower service barriers and increase transparency while also increasing competitiveness by supporting strong intellectual property rights protection and enforceable labor and environmental obligations.

The TPP will promote fairness by ensuring non-discriminatory treatment of U.S. goods and services, establishing rules for fair competition with State-owned enterprises and providing the same rights and protections for U.S. investors that foreign investors currently enjoy in the United States while protecting the inherent right of governments to regulate.

Industry’s Take:
Australia is a market dominated by several large players and is reaping the benefits of a trade agreement with China. That, however, does not mean there is an opportunity for growth, as the domestic market is relatively small in comparison to other regions around the world. Thus, we see a round of consolidation that might occur in the future.
Richard Tracy, Global Cold Chain Alliance

Resources:

U.S. Commercial Service:

<http://export.gov/Australia/>

Australia Country Commercial Guide:

<http://export.gov/ccg/australia090720.asp>

¹ Bureau of Economic Analysis; <http://bea.gov/international/factsheet/factsheet.cfm?Area=601>

² The World Bank; <http://worldbank.org>.

³ International Association of Refrigerated Warehouses; “2014 IARW Global Cold Storage Capacity Report”; Salin, Victoria.

⁴ Business Monitor Online; <http://bmo.bmiresearch.com>.

⁵ World Bank 2016; “Doing Business 2016: Measuring Regulatory Quality and Efficiency”; <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>.

⁶ World Economic Forum 2015; “Human Capital Report 2015”; http://www3.weforum.org/docs/WEF_Human_Capital_Report_2015.pdf.

⁷ World Economic Forum 2015; “Global Competitiveness Report 2015-1016”; http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf.

⁸ World Bank 2014; “Connecting to Compete: Trade Logistics in the Global Economy”; http://lpi.worldbank.org/sites/default/files/LPI_Report_2014.pdf.