

Organic Industries

Voice of Australia's organic industries



Market knowledge

Taking the guesswork out of exporting organic products

Country analyses—Volume 2

Hong Kong, Malaysia, Singapore, UAE

June 2019



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Preface

About this project

Australian organic exports have grown gradually over the past three decades, but the Australian organic sector lacks a coordinated export strategy to leverage potential export growth and direct efforts to where there will be greatest comparative advantage.

The aim in the project is to improve strategic and organisational capacity in export market knowledge and access for Australia's organics industry.

The project comprises a suite of initiatives to leverage the strong fundamentals for growth and international demand, with a view to focussing efforts in target export markets where there is greatest comparative advantage.

The project is co-funded by the Australian Government and is aligned with its agriculture market access priorities:

- helping Australia's agriculture sector to realise export opportunities
- contributing to the negotiation of protocols for new and improved market access
- resulting in real gains in access, providing additional returns to Australian farmers and food producers

The project outcomes are:

- enhanced industry capability to facilitate exports of organic produce, especially in new markets or for new commodities
- enhanced knowledge of the competitive advantages of Australian organics in key target markets
- enhanced understanding of market access requirements, consumer preferences and demographics
- to enhance export market readiness in the organic sector, especially in new markets or for new commodities

Definition of organics

"Organic" is defined by the *National Standard for Organic and Bio-Dynamic Produce* (Edition 3.7, 2016) published by the Department of Agriculture and Water Resources.

In the National Standard, organic means "the application of practices that emphasise the:

- use of renewable resources; and
- conservation of energy, soil and water; and
- recognition of livestock welfare needs; and
- environmental maintenance and enhancement, while producing optimum quantities of produce without the use of artificial fertiliser or synthetic chemicals."

The National Standard sets out the prescribed organic management practices, being a set of authorised organic farming systems and operator practices.

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Chapter 1: Hong Kong

Market knowledge

Economy and consumers

Economy

GDP: 2.519 trillion HKD (AUD \$428.08 million)

GDP Growth Rate: Hong Kong's GDP growth rate was measured at 2.2% as of May 2018

Inflation Rate: Hong Kong's inflation rate was measured at 2.6% as of April 2018

Share in World's Total Imports: HK maintains a 3.37% share of the world's total imports (2016)

Share in World's Total Exports: HK maintains a 3.27% share of the world's total exports (2016)

Currency:

- The currency used by Hong Kong is the Hong Kong Dollar (HKD)

Exchange Rate:

- 1 HKD = AUD \$0.17¹²

Income Trends:

- GNI Per Capita (PPP) in 2016 was measured at \$60,090 PPP (Purchasing Power Parity) dollars, ranking 9th in the world according to the world bank.

Average Household Food Expenditure:

- In its latest report, the Hong Kong Census and Statistics Department stated that on average, a household spends HKD \$27,627 (AUD \$4,479) per month on food, consumer goods and services.

Living Standards:

- Hong Kong is ranked 71 out of 231 cities in quality of life
- Hong Kong is ranked 6th in city infrastructure rankings

Economy State: Open

Trade Agreements:

- Hong Kong has signed 6 FTA's including:
 - The mainland of China
 - New Zealand
 - The member states of the European Free Trade Association (EFTA)
 - Chile
 - Macao
 - The Association of Southeast Asian Nations (ASEAN)

- Hong Kong is currently negotiating FTA's with Georgia, the Maldives, and Australia (A-HKFTA).
 - As part of the A-HKFTA, for goods exporters, Australia seeks a commitment that HK maintains its zero tariffs policy on Australian goods exports. For services suppliers, Australia aims to secure non-discriminatory access to the HK market, in addition to further developments on regulatory certainty, in addition to automatically capturing future unilateral liberalisation.¹³

Australia's Exporting Relationship with HK:

- HK is seen as Australia's leading business base in East Asia with more than 600 Australian companies maintaining a presence in HK
- HK is the 5th largest investor in Australia, with total foreign investment amounting to AUD \$100.9 billion in 2016.
- HK is the 10th largest destination for total Australian investment abroad - worth AUD \$52.9 billion in 2016
- HK was Australia's 12th largest trading partner overall in 2016 with total two-way trade in goods and services amounting to AUD \$16.3 billion
- Australia's major exports to HK are:
 - Gold: AUD \$9.6 billion
 - Edible products and preparation: AUD \$425 million
 - Fruit & nuts: AUD \$191 million
- Australia's total investment into HK is measured at AUD \$52.94 billion in 2016
- HK's total investment into Australia is measured at AUD \$100.92 billion in 2016

Consumers

Population:

- Resident population: Approx. 7.4 million
- Expatriate population: Approx. 3.4 million
- Population growth: 0.6%
- Median age: 43.9 years old
- Population density: HK is one of the most densely populated regions in the world. The land population density stood at 6,987 individuals per square kilometre in 2016 according to the World Bank collection of development indicators.

Sex Ratio:

- As of 2017, HK has an estimated number of 3,392,100 males and 3,997,400 females according to the Hong Kong Census and Statistics Department.

Population Ethnicity:

- The HK population is a largely homogenous society with 92% being Chinese. The other 8% is largely populated by Indonesian, Filipino, western, and Indian ethnicities.

Dominant Religious Groups:

- There are a large variety of religious groups in HK. This includes:
 - Buddhism
 - Taoism
 - Confucianism
 - Christianity
 - Islam
 - Hinduism
 - Sikhism
 - Judaism

Consumer Profile

Consumer Shopping Behaviour:

- Home to over 700 supermarkets, Hong Kong consumers are attracted to supermarkets and convenience stores as their primary destination for household shopping.
 - Factors impacting this decision include: the availability of newly developed, products, lower prices, a larger range of food products to access, and convenience.
 - Santander Trade found that price, quality, technical specifications of products, and after-sales service were the biggest factors impacting consumer shopping behaviour. This follows the notion that Hong Kong consumers look for high-quality products at competitive prices.
 - The increasing demand for healthy and organic food products has begun to impact consumer shopping behaviours within Hong Kong.
 - Consumers are willing to compromise on price in order to attain higher quality products.
- Channel preference:
 - Online grocery shopping has not been embraced in Hong Kong to the same extent as it has by other Asian countries. This is primarily due to the large number of conveniently located supermarkets that are available to Hong Kong residents; approximated to be 1 for every 10,000 consumers.
 - The large number of expatriates in Hong Kong has led to the development of a wide range of specialty grocers, offering food products “from home” at reasonable prices.
 - Traditional wet-markets remain popular among older shoppers who may be seeking fresh food items.

Spending Trends:

- The Hong Kong Census and Statistics department found that as of 2016, household expenditure on food was recorded at 7,554 HKD (AUD \$1,278.35). Representing 27% of the average monthly household expenditure.

Food (Total Expenditure)	Average Monthly Household Expenditure	
	HK\$	%
		7,554
Meals bought away from home	4,948	17.9
Pork	296	1.1
Fresh vegetables	303	1.1
Salt-water fish	230	0.8
Bread, cakes, biscuits and puddings	200	0.7
Fresh fruit	196	0.7
Food, others	194	0.7
Processed sea products	142	0.5
Fresh-water fish	97	0.4
Meat, frozen	117	0.4
Dairy products	103	0.4
Other fresh sea products	94	0.3
Poultry	94	0.3
Meat, others	90	0.3
Other non-alcoholic beverages	74	0.3
Rice	60	0.2
Other cereals and cereal preparations	62	0.2
Beef	60	0.2
Meat, canned	14	0.1
Eggs	34	0.1
Edible oils	38	0.1
Confectionery	36	0.1
Flavourings and additives	31	0.1
Processed vegetables	12	0.0
Processed fruit	8	0.0
Carbonated drinks	13	0.0
Sugar	5	0.0

Consumer expenditure on food and drink products

- Consumer expenditure on food and alcoholic beverages will continue its steady rise, with an expectation that it will exceed 300 HKD billion by 2020 as can be seen below:

Category	Current Constant	2015	2016	2017	2018	2019	2020
Consumer Expenditure	Current Prices (HKD Millions)	1,661,951.0	1,681,724.0	1,808,732.0	1,914,213.0	2,004,346.0	2,101,444.9
Consumer Expenditure on Food and Non-Alcoholic Beverages	Current Prices (HKD Millions)	236,588.0	246,152.0	265,289.0	281,323.0	295,097.0	309,787.0
Consumer Expenditure on Food	Current Prices (HKD Millions)	228,680.0	238,052.0	256,641.0	272,229.0	285,619.0	299,871.0
Consumer Expenditure on Non-Alcoholic Beverages	Current Prices (HKD Millions)	7,908.0	8,100.0	8,648.0	9,094.0	9,478.2	9,916.0

Source: Hong Kong Consumer Expenditure Statistics 2015- 2020 - Euromonitor International

Societal Trends:

- Most Hong Kong consumers consume the majority of their meals outside the home. They typically work until late in the evening, they don't have the space in their homes to entertain guests and dining out is a key aspect of Hong Kong culture and the primary way of socialising.
 - High levels of income inequality have led to a mixed consumer market within Hong Kong. Individuals with higher income tend to indulge in luxury spending and experience-based purchases, while the lower-income population tend to be quite price conscious.
- This income inequality is expected to rise through to 2030, as the drivers of inequality in Hong Kong (such as low-skilled immigration, a flexible labour market, and low taxes) are expected to continue over the longer term.
- Hong Kong consumers have a growing interest in top-quality food and beverages. As they become more aware of ways in which they can improve their lifestyles and a better work-life balance, there is a growing trend of working adults learning more about food by signing up to cooking classes and wine appreciation workshops.
- Hong Kong consumers are becoming more curious and knowledgeable about fine wine and premium food products. The premiumisation trend in grocery shopping is also being complimented by the persistent rise of health consciousness among Hong Kong's consumers.
- Demand for premium imported packaged food and fresh produce is driving growth in upscale supermarkets, food specialist retailers and other grocery retailers.

- Food scares spur greater consumer demand for organic food. Thanks to the numerous recent food safety scares, organic foods, particularly locally produced organic foods, are becoming more popular amongst consumers despite their higher prices.

Government-Mandated Changes:

- In the wake of food scares such as pork contamination and tainted oil found in Hong Kong food factories, the Food and Environmental Hygiene Department (FEHD) has imposed a more stringent regulatory approach towards food safety control.
- There are specific legal requirements or administrative arrangements for the following selected food items due to their perishable or high-risk nature:
 - game, meat, poultry and eggs;
 - milk and milk beverages;
 - frozen confections; and
 - marine products.
- Food and Environmental Hygiene Department has prepared individual leaflets advising on the proper procedures for importing the above food items respectively. For enquiries, the primary contact is The Department's Chief Health Inspector (Import/ Export) at 2867 5990 or other staff at 2867 5577.
- Online food retailers are now required to obtain licences from the Food and Environmental Hygiene Department (FEHD), and online food vendors must display their permits on websites and in all publicity materials for verification by consumers.
- [Guide to Hong Kong's Registration Scheme for Food Importers and Food Distributors](#) can be found here.

Market analysis

Organic Packaged Food Market

Market Size - Value

- Organic packaged food continues to be a niche category within Malaysia. The value sales of Packaged organic food recorded 5% current value growth in 2016, reaching HKD 100.5 million in 2017 (AUD \$17.09 million). The growing health consciousness within Hong Kong consumers is boosting this figure, which is expected to grow at a CAGR figure of 2% through to 2021, reaching HKD 111.1 million (AUD \$18.89 million).

Category Sales Figures:

- Organic rice, pasta and noodles maintained the highest category value in 2016, with HKD 23.3 million (AUD \$3.96 million). The second and third category leaders were organic spreads, and organic sweet biscuits, snack bars, and fruit snacks which recorded HKD 15.1 million (AUD \$2.57 million) and HKD 11.9 million (AUD \$2.02 million) respectively. The category picture can be seen below.

HKD million						
	2011	2012	2013	2014	2015	2016
Organic Baby Food	1.8	1.9	2.0	2.1	2.2	2.3
Organic Bread	5.8	6.2	6.7	7.1	7.5	7.9
Organic Breakfast Cereals	9.4	9.6	10.1	10.7	11.3	11.7
Organic Confectionary	3.9	3.8	3.9	3.9	3.9	4.0
Organic Dairy	3.5	3.7	4.0	4.3	4.5	4.8
Organic Edible oil	0.5	0.5	0.6	0.6	0.7	0.7
Organic Ice Cream	0.2	0.2	0.2	0.2	0.2	0.2
Organic Rice, Pasta and Noodles	15.4	17.0	18.3	19.9	21.7	23.3
Organic Sauces	1.5	1.6	1.7	1.8	1.9	2.1
Organic Savoury Snacks	7.9	8.2	8.6	9.3	9.9	10.4
Organic Soup	4.4	4.7	5.0	5.3	5.7	6.0
Organic Spreads	11.7	12.5	13.3	14.0	14.6	15.1
Organic Sweet Biscuits, Snack Bars, and Fruit Snacks	9.0	9.4	10.0	10.8	11.4	11.9
Organic Packaged Food	74.8	79.3	84.2	90.1	95.6	100.5

Sale of Organic Packaged Food by Category: Value 2011 - 2016 - Euromonitor International

Forecasted Sales Figures

- Organic rice, pasta and noodles, organic spreads, and organic sweet biscuits, snack bars, and fruit snacks are expected to maintain their spots as the 3 category leaders of the organic packaged food category within the forecasted period.

HKD million						
	2016	2017	2018	2019	2020	2021
Organic Baby Food	2.3	2.3	2.3	2.3	2.3	2.3
Organic Bread	7.9	8.0	8.1	8.1	8.2	8.3
Organic Breakfast Cereals	11.7	11.9	12.0	12.1	12.2	12.2
Organic Confectionary	4.0	3.9	3.9	3.8	3.8	3.7
Organic Dairy	4.8	5.0	5.2	5.4	5.5	5.7
Organic Edible oil	0.7	0.7	0.7	0.7	0.7	0.7
Organic Ice Cream	0.2	0.2	0.2	0.2	0.2	0.2
Organic Rice, Pasta and Noodles	23.3	24.3	25.3	26.3	27.1	27.9
Organic Sauces	2.1	2.2	2.2	2.3	2.3	2.4
Organic Savoury Snacks	10.4	10.7	11.0	11.4	11.7	12.1
Organic Soup	6.0	6.2	6.3	6.5	6.6	6.7
Organic Spreads	15.1	15.3	15.5	15.7	15.8	16.0
Organic Sweet Biscuits, Snack Bars, and Fruit Snacks	11.9	12.1	12.3	12.5	12.7	12.9
Organic Packaged Food	100.5	102.9	105.1	107.3	109.2	111.1

Forecasted Sale of Organic Packaged Food by Category: Value 2016 - 2021 - Euromonitor International

Health & Wellness Category Value Sales - Malaysia

H&W - HKD Million	2012	2013	2014	2015	2016	2017
Better For You Products	1,253	1,287	1,310	1,331	1,372	1,409
Fortified Functional Products	13,026	16,874	19,168	21,603	22,745	23,993
Free-From Products	1,248	1,317	1,387	1,423	1,465	1,524
Naturally Health Products	4,142	4,385	4,614	4,614	4,810	5,014
Organic Products	97	104	111	118	126	132
Health & Wellness Products	19,766	23,877	26,590	29,089	30,518	32,072

Source: Euromonitor International, 2018

Organic Beverages in Hong Kong

- Hong Kong's organic beverage category has growth at an average annual growth rate of 8.7% between 2012-17; as a category, value sales have exceeded HKD 27 million in 2017.
 - Organic hot beverages maintain value sales of HKD 16 million, while organic soft drinks maintain value sales of HKD 11 million.
 - Growing awareness of organic beverages continue to drive sales growth.
 - Consumers are willing to test out higher quality organic beverages in order to minimise their exposure to chemicals.
 - Despite demand, unit price continues to turn away the majority of consumers; organic beverages are also primarily found in premium retailers, and as a result are not widely distributed outside modern grocery retailers.
- Due to increasing demand, more Australian players are willing to enter the market.
 - An example is Australian company Holliger which introduced its 100% organic juice into the market in 2017.
- Citrus World's 'Florida's Natural' brand is the market leader for organic beverages in Hong Kong (10% market share); followed closely by Happy Planet Food's 'Happy Planet' brand at 9.5%.
 - Equal Exchange (9%), Waitrose (8%), and Hansen's (5%) round up the top five market players.

Key trends and drivers in Organic Packaged Food

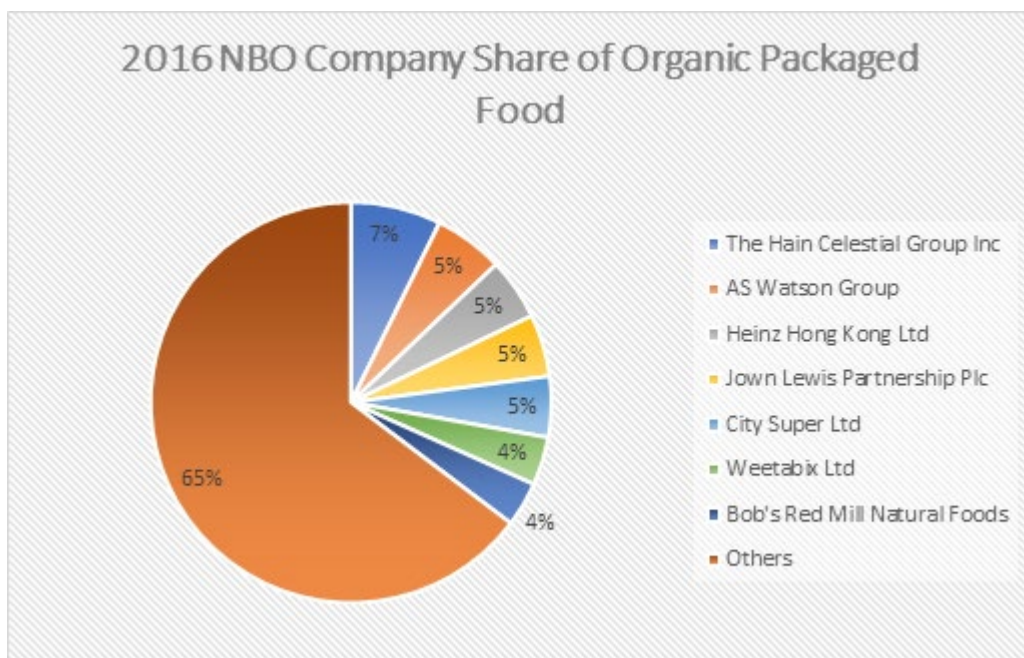
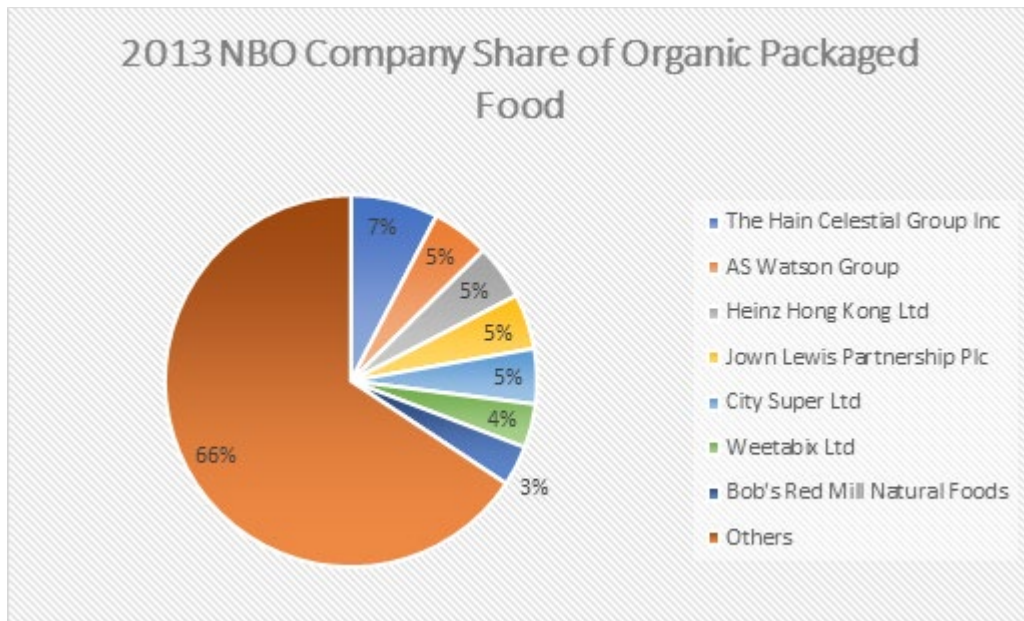
Organic Packaged Food Trends

- Increasing health consciousness within Hong Kong consumers continues to support the performance of the organic packaged food category. This coincides with the rising demand for health and wellness products.
- Several fraud cases involving organic fresh produce in 2016 had led to consumer backlash, calling for stronger regulations regarding organic certification. The Hong Kong government's response to this call was for consumers to closely read the labels before purchasing any organic products.

- Food safety will be a primary cause of concern for consumers within the forecast period due to the fraud cases in 2016. This is expected to drive consumer’s willingness to purchase organic packaged food despite it being higher priced than its alternatives.

Company Shares of Market Within the Category

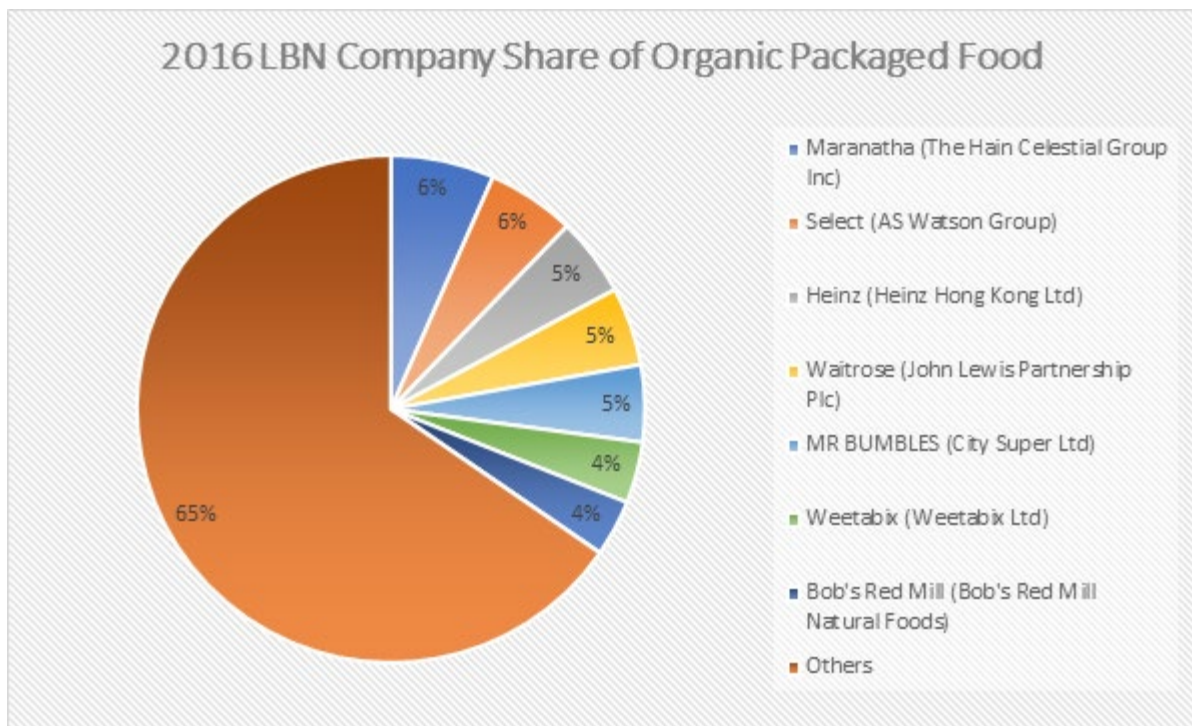
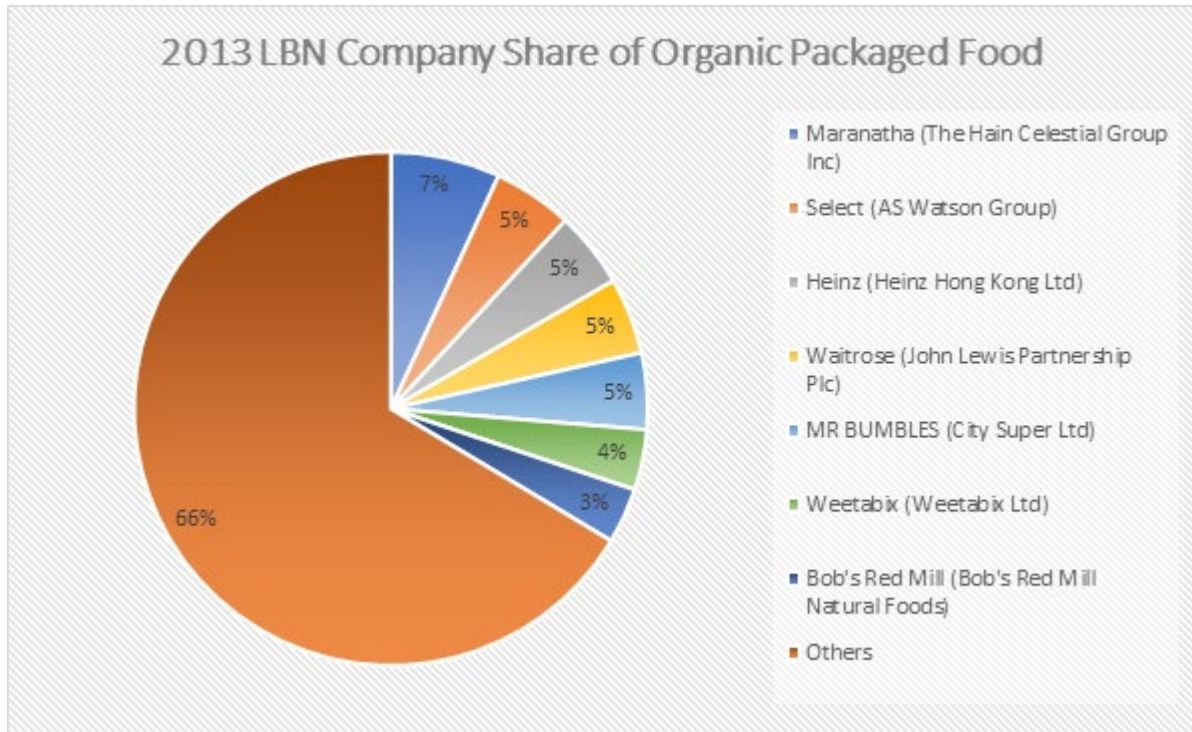
- The Hain Celestial Group led the organic packaged food category in 2016 with a 7.3% value share, followed by the AS Watson Group which maintained a 5.6% value share within the organic packaged food category.
- Heinz Hong Kong lagged slightly behind with a 5% value share, tied with John Lewis Partnership PLC



Source: NBO Company Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Brand Shares Within Category:

- Hain Celestial Group’s MaraNatha is the biggest local brand name in Hong Kong, followed by AS Watson’s private label; Select. Heinz follows up in third.



Source: LBN Brand Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Channel Overview—Grocery Retailers

Industry Overview - Key Trends and Developments

- The Grocery retailing industry increased by 1% in current value in 2016 as sales reach HKD \$104 billion (AUD \$16.9 billion).
- Supermarkets and convenience stores led the grocery retailing channel in 2016.
- There is a premiumisation trend developing within Hong Kong’s grocery retailing category. This is complemented by the rise of health consciousness of Hong Kong consumers. As a result, the demand for fresh produce and premium imported packaged food is driving growth within supermarkets and specialist organic retailers.
- Wellcome and ParknShop are the two major players in Hong Kong’s grocery retailing category. Owned by Dairy Farm International Holdings LTC and the AS Watson Group respectively.
 - Both of these supermarket chains offer online shopping and delivery. However, online grocery retailing within Hong Kong is still in its infancy stage, although 2016 saw enhanced enthusiasm towards this platform by Generation X and Millennial consumers.

Channel Overview:

- Sales in retail channels

HKD million					
	2012	2013	2014	2015	2016
Modern Grocery Retailers	56,253.0	59,683.0	62,113.0	63,049.0	64,716.0
Convenience Stores	9,797.0	10,099.0	10,302.0	10,568.0	10,843.0
Forecourt Retailers	459.0	456.0	431.0	444.0	449.0
Supermarkets	45,997.0	49,128.0	51,380.0	52,036.0	53,424.0
Traditional Grocery Retailers	34,401.0	35,323.0	37,747.0	39,807.0	39,279.0
Food/Drink/Tobacco Specialists	22,503.0	23,334.0	25,398.0	27,209.0	26,096.0
Independent Small Grocers	4,995.0	4,919.0	4,821.0	4,686.0	4,721.0
Other Grocery Retailers	6,903.0	7,070.0	7,528.0	7,913.0	8,462.0
Grocery Retailers (Rounded figure)	90,654.0	95,006.0	99,860.0	102,856.0	103,995.0

Source: Sales in Grocery Retailers by Channel: Value 2012 - 2016 - Euromonitor International

- % Value growth by channel:
 - Supermarkets and Convenience stores led the way within the modern grocery retail category, recording 28.1% and 16.4% total growth respectively.

- Food/drink/tobacco specialists led the way within the traditional grocery retailers category, recording 28% total growth. This is due to their imported product offerings, much of which originate from Europe, North America, South Korea, and Japan.

% Current value growth			
	2015/16	2011 – 16 CAGR	2011/16 Total
Modern Grocery Retailers	2.6	4.7	25.7
Convenience Stores	2.6	3.1	16.4
Forecourt Retailers	1.1	-0.9	-4.2
Supermarkets	2.7	5.1	28.1
Traditional Grocery Retailers	-1.3	3.3	17.9
Food/Drink/Tobacco Specialists	-4.1	3.7	20.2
Independent Small Grocers	0.8	-1.1	-5.5
Other Grocery Retailers	6.9	5.1	28.0
Grocery Retailers	1.1	4.2	22.6

Source: Sales in Grocery Retailers by Channel: % Value Growth 2011 - 2016 - Euromonitor International

Modern vs Traditional:

- Modern grocery retailers accounted for 62% of value sales within Hong Kong's grocery retailing category.
 - Dairy International Holdings and AS Watson Group dominate this category. Each operate their own supermarkets, Wellcome and ParknShop, among other sub-branch local retailing brands.
 - Traditional grocery retailers account for the remaining 38% of value sales within Hong Kong's grocery retailing category.
 - Within this category, small corner grocery stores and newspaper hawkers are struggling under the pressures of online consumer shopping.
 - Hong Kong's wet markets are also finding themselves in a losing battle. Surging rental rates and further urban development is causing many of these traditional grocery retailers to close down.
 - Food/drink/tobacco specialists are the biggest contributors to the value sales of traditional grocery retailers. This is primarily due to the aforementioned imported product offering.

Channel Forecast

- Forecast Sales in Grocery Retailers by Channel: Value 2016 - 2020
 - The expected fall in value from traditional grocery retailers will impact Hong Kong's grocery retailing channel between 2016 and 2021.

HKD million						
	2016	2017	2018	2019	2020	2021
Modern Grocery Retailers	64,716.0	65,039.0	65,324.0	65,570.0	65,774.0	65,938.0
Convenience Stores	10,843.0	10,745.0	10,659.0	10,585.0	10,521.0	10,469.0
Forecourt Retailers	449.0	442.0	436.0	431.0	426.0	423.0
Supermarkets	53,424.0	53,852.0	54,229.0	54,554.0	54,827.0	55,046.0
Traditional Grocery Retailers	39,279.0	38,428.0	37,640.0	36,942.0	36,293.0	35,717.0
Food/Drink/Tobacco Specialists	26,096.0	25,182.0	24,351.0	23,621.0	22,960.0	22,386.0
Independent Small Grocers	4,721.0	4,674.0	4,632.0	4,595.0	4,563.0	4,535.0
Other Grocery Retailers	8,462.0	8,572.0	8,657.0	8,726.0	8,770.0	8,796.0
Grocery Retailers (Rounded figure)	103,995.0	103,467.0	102,964.0	102,512.0	102,067.0	101,655.0

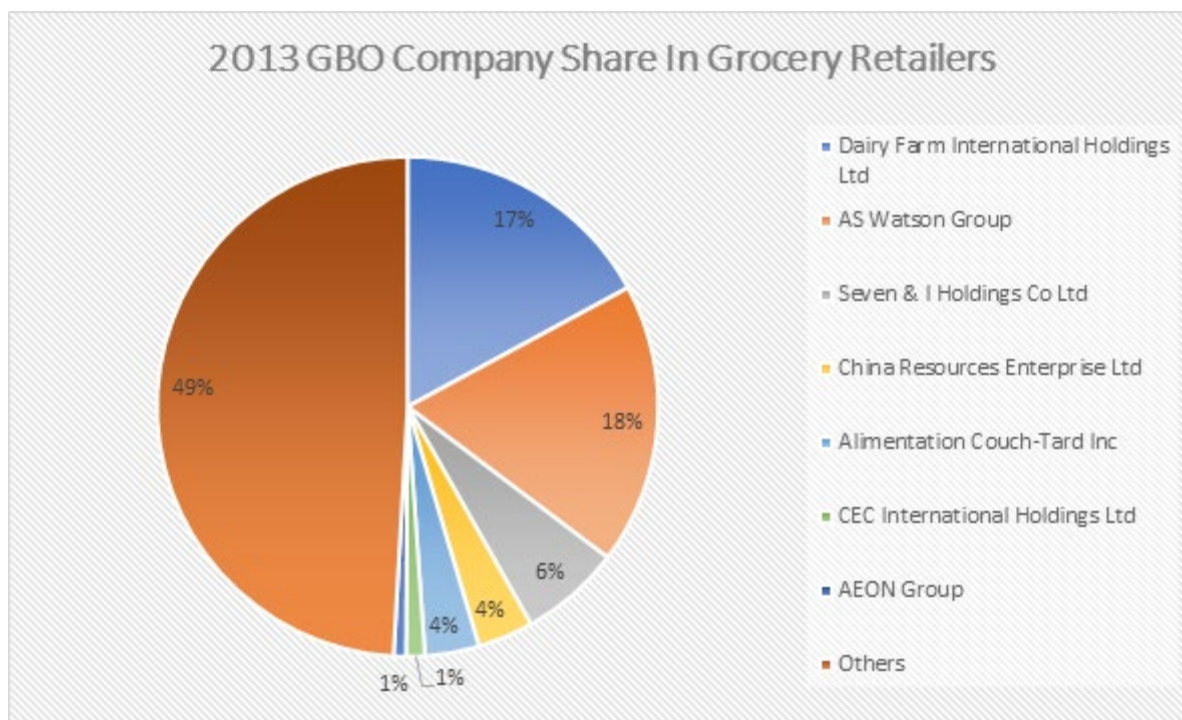
Source: Forecast Sales in Grocery Retailers by Channel: Value 2016 - 2021 - Euromonitor International

- Forecast Sales in Grocery Retailers by Channel: % Value Growth

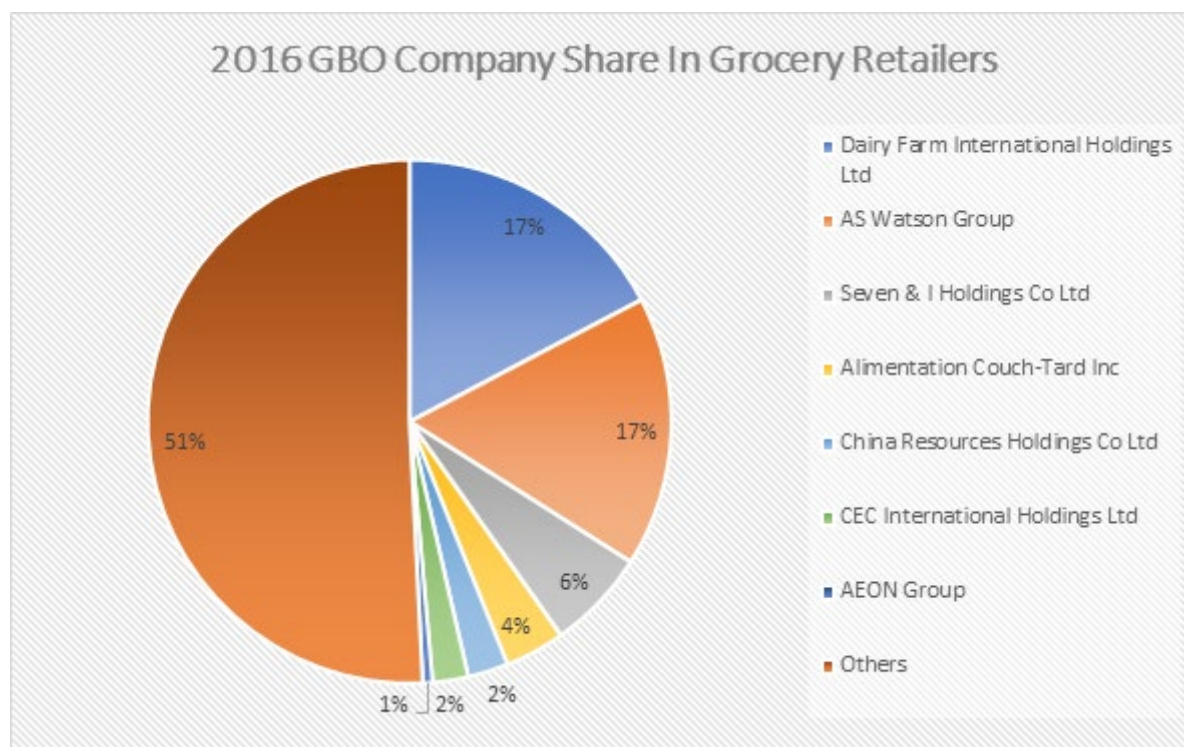
% Current value growth			
	2016/17	2016 – 21 CAGR	2016/21 Total
Modern Grocery Retailers	0.5	0.4	1.9
Convenience Stores	-0.9	-0.7	-3.5
Forecourt Retailers	-1.6	-1.2	-5.9
Supermarkets	0.8	0.6	3.0
Traditional Grocery Retailers	-2.2	-1.9	-9.1
Food/Drink/Tobacco Specialists	-3.5	-3.0	-14.2
Independent Small Grocers	-1.0	-0.8	-3.9
Other Grocery Retailers	1.3	0.8	4.0
Grocery Retailers	-0.5	-0.5	-2.3

Source: Forecast Sales in Grocery Retailers by Channel: % Value Growth 2016 - 2021 - Euromonitor International

- Grocery Retailers Market Share in Hong Kong: % Value 2013 - 2016

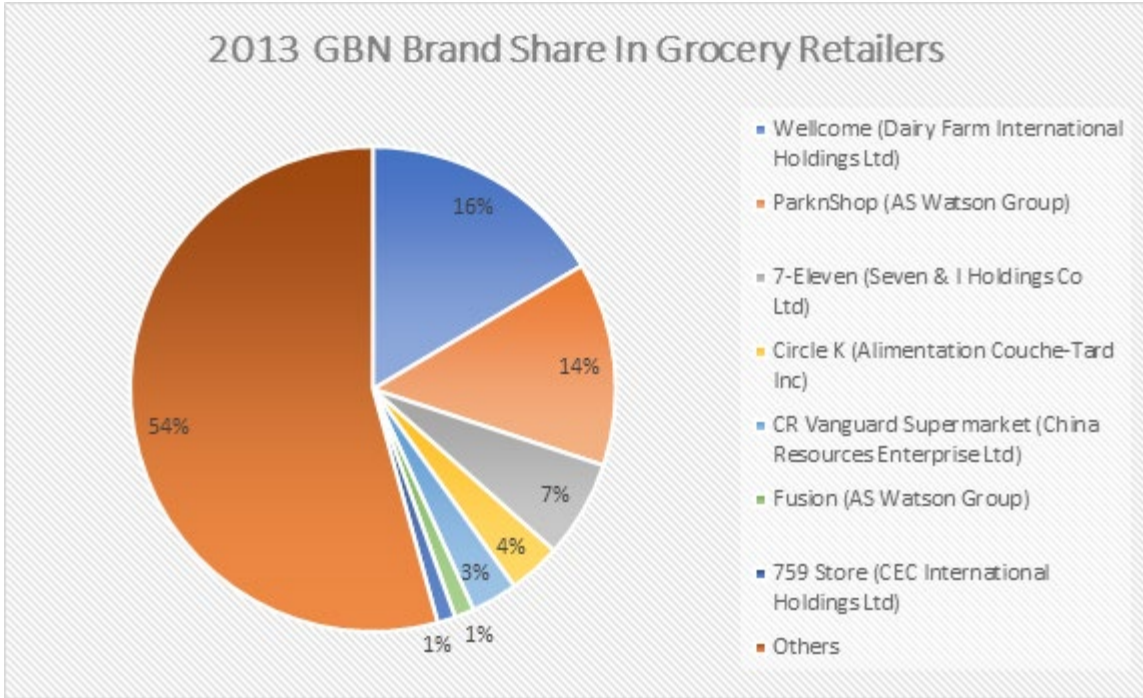


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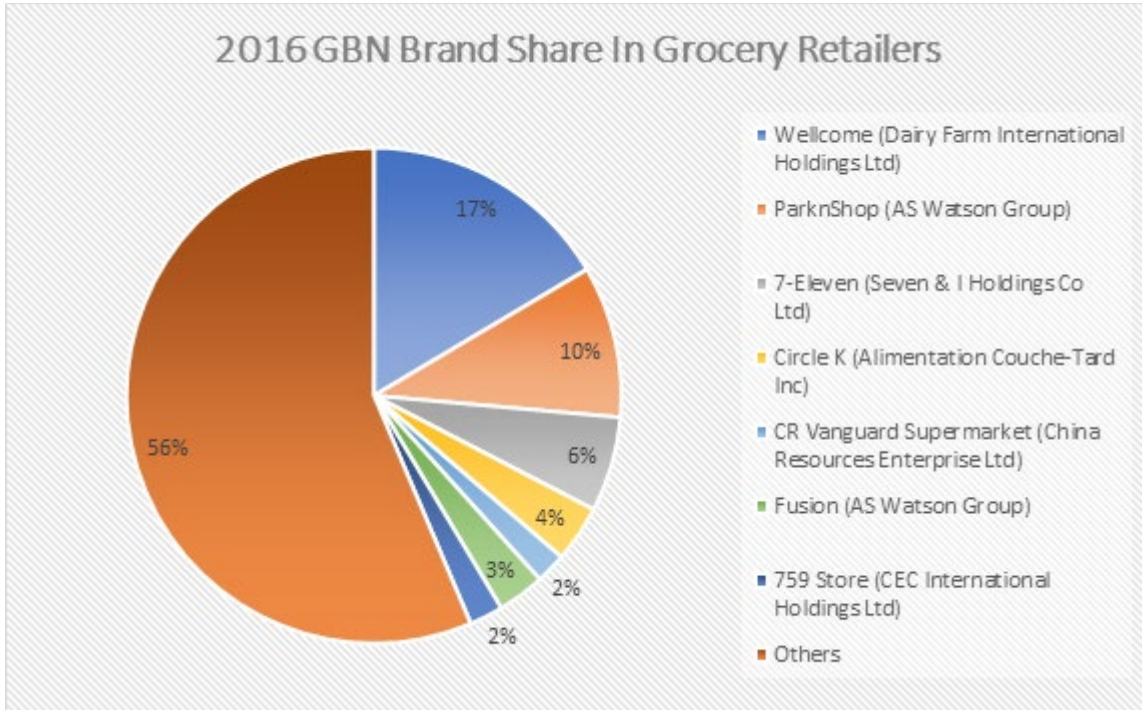
Source: Grocery Retailers GBO Company Share in Hong Kong: % Value 2013 - 2016 - Euromonitor International

- Grocery Retailers Brand Share of the Market: % Value 2013- 2016



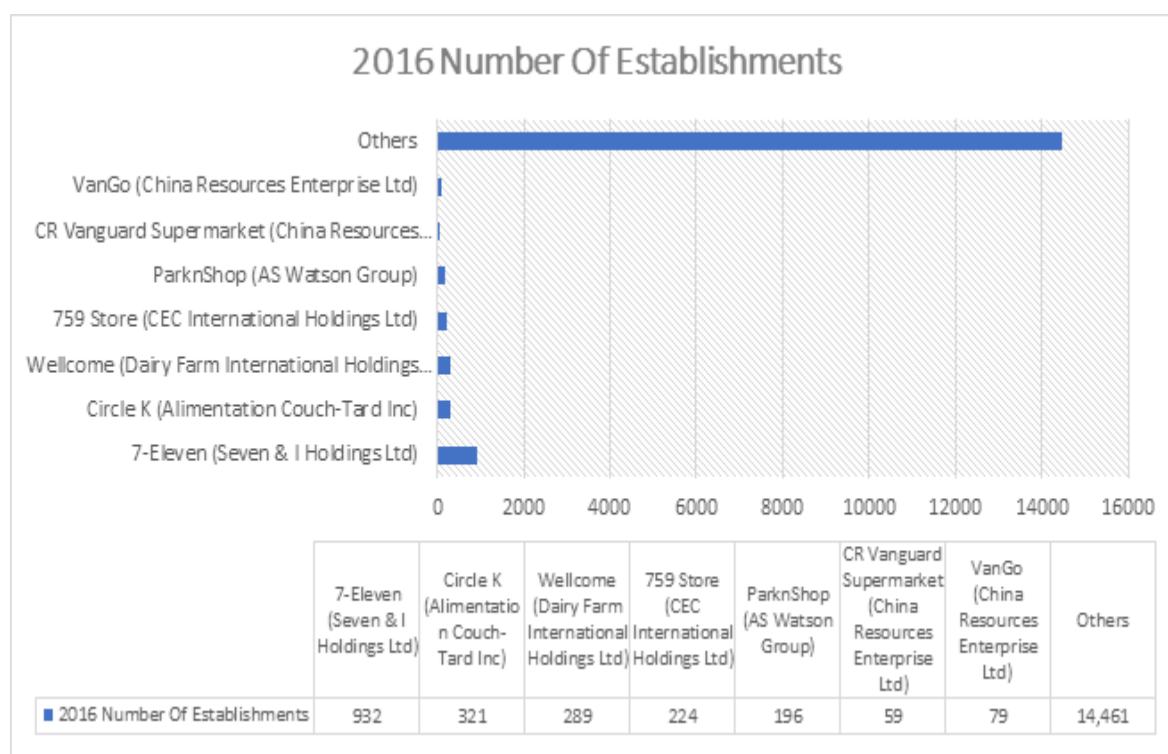
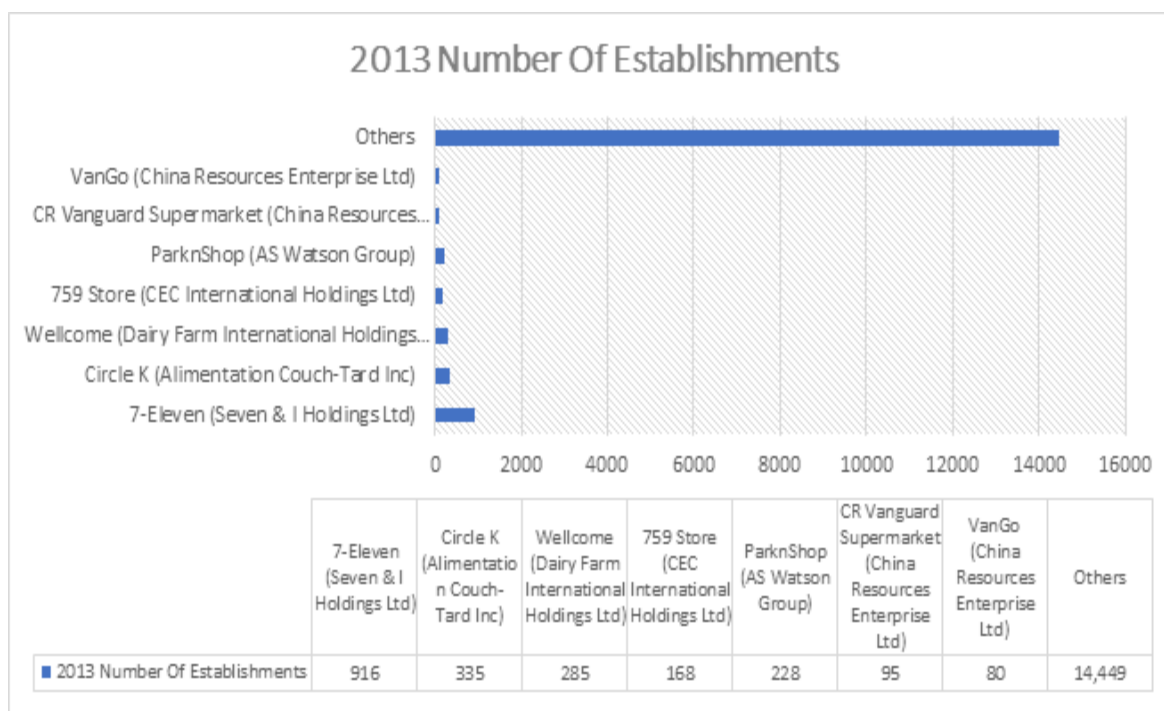
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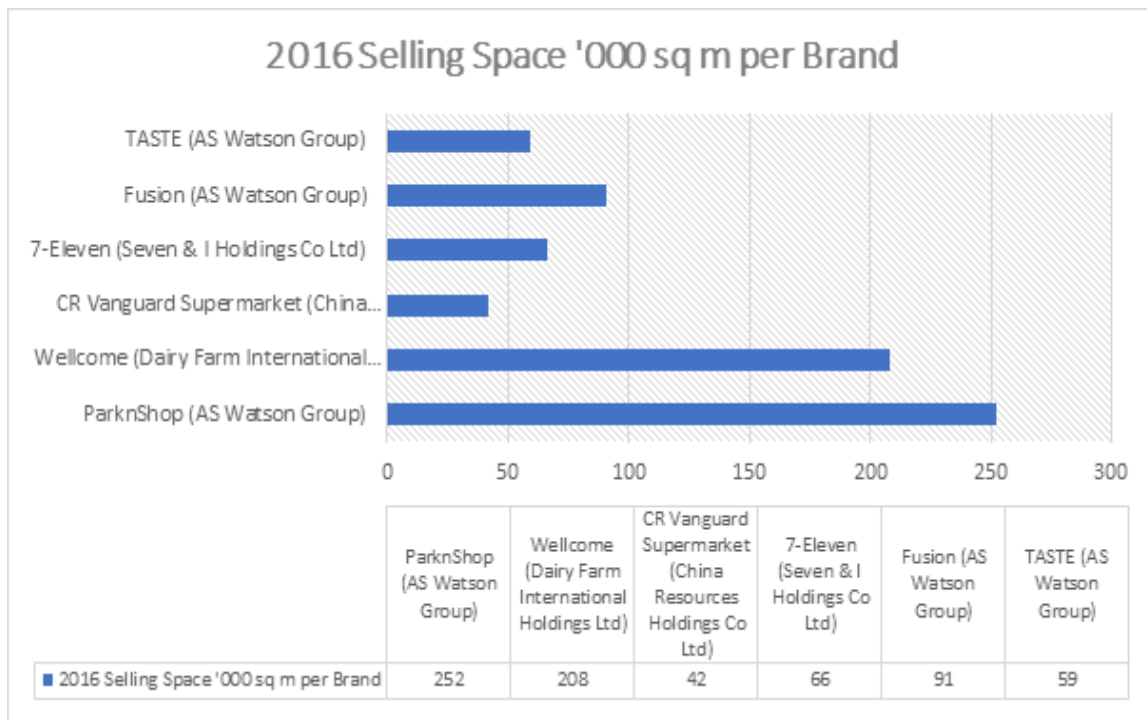
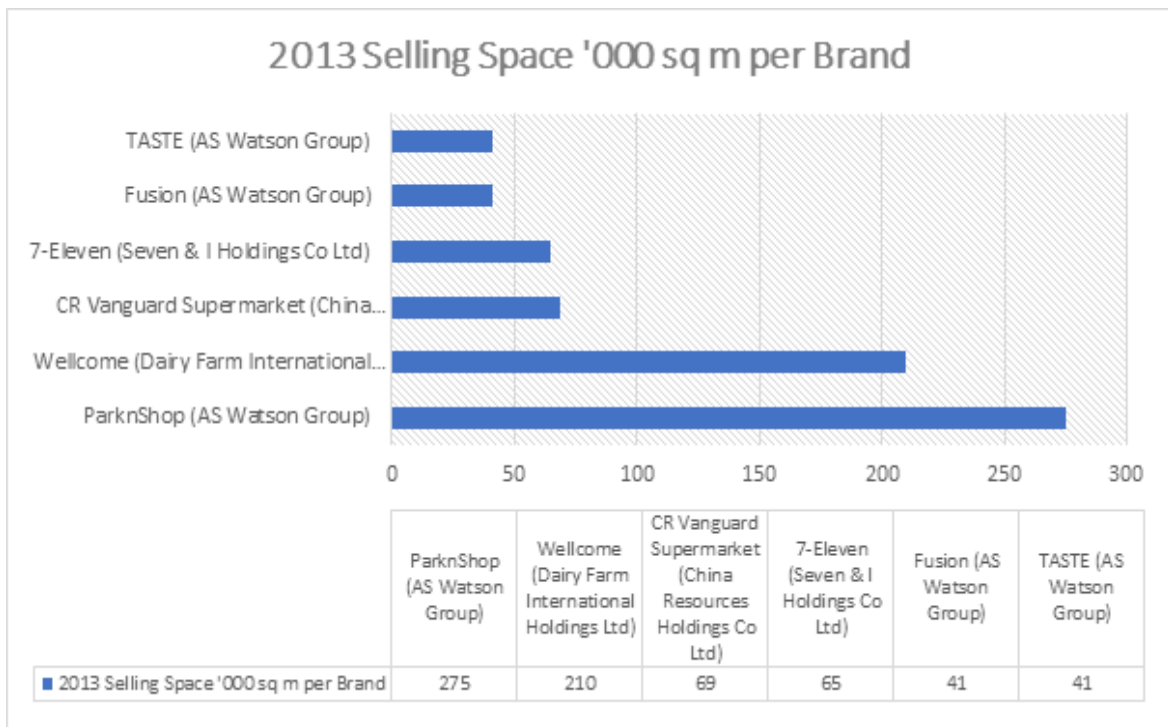
Source: Grocery Retailers GBN Brand Share in Hong Kong: %Value 2013 - 2016 - Euromonitor International

- Number of establishments in Hong Kong by Grocery Retailers



Source: Grocery Retailers LBN Brand Shares: Outlets 2013 - 2016 - Euromonitor International

- Grocery Retailer's Selling Space in Hong Kong



Source: Grocery Retailers LBN Brand Shares: Selling Space 2013 - 2016 - Euromonitor International

Market access

Opportunities and Challenges in Hong Kong

Opportunities	Challenges
Hong Kong imports 95% of its produce and protein food; presenting an ideal market for value-added products	False labelling dilutes the organic food market - especially in wet markets
Trend towards organic food and healthy snacks as consumer awareness and health consciousness continues to rise	A lack of specific regulation governing production, certification, and labelling of organically certified food is dissuading consumers from paying a premium
Unique location means that over half of the world's population is within a 5-hour flight; acting as a gateway to the rest of Asia	With minimal trade barriers, Hong Kong is an extremely competitive market; high quality products are often forced to compete on price
With over 3 million expatriates, Hong Kong is an ideal market for Western products	Channel costs are high - both in listing and logistics; retailers are flexible when dealing with direct imports, however, orders are typically small and consolidated

Road Map to Hong Kong's Market

With respect to the competitive intensity of organic food within the Asia-Pacific Region; there are 3 key strategies when considering market entry into Hong Kong. These 3 strategies are:

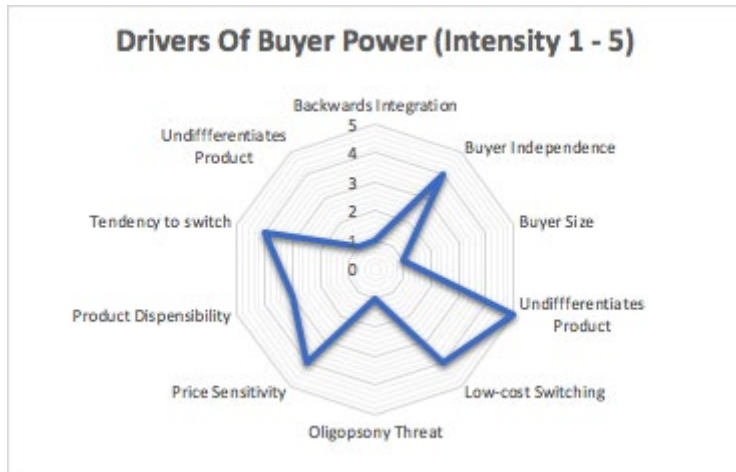
1. Marketing Communication - With increasing health consciousness, Hong Kong consumers are actively searching for healthy alternatives. Organic food producers should provide information on how (1) products are produced, and (2) how they contribute to a healthy diet. Leveraging the Australian image can be a key resource in this approach.
2. On-the-go Consumption - Increasingly hectic consumer lifestyles is driving demand for on-the-go consumption and convenience. This demand is expected to increase as urbanisation rises. To accommodate, organic producers and packaged food suppliers should develop smaller pack offerings, while promoting convenience of product usage.
3. Differentiation In Promotions - With intensifying market competition within the organic category, market players may be tempted to pursue ill-advised price discounts as a direct marketing tool. For Australian products, enclosing complimentary samples or selling bundled packs should be the primary promotional tools that are leveraged to stimulate sales in modern grocery retailers; these tools won't deteriorate the equity of the brand, instead, stimulating consumer purchasing behaviour.

Regarding packaged food alternatives, there are 2 relevant prime positioning statements that may be leveraged by organic producers when retailing their products. These statements are "General Wellbeing" and "Free From"; accruing HKD 13.24 billion (41.27% of H&W positioning), and HKD 1.5 billion (4.75% H&W positioning) respectively in retail value (2017).

Competitor Landscape

Competitive Intensity of Organic Food In Asia-Pacific Region

Buyer Power - Moderate



With the majority of buyers being end consumers, financial muscle is typically negligible when compared with larger market players such as 7-Eleven. There are, however, larger buyers present in this category - coming in the form of schools and organisations that offer healthy alternatives in the form of organic food items to their students/employees.

Price sensitivity is a key consideration when targeting end consumers; the expectation from buyers is to pay a premium price for organic food products. To counteract this, producers and suppliers must emphasise key benefits in order to incentivise these end consumers. Irregardless of marketing strategy, it's worth noting that price sensitivity will be high whenever there is economic uncertainty, and financial instability, and vice-versa.

Increasing consumer awareness and demand for organic products strengthens buyer power; this demand, bolstered by government programs to support the organic market will incentivise chained supermarkets and other grocery retailers to integrate organic foods into their existing range.

Supplier Power - Weak



Middle class consumers are increasingly turning to larger supermarkets for their organic food items; this reliance has significantly reduced supplier power across the Asia-Pacific region. In more developed economies, this reliance is even more intense.

Retailers in these markets are reliant on the quality of their suppliers, with strict production standards acting as an integral cog in maintaining the credibility of organic food products. As a result, long-term contracts are often maintained between suppliers and retailers, increasing supplier power.

While there is a large number of organic suppliers to the Asia Pacific region; these suppliers tend to be smaller in size when compared to their retailing partners. Larger retail players in the Asia-Pacific region leverage this power imbalance to gain favourable deals; significantly reducing the power of suppliers.

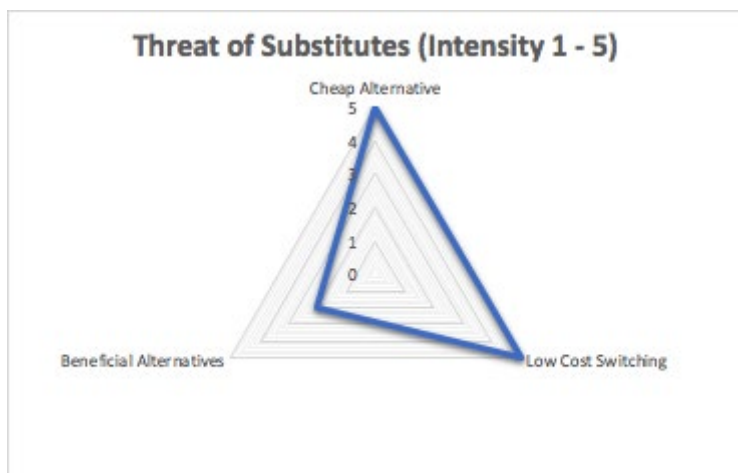
Threat of New Entrants - Strong



There is less risk of being targeted by the large size of market incumbents if the supplier is focused on a specialised industry like organic food. The undifferentiated nature of market offerings also contributes to the threat of new entrants, as core products that are sold (such as vegetables and fruit) are largely the same across markets.

With intensifying urbanisation, there is also greater space in the market for expansion of existing market players, and for new entrants to develop their brand. Scale isn't perceived as an impediment, as players are able to target specific parts of the Asia-Pacific markets such as highly urbanised regions.

Threat of Substitutes - Strong



Key substitutes for organic foods are markedly cheaper non-organic equivalents. Within organic retail, products are differentiated based on nutritional quality, environmental benefits, and claim; limiting the threat of cheaper non-organic products.

Supermarkets that cater to both organic and non-organic markets eclipse specialty grocers; given the extensive product lines for cheaper, non-organic alternatives, there is a strong threat from substitutes within each Asia-Pacific market.

Degree of Rivalry - Moderate



Major market players within the organic food market range from specialised organic retailers, to large supermarket chains, to the organic food producers in-between. Negligible switching costs and limited differentiation between organic products drive up the degree of rivalry; to counteract this, exotic organic products such as fruits and vegetables may be introduced.

Storage costs for organic food items is often significant due to the perishable nature of the products. This can be a significant contributor to the degree of rivalry as market players vie for reduced operating costs.

Strategic Positioning of Major Market Players

The Hain Celestial Group Inc - Maranatha

Product Category: Organic Food - Nut butters and spreads

- The Hain Celestial Group maintains over 3,000 natural and organic products from over 40 brands in Hong Kong.
 - The group’s joint venture with Hutchison Whampoa in 2016 has meant that its products are up to 30% cheaper than other brands at AS Watson, leading to strong consumer interest.
 - Hain Celestial positions its brands within the health and wellness category. The bulk of its market offerings are positioned as organic; where products do not fall into the organic category, they are promoted as ‘Natural’ - a term that is not regulated by the FDA for the American company.
- Maranatha products are non-GMO verified, and maintain USDA organic labelling.

Heinz Hong Kong Ltd - Heinz

Product Category: Sauces, dressings, condiments, soup, baby food

- Leveraging products from its global portfolio and through its partnership with Kraft, Heinz Hong Kong is able to co-brand natural and healthy variants to its existing products range. Combined with a strong brand equity, these successful product introductions reflect a forward-moving, innovative approach.
- Heinz' organic range includes organic tomato ketchup, yoghurt and baby food; these products are USDA certified, non-GMO verified and/or with no artificial flavours or preservatives; leveraging organic fertilisers.

Competitor landscape: Top Grocery Retailers in Hong Kong

Dairy Farm International Holdings Ltd | Country of Origin: Hong Kong, China

- Retail Company Profile - Main business:
 - Dairy Farm International (DFI) is the leading grocery retailer, with a retail value share of 24% in 2016, recording value sales growth of 5%. It operates Wellcome, one of Hong Kong's main supermarket chains. DFI also operates sub-branches, Oliver's the Delicatessen and ThreeSixty, that offer selections of imported fruit and vegetables, fresh meat and internationally branded consumer goods.
- Strategic Direction
 - Although Dairy Farm International is primarily an operator of supermarkets and convenience stores, the company also has its own health and beauty stores in Mannings. Dairy Farm International is also active within the home furnishing category, operating several Ikea's. Hong Kong Maxim's Group, a leading bakery and restaurant also operates under Dairy Farm International.
- Competitive Positioning:
 - Dairy Farm International sets itself apart from traditional competitors by presenting a bright store environment, and by offering fast delivery in addition to great outlet coverage throughout Hong Kong. It does struggle within the non-store retail sector however, as wet markets and traditional retailers are preferred due to the short walking distances between residential apartments and markets, and the unwillingness to wait for online grocery delivery by consumers. As a result, DFI accounted for only a marginal share of non-store retailing sales in 2017, ranking 23rd.
 - Despite this, Dairy Farm International sales share continue to rise due to its growing number of outlets and the clean in-store brand image. The company is now looking to leverage its connections with mainland China to tap into the big sale festival 'Double 12 Season'.
- Private Labels:
 - There are 3 primary private label brands covering the grocery retail category under Dairy Farm International. These ranges offer low-end options to Hong Kong consumers as cheaper alternatives.
 - Yu Ping King offers premium authentic Chinese food and ingredients. These come in the form of staple food products (such as rice), and sauces, dressings and condiments, in addition to ready meals.

- First Choice aims to provide high quality products that are comparable to international brands, but at a discounted price. These include savoury snacks, shelf stable meat and vegetables.
- Surebuy is another value-for-money brand, offering staple food, frozen processed food, and pet food at an affordable price.

AS Watson Group | Country of Origin: Hong Kong, China

- Retail Company Profile - Main Business:
 - AS Watson Group holds the second highest retail value share, 16.7%, in modern grocery retailing. It operates ParknShop, one of Hong Kong's main supermarket chains. Fusion, Taste and International are the sister branches of ParknShop and these stock a wide range of imported foreign brands, operating a total of 605 stores between them.
- Strategic Direction
 - AS Watson is said to be adopting a 'data-first strategy' to help understand consumer shopping behaviour. The company has strengthened its omni-channel retail strategy by establishing an in-house digital division. AS Watson eLab provides global support for the company's e-commerce operations.
 - In 2016, the company appointed MTel, a leading digital agency based in Hong Kong, as its strategic partner to enhance its consumer-centric retailing approach. Leading to the development of mobile applications, online loyalty cards (With over 105 million global members), and over 560 million website visits since the adoption of its data-first strategy.
- Competitive Positioning:
 - As the largest health and beauty retailer in Asia and Europe, AS Watson Group is able to leverage 13 brands across 25 countries, across various product categories.
 - In Hong Kong, AS Watson maintains 2nd position in retailing, with a retail value share of 6.9% in 2016. Its grocery retailing brands hold a combined value share of 16.7%, placing it 2nd behind Dairy Farm International Ltd.
 - AS Watson is set to implement modern store designs, and product displays within its flagship stores.
- Private Labels:
 - Within the grocery retailing category, AS Watson operates 2 private label brands. The demand for these private brands have been relatively stable, as consumers attempt to balance value for money, quality, and price.
 - Best Buy is positioned towards value for money and its products - packaged food, canned/preserved food, home care and hygiene - are priced low.
 - Select provides a budget-to-mid priced product range, including packaged food, soft drinks, chilled food and condiments.

Seven & I Holdings | Country of Origin: Japan

- Retail Company Profile - Main Business:
 - Seven & I Holdings is a Japanese-based multi-channel retailer best known for its convenience store brand, 7-Eleven. The company holds the 3rd highest retail value share at 6.2% in 2016.
 - The company is diversified in its operations, with subsidiaries operating in department stores, food supermarkets, financial services, and convenience stores.
- Strategic Direction:
 - To drive its omni-channel strategy, Seven & I Holdings conducted an absorption-type merger in 2014 between Seven & I Net Media (surviving company), and Seven Net Shopping (dissolving company).
- Competitive Positioning
 - As part of its omni-channel strategy, the company now aims to enable all of its online products to be collected at any of its stores. This is supported by its dedicated net supermarket store, equipped with the specialised systems, allowing the company to process over 2,000 orders per day.
 - Physically, the company has a high consumer contact rate, with over 22 million customers visiting its globally located stores every day.

Alimentation Couche-Tard Inc | Country of Origin: Canada

- Retail Company Profile - Main Business:
 - Alimentation Couche-Tard Inc is one of the largest operators of convenience store in the world. Within Hong Kong, the company operates its subsidiary Circle K.
 - Circle K retails a wide array of food products, such as fresh fruit and vegetables, dairy items, snacks, and chilled aerated drinks. It also provides non-food products such as homewares, mobile top-ops, and health and beauty products.
- Strategic Direction:
 - Circle K has also been able to expand rapidly due to the franchising model that has been set out by Alimentation Couche-Tard. Franchises are given support and training, and are provided with automated services such as centralised distribution, purchasing, marketing, human resources, management, consulting, and information systems.
- Competitive Positioning
 - The broad nature of Circle K's products allow it to serve the diverse needs of its consumers, helping the company to enhance its top-of-the-line.

Market Access Requirements

Industry Regulators:

- Hong Kong Centre For Food Safety
 - The Hong Kong Centre For Food Safety operates under the Hong Kong Food and Environmental Hygiene Department (FEHD) implements food-related legislation and territory-wide food safety control policies. It's important to note that FEHD often tests food products at the point of entry through chemical analysis and bacteriological

examination. Upon request, they are obligated to pay the market price for samples taken.

- Contact number: +852 2381 6096
- Email: rc@fehd.gov.hk
- Hong Kong Customs and Excise Department
 - The Hong Kong Customs and Excise Department operate under the Hong Kong Special Administrative Region. They are a knowledgeable source on import/export clearance procedures, excise related licence and permit applications, and provide information relevant to the submission of import/export declarations.
 - Contact number: +852 2815 7711
 - Email: customsenquiry@customs.gov.hk

Import Procedures

- Documents required to facilitate clearance through customs are:
 - Manifests provided by shippers
 - Import licences (if required)
 - Other supporting documents such as bill of lading, invoice, airway bill, and export packing lists.

Certificates required:

- Live animals, meat, poultry, and dairy products all require health certificates issued by the Australian Department of Agriculture. These health certificates are the only officially recognised certificates by HK authorities.
- Importers of health foods, meat, poultry, ice cream, rice, wine, and live animals must either licence or register with the HK authorities due to the perishable or high-risk nature of these foods.
- Besides this, Hong Kong does not have any legislations in place that specifically regulate organic standards or labelling. As such, dietary supplements, organic foods, and foods with health claims on their labels are subject to the same foods regulations as other conventional food.
- Voluntary organic certification is available, and Hong Kong allows the utilisation of organic logos on products that have been certified by foreign authorities such as the Australian Department of Agriculture. Locally, the Hong Kong Organic Centre provides organic certification for local produce.

Documentation Required:

- Hong Kong requires original standard documentation as per the following:
 - **Commercial Invoice Requirements:** There are no prescribed forms. However, a minimum of 2 copies are required, and faxed signatures deemed unacceptable. The invoice must indicate
 - A description of the goods
 - A country of origin

- Quantities
- Number of packages
- Marks
- Prices
- Freight charges
- Insurance details
- **Bill of Lading Requirements:**
 - No special requirements. However, if it is made out to order then it must contain:
 - The consignee's name and address on either shipping instructions or copy bills.
- **Labelling Requirements:**
 - Food Labelling Regulations: Must comply with local composition and labelling regulations.
 - Labelling can be in English or English-Chinese (bilingual), and must be labelled with:
 - The name of the food - legibly marked
 - Ingredients (including all additives) - preceded by an appropriate heading such as "contents" or "composition"
 - The durability period - "best before" or "use by" in both Chinese characters and in English
 - Special instructions for use / conditions for storage
 - Quantity/Weight/Volume - units allowed include metric, imperial and Chinese units
 - Name and address of the manufacturer/packer - full name, address and country of origin should be marked
 - Declaration of the presence of any and all allergenic substances must be specified in the listed ingredients:
 - Gluten-based products
 - Crustacean-based products
 - Egg-based products
 - Fish-based products
 - Peanuts, soybeans and their products
 - Milk-based products (including lactose)
 - Nut-based products

- Sulphite in concentrations of 10 parts per million or more
 - Pre-packaged food must also be its functional class, and specific name or identification number according to that of the International Numbering System for Food Additives (INS).
- Nutrition Labelling Requirements: Pre-packaged foods are required to carry a nutritional label unless exempt under the HK Amendment Regulation.
 - The nutrition label is required to specify information on energy plus the following 7 core nutrients:
 - Protein
 - Carbohydrates
 - Total fat
 - Saturated fatty acids
 - Trans fatty acids
 - Sodium
 - Sugar
 - HK's nutritional labelling regulation also covers nutritional function claims, and must fulfil the following criteria:
 - Must be based on scientific substantiation and consensus
 - Contains information on the physiological role of the claimed nutrient; and
 - Content of the claimed nutrients must meet the relevant condition of nutritional content claim for its "source"
 - The amounts of any claimed nutrients must also be listed. This claim is related to any type of fats, then the nutritional claim must also specify the amount of cholesterol in the product.
- **Packaging** Requirements:
 - There are no specific packaging requirements in HK. However, due to extreme humidity, it is recommended that waterproof material is used for goods that may be affected under such conditions.

Tariff or Excise/Tax Levied:

- As a free port, Hong Kong does not apply tariffs or duties on imports and exports.
- The exceptions are tobacco, hydrocarbon oil and fuel, methyl alcohol and alcohol over 30% ABV (alcohol by volume).
- However, any imported goods must still meet licensing requirements or import controls to be brought into Hong Kong. The Hong Kong Trade and Industry Department (TID) is responsible for the licensing and registration of goods in Hong Kong.

Non-Tariff Barriers:

- Hong Kong does not maintain non-tariff measures for the protection of domestic industries.
- Hong Kong does however impose non-tariff measures to protect public health, safety, security and the environment. These non-tariff measures come by way of license requirements that are issued by the License Branch of the Trade and Industry Department (TID).
- Import licences are required for the following items;
 - Mainland cereals and grain flour
 - Ozone depleting substances
 - Powdered formula
 - Rice
 - Rough diamonds
 - Strategic commodities
 - Textiles
 - Wine exports to mainland

Method of Quoting and Payments:

- Quotations are set on a Cost, Insurance and Freight (CIF) basis.
- Payment to importers is usually by letter of credit or documents against payment.

Taxation:

- HK contains a low-level tax structure which is levied only on income or profits arising in or derived from Hong Kong for the fiscal year ending March 31.
- The HK Government Inland Revenue Department maintains all relevant information on this tax structure.

Insurance Practice:

- HK maintains a normal commercial practice in regard to insurance.

Public Health Requirements:

- Import requirements for food is imposed for public health safety. As such, importers are encouraged to provide official health certificates/import permits as issued by the relevant regional health authorities.
- High-risk imported food items such as milk-products, frozen confectionary, meat and poultry are governed under the legal framework of food safety control. This is laid down in Part V of the Public Health and Municipal Services Ordinance, Cap 132 and its subsidiary legislation.
 - The basic requirement, as stipulated in section 54 of the Ordinance, is that no food intended for sale should be unfit for human consumption.

- Australian exporters must also be aware of the Food Safety Ordinance, Cap 612.
 - Commenced as of February 2012, this ordinance introduces a food tracing mechanism to assist the HK government in identifying the source of a food via a registration scheme that all food importers and distributors are subject to.

Key Market Access Considerations

The Hong Kong Centre For Food Safety operates under the Hong Kong Food and Environmental Hygiene Department (FEHD) implements food-related legislation and territory-wide food safety control policies. It's important to note that FEHD often tests food products at the point of entry through chemical analysis and bacteriological examination. Upon request, they are obligated to pay the market price for samples taken.

- Hong Kong does not have any legislations in place that specifically regulate organic standards or labelling. As such, dietary supplements, organic foods, and foods with health claims on their labels are subject to the same foods regulations as other conventional food.
- Voluntary organic certification is available, and Hong Kong allows the utilisation of organic logos on products that have been certified by foreign authorities such as the Australian Department of Agriculture. Locally, the Hong Kong Organic Centre provides organic certification for local produce.

Hong Kong's import procedures are easy to understand and adhere to.

- Documents required to facilitate clearance through customs are:
 - Manifests provided by shippers;
 - Import licences (if required)
 - Other supporting documents such as bill of lading, invoice, airway bill, and export packing lists.
- In the wake of food scares such as pork contamination and tainted oil found in Hong Kong food factories, the Food and Environmental Hygiene Department (FEHD) has imposed a more stringent regulatory approach towards food safety control.
- There are specific legal requirements or administrative arrangements for the following selected food items due to their perishable or high-risk nature;
 - game, meat, poultry and eggs;
 - milk and milk beverages;
 - frozen confections; and
 - marine products.
- Food and Environmental Hygiene Department has prepared individual leaflets advising on the proper procedures for importing the above food items respectively.
 - [The guide to Hong Kong's Registration Scheme for Food Importers and Food Distributors](#) can be found here.

Chapter 2: Malaysia

Market knowledge

Economy and consumers

Economy

GDP: MYR 1.18 trillion (AUD \$401 billion)

GDP Growth Rate: Malaysia's GDP growth rate was measured at 1.4% in the first quarter of 2018

Inflation Rate: Malaysia's inflation rate was measured at 1.3% in April 2018

Share in World's Total Imports: Malaysia maintains a 1.04% share of the world's total imports

Share in World's Total Exports: Malaysia maintains a 1.19% share of the world's total exports

Currency:

- The currency used in Malaysia is the Malaysian ringgit (MYR)

Exchange Rate:

- MYR 1 = AUD \$0.34⁶

Income Trends:

- GNI Per Capita (PPP) in 2016 was measured at \$26,900 PPP (Purchasing Power Parity) dollars according to the World Bank.

Average Household Food Expenditure:

- According to the Department of Statistic in Malaysia, food and non-alcoholic beverages represented 18% of household expenditure in 2017. With an annual expenditure of MYR 49,036 (AUD \$16,449), food and non-alcoholic beverages would maintain MYR 8,826 (AUD \$2,960).

Living Standards:

- Kuala Lumpur and Johor Bahru are ranked 85 and 101 respectively in Mercer's 2018 quality of living rankings.
- The World Bank has ranked the Malaysia 31st in the Global LPI (Logistics Performance Index) rankings with a score of 3.43/5
- Malaysia is ranked 31st based on the quality of trade and transport infrastructure with a score of 3.45/5
- Malaysia is ranked 32nd in the world based on the ease of organising competitively priced shipments with a score of 3.48/5
- Malaysia is ranked 35th in the world based on competence and quality of logistics services with a score of 3.34/5

Economy State: Open

Trade Agreements:

- The Malaysia - Australia Free Trade Agreement (MAFTA)
- Under MAFTA, Malaysia eliminates tariffs for imported from Australia, extending by 99%. Malaysian exports also benefit from duty-free entry into Australia.
- Malaysia maintains bilateral agreements with the following countries:
 - Japan
 - India
 - New Zealand
 - Chile
 - Australia
 - Turkey
 - Pakistan
- Malaysia is also a member country within ASEAN's Free Trade Area

Australia's Exporting Relationship with Malaysia:

- Malaysia is Australia's 3rd largest trading partner in ASEAN and the 10th largest trading partner overall, with two-way trade worth AUD \$19.2 billion as of the 2015 calendar year.
- Australia's major exports to Malaysia are:
 - Copper: AUD \$812 million
 - Coal: AUD \$678 million
 - Crude Petroleum: AUD \$423 million
 - Wheat: AUD \$285 million
- Australia's total investment into Malaysia is measured at AUD \$8.7 billion in 2016
- Malaysia's total investment into Australia is measured at AUD \$20.5 billion in 2016

Consumers

Population:

- Resident population: Approx. 29.06 million
- Expatriate population: Approx. 3.32 million
- Population growth: 1.1%
- Median age: In 2018, the median age in Malaysia was recorded at 28.6 years
- Population density: Malaysia's population density was recorded at 96 individuals per square km in 2017, according to the World Bank collection of development indicators.
- According to the Department of Statistics Malaysia, the sex ratio in 2018 was recorded at 107 males per 100 females.

Population Ethnicity:

- According to the Department of Statistics Malaysia in 2018, the approximate percentage makeup of Malaysia is:
 - 69.1% Malaysian
 - 23% Chinese
 - 6.9% Indian
 - 1% Others

Consumer Profile

Consumer Shopping Behaviour:

- Rising affluence has seen a rise in online shopping and an increased concern about product quality. As a result, the relatively young population are demanding higher quality products and services, though, they remain price sensitive and brand conscious.
- Key concerns include fiscal status and job security, and as lifestyle shifts from rural to urban, with longer working hours; consumers are shifting towards the convenience of prepared and packaged meals, while they are also dining out more often.
- Urban consumers within Malaysia undertake household shopping at supermarkets and hypermarkets, typically located within shopping malls.
- Traditional grocers are able to attract both urban and rural consumers; offering convenience and competitive prices.
- Made up of open-fronted stores in shop houses or dry markets, these family-run businesses are ideal for daily shopping, as they carry traditional products among other daily essentials, making them an ideal destination for traditional housewives.
- Urban consumers are beginning to shop for their groceries online, albeit at a slow pace with an online grocery penetration of under 1%.
- The preference among Malaysians is still largely brick-and-mortar grocers. Unlike countries like the US or China, Malaysian consumers are able to easily procure their groceries from neighbourhood shopping malls or wet markets without having to travel long distances.

Spending Trends:

- Malaysians are experiencing a higher standard of living than ever before, and yet high household debt continues to be a concern for lower-income households.
- Malaysians are not big savers, as reflected by a savings ratio of 7.3% in 2017.

Societal Trends:

- Malaysia is currently experiencing a decline in income inequality, as economic growth, labour policies, and government social spending are all forecasted to help reduce this gap through to 2030, presenting an opportunity for companies to target the rising middle class over the next decade.
- With 30% of Malaysian adults being overweight, there has been a concern towards the health consciousness of Malaysian consumers. However, coinciding with rising income levels has been an increase in the number of health-conscious consumers within Malaysia.

- This has led to an increase in demand for organic food products.
- As a result, there are calls for the Malaysian agri-food supply chain players to respond to the rising demand for quality food products.

Consumer expenditure on food and drink products

- Consumer expenditure on food and alcoholic beverages will continue to rise. It is estimated that it will exceed MYR 214 billion (AUD \$72.76 billion) as can be seen below.

Category	Current Constant	2015	2016	2017	2018	2019	2020
Consumer Expenditure	Current Prices (MYR Millions)	653,193.0	706,344.0	783,946.1	848,355.0	920,262.0	995,539.0
Consumer Expenditure on Food and Non-Alcoholic Beverages	Current Prices (MYR Millions)	137,264.0	152,011.0	168,609.0	182,620.0	198,394.0	214,737.0
Consumer Expenditure on Food	Current Prices (MYR Millions)	128,777.0	142,934.0	158,597.0	171,808.0	186,663.0	202,043.0
Consumer Expenditure on Non-Alcoholic Beverages	Current Prices (MYR Millions)	8,476.0	9,077.0	10,012.0	10,812.0	11,732.0	12,694.0

Source: Malaysia Consumer Expenditure Statistics 2015- 2020 - Euromonitor International

Government-Mandated Changes:

- Malaysia's Food Act 1983 and the Food Regulations of 1985 govern food safety and quality control. This includes:
 - Food standards
 - Food hygiene
 - Food import and export
 - Food advertisement
- The Food Safety and Quality Division (FSQD) of the Ministry of Health (MOH) implements and enforces the law regarding food regulation.
- As of July 2014, regulations requiring mandatory labelling of food and food ingredients obtained through modern biotechnology went into effect. The regulation states that no person shall import, prepare, advertise or sell any food and food ingredients that are obtained through modern biotechnology without the written approval of the Deputy Director General of Health of the Ministry of Health Malaysia.

Market analysis

Organic Packaged Food Market

Market Size - Value

- Organic packaged food continues to be a niche category within Malaysia. The value sales of the market have risen by 7% in 2016, reaching MYR 10 million (AUD \$3.4 million).
- This figure is expected to experience a CAGR of 3% through to 2021, reaching MYR 11 million by 2021 (AUD \$3.74 million).
- Price points are high for organic packaged foods, which is limiting the interest of price-sensitive consumers. A lack of promotional activity is also contributing to limited category growth. Many consumers are instead shifting towards fortified and functional packaged food due to their relative affordability when compared to organic packaged food.
- With value sales exceeding MYR 5 billion (AUD \$1.7 billion), fortified and functional packaged food leads Malaysia's health-focused packaged food category.

Category Sales Figures:

- Based on sales figures, Organic baby food is the only significant sub-category within Malaysia's organic packaged food industry.
- Organic savoury snacks, spreads, sauces, dairy and confectionary among other sub-categories all remain insignificant during the forecast period.

MYR million	2011	2012	2013	2014	2015	2016
Organic Baby Food	7.1	7.4	7.9	8.5	9.2	9.8
Organic Packaged Food	7.1	7.4	7.9	8.5	9.2	9.8

Sale of Organic Packaged Food by Category: Value 2011 - 2016 - Euromonitor International

Forecasted Sales Figures

- Organic baby food is expected to experience a CAGR of 3.1% between the 2016 – 2021 forecast period.

MYR million	2016	2017	2018	2019	2020	2021
Organic Baby Food	9.8	10.1	10.5	10.8	11.1	11.4
Organic Packaged Food	9.8	10.1	10.5	10.8	11.1	11.4

Forecasted Sale of Organic Packaged Food by Category: Value 2016 - 2021 - Euromonitor International

Health & Wellness Category Value Sales - Malaysia

H&W - MYR Million	2012	2013	2014	2015	2016	2017
Better For You Products	344	357	368	378	395	404
Fortified Functional Products	6,437	7,022	7,419	7,782	8,338	8,504
Free-From Products	398	417	437	463	488	517
Naturally Health Products	1,307	1,370	1,432	1,496	1,582	1,602
Organic Products	7.4	7.9	8.5	9.2	9.8	10.2
Health & Wellness Products	8,493.4	9,173.9	9,664.5	10,128.2	10,812.8	11,037.2

Source: Euromonitor International, 2018

Organic Beverages in Malaysia

- As a category, organic beverages have negligible value sales within Malaysia.
 - This limited demand has been attributed to low supply and variety, and high price.

Key trends and drivers in Organic Packaged Food

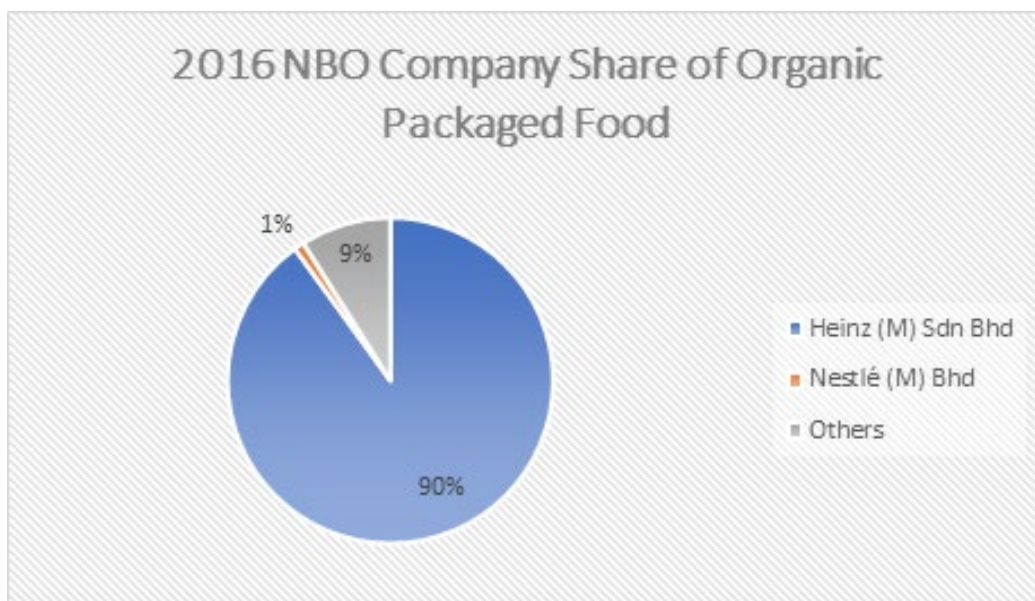
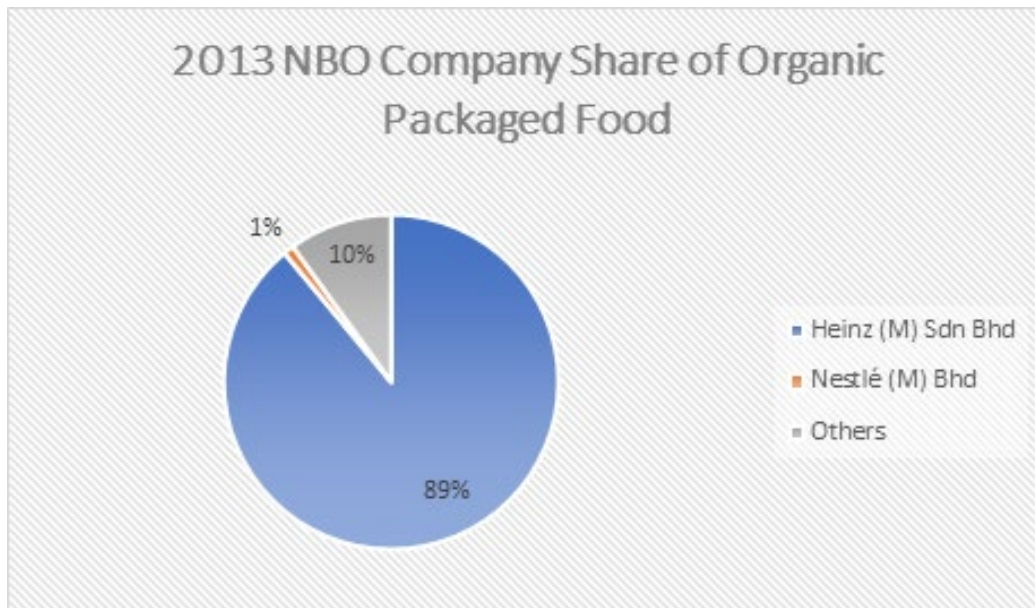
Organic Packaged Food Trends:

- High quality fresh meat and vegetables are becoming a key grocery item for health-conscious, price-sensitive Malaysian consumers. For such items, consumers are turning to smaller grocery retailers that emphasise fresh produce over supermarkets that emphasise both grocery and non-grocery items.
 - Price points remain high for organic packaged foods which is limiting the interest of these price-sensitive consumers.
- A lack of promotional activity is contributing to limited category growth. Consumers remain highly skeptical of the credibility of organic packaged food due to the high prevalence of false claims made by informal market players.
 - Domestic brands continue to struggle as a result of high production costs.
 - Passing on the costs to consumers is not seen as a viable strategy due to the price sensitive outlook of Malaysian consumers.
- Organic packaged food is miniscule in size when compared with the larger health and wellness category; with sales reaching MYR 10.2 million (0.09% of H&W category)
 - The only significant sub-category within Malaysia's organic packaged food category is organic baby food.
- Although organic packaged food as a category is experiencing a CAGR of 6.5%, consumers may be tempted to shift toward functional packaged food during the forecasted period due to the affordable nature of the products when compared to premium priced organic alternatives.

Company Shares of Market Within the Category:

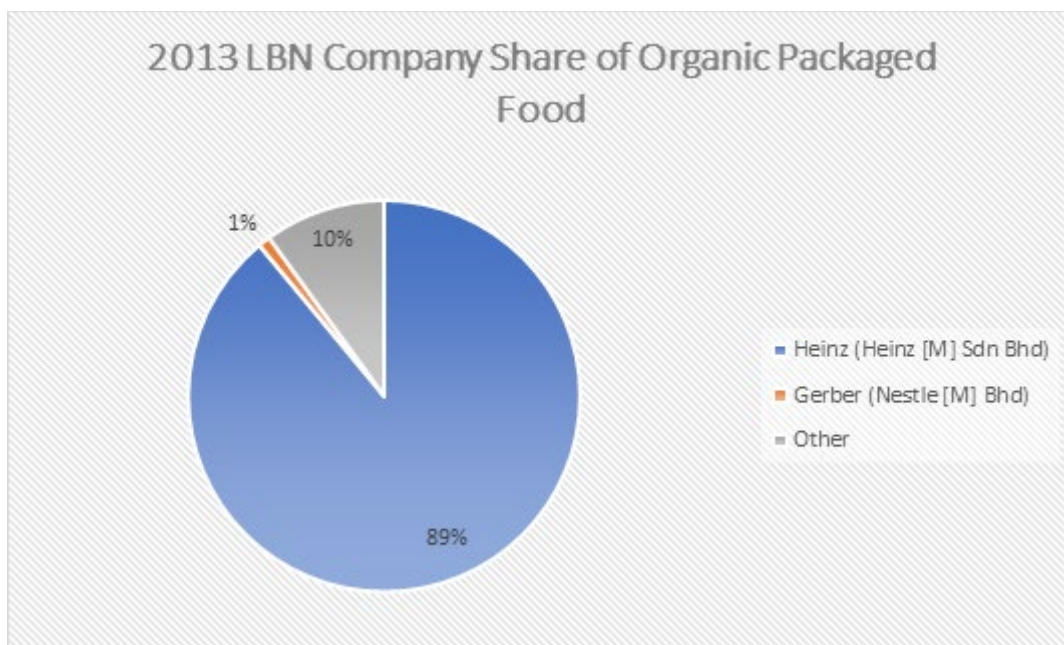
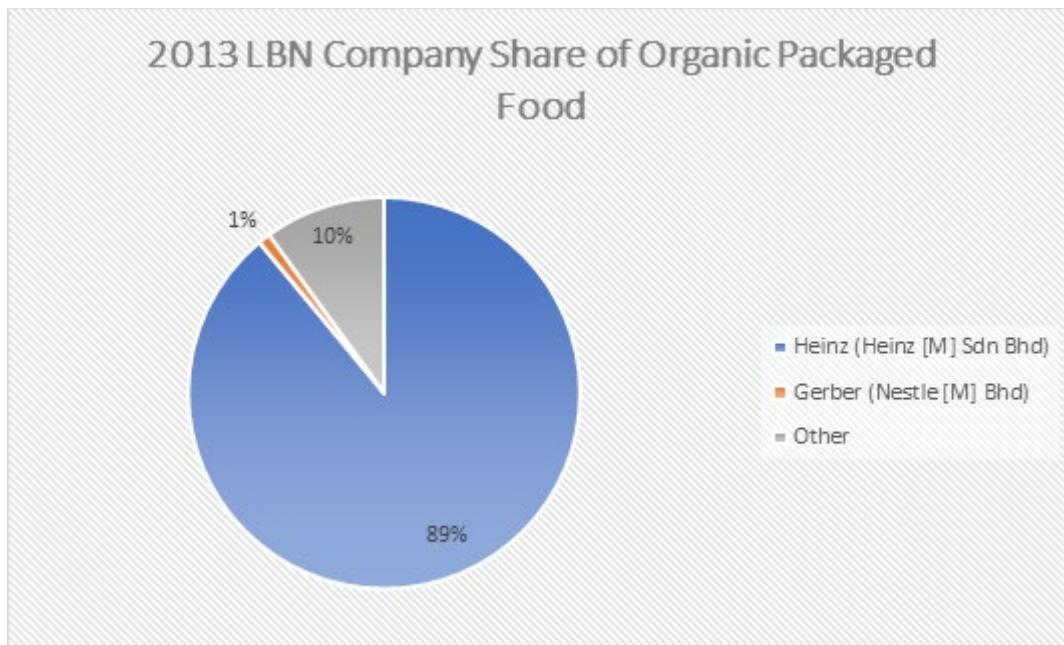
- Heinz dominates Malaysia's organic packaged food category with a value share of 90% and sales of MYR 9 million.

- Heinz is able to leverage its wider range distribution of products to dominate retail shelf space across Malaysia. Alongside Nestle, the two international brands are able to offer quality products that domestic brands are unable to compete with.



Source: NBO Company Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Brand Shares Within Category:



Channel Overview—Grocery Retailers

Industry Overview - Key Trends and Developments:

- Grocery retailers posted a CAGR of 2.3% between 2012 – 2017, reaching MYR 63 billion in 2017 (AUD \$21.42 million). This figure is forecasted to reach MYR 65 billion by 2020 (AUD \$22.10 million).
- High quality fresh meat and vegetables are becoming a key grocery item for health-conscious, price sensitive Malaysian consumers. For such items, consumers are turning to smaller grocery

retailers that emphasise fresh produce over hypermarkets that emphasise both grocery and non-grocery items.

- There is a growing number of time-starved consumers who undertake short daily grocery top-ups at smaller grocery retailers as opposed to longer weekly trips to larger hypermarkets.

Channel Overview:

- Sales in retail channels

MYR million						
	2012	2013	2014	2015	2016	2017
Modern Grocery Retailers	24,193.0	24,934.0	25,911.0	27,235.0	27,878.0	28,263.0
Convenience Stores	2,356.0	2,550.0	2,870.0	3,127.0	3,364.0	3,623.0
Discounters	134.0	204.0	244.0	257.0	259.0	233.0
Forecourt Retailers	1,339.0	1,440.0	1,548.0	1,706.0	1,696.0	1,732.0
Hypermarkets	12,894.0	13,016.0	13,201.0	13,821.0	13,911.0	13,681.0
Supermarkets	7,470.0	7,724.0	8,048.0	8,324.0	8,648.0	8,994.0
Traditional Grocery Retailers	32,099.0	32,473.0	33,023.0	33,786.0	34,535.0	34,760.0
Food/Drink/Tobacco Specialists	15,319.0	15,398.0	15,680.0	16,245.0	16,815.0	16,846.0
Independent Small Grocers	14,654.0	14,865.0	15,058.0	15,189.0	15,309.0	15,447.0
Other Grocery Retailers	2,135.0	2,210.0	2,285.0	2,352.0	2,411.0	2,467.0
Grocery Retailers (Rounded figure)	56,292.0	57,407.0	58,934.0	61,021.0	62,413.0	63,023.0

Source: Sales in Grocery Retailers by Channel: Value 2012 - 2017 - Euromonitor International

- % Value growth by channel:
 - Convenience stores have maintained a strong CAGR between 2012 – 2017 at 9%. Conversely, Hypermarkets have slowed down, experiencing -1.7% in value during 2016/17, and a CAGR of 1.2% between 2012 – 2017.
 - Traditional grocery retailers maintained modest growth with an average CAGR of 1.6% between 2012 – 2017, slowing down to 0.7% during 2016/17.

% Current value growth			
	2016/17	2012 – 17 CAGR	2012/17 Total
Modern Grocery Retailers	1.4	3.2	16.8
Convenience Stores	7.7	9.0	53.8
Discounters	-10.0	11.7	73.8
Forecourt Retailers	2.1	5.3	29.3
Hypermarkets	-1.7	1.2	6.1
Supermarkets	4.0	3.8	20.4
Traditional Grocery Retailers	0.7	1.6	8.3
Food/Drink/Tobacco Specialists	0.2	1.9	10.0
Independent Small Grocers	0.9	1.1	5.5
Other Grocery Retailers	2.3	2.9	15.5
Grocery Retailers	1.0	2.3	12.0

Source: Sales in Grocery Retailers by Channel: % Value Growth 2012 - 2017 - Euromonitor International

- Modern vs Traditional:
 - Modern grocery retailers accounted for 45% of all value sales within Malaysia's grocery retailing category in 2016.
 - Hypermarkets in Malaysia have declined as consumers switch to convenience stores within the modern grocery retailer's category.
 - Convenience stores are expected to expand their outlets to better cater for increasing demand by busy consumers.
- Traditional grocery retailers accounted for 55% of all value sales within Malaysia's grocery retailing category in 2016.
 - Traditional grocery retailers are set to face aggressive expansion efforts from supermarkets and convenience stores. These modern grocery retailers appeal to younger tech-savvy consumers by offering online retailing options in addition to mobile application promotions.
 - Despite this, traditional grocery retailers will remain an important channel within rural areas where modern grocery retailers have not yet penetrated.

Channel Forecast

- Forecast Sales in Grocery Retailers by Channel: Value

MYR million	2017	2018	2019	2020	2021	2022
Modern Grocery Retailers	28,263.0	28,664.0	29,062.0	29,473.0	29,921.0	30,383.0
Convenience Stores	3,623.0	3,841.0	4,040.0	4,234.0	4,442.0	4,646.0
Discounters	233.0	241.0	249.0	256.0	264.0	271.0
Forecourt Retailers	1,732.0	1,770.0	1,810.0	1,851.0	1,895.0	1,940.0
Hypermarkets	13,681.0	13,449.0	13,207.0	12,956.0	12,696.0	12,430.0
Supermarkets	8,994.0	9,363.0	9,756.0	10,176.0	10,624.0	11,096.0
Traditional Grocery Retailers	34,760.0	35,088.0	35,353.0	35,611.0	35,859.0	36,103.0
Food/Drink/Tobacco Specialists	16,846.0	16,997.0	17,116.0	17,253.0	17,408.0	17,583.0
Independent Small Grocers	15,447.0	15,571.0	15,680.0	15,774.0	15,853.0	15,916.0
Other Grocery Retailers	2,467.0	2,522.0	2,557.0	2,584.0	2,598.0	2,604.0
Grocery Retailers (Rounded figure)	63,023.0	63,752.0	64,415.0	65,084.0	65,780.0	66,486.0

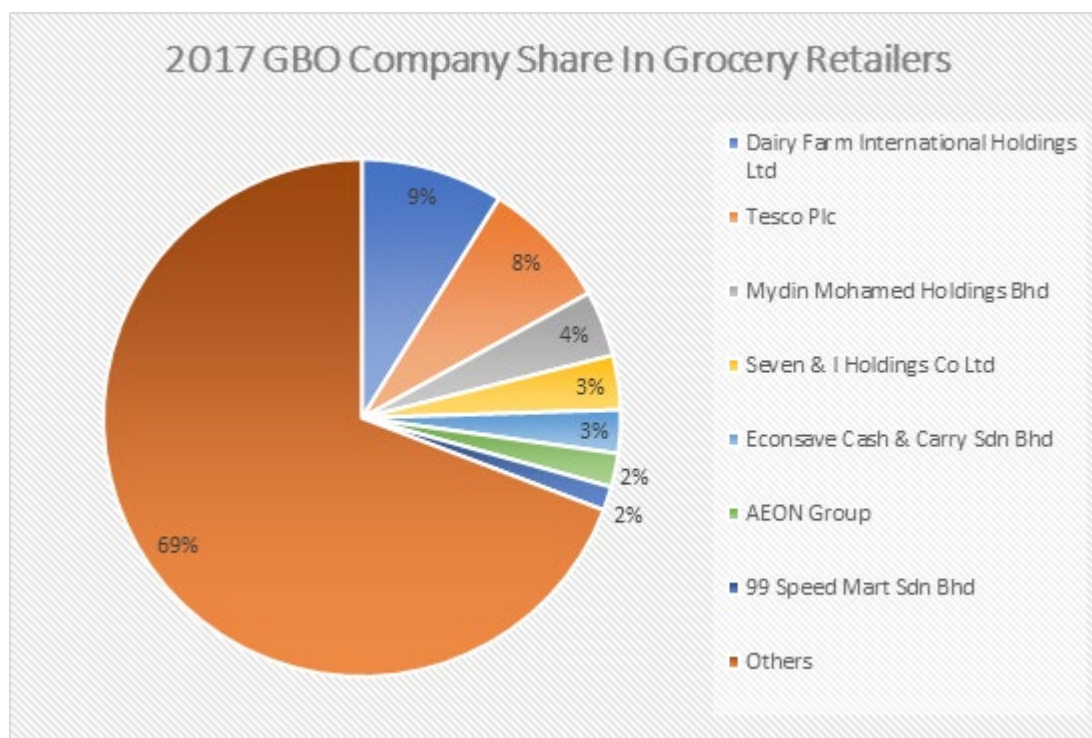
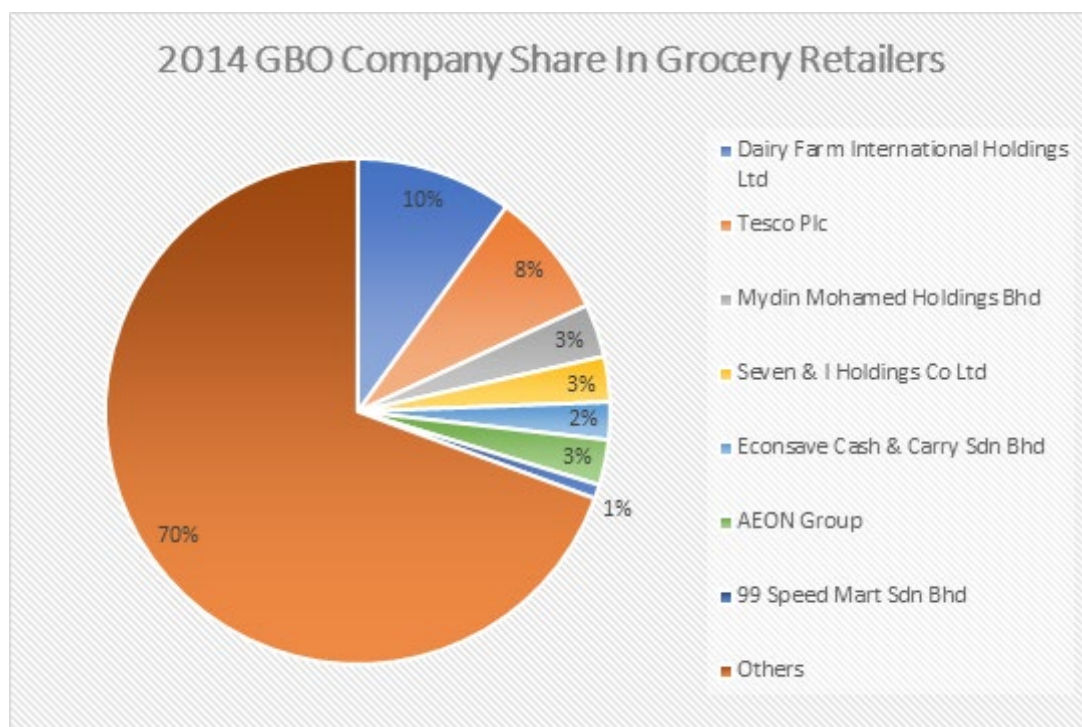
Source: Forecast Sales in Grocery Retailers by Channel: Value 2017 - 2022 - Euromonitor International

- Forecast Sales in Grocery Retailers by Channel: % Value Growth

% Current value growth	2017/18	2017 – 22 CAGR	2017/22 Total
Modern Grocery Retailers	1.4	1.5	7.5
Convenience Stores	6.0	3.1	28.2
Discounters	3.5	3.1	16.4
Forecourt Retailers	2.2	2.3	12.0
Hypermarkets	-1.7	-1.9	-9.1
Supermarkets	4.1	4.3	23.4
Traditional Grocery Retailers	0.9	0.8	3.9
Food/Drink/Tobacco Specialists	0.9	0.9	4.4
Independent Small Grocers	0.8	0.6	3.0
Other Grocery Retailers	2.2	1.1	5.5
Grocery Retailers	1.2	1.1	5.5

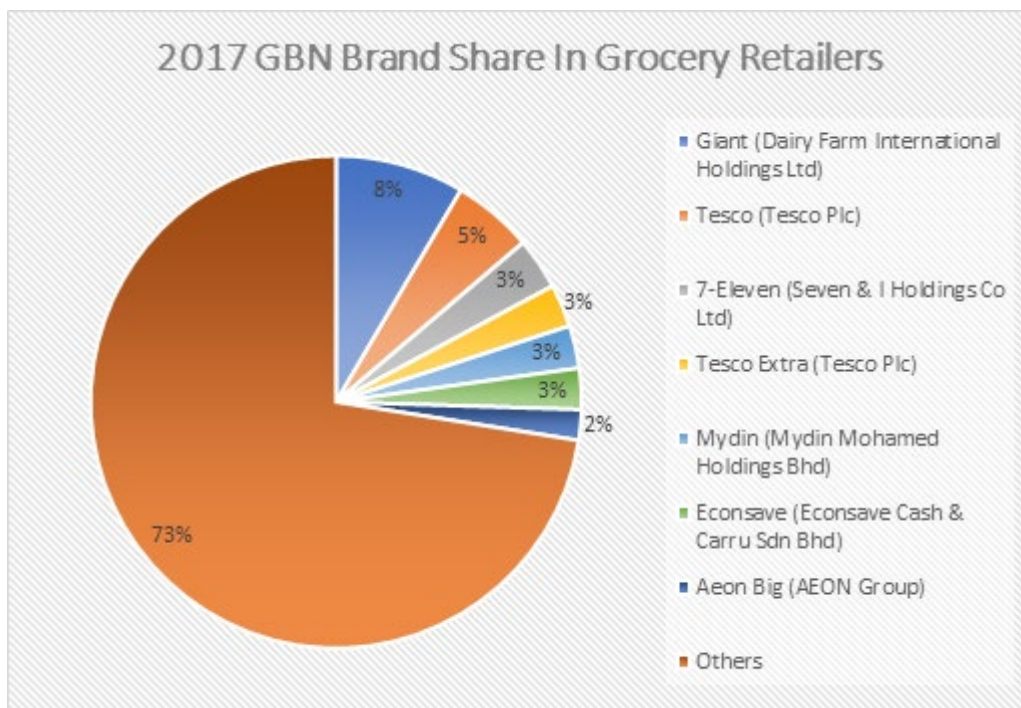
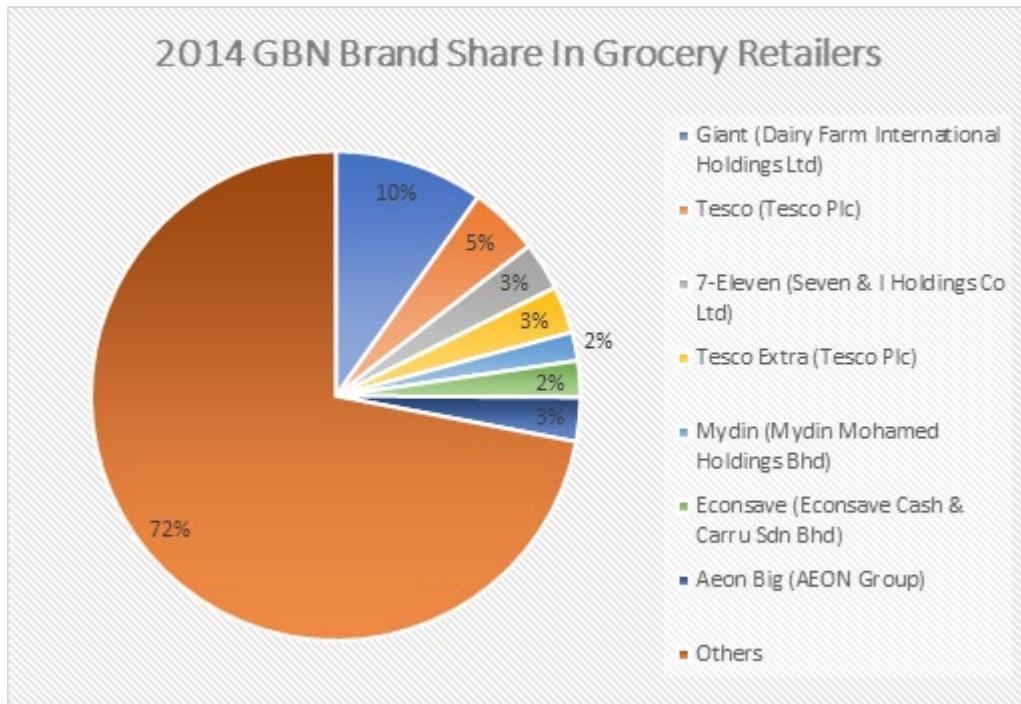
Source: Forecast Sales in Grocery Retailers by Channel: % Value Growth 2017 - 2022 - Euromonitor International

- Grocery Retailers Market Share in Malaysia: % Value 2014 - 2017



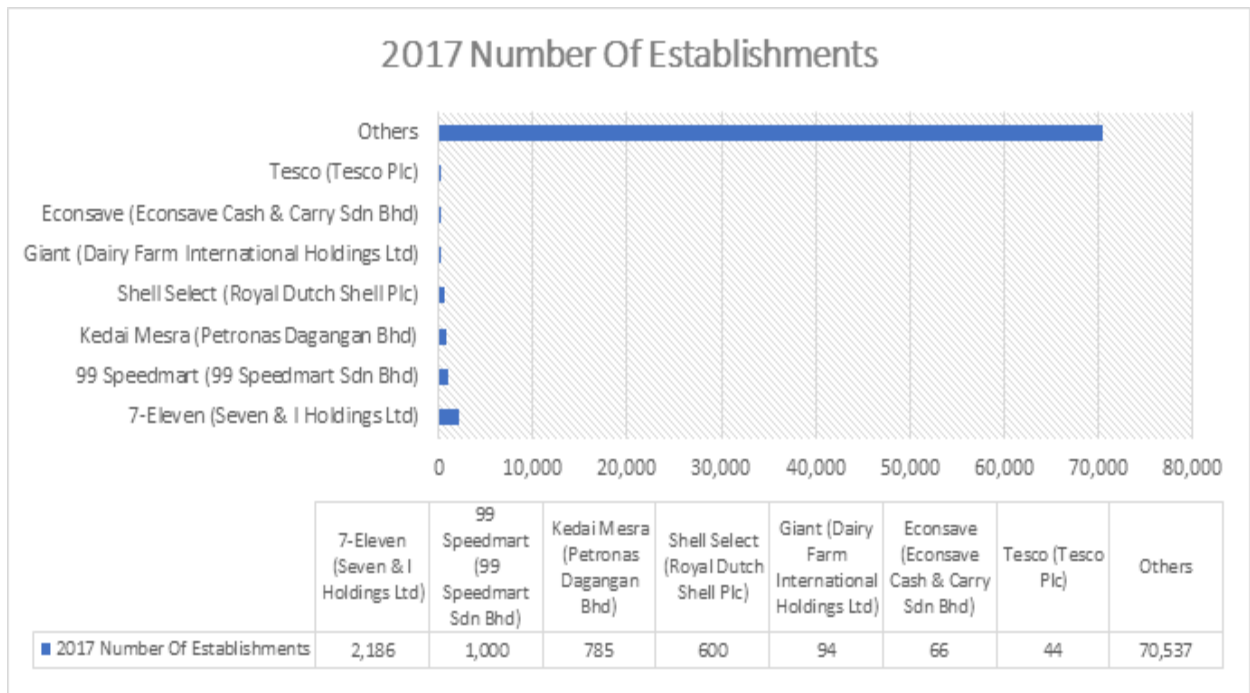
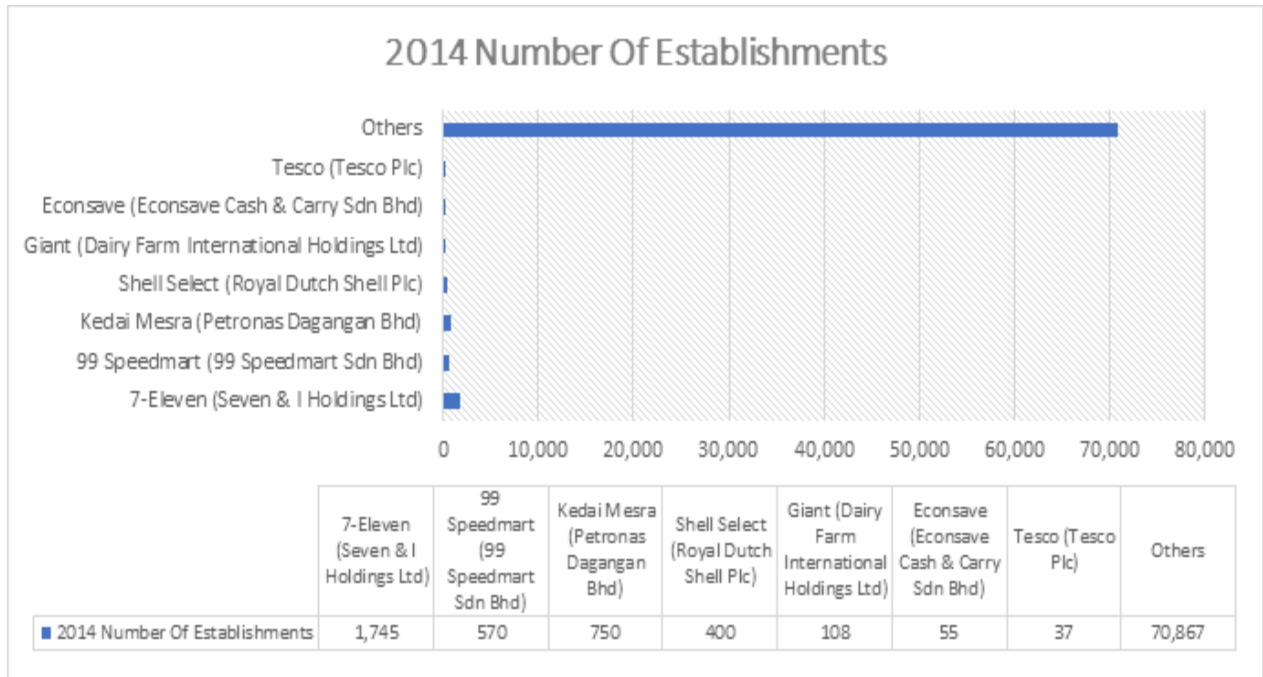
Source: Grocery Retailers GBO Company Share in Malaysia: % Value 2014 - 2016 - Euromonitor International

- Grocery Retailers Brand Share in Malaysia: % Value 2014 - 2017



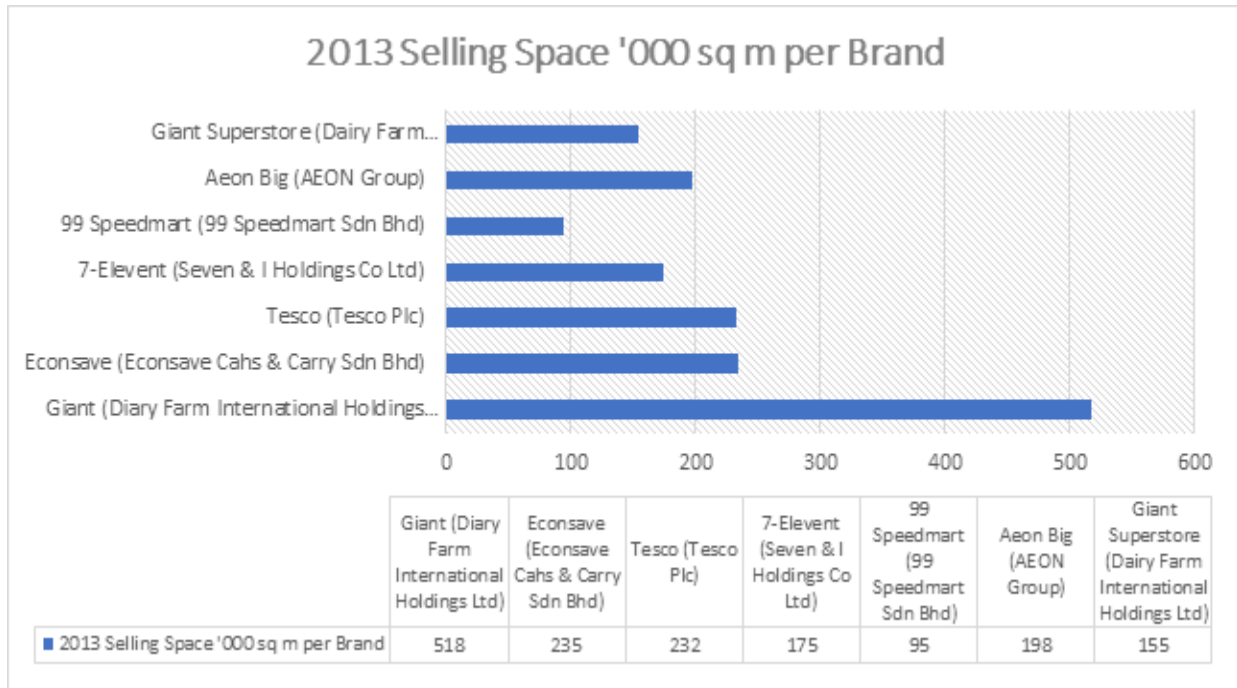
Source: Grocery Retailers GBN Brand Share in Malaysia: % Value 2014 - 2017 - Euromonitor International

- Number of establishments in Malaysia by Grocery Retailers:



Source: Grocery Retailers LBN Brand Shares: Outlets 2014 - 2017 - Euromonitor International

- Grocery Retailer's Selling Space in Malaysia



Source: Grocery Retailers LBN Brand Shares: Selling Space 2013 – 2017 – Euromonitor International

Market access

Opportunities and Challenges in Malaysia

Opportunities	Challenges
Malaysia imports about 70% of its food; including meat, dairy, fruits, and vegetables.	Halal certification is a must where possible; over 60% of the population follows Islam and demands halal products; this process can be cumbersome.
Malaysia is becoming increasingly familiar with Western menu's; acting as markets of interest.	Importers and distributors negotiate at the lowest price possible regardless of the exporter/exporting country.
Supermarkets and Hypermarkets make up 35% of all retail value (including modern and traditional retail value); these market players are continually evolving and are expected to incorporate organic products into their shelves once there is enough demand.	While there is increasing concern for health consciousness, Malaysians (1) are unaware of organic products, and (2) maintain a distinct lack of trust towards organic products. Organic food as a category remains underwhelming in Malaysia.
Halal products are perceived to be the benchmark for quality, hygiene, and safety; halal certification has value-added marketing amongst consumers, retailers, and foodservice providers.	Consumers are highly price conscious; perhaps the highest in South-East Asia. This is an issue as organic products typically cost between 100 - 300% more than their mass market alternatives.

Road Map to Malaysia's Market

With respect to the competitive intensity of organic food within the Asia-Pacific Region; there are three key strategies when considering market entry into Malaysia. These four strategies encompass:

1. Marketing Communication - Malaysian consumers remain sceptical of organic products, despite Government certification efforts. Organic producers and packaged food suppliers should address this lack of credibility and trust in the marketplace by actively informing Malaysian consumers of their product's relative advantage over non-organic alternatives; highlighting nutritional value, quality, safety, health benefits, and country of origin.
 - a. Leveraging accreditations - Organic producers should move quickly to gain Halal certification (where applicable), and registering for the Healthier Choice initiative in order to justify their product's key benefits; helping to manage consumer skepticism towards the organic category.
 - b. A 2017 organic market study containing a sample of 421 Malaysian consumers found health consciousness, and to a lesser extent, past experiences and personal values to influence organic product purchasing behaviour.
2. Efficient and Effective Supply Chain - Due to a relatively underdeveloped organic market, there is a distinct opportunity for Australian organic producers to leverage first-mover advantages

within Malaysia as premium organic offerings. In order to carry out this strategy, an efficient network of distributors is pivotal as it allows Australian organic producers to pursue a market penetration strategy within Malaysia.

a. Single or multiple distribution channels may be required; leveraging importers and/or agents.

3. Acquiring Halal Certification - Acquiring halal certification where possible is a must for Australian organic producers. Muslims account for over 60% of the population; the Malaysian government continues to support global halal players; having organised the Malaysia International Halal Showcase (MIHAS) since 2014.

In regard to packaged food alternatives, there are 2 relevant prime positioning statements that may be leveraged by organic producers when retailing their products. These statements are “General Wellbeing” and “Free From”; accruing MYR 4.7 billion (42.8% of H&W positioning), and MYR 517 million (4.69% of H&W positioning) respectively in retail value (2017).

Competitor Landscape

Competitive Intensity of Organic Food in Asia-Pacific Region

Buyer Power - Moderate

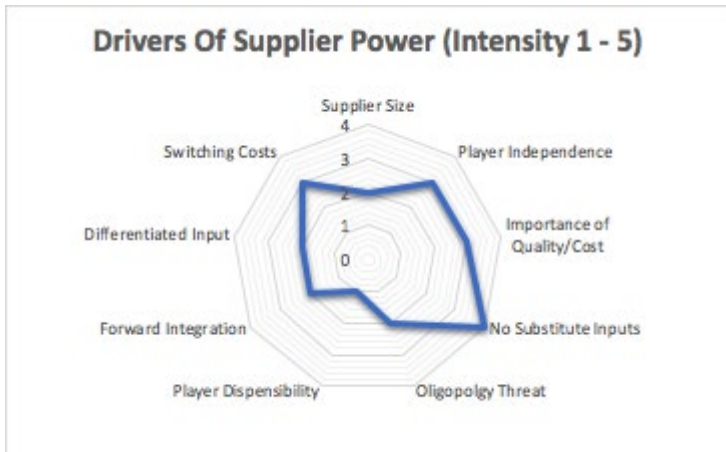


With the majority of buyers being end consumers, financial muscle is typically negligible when compared with larger market players such as 7-Eleven. There are, however, larger buyers present in this category - coming in the form of schools and organisations that offer healthy alternatives in the form of organic food items to their students/employees.

Price sensitivity is a key consideration when targeting end consumers; the expectation from buyers is to pay a premium price for organic food products. To counteract this, producers and suppliers must emphasise key benefits in order to incentivise these end consumers. Irregardless of marketing strategy, it's worth noting that price sensitivity will be high whenever there is economic uncertainty, and financial instability, and vice-versa.

Increasing consumer awareness and demand for organic products strengthens buyer power; this demand, bolstered by government programs to support the organic market will incentivise chained supermarkets and other grocery retailers to integrate organic foods into their existing range.

Supplier Power - Weak



Middle class consumers are increasingly turning to larger supermarkets for their organic food items; this reliance has significantly reduced supplier power across the Asia-Pacific region. In more developed economies, this reliance is even more intense.

Retailers in these markets are reliant on the quality of their suppliers, with strict production standards acting as an integral cog in maintaining the credibility of organic food products. As a result, long-term contracts are often maintained between suppliers and retailers, increasing supplier power.

While there is a large number of organic suppliers to the Asia Pacific region; these suppliers tend to be smaller in size when compared to their retailing partners. Larger retail players in the Asia-Pacific region leverage this power imbalance to gain favourable deals; significantly reducing the power of suppliers.

Threat of New Entrants - Strong



There is less risk of being targeted by the large size of market incumbents if the supplier is focused on a specialised industry like organic food. The undifferentiated nature of market offerings also contributes to the threat of new entrants, as core products that are sold (such as vegetables and fruit) are largely the same across markets.

With intensifying urbanisation, there is also greater space in the market for expansion of existing

market players, and for new entrants to develop their brand. Scale isn't perceived as an impediment, as players are able to target specific parts of the Asia-Pacific markets such as highly urbanised regions.

Threat of Substitutes - Strong



Key substitutes for organic foods are markedly cheaper non-organic equivalents. Within organic retail, products are differentiated based on nutritional quality, environmental benefits, and claim; limiting the threat of cheaper non-organic products.

Supermarkets that cater to both organic and non-organic markets eclipse specialty grocers; given the extensive product lines for cheaper, non-organic alternatives, there is a strong threat from substitutes within each Asia-Pacific market.

Degree of Rivalry - Moderate



Major market players within the organic food market range from specialised organic retailers, to large supermarket chains, to the organic food producers in-between. Negligible switching costs and limited differentiation between organic products drive up the degree of rivalry; to counteract this, exotic organic products such as fruits and vegetables may be introduced.

Storage costs for organic food items is often significant due to the perishable nature of the products. This can be a significant contributor to the degree of rivalry as market players vie for reduced operating costs.

Strategic Positioning of Major Market Players

Malaysia has an underdeveloped organic market, with local organic farming and production having only developed in the 1990s. As a result, consumer awareness of organic products in Malaysia is significantly lower than other Asia-Pacific nations.

While this may be disheartening, Malaysia is a rapidly developing market with increasing preference for Western brands. As of 2017, Austrade indicates that Malaysian consumers are searching for functional, minimally produced fresh, organic, and natural foods.

Heinz - Kraft Heinz Co

Product Category: Baby Food

- Heinz are the premier suppliers of organic and minimally produced baby food within Malaysia.
- These products are primarily sourced from Australia and Belgium; ranging from jars to pouches, and from purees, to rice cakes, and biscuits.
- Heinz is able to leverage its wider range distribution of products to dominate retail shelf space across Malaysia; domestic brands aren't able to compete with the quality and brand equity that Heinz maintains.
- The introduction of smaller pouches indicates an accommodative shift for price-conscious consumers.

Gerber - Nestle SA

Product Category: Baby Food

- As a trusted US brand with high consumer recognition amongst mothers, Gerber maintains over 70% of the US dried baby food market, and 75% of the US prepared baby food market; Gerber is currently the only capable challenger of Heinz within Malaysia's organic packaged food space.
- Nestle's decision to establish its global center for halal production in Malaysia has significantly enhanced its reputation within the market; setting a strong foundation for organic product alternatives in the future.

Competitor landscape: Top Grocery Retailers in Malaysia

Dairy Farms International Holdings | Country of Origin: Hong Kong, China

- Retail Company profile - Main business:
 - Dairy Farm International Holdings (DFI) is Malaysia's leading grocery retailer with a retail value share of 9% in 2017. The company operates various retail-based subsidiaries in Malaysia, the largest two being Giant and Cold Storage.
- Strategic Direction:
 - DFI has reorganised into four divisions in recent years. These divisions include Food, Health & Beauty, Home Furnishings and Restaurants, with a view to develop sustained growth across Asia.

- Each of DFI's brands are actively promoting their own private labels.
 - This is done by placing them in prominent shelf positions and by offering price discounts for consumers.
- Competitive Positioning:
 - Cold storage supermarkets cater to mid-range to high-end consumers by offering premium products, while Giant hypermarkets and supermarkets offer low-to-mid priced products which typically cater to mass consumers on a budget.
- Private labels:
 - First Choice maintains a presence in Cold Storage supermarkets. With mid-price positioning, the private label covers a range of products including packaged food, hygiene and home care.
 - Giant hypermarkets and supermarkets maintain their own private label which range from home care to packaged food at lower-tier prices.

Tesco Plc | Country of Origin: United Kingdom

- Retail Company profile - Main business:
 - Tesco Malaysia operates as a subsidiary of UK-based multinational retailer Tesco Plc. The core business operates through hypermarkets; however, the company has also launched an online grocery shopping and home delivery service in 2013 to supplement in-store sales.
 - Tesco hypermarkets operate under the Tesco and Tesco Extra brand, with a strong presence in West Malaysia. Backed by two state-of-the-art distribution centres in Selangor.
- Strategic Direction:
 - Tesco Malaysia is looking to expand its network of retail outlets by launching more small-format stores.
 - Via its online ordering platform, Tesco Malaysia has been able to serve over 1,000 households per week, with sales growing strongly on a relatively infant platform.
- Competitive Positioning:
 - To attract low-income and middle-income segments, the company continues to offer lower priced products through its private labels Tesco Value.
 - The company is able to cover a wide product portfolio through its private label, ranging from packaged food, fresh food and home care.
- Private labels:
 - Tesco Value and Assign are the company's budget range private labels, offering packaged food, beauty and personal care, and apparel.
 - Tesco Choice is the company's mid-priced private label, offering packaged food options.
 - For its premium range, Tesco Light Choices and Tesco Finest offer packaged food options.

Mydin Mohamed Holdings Bhd | Country of Origin: Malaysia

- Retail Company profile - Main business:
 - Mydin is a privately-owned company involved in both retail and wholesale. As a leading Muslim wholesaler retailer, the company stresses Halal practices across its businesses; offering Halal products at competitive prices.
 - With 72 outlets across Malaysia, the company operates within the supermarket and discounters category.
- Strategic Direction:
 - Following Halal practices in all business facets, the company has gained popularity by offering transparent business practices across its operations.
 - To increase accessibility, the company is looking to expand into other retailing channels such as convenience stores.
- Competitive Positioning:
 - Mydin is the only discounter in Malaysia which has support from the government and local authorities.
- Private labels:
 - Mydin does not offer any private labels, instead focusing on ensuring that its products come with Halal certification.

Seven & I Holdings Co Ltd | Country of Origin: Japan

- Retail Company profile - Main business:
 - The Malaysian national brand owner of Seven & I Holdings is 7-Eleven Malaysia Sdn Bhd.
 - 7-Eleven Malaysia has established its leadership within the convenience store category, operating close to 2,200 outlets within Malaysia's commercial and suburban districts.
- Strategic Direction:
 - 7-Eleven Malaysia continues to increase its product and service offerings with the addition of quick meal solutions via packaged fresh food products.
 - While online sales remained limited, the company supplements its store-based retailing activities with its website which offers information regarding products and active promotions.
- Competitive Positioning:
 - The rising demand for convenience stores in Malaysia has largely benefited the company. With quick checkouts and a budget priced range largely appealing to Malaysian consumers.
 - The company is an innovator in terms of its products and services, offering Touch 'n Go credit reloading services, bill payments for utility provers, as well and point-of-sale activated gift cards.
 - By providing 24-hour service, the company is able to challenge retailers from other channels, including supermarkets and hypermarkets.

- Private labels:
 - 7-Eleven Malaysia’s private label range focuses on food and beverages that fulfil the ‘on-the-go’ consumption behaviour of Malaysian consumers. The 4 budget-range takeaway food private labels are:
 - Fresh to Go
 - Noodles to Go
 - Toast’ee to Go
 - Treats to Go
 - The company also offers bottled water under the private label brand Aktiff.

Econsave | Country of Origin: Malaysia

- Retail Company profile - Main business:
 - Econsave is a Malaysian-based budget supermarket chain. The company offers a wide range of competitively priced products in categories such as food, groceries, personal care, and apparel.
 - Primarily positioned in the Selangor area, the company is now looking to expand further to West Malaysia.
- Strategic Direction:
 - Econsave is looking to expand its network of stores across Malaysia, while reinforcing its positioning as a frequent discounter via its “Compare our prices” marketing campaign.
- Competitive Positioning:
 - Through its positioning as a budget supermarket chain, the company is able to attract price-conscious consumers via frequent price discounts and promotions.
 - Econsave is the market leader within the supermarket category, holding 19% value share.
- Private labels:
 - The company private label operates under the Econsave brand, with a wide variety of budget-range products.
 - This assortment includes packaged food, soft drinks, hygiene, canned/preserved food and home care products.

Market Access Requirements

Industry Regulators

- Malaysia Australia Business Council
 - The Malaysia Australia Business Council (MABC) has been the leading voice of Malaysian and Australian businesses with over 700 members.
 - Contact number: +603 7960 9490
 - Email: mabc@mabc.org.my

- Malaysia External Trade Development Corporation (MATRADE)
 - MATRADE is actively involved in assisting foreign companies to source for suppliers of Malaysian products and services and is represented worldwide at more than 40 locations in major commercial cities.
 - Contact number: +603 6207 7077
 - Email: info@matrade.gov.my
- Ministry of Agriculture and Agro-based Industry (MOA)
 - As a ministry of the Malaysian Government, MOA is responsible for food security, agribusiness, livestock and more within Malaysia.
 - Contact number: +603 8870 1200

Documentation Required

Malaysia's import procedures are easy to understand and adhere to. Documents required to facilitate clearance through customs are:

- Import licences (applied through the Ministry of International Trade and Industry)
- Other supporting documents such as bill of lading, packing list, commercial invoice and customs export or import declaration.
- Note: Due to MAFTA, exports from Australia need only be supported by a simple DOO (Declarations of Origin), as opposed to a Certificate of Origin.
- The DOO can take the form of a declaration on the invoice or company letterhead; including a description of the goods, the HS Code, origin conferring criteria, name and details of the exporter/producer, and a declaration by the exporter/producer or their authorised representative that the goods are originating.
- [A guide to Malaysia's DOO statement can be found through the DFAT website.](#)

Malaysia requires original standard documentation as per the following:

- **Pro-forma Invoice Requirements:** Not compulsory but they may be requested.
- **Commercial Invoice Requirements:** Two commercial invoice copies are required, either signed by the shipper or exporter, indicating the following:
 - Number and descriptions of the package
 - The marks and numbers of individual packages
 - A detailed description of the packaged goods
 - The gross and net weights of the package or its quantity
 - FOB and CIF values
 - The country of origin
 - The place of shipment and destination of the goods

Bill of Lading Requirements: A minimum of 2 copies must be provided. To order bills are also acceptable.

Product Certification, Labelling and Packaging Requirements:

- In accordance with the Food Labelling Guidelines (section IV of Malaysia's Food Regulations 1985), the food items must be labelled in English or Bahasa Malaysia and must state:
 - An appropriate description of the product
 - A list of ingredients in descending order of proportion by weight
 - If the product contains animal products or alcohol, then a statement to the presence of said ingredients must be made
 - The minimum net weight of the product; if packed in liquid then the minimum drained weight of the food must be made
 - The name and address of the manufacturer
 - The name and address of the importer
 - A statement of shelf life or expiry dates
- Where the food contains food additives, a statement as to the presence of the additive must be included on the label
- Where the food contains vitamins and minerals, the amounts must be disclosed on the label
- In addition to general labelling regulations, nutritional labelling is compulsory for products that may cause hypersensitivity including: cereal containing gluten, fish products, milk products, egg products and nut products including peanut and soybean
- In relation to the nutritional labelling of food products, the amount of energy, protein, carbohydrates, cholesterol, sodium and dietary fibre must be expressed

Certificate of Origin: Must include a detailed description of the goods, their total invoice value, and a signature made by either the proprietor, a partner or principal official of the manufacturing or supplying firm. As per AusTrade, the following certification must be made:

- That the person signing has the means of knowing the statement in the certificate to be correct
- That the person signing is duly authorised to issue the certificate on behalf of the manufacturer, producer or grower and, if appropriate, the supplier
- That the goods are the produce or manufacture of the Commonwealth country named
- If grown or produced, that the goods were grown or produced in and consigned from the named Commonwealth country or countries.

Certificates Required:

- Halal and health certificates are required for all meat-based products as set by the Halal Development Corporate
 - These certificates are issued by JAKIM, the Malaysian Government body responsible for Halal certification.
- Depending on the food product, additional licences or certificates may be required before they can be imported. The list of such foods and their requirements are periodically updated on the Food Safety Information System of Malaysia website.

Credence Claims:

- As per the Food Regulations 1985, no label which describes any food should include the word “organic”, “biological”, “ecological”, or “biodynamic” or other words of similar significant unless the food conforms to the requirements as set out in the *Malaysian Standards MS 1529: The Production, Processing, Labelling and Marketing of Plant-Based Organically Produced Foods*.
- For imported foods, the Organic Alliance of Malaysia has the mandate to determine whether the food is organically produced.

Tariff or Excise/Tax Levied:

- Free Trade Agreements between Australia and Malaysia such as MAFTA have ensured that 99% of all tariffs are abolished for goods imported into Malaysia.

Non-Tariff Barriers:

- Under article 2.10 of MAFTA (Non-Tariff Measures), there are requirements that neither Australia nor Malaysia adopts or maintains any non-tariff measures on the importation or exportation of any goods to the other Party except in accordance with its WTO rights and obligations. The Parties are required to ensure any non-tariff measures are transparent and do not create unnecessary barriers to trade between the Parties.

Method of Quoting and Payments:

- Quotes are preferred to be in Ringgit Malaysia (MYA), or CIF (cost, insurance and freight).
- Payment is typically made via letter of credit.
- Documents against acceptance (D/A) may be requested by established Agencies under the terms of 60-90 days.

Packing Lists:

- Packing lists must be furnished if contents of shipment are not itemised in the invoice. This list would facilitate clearance through customs.

Taxation:

- Australia and Malaysia have signed an Avoidance of Double Taxation agreement
 - “All income of companies and individuals accrued in, derived from or remitted to Malaysia are liable to tax. Exemptions are made to income remitted to Malaysia by resident companies (other than companies involved in banking, insurance, air and sea transportation), non-resident companies and non-resident individuals.”

Insurance Practice:

- Normal commercial practice follows in Malaysia regarding insurance policies.

Public Health Requirements:

- Permits from the Malaysian Department of Agriculture are required for plants and parts for propagation, including seeds
- All imported foodstuffs are subject to inspection

Key Market Access Considerations

- The Ministry of Agriculture and Agro-based Industry (MOA) operates under the Malaysian government. Tasked with legislating, planning, promoting, and implementing developmental policies and programs for agro-food.
- Malaysia's Food Act 1983 and the Food Regulations of 1985 govern food safety and quality control, inclusive of import and export, accreditations, and food advertisements. In regard to organic foods.
- As per the Food Regulations 1985, no label which describes any food should include the word "organic", "biological", "ecological", or "biodynamic" or other words of similar significant unless the food conforms to the requirements as set out in the *Malaysian Standards MS 1529: The Production, Processing, Labelling and Marketing of Plant-Based Organically Produced Foods*.
 - These requirements encompass packaging, storage, transportation, sales, and labelling of organic agricultural products.
- For imported foods, the Organic Alliance of Malaysia has the mandate to determine whether the food is organically produced.

Chapter 3: Singapore

Market knowledge

Economy and consumers

Economy

GDP: SGD398.84 billion (AUD \$395.44 billion)

GDP Growth Rate: Singapore's GDP growth rate was recorded at 1.4% on April 2018

Inflation Rate: Singapore's inflation rate was recorded at 0.2% on April 2018

Share in World's Total Imports: Singapore maintains a 1.74% share of the world's total imports (2016)

Share in World's Total Exports: Singapore maintains a 2.07% share of the world's total exports (2016)

Currency:

- The currency used by Singapore is the Singapore Dollar (SGD)

Exchange Rate:

- SGD1 = AUD \$0.99

Income Trends:

- Singapore's GNI Per Capita (PPP) in 2016 was measured at \$85,020 PPP (Purchasing Power Parity) dollars, ranking 2nd in the world according to the World Bank. Placing the nation ahead of the likes the United States, Switzerland, and Hong Kong.

Average Household Food Expenditure:

- According to the Singapore government's latest household survey in 2013, the typical household in Singapore spends about SGD1,334 (AUD \$1,285) per month on food, which represents 28% of their total monthly budget. 7
- Most families spend between SGD400 - SGD500 per month on groceries (including food, beverage, alcohol and tobacco) without much variation.

Living Standards:

- Singapore is ranked 25th in Mercer's 2018 quality of living ranking
- Singapore is ranked 1st in city infrastructure rankings according to Mercer and 6th in the world according to the World Bank
- The World Bank has ranked Singapore 5th in the Global LPI (Logistics Performance Index) rankings
- Singapore is ranked 5th in the world based on the ease of organising competitively priced shipments with a score of 3.96/5
- Singapore is ranked 5th in the world based on competence and quality of logistics services with a score of 4.09/5

Economy State: Open

Trade Agreements:

- SAFTA. The Singapore-Australia Free Trade Agreement is a wide-ranging and comprehensive agreement, under which import tariffs on all goods originating in Australia and Singapore were eliminated. Under SAFTA, Australian investors and investments are treated on the same basis as Singapore businesses (national treatment), including in relation to the different areas of investment.
- AANZFTA. The ASEAN-Australian-New Zealand Free Trade Agreement reduced or eliminated tariffs across one of the most economic regions that is home to 600 million people and a combined GDP of US \$2.2 trillion.
- The Singapore has also signed bilateral free trade agreements (FTA's) with the following countries:
 - United States
 - Australia
 - New Zealand
 - Jordan
 - China
 - India
 - Japan
 - South Korea
 - Costa Rica
 - Panama
 - Peru
 - Chile
- Singapore has signed regional free trade agreements with the following:
 - AANZFTA (ASEAN-Australia-New Zealand Free Trade Agreement)
 - ACFTA (ASEAN-China Free Trade Area)
 - AIFTA (ASEAN-India Free Trade Area)
 - AJCEP (ASEAN-Japan Comprehensive Economic Partnership)
 - AKFTA (ASEAN-Korea Free Trade Area)
 - AFTA (ASEAN Free Trade Area)
 - ESFTA (EFTA-Singapore Free Trade Agreement)
 - GSFTA (GCC -Singapore Free Trade Agreement)
 - TPSEP (Trans-Pacific Strategic Economic Partnership)
- Singapore is currently negotiating FTA's with Ukraine, Canada, Mexico and Pakistan.

- Singapore is a founding member of the WTO, a member since 1 January 1995.

Australia's Exporting Relationship with Singapore

- Singapore is Australia's 8th largest trading partner globally, and Australia's largest trade and investment partner in ASEAN.
- Australia's major exports to Singapore as of the recorded 2016-17 period are:
 - Crude Petroleum: AUD \$935 million
 - Animal Oils & Fats: AUD \$315 million
 - Gold: AUD \$305 million
- Australia's total investment into Singapore is measured at AUD \$61.5 billion in 2016
- Singapore's total investment into Australia is measured at AUD \$98.9 billion in 2016

Consumers

Population:

- Resident population: Approx. 3.95 million (including permanent residents)
- Expatriate population: Approx. 1.6 million
- Population growth: Approx. 1.3%
- Median age: 40.7 years old
- Population density: In 2016, the population density of Singapore was recorded at 7,909 people per square kilometre.

Age/Sex

- As of 2017, Singapore has an estimated ratio of 961 males per 1,000 females according to the Department of Statistics, Ministry of Trade and Industry, Republic of Singapore.

Population Ethnicity (approx.):

- The approximate percentage makeup in Singapore is:
 - Chinese - 76.8%
 - Malay - 13.9%
 - Indian - 7.9%
 - Other - 3.2%

Dominant Religious Groups:

- The approximate percentage makeup of dominant religious groups is:
 - Christianity - 18%
 - Buddhism - 34%
 - Islam - 14%
 - No religious affiliation - 16%

- Chinese folk religion - 2%
- Hinduism - 5%
- Other religions - 11%

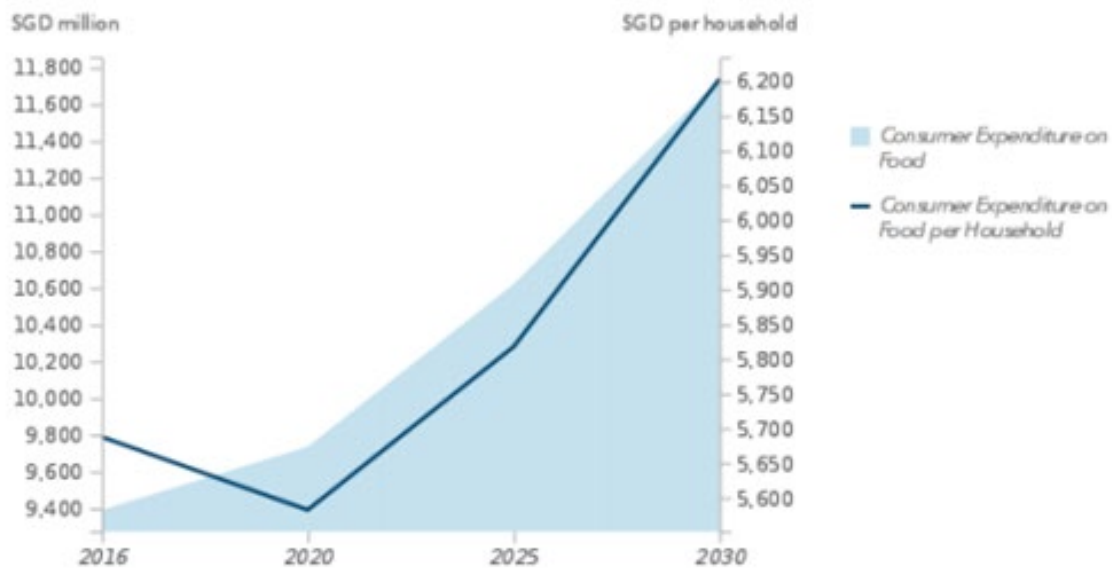
Consumer Profile

Consumer Shopping Behaviour:

- Purchasing Decisions:
 - According to Santander Trade, the primary factors taken into account when making purchasing decisions include price, quality, and service. Of these factors, pricing is perhaps the most important, as bargaining is very commonplace in Singapore.
 - Singaporean consumers also tend to experiment with new products only once they have been assured of its quality and are confident about the products' customer care service.
 - Online shopping in Singapore has grown considerably due to the nation's tech-savvy population. 80% of millennials have shopped online in the past 12 months, while 69% have undertaken cross border shopping.
 - Despite these factors, most Singaporean consumers prefer to do their main household shopping in brick-and-mortar grocers amidst the growing popularity of online grocery shopping (Singapore Department of Statistics, 2016). Government reports revealed that spending on groceries reached SGD2.3 billion (AUD \$2.22 billion) to date, nearly twice the spending in 2005. This may be attributed to higher costs of goods, an increased willingness to spend on quality and a rising interest in home cooking.
- Singaporean consumers are well travelled and educated. They are also highly receptive towards western food and beverages.
- Busy consumers in Singapore have increasingly shifted away from preparing their own meals at home, instead opting for processed food or dining out as more convenient options.
 - According to the results of a 2017 study reported in the International Journal of Behavioural Nutrition and Physical Activity, "participants reported a high eating-out frequency with 77.3% usually eating either breakfast, lunch or dinner at eateries".
 - Common venues for eating out include hawker centers (61.1%) and school or workplace canteens (20.4%).
- As early adopters of technology, Singaporean consumers are becoming increasingly difficult to please. One of the more consistent patterns that is proving detrimental to retailers is "showrooming", whereby the consumers browse in-store, make comparisons, before finally buying online. In a recent study:
 - 69% stated that deals and promotions were their primary incentives for showrooming.

Spending Trends:

- As of 2016, total consumer spending on food was recorded at SGD \$5,600 (AUD \$5,396) and is expected to increase over time.



Source: Singaporean Consumer Spending on Food by Type: 2016 - Euromonitor International

Societal Trends:

- As a multi-ethnic country, Singaporean cuisine reflects many culinary influences; the likes of Indian, Malaysian, and Chinese cuisine.
- Singapore maintains a vibrant street food culture with a varied range of ‘on-the-go’ foods that are sold by ‘hawkers’. Dating back to the 1800s, this culture continues to this day, with more than 14,000 licensed hawkers operating in Singapore, across 110 markets and hawker centres, and about 6,000 different food stalls all at relatively affordable prices.
- Growing awareness of the benefits of living a healthier lifestyle has influenced consumers’ shopping habits, particularly their choices when shopping for food.
 - With this being said, the HPB have also developed the ‘Healthier Choice Symbol’ which can be seen on about 2,600 different food products in more than 60 food categories, ranging from staples such as rice and bread to ready meals, cooking sauces and beverages. Sales of food products with the Healthier Choice symbol are growing by 9% annually, and that consumer demand is projected to continue to grow.

Government-Mandated Changes:

- The ‘Health Promotion Board’ (HPB) launched the ‘Healthier Dining Programme’ in 2014 in a bid to promote healthier choices for consumers who do make the decision to dine out. Partner’s to this program are eligible to receive financial grants based on the number of healthy dishes they endorse.
 - For example, a Restaurant promoting between 5 - 10 healthy dishes is eligible for up to SGD 1,000 per outlet. While a restaurant promoting between 11 - 20 healthy dishes is eligible for up to SGD 2,000 per outlet.
 - According to the HPB, as of March 2017, the number of healthier meals sold at restaurants and other food service outlets had increased to 26 million, up from 7.5 million in 2014. In 2017, the programme was extended to include hawker centres and coffee shops to meet consumer demand.

Market analysis

Organic Packaged Food Market

Market Size - Value

- Organic packaged food recorded 4% current value growth in 2016 within Singapore, reaching SGD17 Million. With a relatively small consumer base, organic packaged food is set to grow at a CAGR of 3% over the forecasted period, reaching sales of SGD20 million by 2021.

Category Sales Figures

- Organic rice, pasta and noodles maintain the highest category value as of 2016 with SGD9.4 million (AUD \$9.3 million). The other two standout performers include organic baby food at SGD4.1 million (AUD \$4.09 million) and organic edible oils at SGD1.8 million (AUD \$1.81 million).

SGD '000	2011	2012	2013	2014	2015	2016
Organic Baby Food	3,041.0	3,190.0	3,345.0	3,624.0	3,919.0	4,128.0
Organic Breakfast Cereals	633.0	659.0	682.0	705.0	730.0	751.0
Organic Confectionary	256.0	263.0	272.0	282.0	293.0	309.0
Organic Edible Oil	1,404.0	1,487.0	1,604.0	1,693.0	1,778.0	1,831.0
Organic Frozen Meat, Seafood, Fruit and Vegetables	154.0	158.0	161.0	165.0	166.0	169.0
Organic Rice, Pasta and Noodles	7,355.0	7,728.0	8,126.0	8,647.0	9,032.0	9,366.0
Organic Packaged Food (Rounded figure)	12,843	13,485	14,190	15,116	15,918	16,554

Forecasted Sales Figures

- Based on current estimations, organic rice, pasta and noodles will continue as the category leader. While organic baby food and organic edible oils will continue in second and third position.

SGD '000	2016	2017	2018	2019	2020	2021
Organic Baby Food	4,128.0	4,278.0	4,421.0	4,564.0	4,706.0	4,853.0
Organic Breakfast Cereals	751.0	768.0	786.0	807.0	829.0	854.0
Organic Confectionary	309.0	321.0	333.0	345.0	356.0	367.0
Organic Edible Oil	1,831.0	1,868.0	1,907.0	1,949.0	1,994.0	2,042.0
Organic Frozen Meat, Seafood, Fruit and Vegetables	169.0	171.0	172.0	174.0	176.0	179.0
Organic Rice, Pasta and Noodles	9,366.0	9,679.0	10,021.0	10,396.0	10,805.0	11,252.0
Organic Packaged Food (Rounded figure)	16,554.0	17,085.0	17,064.0	18,235.0	18,886.0	19,547.0

Forecasted Sale of Organic Packaged Food by Category: Value 2016 - 2021 - Euromonitor International

Key trends and drivers in Organic Packaged Food

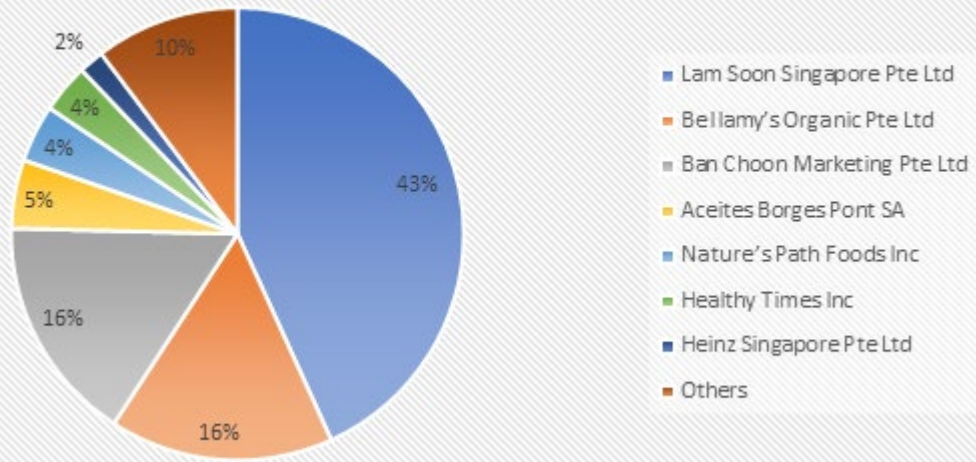
Organic Packaged Food Trends

- As a relatively niche industry within Singapore, organic packaged food maintains modest growth rates as the majority of consumers prefer not to spend on higher priced organic items.
- The shelf presence of organic packaged food within supermarkets and hypermarkets have also gradually increased. However, overall distribution continues to be diffused and limited, as can be seen in the overall picture, whereby only a handful of organic packaged food categories have successfully penetrated the market.
- The regulatory environment for organic packaged food within Singapore appears to have become stricter. The Agri-Food & Veterinary Authority of Singapore have made a number of amendments under the Sale of Food Act in 2016.
 - According to the Food Regulations 2016, food products labelled “organic” (or similarly positioned/labelled) must now be certified organic. This process can be completed through an inspection and certification system which complies with the Codex Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods, GL 32-1999.
 - Despite these amendments, the impacts are thought to be minimal as existing brands offering organic products are reliable companies with established reputations on the international landscape, with products that are already certified organic.

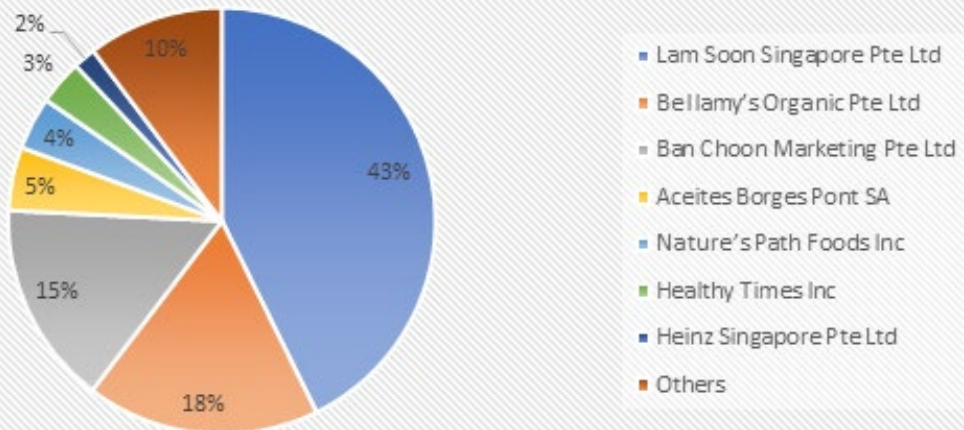
Company Shares of Market Within the Category:

- Lam Soon Singapore Pte Ltd dominates the organic packaged food category in 2016 with a 42.7% value share. Second place falls to Bellamy’s Organic Pte Ltd with a value share of 17.7%, followed in third place by Ban Choon Marketing Pte Ltd with 15.4% value share.

2013 NBO Company Share of Organic Packaged Food

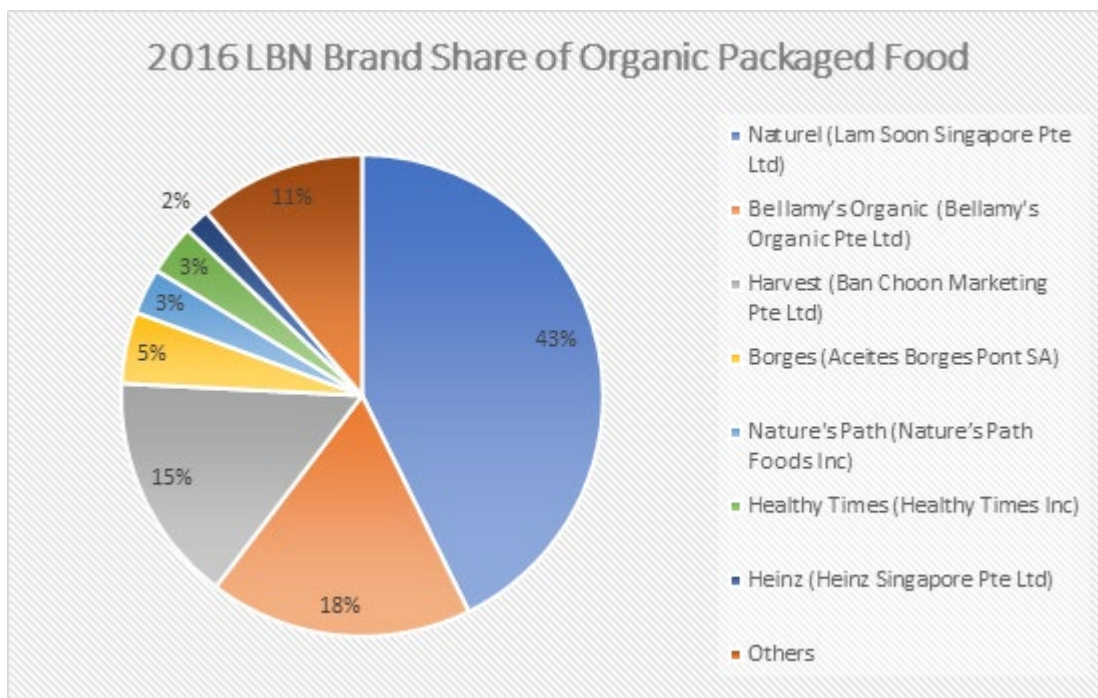
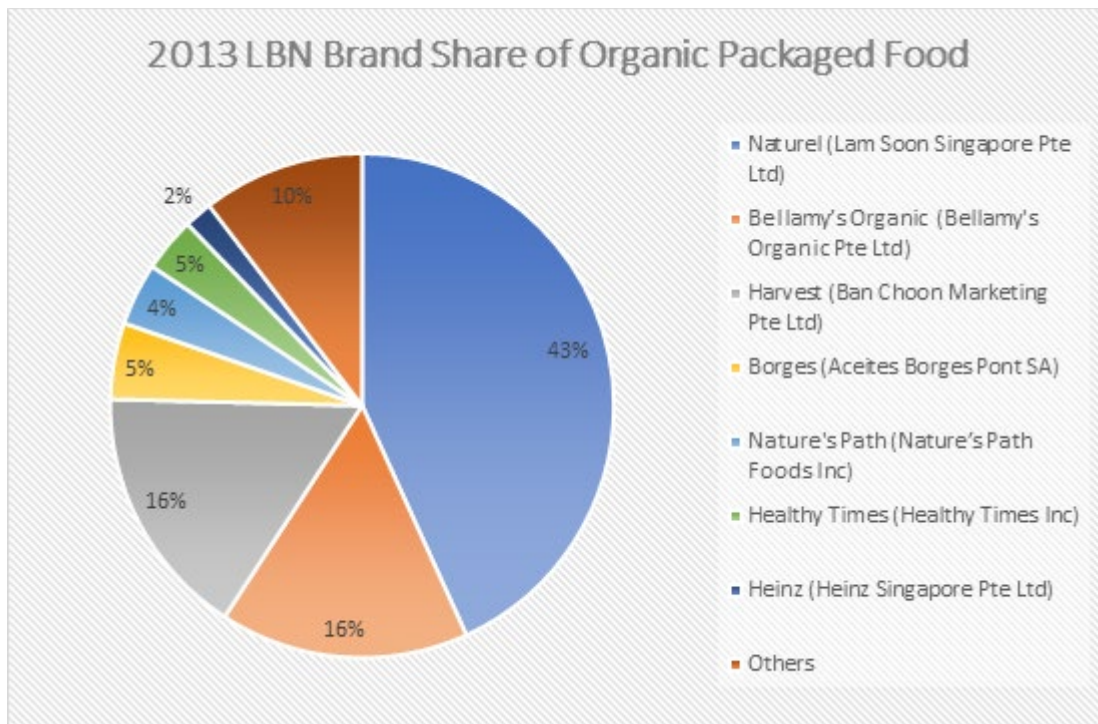


2016 NBO Company Share of Organic Packaged Food



Source: NBO Company Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Brand Shares Within Category:



Source: LBN Brand Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Channel Overview—Grocery Retailers

Industry Overview - Key Trends and Developments

- The grocery retailing industry has increased by 1% in current value as sales reached SGD \$8.3 billion (AUD \$8 billion) in 2016.
- With increasing demand for exceptional customer service, retailers have begun to develop an omnichannel experience for Singaporean customers.
 - Physical retailers have begun to develop an online presence, while also integrating click-and-collect services.
- Low agricultural development has meant that Singapore is almost entirely dependent on import for its food requirements.
- Affluent Singaporean consumers are still relatively price sensitive. However, they are also impulsive when shopping for groceries. As such, loyalty programs with special rewards are appealing to these consumers. An example of this is the NTUC FairPrice’s “Plus” loyalty program.
- There is increasing saturation of convenience stores due to their proximity to one another. They also face competition from supermarkets that are able to offer products at lower price points while maintaining extended operating hours.

Channel Overview:

- Sales in retail channels

SGD million	2012	2013	2014	2015	2016
Convenience Stores	554.0	557.0	560.0	548.0	532.0
Forecourt Retailers	105.0	104.0	105.0	105.0	105.0
Hypermarkets	705.0	628.0	668.0	938.0	955.0
Supermarkets	3,772.0	3,965.0	4,091.0	4,228.0	4,310.0
Modern Grocery Retailers	5,135.0	5,254.0	5,423.0	5,819.0	5,903.0
Food/Drink/Tobacco Specialists	919.0	934.0	996.0	934.0	910.0
Independent Small Grocers	485.0	470.0	452.0	449.0	441.0
Other Grocery Retailers	946.0	966.0	983.0	1,041.0	1,064.0
Traditional Grocery Retailers	2,350.0	2,370.0	2,431.0	2,424.0	2,406.0
Grocery Retailers (Rounded figure)	7,485.0	7,624.0	7,854.0	8,243.0	8,309.0

Source: Sales in Grocery Retailers by Channel: Value 2012 - 2016 - Euromonitor International

- % Value growth by channel:

% Current value growth			
	2016/17	2012 – 17	2012/17 Total
Convenience Stores	-4.5	-1.7	-8.2
Forecourt Retailers	0.2	0.1	0.3
Hypermarkets	2.0	6.7	38.2
Supermarkets	3.0	3.3	17.7
Modern Grocery Retailers	2.1	3.3	17.4
Food/Drink/Tobacco Specialists	-1.9	-0.8	-3.9
Independent Small Grocers	-2.0	-2.3	-10.9
Other Grocery Retailers	1.5	2.7	14.2
Traditional Grocery Retailers	-0.4	0.4	2.0
Grocery Retailers	1.4	2.4	12.5

Source: Sales in Grocery Retailers by Channel: % Value Growth 2012 - 2017 - Euromonitor International

- Modern vs Traditional:
 - Modern grocery retailers accounted for 71% of value sales within Singapore’s grocery retailing category.
 - The development of omni-channel retailing has given modern grocery retailers with a big competitive advantage over traditional grocery retailers.
 - Singapore’s tech-savvy population largely leverage the opportunity to compare prices online before making purchasing decisions. With modern grocery retailers developing online shop fronts, this has allowed Singaporean consumers to flock to these online sites.
 - Traditional grocery retailers accounted for the remaining 29% of Singapore’s grocery retailing category.
 - Traditional grocery retailers are conceding to the difficult operating conditions presented by the rapidly advancing technologies present.
 - Not only that, most modern grocery retailers, particularly convenience stores and supermarkets that operate in residential districts are able to operate for 24 hours.
 - Traditional grocery retailers have experienced a CAGR of 0.4% within the 2012 - 17 time period. In that same period, modern grocery retailers have experienced a CAGR of 3.3%.

Channel Forecast

- Forecast Sales in Grocery Retailers by Channel: Value
 - Modern grocery retailers are expected to continue to increase their value share while traditional grocery retailers are expected to stall and decline in the forecast period.
 - Supermarkets lead the way for Modern grocery retailers. This category is expected to represent over 75% of value share within the Modern grocery retailing category by 2022.

SGD million	2017	2018	2019	2020	2021
Convenience Stores	508.0	483.0	454.0	433.0	418.0
Forecourt Retailers	105.0	105.0	105.0	106.0	106.0
Hypermarkets	975.0	995.0	1,016.0	1,037.0	1,060.0
Supermarkets	4,440.0	4,551.0	4,674.0	4,809.0	4,958.0
Modern Grocery Retailers	6,028.0	6,134.0	6,249.0	6,385.0	6,542.0
Food/Drink/Tobacco Specialists	884.0	875.0	879.0	887.0	898.0
Independent Small Grocers	432.0	430.0	424.0	416.0	410.0
Other Grocery Retailers	1080.0	1089.0	1083.0	1070.0	1054.0
Traditional Grocery Retailers	2,396.0	2,393.0	2386.0	2373.0	2,362.0
Grocery Retailers (Rounded figure)	8,423.0	8,528.0	8,635.0	8,758.0	8,904.0

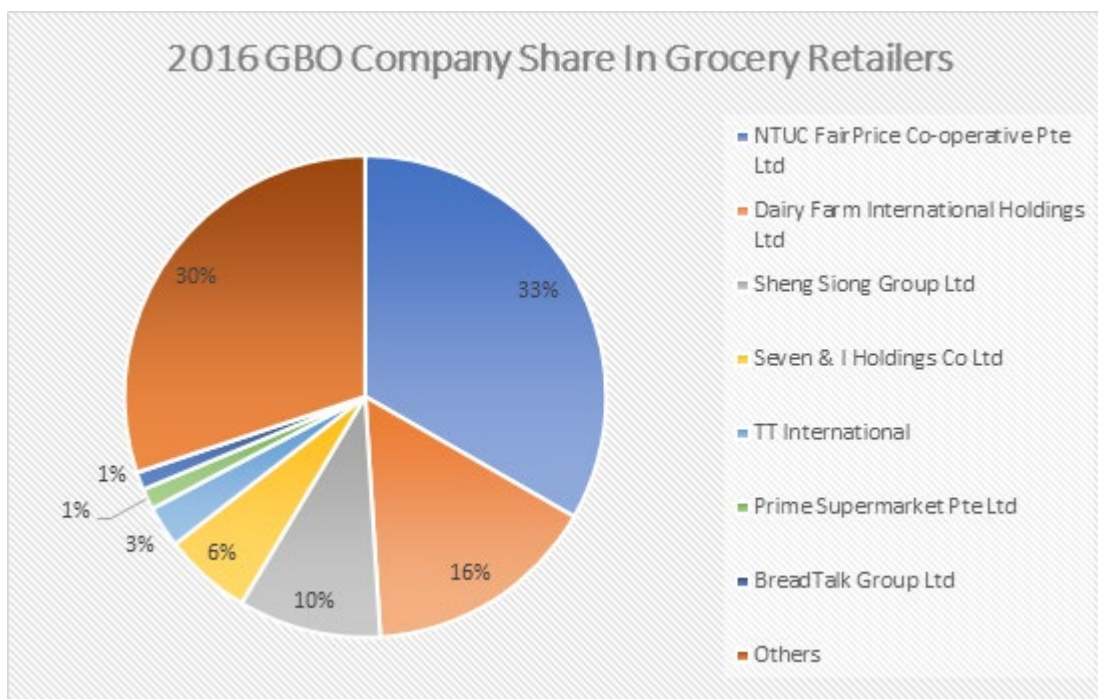
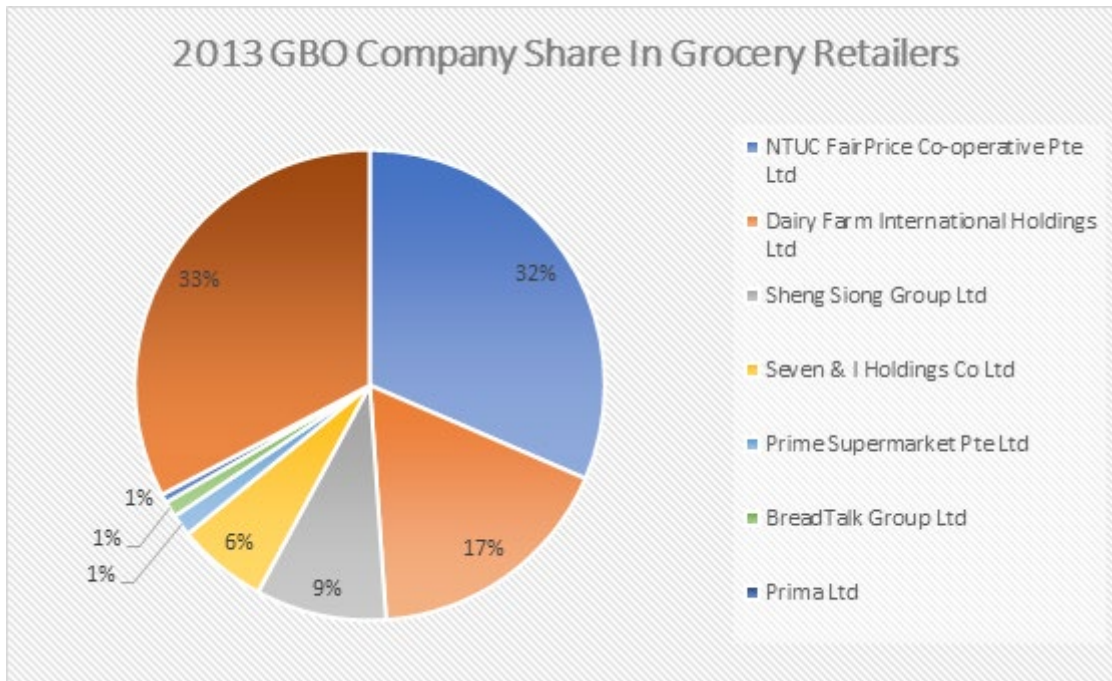
Source: Forecast Sales in Grocery Retailers by Channel: Value 2017 - 2022 - Euromonitor International

- Forecast Sales in Grocery Retailers by Channel: % Value Growth
 - The modern grocery retailing category is set to experience a CAGR of 2.2% over the forecast period, while traditional grocery retailers are set to fall to a CAGR of -0.4% in the same period.

% Current value growth			
	2017/18	2017 – 22 CAGR	2017/22 Total
Convenience Stores	-5.0	-4.1	-18.9
Forecourt Retailers	0.2	0.2	1.2
Hypermarkets	2.1	2.1	11.2
Supermarkets	2.5	2.9	15.4
Modern Grocery Retailers	1.8	2.2	11.6
Food/Drink/Tobacco Specialists	-1.0	0.6	3.1
Independent Small Grocers	-0.5	-1.3	-6.2
Other Grocery Retailers	0.8	-0.8	-4.1
Traditional Grocery Retailers	-0.1	-0.4	-1.8
Grocery Retailers	1.2	1.5	7.8

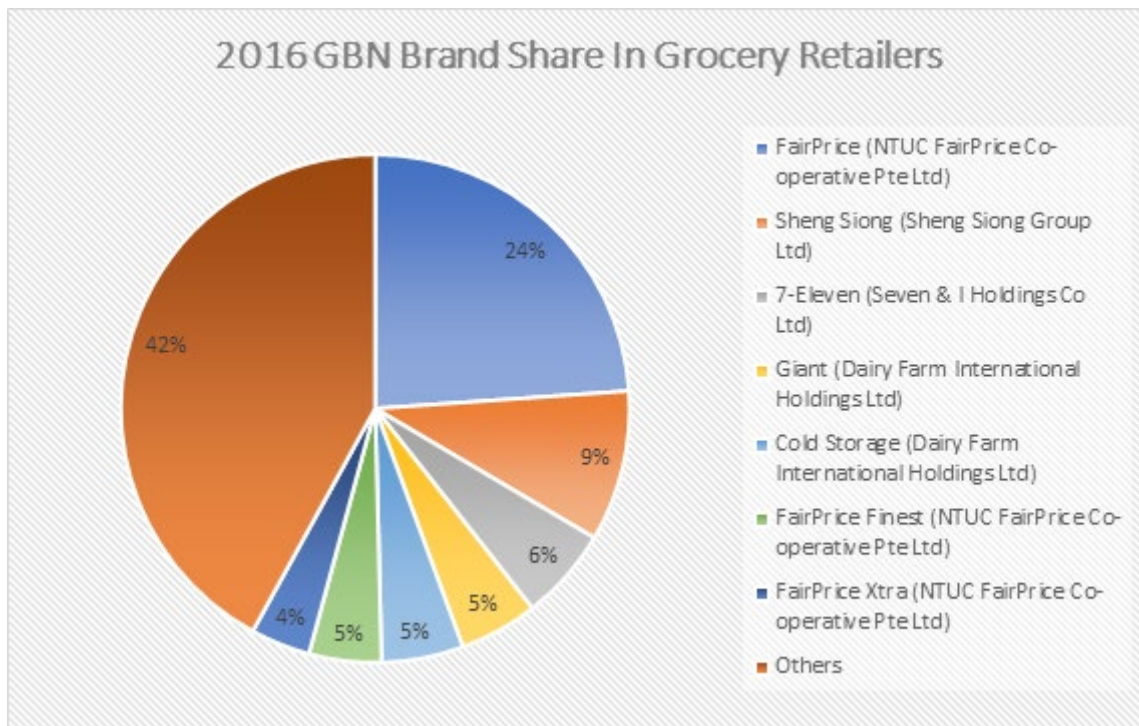
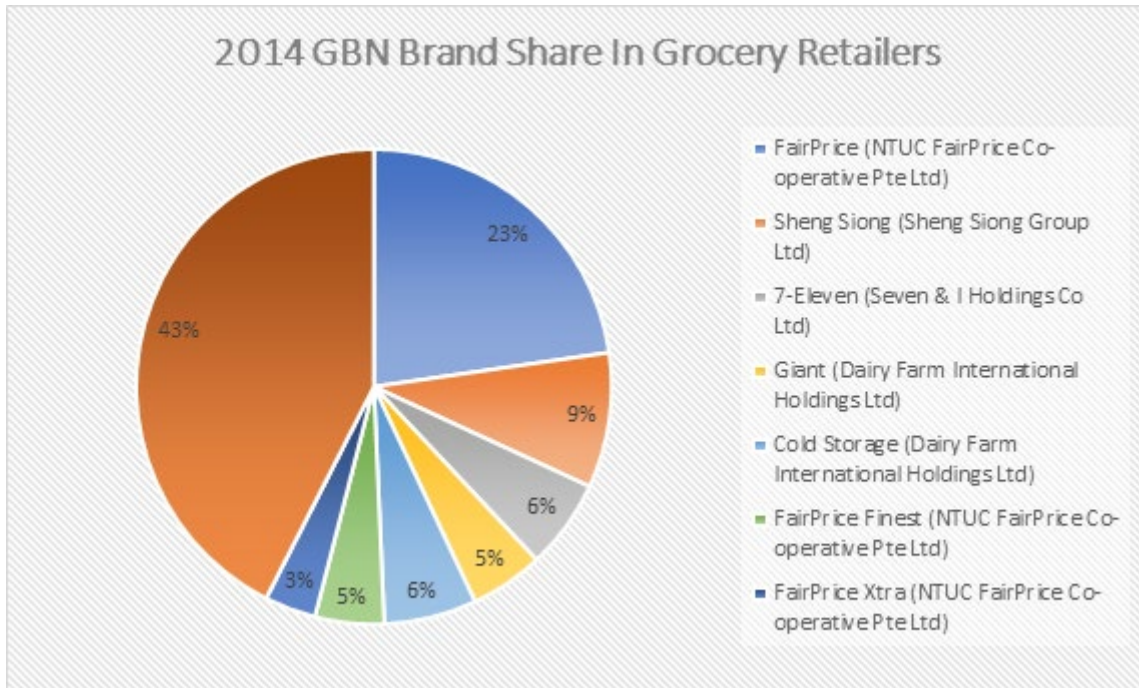
Source: Forecast Sales in Grocery Retailers by Channel: % Value Growth 2017 - 2022 - Euromonitor International

- Grocery Retailers Market Share in Singapore: % Value 2014 - 2016



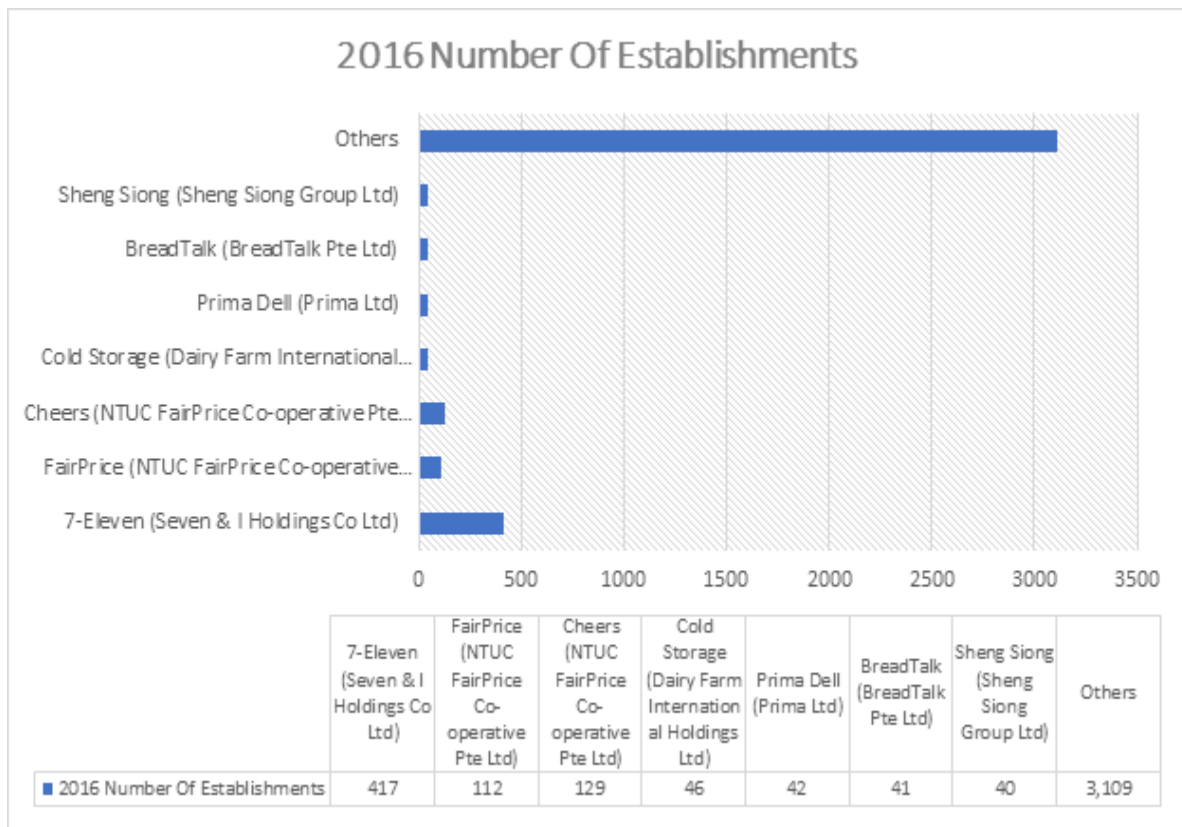
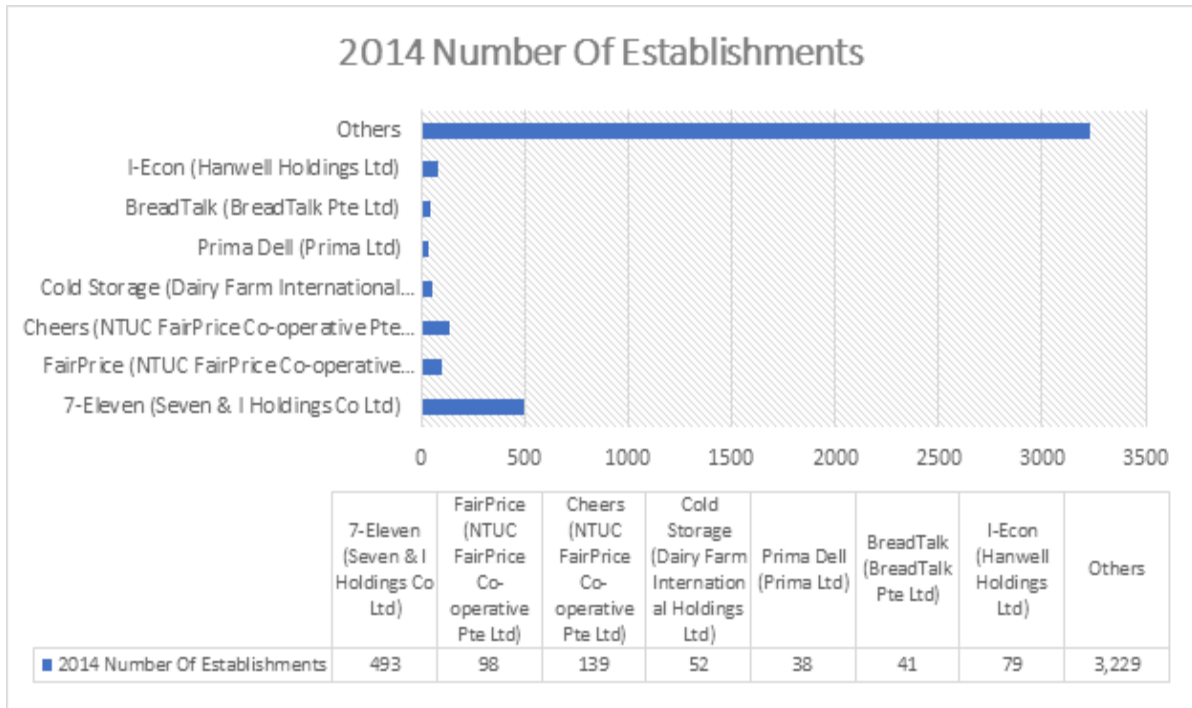
Source: Grocery Retailers GBO Company Share in Singapore: % Value 2014 - 2016 - Euromonitor International

- Grocery Retailers Brand Share in Singapore: % Value 2014 - 2016



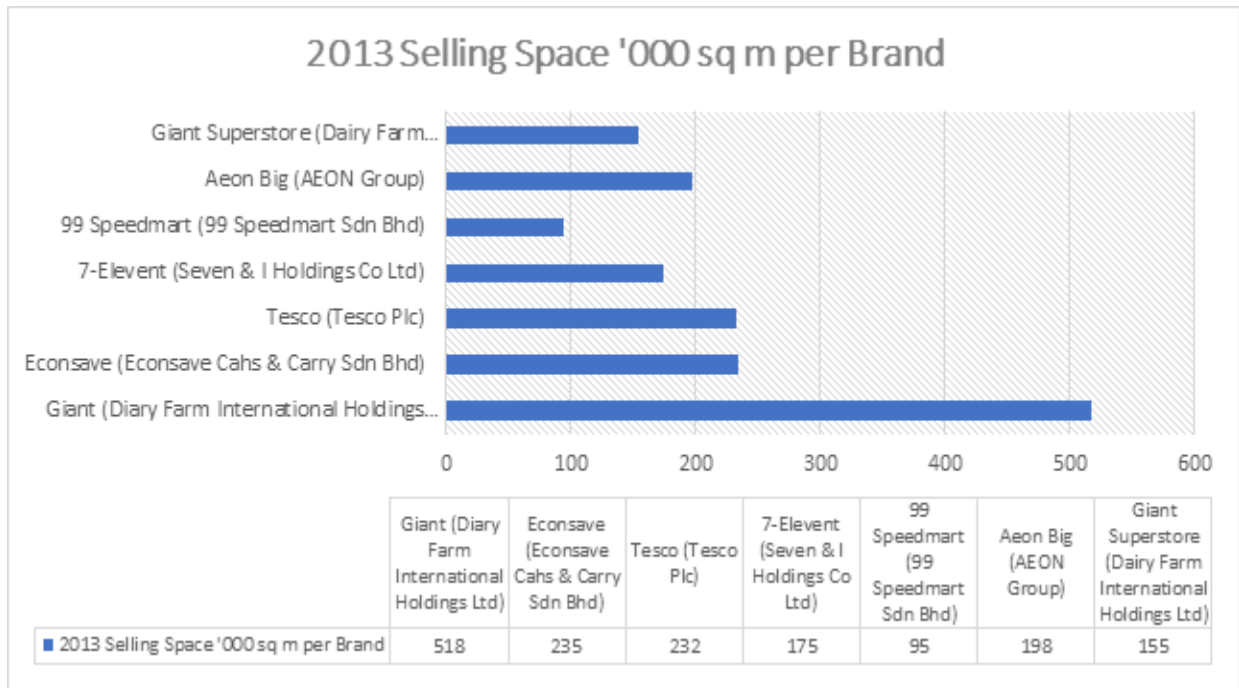
Source: Grocery Retailers GBN Brand Share in Singapore: % Value 2014 - 2016 - Euromonitor International

- Number of establishments in Singapore by Grocery Retailers:



Source: Grocery Retailers LBN Brand Shares: Outlets 2014 - 2016 - Euromonitor International

- Grocery Retailer's Selling Space in Singapore



Source: Grocery Retailers LBN Brand Shares: Selling Space 2013 – 2017 – Euromonitor International

Market access

Opportunities and Challenges in Singapore

Opportunities	Challenges
Singaporeans are highly educated and maintain high disposable incomes.	Major supermarkets maintain a high cost of entry / slotting fees.
Large resident expatriate population are familiar with organic food.	Competing products from other countries are often priced lower than Australian products.
Increasing awareness of, and preference for organic products within resident population.	Introducing new products requires high promotional and advertising expenses.

Road Map to The Singaporean Market

With respect to the competitive intensity of organic food within the Asia-Pacific Region; there are three key strategies when considering market entry into Singapore. These three strategies revolve around the concept of education and recognition, encompassing:

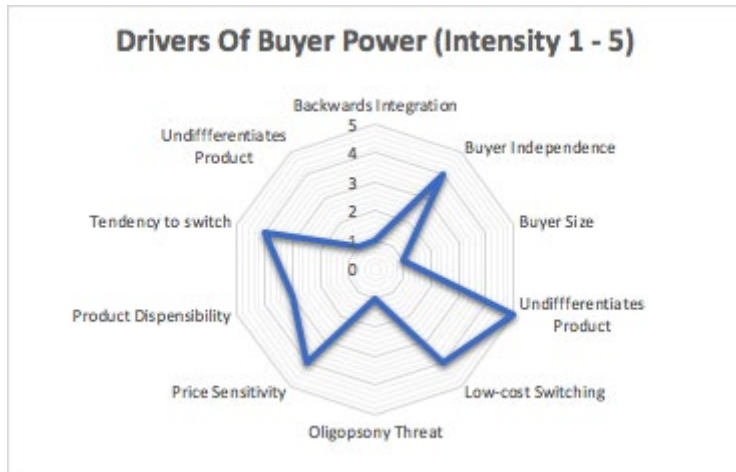
1. Packaging and Design - The outlook of organic products is largely premium (as opposed to standard/economy); packaging design remains indicative of a brand's premium positioning and retail prices (typically 100 - 400% higher than standard products). Improving on packaging and design is a necessary step in generating mass appeal and awareness.
2. Marketing Communication - Transparency and clarity of product benefits in marketing communications facilitates the differentiation process when competing with other organic brands. An emphasis on visual design and marketing is required to set differentiate a brand from mass market alternatives.
3. Consumer Education - Educating consumers on the benefits of consuming organic products is necessary to facilitate product purchases. Highlighting premium quality, product benefits, and the rigors of organic certification could prove to be viable strategies.
 - a. Expatriates and Millennials remain as the most receptive target markets for premium organic products.

Regarding packaged food alternatives, there are 2 relevant prime positioning statements that may be leveraged by organic producers when retailing their products. These statements are "General Wellbeing" and "Free From"; accruing SGD 667 million (51.45% of H&W positioning), and SGD 54 million (4.17% of H&W positioning) respectively in retail value (2017).

Competitor Landscape

Competitive Intensity of Organic Food In Asia-Pacific Region

Buyer Power - Moderate



With the majority of buyers being end consumers, financial muscle is typically negligible when compared with larger market players such as 7-Eleven. There are, however, larger buyers present in this category - coming in the form of schools and organisations that offer healthy alternatives in the form of organic food items to their students/employees.

Price sensitivity is a key consideration when targeting end consumers; the expectation from buyers is to pay a premium price for organic food products. To counteract this, producers and suppliers must emphasise key benefits in order to incentivise these end consumers. Irregardless of marketing strategy, it's worth noting that price sensitivity will be high whenever there is economic uncertainty, and financial instability, and vice-versa.

Increasing consumer awareness and demand for organic products strengthens buyer power; this demand, bolstered by government programs to support the organic market will incentivise chained supermarkets and other grocery retailers to integrate organic foods into their existing range.

Supplier Power - Weak



Middle class consumers are increasingly turning to larger supermarkets for their organic food items; this reliance has significantly reduced supplier power across the Asia-Pacific region. In more developed economies, this reliance is even more intense.

Retailers in these markets are reliant on the quality of their suppliers, with strict production standards acting as an integral cog in maintaining the credibility of organic food products. As a result, long-term contracts are often maintained between suppliers and retailers, increasing supplier power.

While there is a large number of organic suppliers to the Asia Pacific region; these suppliers tend to be smaller in size when compared to their retailing partners. Larger retail players in the Asia-Pacific region leverage this power imbalance to gain favourable deals; significantly reducing the power of suppliers.

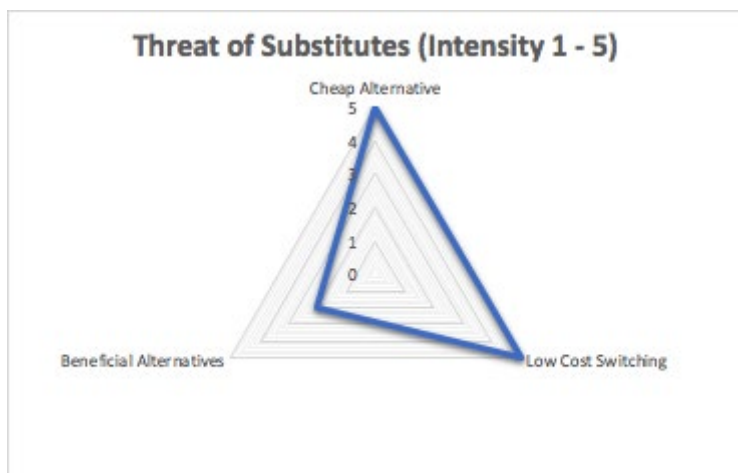
Threat of New Entrants - Strong



There is less risk of being targeted by the large size of market incumbents if the supplier is focused on a specialised industry like organic food. The undifferentiated nature of market offerings also contributes to the threat of new entrants, as core products that are sold (such as vegetables and fruit) are largely the same across markets.

With intensifying urbanisation, there is also greater space in the market for expansion of existing market players, and for new entrants to develop their brand. Scale isn't perceived as an impediment, as players are able to target specific parts of the Asia-Pacific markets such as highly urbanised regions.

Threat of Substitutes - Strong



Key substitutes for organic foods are markedly cheaper non-organic equivalents. Within organic retail, products are differentiated based on nutritional quality, environmental benefits, and claim; limiting the threat of cheaper non-organic products.

Supermarkets that cater to both organic and non-organic markets eclipse specialty grocers; given the extensive product lines for cheaper, non-organic alternatives, there is a strong threat from substitutes within each Asia-Pacific market.

Degree of Rivalry - Moderate



Major market players within the organic food market range from specialised organic retailers, to large supermarket chains, to the organic food producers in-between. Negligible switching costs and limited differentiation between organic products drive up the degree of rivalry; to counteract this, exotic organic products such as fruits and vegetables may be introduced.

Storage costs for organic food items is often significant due to the perishable nature of the products. This can be a significant contributor to the degree of rivalry as market players vie for reduced operating costs.

Strategic Positioning of Major Market Players

Lam Soon Group Singapore - Naturel

Product Category: Organic Food - Olive Oil, Organic Rice, Organic Pasta, Organic Pasta Sauce, Organic Coconut Oil, Organic Balsamic Vinegar

- Lam Soon places a strong emphasis on NPD; boosting sales by launching healthier variants.
 - In August 2017, Lam Soon launched its Natural Organic Extra Virgin Coconut Oil; positioned as 100% raw, and produced through a cold-pressed method to retain its nutrients, helping promote a healthy immunity and digestive system. Other claims include being: trans-fat free, cholesterol free and sugar free.
 - Supporting these claims are consistent marketing communications and campaigns across commercial radio, TV and online channels; an integrated marketing communications approach ensures that the “Good for Health” brand image of the company is conveyed.
- Lam Soon’s Naturel Brand is certified by USDA Organic and ICEA; maintaining the ‘healthier

choice label’.

- Lam Soon’s Organic Pasta is sodium free and trans-fat-free.
- Lam Soon’s Organic Rice has is gluten free, without any preservatives or cholesterol.

Bellamy’s Organic Pte Ltd - Bellamy’s Organic’s

Product Category: Organic Baby Formula / Baby Food

- Bellamy’s Organic had two primary strategies in 2017; these were to reinvest in the brand and increase market penetration, and to establish credibility and stability within the market.
- Bellamy’s Organic products are positioned as having no chemical pesticides, no artificial preservatives, no antibiotics or hormones, no added sugar, and non-GMO.
- A significant expenditure for Bellamy’s Organic’s is trade spending via trading discounts (retailer claiming back from the supplier), and promotional allowances for on-shelf products. This allows Bellamy’s to consistently convey its natural and organic image.
 - This is supported by innovative packaging; both colourful and informative - outlining the brand’s core values; being Australian made and certified organic.

Competitor landscape: Top Grocery Retailers in Singapore

NTUC FairPrice Co-operative Pte Ltd (FairPrice) | Country of Origin: Singapore

- Retail Company profile - Main business:
 - NTUC FairPrice is the leading grocery retailer in Singapore with a retail value share of 33% in 2016.
 - FairPrice operates supermarkets, hypermarkets, convenience stores and department stores. The product portfolio for FairPrice includes groceries, beverages, fresh and frozen items, snacks and household items.
 - NTUC FairPrice is able to provide over 1,200 organic products within its Hypermarkets, with a number of its stores dedicating sections to organic products.
 - FairPrice Supermarkets is the company’s supermarket chain.
 - FairPrice Finest is the store chain that offers products not available in its supermarkets.
 - FairPrice Xtra is the company’s discount supermarket chain.
 - FairPrice Xpress the company’s convenience store chain, set up at petrol stations with Exxon-Mobil.
 - Cheers is the company’s 24-hour convenience store.
 - FairPrice Online is the company’s online retailer.
- Strategic Direction:
 - NTUC has digitised much of its processes, and in the past three years has revamped its mobile app to capture the rapidly growing mobile consumers. It has also presented an ‘experiential corner’ to demonstrate new retail technologies, helping to offer an interactive shopping experience.
 - The company continues to expand its ever growing multi-channel network.

- With over 290 outlets in Singapore, NTUC is able to serve over 715,000 shoppers daily through its multi-channel network.
- Competitive Positioning:
 - Partnerships with international partners such as Tesco and Australia's Own have allowed the company to serve the evolving needs of Singaporean consumers.
 - FairPrice have introduced self-service checkouts to many of its stores, helping the company to automate its service.
 - The company was awarded the Certificate of Commendation in 2016 by AVA (Agri-Food & Veterinary Authority of Singapore) for attaining an 'A' grade for excellence in hygiene, processing, and food sanitation for two years in a row
- Private Labels:
 - FairPrice HouseBrand was introduced in 1985 to offer better savings to Singaporean consumers.
 - Products under this private label are priced 10 - 15% lower than comparative products.
 - Value Fresh was introduced in 2016 to cater to low-income consumers.
 - Pasar and Pasar Organic are the natural produce offered by FairPrice. They include vegetables, meat, spices, and fruits.
 - FairPrice Gold is the company's infant milk formula, sourced from Australia.

Dairy Farm International Holdings | Country of Origin: Hong Kong

- Retail Company Profile - Main Business:
 - Dairy Farm maintains second position in Singapore's grocery retailing category with a value share of 16% in 2016.
 - Dairy Farm manages store operations in Singapore through a network of subsidiaries including:
 - Giant Singapore (hypermarket chain)
 - Cold Storage (supermarket group)
 - The company's product portfolio consists of groceries, beverages and snacks. They also provide personal care products, fresh and frozen items, homeware and other merchandise.
- Strategic Direction:
 - Much like FairPrice, the multi-channel selling strategy is set to remain as a focal point for Dairy Farm.
 - The Dairy Farm Company, has completed the acquisition of Yonghui Superstores Co. Ltd. in China. This strategy may be indicative of potential investment into the company's food retailing category within Singapore in the near future.

- **Competitive Positioning:**
 - With rising inventory turnover, Dairy Farm has reduced much of its inventory carrying costs, helping to improve the company's operational performance.
 - The company also participates in loyalty programs and incentive schemes to offer additional discounts to its consumer base.
- **Private Labels:**
 - Giant (Dairy Farm's hypermarket chain) operates its own housebrand label under its name. It provides fresh food, grocery, household, health and beauty and homeware products.
 - Cold Storage (Dairy Farms supermarket chain) operates 3 private labels. Cold Storage Essential is the discount house brand, whereas Savour and Gourmet offer higher quality premium products.

Sheng Siong Group Ltd | Country of Origin: Singapore

- **Retail Company Profile - Main Business:**
 - Sheng Siong Group maintains third position in Singapore's grocery retailing category with a value share of 10% in 2016.
 - Sheng Siong Group is engaged in the operation of grocery chains. Operating primarily out of the supermarket category, the group offers preserved, packaged, processed and frozen food products, in addition to live, fresh and chilled produce.
- **Strategic Direction:**
 - Sheng Siong keeps open discussions with their suppliers in order to see out new organic product and sustainable seafood products for its customers. The company actively aims to lower its carbon footprint.
- **Competitive Positioning**
 - Sheng Siong is following the modernisation trend of other retailers. It has recently implemented a hybrid self-checkout system in its physical stores, while also adopting the online shopping model.
- **Private Labels**
 - Sheng Siong has 10 house brands that offer the company with 400 items in categories such as confectionary, canned fruit, condiments, poultry, vegetables and rice. These private labels include: Bake For You, Fruit King, Tasty Bites, and Jean Fresh.

Seven & I Holdings Co. Ltd | Country of Origin: Japan

- **Retail Company Profile - Main Business:**
 - Seven & I Holdings maintains fourth position in Singapore's grocery retailing category with a value share of 6% in 2016.
 - Seven & I Holdings is a multi-channel retailer best known for its leading 7-Eleven convenience stores brand. Its product portfolio consists of beverages, snacks, personal care products, fresh food, and chilled ready meals.

- Strategic Direction:
 - To drive its omni-channel strategy, Seven & I Holdings conducted an absorption-type merger in 2014 between Seven & I Net Media (surviving company), and Seven Net Shopping (dissolving company).
- Competitive Positioning
 - The company is looking to develop a new retail environment. By leveraging its global network of stores, logistics and infrastructure, click and collect services are aimed to be available at the vast majority of its convenient stores.
- Private Labels
 - In 2016 Seven & I introduced 2 private labels:
 - 7-Select Go!Yum offers savoury and sweet snacks that are made with premium ingredients.
 - 7-Select Go!Smart offers 'better for you' options for busy consumers. The range consists of a variety of on-the-go snacks such as chips and snack bars.

Market Access Requirements

Industry Regulators:

- Agri-Food & Veterinary Authority Of Singapore (AVA Singapore)
 - As a statutory board under the Government of Singapore, AVA Singapore regulates food safety, safeguards the health of animal and plants, and facilitates the agri-food and fisheries trade sectors within Singapore.
 - AVA adopts the Codex guidelines for the production, processing, labelling ,and marketing of organically produced foods, as established by the Codex Alimentarius Commission.
 - Contact number: +65 6805 2992

Certificates required

- Dairy products require:
 - Submission of document proof that the product was manufactured in premises that were regulated by a competent authority.
 - Submission of health certificate (every consignment) stating that the dairy raw ingredients have been subjected to one of the following procedures: (i) sterilisation process by applying a minimum temperature of 132 degrees Celsius for at least one second (ultra-high temperature), or (ii) if the milk has a pH less than 7.0, a sterilisation process applying a minimum temperature of 72 degrees Celsius for at least 15 seconds (high temperature – short time pasteurisation [HTST]), or (iii) if the milk has a pH of 7.0 or over, the HTST process has been applied twice.
 - Full disclosure of import requirements for specific food products can be found on the AVA Singapore website.

Documentation required

- Singapore required original standard documentation as per the following:
 - The person signing the certificate:
 - Is authorised to issue on behalf of the manufacturer, producer, or grower, and if appropriate, the supplier
 - has the means of knowing the statement to be correct.
 - The goods are the produce of manufacturer of the country named.
 - The goods were, if applicable, grown or produced in and consigned in from named country.
 - If manufactured, not less than 25% of the goods is the result of labour or the use of materials, originated in the country named.

Labelling requirements

- All pre-packed food products made for sale within Singapore are to be labelled according to the labelling requirements as set out by the Singapore Food Regulations:
 - Name/description of the food
 - Statement of ingredients
 - Declaration of foods and ingredients known to cause hypersensitivity
 - Net contents in package
 - Name and address of the local manufacturer or importer
 - Country of origin
 - Shelf life recommendation
 - Advisory statements for food containing certain sweetening agents
 - Labelling of special purpose foods
 - Nutrition labelling
 - Languages that information must be written in
 - Lot or batch identification etc.
- Detailed information on labelling requirements is available on the AVA Singapore website.

Tariff or Excise / Tax levied

- Singapore has no tariffs on food and agribusiness products (excluding alcoholic beverages) due to SAFTA.
- Alcoholic beverages attract an excise duty based on product code and alcohol content.
- All goods imported into Singapore are subject to a 7% GST.

Non-Tariff Barriers

- Rice imports require a licence

- Specific plant, animal plant, and animal products require permits issued by the AVA
- Poultry products require a permit from the AVA

Packaging requirements

- **Name or description of the food:** A common name or a description which is sufficient to indicate the true nature of the product.
- **Statement of Ingredients:** A complete list of ingredients and additives used in the food listed in descending order of the proportions by the weight in which they are present.
- **Declaration of foods and ingredients known to cause hypersensitivity:** Singapore food regulation 5(4)(ea) requires declaration of foods and ingredients known to cause hypersensitivity. The use of disclaimer statements such as “may contain” to declare the presence of ingredients known to cause hypersensitivity is not encouraged. The following list of foods and ingredients must be declared when present as an ingredient/additive or as a component of a compound ingredient:
 - Cereals containing gluten
 - Crustaceans and crustacean products
 - Eggs and egg products
 - Fish and fish products
 - Peanuts, soybeans and their products
 - Milk and milk products (including lactose)
 - Tree nuts and nut products
 - Sulphites in concentrates of 10 mg/kg
- **Declaration of net content in package:** Must be declared as net weight for solid foods, by volume for liquid foods and either weight or volumetric measures for semi-solid or viscous foods. Foods packaged in a liquid medium are required to have both “net weight” and “drained weight” declared.
- **Name and address of the importer:** The label should indicate the name and address of the local importer, distributor or agent. Telegraphic, facsimile and post office addresses alone are not acceptable.
- **Country of origin:** The name of the country of origin of the food should be indicated on the labels for imported foods.
- **Date-marking of expiry date:** Prepacked foods are required to be labelled with their expiry dates. The expiry date should be qualified by words like “USE BY”, “SELL BY” or other words of similar meaning. Where the validity of the date mark is dependent on storage the storage direction of that food must be stated on the label or package. The date marking must be permanently marked or embossed on the package, and printed in letters not less than 3mm in height
- **Additional labelling requirements;**
 - Foods containing sweetening agents: Foods that contain: acesulfame-K, saccharin and its calcium products, potassium and sodium salts, cyclamic acid and its calcium and sodium salts, neotame, steviol glycosides and sucralose are required to label with an

advisory statement on consumption by children if sweetening agents added at the maximum permissible level.

- Special purpose foods: Special purpose foods are foods formulated to cater for the special dietary needs of a specific group of consumers. Special purpose foods must be labelled clearly such as diabetic food, low sodium food, etc. They should also meet nutrition labelling requirements.
- **Sugar-free foods:** Foods may only be labelled as “sugar-free” or words of similar meaning if they contain equal or less than 0.5g sugar per 100g or ml.
- **Low-calorie foods:** Foods may only be labelled as “low calorie” if:
 - Calorie content is less than or equal to 8 kcal/100 ml for beverages (read for consumption)
 - Calorie content is less than or equal to 100 Kcal/100 g for bread spreads including jam substitutes
 - Calorie content is less than or equal to 50 Kcal/100 g for all other foods
- **Diabetic foods:** The nutrition information panel of these products should also include a statement including the type of carbohydrates present in the food such as sugar and starch
- **Infants’ food and infant formula:** No label or advertisement for infants’ food, other than infant formula formulated for infants from birth to 6 months of age, shall state or imply that such food is suitable for infants of or below 6 months of age.
- **Nutrition labelling:** Nutrition labelling is required when nutrition claims or permitted health claims are made.
- **Additional requirements for foods claimed to be source of energy or protein:**
 - Foods that claim to be a source of energy are required to state on the label the quantity of food to be consumed in one day, which should yield at least 300 Kcal.
 - Foods that claim to be a source of protein are required to state on the label the quantity of food to be consumed in one day. Food to be consumed in one day must contain at least 10g of protein. To claim as a source of protein at least 12% of calorie yield must be derived from protein. To claim as an excellent source of protein at least 20% of calorie yield must be derived from protein.
- **Specific labelling requirements for certain food categories:** The following food categories require specific labelling: Irradiated foods, wholegrain, bakery products, edible fats and oils, milk, coffee, fruit juice, natural mineral water, fruit wine, compounded liquor, infant formula and rice.
- **Method of quoting & payments**
 - Quotes should preferably be in US or Australian dollars and Cost, Insurance and Freight (CIF). Secured payment terms are recommended.
 - Payments made by letter of credit should indicate the relevant Trade Registration Number.

- **Pro-forma invoice requirements**
 - Proforma invoices are not accepted by Singapore Customs. All declarations made for the import of goods into Singapore should be accompanied by commercial invoices.
- **Taxation**
 - A 7% consumption tax, assessed on the landed duty-paid value, is levied on all imports and on most goods and services (GST).
 - Other forms of taxes include property, entertainment, customs, and estate duties.
 - Excise taxes apply to the likes of alcoholic beverages, tobacco products, petroleum products, and motor vehicles.
 - Singapore has low company and personal taxation rates.
- **Insurance Practice**
 - Normal commercial practice follows in Singapore regarding insurance policies.
- **Public Health Requirements**
 - There are strict import requirements set out by AVA that must be adhered to in regard to:
 - Pets and laboratory animals
 - Plants and plant products
 - Meat and fish
 - Fresh fruits and vegetables
 - Eggs (fresh, salted, preserved or processed)
 - Processed food
 - Irradiated food
 - Insects
 - Animal feed
 - Veterinary biologics and pathogens

Key Market Access Considerations

Singapore's regulatory body is AVA Singapore. AVA regulates food safety, safeguards the health of animals and plants, and facilitates the agri-food and fisheries trade sectors within Singapore. AVA adopts the Codex guidelines for the production, processing, labelling, and marketing of organically produced foods, as established by the Codex Alimentarius Commission.

- There is no separate set of import conditions for organic food products
 - All Australia exporters must obtain a license or register with AVA;
 - All Australian exporters must declare for an import permit for every consignment prior to the arrival of the shipment;

- All organic food products that are imported into Singapore must comply with the food standards and labelling requirements as set out in 'The Sale of Food Act' and Singapore 'Food Regulations'.
 - Under Regulation 9B (5) of the Food Regulations, suppliers selling food products as 'Organic' or 'Organically Produced' or a similar claim must be able to show proof that the food product was indeed produced organically.
 - This proof can be obtained via a valid organic certificate as issued by a certifying food certification body such as Australian Certified Organic or NASAA Certified Organic.
- The regulatory environment for organic packaged food within Singapore has become stricter. The Agri-Food & Veterinary Authority of Singapore have made a number of amendments under the Sale of Food Act in 2016.
 - According to the Food Regulations 2016, food products labelled "organic" (or similarly positioned/labelled) must now be certified organic. This process can be completed through an inspection and certification system which complies with the Codex Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods, GL 32-1999.
 - Despite these amendments, the impacts are thought to be minimal as existing brands offering organic products are reliable companies with established reputations on the international landscape, with products that are already certified organic.

Chapter 4: United Arab Emirates

Market knowledge

Economy and consumers

Economy

GDP: AED 1.28 trillion (AUD \$445.27 billion)

GDP Growth Rate: UAE's GDP growth rate was measured at 2.9% in 2017

Inflation Rate: The UAE's inflation rate was measured at 3.4% in April 2018.

Share in World's Total Imports: The UAE maintains a 1.39% share of the world's total imports (2016).

Share in World's Total Exports: The UAE maintains a 1.67% share of the world's total exports (2016).

Currency:

- The currency used by the UAE is AED (United Arab Emirates Dirham)

Exchange Rate:

- AED 1 = AUD \$0.36¹⁰

Income Trends:

- GNI Per Capita (PPP) in 2016 was measured at \$72,850 PPP (Purchasing Power Parity) dollars, ranking 5th in the world according to the World Bank, ranking ahead of the likes the United States, Switzerland, and Hong Kong.

Living Standards:

- Dubai and Abu Dhabi are ranked 74th and 77th respectively in Mercer's 2018 quality of living ranking.
- Dubai and Abu Dhabi are also ranked 51st and 67th respectively in city infrastructure rankings based on Mercer in 2017.
- The World Bank has ranked the United Arab Emirates 13th in the Global LPI (Logistics Performance Index) rankings
 - The UAE is also ranked 13th in its quality of trade and transport infrastructure with a score of 4.07/5
 - The UAE is ranked 7th in the world based on the ease of organising competitively priced shipments with a score of 3.89/5
 - The UAE is ranked 18th in the world based on competence and quality of logistics services

Economy State: Open

Trade Agreements:

- The UAE is a signatory in the Gulf Cooperation Council (GCC) alongside Kuwait, Oman, Bahrain and Saudi Arabia. The implications of this trade agreement include:

- Common customs and regulations between signatories
- Elimination of tariff and non-tariff barriers, while taking into consideration laws of agricultural and veterinary quarantine, in addition to rules regarding prohibited and restricted goods.
- Goods produced in any Member State shall be accorded the same treatment as national products
- Unification of import and export rules and procedures. And adopting unified standards and specifications for all products.
- Elimination of procedural obstacles encountering joint projects and according them, at a minimum, the same treatment given to similar national projects.
- No Member State may grant to a non-Member State any preferential treatment exceeding those that are granted to Member States, nor conclude any agreement that violates provisions of the trade agreement.
- The UAE has also signed free trade agreements (FTA's) with
 - New Zealand
 - Singapore
- The UAE has been a member of the WTA since April 1996
- The UAE is a member of the Greater Arab Free Trade Area (GAFTA)
 - Under GAFTA the UAE has FTA's with Syria, Iraq, Lebanon, Morocco, and Jordan.
- The UAE maintains bilateral agreements with the following countries:
 - Pakistan
 - Algeria
 - Azerbaijan
 - India
 - Kazakhstan
 - Argentina
 - Armenia
 - The Maldives
 - South Korea
 - Morocco
 - The Netherlands

Australia's Exporting Relationship with the UAE:

- The UAE is Australia's largest trading partner in the Middle East, with two-way goods and services trade worth AUD \$8.8 billion as of 2015.
- Australian goods and services exports to the UAE has grown 10.5% to \$4.0 billion in 2015.

- According to DFAT Australia's maintains a significant commercial profile in the UAE with over 360 UAE-based Australian companies operating in a number of industries, ranging from agricultural suppliers and service to banking services.
- Australia's major exports to the UAE are:
 - Meat (excluding Beef): AUD \$225 million
 - Vegetables: AUD \$183 million
 - Passenger motor vehicles: AUD \$168 million
- Australia's total investment into the UAE is measured at AUD \$2.6 billion in 2016.
- The UAE's total investment into Australia is measured at AUD \$12.5 billion in 2016.

Consumers

Population:

- Resident population: Approx. 9.5 million
- Expatriate population: Approx. 1.7 million
- Population growth: Approx. 1.5%
- Median age: 30.3 years
- Largest state by size: Abu Dhabi - 67,340 sqm with approx. 2.98 million individuals
- Largest state by population: Dubai - approx. 3 million
- Population density: The UAE's population density was recorded at 111 individuals per square km in 2016, according to the World Bank collection of development indicators.

Sex ratio

- As of 2016, it is estimated that the UAE has a sex ratio of 2.18 males for every female.

Population Ethnicity (approx.):

- The approximate percentage makeup according to Santander Trade is:
 - South Asian (i.e. Pakistan, India, Bangladesh and Sri Lanka) - 58.5%
 - Emirati - 16.5%
 - Other Asian Regions (i.e. Iranian, Filipino) - 16.5%
 - Western Expatriates - 8.5%

Dominant Religious Groups:

- The approximate percentage makeup of dominant religious groups according to the Ministry of Economy census is:
 - 76% Islam
 - 9% Christianity
 - 15% Other (Hinduism, Buddhism, Sikhism and Judaism)

Consumer Profile

Consumer Shopping Behaviour:

- Purchasing decisions:
 - A study in 2012 found that price and quality were the most important factors for a customer in the UAE when intending to purchase a product. Other factors included assortment, accessibility, store atmosphere, and discounts.
 - Grocery shopping is carried out on a weekly basis, having transformed into a family-oriented experience for UAE consumers. These outings are primarily carried out in hypermarkets and supermarkets, with each format accounting for 56% and 20% of total grocery sales in 2017.
 - UAE consumers commonly travel to city centres or malls to carry out grocery shopping. Carrefour and Lulu retain strong penetration within these urban destinations.
 - The wider range of products offered by hypermarkets effectively address the different cultural needs for UAE consumers. While the offering of organic, ethical, and additive free foods has accommodated for the rising health trends within the UAE.
 - The free home delivery service offered by convenience stores is also appealing to busy consumers and the growing number of working women. Although convenience stores still accounted for just 2% of retail sales in 2016, they have expanded rapidly with the number of outlets rising from 209 in 2012 to 313 in 2017.
- Channel preference:
 - With close to 10,000 grocery retailer outlets in the UAE, consumers are exposed to vast number of hypermarkets, supermarkets, convenience stores, discounter stores, and other independent small grocers to choose from.
 - Consumer preference for modern retail outlets continues to grow within the UAE. These modern retail outlets are preferred due to their wider assortment of products, cleaner and more-open spaces, and the availability of offers and promotions. All of which cultivates the family-oriented shopping experience.
 - As a result of this trend, over the past five years the value growth within the modern grocery retail category has surpassed that of traditional grocery retailers; standing at a rate of 7.5% to 4.7% CAGR between 2011 - 2016.
 - Online grocery shopping has been trending recently, especially among young professionals, as the sector has developed.
 - Despite being in its early stages, non-store retailing has increased by nearly 30% over 2015 - 2017 - with online retailing accounting for 80% of non-store retailing sales between 2011 – 2016, and 21% of all retail sales.
 - Household spending on online food and drinks have also increased by nearly 30% across 2015 - 2017. This online retailing trend is expected to rise exponentially over the next 3 years.
 - According to Payfort, the total amount of money paid online by UAE shoppers reached AED 45.54 billion (AUD \$16.44 billion) in 2016.
 - This figure has risen 21% from the previous year and is higher than all other Middle East countries.

Spending Trends:

- Residents are expected to curb their spending on food over the next decade with the introduction of the VAT (value added tax) at 5% in January 2018.
- The UAE Central Bank claims that the UAE is still very much a cash-based economy, presenting the figure at 75%. This is partly due to the lack of trust towards electronic payments systems, combined with the fact that low-income migrant workers are unbanked.
- The UAE has an average annual household food and beverage expenditure of AED 27,830 (AUD \$10,084.80) per year.¹¹
- The rising cost of living in the UAE has caused concern for consumers. This has led to a cut back on spending, and a greater consideration towards promotions when purchasing household items.

Societal Trends:

- Greater nutritional awareness among UAE nationals and expatriates have significantly impacted eating habits and demand for both naturally healthy, and organic foods within the retail and foodservice sectors.
 - In turn, organic food production is being boosted to fulfil this demand.
- There has been a gradual increase in UAE's income gap due to the stark contrasts between individuals working in the formal labour market (i.e. native Emiratis and high-skilled expatriates), and those working in the informal labour market (i.e. low-skilled immigrants with low wages).

Consumer expenditure on food and drink products

- Consumer expenditure on food and alcoholic beverages will continue to rise. It is estimated that it will exceed AED 130 billion (AUD \$46.8 billion) by 2020 as can be seen below.

Category	Current Constant	2015	2016	2017	2018	2019	2020
Consumer Expenditure	Current Prices (AED Millions)	707,403.0	705,546.0	752,615.0	802,538.0	853,140.0	908,565.0
Consumer Expenditure on Food and Non-Alcoholic Beverages	Current Prices (AED Millions)	102,067.0	102,213.0	108,976.0	116,054.0	123,155.0	130,964.0
Consumer Expenditure on Food	Current Prices (AED Millions)	91,821.0	91,921.0	97,970.0	104,296.0	110,639.0	117,613.0
Consumer Expenditure on Non-Alcoholic Beverages	Current Prices (AED Millions)	10,246.0	10,292.0	11,006.0	11,758.0	12,516.0	13,351.0

Source: UAE Consumer Expenditure Statistics 2015- 2020 - Euromonitor International

Government-Mandated Changes:

- As of January 1st, 2018, 5% Value Added Tax rate has been included on the sales of various services and products with the exception of education, healthcare and certain food essentials. The government claims that the implementation of the VAT is part of its larger macroeconomic plan to support GDP growth.
- As of the fourth quarter 2017, the UAE's Federal Tax Authority introduced a 100% tax on tobacco products and energy drinks, as well as a 50% tax on carbonated beverages. This has been referenced to as the "Sin Tax".

Market analysis

Organic Packaged Food Market

Market Size - Value

- The organic packaged food industry recorded 12% growth in 2016, reaching total value sales of AED 82.4 million (AUD \$29.66 million), up from AED 73.9 million in 2015 (AUD \$26.60 million).
- Growing nutritional awareness is expected to raise this figure at a rate of 12.8% CAGR through to 2021.

Category Sales Figures

- Organic sauces and organic dairy dominated the organic packaged food category with AED 25.6 million (AUD \$9.2 million) and AED 21.4 million (AUD \$7.7 million) in sales respectively. Organic baby food comes in 3rd with AED 18.5 million (AUD \$6.66 million).

AED million						
	2011	2012	2013	2014	2015	2016
Organic Baby Food	7.9	9.4	11.8	14.2	17.2	18.5
Organic Dairy	4.9	6.6	9.5	13.0	16.8	21.4
Organic Edible Oil	2.4	2.4	2.2	2.7	3.2	3.3
Organic Rice, Pasta and Noodles	1.5	1.7	1.8	1.9	2.1	2.3
Organic Sauces, Dressings and Condiments	18.2	19.5	20.8	22.3	24.0	25.6
Organic Shelf Stable Meat, Seafood, Fruit and Vegetables	8.0	8.5	9.1	9.7	10.2	10.9
Organic Spreads	0.2	0.3	0.3	0.3	0.4	0.4
Organic Packaged Food	43.2	48.4	55.4	64.0	73.9	82.4

Sale of Organic Packaged Food by Category: Value 2011 - 2016 - Euromonitor International

Forecasted Sales Figures

- In the forecast period, it is expected that organic dairy overtakes organic sauces for first position in sales within the market. Third position is expected to continue to be occupied by organic baby food.
- As a category, organic packaged food maintains a CAGR of 13% over the forecasted period through to 2021, with an expectation that it will surpass 150 million AED in sales (AUD \$54 million).

AED million	2016	2017	2018	2019	2020	2021
Organic Baby Food	18.5	19.3	19.9	20.5	21.1	21.7
Organic Dairy	21.4	26.9	34.4	43.7	56.0	73.2
Organic Edible Oil	3.3	3.7	3.8	4.1	4.6	4.9
Organic Rice, Pasta and Noodles	2.3	2.4	2.5	2.6	2.8	3.0
Organic Sauces, Dressings and Condiments	25.6	26.6	27.6	28.8	30.9	32.4
Organic Shelf Stable Meat, Seafood, Fruit and Vegetables	10.9	11.4	11.9	12.5	12.6	14.7
Organic Spreads	0.4	0.5	0.5	0.5	0.6	0.6
Organic Packaged Food	82.4	90.6	100.6	112.8	128.5	150.5

Forecasted Sale of Organic Packaged Food by Category: Value 2016 - 2021 - Euromonitor International

Health & Wellness Category Value Sales - UAE

H&W - AED Million	2012	2013	2014	2015	2016	2017
Better For You Products	381	408	437	468	496	532
Fortified Functional Products	1,656	1,782	1,924	2,122	2,295	2,553
Free-From Products	41	46	52	65	78	90
Naturally Health Products	2,099	2,247	2,436	2,672	2,888	3,088
Organic Products	79	88	100	114	126	140
Health & Wellness Products	4,256	4,571	4,949	5,441	5,883	6,403

Source: Euromonitor International, 2018

Organic Beverages in the UAE

- As a category, organic beverages has negligible value sales within the UAE.
 - While the organic beverage category is insignificant as of 2017, the category is expected to grow over the forecast period through to 2022.
 - Rising demand for coconut water is a strong indicator of the widening consumer audience for healthy beverages.
 - Organic fruit/vegetable juice is expected to record strong growth over the forecast period as more modern grocers in the form of supermarkets and hypermarkets accommodate for changing consumer needs.
 - Leading grocers are expected to be Carrefour, Spinneys, and Lulu Hypermarkets.

Key trends and drivers in Organic Packaged Food

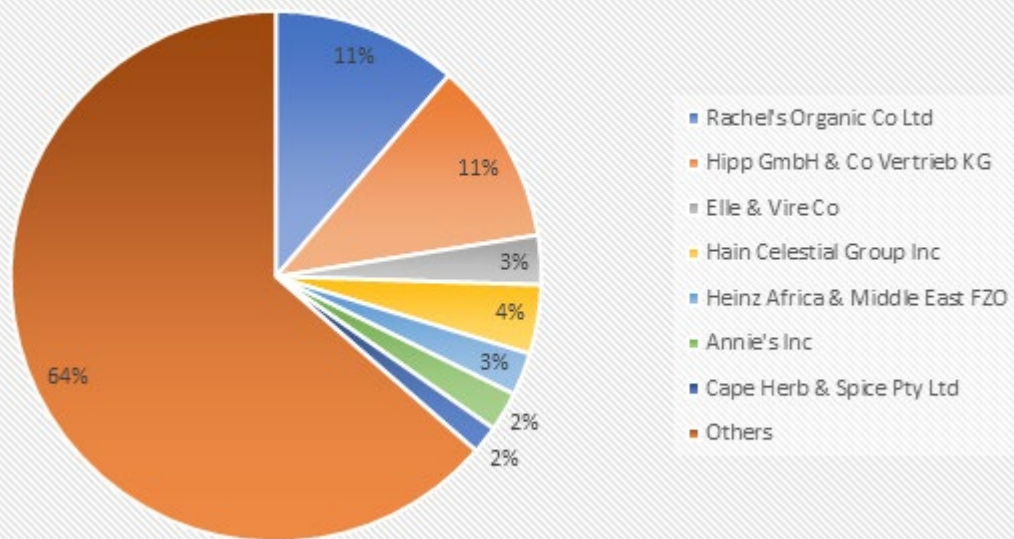
Organic Packaged Food Trends

- Home to over 200 nationalities, UAE consumers expect grocery retailers and foodservice providers to cater for their diverse lifestyle preferences. This has led to a wide variety of organic packaged food being introduced as part of the grocery retailing and foodservice range.
- Parents perceive organic packaged food to be the better-quality offering when compared to regular products.
- The growth of the UAE's organic packaged food industry has led to expansions within the nation's distribution infrastructure in recent years, helping to better cater for increased demand.
- The warm climate of the UAE presents challenges towards organic farming as there are no readily available sources to accommodate for desert farming.
 - As a result, organic foods produced from domestic farms are primarily given to foodservice, while organic packaged food are primarily imported from western countries due to their durability. This presents the UAE as an attractive exporting destination for many countries.
- Government-run initiatives, and rising awareness of health and wellness trends have instigated a shift towards naturally healthy products and organic variants.
- Consumers are increasingly seeking products that position themselves towards maximising health benefits and a holistic offering towards health and wellness.

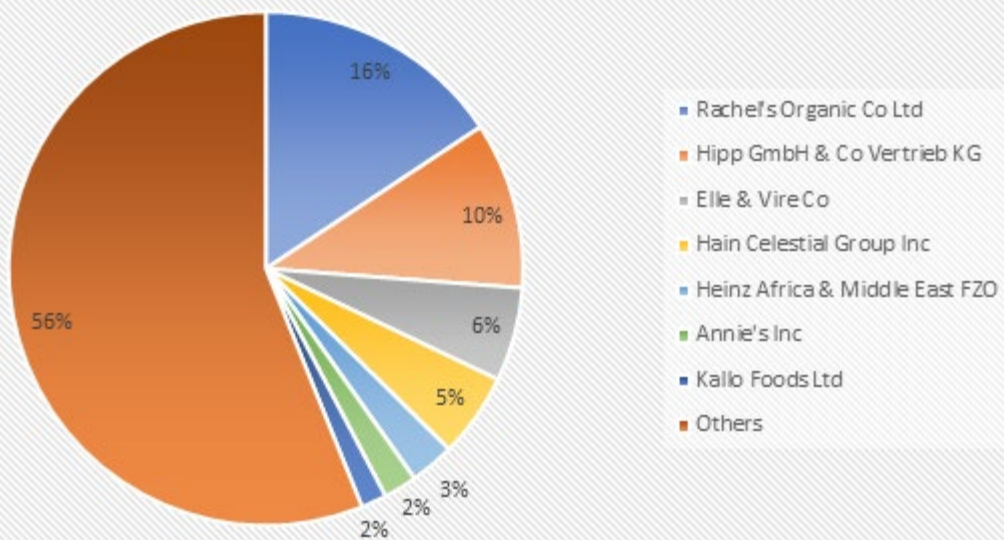
Company Shares of Market Within the Category

- As of 2016, Rachel's Organic Co Ltd is the leader within the UAE's organic packaged food industry with a 15.7% value share. Second place belongs to organic baby food producer HiPP (Hipp GmbH & Co. Vertrieb KG) with a value share of 10.5%.
- Third place falls to Elle & Vire Co, a producer of cream, butter and cheese. The company maintains a 5.9% value share within the UAE's organic packaged food industry.

2013 NBO Company Share of Organic Packaged Food



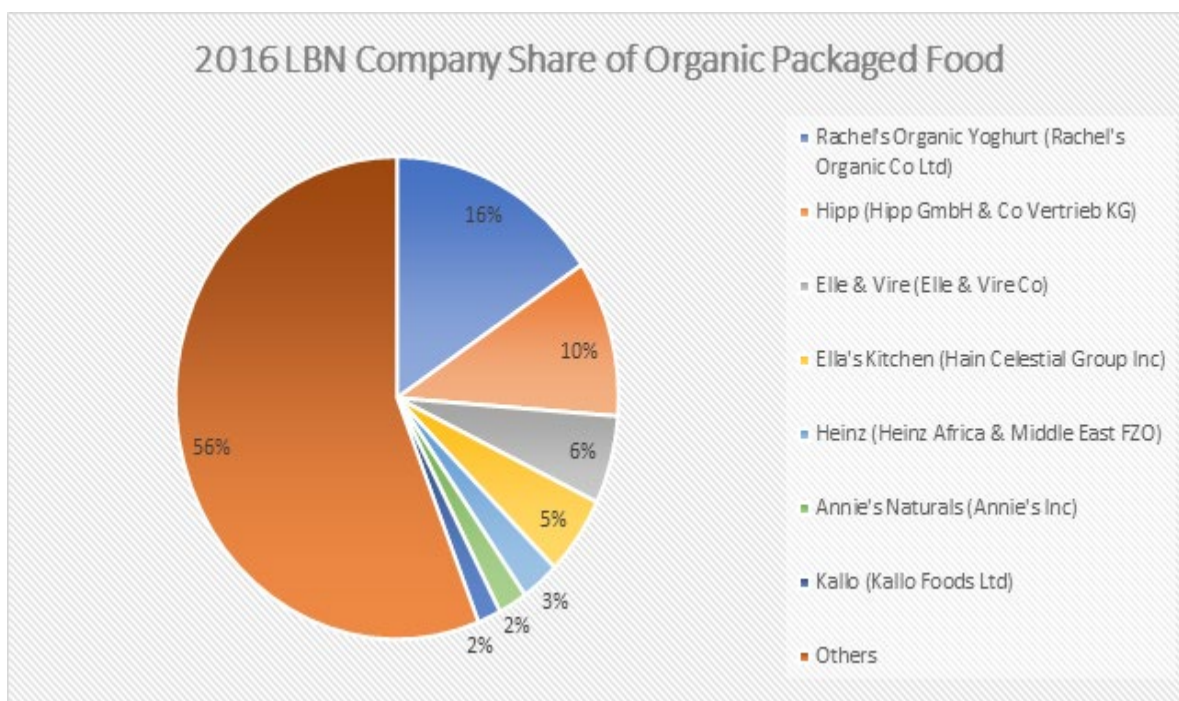
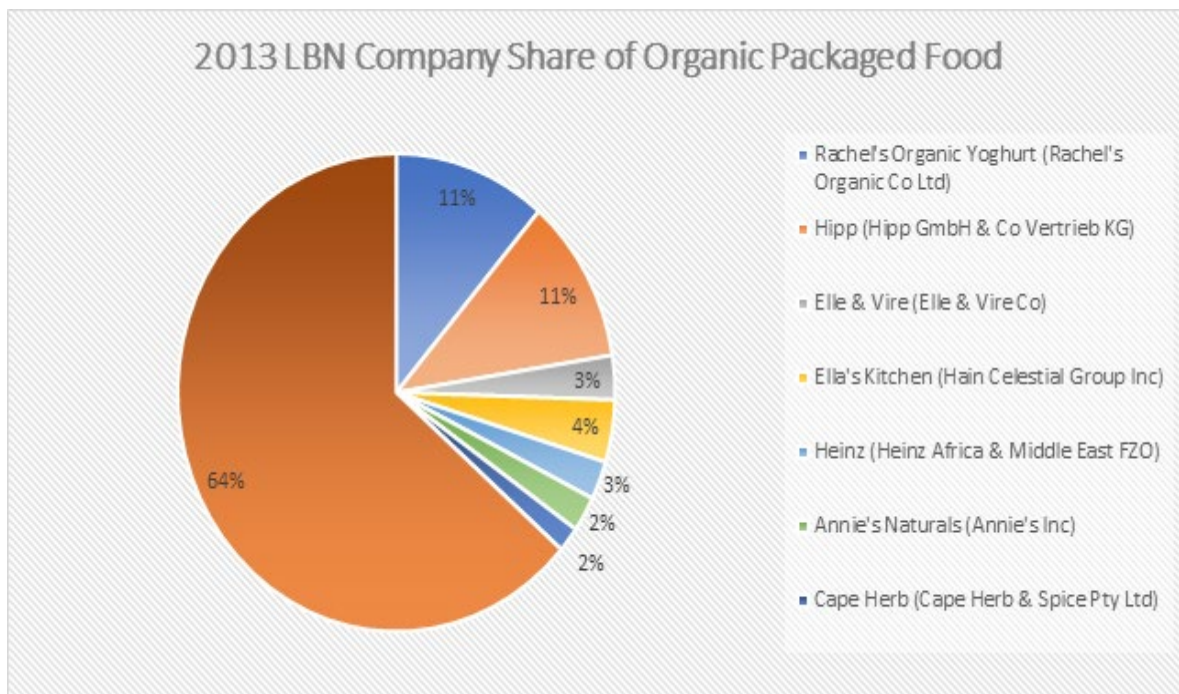
2016 NBO Company Share of Organic Packaged Food



Source: NBO Company Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Brand Shares Within Category

- Rachel's Organic Yogurt is the biggest local brand name within the UAE, operated by parent company Rachel's Organic. Hipp comes in second and Elle & Vire come in third place.



Source: LBN Brand Shares of Organic Packaged Food: % Value 2013 - 2016 - Euromonitor International

Channel Overview—Grocery Retailers

Industry Overview - Key Trends and Developments

- Grocery retailers posted growth of 8% in 2016, reaching AED 60.7 billion. This figure is forecasted to reach AED 79.6 billion by 2021 (AUD \$28.7 billion).

- Modern grocery retailers have looked for expansion opportunities amid the changing residential landscape of the UAE. This has led to the creation of smaller format grocery retailers in the form of convenience stores and supermarkets.
 - Optimisation of new and existing floor space have meant that redundant and unutilised spaces have been eliminated within grocery retailers, with a focus on enhancing in-store experiences and on providing a wider range of products.
- Increasing product types through private labels and multiple distributors have been observed across major retail operators.
- The two major grocery retail operators within the UAE are Carrefour, and the Consumer Co-operative Union. Together they account for 40.4% of total value within the grocery retailer space.

Channel Overview:

- Sales in retail channels

AED million	2012	2013	2014	2015	2016
Modern Grocery Retailers	37,180.0	39,210.0	42,693.0	46,666.0	50,916.0
Convenience Stores	682.0	711.0	810.0	985.0	1,154.0
Forecourt Retailers	1,801.0	1,832.0	2,222.0	2,439.0	2,606.0
Hypermarkets	26,017.0	27,578.0	29,508.0	32,155.0	35,194.0
Supermarkets	8,680.0	9,089.0	10,153.0	11,087.0	11,962.0
Traditional Grocery Retailers	8,070.0	8,485.0	8,963.0	9,434.0	9,766.0
Food/Drink/Tobacco Specialists	4,631.0	4,915.0	5,250.0	5,573.0	5,808.0
Independent Small Grocers	3,390.0	3,516.0	3,653.0	3,772.0	3,833.0
Other Grocery Retailers	49.0	54.0	60.0	89.0	125.0
Grocery Retailers (Rounded figure)	45,250.0	47,695.0	51,656.0	56,100.0	60,682.0

Source: Sales in Grocery Retailers by Channel: Value 2012 - 2016 - Euromonitor International

- % Value growth by channel:
 - For modern grocery retailers, convenience stores have the highest recorded CAGR between 2011 - 2016 with a rate of 12.4%. Supermarkets and hypermarkets follow in second and third place with a rate of 8.5% and 7.3% respectively.

- For traditional grocery retailers, other grocery retailers consisting of health food retailers, kiosks and market stalls enjoyed a successful penetration within the UAE market, posting a CAGR of 21.4% between 2011 - 2016.

% Current value growth			
	2015/16	2011 – 16 CAGR	2011/16 Total
Modern Grocery Retailers	9.1	7.5	43.7
Convenience Stores	17.0	12.4	79.3
Forecourt Retailers	6.9	4.3	23.3
Hypermarkets	9.5	7.3	42.3
Supermarkets	7.9	8.5	50.6
Traditional Grocery Retailers	3.5	4.7	25.6
Food/Drink/Tobacco Specialists	4.2	5.5	30.7
Independent Small Grocers	1.6	3.1	16.7
Other Grocery Retailers	40.1	21.4	163.7
Grocery Retailers	8.2	7.0	40.5

Source: Sales in Grocery Retailers by Channel: % Value Growth 2011 - 2016 - Euromonitor International

- Modern vs Traditional:
 - Modern grocery retailers accounted for 83.9% of all value sales within the UAE's grocery retailing category.
 - Consumer preference towards modern retail has increased exponentially within the UAE. This is primarily due to the development of modern retail to accommodate for the increased number of expatriates within the UAE.
 - Accessibility to a wider assortment of products, more-open and cleaner spaces, and the availability of promotions also factor for this preference.
 - Traditional grocery retailers only accounted for 16.1% of all value sales within the UAE's grocery retailing category.
 - Dubai Economic Development introduced new standards and operational requirements for the licensing of grocery retailers in 2016. These requirements were set to ensure compliance with the standards of the Health and General Safety Department, which covers staff training, floor plans, storage and shelving. These standards have led to the closing down of many traditional grocers.
 - Independent small grocers are struggling to compete with modern trade channels within the UAE, with many of these stores facing competition from the convenience store category of modern grocery retailers.

Channel Forecast

- Forecast Sales in Grocery Retailers by Channel: Value
 - The UAE's Grocery Retailer sector is expected to continue strong sales figures through to 2021, reaching an estimated AED 79.6 billion (AUD \$28.7 billion).

AED million						
	2016	2017	2018	2019	2020	2021
Modern Grocery Retailers	50,916.0	54,692.0	57,313.0	60,651.0	64,344.0	68,407.0
Convenience Stores	1,154.0	1,311.0	1,430.0	1,658.0	1,876.0	2,106.0
Forecourt Retailers	2,606.0	2,711.0	2,846.0	2,948.0	3,112.0	3,345.0
Hypermarkets	35,194.0	38,269.0	40,183.0	42,554.0	44,945.0	48,058.0
Supermarkets	11,962.0	12,401.0	12,854.0	13,491.0	14,411.0	14,898.0
Traditional Grocery Retailers	9,766.0	10,032.0	10,306.0	10,608.0	10,899.0	11,254.0
Food/Drink/Tobacco Specialists	5,808.0	6,045.0	6,298.0	6,569.0	6,822.0	7,110.0
Independent Small Grocers	3,833.0	3,847.0	3,858.0	3,881.0	3,910.0	3,974.0
Other Grocery Retailers	125.0	140.0	150.0	158.0	167.0	170.0
Grocery Retailers (Rounded figure)	60,682.0	64,724.0	67,619.0	71,259.0	75,243.0	79,661.0

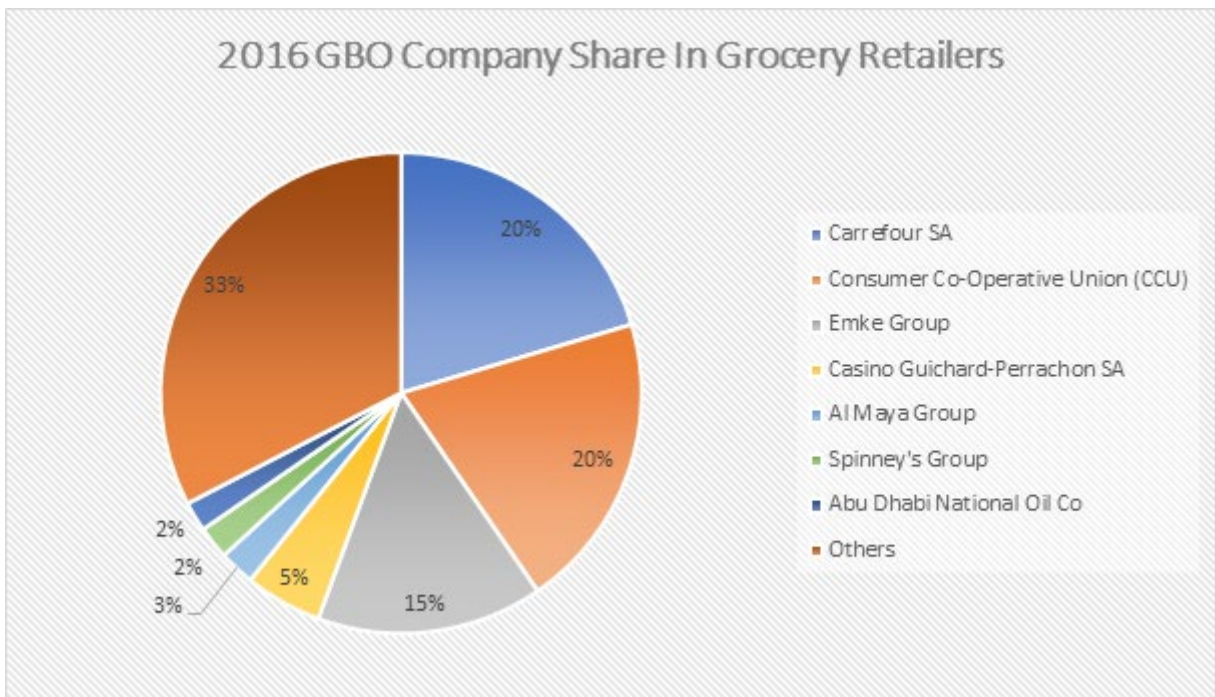
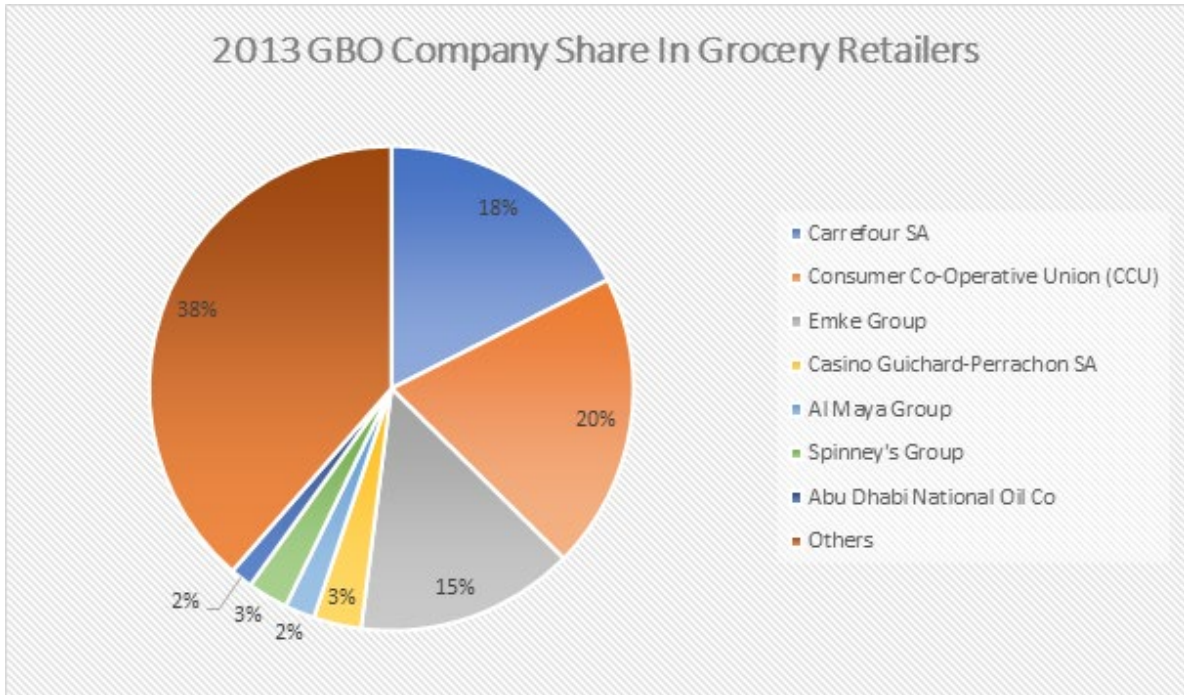
Source: Forecast Sales in Grocery Retailers by Channel: Value 2016 - 2021 - Euromonitor International

- Forecast Sales in Grocery Retailers by Channel: % Value Growth
 - The UAE's grocery retailing industry is expected to post strong growth in the forecasted period; increasing at a value of 5.6%.

% Current value growth			
	2016/17	2016 – 21 CAGR	2016/21 Total
Modern Grocery Retailers	7.4	6.1	34.4
Convenience Stores	13.6	12.8	82.5
Forecourt Retailers	4.0	5.1	28.4
Hypermarkets	8.7	6.4	36.6
Supermarkets	3.7	4.5	24.5
Traditional Grocery Retailers	2.7	2.9	15.2
Food/Drink/Tobacco Specialists	4.1	4.1	22.4
Independent Small Grocers	0.4	0.7	3.7
Other Grocery Retailers	11.7	6.3	35.8
Grocery Retailers	6.7	5.6	31.3

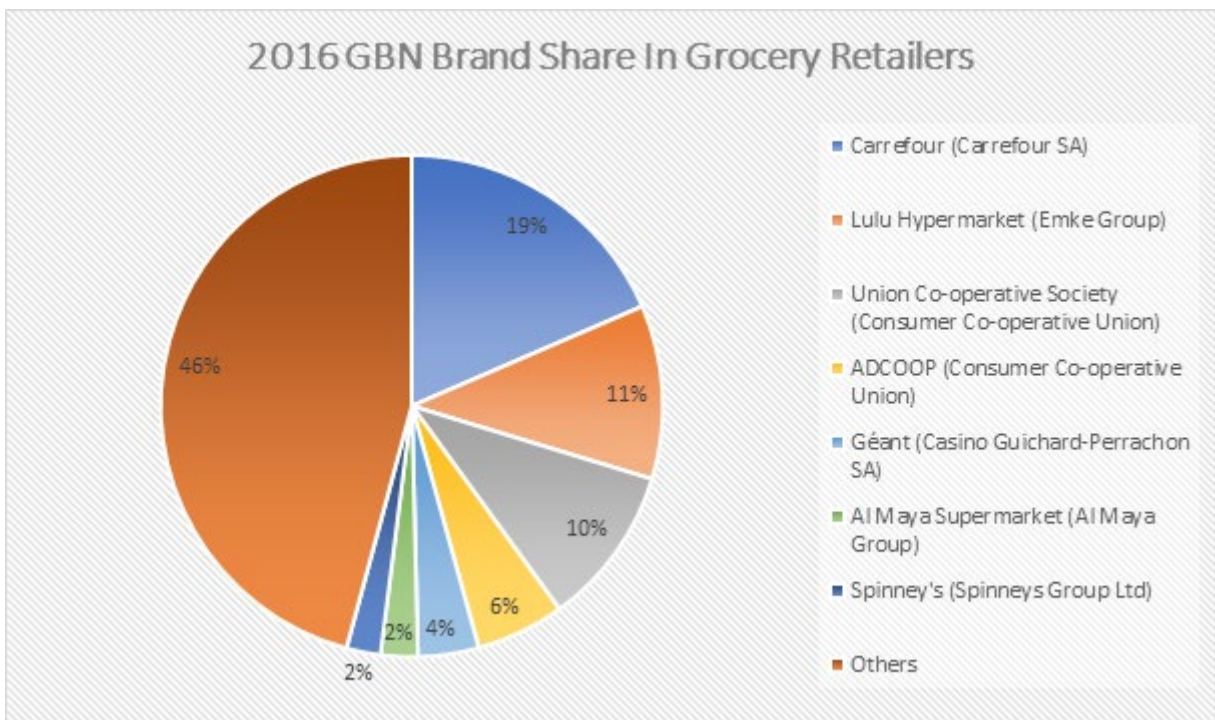
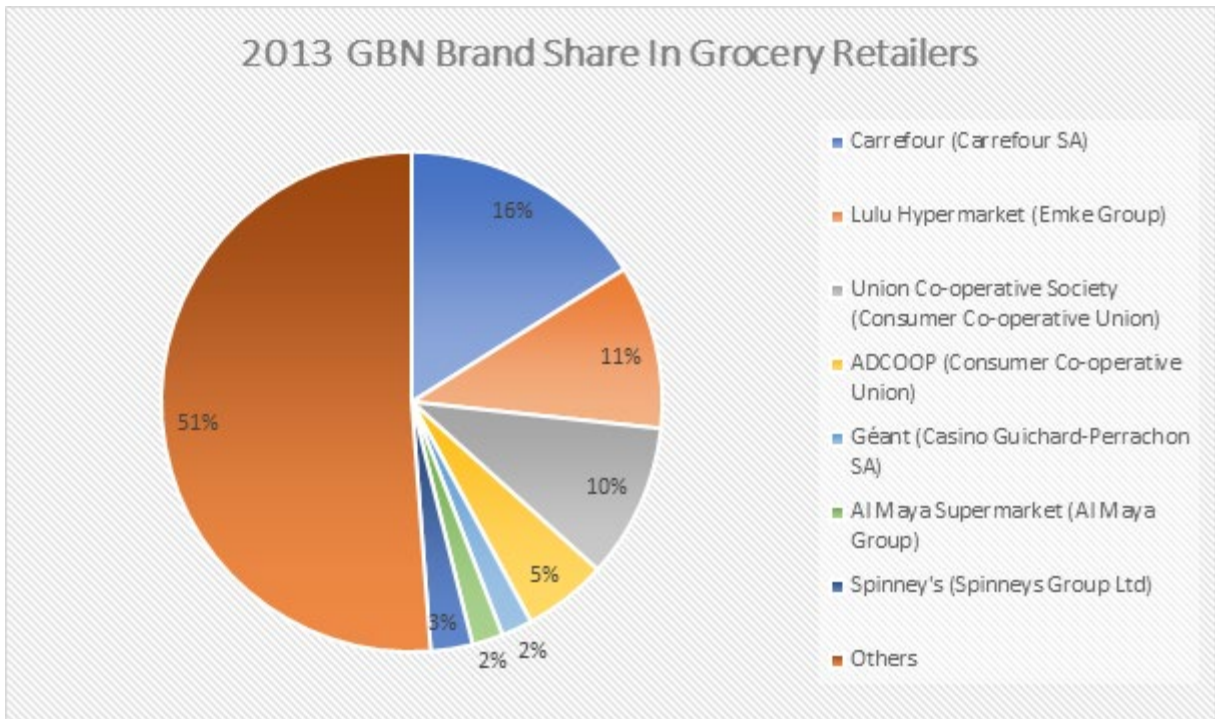
Source: Forecast Sales in Grocery Retailers by Channel: % Value Growth 2016 - 2021 - Euromonitor International

- Grocery Retailers Market Share in the UAE: % Value 2013 -2016



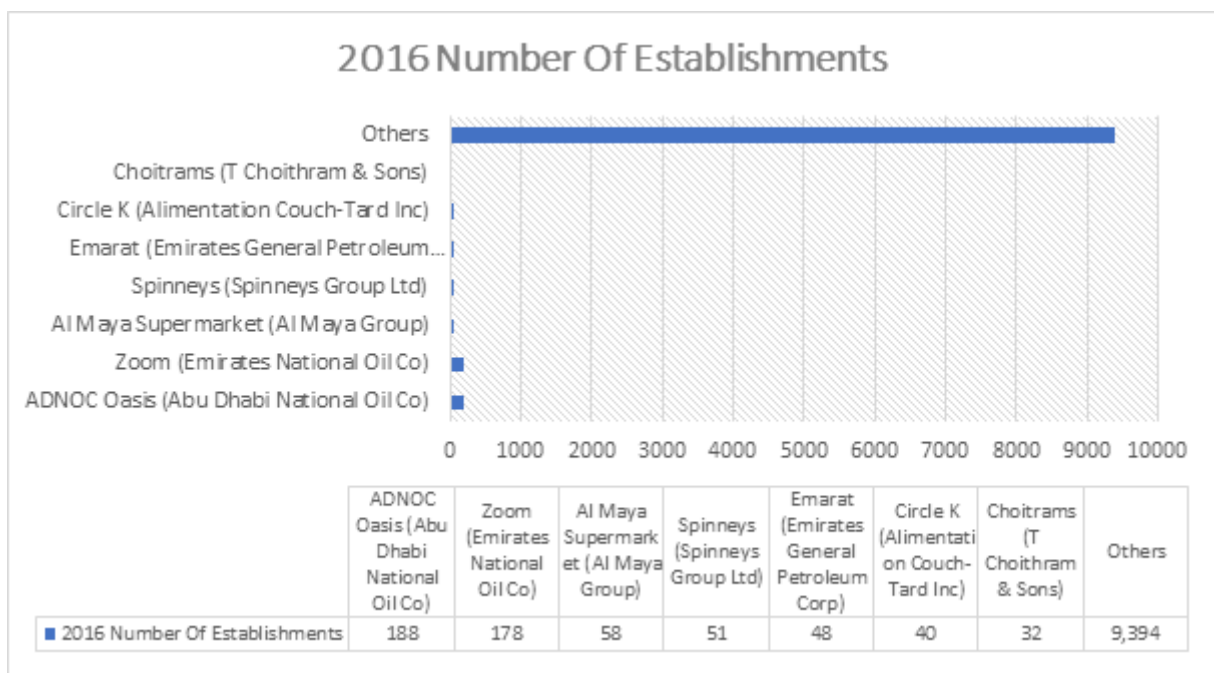
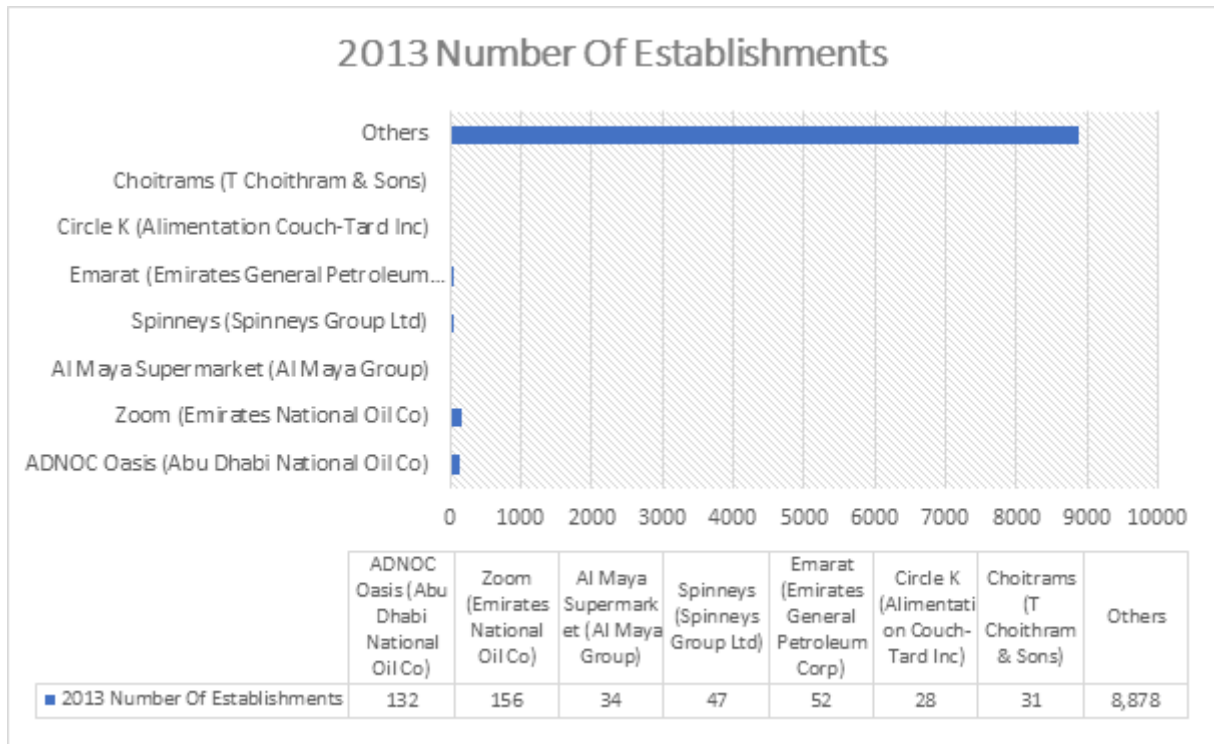
Source: Grocery Retailers GBO Company Shares in the UAE: % Value 2013 - 2016 - Euromonitor International

- Grocery Retailers Brand Share of the Market: % Value 2013 - 2016



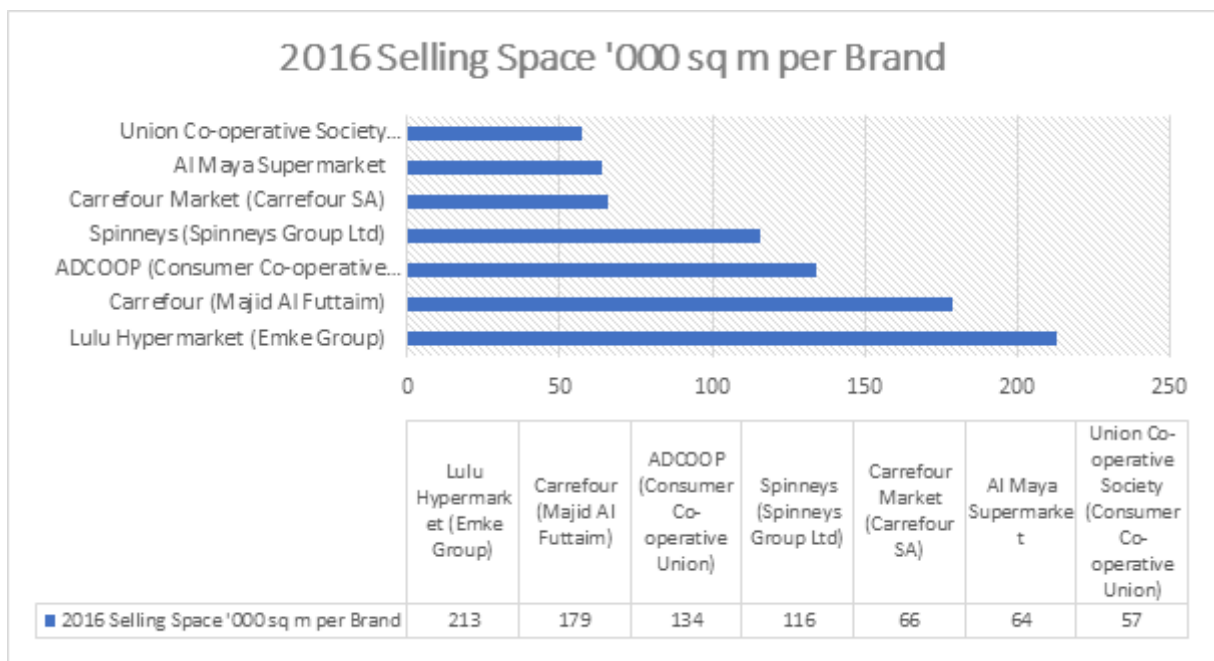
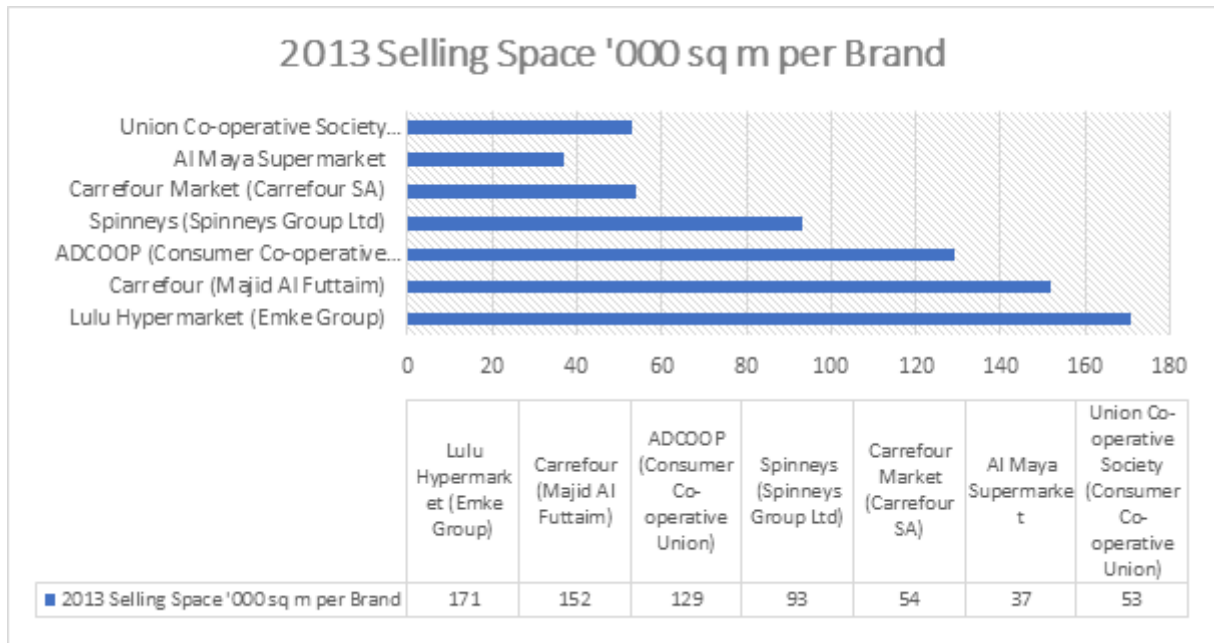
Source: Grocery Retailers GBN Brand Share in the UAE: % Value 2013 - 2016 - Euromonitor International

- Number of establishments in UAE by Grocery Retailers:



Source: Grocery Retailers LBN Brand Shares: Outlets 2013 – 2016 – Euromonitor International

- Grocery Retailer's Selling Space in the UAE



Source: Grocery Retailers LBN Brand Shares: Selling Space 2013 – 2016 – Euromonitor International

Market access

Opportunities and Challenges In UAE

Opportunities	Challenges
A significant expatriate population provides an opportunity for diversified organic products to be accepted into the marketplace.	Negotiating with modern grocers can be difficult; desired shelf positions entail significant costs, on top of the high margins that are taken by supermarkets.
Premiumisation has been highlighted as the key driver of growth for the UAE's food industry; complementing the strategic direction of Australian organic food producers.	As a commercial centre for the MENA region, organic producers should expect fierce competition from Asian, European, and North American companies, and increasingly, from local and regional producers.
The market for organic products is expected to grow at 12% annually through to 2021 (surpassed AED 150 million/AUD \$56 million). This can be attributed to growing nutritional awareness.	Organic producers wishing to conduct business outside a free zone (by establishing an on-shore company or LLC) must have a local partner owning at least 51% of the business
The UAE is the most sophisticated market within the MENA region; advanced physical infrastructure makes transportation and importing accessible.	Setting up in the UAE can take time, as there are 40 different jurisdictions across the seven Emirates in the UAE; free zones in Dubai and Abu Dhabi each have their own laws and regulations.

Road Map to UAE's Market

There are 3 key strategies when considering market entry into the UAE. These 3 strategies are:

1. Marketing Communication - Actively communicating the health benefits, while highlighting premium quality is crucial when targeting the UAE market. In a study by Nielsen in 2013, 83% of UAE respondents stated that they were willing to pay a premium for foods with health attributes.
 - a) Advertising will play a significant role in sales promotion. While the language of business is English, Arabic is the official language and is required for all government documentation. There is a deciding edge for promotional materials that incorporate both English and Arabic.
2. Careful Consideration of Market Entry Strategy - Ideally, striking a partnership with a local distributor or agent can help organic producers to cover a wider range of supermarkets and hypermarkets; where over 90% of organic packaged products are sold.
 - a) An alternative strategy would be to negotiate directly with major supermarket or hypermarket chains that maintain an expat consumer base - for example Carrefour or Spinney's.
3. Accommodating To Key Partner Demands - Organics tend to fall in the new-to-market category, as a result, importers will often purchase small initial quantities to test the product's market potential, and to further develop the relationship between supplier/buyer.

- a) Showing patience, and demonstrating commitment to the market is crucial in developing the supplier/buyer relationship. Organic producers should repeat market visits and invest in local advertising to demonstrate their commitment to potential partners.

In regards to packaged food alternatives, there are 2 relevant prime positioning statements that may be leveraged by organic producers when retailing their products. These statements are “General Wellbeing” and “Free From”; accruing AED 3.5 billion (55.51% of H&W positioning), and AED 90 million (1.41% of H&W positioning) respectively.

For organic food producers, there are a number of healthy attributes that UAE consumers are actively pursuing according to Nielsen in 2013.

- 43% of UAE respondents within the Nielsen Global Health & Wellness Survey in 2013 highlighted the absence of GMOs to be very important. Of the 27 attributes highlighted, the following 3 attributes were also considered to be ‘very important’:
 - Made from fruits/vegetables (52%)
 - Low/no cholesterol (52%)
 - Absence of artificial colours and flavours (48%)

Competitor landscape

Strategic Positioning of Major Market Players

Organic Larder - Organic Foods and Cafe

- Product Category: condiments, dairy, noodles, snacks, superfoods & seeds, tea & coffee, fruits & vegetables, baking & dessert products, and biodynamic food.
 - Organic Foods and Cafe is the largest supplier of organic products in the UAE, operating supermarkets and cafe’s within Dubai and Abu Dhabi.
 - While the core business of organic foods and cafe is health and wellness packaged food, its 15,000 SKU strong product portfolio extends to other product areas such as homecare and cosmetics.
 - Organic Larder is a standalone distribution firm that is dedicated to selling over 540 high-quality organic foods to UAE-based supermarkets, hypermarkets and cafe’s.
 - Organic Larder and Organic Food and Cafe’s competitive advantage is derived from their ability to leverage fresh products from family-run organic farms throughout the world.
 - Thanks to a strong supply base, Organic Food and Cafe has the largest range of gluten-free and biodynamic products in the UAE.

Rachel’s Organic - Lactalis, Groupe

- Product Category: milk, butter, and yoghurt (multipacks, small and big pots, multipacks)
 - Purchased by the Lactalis Group in 2010, Rachel’s Organic are widely distributed across major supermarkets, hypermarkets, and specialty grocers in the UAE.
 - Rachel’s Organic’s yoghurt range is Non-GMO, free from artificial additives, and made from pasteurised milk; sourced from family-run dairy farms in Wales.

Competitor landscape: Top Grocery Retailers in UAE

Carrefour SA (Majid Al Futtaim) | Country of Origin: France

- Retail Company Profile - Main Business:
 - The Majid Al Futtaim Group is a real estate player in the region. With investments in retail, the group holds exclusive rights for Carrefour in the Middle East, Central Asia and Africa. The terms of the current agreement between Carrefour and Majid Al Futtaim were recently extended to 2025, and it refers to the retail division of the group, of which Majid Al Futtaim Group holds 75% of the shares and Carrefour holds 25%.
 - Through its ventures into hypermarket and supermarket franchises, Carrefour has managed to maintain a grocery retail value share of 20.4%
 - In the UAE alone, Carrefour operates 28 hypermarkets and 43 supermarkets.
- Strategic Direction:
 - Majid Al Futtaim Hypermarkets (Carrefour) is directed towards maintaining its leadership of grocery retailers in the United Arab Emirates as well other regional markets where it has a presence. It is currently looking at expansion plans, aiming to reach 140 hypermarkets and 210 supermarkets by 2018 in licenced Middle Eastern markets.
- Competitive Positioning:
 - Carrefour hypermarkets continue to lead retailing in the country. The company's leading position is backed by its highly specialised operations, customer service and an assortment of brands and products in the store.
 - Carrefour holds a strategic advantage as its franchise partner, Majid Al Futtaim, is a leading real estate player in the country, which enables Carrefour to attain tenancy in major shopping centres, helping the company to reach its target audience of middle to high income consumers.
- Private Labels:
 - The Carrefour private label line is targeted at highly budget-conscious consumers, with solid value for money offerings. Baked goods, poultry and meat home brand products target all consumer groups equally where both quality and freshness are in demand.
 - The private label line "No. 1" offers a range of home appliances at highly affordable prices. Manufactured in the United Arab Emirates, these products target Southeast Asian customers who buy items for their practicality.

Union Co-operative Society | Country of Origin: UAE

- Retail Company Profile - Main Business:
 - Union Co-op's core business is to establish and manage hypermarkets throughout Dubai. However, the company also aims to work with the government to invest in Dubai society, channelling its efforts into areas such as education and Islamic affairs, health, charity work, human development and environmental work such as initiatives aiming at reducing the wastage of electricity and water and the use of eco-friendly plastic bags in all of its outlets.
 - Union Coop maintains a value share of 20% within the UAE

- Strategic Direction:
 - Union Co-op aims to continue offering value-for-money products as well as engaging in social programmes to the benefit of the community.
 - The company has managed to establish itself as an operator of affordable hypermarkets among low-income and less affluent middle-income consumers.
 - Customers of the Union Co-operative Society enjoy frequent promotional offers and are able to redeem their loyalty points to obtain discounts on the cost of their shopping.
- Competitive Positioning:
 - Union Co-op focuses on offering high-quality products at affordable prices as well as maintaining price stability in times of price fluctuations for the benefit of consumers. The company targets mainly low-income and less affluent middle-income consumers due to the low prices of its merchandise, especially its extensive range of private label products.
 - The company has also developed very popular loyalty schemes through the Tamayaz loyalty card and Afdhal prepaid card, each of which help consumers budget their spending as well as giving them access to benefits such as instant discounts and promotional offers.
- Private Labels:
 - The company offers a wide range of private label products across various categories such as dried processed food, soft drinks, beauty and personal care, home care, tissue and hygiene, frozen processed food, hot drinks, oils and fats and homewares under the 'Union' brand.

Lulu Hypermarket (Emke Group) | Country of Origin: India

- Retail Company Profile - Main Business:
 - Lulu Hypermarket is part of Emke Group. The group is one of the largest Indian-owned conglomerates in the GCC. Based in Abu Dhabi, the company established its first grocery retail outlet in 1995.
 - With its core business engagement in retail, the group has wider interests and establishments in manufacturing and exports. This includes food processing units established in India, which provides supply chain proficiency at the retail forefront.
 - Within the United Arab Emirates, the brand has a strong presence in the northern emirates, as well as in key emirates such as Dubai and Abu Dhabi with hypermarkets, supermarkets and also smaller-store formats, such as convenience stores.
 - Within the UAE, Lulu maintains a grocery retail value share of 15.2%
- Strategic Direction:
 - Emke Group is working towards being one of the most prominent and successful retail conglomerates regionally, as well as globally. With its flagship hypermarket brand Lulu Hypermarket, the company is expanding regionally into countries such as Saudi Arabia, Bahrain and Oman.
- Competitive Positioning:
 - Lulu Hypermarket offers a similar product range and pricing to its leading competitor Carrefour. Being a prominent player of Indian origin, the retailer has a wider

understanding of Asian cuisine and lifestyle choices. As a result, Lulu attracts the largest percentage of expatriates, in particular Indians.

- With its dedicated supply chain, Lulu outlets are able to provide budget-priced products to the consumer. Lulu Express, the convenience store brand from the retailer, provides the same prices at convenience stores as it does in other formats, which is contrary to the pricing of other players that have higher prices within convenience stores.
- Private Labels:
 - Lulu's private label strategy is dependent on its diversified business portfolio, including a number of supply chain partners that are supported by the group.
 - The company launched its private label products in 1996 with "LuLu". The retailer has increased the number of categories and product types it covers over the years in light of the positive feedback for Lulu's private label products. Lulu Group International achieves around 10% - 20% of sales through private label products.
 - The retailer also maintains a private label line called Ikon with a very extensive variety of home appliances and a website that provides a product catalogue.

Market Access Requirements

Industry Regulators and Contacts:

- Ministry of Climate Change and Environment
 - The ministry of Climate Change and Environment govern much of the UAE's organic agriculture and product market. They set out laws and legislations to import and regulate agriculture, animal wealth, fisheries, and other relevant categories.
 - Contact Number: +971 2 444-4747
 - Email: adarchie@moocae.gov.au
- GCC Standardisation Organisation (GSO)
 - The GSO is responsible for the development of standards governing food and non-food items in the GCC. Once a new standard is approved by the food standards committee of the GSO, GCC member countries officially adopt the standard.
 - Contact Number: +966 11 274 6655
 - Email: csc@gso.org.sa
- Emirates Authority for Standardisation and Metrology (ESMA)
 - ESMA develop and issue UAE national standards. They are responsible for granting the Emirates Quality Mark (EQM) to national products and issue certificates of conformity.
 - Contact Number: +971 4 294 4428
 - Email: customercare@esma.gov.ae

Special certificates required:

- UAE health authorities require Islamic Slaughter Certification for all food products containing meat and poultry.

- Original Halal Product Certificates must also be produced. These can be issued by an approved Halal centre in Australia for all meat and poultry products.
- If the product contains meat or poultry, the Halal Certificate must be an original for each shipment.
- If the product doesn't contain meat or poultry and the Halal logo appears on the packaging, a copy of the Halal Certificate is sufficient.
- Products that claim to be organic must be accompanied with an Organic Certificate.
- If the product is not produced in Australia, a Certified Declaration of Origin is required.
- Organic products must be certified by ESMA; imports must be certified by an organisation approved by ESMA.
- Imports not certified by an organisation that is approved by ESMA will be stopped at Port.

Documentation Required:

The UAE requires original standard documentation as per the following:

- **Import permit**
- **Commercial invoice requirements:** There are no prescribed forms. However, certification by an approved authority may be requested. The commercial invoice must indicate:
 - Country of origin
 - A full description of the goods, including:
 - Net and gross weights, unit and total value, and packing details which should match that of the bill of lading.
 - The name of the manufacturer
- **Ball of lading requirements:** May be made out to order.
 - The appropriate tariff classification number should be shown - to ensure that the correct freight rate is applied to the shipped items.
 - Two original copies must be provided at the minimum.
 - Original bill must be provided if the ladings have to be endorsed by the shipper. If no endorsement is required, a full set of originals would have to be handed to the line.
- **Packing Requirements**
 - Packaging of goods should be made to protect against extreme heat and humidity, and storage in the open.
- **Labelling Requirements**
 - Outer containers are required to bear the consignee's mark, and the port mark in Arabic - a requirement as the majority of wharf labourers are not able to read English.
 - Labels for imported goods/food must have the following standard information in both English and Arabic:
 - Product and brand

- Ingredients, in descending order of proportion
- Nutritional contents
- Additives using their 'E' numbers
- The origin of all animal fats
- Net contents in metric units
- Production and expiration dates
- Country of origin
- Manufacturer's name and address
- Special storage and preparation instructions, if necessary.
- In addition to the mandatory labelling requirements. Labelling for organic products must also include (in both Arabic and English):
 - Input name / inputs name
 - Organic Production Process
 - Percentage of input contents and organic product contents
 - In case of organic inputs, it should be stated that this input is organic, and is allowed to use in organic agriculture.
- According to ESMA, these additional organic labelling apply to foods products and their inputs which may be imported, such as fresh/chilled/frozen fruit and vegetables, canned food products, fresh and canned juices, meats and fish, egg, honey, milk, dairy, and cheese.
 - These requirements are issued under Federal law no. (5) Year 2009 for Organic Foods and their inputs.
- **Bill of entry:** A declaration stating the nature, quantity, and value of the exported goods must be presented.

Tariff or excise / tax levied

- The UAE presents a customs duty of 5% on imported goods (certain categories such as pharmaceuticals and certain agricultural products are exempt to this customs duty).
- Imported liquor is subject to a 70% customs duty on the CIF value of the items.
- Imports of tobacco products are subject to a 100% customs duty on their CIF value.

Non-tariff barriers

- Import Restriction
 - Import controls exist for specific food and beverage product categories such as alcoholic beverages, pork and pork-based products, and medicinal substances.
 - In order to export in the UAE, companies must align themselves with partners that have the appropriate trade licences.

- Products cleared through Dubai Port must be registered with the Dubai municipality. This is completed via the Dubai Municipality online portal.
 - Products entering the UAE through Abu Dhabi and Sharjah Ports do not have to go through this registration process.

Methods of quoting and payments

- Quotations should be based in US dollars CIF (Cost, Insurance and Freight), or CIFC (Cost, Insurance, Freight and Commission) and may be requested as a proforma invoice to facilitate the opening of letters of credit.
- Methods of duty payment for imported shipments can be made as:
 - Cash or cheque
 - Bank receipts if the customs duty has been paid via a bank or financial institution
 - Customs duty debit facility against bank guarantee
- Payment is usually made by irrevocable letters of credit

Taxation within the UAE

- Effective January 1 2018, a 5% Value Added Tax rate has been included on the sales of various services and products with the exception of education, healthcare and certain food essentials.
- As of the fourth quarter 2017, the UAE's Federal Tax Authority introduced a 100% tax on tobacco products and energy drinks. A 50% tax on carbonated beverages was also implemented through this policy.

Insurance practice

- Normal commercial practice follows in the UAE regarding insurance policies. However, the insurance company must not have any Israeli connections.

Public health requirements

- Any and all livestock are inspected upon arrival.
- A valid import licence by a registered importer is required for agricultural pesticide imports.
- Food products containing cyclamates are prohibited from entering Abu Dhabi, and while there is no legislation prohibiting them from entering Dubai, the practice is not encouraged.

Key Market Access Considerations

The Ministry of Climate Change and Environment govern much of the UAE's organic agriculture and product market. They set out laws and legislations to import and regulate agriculture, animal wealth, fisheries, and other relevant categories.

- In order to make local organic produce more affordable and available in the UAE, the Ministry have facilitated a number of programs, including the subsidisation of farming equipment and the provision of expertise to connect local farmers with supermarkets and hypermarkets.

The Emirates Standardisation and Metrology Authority (ESMA) have issued a standard in 2012 covering the organic foods certification scheme. This scheme highlights the steps the UAE are taking to regulate their organic market.

- The scheme mandates that all organically certified products in the UAE must have a certification logo.
- Imported products, must meet the requirements of the Ministry of Environment and Water Regulations; requiring certification from a ministry-approved organic certification body.
- In addition to mandatory labelling requirements, organic products must include the following information in both Arabic and English:
 - Input/s name.
 - Organic Production process.
 - Percentage of input contents and organic product contents.
 - In case of organic inputs, it should be stated that this input is organic and it is allowed to use in organic agriculture.
- In addition to these, the UAE requires original standard documentation as per the following for customs clearance:
 - Valid trade licence
 - Certification of origin
 - Original supplier's commercial invoice
 - Bills of lading/airway bill