

# INDIA-AUSTRALIA

## ENHANCING BILATERAL TRADE IN THE F&B SECTOR POST-ECTA



**JUN  
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**Authors**

*Virat Bahri, Mehr Suri*

**Research Team**

*Talotma Lal, Mohd. Danish, Nisha Parveen*

**Design**

*Prakash Shetty*

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*Tel: T: (91) 11 40727272; Email: [researchdesk@tpci.in](mailto:researchdesk@tpci.in); Web: [www.tpci.in](http://www.tpci.in)*

## Executive Summary

The report by TPCI's research team titled 'India-Australia: Exploring Food & Beverages Trade' is an attempt to analyse trade and investment opportunities for Indian companies in Australia, with special focus on Food and Beverage sector. Apart from assessing the potential impact of the Economic Cooperation Agreement (*ECTA*), the report incorporates industry consultations and expert suggestions to enhance bilateral trade relations.

India (*5<sup>th</sup> largest economy*) and Australia (*14<sup>th</sup> largest economy*) are both Commonwealth countries and parliamentary democracies with similar legal systems. Besides, they are members of the Quad (*with Japan and US*), a trilateral Supply Chain Resilience Initiative (*SCRI, with an aim to reduce import dependence on China*) and Indo-Pacific Economic Framework (*IPEF*).

The two nations have long-standing economic ties, and their trade relationship has been steadily growing over the years. They have complementary economies and possess vast potential for collaboration in various sectors. The F&B industry, in particular, offers promising trade and investment opportunities, given the increasing demand for high-quality and diverse food products in both countries.

### The post-FTA promise

With an expectation of bilateral trade increasing to US\$ 45 billion from existing US\$ 27.5 billion over a span of 5 years, India and Australia signed the Economic Cooperation & Trade Agreement (*ECTA*) on 2<sup>nd</sup> April, 2022 and the agreement came into force on 29<sup>th</sup> December 2022 after Ratification and Exchange of Written Instruments. It has been signed as a framework to deepen economic cooperation and promote bilateral trade and investment.

The agreement aims to reduce trade barriers, enhance market access for both goods and services, and foster closer ties between the two nations. It provides a platform for further exploration of synergies by streamlining regulations, promoting investments, and facilitating the exchange of goods and services.

The research undertakes a detailed analysis of the trade potential between the two countries in the backdrop of an already flourishing one. Overall trade has risen from US\$ 16.65 billion in 2018-19 to US\$ 25.96 billion in 2022-23. India's total exports in 2021-22 registered a higher YoY growth of 104.83% as compared to imports with a YoY growth of 103.17%. The bilateral trade data shows a significant share of commodities like Mineral fuels, Natural pearls, Pharmaceuticals, Ores and slag, machinery and mechanical appliances and Inorganic chemicals. Among the top 10 exports from India in 2022, Mineral fuels (44%); Organic Chemicals (20%); Machinery (19%), Vehicles (19%), Articles of iron and steel (18%), and Pharmaceutical Products (18%) witnessed highest average annual growth rate during 2018-22.

When you look at the F&B export basket, Cereals, Coffee, tea and spices, Miscellaneous edible preparations, Lacs, gums and resins and animal & Vegetable fats/oils have come out to be the potential products for expanding exports. Being home to a highly health conscious consumer base, the Australian market has opened up new opportunities for Indian exporters of healthy and sustainable food products. This is over and above the huge Indian diaspora, that continues to grow and prosper.

To crown it all, Australia is ranked among the easiest places in the world to do business. It is an open market with minimal restrictions on imports of goods and services. With around 47% workforce being highly qualified, it is unsurprisingly one of the most innovative countries. Higher level of collaboration can be explored in the field of technology specialization across various industries. It is also widely acknowledged for its technological specialization in the food industry, ranking 14<sup>th</sup> in patenting globally.

An OECD Input-Output analysis helps us understand the differences between countries in the level of adoption of services across industries. The extent of utilization of services in different industries of Australia is higher than that of India. The former has pioneered the world class technologies in agriculture, education, financial services and health. Through deeper engagements like ECTA, Australia can emerge a sustainable partner for R&D and commercial collaborations.

When it comes to the agri sector, even though Australia is a major producer of raw materials and processed foods, imports still make up a considerable and growing proportion of the its F&B consumption. Foods that are brought into Australia for sale must adhere to the Australia New Zealand Food Standards Code, which includes strict biosecurity requirements. To maintain food safety standards, the Department of Agriculture, Fisheries and Forestry (*DAFF*) operates the Imported Food Inspection Scheme, which employs a risk-based border inspection program.

Given the impracticality of inspecting every single food item imported into the country, DAFF receives advice from the Food Standards Australia New Zealand (*FSANZ*) regarding foods that pose medium or high risks to public health and safety. Food Standards Australia and New Zealand (*FSANZ*) is a statutory authority operating under Food Standards Australia New Zealand Act 1991. Although *FSANZ* develops food standards, responsibility for enforcing and policing food standards rest with the respective states and territories in Australia and the New Zealand government.

The Food Standards code is divided into 4 significant chapters entailing all the requirements for the sale of the food in the two nations. Australia and New Zealand. All the 4 chapters have subsequent parts, which are further backed up by standards. There is also a Schedules section which contains all the schedules relating to the standards throughout the various chapters of the Code.

### Industry and expert consultations

On conducting an industry survey with 25-30 prominent Indian F&B exporters to Australia, we found significant interest in the Australian market. However, the above stated detailed, lengthy and the time consuming documentation process and regulatory systems do pose challenges for them. They also highlighted the need for better streamlining of certification agencies within India to reduce costs and minimise delays. Some exporters face challenges in meeting the overseas standards in F&B sector. Competition coming from different nations based on the food segments, make the situation even worse.

The research team also organised a broad based interaction with the Committee for Advanced Trade Research, seeking their opinions on the future roadmap for F&B exports. They have proposed some very targeted measures for boosting F&B exports, which include:

- A proper understanding of Australia's risk categorization.
- Streamlined Indian clearance agencies.
- Immediate focus on India's export strengths.
- Expansion of existing relations with mutually beneficial collaborations and partnerships.

Both India and Australia are robust economies that are playing an increasingly pivotal role in reshaping the future of international trade. Apart from an increase in physical trade, the two countries also need to enhance their cooperation in research, innovation, and scale, which promises to be transformative for India's F&B value chain. And hence the entire report has tried mapping various areas entailing huge potential for both the countries to work on.

## Chapter 1

# INDIA- AUSTRALIA TRADE POTENTIAL

### 1.1 Trade Scenario between India and Australia

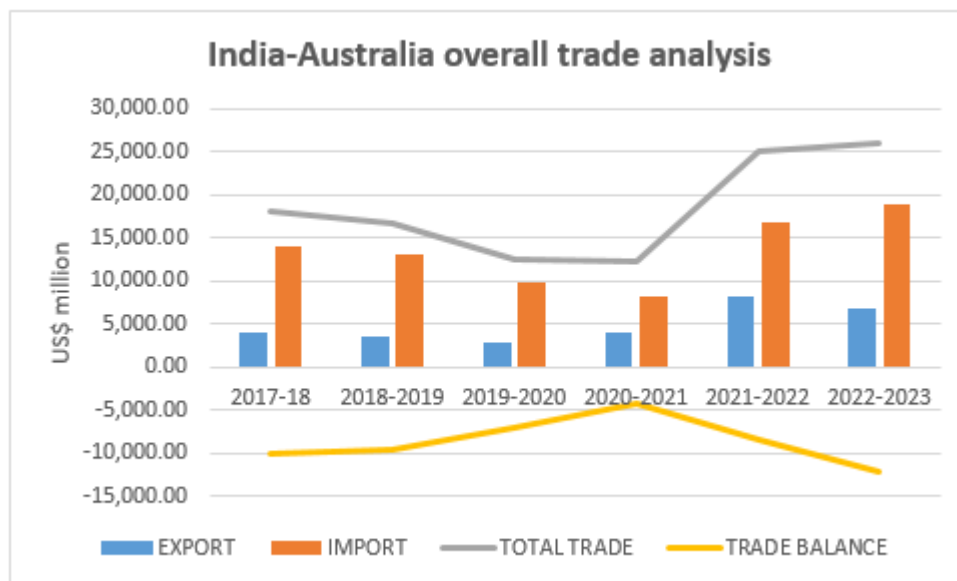
Overall India-Australia trade has risen from US\$ 16.65 billion in 2018-19 to US\$ 25.96 billion in 2022-23. India maintains a negative trade balance with Australia since 2017-18 (*deficit of US\$ 9.98 billion*) which increased to a deficit of US\$ 12.05 billion in 2022-23.

India's total exports in 2021-22 registered a higher YoY growth of 104.83% as compared to imports with a YoY growth of 103.17%. In 2022-23 export growth decelerated to 16.08% YoY and imports increased by 13% YoY. Exports have risen from US\$ 3.52 billion in 2018-19 to US\$ 6.95 billion. Imports from Australia have also risen from US\$ 13.13 billion (*2017-18*) to US\$ 19.01 billion in 2022-23.

**Table 1.1 Overall trade trends between India and Australia**

Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
EXPORT	<b>4,012.32</b>	<b>3,520.44</b>	<b>2,852.14</b>	<b>4,043.88</b>	<b>8,283.13</b>	<b>6,951.32</b>
YoY Growth %		-12.26	-18.98	41.78	104.83	-16.08
Share in total exports %	1.32	1.07	0.91	1.39	1.96	1.54
IMPORT	<b>13,993.75</b>	<b>13,131.21</b>	<b>9,782.22</b>	<b>8,247.30</b>	<b>16,756.17</b>	<b>19,011.31</b>
YoY Growth %		-6.16	-25.5	-15.69	103.17	13.46
Share in total imports %	3.01	2.55	2.06	2.09	2.73	2.66
TOTAL TRADE	<b>18,006.07</b>	<b>16,651.65</b>	<b>12,634.36</b>	<b>12,291.17</b>	<b>25,039.30</b>	<b>25,962.62</b>
YoY Growth %		-7.52	-24.13	-2.72	103.72	3.69
INDIA'S TRADE BALANCE	<b>-9,981.42</b>	<b>-9,610.77</b>	<b>-6,930.08</b>	<b>-4,203.42</b>	<b>-8,473.04</b>	<b>-12,059.99</b>

Source: Ministry of Commerce and Industry, Figures in US\$ million



Source: Ministry of Commerce and Industry

**Table 1.2 India's top 10 exports to Australia**

Product Code	Product Label	India's exports to Australia			Australia's imports from the world		
		Value in 2022, US\$ thousand	Annual growth in value between 2018-2022, %, p.a.	Share in India's exports, %	Value in 2022, USD thousand	Annual growth in value between 2018-2022, %, p.a.	Share in world imports, %
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	1,961,247	44	5	46,373,939	8	1
'30	Pharmaceutical products	551,239	18	3	14,498,572	15	2
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	464,035	9	1	8,062,239	6	1
'84	Machinery, mechanical appliances,	453,400	19	2	39,495,120	6	1



	<i>nuclear reactors, boilers; parts thereof</i>						
'85	<i>Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...</i>	312,066	16	1	29,562,652	4	1
'73	<i>Articles of iron or steel</i>	221,093	18	2	6,677,130	8	2
'87	<i>Vehicles other than railway or tramway rolling stock, and parts and accessories thereof</i>	217,786	19	1	35,847,876	6	2
'29	<i>Organic chemicals</i>	210,334	20	1	2,617,564	4	0
'63	<i>Other made-up textile articles; sets; worn clothing and worn textile articles; rags</i>	207,268	12	3	2,135,045	12	3
'62	<i>Articles of apparel and clothing accessories, not knitted or crocheted</i>	188,611	11	2	4,039,360	4	2

Source: ITC Trade Map, figures in US\$ million

Mineral Fuels (US\$ 1.96 billion), Pharmaceutical products (US\$ 551.24 million); Natural or cultured pearls (US\$ 464 million), Machinery (US\$ 453.4 million) and Electrical Machinery (US\$ 312.1 million) were the top 5 exported product by India to Australia in 2021.

Among the top 10 exports, Mineral fuels (44%); Organic Chemicals (20%); Vehicles (19%) and Machinery (18%) registered highest CAGR during 2018-22. Pharmaceutical products and articles of Iron & Steel are also showing strong traction with average annual growth rate of 18% each. Pharma is a highly lucrative category, considering that Australia's imports are also growing at an average annual growth rate of 15% during this period.

Miscellaneous chemical products, though not among the top 10, is a promising category as India's exports have grown at an average of 20% during the period, while Australia's imports are growing at 17% on an average during 2018-22.

Australia is also a fast growing market for inorganic chemicals, with an average annual growth rate of 24%, but India's exports in the category are currently growing at only 4%,

**Table 1.3 India's top imports from Australia**

HS Code	Top 10 imported products	Imported value in 2017-18 (US\$ billion)	Imported value in 2021-22 (US\$ billion)	Imported value in 2022-23 (US\$ billion)	YoY Growth (%)	CAGR over 5 years (%)
27	Mineral fuels..	9,343.96	13,172.34	15,200.13	15.39	10.2%
71	Natural or cultured pearls..	778.2	929.28	1,051.63	13.17	6.2%
26	Ores, slag and ash.	689.01	880.53	661.61	-24.86	-0.8%
28	Inorganic chemicals..	641.92	393.11	363.35	-7.57	-10.8%
52	Cotton	141.82	66.42	285.95	330.51	15.1%
7	Edible vegetables and certain roots and tubers.	924.14	123.74	274.49	121.83	-21.6%
76	Aluminium and articles thereof.	212.68	109.51	135.75	23.97	-8.6%
51	Wool, fine or coarse animal hair, horsehair yarn and woven fabric.	179.46	108.62	133.84	23.22	-5.7%
31	Fertilisers.	0.57	47.91	129.2	169.65	195.9%
72	Iron and steel	113.39	81.74	112.09	37.13	-0.2%

Source: ITC Trade Map

## 1.2 FOCUS SECTOR: Food & Beverages

### 1.2.1 India top 10 F&B imports from Australia

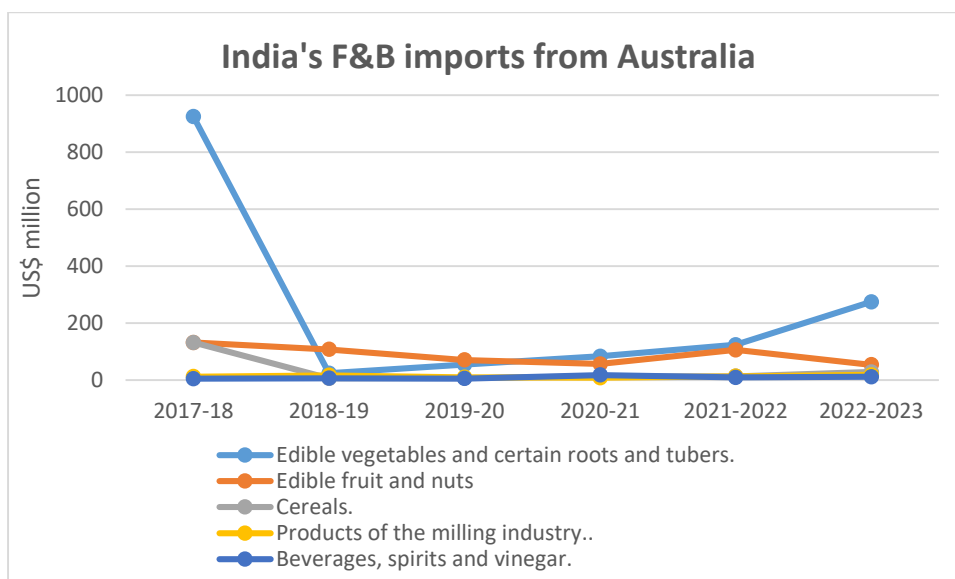
India imported a total value of US\$ 402.89 million in 2022-23, registering a negative CAGR of 19.8% from 2017-18. F&B imports from Australia have registered a significant fall in 2018-19 from US\$ 1.21 billion in 2017-18. The imports declined till 2019-20 after which they started recovering.

**Table 1.4 India's top 10 F&B imports from Australia**

HS Code	Commodity	Import value in 2017-18 (US\$ million)	Import value in 2021-2022 (US\$ million)	Import value in 2022-2023 (US\$ million)	YoY Growth %	CAGR over a span of 5 years %
7	Edible vegetables and certain roots and tubers.	924.14	123.74	274.49	121.83	-21.6%

8	Edible fruit and nuts	131.69	106.01	53.9	-49.16	-16.4%
10	Cereals.	131.46	12.98	28.58	120.18	-26.3%
11	Products of the milling industry..	12.23	13.01	18.21	39.96	8.3%
22	Beverages, spirits and vinegar.	4.86	9.07	11.3	24.63	18.4%
12	Oil seeds..	9	9.91	10.88	9.86	3.9%
15	Animal or vegetable fats and oils ..	0.32	0.72	1.21	67.57	30.5%
21	Miscellaneous edible preparations.	1.02	1.06	0.98	-8.01	-0.8%
3	Fish and crustaceans, molluscs and other aquatic invertebrates.	0.75	0.23	0.75	220.69	0.0%
19	Preparations of cereals, flour, starch or milk	4.86	0.4	0.72	79.59	-31.7%
	<b>Total imports of F&amp;B products</b>	<b>1,212.4</b>		<b>402.89</b>		

Source: ITC Trade Map, Ministry of Commerce and Industry, Figures in US\$ million



Source: Ministry of Commerce and Industry

### 1.2.2 India's F&B exports to Australia

India exported a total value of US\$ 6.95 billion in F&B exports to Australia 2022-23 with a YoY decline of 16.08%. With a 7% share in Australia's total F&B products imports from the world, India has exported US\$ 354.82 million in 2022-23, establishing a 7.8% CAGR over a span of 5 years. Cereals (HS 10), Coffee, tea and spices (HS 09), Miscellaneous edible preparations (HS 21) were the major exported products followed by Vegetable, nuts and fruits, cereals preparations, oil seeds lacs and gums, etc.

Analysing India's F&B exports to Australia at 2 HS code level, 7 products occupy 81.4% of the total F&B exports to Australia in 2022-23. These are:

- *Cereals (HS10)*
- *Coffee, tea, mate and spices (HS 09)*
- *Miscellaneous edible preparations (HS 21)*
- *Lac; gums resins and other extracts (HS 13)*
- *Animal and vegetable oil (HS 15)*
- *Preparations of vegetable, fruits and nuts (HS 20)*
- *Preparations of cereals, flour and starch (HS 19)*

**Table 1.5: Top Indian F&B exports to Australia**

HS Code	Top exported products	Exported value in 2017-18 (US\$ million)	Exported value in 2021-22 (US\$ million)	Exported value in 2022-23 (US\$ million)	YoY Growth %	Share in total F&B exports to Australia %	CAGR (Five years in %)
10	Cereals.	45.51	59.15	63.68	7.66	17.9%	6.9%
9	Coffee, tea, mate and spices.	60.35	65.51	62.44	-4.69	17.6%	0.7%
21	Miscellaneous edible preparations.	24.28	46.57	52.37	12.46	14.8%	16.6%
13	Lac; gums, resins and other vegetable saps and extracts.	14.15	22.47	34.04	51.49	9.6%	19.2%
15	Animal or vegetable fats and oils	8.65	12.77	28.14	120.32	7.9%	26.6%
20	Preparations of vegetables, fruit, nuts or other parts of plants.	19.88	25.15	26.27	4.45	7.4%	5.7%
19	Preparations of cereals, flour, starch or milk; pastrycooks products.	18.16	19.99	21.98	9.99	6.2%	3.9%
	<b>Total Value of top 7 products</b>	<b>190.98</b>	<b>251.61</b>	<b>288.92</b>	<b>14.8%</b>	<b>81.4%</b>	<b>8.6%</b>

Source: Ministry of Commerce and Industry, figures in US\$ million

The above top exported products were valued at US\$ 288.92 million in 2022-23, registering 14.8% YoY growth. The products also registered 8.6% CAGR over a span of 5 years.

At 4 HS code level, exports were led by Rice (*HS 1006*), other food preparations (*HS 2106*), Vegetable saps and extracts (*HS 1302*), Coffee (*roasted or not*) (*HS 0901*) and preserved vegetables, fruits and nuts. The products registering highest YoY growth among them are Marine based oils (*HS 1504*), Vegetable saps and extracts (*HS 1302*), Preserved vegetables and fruits (*HS 2001*) and Bakery products (*HS 1905*)

**Table 1.6: Top F&B exports (4-digit level)**

HS code	Commodity	Value exported in 2021-22 (US\$ million)	Value exported in 2022-23	YoY growth %
1006	Rice	58.82	63.38	7.76
2106	Othr food preprns n.e.s.	36.17	39.52	9.24
1302	Veg saps and extrcts	21.33	26.69	25.11
0901	Coffee, whether or not roasted or dcaffeinat	17.04	16.64	-2.35
2001	Veg fruits nuts and other plant parts preserved by Vinegar	13.84	15.33	10.8
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified	1.09	15.18	1296.54
1905	Bread, pastry, cakes, biscuits and other bakerwares..	13.48	14.89	10.45
0902	Tea	15.95	14.34	-10.09
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices	12.08	11.7	-3.14
1207	Other oil seeds and oleaginous fruits, whether or not broken	11.47	11.06	-3.64

Source: ITC Trade Map

### 1.3 Analysis of Principal Commodities exported (8-digit)

When you look at the export data of top principal commodities at the 8-digit level, the following come up as the key F&B products with export potential to Australia.

**Table 1.7 (a) Principal Commodity: Rice Basmati**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
10063020	Basmati rice	31.37	56.12	15.65%

**Table 1.7 (b) Principal commodity: Coffee**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
09011141	Coffee rob cherry ab	4.71	5.70	4.89%

09011111	Coffee arabica plantation`a`	2.50	3.08	5.35%
21011120	Instant coffee not flavoured	0.55	3.06	53.58%
09011112	Coffee arabica plantation`b`	1.11	2.34	20.50%
09011139	Coffee rob parchment other grade	2.22	1.79	-5.24%
<b>Total</b>		<b>15.02</b>	<b>19.87</b>	<b>7.25%</b>

**Table 1.7 (c) Principal commodity: Tea**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
09024040	Tea bags	11.15	8.47	-6.64%
09023020	Black tea in packt>25 gm but<=1 kg	2.73	3.83	8.83%
21012090	Othr extrcts essncsand cncntrts of tea/mate	0.02	0.97	163.90%
09024020	Tea black,leaf in Bulk	0.39	0.50	6.41%
09024010	Tea black in pckt>3kg but<= 20 kg	0.27	0.40	10.33%
<b>Total</b>		<b>19.39</b>	<b>15.85</b>	<b>-4.91%</b>

**Table 1.7 (d) Principal commodity: Spices**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
21039090	Othr mixed condiments and mixed seasonings	4.60	6.35	8.39%
09109100	Mixtrs of two or mors prodcts of diff hdg	2.08	4.08	18.34%
33019014	Turmeric oleoresins	0.96	3.94	42.33%
09042211	Chilly powder	1.09	3.71	35.83%
09042219	Crushed or ground; other	2.73	2.13	-6.02%

	fruits of genus capsicum			
	Total	<b>40.38</b>	<b>53.14</b>	<b>5.6%</b>

**Table 1.7 (e) Principal commodity: Miscellaneous processed items**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
<b>21069099</b>	Other food preparation nes	9.84	32.95	35.27%
<b>19059090</b>	Othr bread, pstry, rice papr and smlr products	2.94	4.95	13.91%
<b>21069020</b>	Pan-masala including scented supari (betel spices prepared)	0.78	4.93	58.56%
<b>11010000</b>	Wheat or meslin flour	5.69	3.37	-12.27%
<b>19053100</b>	Sweet biscuits	1.97	3.26	13.42%
	Total	<b>38.92</b>	<b>74.38</b>	<b>17.58%</b>

**Table 1.7 (f) Principal Commodity: Castor Oil**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
<b>15153090</b>	Castor oil and its frctns othr thn edble grade	1.41	3.18	22.55%
	Total	<b>1.80</b>	<b>3.88</b>	<b>21.17%</b>

**Table 1.7 (g) Principal Commodity: Processed Vegetables**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
<b>20049000</b>	Othr veg and mixtrs of veg, prpd/prsvd, frzn	2.22	3.47	11.81%
<b>20059900</b>	Other veg and mixtre of vegetables	0.97	1.44	10.38%
<b>07122000</b>	Onions dried	1.44	1.42	-0.35%
<b>07114000</b>	Cucumbers and gherkins provisionally presvd	0.92	0.69	-6.94%

20058000	Sweet corn prpd/prsvd, nt frzn		0.35	
<b>Total</b>		6.11	<b>8.43</b>	6.6%

**Table 1.7 (h) Principal Commodity: Processed Fruits and Juices**

HS code	Commodity	2017-18	2022-23	CAGR (5 years)
20011000	Cucbrs and ghrkns prpd/prsvd by acetic acid	6.71	10.75	12.50%
20019000	Other edible parts of plants prepare	2.95	4.59	11.69%
20081940	Other roasted and fried vegetable products	0.46	1.63	37.20%
20079910	Jams jellies mrmlds etc. Of mangoes...	0.35	1.20	36.07%
08119090	Othr fruits andnuts w/n cokd,frzn not contng sugr	0.33	1.12	35.73%
<b>Total</b>		<b>12.54</b>	<b>21.98</b>	<b>15.06%</b>

**Table 1.8 India's potential F&B export analysis in top 10 products**

HS Code	Product Label	India's exports to Aus in 2021 (US\$ million)	Australia's import from the world in 2021 (US\$ million)	Australia's import CAGR (2017-21)	India's export to world in 2021 (US\$ million)	India's share in Aus imports (%)	CAGR of India's exports to Aus (2017-21) %
<b>F&amp;B</b>		304.70	1,450.87	3%	4,286.90	7%	7%
09	Coffee, tea, mate and spices	67.42	724.53	1%	4,066.06	9%	2%
10	Cereals	53.51	195.53	6%	1,235.00	27%	5%
21	Miscellaneous edible prep	44.37	2,428.68	11%	1,070.24	2%	18%



20	Preparations of Vegetable, fruits, nuts or other plant parts	24.06	1,020.14	2%	753.60	2%	6%
19	Preparations of cereals	21.54	1,477.05	3%	631.35	1%	5%
12	Oil seeds and oleaginous fruits	20.69	309.99	2%	1,780.53	7%	9%
13	Lac, gums and resins	20.66	130.71	8%	867.02	16%	13%
15	Animal/ Veg fats and oils	11.87	673.29	4%	1,652.35	2%	13%
11	Products of milling industry, malts ..	10.65	149.62	8%	576.00	7%	1%
07	Edible vegetables	9.14	260.90	0%	1,397.72	4%	6%

Source: ITC Trade Map

**Table 1.9 Australia's top import destinations**

HS Code	Product Label	Top 3 sources for Australian imports (CAGR 2017-21)	India's rank in Australian imports
09	Coffee, tea, mate and spices	Switzerland (-1%), Brazil (3%), India (2%)	3
10	Cereals	Thailand (2%), India (5%), Vietnam (44%)	2
21	Miscellaneous edible prep	Singapore (19%), New Zealand (3%), US (5%)	16
20	Preparations of Vegetable, fruits, nuts or other plant parts	China (10%), Italy (6%), New Zealand (-6%)	14
19	Preparations of cereals	New Zealand (-11%), Thailand (9%), Italy (15%)	14
12	Oil seeds and oleaginous fruits	China (-5%), US (5%), New Zealand (2%)	5
13	Lac, gums and resins	China (4%), India (13%), US (2%)	2
15	Animal/ Veg fats and oils	Malaysia (-1%), Spain (1%), Argentina (9%)	12

11	Products of milling industry, malts ..	China (23%), US (9%), Thailand (8%)	4
07	Edible vegetables	China (2%), New Zealand (-1%), Mexico (-1%)	7

Source: ITC Trade Map

#### 1.4: Potential Products in F&B exports to Australia

In **Cereals**, India comes 2<sup>nd</sup> and is competing strongly with Thailand. In fact, data for 2022 shows that India has emerged the largest exporter of cereals to Australia. However Vietnam's exports to Australia are growing at a rapid pace as well (43% between 2018 and 2022). India and Vietnam are competing for the same product, i.e. HS 100630 – Semi or wholly milled rice, whether polished or glazed, and it needs to be assessed how India can accelerate its exports and capture greater market share.

**Coffee, tea and spices** was the top product in the F&B exports basket in 2021, registering a total export of US\$ 67.42 million (9% share in Australian imports) and established a CAGR of 2% over 2017-21. Despite of India's positive growth in Australian exports and significant exports to the world of around US\$ 4.06 billion, it has less share in Australia's imports.

Australia imported a total of US\$ 724.53 million majorly from Switzerland and Brazil. India is the third largest exporting nation and has potential to increase product exports to Australia's whose import occupy a 1.3% share in world imports for Coffee, tea and spices.

**Miscellaneous edible preparations** exports accounted a total value of US\$ 44.37 million in 2021, establishing a high CAGR of 18% from 2017-21. India exported US\$ 1.07 billion to the world but occupied only 2% share in Australia's imports. The latter's total imports in 2021 stood at US\$ 2.42 billion, coming majorly from Singapore, New Zealand and US. India was ranked 16<sup>th</sup> in Australia's overall imports, which itself increased at 19% on an average over 2018-22.

At the tariff line level, Australia's top imported commodity is HS 2106909991 (Food preparations, incl. preparations for making non-alcoholic beverages, (excl. those previously...)) with imports of US\$ 1.3 billion. This is followed by HS '2103900018 (*Sauces and similar preparations used as sauces or food accompaniments (incl. salsas)*; US\$ 300.3 million) and HS '2106909501 (*Food preparations of formulated supplementary food (excluding those previously identified in ...)*; US\$ 162.7 million).

India's top exported product to Australia in 2022 was also HS '2103900018 with a value of US\$ 26.4 million, followed by HS '2103900018 with a value of US\$ 6.8 million. However, India's exports are particularly low for the third highest imported product – HS '2106909501 with a value of US\$ 0.78 million.

Another commodity with a relatively high export CAGR of 13% to Australia in 2021 was **Lac, gums and resins** which recorded a total export value of US\$ 20.66 million (16% share). India exported a total of US\$ 867.02 million to the world. With a 1.5% share in total world imports, Australia is majorly importing from China before India.

India exported a total value of US\$ 11.87 million of **Animal and Vegetable fats/oils**, acquiring a share of 2% in Australia's total imports of US\$ 673.29 million from world in 2021. India's exports to Australia registered a 13% CAGR from 2017-21. India also exported a total value of 1.65 billion but a

meagre percentage to Australia. The product category in F&B basket opens up avenues for India to expand its exports.

### 1.5 Australia's F&B market insights for Indian Exporters

- 1. Health promoting Beverages:** Australian consumers have become more health conscious since Covid-19 emerged. Australia's functional beverage market<sup>1</sup> was worth \$451 million at the start of 2022. High fiber drinks, plant based, vegan and weight loss drinks are in demand by the consumers.
- 2. Functional snacks:** Australians are among the world's most health-conscious consumers, but the time-poor are seeking out convenient snacks and on-the-go foods in increasingly greater numbers. Healthy snack production increased by 1% 2017-2022, and is expected to swell to 3.8% 2022-2027. Grain-based snacks comprise 36.3% of this category; protein bars 10.9%.
- 3. The green thriver:** As the name suggests, Australian consumers have a high level of environmental awareness. They aim to lessen their environmental footprint by purchasing environmentally friendly and sustainable products<sup>2</sup>. The quality, ingredients and packaging are highly important to green thrivers and they are okay with paying more money for better products.
- 4. Immigration country:** Indians make up around 3% of Australian population accounting to 7.21 lakhs Indians in Australia as of 2022. As per the Australian Bureau of Statistics (2021), the Total Indian-born population in Australia is 673,352<sup>3</sup>, and people with Indian Ancestry stand at 783,958. Huge Indian diaspora increases demand for Indian prepared food choices and makes Australia a bigger market for India's F&B exports than any other developed country.
- 5. Curious Bargain Hunter:** The Australian consumers are not likely to purchase well-known brands, nor do they follow trends. The curious bargain hunters enjoy the whole shopping experience of going from store to store and looking for promotions, pop-up shops or limited-time collections and thus might even do an impulse purchase. Curious bargain hunters are not loyal to brands and enjoy trying new products with a good value for money ratio.

## Chapter 2

# AUSTRALIAN INVESTMENT & TRADE SCENARIO

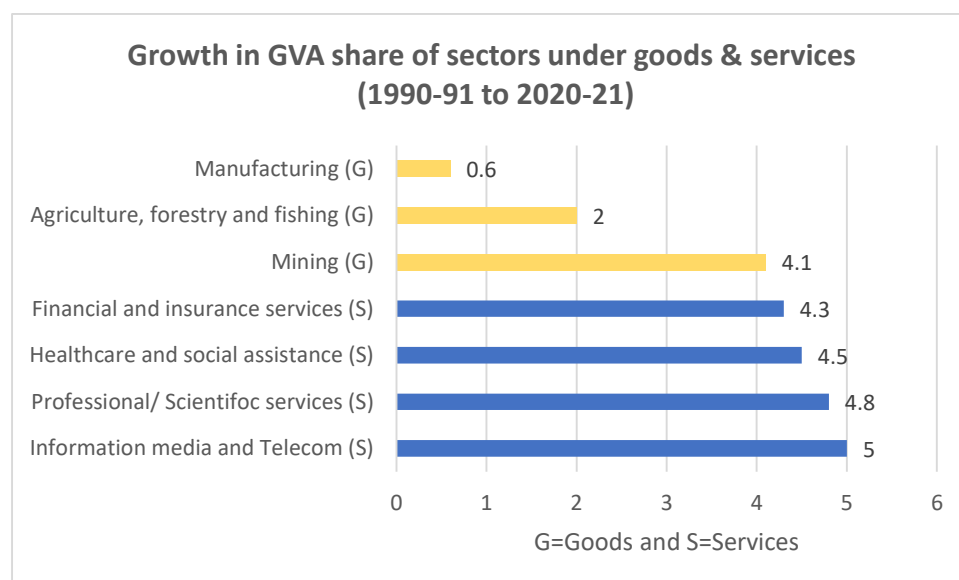
### 2.1 Australia’s Economic Health

With a projected growth of 6.7% by the end of 2022 over the pre-pandemic level, [Australia](#)<sup>4</sup> is set to become the world’s 12<sup>th</sup> largest economy in 2023 according to IMF estimates. Being home to just 0.3% of the world’s population, Australia accounts for 1.7% of the global economy. Its nominal GDP will be around AUS\$ 2.5 trillion (*US\$ 1.7 trillion*), which recovered comparatively well internationally after the pandemic. The economic stimulus package worth 20% of GDP was rolled out to combat pandemic effects. This was to provide direct economic assistance to businesses and households and keep the people employed.

Almost all economies showed increase in public debt on the onset of pandemic but Australia entered 2020 with very low public debt (*less than 30% of GDP*) and is estimated to remain below global standards as per Fiscal Monitor report, IMF October 2021.

Australia’s resilience is underpinned by a diverse mix of competitive industries. In 2020-21, country’s services and goods industries accounted for 18% and 19% of GVA respectively, under which mining sector generated 10.6% of GVA, followed by financial services 9.3%, technology driven sectors accounting to 15%.

The Australian services sector grew by 3.3% per year in three decades to June 2021, outpacing the growth in goods sector (2.4%).



Source: Government of Australia

### 2.2 Lucrative investment hub

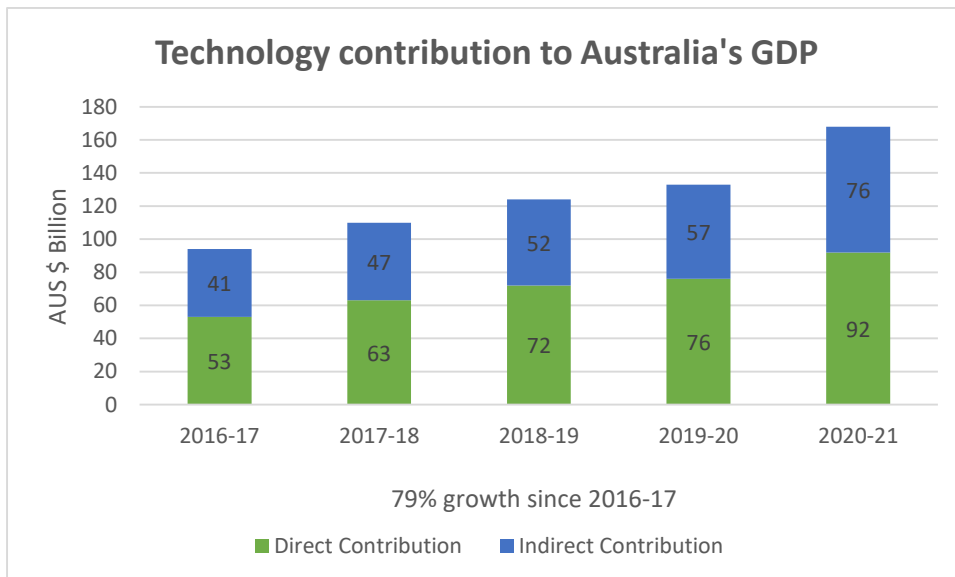
Australia being the [easiest places](#)<sup>5</sup> in the world to do business, was ranked 14<sup>th</sup> in the world in Ease of Doing Business ranking by World Bank in 2020. When comparing economies with a population of more than 20 million, Australia ranks 5<sup>th</sup> in the world, behind Korea (1<sup>st</sup>), the US (2<sup>nd</sup>), the UK (3<sup>rd</sup>)

and Malaysia (4<sup>th</sup>). The country is ranked 4<sup>th</sup> for gaining credit, 6<sup>th</sup> for enforcing contracts, 7<sup>th</sup> for starting a business.

Australia is an open market with minimal restrictions on imports of goods and services making it an ideal place in which to do business. It is second most free country to have trade ties with, according to The Heritage Foundation, 2021 Index of Economic Freedom.

The country has one of the lowest overall tax rates among the OECD countries, measured as a percentage of GDP. Taxes on goods and services represented 7% of Australia’s GDP, compared to 11% across OECD countries.

Australia’s highly educated workforce (around 47% workforce with tertiary qualification) and abundant and diverse natural resources attract high levels of foreign investment. Australia is a home to a high skill, high talent workforce which makes it one of the most innovative countries. Their scientific institutions rank in the world’s top 1% in 15 individual fields of research. Australia has a AUS\$ 167 billion technology sector which has grown 26% (AUS\$ 34 billion) since the onset of Covid-19. Technology is hence the third largest contributor to Australian GDP.



Source: Government of Australia

The country is also internationally competitive in financial and insurance services, technologies, and high-value-added manufactured goods. Australia is a fintech powerhouse, with around 700 fintech companies. It is placed 6<sup>th</sup> in global rankings and second in the Asia-Pacific region 2021 according to a recent industry analysis. They have pioneered world class technologies in agriculture, education, financial services and health. The country is acknowledged for its technological specialization in the food industry, ranking 14<sup>th</sup> in patenting globally. The table below indicates the extent of utilization of services (IT/Financial and insurance) in three major Australian industries. These services are being used as proxy indicators to study the extent of technology in Australian industries. A comparison is also established with India.

**Table 2.1 OECD Input-Output Table**

Services utilisation in industries			
Australia			
To Industry	Agriculture	Fishing and aquaculture	Food products, beverages and tobacco
From industry			
IT Services	0.023	0.025	0.027
Financial and insurance activities	0.128	0.088	0.095
India			
To Industry	Agriculture	Fishing and aquaculture	Food products, beverages and tobacco
From industry			
IT Services	0	0	0
Financial and insurance activities	0.028	0.006	0.048

Source: OECD

Australia’s industry-driven, government-supported research programs in food technology (*foodtech*) offer opportunities for international R&D and commercialisation collaborations. Australia offers excellent product test market to the investors, along with reliable high quality food inputs, strong IP rights and a range of tax incentives and grants by Australian federal, state and territory governments for investors.

Innovation includes the use of blockchain in finance, immersive simulation technologies in education, robotics in medical procedures and the Internet of Things in agriculture. Australia is also recognised as a world leader in silicon-based quantum computing research.

**Highlights of Australian tech companies**

**733 Fintech companies**

- 1. AUS\$ 4 billion industry
- 2. Ranked 6th in the world
- 3. 44% of fintechs have raised over AUS\$ 10 million

**500 Medtech companies**

- 1. US\$1.85 billion digital health market
- 2. World top 20 for medtech patents
- 3. AUS\$ 20 billion Medical Research Future Fund

**600 Edtech companies**

- 1. AUS\$ 2.2 billion edtech market
- 2. 13000- strong workforce
- 3. 50% of companies are early stage startups

**400 Agtech and foodtech companies**

- 1. 15 agtech incubators
- 2. AUS\$ 800 million invested annually through 15 Rural RnD Corporations
- 3. 8 Innovation Hubs in 40 locations

Australia has built a vibrant digital markets which serve their digitally savvy consumers. Euromonitor placed Australia 4<sup>th</sup> in its 2021 Digital Consumer Index, well above many economies in the region including Hong Kong, Japan and all major ASEAN countries. Australia has advanced IT infrastructure and mobile connectivity by international standards. Australian financial regulation encourages online innovation, such as digital payments, buy-now, pay-later purchasing, and mobile digital wallets. A recent survey shows [53% of Australians](#)<sup>6</sup> regularly use a digital wallet, which is higher than the UK and US.

The country’s historical connections to the United Kingdom and the United States, combined with being in similar time zones to Japan, China, and the booming economies of South East Asia, means it is well placed to act as a center of operations for European or US companies that want to access markets in Asia.

A strong legal framework protects the property rights and a robust rule of law minimizes corruption. The stable political environment supported by a strong judicial system helped the enforcement of contracts reliable and outcomes predictable. World-wide governance indicators (*WGI*), 2021 project by World Bank, reports percentile ranks, where Australia secured , 73.1 in Political stability and absence of violence, 93.8 for government effectiveness, and 98.1 for regulatory quality.

Australia is a trading nation and plays an active role in the WTO, APEC, the G20, and other trade forums. The country has 16 [free trade agreements](#)<sup>7</sup> with major regional and global economies like New Zealand, Singapore, US, Thailand, Japan, China to mention a few. In 2022, a formal start was given to the world’s largest trade agreement, Regional Comprehensive Economic Partnership (*RCEP*).

**Table 2.2 Australia’s free trade agreements in force**

Country in FTA	Trade Agreement Name	Date of Entry into force
<b>New Zealand</b>	<i>ANZCERTA OR CER</i> Australia- New Zealand Closer Economic Relations Trade Agreement	1 January, 1983
<b>Singapore</b>	<i>SAFTA</i> Singapore- Australia Free Trade Agreement	28 July, 2003
<b>United States</b>	<i>AUSFTA</i> Australia- United States Free Trade Agreement	1 January, 2005
<b>Thailand</b>	<i>TAFTA</i> Thailand- Australia Free Trade Agreement	1 January, 2005
<b>Chile</b>	<i>ACIFTA</i> Australia- Chile Free Trade Agreement	6 March, 2009
<b>Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand</b>	<i>AANZFTA</i> ASEAN Australia New Zealand Free Trade Agreement	For eight countries: Australia, New Zealand, Brunei, Burma, Malaysia, the Philippines, Singapore and Vietnam: 1 January 2010

and Vietnam, New Zealand		For Thailand: 12 March 2010.  For Laos: 1 January 2011.  For Cambodia: 4 January 2011.  For Indonesia: 10 January 2012
<b>Malaysia</b>	<i>MAFTA</i> Malaysia- Australia Free Trade Agreement	1 January, 2013
<b>Korea</b>	<i>KAFTA</i> Korea Australia Free Trade Agreement	12 December, 2014
<b>Japan</b>	<i>JAPEA</i> Japan- Australia Economic Partnership Agreement	15 January, 2015
<b>China</b>	<i>ChAFTA</i> China-Australia Free Trade Agreement	20 December, 2015
<b>Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam</b>	<i>CPTPP</i> Comprehensive and Progressive Agreement for Trans Pacific Partnership	8 March, 2018
<b>Hong Kong</b>	<i>AHKFTA and IA</i> Australia- Hongkong and associated Investment Agreement	17 January, 2020
<b>Peru</b>	<i>PAFTA</i> Peru- Australia Free Trade Agreement	11 February, 2020
<b>Indonesia</b>	<i>IACEPA</i> Indonesia- Australia Comprehensive Economic Partnership Agreement	5 July, 2020
<b>New Zealand, Samoa, Tuvalu, Kiribati, Tonga, Solomon Islands, Niue and Cook Islands</b>	<i>PACER</i> <i>Pacific Agreement on Closer Economic Relations Plus</i>	13 December, 2020
<b>Brunei Darussalam, Cambodia, China, Japan, Laos, New</b>	<i>RCEP</i> Regional Comprehensive Economic Partnership	1 January, 2022



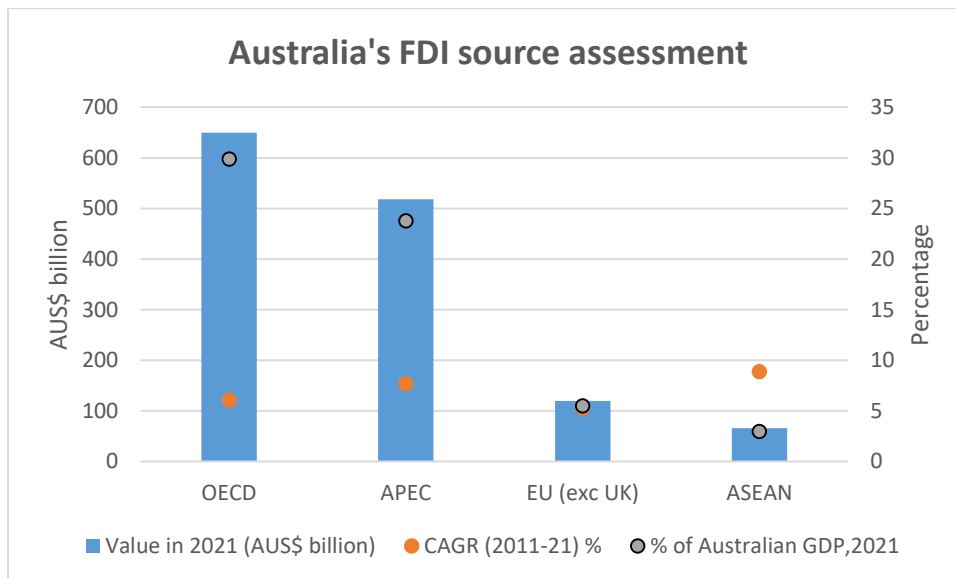
Zealand, Singapore, Thailand and Vietnam		
India	ECTA Australia- India Economic Cooperation and Trade Agreement	29 December, 2022

Source: Government of Australia



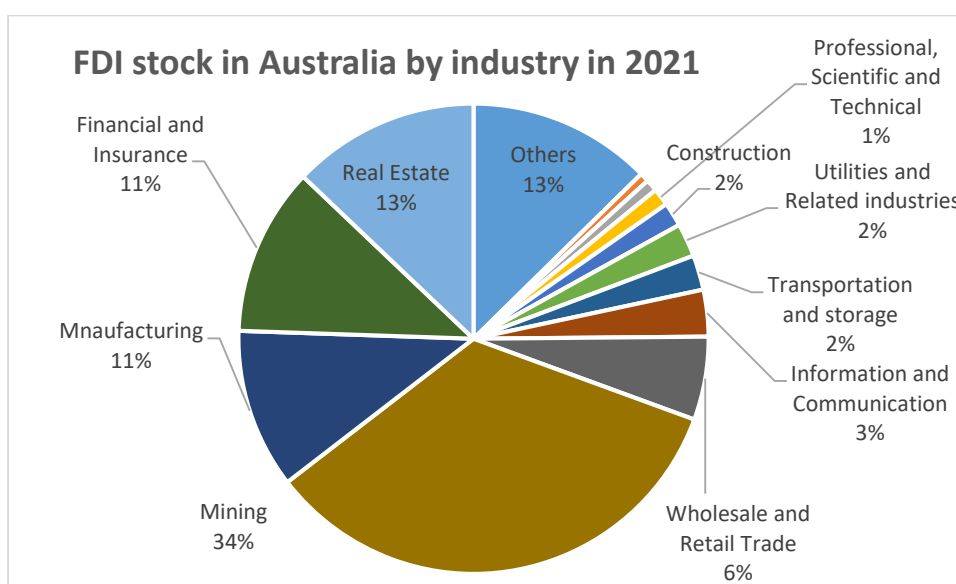
Source: Government of Australia

Australia is a highly attractive destination for foreign investment, accounting to a total of AUS\$ 4 trillion. The total stock of Foreign Direct Investment (*FDI*) has grown by approximately 7.9% per year since 2001 and reached AUS\$ 1 trillion in around 2020 with other forms (*portfolio investment*) growing by 8.1% per year. Australia's top three overseas investors are the US with 17% share, Japan (13%) and the UK with 12% share. Over the past decade FDI from Bermuda grew by 21% per year, China by 12%, Canada by 12% and Luxembourg by 10%. ASEAN group mainly Singapore, Malaysia was the fourth largest source of FDI in Australia.



Source: Government of Australia

FDI powers productivity growth in Australia’s domestic and export industries. Services take about half of all FDI. From 2017-21, FDI in real estate and financial services, the two largest recipients in the services sector, rose by 11% and 12% per year respectively. Also, Australia’s export- focused mining sector is the biggest primary- industry beneficiary, accounting for 34% of the total FDI (AUS\$ 361 billion).



Source: Government of Australia

### 2.3 Australia’s trade analysis with the world

Australia is a highly globalised economy with trade accounting for over 40% of nominal GDP. Close integration with dynamic economies is driving wealth creation in Australia.

Twelve of Australia’s top 15 export markets are in the Asian region, generating total exports worth AUS\$326 billion in 2020. This represents three-quarters of Australia's total exports of goods and services.

China remained Australia's largest trading partner in 2020, accounting for around 31% of total two-way trade. Japan and Korea continue to be important trade partners, representing around 13% of total trade. Many Australian exporters have diversified their markets. For example, the ASEAN region now accounts for almost 13% of total trade. Australia also maintains strong trading links with traditional partners. The EU and the UK account for 13% of total trade. The US accounts for another 9%.

**Table 2.3 Australia's overall exports and imports of goods and services<sup>3</sup>**

Economy	Trade value in 2017 (AUS\$ billion)	Trade value in 2020 (AUS\$ billion)	CAGR of total trade
China	183.5	244.8	10%
US	68.3	72.9	2%
Japan	72	66.5	-3%
Korea	55.3	34.8	-14%
UK	27.4	31.8	5%
Singapore	25.3	27	2%
India	27.6	24.4	-4%
New Zealand	27.6	23.7	-5%
Germany	21	21.2	0%
Thailand	23	19.6	-5%

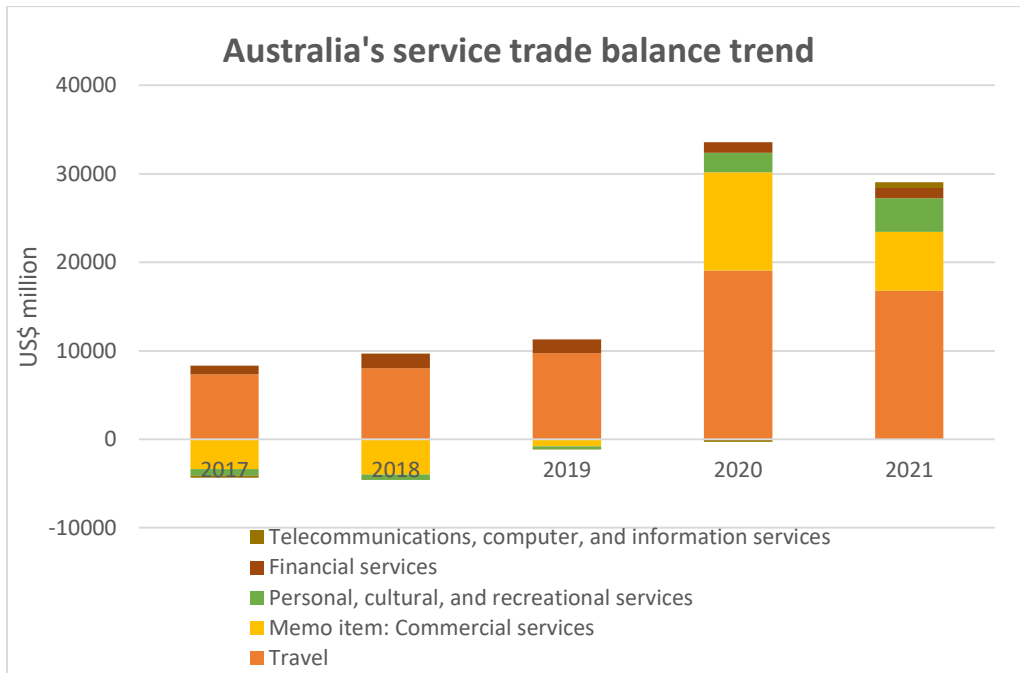
Source: Government of Australia

Total trade between Australia and China has grown at 10% over three years (2017-20), which is the highest among the top 10 trading partners. This is followed by Australia-UK trade (CAGR 5%) and US and UK (both with a CAGR of 2%).

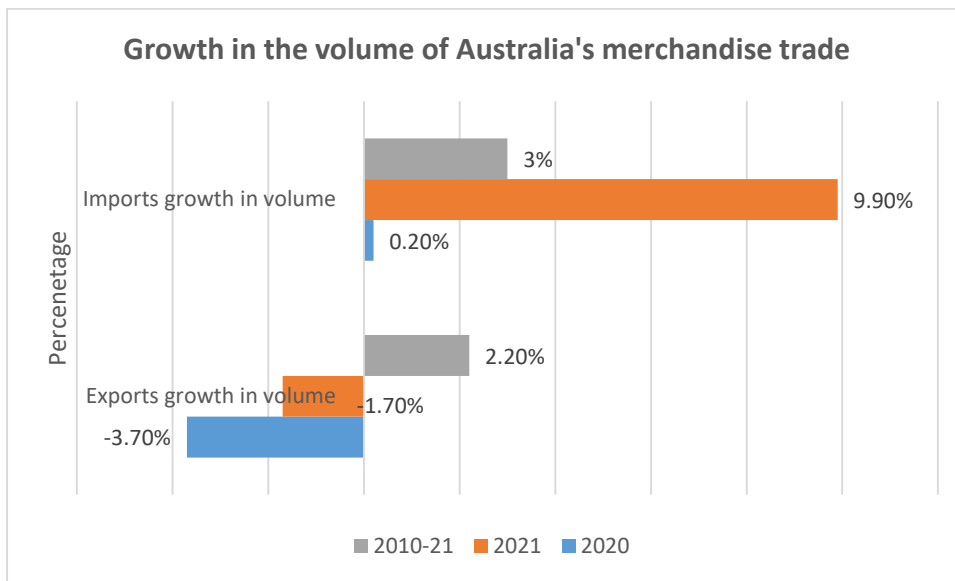
**Table 2.4 Australia's trade in goods and services by the level of processing**

Category	Value of total exports in 2020 (AUS\$ million)	Value of total imports in 2020 (AUS\$ million)
Primary Products	282.4	48.2
Unprocessed food	14.4	2.6
Processed food	28	19.4
Minerals	144.9	144.9
Fuels	89.6	23.3
Other primary	5.5	1.8
Manufactured Products	47.8	232.9
Simply transformed manufactures	14.6	17.4
Elaborately Transformed manufactures	33.2	215.5
Other goods (incl good)	32.9	12.5
Services	71.9	56.9
Total	436.3	361.8

Source: Government of Australia



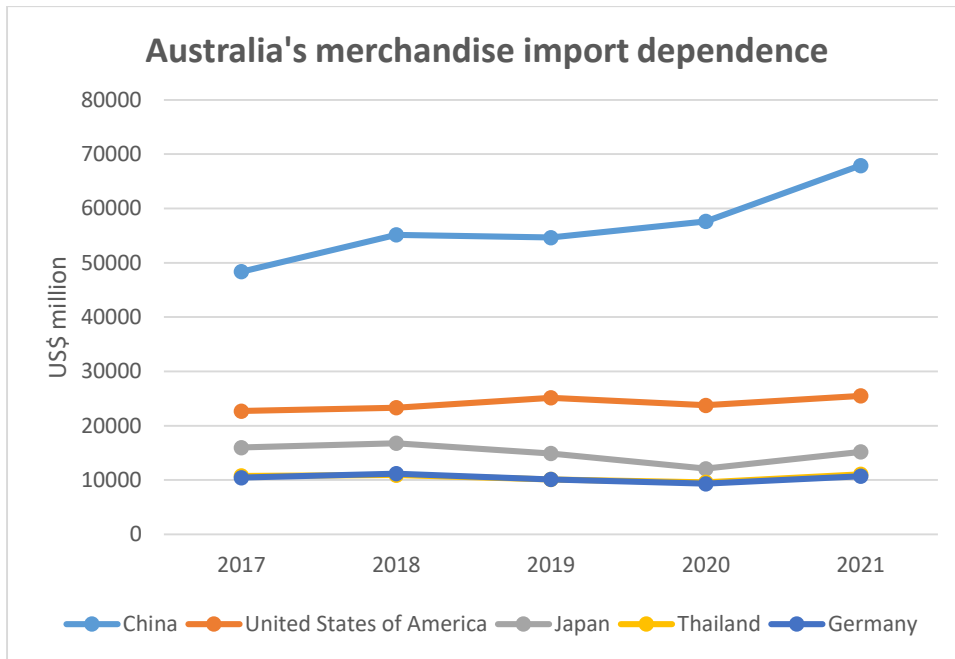
Source: ITC Trade Map



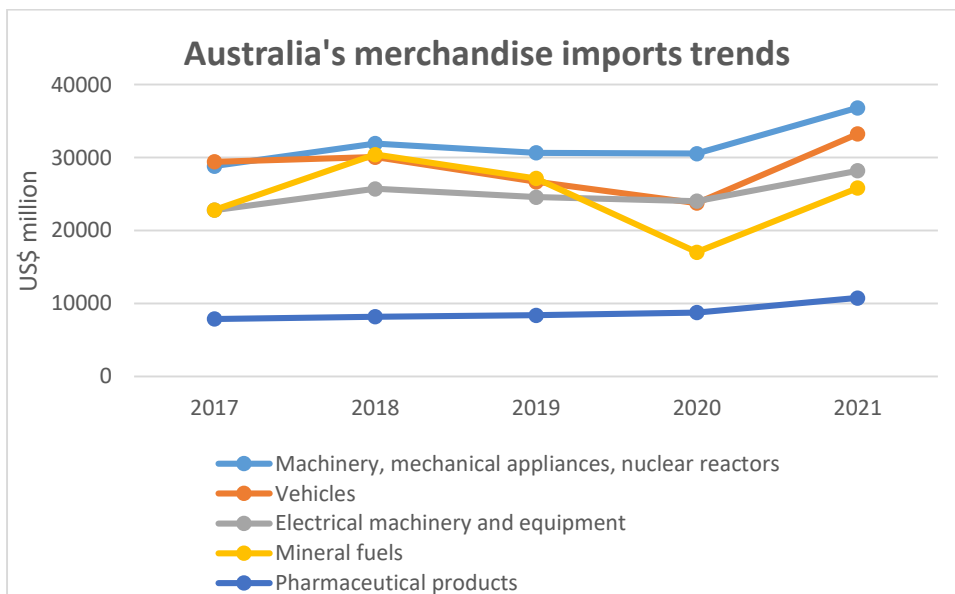
Source: WTO Statistical review

Merchandise Import analysis

Australian imports (ranked 25) occupied 1.1% share in the total world's imports in 2021, with a total value of US\$ 248.89 billion, establishing a 1% CAGR (2017-21). These imports were majorly from China (27.3% share), US (10.2%), Japan (6.1%) and Thailand (4.4%). Going by products, Australian imports largely comprised of manufactured goods like Machinery, mechanical appliances, nuclear reactors (US\$ 36.83 billion), Vehicles (US\$ 33.24 billion), Electrical machinery and equipments (US\$ 28.19 billion), Mineral Fuels (US\$ 25.82 billion)



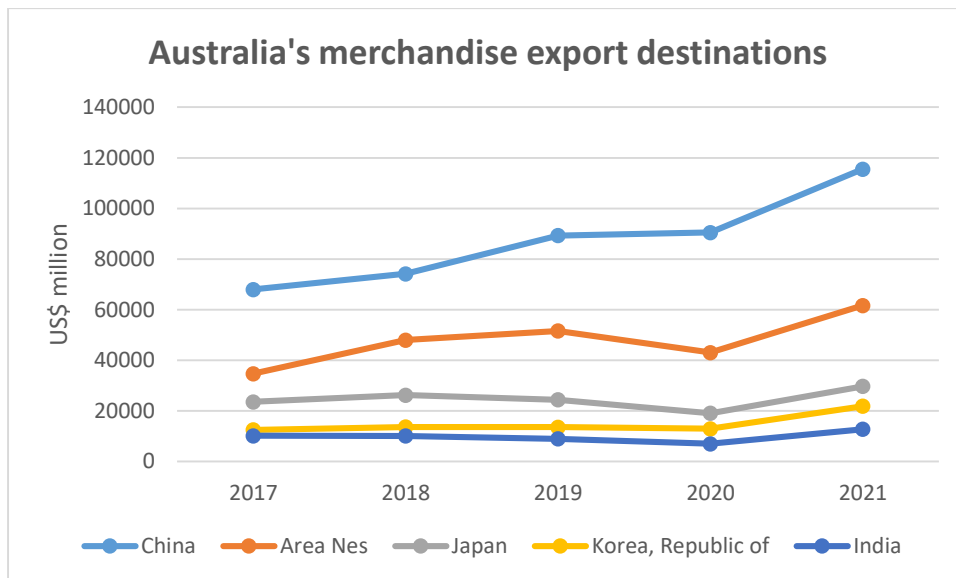
Source: ITC Trade Map



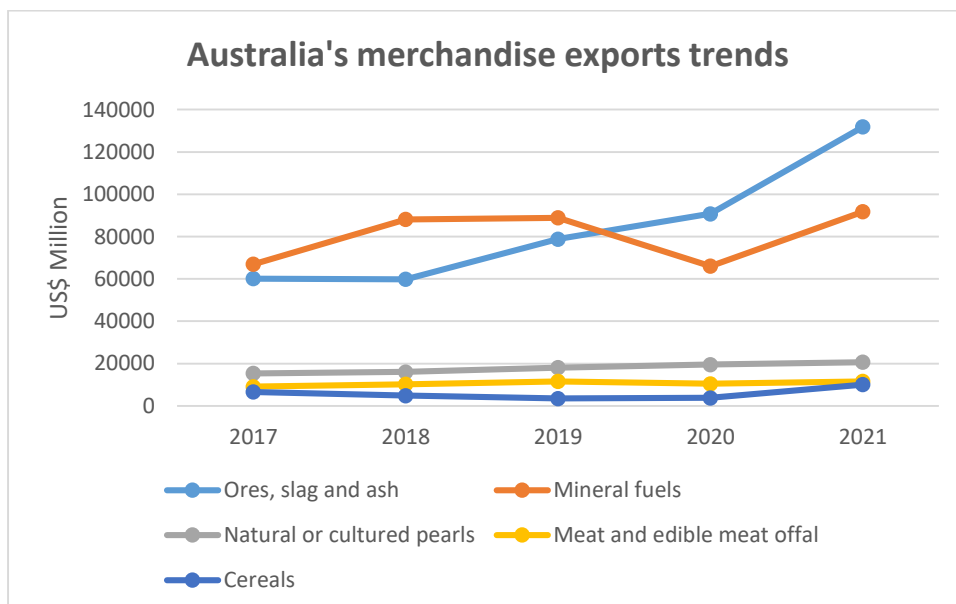
Source: ITC Trade Map

Merchandise Export analysis

Australia’s export represented 1.6% of world exports and was ranked 21 among the world exporters in 2021 with a total value of US\$ 345.59 billion, establishing a 9% CAGR (2017-21). The major exports were to China (33.4%), Area not specified (17.8%), Japan (8.6%) as mentioned above. Australia’s major exports were in Ores, slag and ash (US\$ 128.81 billion), Mineral fuels (US\$ 91.74 billion), Natural or Cultured pearls (US\$ 20.62 billion), Meat and edible meat offal (US\$ 11.60 billion).



Source: ITC Trade Map



Source: ITC Trade Map

## 2.4 Australia's Agricultural sector

Australia is a relatively small global agricultural producer, ranking 23rd in the world and representing just 1% of global production value in 2014–16 (FAO, 2019). As an exporter, however, Australia is more significant, ranked 12th in the world and accounting for 3% of total agricultural trade in 2014–16 (WITS, 2019).

Australia does not just produce exports in isolation. Australian agriculture is both downstream and upstream of various industries in GVCs. Australia's agricultural exports are underpinned by imports, with around 10% of total gross value of trade made up of foreign value added – that amounted to around US\$4 billion of foreign value in 2014.

Australian agriculture accounts for 55% of Australian land use (427 million hectares, excluding timber production, in December 2020) and 24% of water extractions (2,746 giga litres used by agriculture in

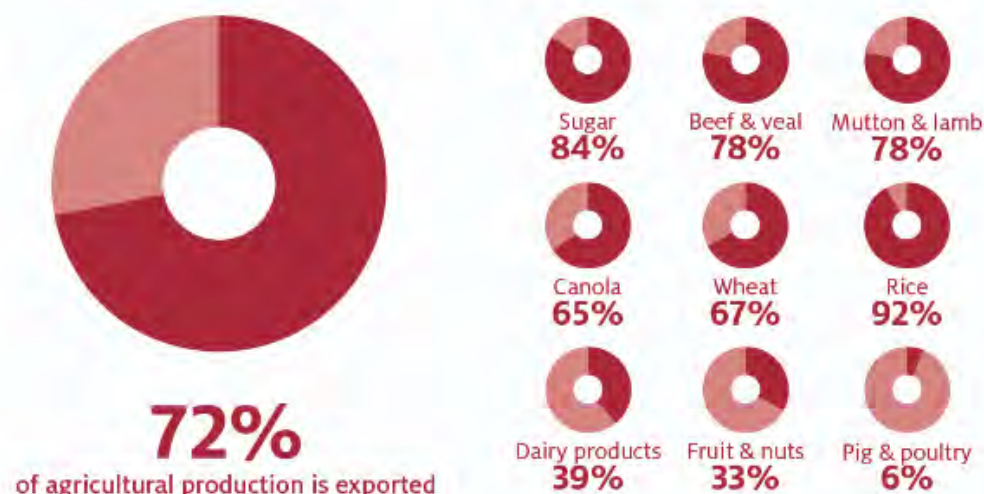
2019–20); 12% of goods and services exports in 2020–21; 1.9% of value added (GDP) and 2.5% of employment in 2020–21. The mix of Australian agricultural activity is determined by climate, water availability, soil type and proximity to markets. Livestock grazing is widespread, occurring in most areas of Australia, while cropping and horticulture are generally concentrated in areas relatively close to the coast

Australia has a diverse agricultural, fisheries and forestry sector, producing a range of crop and livestock products. **The gross value of agricultural, fisheries and forestry production has increased by 7% in the past 20 years in real terms (adjusted for consumer price inflation), from approximately \$70 billion in 2001–02 to \$75 billion in 2020–21.**

Australia exports around 72% of the total value of agricultural, fisheries and forestry production. Export orientation of each industry can vary by commodity type. Wheat and beef, which are large sectors, are more export-focused than dairy, horticulture and pork.

In real terms the value of agricultural exports has fluctuated between \$40 billion and \$60 billion since 2001–02. Meat and live animals has been the fastest-growing export segment, growing 33% in value terms over the period, followed by horticulture up 31% and grains and oilseeds up 13%.

**Australian agriculture is export oriented**



Note: Share of agricultural production exported by sector, 3 year average, 2017–18 to 2019–20.

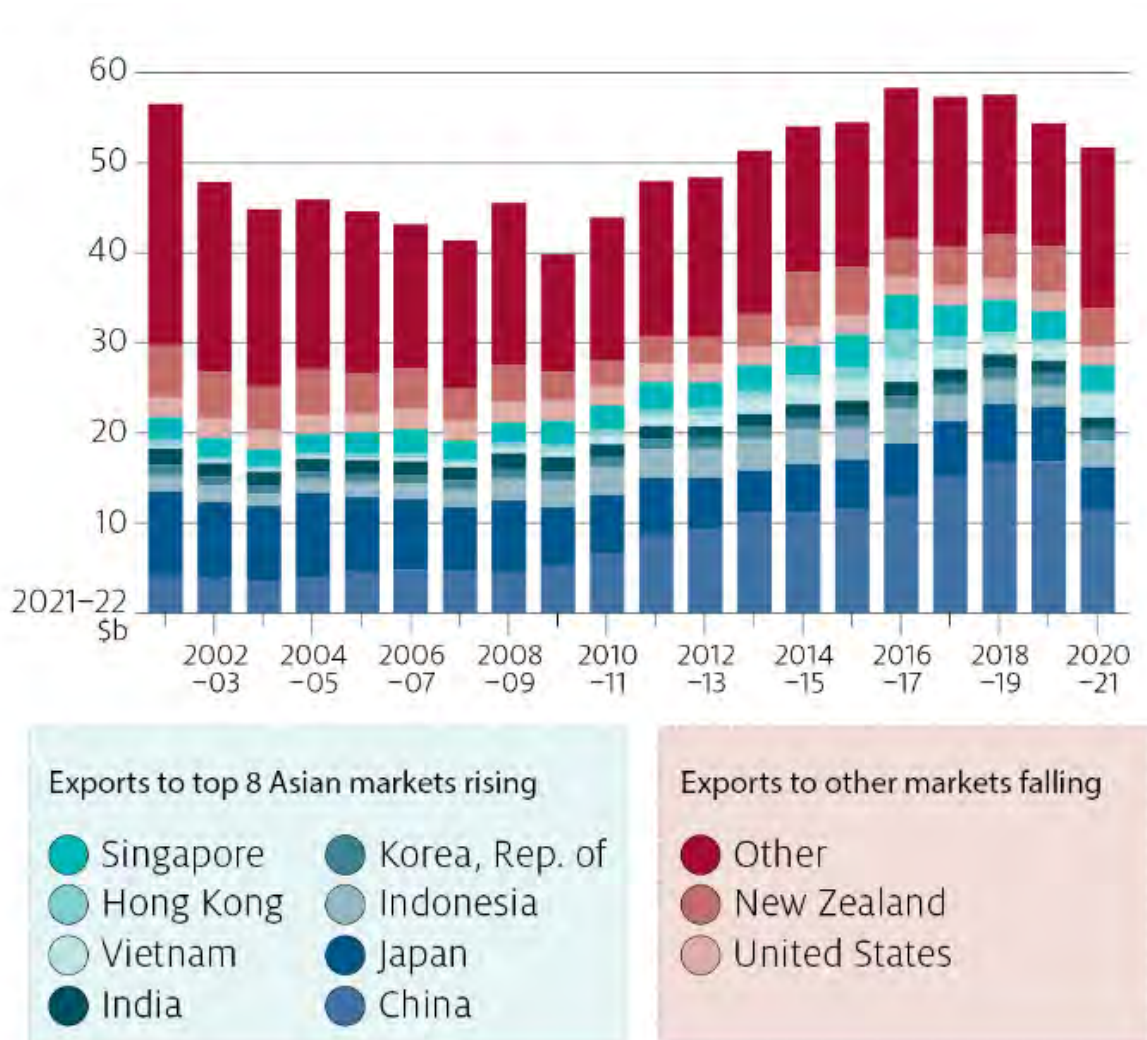
Source: ABARES, following method outlined in Cameron (2017)

Global agricultural demand is growing strongly, reflecting rising per capita incomes as well as population growth, but export competition is also increasing. Asia is the fastest growing export region for the Australian agriculture, fisheries and forestry sectors.

- Exports to Australia’s eight largest markets in Asia increased by 27% to \$28 billion over the 20 years to 2020–21 and accounted for 53% of the total value of agricultural, fisheries and forestry exports in 2020–21.
- China is Australia’s largest export market for agricultural, fisheries and forestry products, at \$12 billion in 2020–21. Exports to China are worth about 3 times what they were in 2001–02.

- Asian demand is projected to continue to grow, reflecting population growth, income growth and urbanisation-led changes to consumption patterns, providing opportunities for exporters of high-value, high-quality agricultural and food products.

**Real value of agricultural, fisheries and forestry exports by destinations**



Source: Government of Australia

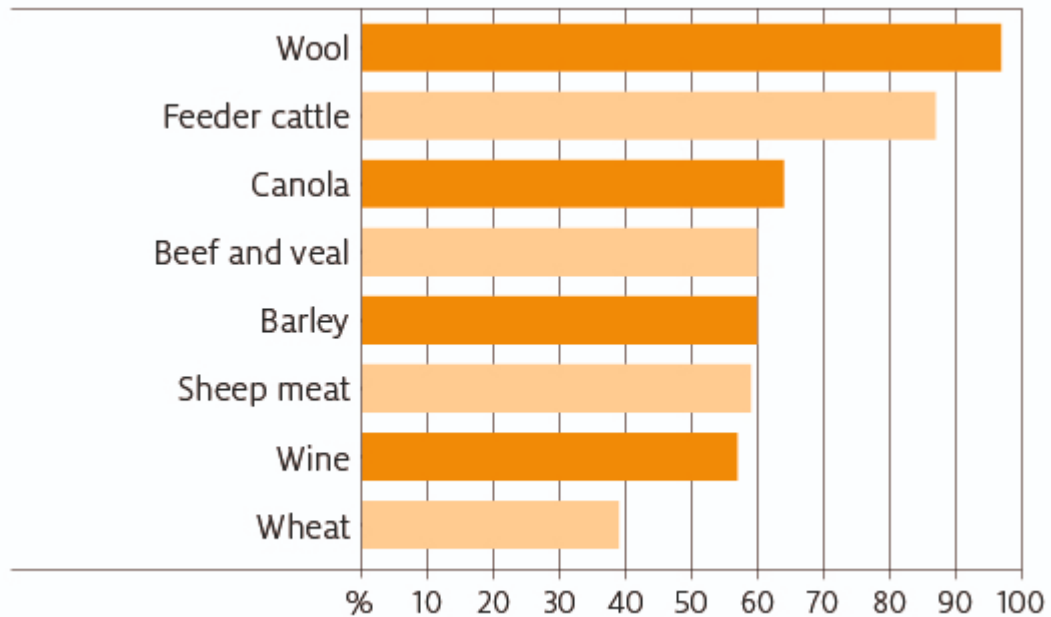
Over the past 15 years, Australia's trade agreements have provided access to new and growing markets, and have supported the competitiveness of their products abroad (Duver & Qin 2020).

The existence of multiple agreements provides options for exporters and reduces the risk associated with exports being concentrated in relatively few markets. However, some commodity exports remain highly concentrated. This may be driven by prices or the composition of the global supply chain such as the location of processing capacity. For example, in 2020-21, exports of wool to China, a processing hub, accounted for 90% of total Australian wool exports.

The pursuit of Free Trade Agreements (FTAs) with new partners will remain of key importance to Australia's future trade agenda.



**Share of Key commodities exported to their top 3 markets, 2020-21**

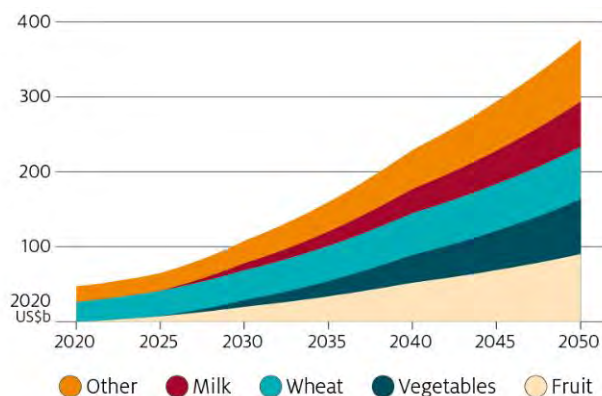


Source: Government of Australia

**2.5 India: a potential market for Australia**

India being one of the world’s fastest growing economies over the past twenty years, the world’s agricultural exports to India have averaged around US\$ 18 billion annually, over the 5 years from 2014-18. The trade has been dominated by vegetable oils. According to an Australian paper representing ABARES’ projections, exports to India have strong long term demand growth prospects due to population growth, income growth and growing urbanization.

**Agricultural export projections to India**



Source: Government of Australia

Six out of the top seven commodity groups shipped by the world’s exporters to India are products that Australia produces and exports. These include cotton, fruit, nuts, pulses, unrefined sugar and wool. Australia finds India an attractive opportunity for Australian exporters with current and projected agricultural consumption.

## Chapter 3

# IMPORT REGULATIONS AND STANDARDS

Although Australia is a major producer of raw materials and processed foods, imports still make up a considerable and growing proportion of the food and the beverages available in the market. Foods that are brought into Australia for sale must adhere to the Australia New Zealand Food Standards Code, which includes strict biosecurity requirements. It is the responsibility of food importers to ensure that the food they bring in complies with the relevant standards in the Code. The food must first comply with quarantine and imported food requirements and then with food safety requirements. Quarantine barriers are the first barrier that must be cleared for all the imported food.

The Australia and New Zealand food regulation system is a cooperative arrangement between the Commonwealth of Australia, New Zealand and Australian states and territories all that has developed and implemented uniform food standards. The system was jointly developed under a treaty between Australia and New Zealand signed in December 1995.

To maintain food safety standards, the Department of Agriculture, Fisheries and Forestry (*DAFF*) operates the Imported Food Inspection Scheme, which employs a risk-based border inspection program. This program aims to ensure that food importers only bring in food that is safe and meets the requirements of the Code. More information on importing food into Australia can be found on the DAFF website.

Given the impracticality of inspecting every single food item imported into the country, DAFF receives advice from the Food Standards Australia New Zealand (*FSANZ*) regarding foods that pose medium or high risks to public health and safety. This advice assists DAFF in determining which foods should be subject to regular inspections.

Food Standards Australia and New Zealand (*FSANZ*) is a statutory authority operating under Food Standards Australia New Zealand Act 1991. Although FSANZ develops food standards, responsibility for enforcing and policing food standards rest with the respective states and territories in Australia and the New Zealand government. Each government has one or more agencies responsible for food surveillance, which are tasked with ensuring the requirements of the ANZFSO are met.

If there are concerns about potentially non-compliant food, including [imported food](#)<sup>8</sup>, complaints can be made to the respective state or territory enforcement agency.

### 3.1 Food Standards Code

The [code](#)<sup>9</sup> is divided into 4 significant chapters entailing all the requirements for the sale of the food in the two nations. Australia and New Zealand. All the 4 chapters have subsequent parts, which are further backed up by standards.

#### Chapter 1- Introduction and Standards that apply to all the foods

- Part 1.1 – Preliminary (structure & definitions)
- Part 1.2 – Labelling & Other Information Requirements

- Part 1.3 – Substances Added to or Present in Food
- Part 1.4 – Contaminants & Residues
- Part 1.5 – Foods requiring pre-market clearance
- Part 1.6 – Microbiological limits & processing requirements

## Chapter 2- Food Standards for specific food categories

- Part 2.1 – Cereals
- Part 2.2 – Meat, Eggs & Fish
- Part 2.3 – Fruit & Vegetables
- Part 2.4 – Edible Oils
- Part 2.5 – Dairy Products
- Part 2.6 – Non-alcoholic Beverages
- Part 2.7 – Alcoholic Beverages
- Part 2.8 – Sugars & Honey
- Part 2.9 – Special Purpose Foods
- Part 2.10 – Standards for Other Foods (salt, vinegar, chewing gum & miscellaneous)

## Chapter 3- The food safety standards, applicable only in Australia

- Part 3.1- preliminary
- Part 3.2 Food Safety Requirements
- Part 3.3 (*Food safety programs for food services to vulnerable persons*)

## Chapter 4- Primary standards, applicable only in Australia

- Part 4.1 (*Primarily provisions to primary production and processing standards*)
- Part 4.2 (*Primary production and processing standards for different products*)
- Part 4.5 (*Wine production requirement*)

There is also a Schedules section which contains all the schedules relating to the standards throughout the various chapters of the Code.

FSANZ has also developed 'User Guides' for various parts of the ANZFSC to assist with interpretation and provide examples. The User Guides are not legally binding. Companies should seek legal advice if there are questions about the standards.

The following sections will provide an overview of all the standards and their requirements:

### **Section 1- Food Additive Regulations**

Unless expressly permitted in Standard 1.3.1, food additives must not be added to food.

A food additive may only be used where permitted by Standard 1.3.1 and only where it performs a technological function. The following criteria are guiding principles that FSANZ uses in assessing whether a food additive is listed in Standard 1.3.1 and therefore permitted for use in foods:

- It poses no unacceptable risk to health when used in amounts up to the specified permitted limits;
- There is a demonstrable need for the substance and it fulfils a technological function that benefits consumers; and

- It is used in food only up to the level that achieves the technological function, even if higher levels might pose no threat to health.

Food additives should always be used in accordance with Good Manufacturing Practice (*GMP*). Manufacturers are responsible for justifying the use of additives. The Codex Alimentarius Commissions Procedural Manual sets out the following relevant criteria for use in assessing compliance with GMP:

- The quantity of additive added to food shall be limited to the lowest possible level necessary to accomplish its desired effect;
- The quantity of the additive that becomes a component of food as a result of its use in the manufacture, processing or packaging of a food and which is not intended to accomplish any physical or other technical effect in the food itself, is reduced to the extent reasonably possible; and
- The additive is prepared and handled in the same way as a food ingredient.

For the purposes of ingredient labelling, food additives are treated the same as other ingredients in a food. Schedule 7 of the Code lists class names for additives based on their technical function. Schedule 8 of the Code lists all permitted additives by their prescribed name and code number. An additive must be declared in the ingredient list in its correct place by using its appropriate class name as identified in Schedule 7, followed by the additive's specific name or code number (*from Schedule 8*). One exception to this rule is that enzymes need only be declared by the class name "enzyme" and not by specifically declaring the name of the enzyme.

Where a food additive is capable of being classified in more than one class, the class name used must best reflect the function of the additive in the food. A food additive that cannot be classified in one of the classes specified in Schedule 7 must be declared by using its prescribed name from Schedule 8.

The technological purposes performed by substances used as food additives are listed in Schedule 14 of the Code. Substances that may be used as food additives are set out in Schedule 15. Schedule 16 lists the types of substances that may be used as food additives. Special note should be taken for additives that are genetically modified.

## **Section 2- Pesticides and other Contaminants**

The Australian Pesticide & Veterinary Medicines Authority (APVMA) is the Australian government authority responsible for assessing and registering agricultural and veterinary chemicals in Australia; regulating such chemicals up to and including the point of retail sale; and establishing MRLs. The APVMA administers the National Registration Scheme for Agricultural and Veterinary Chemicals (NRS) in partnership with the States and Territories and with the involvement of other Australian government agencies.

MRLs are listed in the Food Standards Code and apply to both imported and domestic food. FSANZ's role is to protect public health and safety by ensuring consumption of agricultural and veterinary chemical residues in food is within appropriate safety limits. FSANZ has overall responsibility to assess dietary exposure to residues in the diet as part of the MRL setting process.

In addition, FSANZ is responsible for addressing anomalies between the Food Standards Code and international standards that may result in adverse trade impacts. To do this, FSANZ raises an annual Proposal to consider requests for harmonization of Australian MRLs with international standards.

Standard 1.4.2 (*AgVet Chemicals*), Schedule 20 (*maximum residue limits*), and Schedule 21 (*extraneous residue limits*) establish the maximum permissible limits for agricultural and veterinary chemical residues present in food. Schedule 20 lists all of the agricultural and veterinary chemical limits in particular foods. If a maximum residue limit for an agricultural or veterinary chemical in a food is not listed in Schedule 20, there must be no detectable residues of that agricultural or veterinary chemical in that food. Schedule 21 lists all extraneous agricultural chemical limits in particular foods. If an extraneous residue limit for an agricultural chemical in a food is not listed in Schedule 21, there must be no detectable residues of that agricultural chemical in that food. Schedule 22 sets out the foods and classes of foods to which the maximum or extraneous residue limit refers.

### Section 3 - Packaging and Container Regulations

#### Packaging Size

There are no packaging or container size regulations for food products in Australia. Manufacturers may pack food in any size container.

The Australia New Zealand Food Standards Code (*ANZFS*) does not regulate the manufacture of packaging materials. Consequently, the ANZFS does not specify which materials may be added to or used to produce food packaging materials or any articles and materials in contact with food. It is the responsibility of food manufacturers and retailers to ensure that the products used in association with food are safe and that the food complies with the general requirements in the Australian and New Zealand Food Acts and with the specific requirements in the ANZFS which relate to contaminants - Standard 1.4.1, Contaminants and natural toxicants

#### Legibility Requirements (Standard 1.2.1)

There is even a user guide available for these requirements

Any information required in or on a food label needs to comply with legibility requirements as set out in Standard 1.2.1. The ANZFS requires that all food labels must present information so that it is:

- Legible
- Prominent (*Such as to afford a distinct contrast to the background*)
- In English

In order to be legible, information on food labels should be:

- **Indelible**—Printing that under normal conditions of use and storage fades, runs, or is rubbed off would no longer be legible or prominent would not comply with Standard 1.2.9.
- **Distinct**—Decorations and embellishments such as logos should not interfere with the legibility of the words on the label. Text printed on complex or pictorial or otherwise multicolour backgrounds is unlikely to be adequately legible in many cases.
- **Easy to read**—the use of all lower case or all capitals is not prescribed in the Code. However, statements in sentence or title case are usually easier to read than statements in upper case or in mixed case.

Further legibility requirements for mandatory warning and other statements

**Warning statements:** Certain warning statements are required to be expressed on the label of packages of specific foods. The words for each warning statement are prescribed and must be written on the label using the text required under the ANZFSC. For most packages, each letter or numeral must be at least 3 mm in size when measured from the base to the top of the letter or numeral. Separate requirements apply to small packages. Manufacturers may choose the type and style of lettering of a warning statement, ensuring that the statement is legible and prominent so as to afford a distinct contrast to the background.

**Advisory statements or mandatory declarations:** The ANZFSC also requires information to be provided about certain foods and substances in the form of mandatory declarations or advisory statements. The Code does not prescribe exact wording or a minimum type size for these statements. Where such statements are required, manufacturers must comply only with the general legibility requirements of Standard 1.2.1. Legibility requirements for mandatory warning statements on small packages Because of their small size, small packages are permitted to have warning statements written in a minimum type size of 1.5 mm. A small package is a package with a surface area of less than 100cm<sup>2</sup>.

## Section 4 - Labelling Requirements

### General Labelling Standard

There is also a user guide available giving an overview for the labelling of food for retail sale and catering purposes.

Part 1.2 of the ANZFSC sets out the application of general labelling and other information requirements, and labelling and information requirements specific to certain foods in Chapter 2 of the ANZFSC. This Part sets out the labelling requirements for food for sale and information that must be provided in conjunction with the sale of certain foods, where labelling is not required. Food Product Standards in Chapter 2 may impose additional labelling and information requirements for specific classes of food.

Unless specifically exempted, the label on a package of food for retail sale or catering purposes must include the following core information:

- Prescribed name or where no name is prescribed, a name or a description of the food sufficient to indicate the true nature of the food;
- Lot identification;
- Name and business address in Australia or New Zealand of the supplier;
- Mandatory warning and advisory statements and declarations, specified in Standard 1.2.3 and any other warning and advisory statements specified elsewhere in the ANZFSC;
- Ingredient listing;
- Date marking;
- Nutrition information panel;
- Percentage labelling (*characterizing ingredient/s and component/s*);
- Directions for use or storage where, for reasons of public health and safety, consumers need appropriate directions for use or storage of the food; and
- Country of Origin must be stated on products made and sold in Australia, other than food products from New Zealand.

## Weights and Measures Requirements

Package weight is governed under the administration and regulatory oversight of the National Measurement Institute.

Pre-packaged products must be marked with:

1. The name and address of the person who packed the product in a clear, conspicuous and legible manner on the main display panel; and
2. A statement of the net measurement in a clear, conspicuous and legible manner. The measurement must be declared in metric terms.

Pre-packed goods, including food, must be labelled with a mark that states the measurement of the package (*weight, volume, length, area or number*)

### Labelling of Genetically Modified foods (*Standard 1.5.2*)

Mandatory labelling of foods of agricultural biotechnology (*'genetically modified'*) came into force in December 2001. Under the Standard, food or ingredients that contain new genetic material or protein as a result of the genetic modification or have altered characteristics must be labelled. Some flavourings may also be labelled if they are in a concentration of more than 1 gram per kilogram (*0.1 percent*). Food additives and processing aids do not need to be labelled unless the introduced genetic material is present in the final food.

The words 'genetically modified' must be used in conjunction with the name of the food, or in association with the specific ingredient within the ingredient list on packaged food. For unpackaged foods for retail sale (*such as unpackaged fruit and vegetables, or unpackaged processed or semi-processed foods*) the words 'genetically modified' must be displayed in association with the food, or in association with the particular ingredient within that food.

Food prepared for immediate consumption – for example, in restaurants and take-outs – does not need to have genetically modified ingredients identified

## Section 5- Other Specific Standards

There are specific commodity standards under Chapter 2 which give additional requirements for these commodities apart from the ones applied on all. In addition to this there are other requirements to be fulfilled when specific claims are made. The following are some of claims which are mentioned in different standards.

- Nutritional Claim (*Standard 1.2.8*)
- Permitted Health Claims (*Standard 1.2.7*)
- Fortification of Food with Vitamins and Minerals (*Standard 1.3.2*)
- Words and expressions
- Pictures and Designs
- Foods which require Pre Market Clearance (*Novel Foods, Genetically Modified Foods, Irradiated Food*)
- Food samples for testing capacities (*eg: for foods in liquid- upto 20 lits etc.*)

## Section 6- Other Certification and Testing Requirements

### Testing Requirements

Imported food is inspected based on two inspection categories. These categories determine the frequency with which the food will be inspected and the appropriate testing regime. The categories are: (1) risk, and (2) surveillance

#### Risk category food

FSANZ categorizes food as 'risk' if it has the potential to pose a medium to high risk to public health. Risk food is referred to DAWR Biosecurity by the Department of Home Affairs and has a 100 percent inspection rate. Risk food is tested against a published list of potential hazards—including micro-organisms and contaminants. Once five consecutive consignments have passed inspection, the inspection rate is reduced to 25 percent; after a further 20 consecutive passes, the inspection rate is reduced to five percent. Risk foods are subject to 'test and hold' and are not released for sale until test results are known

#### Surveillance category food

All other foods considered to pose a low risk to human health and safety and are classified as 'surveillance food.' Each consignment of surveillance food has a five percent chance of being referred for inspection. The selection of surveillance food consignments is random and the referral of those consignments is done using electronic profiles in the Department of Immigration and Border Protection's Integrated Cargo System.

Samples of surveillance food may be analysed for pesticides, antibiotics, microbiological contaminants, natural toxicants, metal contaminants, and food additives.

### Quarantine

When any food is imported into Australia it must first comply with quarantine requirements. Australia has strictly controlled import conditions that require various *treatments (e.g., fumigation, time/temperature controls)* that must be supported by import permits and attestations on export certificates from authorities in the country of origin. Examples of products for which Australia requires attestations from authorities in the country of origin are:

- Chicken meat and chicken meat products;
- Pork and pork products;
- Beef and beef products;
- Egg and egg products;
- Fresh fruits and vegetables;
- Dairy products; and
- Salmon (*fresh*)

All of these products are either not permitted or are permitted under strict conditions

The Australian government has a formal mechanism in place for evaluating the degree of risk associated with the importation of certain products or produce from foreign countries. The evaluation procedure involves other governments, industry groups, academia, and consumers. The evaluation is often a protracted exercise and can take some years to complete, particularly for foods that are unprocessed or only partially processed as these are perceived to represent the greatest



danger of carrying pests and diseases into Australia. DAWR (*Department of Agriculture and Water Resources*) maintains a searchable Biosecurity Import Conditions Database for agricultural products entering Australia (*known as BICON*)

### **Food Safety Recognition Agreements**

DAWR can lower the rate of food is inspected under Imported Food Control Regulations, 1993, for the countries which have Food Safety Recognition Agreements in place. These agreements set out the food that is covered and not covered under the agreement. They may cover risk food and/or surveillance food. The purpose of a food safety recognition agreement is to reduce the rate of import inspection and analysis of a food covered by the agreement, on the basis that the food has been produced under an equivalent food safety system in the exporting country. These agreements do not cover biosecurity certification requirements for any food imported into Australia or Bovine Spongiform Encephalopathy (*BSE*) certification requirements.

**Foods covered by this agreement include:** canned food (*except those containing beef*); most seafood; most dairy products; fresh fruit and vegetables; fruit juices; confectionery; and, baked goods.

**Foods NOT covered include:** meat (*except game meat*); poultry; processed egg products; raw bivalve molluscan shellfish; raw milk cheese; and, dietary supplements and natural health products.

### **Section 7- Import Procedures**

There is no pre-market approval of either the composition or labelling of any food in Australia. Imported food must comply with all aspects of the Food Standards Code at the point of entry into Australia. DAWR performs random inspections on any food imported. High-risk foods can be targeted for inspection at a higher frequency.

All goods imported into Australia must be cleared by Customs, whether they are imported by air, sea or mail. While imports of low value will generally be released by Customs for delivery direct to consignees, importers are responsible for obtaining a formal Customs clearance for consignments of goods above set value limits.

The minimum documentation required to be submitted with customs import entries or informal clearance documents includes an airway bill or bill of lading, invoices, and any other papers (*including packing lists, insurance documents, import permits, etc.*) relating to the shipment.

### **Imported Food Inspection Scheme**

The following information deals with both public health and quarantine (*i.e., animal & plant health*) requirements for imported foods. The requirements for each are quite different, but the import clearance of foods is the responsibility of the Department of Agriculture and Water Resources (*DAWR*) and is coordinated under the Imported Food Inspection Scheme (*IFIS*). All food imported into Australia must first comply with quarantine requirements stipulated in the Biosecurity Act 2015 and then the Imported Food Control Act 1992 and the Imported Food Control Amendment Act 2018. A release issued after the quarantine inspection is NOT a clearance from the IFIS inspection

## Chapter 4

# STAKEHOLDER CONSULTATIONS ON ACCELERATING INDIA'S F&B EXPORTS

### 4.1 Research Methodology

In order to ascertain the experience of F&B exporters when it came to the India-Australia Trade Agreement, TPCI's research team organized consultations with industry players as well as the Committee for Advanced Trade Research set up by TPCI.

The research process involved two primary components: interviews with Indian F&B exporters and discussions with the Committee for Advanced Trade Research to understand market potential and challenges.

The research aimed to achieve the following objectives:

- a) Understand the experiences of Indian F&B exporters in the Australian market.
- b) Identify the potential and critical challenges hindering market entry and expansion.
- c) Analyze the competitive landscape and regulatory standards in the Australian F&B market.
- d) Discuss market potential and challenges with the Committee for Advanced Trade Research.
- e) Strategize how Indian exporters can be supported, considering the constraints on both sides.

The TPCI research team interviewed over 30 Indian F&B exporters who have experience in exporting to Australia. The sample selection involved a mix of small, medium, and large exporters across various product categories.

#### b) Committee for Advanced Trade Research:

The Committee for Advanced Trade Research, comprising experts in international trade, market analysis, and policy, was consulted as a key stakeholder to provide insights into the Australian market potential and challenges. The committee members were chosen based on their expertise and experience in the field.

#### Data Collection:

##### a) Interviews with Indian F&B Exporters:

The TPCI research team conducted structured interviews with the selected exporters. The interviews consisted of open-ended questions covering topics such as their experience in exporting to Australia, perceptions of the market's potential, critical challenges faced in market entry and expansion, competition analysis, and regulatory standards. The interviews were conducted telephonically and duly recorded.

##### b) Discussions with the Committee for Advanced Trade Research:

The TPCI research team facilitated discussions with the committee members to understand the Australian market potential and challenges faced by Indian exporters. These involved presenting the

findings from the exporter interviews and seeking the committee's expert opinions and recommendations. The sessions were held in-person or through virtual meetings, and detailed notes were taken. Committee members present during the discussion were:

- **Sumanta Chaudhuri**, Chairperson, IAS Officer (*Retd*) & International Trade Expert
- **Atul Kaushik**, Vice Chairperson, Additional Secretary (*Retd*) and International Trade Expert
- **Dr Harsha Vardhana Singh**, Chairman, Ikdhwaj Advisers LLP
- **Dr Arpita Mukherjee**, Professor, ICRIER
- **Dr Pritam Banerjee**, Logistics Specialist and Consultant, Asian Development Bank
- **Dr. Rajendra Prasad Sharma**, Professor- Marketing Area, Indian Institute of Foreign Trade
- **Dr Badri Narayanan Gopalakrishnan**, Fellow, NITI Aayog
- **Dr Vivek Suneja**, Head & Dean and Professor (Ph.D.), North Campus, University of Delhi
- **Dr Sunitha Raju**, Professor, Indian Institute of Foreign Trade

Based on the analysis of data from both sources, the research team developed recommendations and strategies for enhancing Indian F&B exports to Australia.

#### 4.2 Insights from Industry Consultations

According to Indian F&B exporters, Australia is no doubt considered a potential destination for F&B exports. Some prominent factors such as the presence of huge Indian population and hence the demand for Indian cuisine, a recent free trade agreement, all build a favourable environment for Indian products. Market opportunities being created from time to time, like the one created for tea, where Sri Lanka was the sole provider, helps exporters in expanding their reach.

But a few concerns were also highlighted during the industry survey:

- While accessing the impact of ECTA on technical regulations for exports of products, some of the companies are still facing challenges with the documentation processing and obtaining certificates from both ends. One of the exporter highlighted the cost of the fumigation process increasing from Rs. 8,000-9,000 to Rs. 30,000. They also proposed that if certification processes are smoothened domestically, it will save precious time and costs.
- Along with the varying level of awareness regarding the tax exemptions being offered in the agreement, some of the exporters expressed concerns about the impact on pricing and trade imbalances. Making place in an already competitive pricing regime being offered by the domestic manufacturers is often challenging. Increased costs of exports only add to the worry of exporters.
- There is also some concern among them regarding not being able to meet the overseas standards, resulting in containers being placed in quarantine.
- On being asked about their competition it became evident that the perceived competitors vary based on the specific product and market segment being considered. Some mentioned European countries, Canada, and the United States as competitive markets due to their potential, population, and favorable conditions. Pakistan was mentioned as a competitor for spices and rice exports. Sri Lanka, Kenya, and other tea-growing regions were identified as competitors in the tea beverage market. Additional countries mentioned include Vietnam, Myanmar, China, Nigeria, Argentina, Peru, Egypt, and Qatar.

Industry consultation revealed areas where the government could help exporters in dealing with various non-tariff barriers. Some mentioned specific areas of improvement, such as simplifying documentation processes in both the nations. Others expressed a need for further promotion and marketing activities to increase demand. Also, they asked for support on reducing costs of lab testing facilities. In the case of millets and millet-based products, germination treatment is mandatory, which is done by an external lab. That increases the costs, where government can provide assistance.

#### 4.3 Suggestions from Committee on Advance Trade Research, Trade Promotion Council

Based on discussions with the Committee for Advanced Trade Research, the following observations and recommendations came to light:

1. **Understanding Risk categorization of the destination country:** Building consistent Risk categorization is the key. Studying the processes is also very important as they are perspective based. Where on one hand raw materials like meat are considered high risk in Australia, wine is considered high risk in India. Risk has to be seen from perspective of FSSAI and Quarantine agencies. We can also study the risk management systems of different countries having the best practices for Animal and Plant quarantine and develop a comprehensive one.
2. **Streamlining of India's clearance mechanisms:** Lack of synchronisation among clearance agencies increases the cost of export, and Australia is not willing to pay high prices. Different food categories requires different certifications which increases the costs of exports.

For instance, exports of organic spices, food and vegetables to Australia require certification from APEDA and Spice Board, leading to higher costs. APEDA does not recognise [Participatory Guarantee System for India<sup>10</sup>](#) which gets the subsidy. APEDA only recognizes [National Programme for Organic Production \(NPOP\)<sup>11</sup>](#) but it doesn't get subsidy. Hence the processes of clearance should be streamlined for the benefit of exporters.

3. **Understanding Australia's F&B import patterns and our export strengths:** We can map products and certification agencies could facilitate cross trading, such as allowing Australian poultry to come in and Indian Shrimps to go there.
4. **Expanding F&B exports:** F&B should not be seen as products only, but also as a potential transformational force in the services sector. The focus should be on moving from commodity to semi-finished and branded products, and extending it to both diaspora and foreigners. Service exports linkages of F&B services are important through which we can have more collaborations and partnerships.

## Chapter 5

### CONCLUSIONS & FUTURE SCOPE

India's overall trade potential with Australia is promising and can be further enhanced post the ECTA. Among the top 10 exports, Mineral fuels (44%); Organic Chemicals (20%); Vehicles (19%) and Machinery (18%) registered highest CAGR during 2018-22. Pharmaceutical products and articles of Iron & Steel are also showing strong traction with average annual growth rate of 18% each.

Pharma is a highly lucrative category, considering that Australia's imports are also growing at an average annual growth rate of 15% during this period. Miscellaneous chemical products, though not among the top 10, is a promising category as India's exports have grown at an average of 20% during the period, while Australia's imports are growing at 17% on an average during 2018-22.

With a 7% share in Australia's total F&B imports from the world, India has exported US\$ 354.82 million worth of F&B products in 2022-23, establishing a 7.8% CAGR over a span of 5 years.

On analysing India's F&B exports to Australia at 2 HS code level, 7 products occupy 81.4% of the total F&B exports to Australia in 2022-23. These are:

- *Cereals (HS10)*
- *Coffee, tea, mate and spices (HS 09)*
- *Miscellaneous edible preparations (HS 21)*
- *Lac; gums resins and other extracts (HS 13)*
- *Animal and vegetable oil (HS 15)*
- *Preparations of vegetable, fruits and nuts (HS 20)*
- *Preparations of cereals, flour and starch (HS 19)*

Further, the report drills down to the 8-digit level to ascertain the products that are showing good traction for Indian F&B exporters in the Australian market. In particular, Cereals; Coffee, tea, mate & spices; Miscellaneous Edible products; Lac, gum and resins and Animal fats/oils are products showing good traction.

Although Australia is a major producer of raw materials and processed foods, imports still make up a considerable and growing proportion of the food and the beverages available in the market.

Food and beverage products that are brought into Australia for sale must adhere to the Australia New Zealand Food Standards Code, which includes strict biosecurity requirements. It is the responsibility of food importers to ensure that the food they bring in complies with the relevant standards in the Code. The report provides some details into the regulatory environment in Australia that Indian exporters need to be aware of.

Our primary research with F&B Exporters reveals that exporters do consider Australia to be a potential market for F&B exports. But they also highlight certain challenges which include costs of compliance, tough price competition, concerns of products being held up due to non-adherence to standards, and the lack of adequate brand awareness in the Australian market.

The Committee for Advanced Trade Research, TPCI, further provided guidance on how the untapped potential in food and beverage exports can be further realised through measures like cross trading,

understanding risk categorisation of the Australian market, streamlining of our own clearance mechanisms, and leveraging service export linkages of the F&B industry.

While these areas need significant work, there is one more critical aspect that merits a more comprehensive analysis – the scope for utilising Australian technology inputs to strengthen India's agri value chain.

India is keen on investments coming in from Australian companies in improving farming techniques with informed planting-choices, resource conservation, food technology and processing, and the dairy sector. Technology and investment collaborations aiming to improve [grain management](#)<sup>12</sup> in India, with rationalisation of costs and logistics, will be crucial for the growth of this sector.

Despite achieving self-sufficiency in food production, India has work to do when it comes to aligning its agriculture-food systems to emerging challenges, ensuring efficiency in resource use, and being inclusive and sustainable at the same time. The competitiveness of the system is contingent upon creating modernised scientific farming systems, infrastructure development, and strengthening agriculture-food supply chains.

This recent partnership with Australia, will present prospects to cooperate on research, innovation, and scale that can [transform agriculture](#)<sup>13</sup> in India, especially in terms of value addition, commercial scale, and climate resilience. Australia has strong technological capacity and expertise in farming, post-harvest technologies, food processing, skills development, and creating resilient supply chains.

These are also the goals that India wishes to achieve through the adoption of [Science, Technology, and Innovation](#)<sup>14</sup> (STI) to agri-food systems. Application of STI to agri-food systems is considered important from the perspective of achieving comprehensive nutritional and food security; extenuating the emergence of new infectious diseases and aggressive pests that often get transmitted along the entire agriculture-food system (about [30-35 percent](#)<sup>15</sup> of the annual crop yield in India gets wasted because of pests); mitigating the impacts of risks associated with climate change; creating climate smart agriculture; and moving from subsistence to commercial agriculture.

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## Annexure 1- India- Australia Economic Cooperation and Trade Agreement

With an expectation of bilateral trade increasing to US\$ 45 billion from existing US\$ 27.5 billion over a span of 5 years, India and Australia signed the Economic Cooperation & Trade Agreement (ECTA) on 2<sup>nd</sup> April, 2022 and the agreement came into force on 29<sup>th</sup> December 2022 after Ratification and Exchange of Written Instruments. The two major economies of the world, India the 5<sup>th</sup> largest economy and Australia the 14<sup>th</sup> largest economy, have decided to enhance their trade intergration, creating win-win opportunities for both the countries.

The agreement will help Australia to enhance its current exports, dominated by raw materials to India, while India will get a leg up for its shipments, which are dominated by finished products. ECTA, is expected to further deepen the people-to people contacts between the two countries by expanding work, study, and travel opportunities.

### A1.1 FROM THE PERSPECTIVE OF INDIA

As a result of the FTA, India's [exports<sup>16</sup>](#) of goods and services to Australia are expected to increase from US\$ 10.5 billion in 2021 to US\$ 20 billion by 2026-27.

Indian goods will get access to Australian market with zero customs duty on all tariff lines. The Agreement will benefit various labour-intensive Indian sectors that are currently subjected to 5% import duty by Australia. The agreement will result in immediate market access at zero duty to 98.3% of tariff lines accounting for 96.4% of India's exports to Australia in value terms. The remaining 1.7% lines are to be made zero duty lines over 5 years. Overall, Australia is offering duty elimination on 100% of its tariff lines.

Immediate duty-free access covers all labour-intensive sectors such as **Textiles and Apparel, Agricultural and Fish products, Leather, Footwear, Furniture, many Engineering Products, Jewellery and select Pharmaceuticals**. Signing the ECTA shall bring about a host of opportunities for a large number of sectors.

Sector	Expected gains
<b>Textiles</b>	<ul style="list-style-type: none"> <li>With the elimination of duty, India's textiles and apparels exports are expected to increase from the current US\$ 392 million to US\$ 1.1 billion in the next 3 years.</li> <li>Additional capacity creation due to exports and re-investment is likely to create additional employment of 40,000 persons per annum.</li> <li>Many of the new Made-up manufacturing units are likely to be set up in Tier 2 &amp; Tier 3 cities &amp; rural areas creating an industrial ecosystem in these areas and generating employment.</li> </ul>
<b>Engineering Products</b>	<ul style="list-style-type: none"> <li>With elimination of tariffs, engineering product exports are expected to grow approx. 15% per annum</li> <li>\$1.5 billion increase in exports in the next 5 years to reach \$2.7 billion by 2026-27.</li> </ul>
<b>Gems &amp; Jewellery</b>	<ul style="list-style-type: none"> <li>With elimination of duty, there is a likelihood of increase in our exports of jewellery which currently suffers a 5% duty in Australia.</li> </ul>
<b>Leather &amp; Footwear</b>	<ul style="list-style-type: none"> <li>Around 94% of India's exports of leather products to Australia suffer from a duty disadvantage of 5%.</li> </ul>



	<ul style="list-style-type: none"> <li>With the elimination of duty, Indian exports are likely to reach US\$ 100 million in next 2 years.</li> </ul>
<b>Pharma</b>	<ul style="list-style-type: none"> <li>Australia has agreed to an Annex on Pharmaceutical products. Following are the significant gains</li> <li>Fast track approval for patented, generic and biosimilar medicines using the Comparable Overseas Regulator pathway</li> <li>Fast track quality assessment/inspections of manufacturing facilities similarly</li> <li>This will benefit all Indian Units/ medicines which have EU/ Canada FDA approvals. This is a Major breakthrough for India.</li> </ul>

Source: EY Report

### A1.1.1 Benefits to India under trade in services

Australia has committed its schedule in the negative list and has also made wide-ranging commitments in around 135 sub sectors with Most Favoured Nation (MFN) status in around 120 sub-sectors. Some of them are as below:

Services	Status
Computer Related Services, Professional services viz. Legal Services, Accounting, Taxation, Architectural Services, Engineering, Integrated Engineering, Urban Planning and landscape architectural services, Medical, dental and veterinary services, Services provided by midwives, nurses etc.	MFN status
Computer Related Services , Audio Visual Services, Research & Development services, Other Business Services, Telecommunication, Construction, Distribution, Education, Environmental, Financial, Tourism & Travel related, Recreational, Transport Services etc	Non- Conforming measures

In case of Mode-4 Services (*Movement of Natural Persons*), the following commitments have been made by Australia:

1. Generous temporary entry and temporary stay commitments (*up to 4 years*) for Intra Corporate Transferees, Contractual Service Suppliers and Independent Executives.
2. Post study work visa (*18 months – 4 years*) will be made available for Indian students. This will benefit more than 100,000 Indian students in Australia. Along with this, the ECTA makes an arrangement for Work and Holiday Visa for young professionals.

The Government of Australia has agreed to amend Australian domestic taxation law to stop the taxation of offshore income of Indian firms providing technical services to Australia. Once the amendment is made, Indian tech companies would no longer be required to pay taxes on offshore revenues in Australia thereby enhancing their competitiveness in the market.

### A1.2 FROM THE PERSPECTIVE OF AUSTRALIA

Australia’s exports to India are more concentrated in raw materials and intermediaries. As a result, many industries in India stand to benefit from cheaper raw materials. India is offering zero duty

access to 90% value of products from Australia (*including coal*). Zero duty on 85.3 % value of products will be offered immediately while zero duty on 3.67 % value of products will be offered progressively over 3, 5, 7 and 10 years.

India has offered concessions on Tariff lines of export interest to Australia like Coking coal and Thermal coal, Wines, Agricultural products – 7 of them with Tariff Rate Quota (*Cotton, Almonds shelled and in shell, Mandarin, Oranges, Lentils, Pear*), Metals (*Aluminium, Copper, Nickel, Iron & Steel*) and Minerals (*Manganese Ore, Calcined Alumina*). Many sensitive products such as **milk and other dairy products, wheat, sugar, iron ore, apple, walnuts and others**, have been kept in India's Exclusion list. It is notable that these are the major exports of Australia.

#### A1.2.1 Australia services to get Negative List Treatment after 5 years

##### Negative Listing Approach

A country treats imported and locally produced goods / services equally in all areas, and areas where this is not done are listed – in the negative list - as exceptions. India would provide this treatment to services exports from Australia, after a period of 5 years.

India is also making a commitment to Australia in around **103 Service Sub-Sectors with Most Favoured Nation status in around 31 Service Sub-sectors for the first time**. Australia gets commitments in banking, insurance, other financial services, business services. The Agreement opens avenues for investment in computer related services, telecom, construction, health & environmental services. All these are similar to past FTAs signed by India.

### 1.3 PROTECTIVE FEATURES TO GUARD AGAINST UNINTENDED CONSEQUENCES

The ECTA also has certain 'protective features' aimed at guarding both countries against unintended consequences on trade

1. The following protective features have been put into place keeping in mind any concern on leakage / diversion of products made in a third country, to India through Australia.
  - **Stringent Rules of Origin** – Value Addition of 35% + Change in Tariff Subheading (*CTSH*)
  - In calculation of Value Addition, 2 different values agreed to (*35% or 45%*) depending on method of calculation (*based on whether profit is excluded or included*)
  - Product Specific Rules negotiated for 807 products
  - Requirement of 'melt and pour' for iron & steel products included in the Product Specific Rules for these products.
  - Strict Operational Customs Procedures
  - A specific clause included to ensure only items made in Australia count for value addition, no other country products
2. A Bilateral Safeguard Mechanism will be available for 14 years in case of surge in imports.

3. A special clause on Review has been agreed upon to enable either country to request a Review for parts of the Agreement which may be a cause of concern, after 15 years
  - Review compulsory if requested (*it shall happen*)
  - Must be completed in 6 months

**TPC** / Trade Promotion  
Council of India

9, 2nd Floor, Scindia House, Connaught Circus,  
New Delhi-110001, India

Phone: +91 11 40727272 | Email: [info@tpci.in](mailto:info@tpci.in)

Web: [www.tpci.in](http://www.tpci.in)