

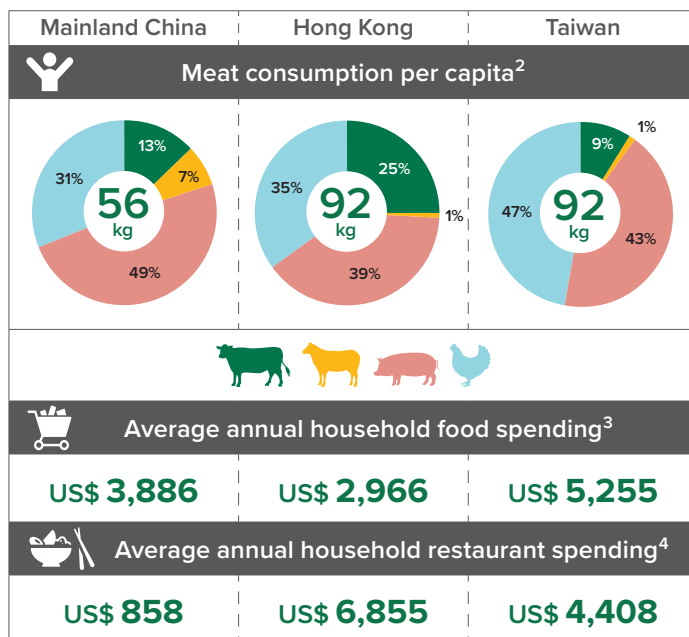
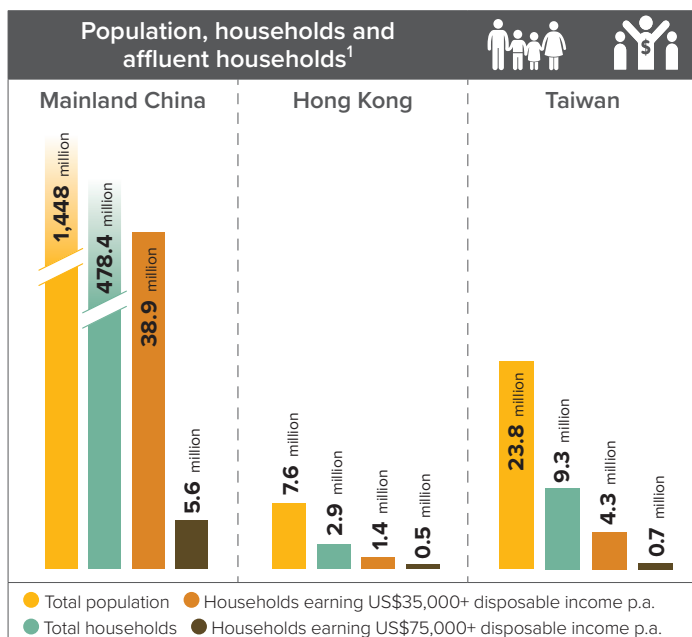


MARKET SNAPSHOT | BEEF & SHEEPMEAT

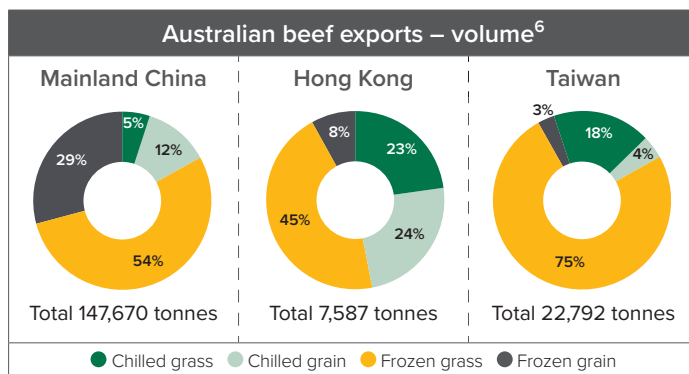
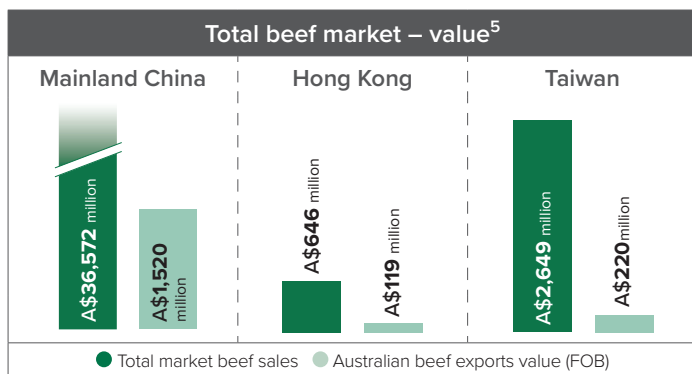
Greater China

(Mainland China, Hong Kong and Taiwan)

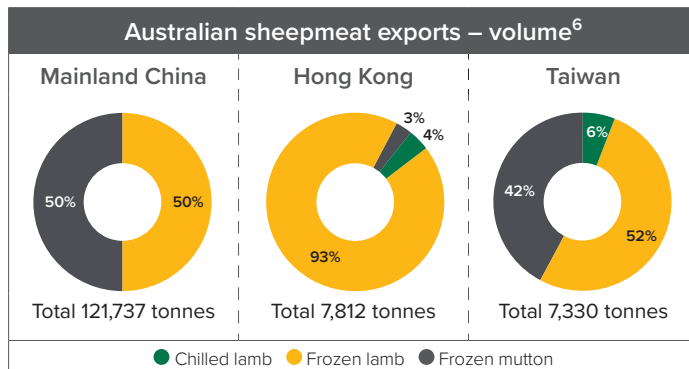
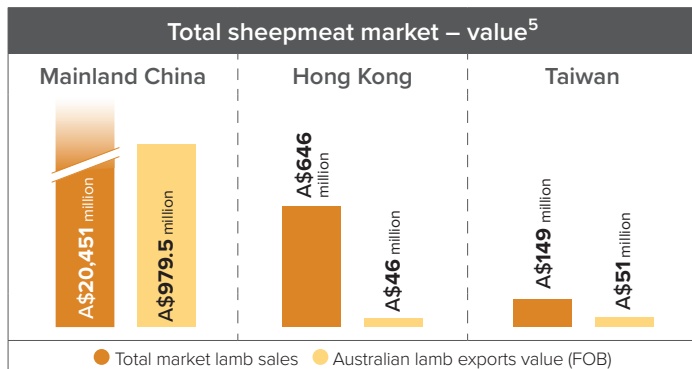
affluent population base, Taiwan and Hong Kong are high value, stable markets. Despite the pandemic and market access challenges, Australia's beef and sheepmeat exports to Greater China for 2020–21 totalled 341,519 tonnes swt, valued at A\$3.1 billion.



Greater China Beef



Greater China Sheepmeat



Data source for charts: ¹Fitch Solutions 2022f, data last reviewed July 2021, (disposable income = earnings after taxes and social security charges), ²GIRA 2021f (per person per year in cwt), ³Fitch Solutions 2022f, (Food spending is based on average household spending on food purchased via all channels but consumed in the home), ⁴Fitch Solutions 2022f (Restaurant spending is based on household spending on restaurants, catering and accommodation services), ⁵Fitch Solutions 2022f (Sales value is based on average household spending for domestic consumption through all channels), ⁶DAWE, IHS Markit (2020–21)

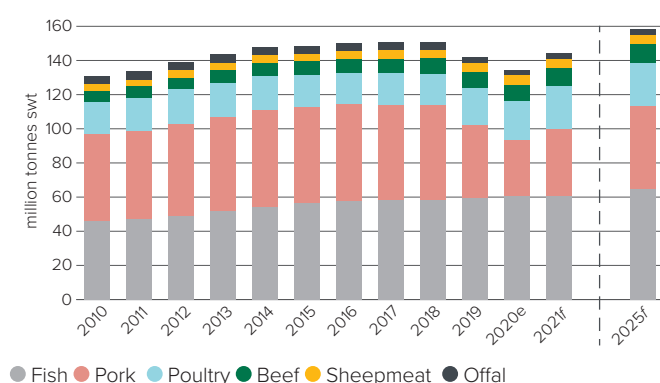
Mainland China – Beef

CONSUMERS



- In China, beef comprises a small proportion of dietary protein. However, with rising incomes, continued urbanisation and a pork shortage caused by African Swine Fever (ASF), national per capita beef consumption is forecast to increase from 5.2kg in 2015 to 7.7kg in 2025f. This makes China the world's second largest beef market after the US, with a forecast total consumption of 10.3 million tonnes cwe of beef for 2021 (Source: GIRA 2021).
- The prolonged impact of ASF in China, with ongoing sporadic outbreaks since it was first reported in August 2018, is expected to result in a permanent increase in beef consumption. With national pork prices almost tripling for a period of time, lower income consumers shifted their purchases to non-meat proteins, while affluent consumers responded to the reduced price gap between beef and pork by purchasing more beef.

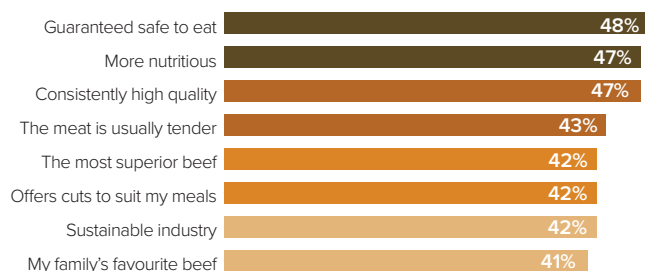
China beef consumption in context



Source: GIRA 2021. ASF first reported in China August 2018.

- Chinese consumers view beef as a superior protein, making it a family favourite thanks to its high nutritional value and unique eating qualities. Barriers to more frequent consumption, aside from price, are perceptions that beef is more challenging to prepare and cook, and less versatile than other proteins.
- Beef and beef offal do feature across a range of traditional slow-cook, soup, stir fry, dumpling and hot pot dishes historically developed to suit product from spent work or dairy animals. In upper middle-class households, there is increasing exposure to other cuisines that utilise a wider range of beef products and cooking methods, mostly via foodservice but increasingly also at home.

Affluent* Chinese consumer perceptions of Australian beef



Source: MLA Global Consumer Tracker, 2019. % Agree. *Consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing cities

- A growing segment of consumers seek higher quality beef that is trusted to be safe, nutritious and delicious. Australia is considered among the top suppliers of premium beef, with demand increasing for chilled and grainfed products.

FOODSERVICE



- As a comparatively less familiar but superior protein, around two-thirds of beef in China is consumed outside the home (Source: GIRA). In addition to local cuisine restaurants, diners are increasingly enjoying a wider variety of beef cuts, cooking methods and flavours via other cuisines, such as western-style steak and grill, pasta and burgers, Korean and South American barbecue, Japanese and Thai.



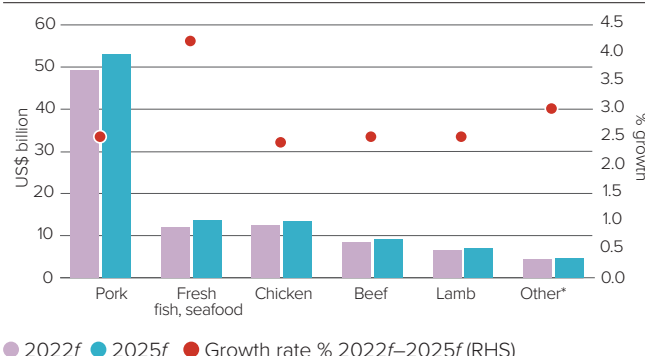
Growing popularity of western and other Asian cuisines has increased beef consumption.

- The majority of Australian beef is sold in foodservice channels, with a proportion going into further processing of items for the sector such as hot pot rolls, burgers, meatballs and sausages. Higher value product, such as grainfed beef, goes into more premium full-service restaurants.
- Australian beef has a strong, established presence in China's premium western-style foodservice sector and in some upscale

hot pot restaurant chains, where differentiation based on quality, safety, naturalness and country of origin is important to diners.

- Full-service restaurants dominate the profit sector, with 3.8 million outlets generating a total turnover of A\$633 billion in 2019 pre-pandemic, followed by quick service restaurants at 1.5 million outlets. Accelerated by high density living, good connectivity, the pandemic and growing desire for convenience, take-away and delivery services are further expanding the full-service restaurant segment, which is forecast to grow at a CAGR of 6.9% from 2019–2024, compared to 2.7% for dine-in. Another notable development has been growth in foodservice at retail (Source: GlobalData).

Mainland China full-service restaurant sales by species

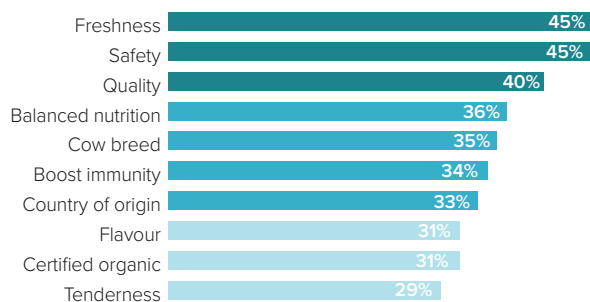


Source: GlobalData 2021. Based on Operator Buying Price. Compound Annual Growth Rate.



- China retail sales of beef have grown significantly in recent years, accelerated by ASF-driven higher pork prices and increased at-home consumption in the wake of the pandemic. As a consequence, demand for Australian chilled beef has been strong. There has also been an expansion of meal kits and value-added products, providing consumers easier ways to prepare quality beef meals at home.

Chinese affluent* consumers' beef purchase considerations

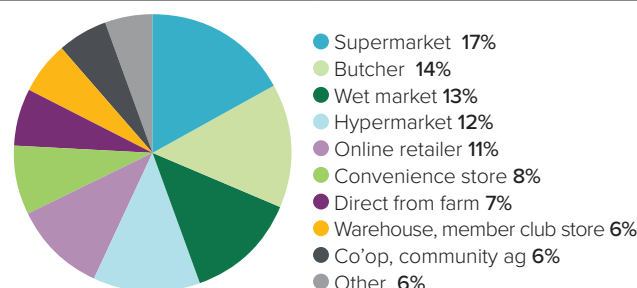


Source: MLA China COVID-19 Consumer Impact Survey, March 2020
 *Average monthly household income RMB28,000. Base: frequent imported beef consumers at home in Shanghai.

- Affluent urbanites are driving growth in branded beef products that not only offer the important basics of safety and quality, but also deliver more experiential consumption via elements relating to provenance and production methods.
- Affluent consumers will still buy beef from convenient local wet markets on occasion, particularly when preparing traditional beef dishes to be consumed the same day. However, it is now more common for them to shop at modern retail channels.

- The pandemic accelerated the shift away from traditional channels in favour of modern offline and online retail. From 2020–22, modern retail is forecast for 8.1% CAGR growth, compared to 3.4% for traditional channels, led by e-commerce at 22.3% (Source: IGD).

Retail channels used for beef purchase by affluent Chinese consumers



Source: MLA Global Consumer Tracker China, 2020. Purchase beef at least weekly from these channels. *Consumers in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing cities. Living in households earning >RMB200,000 p.a.

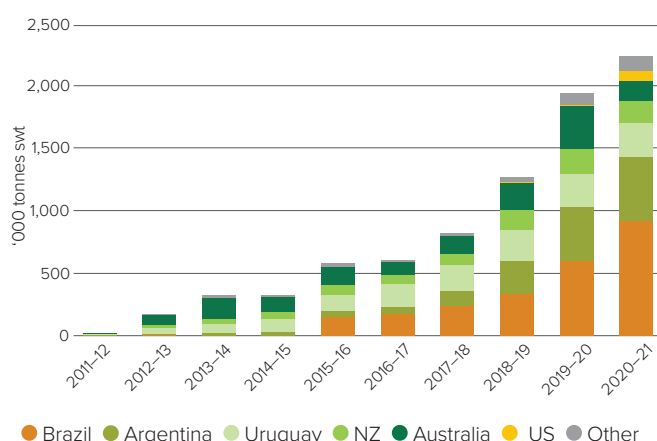
- Australian beef was well positioned to meet the surge in retail demand for premium beef that occurred during the pandemic. Some 43% of affluent Shanghai consumers said they were buying more Australian beef than pre-pandemic due to higher demand for trusted, high quality, safe product offering optimal nutritional benefits (Source: MLA COVID-19 impact survey, 2020).
- Significant investments in cold chain are improving product handling across the supply chain, presenting more opportunities for Australian beef, including the growing presence of retail-ready branded beef at premium retail.

COMPETITIVE LANDSCAPE



- China is currently the world's largest beef import market. A combination of growing demand, more approved suppliers and impacts from both the pandemic and ASF has seen the country's largest-ever beef import volumes pass through customs. For the 12 months ending June 2021, China's beef import volume exceeded 2.25 million tonnes swt, up 15% year-on-year, valued at A\$14 billion (Source: IHS Markit).
- Competition in China's beef market continues to intensify, as more countries are granted market access, driven by a priority to diversify the country's supply.
- China has a large cattle herd estimated at 92 million head in 2021f, with beef cattle estimated to make up around three-quarters of the herd (Source: GIRA). Domestic beef production is expected to see modest growth in the coming years, but the significant and increasing supply gap will need to be filled by imports.
- The US has taken advantage of preferential market access conditions, achieved through the Phase One Agreement, to significantly increase beef exports to the market since 2020. The US has sole approval to export HGP-treated beef (within maximum residue limits and excluding beta-agonists) to China. It also benefits from a systems-based approach to establishment listing, compared to the approach for other suppliers including Australia, with plants requiring individual Chinese inspection and approval.
- Australia is China's largest supplier of chilled beef. However, market access challenges from 2020 have restricted Australian exports, with New Zealand and the US filling some of the gap.

Mainland China direct total beef imports by supplier



Source: IHS Markit, China Customs. Excludes offal.

- South American countries dominate China's direct frozen beef import market, particularly Brazil, Argentina and Uruguay, which have benefited from devalued currencies. However, these suppliers are also highly exposed to the China market, with 2020–21 exports to China and Hong Kong accounting for 71%, 90% and 70% of total frozen beef exports, respectively.
- China imports significant volumes of bovine offal products, with 24,000 tonnes swt passing through customs in 2020–21 valued at over A\$132 million. Key competitors for Australia are Uruguay, New Zealand and the US.

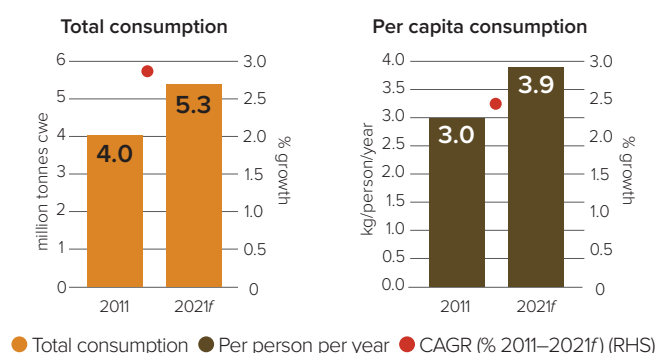
Mainland China – Sheepmeat

CONSUMERS



- China has consistently been Australia's single largest sheepmeat export market by volume since 2012 and the largest by value for the past two years.
- Sheepmeat accounts for a small proportion of dietary protein in China but has grown gradually over the past decade with rising incomes and urbanisation. Sheepmeat consumption was boosted by the protein deficit caused by ASF. Having developed more of a taste for sheepmeat, it is anticipated that consumers will continue to enjoy more of it, even after the pork industry recovers.

Mainland China sheepmeat consumption



Source: GIRA. *CAGR = Compound Annual Growth Rate.

- Traditionally, sheepmeat consumption has been higher in the northern areas of the country and during the cooler months. However, in recent decades interest in the protein has grown faster in coastal cities, where wealthier consumers seek more protein variety with regard to taste and nutritional benefits.

- Sheepmeat and ovine offal feature in a limited number of traditional home-cooked recipes – mostly stew and soup-based dishes – but they are popular street food in the form of spiced grilled kebabs. The growing appeal of hot pot has been a major driver of increased sheepmeat consumption, particularly in foodservice.
- In urban upper-middle class households, there is increasing exposure to western-style lamb cutlets and kebabs. However, roasting and grilling at home is still limited by the small proportion of households that have ovens and grills.

Attributes associated with lamb compared to other proteins

Strengths	Weaknesses
✓ Is the most superior meat	✗ Easy and convenient to purchase
✓ The meat is usually tender	✗ Cheaper
✓ The animal is well-cared for	✗ Easy and convenient to prepare
✓ I'm willing to pay more for this meat	✗ Can use in many different meals
✓ Has high nutritional value	✗ Essential in growing kids' diets

Source: MLA Global Consumer Tracker China, 2020

- Affluent urban consumers appreciate Australian lamb, which they feel offers several advantages considered worth paying more for, such as safety, high quality consistency and higher nutritional value (Source: MLA Global Tracker China 2020).

FOODSERVICE



- As a less familiar but premium protein, an estimated 65% of the sheepmeat consumed in China is done so outside the home (Source: USMEF). Despite the pandemic, China's foodservice sector sales value of lamb by operator buying price for 2021 is estimated to total around US\$103.7 million. This is forecast to grow 16% to US\$120.58 million by 2025 (Source: GlobalData).
- The majority of Australian sheepmeat exported to China comprises frozen cuts such as breast and flap, manufacturing, carcase and neck, which are further processed in market – a large proportion in the form of thin-sliced rolls for use in hot pot restaurants.



Hot pot is a popular way to eat sheepmeat out of home.

- In 2018, hotpot restaurants accounted for 20.5% of China's national catering industry revenue. The segment continues to grow, with the number of hot pot restaurants forecast to increase from 691,000 in 2017 to 896,000 in 2022 (Source: China Hotels Association, 2020).
- The vast majority of lamb sales value and volume in foodservice occurs through full-service restaurants, however, faster growth will be seen in some smaller channels such as entertainment venues, pubs and bars (Source: GlobalData).

Mainland China foodservice lamb sales by channel

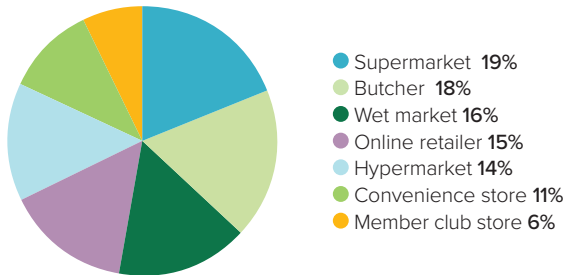
	2022f US\$m	CAGR growth % 2022f–2025f
Full-service restaurant	6,476	+2.5%
Quick service restaurant & fast food	170	+2.3%
Workplace	62	+2.0%
Accommodation (eg. hotels)	61	+2.0%
Mobile operator	42	+2.0%
Leisure (e.g. entertainment venues)	39	+4.9%
Travel	19	+3.5%
Pub, club & bar	17	+4.2%
Retail (e.g. hypermarkets)	7	+2.5%
Coffee & tea shop, café	7	+5.4%

Source: GlobalData. Based on Operator Buying Price, US\$m.



- Of China's 300+ cities, sales value growth of imported lamb is anticipated to be particularly strong in Tianjin, Beijing, Shanghai and Hangzhou cities, where there are larger concentrations of affluent consumers who enjoy lamb and seek premium products.
- Lack of familiarity and knowledge about how to cook lamb is the main barrier to growing sales through retail channels. Among those who do purchase it for home consumption, most use it in traditional 'slow wet cooking' recipes such as stews and soups.

Retail channels used for lamb purchase by affluent Chinese consumers



Source: MLA Global Tracker China, 2020. Bought at least weekly in the past 6 months.
*Affluent = living in households earning >RMB200,000 p.a. Consumers in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities

- Retail has been a relatively small channel for Australian sheepmeat, but branded lamb product is becoming available in stores in some larger cities and online. This is driven by affluent consumers seeking products that offer not only safety and quality consistency, but also unique eating experiences and attributes linked to provenance. Australian lamb is highly regarded in the market.
- Frequent buyers of premium meat often purchase imported lamb from modern high-end retail stores, while growth in e-commerce is making lamb more easily accessible to consumers across the country.

Affluent* consumer associations with Australian lamb

✓	Industry is sustainable
✓	Guaranteed safe
✓	Animals are well-cared for
✓	The most superior lamb
✓	Consistent high quality
✓	Meat is usually tender
✓	More nutritious
✓	Offers various cuts to suit my meals

Source: MLA Global Consumer Tracker China, 2020
*Affluent = living in households earning >RMB200,000 p.a. in Shanghai, Beijing, Guangzhou,

COMPETITIVE LANDSCAPE



- China is the world's largest producer of sheepmeat, with a sheep and goat flock of around 316 million head in 2021. However, China is forecast to remain a net importer of sheepmeat over the coming years, with imports estimated to contribute around 8% of consumption volume in 2021 (Source: GIRA).
- China sheepmeat import demand has seen steady growth over the long-term, increasing at a CAGR of 16.9% from 2009 to 2019. However, import demand, particularly for mutton, can be volatile depending on domestic production cycles and a large number of small, opportunistic producers. With environmental policies restricting flock sizes and gradual consolidation of larger-scale producers, import demand is expected to be more stable in the future.

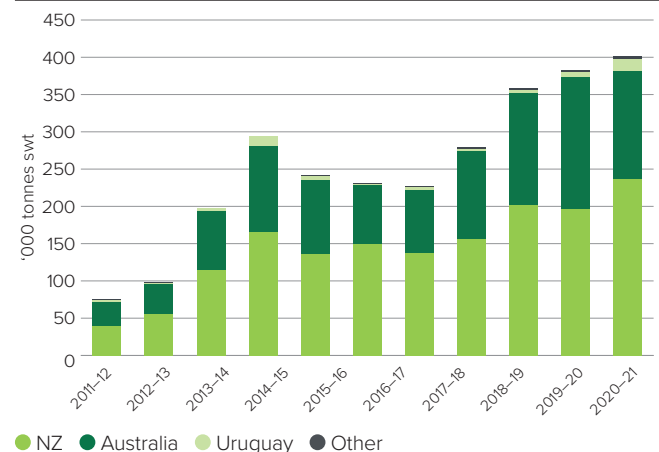
Mainland China sheepmeat import demand



Source: GIRA, figures includes goatmeat

- New Zealand is the lead sheepmeat supplier to China, followed closely by Australia. New Zealand has become increasingly dependent on China, which for the year ending June 2021 accounted for 60% of its sheepmeat exports. Smaller volumes are supplied by Uruguay and Chile. Several countries granted access in recent years are not yet exporting significant volumes, but competition from Argentina and Kazakhstan may increase in the future.
- Australia and New Zealand are approved suppliers of chilled sheepmeat, however, New Zealand has an advantage with a greater number of listed plants, including for tripe.

China direct sheepmeat imports by supplier



Source: IHS Markit, China Customs, excludes offal

Hong Kong – Beef

SUMMARY



- Beef has not traditionally been a major protein in Hong Kong diets. However, a wealthy, younger consumer segment enjoys a variety of cuisines that feature more beef than traditional Cantonese-style cuisine, increasing beef consumption.
- Hong Kong has been a comparatively small but high value and growing market for premium Australian beef for over 20 years, which enjoys a high profile in the market. Consumers have a high regard for Australian beef, which is perceived to be safe, high quality, fresh and easy to buy and prepare, making it a family favourite (Source: MLA Global Tracker, 2018).

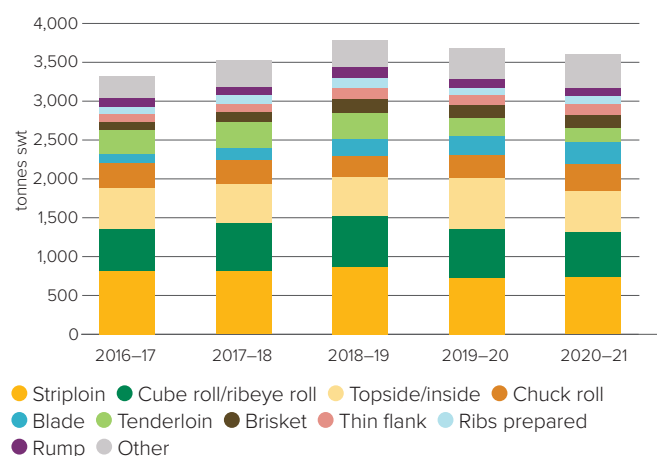
Hong Kong consumer perceptions of Australian beef

✓	Guaranteed safe to eat
✓	Offers suitable cuts to suit my meals
✓	Is easy and convenient to buy
✓	Fresh
✓	Is my/my family's favourite beef
✓	Consistent quality standards

Source: MLA Global Consumer Tracker Hong Kong, 2018

- A majority of Australian chilled beef in the market is sold through modern retail for home consumption, with exports growing at a CAGR of 4.4% from 2000 to 2020. Hong Kong's grocery retail sector is highly developed and competitive, with Australian beef purchased mainly from supermarkets and hypermarkets, but also via increased penetration in food halls and specialist gourmet stores.

Australian chilled beef exports to Hong Kong – top ten cuts



Source: DAVE

- Australian grassfed and grainfed beef products are enjoyed by Hong Kong consumers, with chilled exports growing steadily over the past decade. This growth has been particularly strong for chilled grainfed, which has grown fourfold in volume.
- Australian beef features in high-end full-service restaurants, with diners enjoying special occasion experiences at western and Japanese cuisine restaurants where product provenance is more prominent on the menu.

- Australia's key competitors in Hong Kong's chilled beef market are Brazil, the US and Japan.
- Frozen beef imports are largely utilised in the foodservice sector, particularly mid-level fast casual and quick service restaurants. It is estimated that around 27% of beef sales in the foodservice sector are made in the quick service restaurant channel (Source: GlobalData).
- A large and growing number of tourist visitors have contributed to increased beef demand in the sector – in 2018, an estimated 65 million tourists visited Hong Kong (Source: Fitch Solutions).
- Hong Kong plays an important role as a regional re-export hub for many goods, including frozen meat. A significant proportion of Hong Kong imports of frozen beef, buffalo meat and offal is re-exported to regional markets.
- Australia exports small volumes of frozen beef but significant volumes of frozen offal to Hong Kong. Major frozen beef suppliers to the market are Brazil, the US, Canada and the UK.
- While foodservice consumption was impacted by social unrest in 2019 and the pandemic since 2020, long-term Hong Kong is expected to continue to be a high value market, with high disposable incomes and a sizable foodservice sector. Hong Kong total beef sales are forecast to have the strongest growth of all proteins in the coming years, at CAGR 4.1% from 2021 to 2025, increasing from US\$449 million to US\$549 million (Source: Fitch Solutions). This will be enabled by growth in beef imports, forecast to increase at a CAGR of 12.1% from 2020 to 2025 (Source: GIRA).



Popular Hong Kong beef dishes – beef stir fry with rice flour noodles and honeycomb tripe

Macao beef market

- The Macao Special Administrative Region (SAR) is a small but high value beef market.
- Australian chilled striploin, cube roll/rib-eye roll and tenderloin are utilised mostly in the foodservice sector that supports casino-centred tourism.
- In 2019 pre-pandemic, Macao welcomed 39.4 million tourists.
- Australian beef exports averaged over A\$1 million in value per year for the five years pre-pandemic.

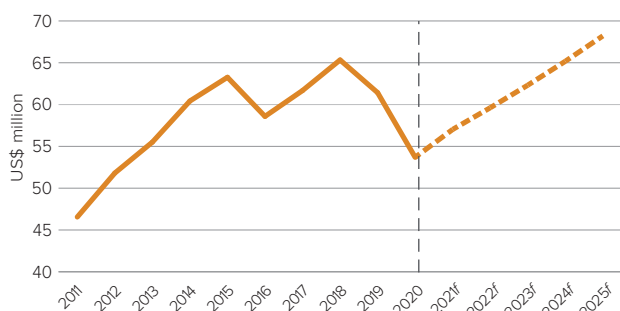
Hong Kong – Sheepmeat

SUMMARY



- Hong Kong has been a small but steady and high value market for Australian sheepmeat for over 30 years. Combining all sheepmeat and ovine offal, Australia's exports to the market in 2020–21 were valued at over A\$44 million.
- A proportion of Hong Kong's frozen sheepmeat and offal imports have traditionally been re-exported to other destinations such as China, Vietnam and Macau. In 2020–21, Hong Kong imported a total of 9,047 tonnes swt of sheepmeat, a 6% increase on the previous year.
- Sheepmeat is a relatively small part of Hong Kong locals' diets. However, per capita consumption is forecast to increase from 0.7kg per year per person in 2021 to 0.9kg by 2025 (Source: GIRA). Some 42% of Hong Kong consumers say they haven't bought lamb, with a major barrier being a lack of knowledge about how to cook it (Source: MLA Global Tracker, 2018). With easy lamb recipe guides, particularly for strong flavoured dishes to address the proportion who dislike the smell of lamb, there is growth potential.
- With a significant consumer base earning high disposable incomes and a large tourism sector, lamb sales are forecast to grow at a CAGR of 3.6% from 2021 to 2022 (Source: Fitch Solutions).

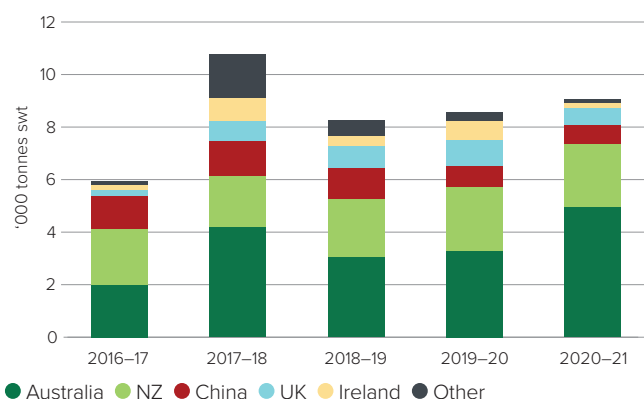
Hong Kong lamb sales



Source: Fitch Solutions. Data last reviewed Jul 2021. Based on household spend, all channels.

- The majority of Hong Kong's sheepmeat imports are supplied by Australia and New Zealand, with smaller volumes coming from European countries such as the UK and Ireland.

Hong Kong sheepmeat imports by supplier



Source: IHS Markit

- Australian exports of chilled lamb for consumption in Hong Kong have averaged around 300 tonnes swt per year for decades, with a high proportion in the form of rack, leg and shoulder cuts, as well as some loin cuts. Volumes of frozen lamb and mutton vary from year to year but largely comprise breast and flap, manufacturing and carcass cuts.
- Consumers who are aware of Australian lamb regard it very highly. When purchasing lamb for home consumption, Hong Kong shoppers mostly buy product from supermarkets, hypermarkets, wet markets and butchers (Source: MLA Global Consumer Tracker HK, 2018).

Hong Kong consumer perceptions of Australian lamb



Source: MLA Global Consumer Tracker Hong Kong, 2018. % Agree Score.

Braising is a popular way to eat sheepmeat at home, while hot pot is popular when dining out



Soya braised lamb



Lamb hotpot

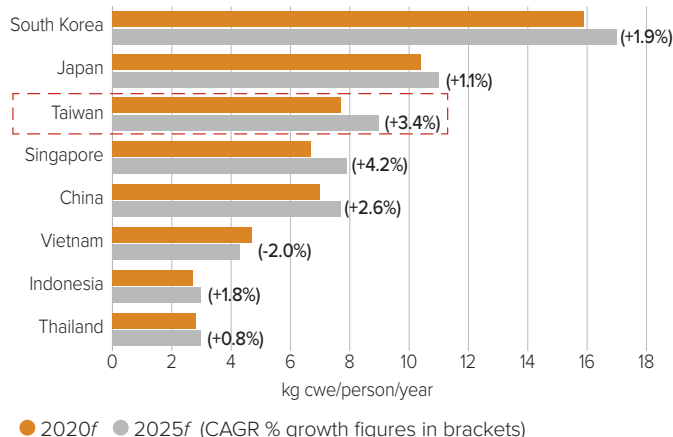
Taiwan – Beef

CONSUMERS



- Taiwan has been a major export market for Australian beef for over 25 years, consistently ranking among the top 10 markets for both grassfed and grainfed.
- Taiwan beef consumption growth is forecast to further accelerate in coming years, driven by a large young adult population, increasing numbers of affluent households and openness to cuisines that feature beef such as western-style, Japanese and Korean.

Taiwan will see strong beef consumption growth



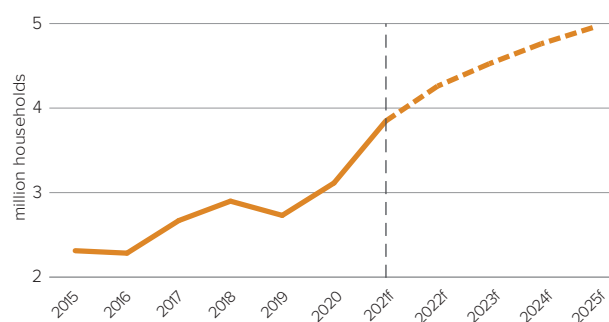
Source: GIRA

- Reflecting this growing demand, Taiwan's total beef imports have reached all-time highs in recent years. For the 12 months

to May 2021, a total 132,767 tonnes swt of beef valued at A\$1.4 billion was imported, down 3% on the year prior due to the impact of the pandemic on foodservice.

- Taiwan has a high urbanisation rate of 79% forecast for 2022, with a similar population size to Australia but 200 times less land area (Source: Fitch Solutions). The market has a large number of households with high disposable incomes, which is forecast to grow at a CAGR of 9.7% from 2020 to 2025 (Source: Fitch Solutions), enabling strong spending growth on discretionary items such as premium beef.

Taiwan has a large and growing affluent consumer base



Source: Fitch Solutions. Households earning disposable income USD 35,000+ p.a.

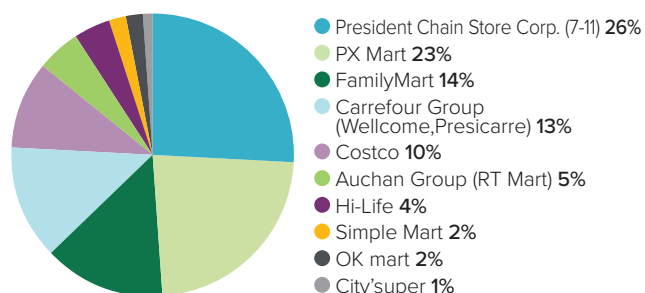
- Taiwan consumers see beef as a protein with superior taste and nutritional benefits, which makes it a family favourite and worth paying a premium for compared to other proteins.

RETAIL



- As a wealthy, urbanised population, Taiwan's retail sector is quite mature by global standards, with modern grocery retail outlets comprising around 70% of the sector. Taiwan is unique globally for having the highest concentration of convenience stores, contributing the largest share of retail grocery sales at 29%, followed by supermarkets and hypermarkets (Source: IGD).

Taiwan mass grocery retailer market share – 2022f



Source: IGD. Based on A\$m total sales value.

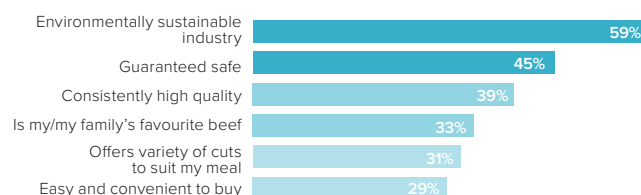
Beef attributes most motivating to Taiwan shoppers

✓	Safety
✓	Country of origin
✓	Natural
✓	Fresh
✓	Good value
✓	Environmentally friendly

Source: MLA Global Consumer Tracker Taiwan, 2020

- With mandatory country of origin labelling across all channels, the vast majority of Taiwan consumers are aware of the origins of the beef they buy. Australian beef is largely purchased from hypermarkets and supermarkets. Taiwan consumers are very familiar with Australian beef, and particularly appreciate its strong safety profile and high quality consistency, as well as the wide range of cuts it supplies. These attributes make it particularly attractive for home consumption in family settings and for consumer who prioritise safe, healthy products.

Taiwan consumer perceptions of Australian beef



Source: MLA Global Consumer Tracker Taiwan, 2020. % Agree Score.



- Taiwan has a strong dining out culture by global standards, with a high proportion of socialising occurring in restaurants. Despite the pandemic, the fastest growing non-essential spending category over the medium-term in Taiwan is expected to be restaurants and hotels, which will average 6.8% per year to 2025 (Source: Fitch Solutions).
- Taiwan has developed a unique food culture, influenced by a combination of its own indigenous aboriginal culture, Chinese cuisines from various regions of the mainland and Japanese influence. Taiwan is now widely considered a regional food trendsetter, with its unique offerings a key attraction for tourist visitors. In 2019 prior to the pandemic, Taiwan was estimated to have had almost 12 million tourist visitor arrivals (Source: Fitch Solutions), with a high proportion from Asian countries.
- MLA estimates that around 85% of Australian beef in Taiwan is utilised in the foodservice sector, with the remainder going into

retail. A majority of Australia's frozen grassfed beef exports are comprised of shin/shank (particularly special trim), blade, manufacturing forequarter, thick flank/knuckle and intercostals cuts primarily used in popular slow wet cooking local dishes.

- The western-style fine dining segment has been expanding, particularly with the growth in popular hotel restaurant and steakhouse segments that use premium cuts such as cube roll/rib eye roll, striploin and tenderloin. There is growing appreciation for highly marbled beef such as US prime, Australian Wagyu and Japanese Wagyu, while others are increasingly seeking quality, leaner grassfed beef. Australia exports a mix of frozen and chilled volumes of chuck roll, cube roll/rib-eye roll and loin cuts for use in western-style steak cooking. A notable volume of Australian hamburger mince also goes into the western-style quick service restaurant and casual dining segment.

Reflecting Taiwan's rich food culture, beef is enjoyed in various forms and cuisines



Taiwan's iconic dish, beef soup noodles.



Yakiniku



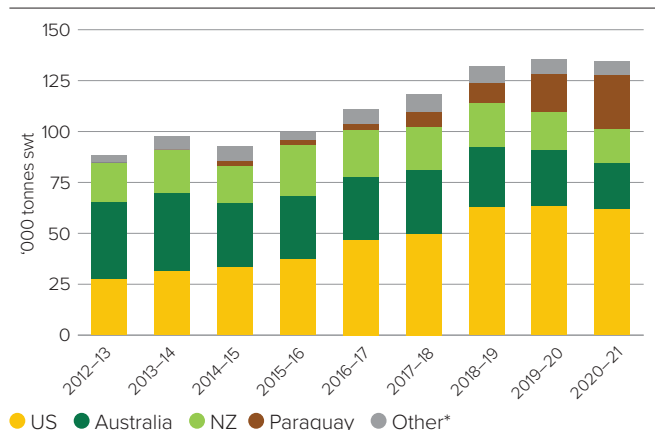
Steak

COMPETITIVE LANDSCAPE



- Taiwan has a small beef herd, and while production is forecast to grow modestly in the coming years, the market will continue to rely on imports in order to meet around 95% of its beef needs for the foreseeable future.
- Australia's main competitors are the US, New Zealand and Paraguay, with intensifying competition putting pressure on Australia's share of the market. In particular, Paraguay has taken advantage of improved market access and lower priced product in recent years to rapidly increase its exports, taking share in Taiwan's frozen beef market from Australia, the US and New Zealand. Smaller volumes of frozen beef are supplied by Nicaragua, Canada and Panama.

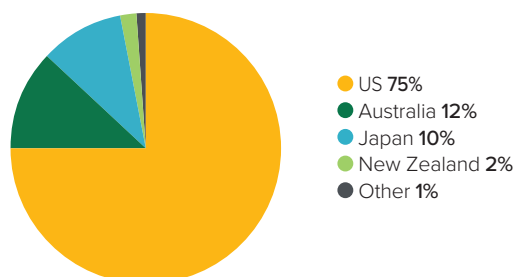
Taiwan total beef imports by supplier



Source: IHS Markit. *Other includes: Nicaragua, Canada, Japan, Panama, Honduras, Netherlands.

- Taiwan has seen strong growth demand for high quality chilled beef in recent years. Australia competes in the high-end grainfed beef market, mainly with the US and Japan. Australia's exports of both chilled beef and frozen grainfed have been strong to the market, despite notable price rises due to recent temporary supply constraints and Japan's re-entry to the market in 2017.

Taiwan chilled beef imports value share by key suppliers – (2020–21)



Source: IHS Markit. Based on total value of A\$624.9 million.

- Taiwan is a significant importer of bovine offal, with imports for 2020–21 of just under 8,000 tonnes swt valued at A\$36.4 million. Australia exports notable volumes of frozen tripe honeycomb, tendon and cheek meat and chilled tongue and skirt, among a mix of items. Australia's key competitors in the Taiwan offal market are New Zealand, Nicaragua and Panama.

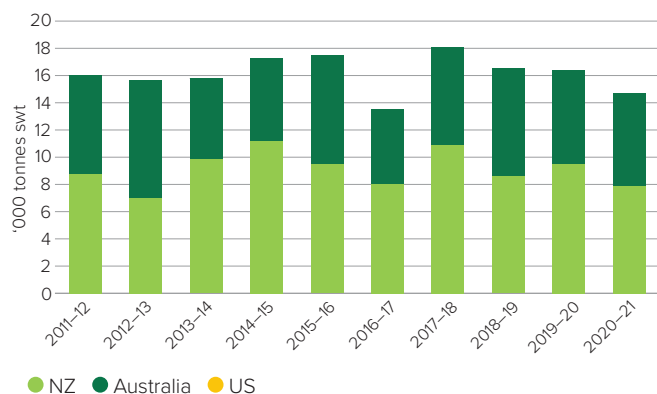
Taiwan – Sheepmeat

SUMMARY



- Taiwan has been a significant importer of sheepmeat for the past several decades. In 2020–21, the market imported 18,088 tonnes swt valued at A\$129 million. This was a 17% decline in volume on the year prior due to a combination of tighter supply, the pandemic's impact on foodservice and strong competition for product from other markets such as China and Korea.

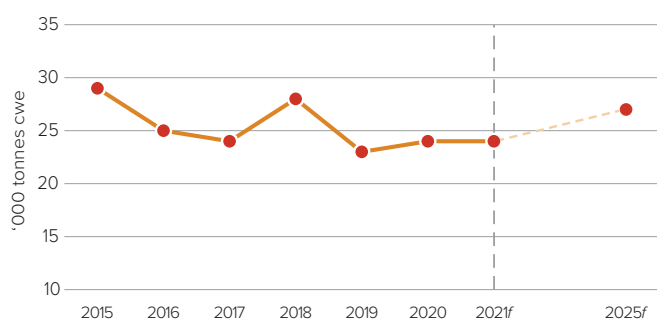
Taiwan sheepmeat imports by supplier



Source: IHS Markit. Excludes offal.

- The vast majority of Taiwan's sheepmeat imports are supplied by New Zealand and then Australia, with only a small and declining quantity produced domestically.
- Sheepmeat is a relatively minor part of dietary protein in Taiwan but consumption is forecast to increase at a CAGR of 3.4% from 2020 to 2025f (Source: GIRA), driven by younger affluent consumers who enjoy protein variety in taste and nutrition. This will drive continued demand for imports in the coming years.

Taiwan total sheepmeat consumption



Source: GIRA GAMC21.

- MLA estimates that around 85% of Australian sheepmeat is consumed in Taiwan's foodservice sector. Australia's frozen lamb exports to Taiwan have grown at a CAGR of 8% over the past 10 years, comprised largely of manufacturing (trimmings), breast and flap, shank and carcass, while frozen mutton is manufacturing (trunk meat) and carcass. While still relatively small, demand for Australian chilled lamb has been growing, with exports increasing at a CAGR of 11% over the past decade, with shoulder (neck fillet roast) and rack being the key cuts.

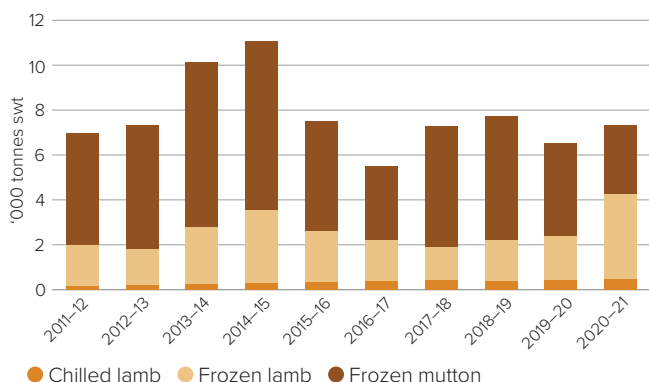
Top three Australian lamb cuts exported to Taiwan

Chilled lamb	Frozen lamb
Shoulder	Manufacturing (trimmings)
Rack	Breast and flap
Shank	Neck

Source: DAWE, 2020–21

- Taiwanese consumers have high discretionary spending levels by regional standards. Restaurants and hotels spending is expected to be the fastest growing non-essential spending category over the medium-term at a rate of 6.8% per year (Source: Fitch Solutions). This bodes well for the post-pandemic recovery of dining out demand for Australian sheepmeat imports.

Australian sheepmeat exports to Taiwan



Source: DAWE

- Slow-cook recipes such as casseroles, soups and hot pot are among the more popular sheepmeat dishes to cook at home. Roasting, grilling and pan-frying of prime cuts is available at high-end western-style restaurants.



Slow, wet-cooking of sheepmeat is popular in Taiwan, where it features in nourishing soups.

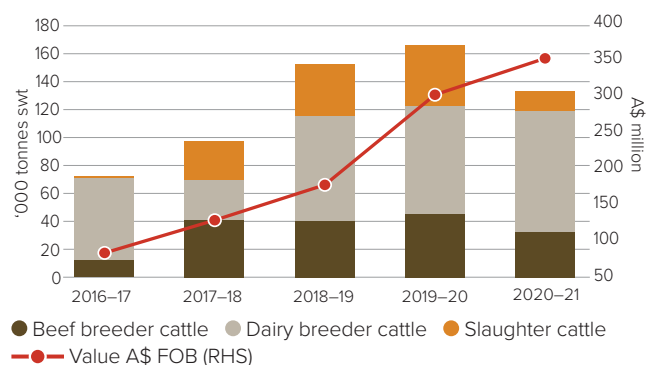
Greater China – Australian Livestock Exports

CATTLE



- Australia exported 114,926 head of breeder cattle and 5,474 head of live cattle for processing to China in 2020–21, decreases of 21% for breeders and 65% for slaughter cattle on the previous 12 months (*Source: DAWE*), driven mostly by high cattle prices in Australia.
- In 2020–21, the value of Australian dairy breeder cattle exports to China was A\$247.5 million, beef breeders A\$51.3 million and A\$38.9 million for slaughter cattle (*Source: IHS Markit*).

Australian live cattle exports to Mainland China



Source: ABS

- Australian dairy breeder cattle exports to China grew rapidly after 2008, in the wake of the melamine milk scandal, as the country focused on developing its dairy industry. Australian beef breeder cattle exports picked up from 2015, when several large operators began focusing on improving their beef herds.
- Australia is the largest official supplier of live cattle to China, with smaller, intermittent numbers of mostly dairy breeder cattle supplied by New Zealand, Uruguay and Chile (*Source: GIRA*).
- Australia has exported live breeder cattle by air to Taiwan, with just under 2,000 head exported in 2017, 2018 and 2019. These were mostly dairy breeders, with around 10% beef breeders.



SHEEP



- Australia exported 2,310 head of live breeder sheep by air to China in 2020–21, as China seeks to improve the quality of its sheep flock (*Source: DAWE*).
- Australia has also exported a small number of breeder sheep to Taiwan by air in the past two years.





Market access overview – beef – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA) (entered into force 20 December 2015)	Under ChAFTA 2021: Chilled and frozen beef 3.6%, chilled carcasses 6%, frozen carcasses 7.5%, offal 1.5% 2022: Chilled and frozen beef 2.4%, chilled carcasses 4%, frozen carcasses 5%, offal 0% 2024: Zero	US: Phase One Economic and Trade Agreement signed 15 January 2020. China agreed to lift most restrictions on US beef products, including HGP-free status*. Full** Tariff Rate: Meat 42%, Carcase – chilled 45%, frozen 50%. NZ: Zero from 2016 Brazil, Uruguay, Argentina (Most-favoured nation (MFN) tariff rate): Meat 12%, carcase – chilled 20%, frozen 25%	Safeguard: MFN tariffs apply if Australian imports exceed: 185,078 tonnes swt in 2021 190,630 tonnes swt in 2022 Most-favoured nation tariffs: Chilled and frozen beef 12%, chilled carcasses 20%, frozen carcasses 25%	Restrictions on the number of approved plants, chilled plants and restrictions on edible offal Several plants suspended from exporting to China***

Best access Major challenges

Source: Trade agreements, DFAT, MLA. NB: China applies a 9% VAT on most items. *The US has sole approval to export HGP-treated beef within maximum residue limits (excluding beta-agonists). **18-02-2020 China announced a new tariff waiver application system for Chinese companies importing US frozen and chilled beef and by-products available from 2-03-2020, with de facto tariffs in line with the MFN rate. (12% meat, 20% chilled carcase, 25% frozen carcase). ***Total 7 plants as at August 2021.



Australian beef exports to China – summary table

Volume – in tonnes swt		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average	
								%	in tonnes swt
Total		147,670		303,283		173,611		-15	-25,941
Storage	Chilled	25,231	17	37,836	12	15,789	9	60	9,441
	Frozen	122,439	83	265,447	88	157,822	91	-22	-35,383
Meat type	Grassfed	87,898	60	220,276	73	128,012	74	-31	-40,114
	Grainfed	59,772	40	83,007	27	45,599	26	31	14,173
Storage/meat type	Chilled grassfed	8,034	5	18,477	6	8,688	5	-8	-654
	Chilled grainfed	17,197	12	19,360	6	7,101	4	142	10,095
	Frozen grassfed	79,864	54	201,800	67	119,324	69	-33	-39,460
	Frozen grainfed	42,575	29	63,647	21	38,498	22	11	4,077

Source: DAWE, figures are rounded

Value – in A\$ 000		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in A\$ 000
Total		1,519,849		2,838,959		1,441,694		5	78,155
Storage	Chilled	335,624	22	461,946	16	190,563	13	76	145,061
	Frozen	1,184,226	78	2,377,012	84	1,251,132	87	-5	-66,906

Source: ABS/IHS Markit

Australian beef exports to China – by major cut (in tonnes swt)		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in tonnes swt
Brisket		27,487	19	48,167	16	32,630	19	-16	-5,143
Manufacturing		27,446	19	60,274	20	30,129	17	-9	-2,683
Shin/shank		16,619	11	27,439	9	18,473	11	-10	-1,853
Blade		10,936	7	25,606	8	13,747	8	-20	-2,811
Silverside/outside		10,597	7	25,910	9	15,388	9	-31	-4,791
Ribs		8,603	6	13,236	4	7,350	4	17	1,253
Chuck roll		8,558	6	20,113	7	8,679	5	-1	-121
Thick flank/knuckle		5,976	4	16,182	5	9,071	5	-34	-3,095
Other		31,447	21	66,356	22	38,144	22	-18	-6,697
Total		147,670		303,283		173,611		-15	-25,941

Source: DAWE

Australian beef offal exports to China – by major cut (in tonnes swt)		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in tonnes swt
Tripe		303	34	850	18	383	10	-21	-80
Heart		202	23	191	4	164	4	23	38
Tendon		155	17	3,002	63	1,830	47	-92	-1,675
Other		233	26	692	15	1,499	39	-84	-1,266
Total		892		4,736		3,876		-77	-2,983

Source: DAWE

Value – in A\$ 000		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in A\$ 000
Total		37,195		53,821		38,507		-3	-1,312

Source: ABS/IHS Markit



Market access overview – sheepmeat – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA) (entered into force 20 December 2015)	Under ChAFTA: 2021: Chilled meat and carcasses 3.3–5.1% Frozen meat and carcasses 2.7–5.1% Offal 2.3% 2022: Chilled meat and carcasses 1.7–2.6% Frozen meat and carcasses 1.3–2.6% Offal 0% 2023: Zero	NZ Import tariffs zero from 2016 Multiple plant listings for chilled sheepmeat and sheep tripe	Zero	Restrictions on the number of approved plants, chilled plants and edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA. Note: China applies a 9% VAT on most items.



Australian sheepmeat exports to China – summary table

Volume – in tonnes swt		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average	
								%	in tonnes swt
Total		121,737		142,229		97,257		25	24,480
Storage	Chilled	0	0	0	0	223	0	-100	-223
	Frozen	121,737	100	0	0	97,034	100	25	24,703
Meat type	Lamb	60,511	50	71,844	51	52,313	54	16	8,198
	Mutton	61,226	50	70,385	49	44,944	46	36	16,282
Storage/meat type	Chilled lamb	0	0	880	1	182	0	-100	-182
	Chilled mutton	0	0	203	0	41	0	-100	-41
	Frozen lamb	60,511	50	70,964	50	52,131	54	16	8,380
	Frozen mutton	61,226	50	70,183	49	44,903	46	6436	16,323

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		972,299		1,234,171		637,465		53	334,834
Meat type	Lamb	473,716	49	626,916	51	340,846	53	39	132,870
	Mutton	498,583	51	607,255	49	296,619	47	68	201,964

Source: ABS/IHS Markit

Australian lamb exports to China – by major cut (in tonnes swt)								%	in tonnes swt
Breast and flap		27,041	45	35,005	49	30,103	58	-10	-3,061
Manufacturing		9,961	16	13,541	19	10,576	20	-6	-615
Carcase		5,988	10	2,476	3	615	1	874	5,374
Other		17,520	29	20,823	29	11,020	21	59	6,501
Total		60,511		71,844		52,313		16	8,198

Source: DAWE

Australian mutton exports to China – by major cut (in tonnes swt)								%	in tonnes swt
Carcase		22,495	37	28,557	41	17,672	39	27	4,822
Breast and flap		15,286	25	16,181	23	15,561	35	-2	-276
Leg		9,864	16	8,796	12	4,106	9	140	5,758
Other		13,582	22	16,851	24	7,604	17	79	5,977
Total		61,226		70,385		44,944		39	16,282

Source: DAWE





Market access overview – beef – Hong Kong

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
The Australia-Hong Kong Free Trade Agreement (A-HKFTA) (Entered Into Force 17 January 2020)	Zero	Australia has same access as other suppliers	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian beef exports to Hong Kong – summary table

Volume – in tonnes swt		2020–21		2019–20		five-year average (2015–16 to 2019–20)		change 2020–21 vs five-year average	
			% of total		% of total		% of total	%	in tonnes swt
Total		7,587		5,471		5,934		28	1,653
Storage	Chilled	3,609	48	3,685	67	3,522	59	2	87
	Frozen	3,978	52	1,786	33	2,412	41	65	1,565
Meat type	Grassfed	5,129	68	3,324	61	3,607	61	42	1,522
	Grainfed	2,458	32	2,147	39	2,327	39	6	130
Storage/meat type	Chilled grassfed	1,740	23	1,951	36	1,969	33	-12	-229
	Chilled grainfed	1,869	25	1,734	32	1,553	26	20	316
	Frozen grassfed	3,389	45	1,373	25	1,638	28	107	1,751
	Frozen grainfed	589	8	413	8	774	13	-24	-186

Source: DAWE, figures are rounded

Value – in A\$ 000								change 2020–21 vs five-year average	
			% of total		% of total		% of total	%	in A\$ 000
Total		119,384		91,664		89,101		34	30,282
Storage	Chilled	81,002	68	71,696	78	68,521	77	18	12,481
	Frozen	38,382	32	19,969	22	20,581	23	86	17,801

Source: ABS/IHS Markit

Australian beef exports to Hong Kong – by major cut (in tonnes swt)								change 2020–21 vs five-year average	
			% of total		% of total		% of total	%	in tonnes swt
Shin/shank		1,935	26	425	8	370	6	422	1,565
Striploin		854	11	952	17	1,030	17	-17	-176
Brisket		672	9	309	6	1,086	18	-38	-414
Hamburger, minced/ground beef		669	9	460	8	334	6	100	335
Cube roll/rib eye roll		635	8	700	13	630	11	1	5
Topside/inside		595	8	705	13	563	9	6	33
Chuck roll		524	7	393	7	406	7	29	118
Blade		373	5	291	5	208	4	79	165
Other		1,329	18	1,236	23	1,306	22	2	23
Total		7,587		5,471		5,934		28	1,653

Source: DAWE

Australian beef offal exports to Hong Kong – by major cut (in tonnes swt)								change 2020–21 vs five-year average	
			% of total		% of total		% of total	%	in tonnes swt
Tripe		11,297	93	18,920	94	20,386	95	-45	-9,089
Tendon		248	2	674	3	682	3	-64	-434
Cheek meat		139	1	95	0.5	97	0.5	42	41
Other		490	4	471	2	216	1	127	275
Total		12,174		20,160		21,381		-43	-9,207

Source: DAWE

Value – in A\$ 000								change 2020–21 vs five-year average	
			% of total		% of total		% of total	%	in A\$ 000
Total		47,006		57,868		59,410		-21	-12,404

Source: ABS/IHS Markit





Market access overview – sheepmeat – Hong Kong

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
The Australia-Hong Kong Free Trade Agreement (A-HKFTA) (Entered Into Force 17 January 2020)	Zero	Australia has same access as other suppliers	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian sheepmeat exports to Hong Kong – summary table

Volume – in tonnes swt		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average	
								%	in tonnes swt
Total		7,812		2,158		2,972		163	4,840
Storage	Chilled	296	4	270	13	301	10	-2	-5
	Frozen	7,517	96	1,888	87	2,671	90	181	4,845
Meat type	Lamb	7,593	97	1,816	84	2,148	72	254	5,445
	Mutton	219	3	342	16	825	28	-73	-605
Storage/meat type	Chilled lamb	295	4	270	13	301	10	-2	-6
	Chilled mutton	0.73	0	0.2	0	1	0	0	0
	Frozen lamb	7,298	93	1,546	72	1,847	62	295	5,451
	Frozen mutton	219	3	342	16	825	28	-73	-606

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		42,004		25,504		23,099		82	18,905
Meat type	Lamb	39,735	95	21,274	83	18,859	82	111	20,876
	Mutton	2,269	5	4,230	17	4,240	18	-46	-1,971

Source: ABS/IHS Markit

Australian lamb exports to Hong Kong – by major cut (in tonnes swt)								%	in tonnes swt
Breast and flap		3,377	44	157	9	405	19	734	2,972
Manufacturing		2,740	36	723	40	871	41	215	1,869
Neck		715	9	44	2	28	1	2436	687
Other		761	10	891	49	844	39	-10	-82
Total		7,593		1,816		2,148		254	5,445

Source: DAWE

Australian mutton exports to Hong Kong – by major cut (in tonnes swt)								%	in tonnes swt
Carcase		139	64	127	37	240	29	-42	-101
Breast and flap		47	21	171	50	527	64	-91	-480
Leg		18	8	29	9	21	3	-16	-3
Other		16	7	14	4	37	4	-57	-21
Total		219		342		825		-73	-605

Source: DAWE



Market access overview – beef – Taiwan

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	NT* \$10/kg 15% tariff on offal	US, Japan and Canada: Same access as Australia Paraguay, Honduras, Panama, Nicaragua, New Zealand: 0% tariff on beef	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA. * New Taiwan Dollar



Australian beef exports to Taiwan – summary table

Volume – in tonnes swt		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average	
								%	in tonnes swt
Total		22,792		27,285		29,722		-23	-6,930
Storage	Chilled	5,158	23	5,840	21	5,146	17	0.2	12
	Frozen	17,634	77	21,445	79	24,577	83	-28	-6,943
Meat type	Grassfed	21,279	93	25,349	93	27,895	94	-24	-6,615
	Grainfed	1,513	7	1,936	16	1,828	6	-17	-315
Storage/meat type	Chilled grassfed	4,225	19	4,395	16	3,840	13	10	385
	Chilled grainfed	933	4	1,445	5	1,306	4	-29	-372
	Frozen grassfed	17,054	75	20,954	77	24,054	81	-29	-7,000
	Frozen grainfed	580	3	491	2	522	2	11	57

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		220,430		260,529		243,189		-9	-22,758
Storage	Chilled	71,129	32	73,035	28	55,666	23	28	15,464
	Frozen	149,301	68	187,493	72	187,523	77	-20	-38,222

Source: ABS/IHS Markit

Australian beef exports to Taiwan – by major cut (in tonnes swt)								%	in tonnes swt
Shin/shank		6,406	28	8,803	32	10,633	36	-40	-4,227
Blade		5,228	23	5,674	21	6,187	21	-16	-959
Manufacturing		2,235	10	2,877	11	2,248	8	-1	-13
Intercostals		2,058	9	2,057	8	3,066	10	-33	-1,008
Chuck roll		2,047	9	2,013	7	1,431	5	43	616
Brisket		1,294	6	324	1	300	1	331	994
Thick flank/knuckle		818	4	1,367	5	1,896	6	-57	-1,079
Minced/ground		745	3	683	3	406	1	84	339
Other		1,963	9	3,487	13	3,555	12	-45	-1,592
Total		22,792		27,285		29,722		-23	-6,930

Source: DAWE

Australian beef offal exports to Taiwan – by major cut (in tonnes swt)								%	in tonnes swt
Tripe		1,308	48	2,274	47	1,437	43	-9	-129
Tendon		915	33	1,959	41	1,528	46	-40	-613
Tongues		251	9	231	5	131	4	92	120
Other		268	10	326	7	243	7	10	25
Total		2,743		4,790		3,339		-18	-597

Source: DAWE

Value – in A\$ 000								%	in A\$ 000
Total		22,212		35,582		23,836		-7	-1,624

Source: ABS/IHS Markit



Market access overview – sheepmeat – Taiwan

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	15% or NT \$11.3/kg	New Zealand: 0% tariff on sheepmeat	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian sheepmeat exports to Taiwan – summary table

Volume – in tonnes swt		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average	
								%	in tonnes swt
Total		7,330		6,503		6,916		6	415
Storage	Chilled	452	6	441	7	385	6	17	67
	Frozen	6,878	94	6,062	93	6,531	94	5	347
Meat type	Lamb	4,277	58	2,384	37	2,254	33	90	2,023
	Mutton	3,053	42	4,119	63	4,662	67	-35	-1,609
Storage/meat type	Chilled lamb	452	6	441	7	385	6	17	67
	Chilled mutton	0.02	0	0	0	0	0	0	0
	Frozen lamb	3,825	52	1,944	30	1,869	27	105	1,956
	Frozen mutton	3,053	42	4,119	63	4,662	67	-35	-1,609

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		50,807		52,357		46,357		10	4,450
Meat type	Lamb	26,332	52	21,444	41	17,085	37	54	9,247
	Mutton	24,475	48	30,913	59	29,272	63	-16	-4,798

Source: ABS/IHS Markit

Australian lamb exports to Taiwan – by major cut (in tonnes swt)								%	in tonnes swt
Breast and flap		1,934	45	215	9	214	10	802	1,720
Manufacturing		1,531	36	1,470	62	1,353	60	13	178
Shoulder		264	6	260	11	348	15	-24	-85
Other		548	13	439	18	338	15	62	210
Total		4,277		2,384		2,254		90	2,023

Source: DAWE

Australian mutton exports to Taiwan – by major cut (in tonnes swt)								%	in tonnes swt
Manufacturing		1,401	46	2,218	54	2,626	56	-47	-1,225
Breast and flap		1,293	42	1,450	23	1,213	26	7	80
Shank		201	7	58	1	152	3	33	49
Other		158	5	393	10	671	14	-76	-513
Total		3,053		4,119		4,662		-35	-1,609

Source: DAWE