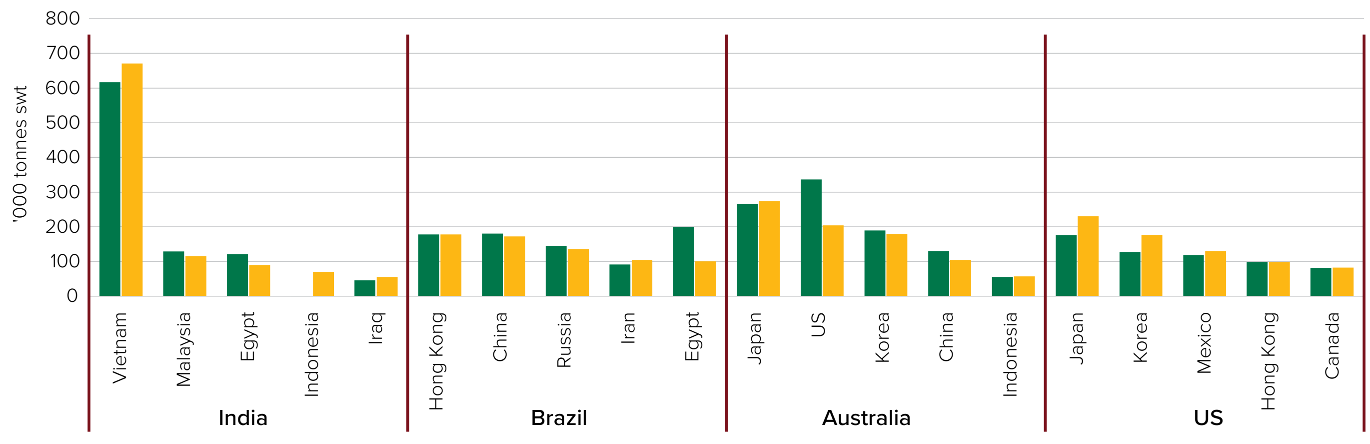
MARKET SUPPLIER SNAPSHOT | **BEEF**

India

- The Indian beef and buffalo meat sector remains a volatile market and is highly vulnerable to domestic and international trade regulations.
- The water buffalo/cattle herd size, as well as production, is forecast to increase in the coming years. This is mainly driven by the domestic growth in the dairy sector as private investment and government support increases.
- The strong beef/Indian buffalo meat export opportunities will also support production to some extent, as increasing demand for inexpensive proteins in South-East Asia, and a preference for halal slaughtered meat in the Middle East, are expected to continue to rise.
- Along with the constant disruption in the domestic regulations within the bovine industry, India has also limited market access and has no Foot and Mouth disease free status, limiting its presence in many markets.

Major beef exporters – top markets

Indian carabeef and beef exports represent 19% of the world's beef shipments



Source: GTA

Key implications for Australia

- India does not have access to Australia's high value markets such as Japan, the US, Korea and the European Union, with change unlikely to occur in the medium term.
- The entry of Indian buffalo meat into the Indonesian market in mid-2016, combined with high Australian cattle prices and the Indonesian government policies to achieve self-sufficiency for major commodities including beef, is considered to have impacted Australian live cattle shipments in 2017, which has declined 8% so far this year (calendar year-to-October).
- The entrance of Indian buffalo meat into the Indonesian market has also impacted Australian beef exports, with boxed beef shipments lower in 2017. In mid-November the Indonesian government stated it does not intend to issue any additional Indian buffalo meat allocations beyond the 110,000 tonnes agreed at the December 2016 limited coordination meeting. Any future new allocation have not been determined at this stage.
- India is also growing its presence in the Middle East and competition is likely to increase in some of Australia's export markets, such as the United Arab Emirates and Saudi Arabia.
- The Australian beef industry's credentials as a safe and high quality meat supplier with an integrated traceability system should continue to differentiate Australian from Indian product in most key export markets.

Beef industry profile – India and Australia

	India	Australia
Cattle herd (head)	304 million[e]	26.8 million[e*]
Cattle slaughter (head)	38 million	7.6 million
Beef production (tonnes cwt)	4.2 million	2.10 million
Domestic per capita consumption	12kg/year**	25.4kg/year
Beef exports (tonnes swt)	1.26 million	1.02 million
Chilled	1%	27.5%
Frozen	99%	72.5%
Top five export markets	Vietnam, Egypt, Malaysia, Indonesia, Saudi Arabia	Japan, US, Korea, China, Indonesia
Average export price	US$3.9/kg	US$5.26/kg

Source: USDA, MLA , DAWR, GTA 2016

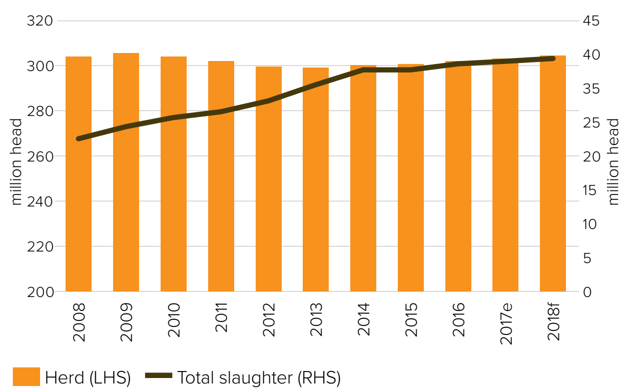
e = estimate * = MLA estimate based on ABS data, ** = non-Hindu population

The Indian buffalo meat industry

Herd, slaughter and production

- India has the world's largest bovine population – an estimated 304 million head (cattle and water buffalo).
- The bovine industry developed itself despite the fact that slaughtering cows and consuming beef/buffalo meat goes against most of India's culture and Hindu religion.
- Most Indian states restrict or prohibit the slaughter of cattle due to religious sensitives, so India's meat sector mainly depends on slaughter of unproductive water buffalo cows and bulls from the dairy sector.
- As water buffalos account for around 45% of the dairy herd in India, the growth in Indian buffalo meat production is largely driven by the expanding dairy industry. It has benefited indirectly from the improvements in dairy farm management, veterinary care, genetics and nutrition, along with private investment and government support in the dairy sector.

Indian carabeef herd and slaughter to benefit from strong growth prospects in the dairy sector



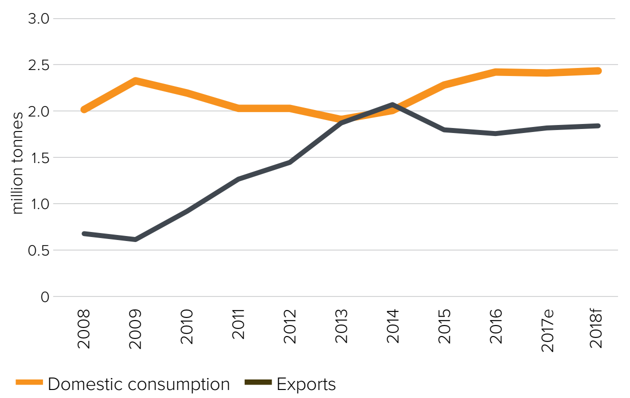
Source: USDA e = estimate f = forecast

- The closure of illegal meat establishments and resulting social unrest significantly affected domestic supplies of animals available for slaughter in 2017. Consequently, Indian buffalo meat and beef prices rose in the domestic market in the last few months; however, the rise is expected to be short-lived once the supply chain stabilises.

In May 2017, the Indian government imposed widespread bans on the sale of cows, buffaloes and other bovines destined for slaughter. To date, the regulation has only had limited impact on production and trade due to being suspended by India's Supreme Court soon after implementation. The regulation is currently under review, with restrictions affecting the slaughter of water buffalo likely to be rescinded, guaranteeing that the Indian beef and buffalo meat exports will continue.

- Beef and Indian buffalo meat production is expected to reach 4.25 million tonnes cwe by the end of 2017 and increase by 1.2% in 2018, to 4.3 million tonnes cwe.
- Conditions at local abattoirs producing meat for the domestic market often lack sufficient infrastructure necessary for hygienic production and no chilling and further processing is done.
- In contrast, the export trade is supplied almost exclusively by large-scale abattoirs with modern processing facilities, approved by the Indian Ministries.

Indian Carabeef domestic consumption and exports



Source: USDA e = estimate f = forecast

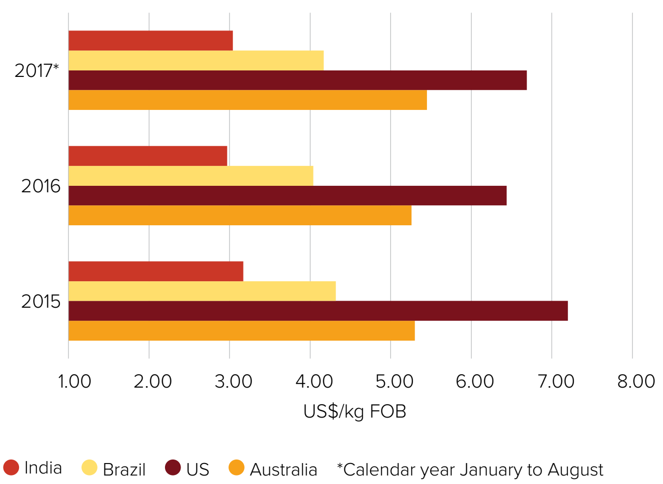
Consumers and Consumption

- India's beef and buffalo meat consumption is expected to reach 2.4 million tonnes cwe in 2017 and to increase by 1% in 2018.
- Buffalo meat is India's second most consumed animal protein after chicken (mostly due to affordability) and is mainly consumed by people of Muslim and Christian faiths.
- Beef and buffalo meat are mostly sold fresh in wet markets, since there is negligible domestic demand for chilled or frozen products.
- India's population is expected to increase from the current 1.2 billion to 1.5 billion by 2030. The majority (80%) of the population is made up of non-beef eating Hindus, and 50% are nominally vegetarian. That said, estimates suggest that there are over 170 million potential beef consumers in India.

Exports

- India is the current leader of beef and buffalo meat global exports, with more than 40% of its total production shipped to South-East Asia and the Middle East.
- The primary export markets for Indian buffalo meat are Vietnam, Malaysia and Egypt, with frozen bone-out accounting for almost 100% of shipments to these markets.
- Shipments to Iraq, Indonesia, Russia and Turkmenistan have increased considerably in 2017.
- Indian buffalo meat is preferred in some markets due to its affordability, leanness and Halal characteristics. India is very price competitive on the global stage, being the largest and most affordable supplier of frozen commodity beef.

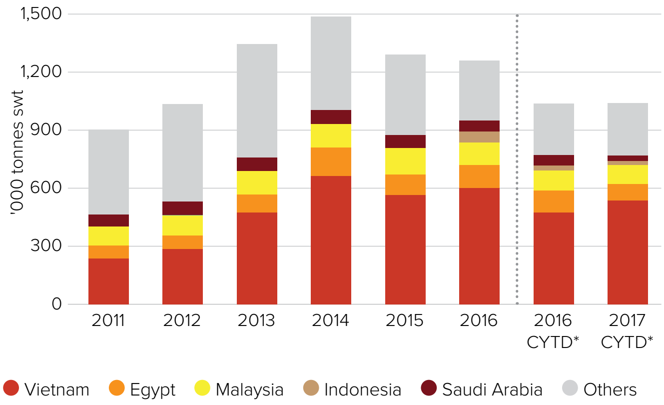
India enjoys a strong price competitiveness



Source: GTA

- Although India is the largest beef exporter, shipments have dropped after reaching their peak at 1.48 million tonnes swt in 2014. Indian buffalo meat shipments declined in 2015 and 2016 as a result of stronger competition in international markets, increased government inspections and the downturn in some economies in the Middle East and Africa.
- The Indian government's decision to ban the slaughter of bulls and bullocks in late 2015, in states where this practice was originally accepted, is considered to only have marginally affected exports.

Indian carabeef exports will continue to rise but volumes will remain below 2014 peak



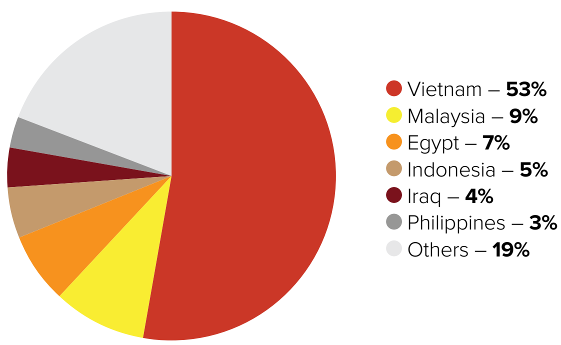
Source: GTA * Calendar year to date January to October

- Exporting large quantities of frozen Indian buffalo meat, which in some markets has been viewed as inferior in quality, poses challenges for India. It means most meat exported is used in the manufacturing process, as consumers in the end markets are likely to avoid buffalo meat when buying directly.
- Additionally, the lack of an official sanitary status for foot and mouth disease, as well as limited market access, will continue to challenge India to increase its presence in many global markets.

Vietnam

- Vietnam is the largest single destination for Indian buffalo meat, accounting on average for almost 50% of total Indian exports.
- Although Vietnamese beef consumption has increased*[1] and it is anticipated to continue to rise due to economic growth, it is estimated that a large proportion of total Indian buffalo meat imports is redirected to third countries.
- India currently benefits from import duties settled under the India–ASEAN trade agreement. Frozen boneless products shipped to Vietnam incur a 12% tariff. By 2019, it will be reduced to 10% for both items and by 2022 tariffs will be reduced to zero.

Indian carabeef – high market share in low income importers
1.3 million tonnes swt in 2016-17, valued at US$3.8 billion



Source: GTA

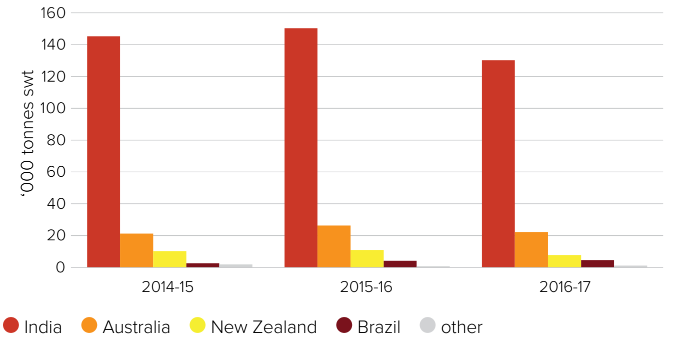
*[1] Per capita beef consumption in Vietnam increased from 2.4/kg per year in 2010 to 2.7/kg in 2016, and it anticipated to reach 3.2/kg by 2021.

Malaysia

- India remains the dominant supplier in Malaysia, with an average 80% market share. Malays tend to consume buffalo meat because the product is competitively priced, low in fat and suitable for curry style dishes.
- India also benefits from imports duties in Malaysia settled under the India-Asean agreement. There have been no tariffs for frozen and chilled/fresh boneless products since January 2014.

Malaysian beef imports

Indian carabeef represents almost 80% of total imports

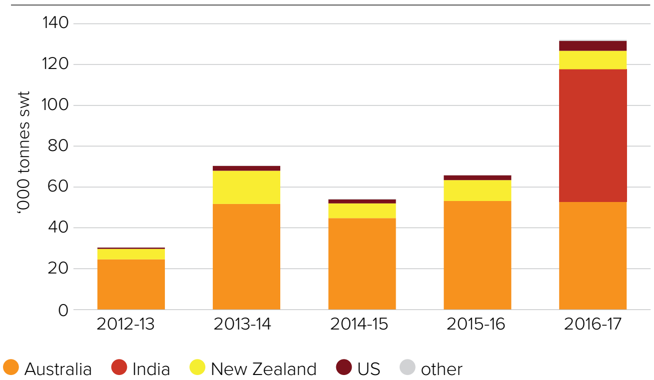


Source: GTA

Indonesia

- India secured entry to Indonesia in 2016 as the Indonesian government aimed to reduce high beef prices by diversifying supply. Since India gained market access, Indian buffalo meat exports have risen consistently, and increased total Indonesian beef imports by 100% in 2016–17.
- The current import permit for India is 110,000 tonnes swt for the August 2016 to December 2017 period; so far, India has utilised 66% of its quota (or 72,276 tonnes swt) during the August 2016 to August 2017 period.
- A great proportion of Indian buffalo meat is destined for manufacturing, followed by foodservice and informal processed good manufacturers. The informal foodservice/household manufacturers obtain the meat directly from distributors or through wet markets.
- Indian buffalo meat can also be found in modern retail outlets. Its presence is partly propelled by the government's policy that modern retail has to provide cheap frozen meat.
- The entry of Indian buffalo meat in the Indonesian market combined with Australian high cattle prices, and the Indonesian government's goal to achieve self-sufficiency for major commodities including beef, is assumed to have impacted Australian live cattle shipments, which have declined 8% in 2017 (calendar year-to-October), to 436,847 head.
- Likewise, Australian beef box exports to Indonesia declined 20% so far in 2017 (Jan-to-Nov period), totalling 46,109 tonnes swt.

Indonesian carabeef imports have surged since India gained marke access in August 2016



Source: GTA

Market access

- India currently has no access to Australian's high value markets such as Japan, Korea, US and the EU, with the prospects for change being low.
- In May 2013, India and China signed a Memorandum of Understanding (MOU) on buffalo meat and other commodities, however the trading arrangements for the Indian buffalo meat have not progressed since.
- India gained market access in Indonesia in mid-2016 – the result of a government measure aimed to reduce high beef prices. The Indonesian government approved 10 Indian meat establishments for exports of frozen, boneless, de-glanded buffalo meat.
- Under the India–ASEAN regional trade agreement, the import duties on Indian buffalo meat among ASEAN members will gradually reduce to zero over the 2014–2022 period. This gives India added advantage in price competitiveness. This agreement doesn't include Singapore, as market access is denied due to sanitary and phytosanitary issues.
- India–Thailand Free Trade Agreement (FTA) negotiations are still ongoing. The current Thai import tariff for frozen bovine meat is 50% on a MFN basis, and this level is the expected tariff to be applied to Indian buffalo meat until the FTA is in place.
- India has no official status in relation to foot and mouth disease, either as a country or for any free zones. India implemented a foot and mouth disease control program in 2014, endorsed by the World Organisation for Animal Health (OIE).
- India has recently self declared three zones as FMD free with vaccination – these zones meet the OIE guidelines and application has been submitted for their recognition and is awaiting OIE approval.

ASEAN import duties from India

Country	MFN rata	Period from	Frozen boneless HS020230	Chilled or fresh boneless HS020130
Brunei	0%	1 Jan 2014>	0%	0%
Malaysia	0%	1 Jan 2014>	0%	0%
Philippines	10%	1 Jan 2014	7%	7%
	–	1 Jan 2018	6%	5%
	–	1 Jan 2020>	0%	5%
Thailand	50%	no entries recorded		
Vietnam	20%	1 Jan 2014	15%	15%
	–	1 Jan 2015	14%	14%
	–	1 Jan 2018	12%	12%
	–	1 Jan 2022>	0%	0%

Source: Indian Ministry of Commerce website, ASEAN service centre website
HS 02 = meat of bovine, sheep, swine, fowl and horse

INDIAN buffalo meat outlook

	Average growth forecast 2015–16 to 2020–21	Drivers
Production	3.7%	Growth in the dairy herd, driven by improvement in dairy farm management, veterinary care, genetics and nutrition, along with private investment and government support, will continue to boost beef production in the coming years.
Consumption	3.6%	Despite its politically sensitive nature, beef demand is expected to increase in the coming years, driven by the non-Hindus population rise.
Trade	2.4%	India's beef surplus will continue to grow. However, the country will struggle to find new markets for its beef, and strong competition from Brazil.

Source: Business Monitor International, MLA calculations