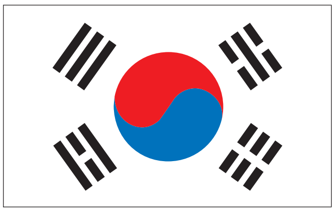
MARKET SNAPSHOT | **BEEF**

Korea



Beef consumption lags behind pork and poultry in Korea, although consumers associate beef with being the most superior meat. Consumers favour local Hanwoo beef but Australian beef awareness and frequency of consumption is higher than other imports. A recently introduced anti-corruption law will continue to challenge consumer and business spending.

Challenges and opportunities in Korea for Australian beef include:

- US beef awareness and frequency of consumption has increased.
- The new Anti-Bribery Act 2016 has the potential to impact premium foodservice beef consumption and retail beef gifting as businesses reduce the spend per gift of these items in line with the Act.
- Korea has a well-developed retail and foodservice sector.
- Australian beef exports to Korea have had a consecutive record year in 2016.
- Safeguard* restricts the tariff benefits that Australia gained under the Korea-Australia Free Trade Agreement (KAFTA).

** Trade mechanism under KAFTA that Korea can revert to the 40% tariff level when imports exceed agreed volume.*

Population

50.5 in 2016 | **51.3** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$15000+ p.a.

19.4 in 2016 | **20.8** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

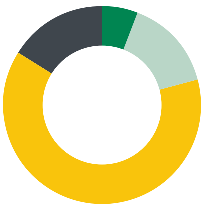
Households earning US$35000+ p.a.

12.1 in 2016 | **15.7** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian beef exports – volume



- Chilled grass – **6%**
- Chilled grain – **15%**
- Frozen grass – **63%**
- Frozen grain – **16%**

Total 179,854 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value

- Chilled – **32%**
- Frozen – **68%**

Total A$ 1,325.3 million

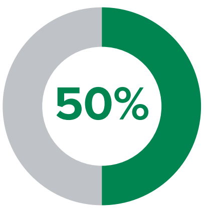
Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

- Chuck roll – **24%**
- Blade – **17%**
- Manufacturing – **13%**
- Brisket – **10%**
- other – **36%**

Source: DAWR, CY 2016

Australia's share of imports

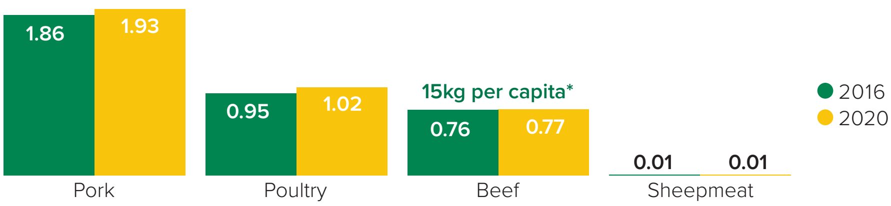


- Australia
- Other Countries

Source: GTA, MAT (Moving Annual Total) December 2015 to November 2016

Meat consumption

70.7kg per capita*
total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA,

** 2016e per person per year ** excluding fish/seafood*

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Consumers

- South Korea is the third largest economy in Asia, with a net income per household averaging US$ 41,433 *(Source: BMI Research, 2016 data).*
- Pork is the most consumed meat in Korea, underpinned by it's versatile, convenient and affordable nature. Consumers have positive views towards beef, associating it with nutrition, taste and superior quality. It is the local marbled Hanwoo beef that consumers highly favour.
- Australian beef in Korea is consumer's favourite amongst imported beef, and is considered trusted, affordable and natural. Hanwoo (local) beef is consumer's favourite amongst all proteins, because of its local origin and luxury status associated with it.

Average number of meals eaten in last 7 days

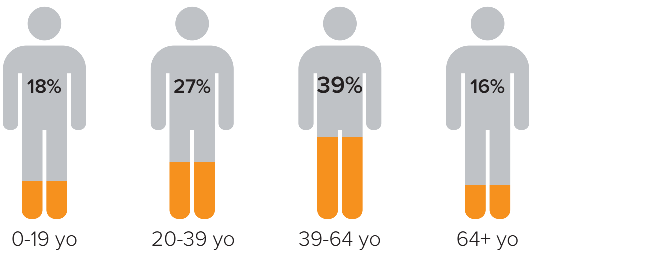
Source: MLA Global Consumer Tracker, 2016

What attributes are important for Korean consumers? (all protein)	What associations do consumers have to Australian beef?	What things do consumers look for on beef retail pack?
Guaranteed safe to eat	Cheaper	Country of origin
Freshness	Easy to purchase	Colour of meat
Family's favourite	Becoming more popular	Freshness
Easy to prepare		Price per kilo
Most superior		Animal origin/ provenance

Source: MLA Global Consumer Tracker, 2016

- South Korea's population is ageing, and this trend is anticipated to continue. Young adults (those between 20 and 39) currently account for 28.3% of the population, and will decline to 27% of the population by 2020 *(Source: BMI Research)*. With their median age reaching 43 by 2020, demand for products and information that appeal to middle aged consumers, will likely increase.

Population by age – 2020 forecast



Source: World Bank/United Nations/BMI

It is important for Korean consumers to know the origin of beef they consume as well as the provenance of its source location, providing imported beef with positioning and messaging opportunities.

Foodservice

- The value of the Korean foodservice market is estimated at A$96 billion *(Source: Korean trade, MLA)*, and Australian beef is consumed across the sector with products ranging from frozen manufacturing beef to highly marbled Australian Wagyu grainfed loin cuts.
- In the traditional barbecue sector, highly marbled domestic beef is the most popular, followed by US beef, then Australian grainfed products.
- Korea introduced the Anti-Bribery Act in 2016 which led to a very cautious approach by business to foodservice expenditure. Prestigious but expensive Hanwoo beef sales have reportedly declined due to this change, providing increased opportunities for imported beef, including Australian.

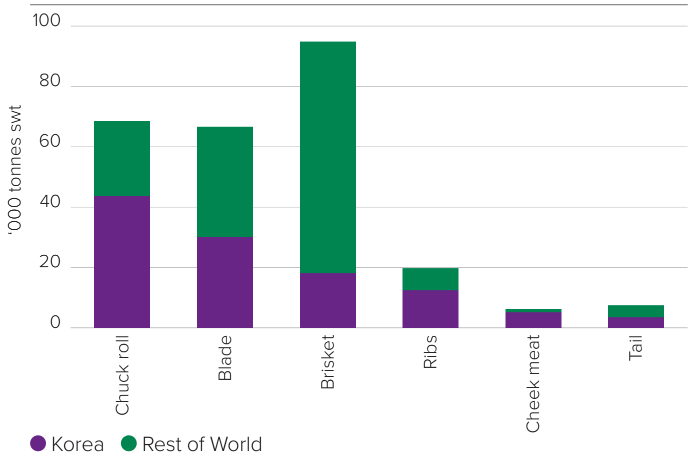
Korean foodservice – key users of Australian beef

Category	Major brands	Major cuts used
Fast food	Hamburger (Lotteria, Burger King, McDonald's)	manufacturing beef
Casual eatery	Brisket soup (Shinsun Seolongtang, Hanchon SLT, Yukdaejang), various small BBQ outlets	chuck roll, brisket, ribs, skirts, tail
Mid-end	Outback Steakhouse, TGI Fridays, VIPs, Ashley (family restaurant), various BBQ chains	chuck roll, loins, bone-in rib eye, various fore and hind cuts, offal
High-end	All five star hotels	loins

Source: MLA

- MLA estimates that outlets serving Korean style dishes account for approximately 45% of sales in the foodservice sector. Numerous franchised venues are offering brisket menus such as chilli brisket soup, introducing differentiated offers and building consumer demand.

Australian beef exports – selected cuts (2016)



Source: DAWR, 2016 data

Bulgogi

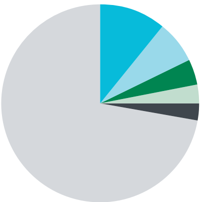
Ox tail soup

Retail

- Korea has a well developed modern retail sector, and also a large group of second tier and individual operators competing for their share in the market.

Grocery retail market shares

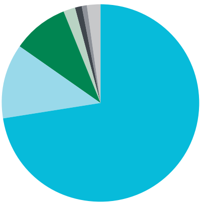
Major organised retailers – 2016



Source: IGD

- It is estimated that approximately 50% of Australian beef is distributed via retail, including fresh, value added and cooked products *(Source: Trade research, MLA).*
- Australian beef is largely available through hypermarkets and supermarkets, while domestic Hanwoo is also distributed into butchers and department stores.

Where do consumers go to buy Australian beef?



Source: MLA Global Consumer Tracker, 2016

From which stores do consumers mainly purchase Australian beef?

E-Mart	emart
Homeplus	Home plus
Lotte Mart	LOTTEMart
Costco	COSTCO WHOLESALE

Source: MLA Global Consumer Tracker, 2016, hypermarkets only

What are the key cuts and typical dishes using Australian beef in Korea?


Oyster Blade (BBQ)


Intercostal (BBQ)


Flat Meat (BBQ)


Chuck flap tail (BBQ)


Thin Skirt (BBQ)


Chuck eye roll (BBQ)


Chuck roll (BBQ, Bulgogi, Shabu-Shabu)

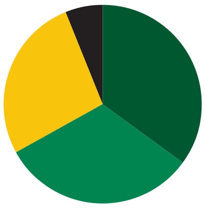

Chuck rib (Marinated & Steamed)


Brisket (Soup)

Other suppliers

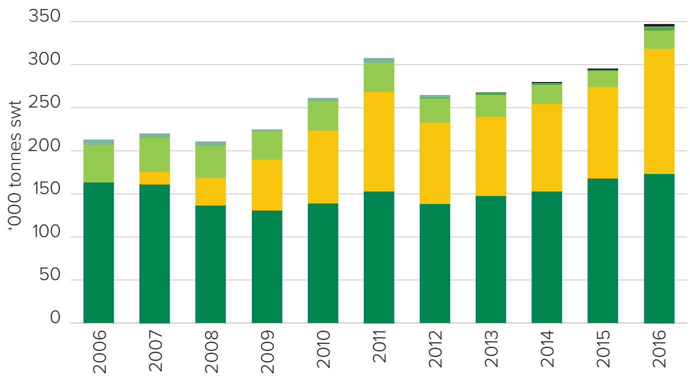
- It is estimated that around 280,000 tonnes cwt of beef was produced domestically in Korea during 2016. Production is likely to remain limited in growth in coming years, largely due to producer uncertainty over future cattle prices *(Source: USDA GAIN report).*
- Increased availability and easing prices of US beef resulted in a rise in imports from the supplier during 2016. Intake from other countries also grew substantially, making the 2016 year-to-date (Jan to Nov) volume already the highest annual beef imports on record at 346,892 tonnes swt.
- Brazil and India have not entered the market and will likely not do so for the foreseeable future, due to the country's stringent animal health and food safety requirements.

Korea beef consumption by supplier (2016)



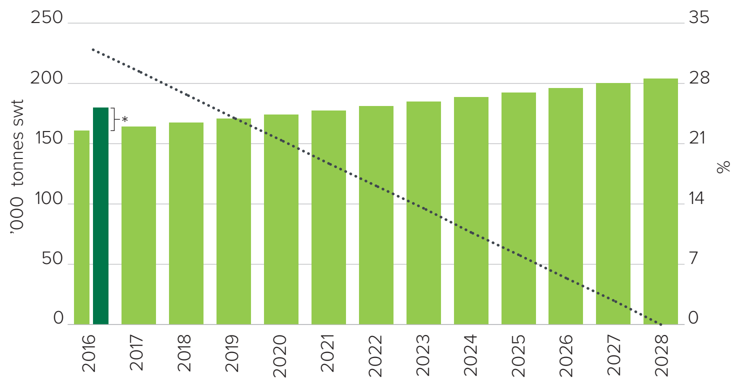
Source: Estimates by MLA based on USDA consumption & domestic production figures, and GTA imports figure. Jan to Nov 2016.

Korea beef imports by supplier



Source: GTA

KAFTA – tariff rates and safeguard volumes



Source: Trade agreement, MLA

Safeguard is a trade mechanism under Korea-Australia Free Trade Agreement (KAFTA) that Korea can revert to the 40% tariff level when imports exceed agreed volume.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
KAFTA Korea-Australia Free Trade Agreement	32% in 2016 **29.4% in 2017** 0% in 2028 Under **KAFTA**	**US** 24% import tariff in 2017 (5.4% less than Australian tariff)	**Safeguard** 40% tariff applies if imports from Australia exceed 164,046 tonnes swt in 2017	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** Under KORUS FTA (Korea-US Free Trade Agreement), import tariff on US beef will be eliminated in 2026*

Australian beef exports to Korea – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**179,854**	**100**	**166,588**	**100**	**146,835**	**100**	**22**	**33,020**
by storage	Chilled	36,641	20	35,490	21	34,332	23	7	2,308
	Frozen	143,214	80	131,097	79	112,502	77	27	30,711
by meat type	Grassfed	124,098	69	122,385	73	110,643	75	12	13,455
	Grainfed	55,756	31	44,203	27	36,191	25	54	19,565
by storage/ meat type	Chilled grassfed	10,168	6	12,601	8	14,937	10	-32	-4,770
	Chilled grainfed	26,473	15	22,889	14	19,395	13	36	7,078
	Frozen grassfed	113,930	63	109,784	66	95,706	65	19	18,224
	Frozen grainfed	29,283	16	21,314	13	16,796	11	74	12,487

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**1,325,341***	**100**	**1,243,776**	**100**	**878,580**	**100**	**51**	**446,761**
by storage	Chilled	420,469*	32	395,996	32	284,741	32	48	135,729
	Frozen	904,872*	68	847,780	68	593,840	68	52	311,032

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Chuck Roll	43,561	24	39,289	24	35,458	24	23	8,102
Blade	30,160	17	27,332	16	22,189	15	36	7,971
Manufacturing	24,134	13	20,331	12	17,899	12	35	6,235
Brisket	17,991	10	20,665	12	13,880	9	30	4,111
Ribs	12,367	7	11,743	7	9,862	7	25	2,505
Silverside/Outside	12,168	7	9,795	6	8,366	6	45	3,802
Short Ribs	10,238	6	11,461	7	13,619	9	-25	-3,381
other	29,236	16	25,972	16	25,562	17	14	3,674
Total	**179,854**	**100**	**166,588**	**100**	**146,835**	**100**	**22**	**33,020**

Source: DAWR

Australian BEEF OFFAL exports to Korea – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Skirt	5,283	23	5,515	21	5,327	21	-1	-45
Cheek Meat	5,021	22	6,309	25	6,086	24	-18	-1,065
Tail	3,409	15	3,870	15	3,453	14	-1	-44
other	8,859	39	10,046	39	10,216	41	-13	-1,358
Total	**22,571**	**100**	**25,740**	**100**	**25,083**	**100**	**-10**	**-2,511**

Source: DAWR

value – in A$ 000

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total	**115,113***		**123,192**		**83,931**		**37**	**31,182**

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*