MEAT & LIVESTOCK AUSTRALIA

## MARKET SNAPSHOT | BEEF

# South East Asia (excluding Indonesia)

South East Asia (SEA*) is a diverse region with vast differences in wealth, religion and economy across countries. Rapid urbanisation, growing incomes and changing dietary patterns are key growth drivers for imported red meat. Meat consumption is steadily rising in line with the region's economic development and population growth.

Challenges and opportunities in SEA for Australian beef include:

- Competitively priced Brazilian beef and Indian buffalo meat will continue to challenge Australia in the manufacturing beef and casual foodservice sectors.
- Household earnings across the markets is steadily on the rise, increasing the number of households who can regularly afford to buy higher value proteins such as premium imported beef.
- The period of strong demand for red meat is Ramadan.
- Per capita consumption of beef is forecast to grow.
- The retail sector is largely under developed with the exception of Singapore.
- Tourism is significant in the region and growing in some areas. High end Foodservice tends to follow this growth, which bodes well for Australian beef demand.

** In this report, SEA includes the following countries –Malaysia, Thailand, Singapore, the Philippines, and Vietnam, as well as Brunei, Cambodia, Laos and Myanmar. MLA has published a separate snapshot report for Indonesia.*

### Population

**378.9** in 2016 **394.5** in 2020

In million

*Source: BMI Research, 2016 estimate & 2020 projection, total of 9 ASEAN countries excluding Indonesia*

### Households earning US$15000+ p.a.

**9.0** in 2016 **15.2** in 2020

In million households

*Source: BMI Research, 2016 estimate & 2020 projection, total of 6 countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia*

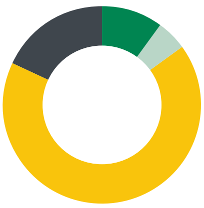
### Households earning US$35000+ p.a.

**2.6** in 2016 **4.1** in 2020

In million households

*Source: BMI Research, 2016 estimate & 2020 projection, total of 6 countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia*

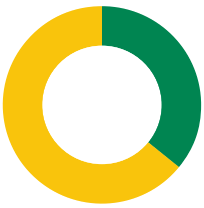
### Australian beef exports – volume




Total 58,203 tonnes swt

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

### Australian beef exports – value



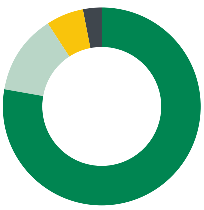

Total A$ 376.5 million

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

### Proportion of key cuts


*Source: DAWR, CY 2016*

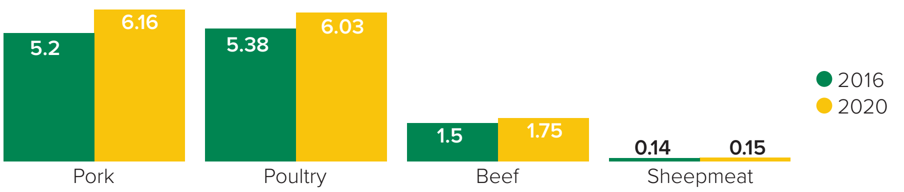
### Australian live cattle exports – volume




Total 249,981 cattle

*Source: number of head = DAWR/ABS CY2016*

### Meat consumption




In million tonnes cwt

*Source: BMI Research, 2016 estimate and 2020 projection, total of 5 countries – Malaysia, Philippines, Singapore, Thailand, and Vietnam. Singapore data are GIRA 2016 & 2021 forecasts, sheepmeat data are OECD forecast and include goatmeat*



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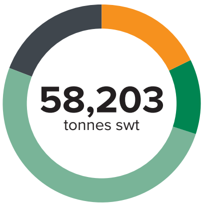
## Consumers

- The South East Asia (SEA) region is diverse in many aspects, and there is a vast difference in wealth, religion, and political landscape. Yet, rapid urbanisation, growing income and changing dietary patterns are key growth drivers for imported red meat demand.
- Preference for Australian beef varies by country. Singapore is the largest chilled beef destination for Australia among the nine countries, underpinned by a large number of high income households and international tourists. In comparison, the Philippines largely imports frozen manufacturing beef from Australia for the country's highly popular fast food sector. Another important market Malaysia, has gradually been increasing chilled and grainfed beef intake from Australia.

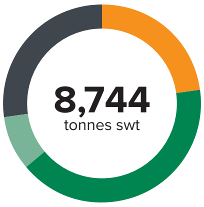
### Australian beef exports to SEA (2016)

**Total beef exports**




- Malaysia – **18%**
- Singapore – **12%**
- Philippines – **51%**
- Other – **19%**

**Chilled beef exports**

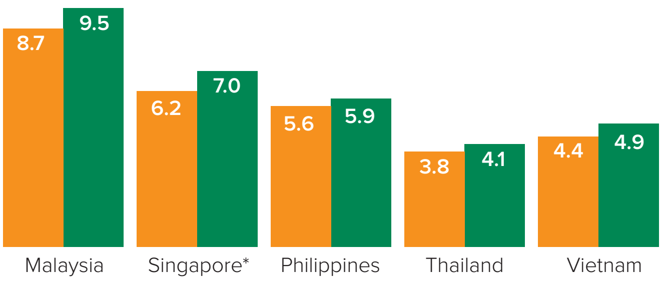



- Malaysia – **23%**
- Singapore – **41%**
- Philippines – **9%**
- Other – **27%**

*Source: DAWR*

- In SEA, pork (except Malaysia) and chicken are the highest demanded meat proteins for their low price, versatility and convenience. Consumers see beef as superior (to other meats), more nutritious, becoming more popular, and worth paying more for *(Source: MLA Global Consumer Tracker, 2016).*
- Per capita beef consumption is expected to rise across markets, where economic growth is likely to be sustained by low inflation and high wage growth (albeit off a small base) (Source: BMI Research).

### Per capita beef consumption, kg per year




2016 2020

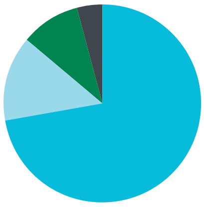
*Source: BMI Research*
**GIRA 2016 & 2021, estimate and projection*

- The region also has a high number of non-residents travelling and consuming food items during their stay in the market. (See insert Singapore – Corridor of Asia)

## Retail

- The SEA region's modern grocery retail sector is largely under-developed, with the exception of Singapore and major cities in Malaysia and Thailand.
- Key food retailers in the region where consumers purchase Australian beef from, include: Dairy Farm (inc. Cold Storage), NTUS FairPrice, Tesco, Jusco (Aeon), SM Retail, Carrefour, Lotte and CP Group.

### I typically buy beef from... (Singapore)



- Supermarket – **73%**
- Hypermarket – **14%**
- Butcher – **10%**
- Other – **4%**

### Influences me when I'm buying beef (Singapore)

- Seeing it on shelf/at a shop
- Free tasting/sampling
- TV program/cooking show
- Special offers in a catalogue
- Friends/relatives

*Source: MLA Global Consumer Tracker, 2016*

- While accounting for a modest market share, the presence of quality focused, upmarket butchers is one of the key strengths of the Singapore beef market, serving wealthy locals and foreign residents.

## Ramadan

- Beef demand surges during festive seasons, including Ramadan month. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing of the demand spike for red meat changes with it every year.

### Ramadan schedule

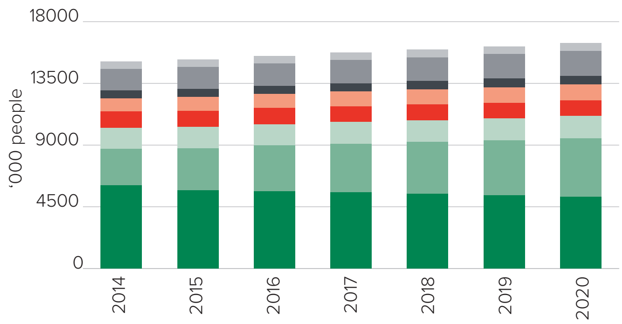
| Year | First day | Last day |
|---|---|---|
| **2017** | **May 27** | **Jun 25** |
| 2018 | May 16 | Jun 14 |
| 2019 | May 6 | Jun 4 |
| 2020 | Apr 24 | May 23 |

*Note: Ramadan start day may vary by country as it depends on when the new moon is first sighted*

### SINGAPORE – CORRIDOR OF ASIA

- Singapore's population is less than 6 million people but the country receives over 15 million visitors every year. These travellers are vital to Singapore's economy, and to consumption of red meat in the hospitality sector.

**Tourist arrivals**



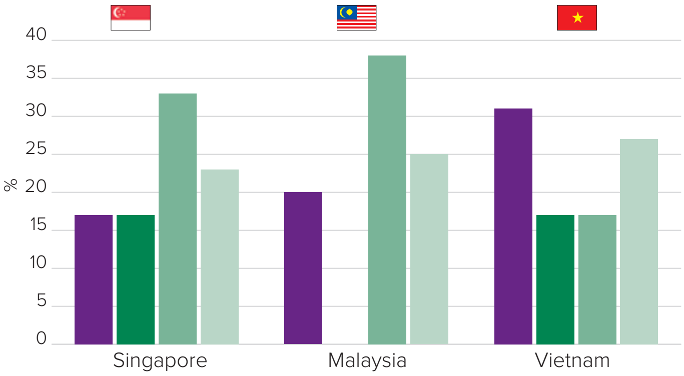

ASEAN, Greater China, Europe (inc. Russia), Australia & NZ, India, US & Canada, Other Asia, Other

*Source: BMI Research, includes forecast*

## Foodservice

- The dining scene in the SEA region is dynamic and multi-faceted, underpinned by its diverse food culture – from street vendors in Vietnam, to top tier, Michelin-starred restaurants in Singapore. Australian beef is widely leveraged across these sectors and markets.
- In comparison with counterparts in Singapore or Malaysia, Vietnam consumers are more likely to choose beef when they are dining out, indicating future opportunities in this growing market.

### Meats eaten when out (dinner)




*Source: MLA Global Consumer Tracker, 2016*

### Typical beef dishes

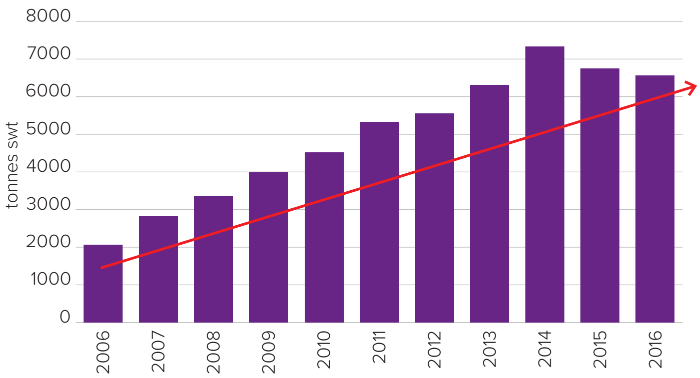
*Steak*

*Beef laksa*

*Beef pho*

- Brazilian, Indian and some local beef products are prevalent among fast food and casual eateries, especially when the cooking methods mask or substitute meat quality (i.e. spicy curries, minced meat balls, slow cooked stews). Australian product is also used for these dishes, as well as for steaks and western-style menus.
- Seafood is perceived as fresh, low in fat and to have good taste across these markets, posing competition with beef, especially in the mid to high expenditure dining sector.
- Besides the growing middle-income consumer base and fast economic growth, the region is a popular tourist destination. Australian red meat – including high value grainfed products and loin cuts – is often featured as a menu drawcard by international hotels and resorts.

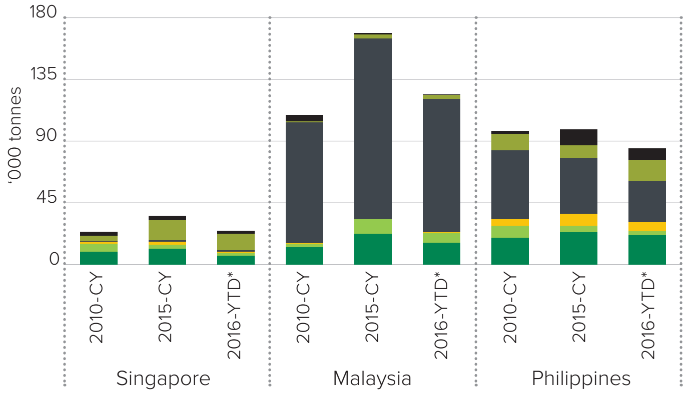
### Australian beef exports to SEA – loin cuts




*Source: DAWR. Includes cube roll, striploin, tenderloin and other loin group cuts. Total of 9 countries*

## Other suppliers

### SEA beef imports by supplier



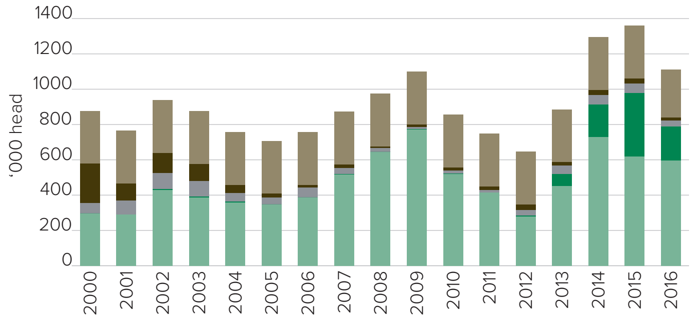

*Source: GTA * 2016-YTD = Jan to Sep.*

- India is the largest exporter of bovine meat (buffalo) to the region, followed by Australia and Brazil.
- While export volumes from the US are comparatively small at 16,000 tonnes swt (MAT Nov 2016, *(Source: GTA)*), the average value is at around A$9 per kilo (Australia is about A$6), with their products often placed at high-end steakhouses and hotels.

## Live exports

- Vietnam is the second largest export market for Australian live cattle exports, taking 194,267 head in 2016 (down 47% from 2015), *(Source: DAWR, ABS/GTA)*.

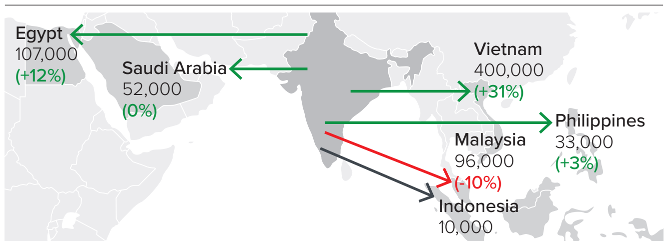
### Australian live cattle exports




*Source: ABS/GAT, DAWR*

- Tight supplies of Australian livestock and subsequently strong prices, and the Exporter Supply Chain Assurance System (ESCAS) compliance, negatively affected trade with Vietnam in 2016. Furthermore, the country is the largest importer for Indian buffalo meat, presenting competition for Australian cattle. It is believed that a large proportion of Indian imports is re-exported out of the market.

### Indian beef exports*




tonnes swt, % change 2015 YTD / 2016 YTD (Jan to Sep)

*Source: GTA. * = bovine meat exports, including buffalo meat*

# Market Access Overview

| Trade agreements | Import tariffs | Competitors | Volume restrictions | Technical access |
|---|---|---|---|---|
| **ASEAN-Australia-New Zealand FTA** (AANZFTA)* | **0%**** (Philippines, Malaysia, Singapore, Brunei) | **India** (buffalo meat) 0% tariff into Malaysia & Brunei.<br>5% to the Philippines, 12% to Vietnam.<br>**Brazil** – no trade agreement | N/A Except Thailand under Thailand-Australia FTA (TAFTA) safeguard**** | Malaysia and Brunei maintain import regulations in accordance with Halal |

Best access — Major challenges

*Source: Trade agreements, DFAT, MLA*
** Australia also has independent free trade agreements (FTAs) with Singapore, Malaysia and Thailand*
*** Tariff will be 0% in Vietnam (2018), Thailand (2020), Cambodia (2021), and Laos (2023). Cambodia will maintain 35% tariff on bone-less products*
***** The tariff on imported beef into Thailand is 8% in 2017, but will bounce back to 50% for products imported beyond a specified quantity (1,393.3 tonnes swt in 2017)*

# Australian beef exports to SEA* – 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** | **58,203** | **100** | **57,136** | **100** | **59,136** | **100** | **-2** | **-933** |
| by storage | Chilled | 8,744 | 15 | 9,018 | 16 | 7,347 | 12 | 19 | 1,397 |
| | Frozen | 49,459 | 85 | 48,118 | 84 | 51,789 | 88 | -4 | -2,330 |
| by meat type | Grassfed | 44,929 | 77 | 48,177 | 84 | 52,904 | 89 | -15 | -7,975 |
| | Grainfed | 13,274 | 23 | 8,960 | 16 | 6,232 | 11 | 113 | 7,042 |
| by storage/ meat type | Chilled grassfed | 5,834 | 10 | 6,583 | 12 | 5,648 | 10 | 3 | 186 |
| | Chilled grainfed | 2,910 | 5 | 2,435 | 4 | 1,699 | 3 | 71 | 1,211 |
| | Frozen grassfed | 39,095 | 67 | 41,594 | 73 | 47,256 | 80 | -17 | -8,161 |
| | Frozen grainfed | 10,364 | 18 | 6,525 | 11 | 4,533 | 8 | 129 | 5,831 |

*Source: DAWR. * Includes SEA 9 countries (Malaysia, Singapore, the Philippines, Thailand, Vietnam, Brunei, Laos, Myanmar and Cambodia)*

**value – in A$ 000**

| | | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **376,542*** | **100** | **378,882** | **100** | **317,255** | **100** | **19** | **59,287** |
| by storage | Chilled | 136,837* | 36 | 128,775 | 34 | 88,388 | 28 | 55 | 48,449 |
| | Frozen | 239,705* | 64 | 250,107 | 66 | 228,867 | 72 | 5 | 10,838 |

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

**Australian beef exports to Singapore – 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 |
|---|---|---|---|---|---|---|---|---|
| Striploin | 978 | 14 | 1,179 | 13 | 1,211 | 11 | -19 | -232 |
| Neck | 717 | 10 | 1,454 | 17 | 1,351 | 13 | -47 | -634 |
| Manufacturing | 664 | 10 | 689 | 8 | 1,469 | 14 | -55 | -804 |
| other | 4,607 | 66 | 5,445 | 62 | 6,604 | 62 | -30 | -1,997 |
| **Total** | **6,967** | **100** | **8,767** | **100** | **10,634** | **100** | **-34** | **-3,668** |

*Source: DAWR*

**Australian beef exports to Malaysia – 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 |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | 4,877 | 47 | 5,297 | 43 | 6,268 | 44 | -22 | -1,391 |
| Neck | 1,054 | 10 | 2,182 | 18 | 3,204 | 22 | -67 | -2,151 |
| Striploin | 1,048 | 10 | 987 | 8 | 1,028 | 7 | 2 | 21 |
| other | 3,412 | 33 | 3,879 | 31 | 3,773 | 26 | -10 | -361 |
| **Total** | **10,391** | **100** | **12,344** | **100** | **14,273** | **100** | **-27** | **-3,882** |

*Source: DAWR*

**Australian beef exports to Philippines – 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 |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | 25,532 | 87 | 21,014 | 83 | 22,818 | 86 | 12 | 2,714 |
| Shin/Shank | 309 | 1 | 1,305 | 5 | 1,384 | 5 | -78 | -1,074 |
| Brisket | 107 | 0 | 308 | 1 | 221 | 1 | -52 | -114 |
| other | 3,482 | 12 | 2,724 | 11 | 2,260 | 8 | 54 | 1,222 |
| **Total** | **29,431** | **100** | **25,352** | **100** | **26,682** | **100** | **10** | **2,748** |

*Source: DAWR*