We’ve surveyed the international business landscape.

AIBS 2014 Industry Report

AGRICULTURE

Survey partners

Export Council of Australia
Australian Government
Australian Trade Commission
Australia Unlimited

Efic
Finance for Australian Exporters

The University of Sydney
Agriculture

This report is based on Australia’s International Business Survey 2014 (AIBS 2014). It analyses responses from companies engaged in agriculture, forestry and fishing businesses, involving both unprocessed food (including live animals) and unprocessed non-food products.

The survey, conducted between 22 October and 16 December 2013, is one of the most comprehensive investigations into Australian international business activity to be conducted in more than a decade.

TOP 5 MOST IMPORTANT OVERSEAS MARKETS

Hong Kong  
#5 Market = 10%

China  
#1 Market = 32%

Japan  
#2 Market = 20%

Malaysia  
#4 Market = 11%

About the Respondents

AIBS 2014 captured data from 94 agriculture sector companies.

• Twenty-seven per cent of respondents were based in New South Wales, 19 per cent in Victoria and 19 per cent in Queensland. Thirteen per cent were based in South Australia, 10 per cent in Western Australia, six per cent in Tasmania and one per cent in the Australian Capital Territory. Five per cent of respondents did not provide this information.
• The survey captures companies with a broad spectrum of experience. Thirty-six per cent had been operating for more than 20 years, and 31 per cent had been operating from 10 to less than 20 years. Twenty-three per cent had been operating for 3 to less than 10 years, and 10 per cent for less than 3 years.

• Companies in the sample are mainly small-to-medium-sized. Seventy-seven per cent of respondents had less than 50 employees. Twenty per cent had 50 to less than 200 employees, while 3 per cent had more than 200 employees.

• In terms of revenue, 48 per cent earned less than $5 million in the last financial year and 27 per cent earned $5 million to less than $20 million. Sixteen per cent earned $20 million to less than $200 million, while only 3 per cent earned in excess of $200 million. Six per cent of respondents did not provide this information.
International Activity and Performance

The agriculture sector is typically viewed as being mainly engaged in selling products, however over 20 per cent of respondents earned some or all of their international revenue from services and/or intellectual property.

Figure 1: Sources of international revenue
Survey question: Does your company earn its international revenue from the sale of products/services/ intellectual property? (select all that apply)

In addition to earning international revenue, around 30 per cent of agricultural companies imported goods or services. Around 20 per cent were involved in an international supply chain and 20 per cent involved in international research and development collaboration.
Companies earning a greater portion of revenue from overseas had more profitable international operations relative to their domestic operations. For example, 81 per cent of companies earning more than 75 per cent of their revenue overseas reported a more profitable operation overseas than domestically.

Figure 3: Percentage of International Revenue and International Profitability
Survey questions:
What percentage of your company’s revenue was earned outside Australia in the last 12 months?
Describe the profitability of your company’s international operations over the past 12 months compared to Australian operations.
International Markets, Barriers and Challenges

Current International Markets

Agricultural companies cited China, Japan and the United States as their top three countries. Respondents collectively identified 35 markets as their most important.

Figure 4: Most important overseas markets (Top 10)

Survey question: Which countries does your company earn most of its revenue from? (top two countries)

Percentages calculated based on the number of respondents who identified the country as their top first or second overseas market divided by the total industry sample size (n = 94).

Goods and services were delivered through different modes of services in different markets. Companies more frequently serviced China, the United States and Hong Kong directly from Australia, but were more likely to serve Japan through an agent. In Malaysia, both of these service modes were equally used.
Of the top five current international markets, China was most frequently ranked as the more difficult to do business in compared to Australia.

Figure 6: Ease of doing business compared to Australia
Survey question: Ease of doing business (top two countries)

Percentages calculated based on the number of respondents who identified the country as their top first or second overseas market. Referring to Figure 4 sample sizes, 3 did not respond for China, 1 did not respond for the United States, and 1 did not respond for Hong Kong (SAR of China).
**Top Barriers and Challenges**

A lack of information on local regulations and tariffs was cited as the most significant issue for the agricultural sector in doing business overseas. A lack of information on local culture, language and business practices was equal second and less of an issue for the agricultural sector compared to the overall sample. It was indicated by 38 per cent of agricultural companies compared to 59 per cent of respondents overall.

**Figure 7: Barriers faced by Australian businesses**

*Survey question: What are the barriers that make (this country) so difficult for your company? (select all that apply)*

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of information on local regulations and tariffs (n = 45)</td>
<td>48%</td>
</tr>
<tr>
<td>Customer payment issues (n = 36)</td>
<td>38%</td>
</tr>
<tr>
<td>Lack of information on local culture (n = 36)</td>
<td>38%</td>
</tr>
<tr>
<td>Tariffs, quotas and import duties (n = 33)</td>
<td>35%</td>
</tr>
<tr>
<td>Customs costs and/or delays (n = 31)</td>
<td>33%</td>
</tr>
<tr>
<td>Licences, permits and product standards (n = 30)</td>
<td>32%</td>
</tr>
<tr>
<td>Regulations that apply only to foreign firms (n = 20)</td>
<td>21%</td>
</tr>
<tr>
<td>Foreign exchange risks (n = 19)</td>
<td>20%</td>
</tr>
<tr>
<td>Competitors with free trade agreements (n = 17)</td>
<td>18%</td>
</tr>
<tr>
<td>Lack of information on consumer requirements (n = 15)</td>
<td>16%</td>
</tr>
</tbody>
</table>

Respondents allowed to select more than one option. Percentages calculated based on the number of respondents who selected the barrier divided by the total industry sample size (n = 94).
The value of the Australia dollar and transport/freight costs were ranked as the most significant domestic barriers.

**Figure 8: Factors in Australia that adversely affect international competitiveness**

*Survey question: What are the factors in Australia that adversely affect your company’s international competitiveness? (select all that apply)*

Respondents allowed to select more than one option and to indicate the importance of the factor. ‘Most Important’ percentages calculated based on the number of respondents who identified the factor as ‘Most Important’ divided by the total industry sample size (n = 94). The same method was used to calculate ‘Important’ percentages.
Future International Business Plans

Around 80 per cent of respondents planned to expand overseas in the next two years. Collectively, the companies in this sector targeted 27 ‘most important’ countries for future expansion, with China overwhelmingly the most popular new target market.

**Figure 9: Top 10 overseas markets to be targeted in the next two years**

*Survey question: Which is the most important overseas country your company planning on doing business in, within the next two years?*

Percentages calculated based on number of respondents with clear international expansion plans (n = 77).
Australia’s International Business Survey Partners

Export Council of Australia (ECA)
The Export Council of Australia (ECA) is the peak Industry body for the Australian export community. The ECA is the next exciting step in the evolution of the Australian Institute of Export (AIEx) which, for over 50 years, has had the interests of Australian exporters at heart.

Owned by its members and steered by a Board and a Council of Industry specialists, the ECA is a not-for-profit organisation that has the development of Australia’s resources via the promotion of Australian industry in international markets as its primary goal. The ECA represents all exporters: large, medium and small.

The ECA is the voice for Australia’s exporters:
- Leading Trade Policy Research
- Developing International Trade Skills
- Breaking down Barriers to Trade
- Building Global Networks
- Amplifying Global Trade Success

Austrade
The Australian Trade Commission – Austrade – contributes to Australia’s economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:
- develop international markets
- win productive foreign direct investment
- promote international education
- strengthen Australia’s tourism industry
- seek consular and passport services.

Austrade provides information and advice that can help you reduce the time, cost and risk of exporting. We also administer the Export Market Development Grant Scheme and offer a range of services to Australian exporters in growth and emerging markets.

W www.austrade.gov.au
E info@austrade.gov.au
T 13 28 78 (within Australia)

Efic
At Efic we believe in unlocking finance for export success. We are a specialist financier that delivers simple and creative solutions for Australian companies – to enable them to win business, grow internationally and achieve export success.

We provide financial support to Australian based companies which are exporting, are involved in a global supply chain or are seeking to grow internationally. We facilitate and encourage Australian export trade on a commercial basis, working with
- SMEs and larger domestic exporters
- Australian companies participating in export focussed global supply chains and
- Australian companies conducting business and investing in emerging and frontier markets.

We do not compete with the private sector, we partner with banks to provide financial support when the banks are unable or unwilling to assist. The companies we work with are among Australia’s best. They compete on the world stage and win contracts against global competitors. We work with companies across all industries all around Australia.

To find out more about how we could help your business achieve export success, please phone us on 1800 093 724 or visit www.efic.gov.au.

The University of Sydney
The University of Sydney, founded in 1850, is one of Australia’s leading research intensive universities. In the Business School, the International Business group carries out research in the areas of strategy, entrepreneurship and international business. In the Excellence in Research Australia (ERA) 2012 assessment the quality of research by its members was ranked as “well above world standard” – the highest possible level.

The members of the group teach into coursework programs at both undergraduate and post-graduate level, including the Master of International Business, Master of Management and Master of Business Administration. There is also an honours program and a significant number of PhD students.

The International Business group has an active research program, including research groups on entrepreneurship and innovation, and emerging markets. Research funding is sourced from the Australian Research Council and from industry partners such as Merck & Co. Inc, KPMG and the Export Council of Australia.
Survey partners

With support from

ACT Government
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Australian Bureau of Statistics
Australian Food and Grocery Council (AFGC)
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Australian International Marine Export Group
Australian Major Performing Arts Group
Australian Self Medication Industry
Australian Tourism Export Council
Australian Water Association
Coface
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