MARKET SNAPSHOT | SHEEPMEAT

# Korea (South Korea)

Sheepmeat is a minor protein in Korea but is rapidly gaining popularity, particularly in the foodservice sector. Consumption is forecast to increase, albeit from a small base. With very limited domestic supply, any rise in demand will need to be met by imports.

Challenges and opportunities in Korea for Australian sheepmeat include:

- Lamb is viewed positively by Korean consumers, associating it with great taste and high quality. Leveraging these strengths, along with its perception of being high in nutritional value, provides an opportunity to capitalise on the increasing interest in health among Korean consumers.
- To date, growth in demand has been heavily dependent on Chinese-influenced lamb barbecue/skewer outlets. The number of non-skewer venues serving lamb is gradually increasing, and further promoting usage by those restaurants remains a priority.
- Australian lamb's presence in the retail environment remains limited and provides a growth opportunity, especially for chilled product. A key component will be the establishment of lamb as a protein option, using naturalness and safety claims on packs to help attract shoppers' attention.
- Australian lamb exports to Korea continued to grow in 2017, increasing almost seven times from only 1,869 tonnes swt in 2007, to 12,777 tonnes swt in a decade. This consistent growth in demand indicates there is an emerging appreciation for this protein and a growing consumer base.

## Population

**51.0** in 2017

**51.7** in 2021

In million

*Source: BMI Research, 2017 estimate & 2021 forecast*

## Households earning* >US$35,000/year

**13.3** in 2017

**17.7** in 2021

In million households

*Source: BMI Research, 2017 estimate & 2021 forecast*

*Disposable income

## Households earning* >US$50,000/year

**6.5** in 2017

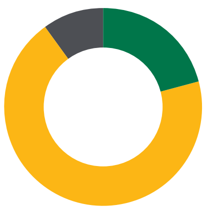
**11.7** in 2021

In million households

*Source: BMI Research, 2017 estimate & 2021 forecast*

*Disposable income

## Australian sheepmeat exports – volume

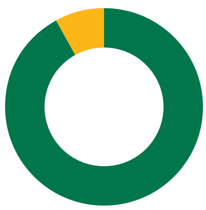


- Chilled lamb – **21%**
- Frozen lamb – **66%**
- Frozen mutton – **10%**

Total 14,235 tonnes swt

*Source: Department of Agriculture and Water Resources (DAWR), CY 2017*

## Australian sheepmeat exports – value



- Lamb – **92%**
- Mutton – **8%**

Total A$117.8 million

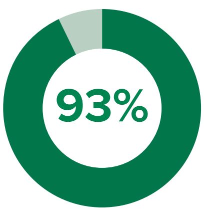
*Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017*

## Proportion of key cuts

- Shoulder – **51%**
- Breast and flap – **23%**
- Manufacturing – **14%**
- Other – **13%**

*Source: DAWR, CY 2017*

## Australia's share of imports

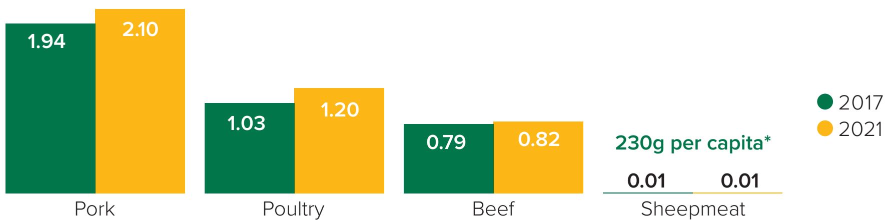



- Australia
- Other countries

*Source: GTA, MAT (Moving Annual Total) December 2016 to November 2017*

## Meat consumption

**73.9kg** per capita* total meat protein**




In million tonnes cwt

*Source: BMI Research, GIRA, 2017 estimate & 2021 forecast*

*2017e per person per year in cwt ** excluding fish/seafood

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## Consumers

- Lamb is not a frequently consumed protein in Korea, and lacks the 'easy everyday' attributes that more common proteins (such as pork) are known for. Rather, consumers associate lamb with taste, nutritional benefits and quality.

### Attributes important for all proteins and lamb associations

| What attributes are important for Korean consumers (all proteins)? | What associations do consumers have to lamb? |
|---|---|
| Easy to prepare | High nutritional value |
| Consistent quality | Tastes delicious |
| Guaranteed safety | I pay more for this meat |
| Environmentally sustainable | Low in fat |
| Healthy diet for childern | Animal is well-cared for |

*Source: MLA Global Consumer Tracker Korea, 2017*

- Since taste is not a barrier to purchasing lamb in Korea, marketing and promotion can focus on lamb's goodness. Considering Koreans are the largest per capita consumers of meat in Asia*[5], inspiring consumers' curiosity to try lamb and improving availability will create growth opportunities.

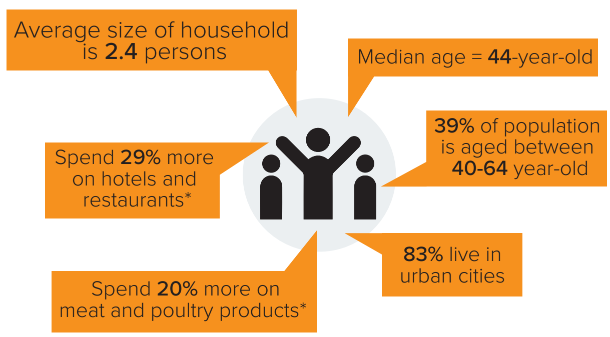
### Top three reasons – "I don't buy lamb because..."

| | Global average | Korea |
|---|---|---|
| Not familiar with lamb | ✓ | ✓ |
| Don't like the taste | ✓ | |
| Don't know how to cook it | ✓ | ✓ |
| Not available where I shop | | ✓ |

*Source: Global Consumer Tracker Korea, 2017*

- Korea is the third largest economy in Asia, with the number of households earning more than US$50,000/year forecast to reach 54% of total households by 2021 *(Source: BMI Research)*. This, along with an ageing population and declining birth rate, will likely further elevate consumer interest in products and services that promote a healthy lifestyle, and offer a key opportunity for Australian sheepmeat.

### Who will be typical Korean consumers in 2021?




*Source: BMI, based on various 2021 forecast data. * comparison between 2016 and 2021 forecast data*

*[5] Source: BMI, 'Asia' excludes Australia, New Zealand and Hong Kong (where meat imports are un-proportionally large)*

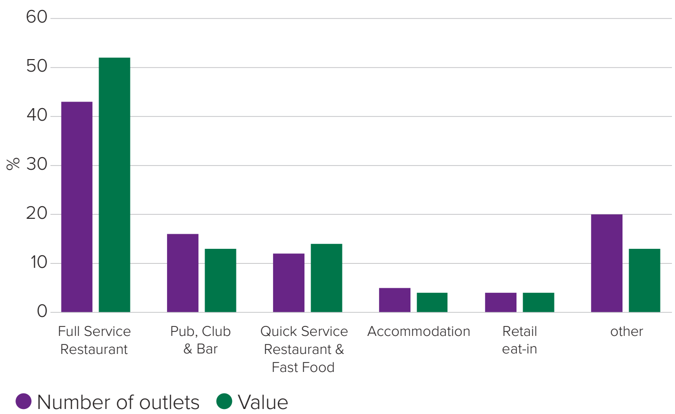
## Foodservice

- Australian lamb demand in Korea to date has been largely driven by Chinese-influenced lamb barbecue/skewer restaurants. However, seeing increased interest in sheepmeat, Genghis Khan style (table-top sheepmeat barbecue style cooking originating from Japan) restaurants are also growing in number, while more local chefs are beginning to experiment with various lamb cuts including whole leg barbecue and bone-in rib cuts. Coincidentally, western-style racks and roasts are beginning to emerge on menus in hotels and high-end restaurants. This expansion of new lamb users – albeit from a low base – will help ensure that the sheepmeat 'boom' will not end as a 'fad' in the market.

*Lamb – Genghis Khan Korean style*

- While full service restaurants are the largest channel and value leader in the market, it is also highly competitive and fragmented, with a high proportion of small and independent operators. In the Korean foodservice sector overall, less than 20% of total outlets are 'chain operators' (operations with multi-unit outlets), in comparison to 31% in Australia and 43% in the US *(Source: Global Data, 2017)*. Smaller local players with low profit margins can be financially vulnerable and hence demand for more expensive proteins like sheepmeat from these operators is more likely to fluctuate.

### Number of outlets and value by key foodservice channel (% out of total) – 2017



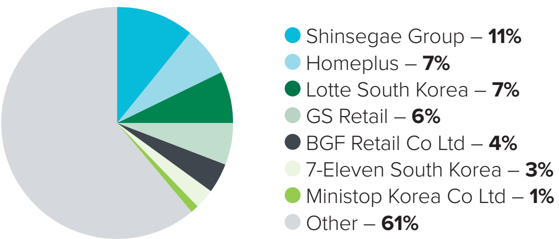

*Source: GlobalData, 2017*

## Retail

- Lamb is not commonly available across major supermarkets in Korea, with consumers not yet readily thinking of lamb as an everyday protein option. When it is purchased, it is often either an impulse buy or for a specific meal *(Source: MLA Global Consumer Tracker Korea, 2017).*

- That said, lamb is regarded as delicious and for having strengths in animal welfare and sustainability. In comparison to the global average, more Korean shoppers look for 'markers of naturalness' on a lamb pack – such as claims of sustainability or 'free-from' (antibiotics or GMO) – and safety credentials. These claims need to stand out on packs or shelves to help drive more purchases in retail *(Source: MLA Global Consumer Tracker Korea, 2017).*
- Consumer interest in lamb is reportedly increasing, particularly after having enjoyed the protein at a restaurant. On the other hand, many outlets are focused on fast selling, low priced protein products, on the back of the fragmented and highly competitive retail environment, which works against the comparatively expensive lamb.

### Grocery retail market shares – 2017

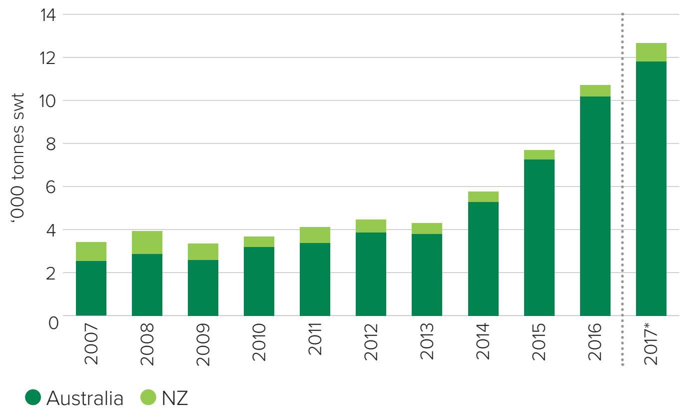



*Source: IGD*

## Other suppliers

- As the scale of the local lamb industry is limited, sheepmeat consumption in Korea is predominantly supported by imports. This means that any increase in sheepmeat demand in Korea will provide opportunities for a rise in imports.
- The imported sheepmeat market grew five-fold over the last decade, with Australia mostly taking advantage of the growth. Imports from New Zealand also rose over the same period, however its market share remains small. The majority of New Zealand products into Korea are bone-in frozen cuts.

### Korea sheepmeat imports by supplier




*Source: GTA . * Jan to Oct*

### Competitor watch – the rise of chicken

The majority of lamb skewer outlets serve alcohol and are popular among office workers who enjoy skewers with beer after work. Strong competition to these restaurants is *chi-maek* – fried chicken and beer eateries. Typically, a customer spends about A$40 at a *chi-maek* or a lamb skewer establishment.

Chicken consumption is rising in Korea, underpinned by competitively priced imports from Thailand and the US.

An increase in single person households, dual income families and demand for pre-prepared, convenient meals also assist demand for chicken.

# Market access overview

| Trade agreements | Import tariffs | Competitors | Volume restrictions | Technical access |
|---|---|---|---|---|
| Korea-Australia Free Trade Agreement (**KAFTA**) | **2018 – 11.2%**<br>0% in 2023<br>Under KAFTA | **NZ**<br>Import tariff – 13.5% in 2018 under NZ-Korea Free Trade Agreement | Zero | No major hurdles |

Best access ⟶ Major challenges

*Source: Trade agreements, DFAT, MLA*

# Australian sheepmeat exports to Korea – summary table

**Volume – in tonnes swt**

| | | 2017 | % out of total | 2016 | % out of total | 5-year average (2012-2016) | % out of total | change 2017 vs 5-yr av. % | change 2017 vs 5-yr av. in tonnes swt |
|---|---|---|---|---|---|---|---|---|---|
| **Total** | | **14,235** | **100** | **10,597** | **100** | **6,523** | **100** | **118** | **7,712** |
| Storage | Chilled | 2,996 | 21 | 1,770 | 17 | 670 | 10 | 347 | 2,326 |
| | Frozen | 11,239 | 79 | 8,827 | 83 | 5,853 | 90 | 92 | 5,386 |
| Meat type | Lamb | 12,777 | 90 | 8,970 | 85 | 5,252 | 81 | 143 | 7,525 |
| | Mutton | 1,458 | 10 | 1,627 | 15 | 1,271 | 19 | 15 | 188 |
| Storage/meat type | Chilled lamb | 2,995 | 21 | 1,769 | 17 | 668 | 610 | 348 | 2,327 |
| | Chilled mutton | 1 | 0 | 1 | 0 | 2 | 0 | -68 | -1 |
| | Frozen lamb | 9,782 | 69 | 7,201 | 68 | 4,584 | 70 | 113 | 5,198 |
| | Frozen mutton | 1,458 | 10 | 1,626 | 15 | 1,269 | 19 | 15 | 188 |

*Source: DAWR*

**Value – in A$ 000**

| | | 2017 | % out of total | 2016 | % out of total | 5-year average (2012-2016) | % out of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|---|
| **Total** | | **117,751 *** | **100** | **73,536** | **100** | **39,549** | **100** | **198** | **78,202** |
| Meat type | Lamb | 107,769 * | 92 | 64,887 | 88 | 33,066 | 84 | 226 | 74,703 |
| | Mutton | 9,981 * | 8 | 8,649 | 12 | 6,482 | 16 | 54 | 3,499 |

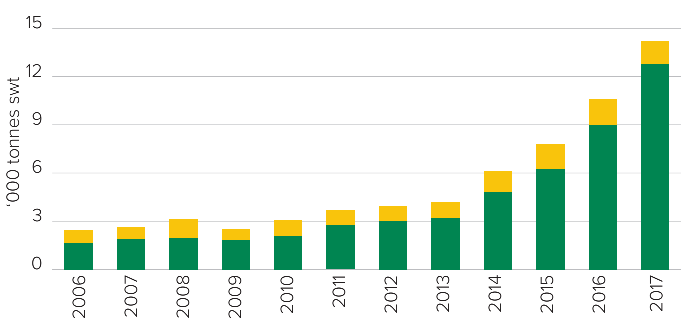
*Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.*

**Australian lamb exports to Korea – by major cut (in tonnes swt)**

| | 2017 | % out of total | 2016 | % out of total | 5-year average (2012-2016) | % out of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|
| Shoulder | 7,248 | 57 | 4,581 | 51 | 2,527 | 48 | 187 | 4,721 |
| Breast and Flap | 3,208 | 25 | 2,087 | 23 | 1,105 | 21 | 190 | 2,103 |
| Manufacturing | 713 | 6 | 704 | 8 | 305 | 6 | 134 | 408 |
| Rack | 672 | 5 | 883 | 10 | 682 | 13 | -1 | -10 |
| Intercostals | 392 | 3 | 286 | 3 | 209 | 4 | 88 | 184 |
| Other | 543 | 3 | 428 | 5 | 425 | 8 | 28 | 118 |
| **Total** | **12,777** | **100** | **8,970** | **100** | **5,252** | **100** | **143** | **7,525** |

*Source: DAWR*

**Australian sheepmeat exports to Korea**




*Source: DAWR*

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