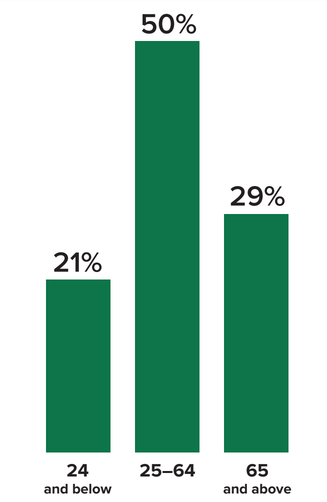
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Japan

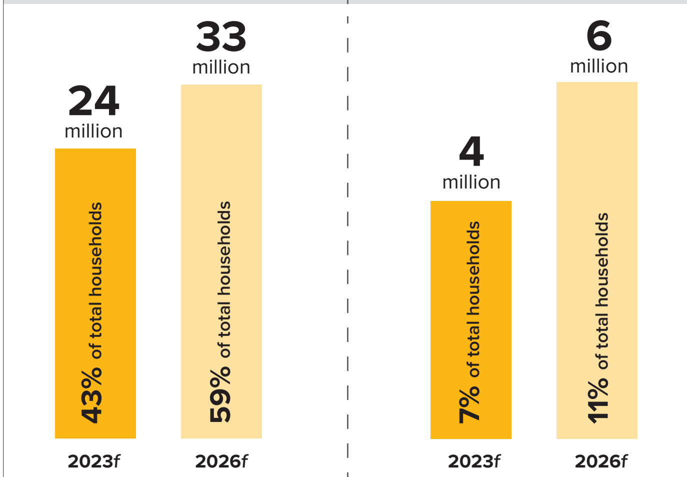
Japan has long been an important export market for Australian red meat. It is the largest destination for beef, particularly for grainfed and chilled Australian beef. Japan is also the largest market for Australian beef offal exports in terms of value. Australian sheepmeat exports to Japan registered healthy growth in 2021–22, despite ongoing COVID-19 impacts. Australian red meat has a relatively strong competitive advantage in Japan, underpinned by its ability to satisfy the highly value-conscious Japanese consumers' demand for trusted quality and taste for imported products. This reputational strength is critical for Australian red meat in maintaining its leading position in Japan – a highly competitive and price-sensitive market.

Population (proportion by age group)[1]

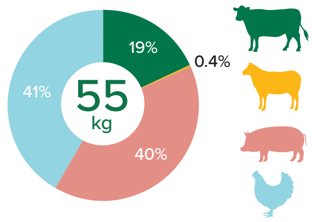


Total 125.1 million

Household number by disposable income[2]



Meat consumption per capita[3]

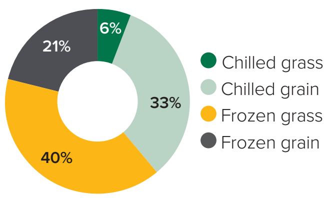


Annual grocery spend[4]

A$ 5,208 per person/year

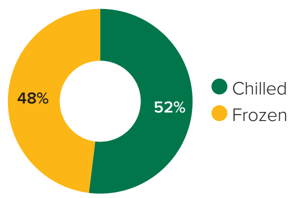
Japan is the largest export destination for Australian beef. It is also the largest market for grainfed beef, taking close to half of total grainfed exports.

Australian beef exports – volume[5]



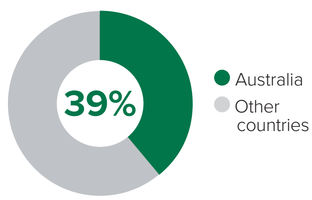
Total 230,439 tonnes swt

Australian beef exports – value[6]



Total A$2.14 billion

Australia's share of beef imports[7]



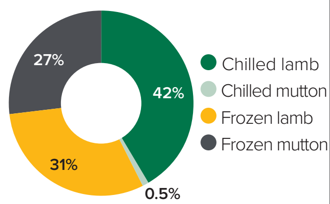
Australian beef offal exports[6]

A$279 million

Key outlet: *Yakiniku* (table-top BBQ)

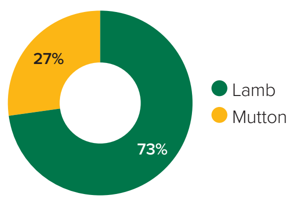
Japan is a consistent buyer of Australian sheepmeat and is the largest chilled lamb customer in Asia.

Australian sheepmeat exports – volume[5]



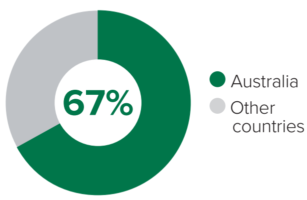
Total 14,678 tonnes swt

Australian sheepmeat exports – value[6]



Total A$187 million

Australia's share of sheepmeat imports[7]



Major outlet of Australian sheepmeat[8]

Genghis Khan (Sheepmeat BBQ)

in Hokkaido (Northern island of Japan)

Data source for charts: [1]Fitch Solutions 2023f, [2]Fitch Solutions (disposable income = earnings after taxes and social security charges), [3]Fitch Solutions (beef, pork, chicken, 2023f), Gira (sheepmeat 2022e), [4]IGD 2023f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), [5]DAFF (2021–22), [6]ABS/IHS Markit (2021–22), [7]IHS Markit (2021–22), [8]MLA

Beef

CONSUMERS

- Japanese consumers are thought to have one of the world's healthiest diets, which is also the secret to their longevity. Eating a varied and balanced diet with the right amount of food and the right cooking method is central to Japanese healthy eating practices.
- Japanese consumers are highly health-conscious, with health one of the top determinants of food purchase decisions. This trend has accelerated further since the COVID-19 pandemic. Many consumers have started to pay more attention to their diets and nutritional intake to strengthen immunity and overall health as a result of the pandemic.
- Despite making up a relatively modest portion of Japanese consumers' plates, beef is the family's favourite meat, known for its superior quality and delicious taste. Beef is thought to provide various nutritional benefits such as high protein and stamina *(Source: JMI Meat Awareness Survey 2021)*. However, due to its perceived fatty image and high health risk, beef tends to have a weaker health profile compared to other key proteins *(Source: MLA Global Consumer Tracker, Japan)*.
- While weaker associations around health, versatility and ease of cooking remain a barrier for beef to be eaten more regularly in everyday meals, beef is typically favoured by Japanese consumers for special occasions.
- Japanese consumers are notable for their loyalty to local products. This is no exception when it comes to beef. Local beef is most trusted and preferred in Japan. Australian beef, however, is the most trusted among imports for its safe, high-quality standards and good taste *(Source: MLA Global Consumer Tracker Japan 2021)*. Wagyu beef is regarded as the most prestigious beef and often used for special occasions, while akami (leaner meat) is more suited to Western and Japanese-style everyday meals. There has been a growing consumer interest in leaner meat, driven by rising health-consciousness. This represents an opportunity to accelerate further the natural and healthy image of Australian grass-fed beef.

Top 5 trust image statements correlated with trust of AU Beef

1	Great taste
2	Consistent quality standards
3	High quality beef/lamb
4	Better for my health
5	Processed to the highest standards

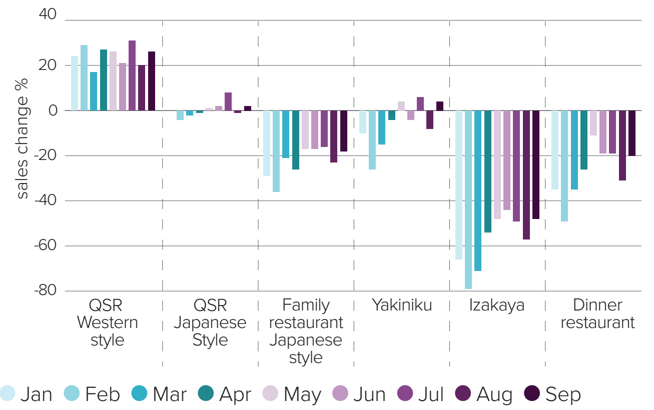
Source: MLA Global Consumer Tracker Japan, 2021

- Prolonged economic stagnation in Japan has shaped consumer behaviours and spending habits, with more consumers prioritising value for money. Guaranteed quality is expected to be an inherent attribute in a product, which should not be paid at the expense of consumers. Although Japanese consumers are price-conscious, they are willing to pay for a product if its value propositions are well-aligned to their needs.
- Changing lifestyles and shifting demographics – including an increasingly ageing population, single households and greater participation of women in the workforce – have created strong demand for 'convenience' offerings such as ready meals.
- Japan's consumer prices are in general stable, with retailers and foodservice providers hesitant to pass on cost increases directly. In 2022, however, there was a shift in the Japanese market with many stores raising prices, impacting a large range of food products including imported items. The issue continues to garner significant media attention across the country.
- Japanese consumers are among the least optimistic about their economic recovery after COVID-19 *(Source: McKinsey & Company COVID-19 Consumer Pulse Survey)*. Low consumer confidence, coupled with the growing cost of living has seen more Japanese consumers tightening their budgets. As a result, the market has seen a slight decline in household beef consumption *(Source: ALIC)*.

FOODSERVICE

- Japan's restaurant sector is one of the most developed in the world in size and sophistication, with a diverse range of global cuisines and price points available to consumers. It is also the key channel for beef, which accounts for approximately 60% of total beef consumed in the market *(Source: MAFF Beef Distribution Analysis)*. Consumers appreciate highly marbled Japanese Wagyu beef for high-end dining, while leaner/less marbled Australian beef is enjoyed across the foodservice sector.
- The Japanese foodservice sector shows strong signs of recovery, although it is expected to take about another year to reach pre-COVID-19 levels *(Source: GlobalData)*. Fast food channels, especially Western-style, have been performing relatively well despite COVID-19 impacts, due to its agile capability to expand to take-away/delivery services. The resilience of Japan's fast food channel has offset the weakened demand for Australian beef exports in other foodservice channels due to the multifaceted impacts of the pandemic and supply shortages.
- Most foodservice channels have registered strong year-on-year sales growth compared to 2021, with sales of yakiniku (grilled) restaurants bouncing back to pre-COVID-19 levels for the first time in May 2022 *(Source: Japan Foodservice Association)*, as the country gradually lifts the COVID-19 control measures which heavily impacted foodservice.
- Foodservice demand is expected to continue to be driven by domestic consumption (including domestic travel) while international tourism remains limited. However, with Japan gradually opening up its border for international tourists, the foodservice sector is expected to see faster growth in the near future.

Japan foodservice sales performance – % change 2022 vs 2019

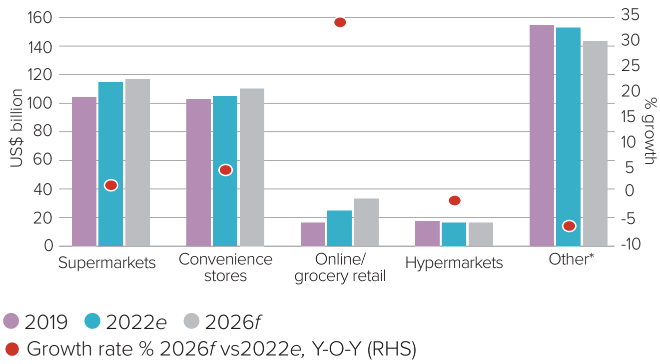


Source: Japan Foodservice Associations

RETAIL

- The Japanese retail food market is highly sophisticated, but also very fragmented, with over 60% of the grocery market occupied by many regional and/or second-tier players.
- Supermarkets are the most common place for Japanese consumers to purchase both fresh and cooked food items, including imported beef. Supermarket sales have remained steady, driven by increased in-home consumption and household spending on food since the pandemic.
- Convenience stores account for more than half of Japan's grocery retail market, of which fast foods and daily food categories such as ready-to-eat meals (bento/lunch box) and delicatessen products make up about one-third of the channel's total sales. Sales through this channel in 2020 were at their lowest in 20 years, mainly impacted by COVID-19 as more consumers switched to home-cooking and/or refrained from going out. However, convenience store sales have rebounded as COVID-19 cases reduce and restriction measures ease.
- Despite having one of the world's largest online grocery markets, take-up of red meat purchases through online retail in Japan remains limited as the majority of consumers still have a strong preference for buying fresh food at physical stores.
- Variety, convenience and healthy food choices are important considerations for Japanese consumers when they buy meat. Australian beef is well-positioned to capitalise on these spaces, supported by its leading position as a trusted alternative to local products, which has consistently high quality and safety standards, and great taste.

Grocery retail sales by channel



*Source: IGD. *Other includes traditional channel and other modern retail*

Top associations Japanese consumers have to Australian beef

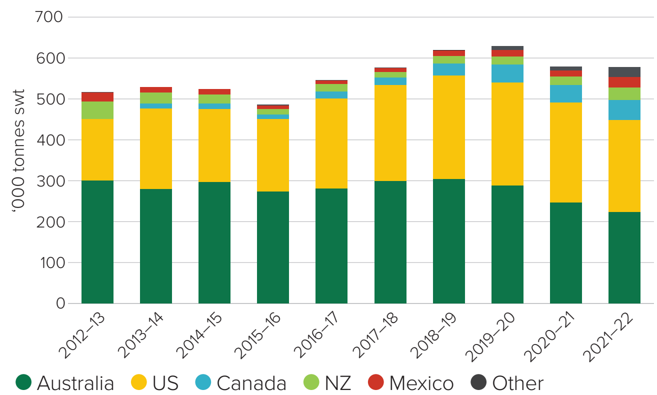
- ✓ Is easy and convenient to purchase
- ✓ Consistent quality standards
- ✓ Is my/my family's favourite beef
- ✓ Guaranteed safe to eat

Source: MLA Global Consumer Tracker Japan, 2021

COMPETITIVE LANDSCAPE

- Local beef (Wagyu and other types of beef) is most preferred by Japanese consumers. However, about two thirds of the Japanese beef market relies on imports to keep up with high consumer demand.
- The market share of domestic beef slightly increased by two percentage points to 37% at 331,933 tonnes (boneless cut equivalent) in 2021–22, supported by improved production *(Source: ALIC)*.
- Softening consumer demand due to the rising cost of living, coupled with the stiff depreciation of the Japanese Yen and other COVID-19-induced impacts such as the increased cost of doing business and transportation delays etc, have reduced Japan's demand for beef imports. Total import volume in the first half of 2022 declined 6% year-on-year compared to the average level of the previous three years as the Japanese Yen hit record lows not seen for 20 years.
- Australia and the US are the two largest suppliers of beef to Japan representing about 78% of the imported beef market. Australia has long been the leading supplier of imported beef to Japan. Recent challenges around supply constraints, increased cattle prices in Australia, compounded with heightened competition from the US and other smaller suppliers, and softening consumer demand have affected Australian beef imports. Total Australian import volume dropped 10% year-on-year to 222,936 tonnes swt in 2021–22.
- Beef imports from the US also registered an 8% year-on-year decline in 2021–22 at 225,311 tonnes swt. Despite a drop in import volume, the US has regained its leading position in the Japanese imported beef market for the first time since 2000.
- Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (commonly called TPP-11 or CPTPP), the import tariff on beef from member countries, including Australia, will be reduced to 9% by 2033, from the current 24.1%. The tariff on US beef is matched with the CPTPP rate, under the US-Japan Trade Agreement.
- Competition is expected to continue to grow as Japan seeks to open up its market to wider global suppliers as one of the country's efforts to diversify its beef supply chain. While imports from Australia and the US declined, the market saw a significant increase in imports from a range of smaller competitors, including Canada, New Zealand, Mexico, Poland, Uruguay, Ireland and the UK.
- Increase in demand for Japanese Wagyu beef in the global market creates room for premium imported beef in Japan. However, price is expected to be a challenge in this high value, yet price-sensitive market.

Japan beef imports by major supplier



Source: IHS Markit, Australian Fiscal Year

Market access overview – beef

Trade agreements	Import tariffs*	Competitors	Volume restrictions	Technical access
Comprehensive and Progressive Agreement for Trans Pacific Partnership **(CPTPP)** Japan-Australia Economic Partnership agreement **(JAEPA)**	**Under CPTPP:** 24.1% for chilled and frozen beef From **1 April 2023** – 23.3% 9% on **1 April 2033**	**US:** The US-Japan Trade Agreement – tariff is matched with CPTPP **Canada, NZ, Mexico:** Same condition as Australia under CPTPP	**Safeguard** Tariff bounces back to 30% if imports exceed trigger level*	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

** Visit DFAT Free Trade Agreement Portal (https://ftaportal.dfat.gov.au) for detailed tariff schedule under JAEPA and CPTPP, safeguard, prepared meat, offal and live animals.*

Australian beef exports to Japan – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
Total		**230,439**		**243,357**		**283,255**		**-19%**	**-52,816**
Storage	Chilled	88,862	39%	105,231	43%	118,830	42%	-25%	-29,968
	Frozen	141,577	61%	138,126	57%	164,425	58%	-14%	-22,847
Meat type	Grassfed	105,910	46%	116,789	48%	144,323	51%	-27%	-38,412
	Grainfed	124,529	54%	126,569	52%	138,932	49%	-10%	-14,403
Storage/meat type	Chilled grassfed	13,907	6%	19,826	8%	28,660	10%	-51%	-14,753
	Chilled grainfed	74,955	33%	85,405	35%	90,170	32%	-17%	-15,215
	Frozen grassfed	92,004	40%	96,962	40%	115,663	41%	-20%	-23,659
	Frozen grainfed	49,574	22%	41,164	17%	48,762	17%	2%	812

Source: DAFF

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
Total		**2,135,676**		**1,934,689**		**2,137,562**		**0%**	**-1,886**
Storage	Chilled	1,109,060	52%	1,119,211	58%	1,213,629	57%	-9%	-104,569
	Frozen	1,026,617	48%	815,477	42%	923,934	43%	11%	102,683

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Manufacturing	106,045	46%	105,046	43%	113,921	40%	-7%	-7,876
Brisket	21,919	10%	27,419	11%	37,075	13%	-41%	-15,156
Silverside/Outside	16,430	7%	17,761	7%	19,650	7%	-16%	-3,220
Blade	12,316	5%	13,818	6%	16,367	6%	-25%	-4,051
Topside/Inside	11,926	5%	14,712	6%	16,204	6%	-26%	-4,278
Chuck Roll	11,113	5%	12,967	5%	14,877	5%	-25%	-3,764
Thin flank	7,225	3%	5,874	2%	6,982	2%	3%	243
Striploin	6,802	3%	8,595	4%	12,350	4%	-45%	-5,547
Other	36,664	16%	37,164	15%	45,829	16%	-20%	-9,165
Total	**230,439**		**243,357**		**283,255**		**-19%**	**-52,816**

Source: DAFF

Australian beef offal exports to Japan – by major cut (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Tongues	6,479	33%	6,771	33%	7,997	34%	-19%	-1,518
Skirt	6,403	33%	6,956	34%	7,977	34%	-20%	-1,574
Intestines	2,751	14%	2,809	14%	2,594	11%	6%	158
Other	3,934	20%	4,212	20%	5,080	21%	-23%	-1,145
Total	**19,567**		**20,747**		**23,647**		**-17%**	**-4,080**

Source: DAFF

Value – in A$ 000

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
Total	**278,543**		**218,897**		**231,916**		**20%**	**46,626**

Source: ABS/IHS Markit

Sheepmeat

CONSUMERS

- Sheepmeat has a minor but relatively established presence in Japan, in comparison to other niche proteins such as goatmeat and game meat. Sheepmeat consumption is more popular in the northern Japanese island of Hokkaido, followed by Tokyo. Most Japanese sheepmeat dishes originated from Hokkaido, with Genghis Khan (table-top grilled) a local specialty.
- Most Japanese consumers are not familiar with sheepmeat and do not know how to cook it. While a lack of familiarity and confidence in cooking remains a key barrier to in-home consumption, lamb is growing in popularity, especially among younger generations.
- Lamb is often purchased for special occasions as a special treat for family and friends. It is also eaten occasionally by some consumers for health purposes, thanks to its perceived image of having high nutritional values and less fat.
- With consumers cooking at home more often due to COVID-19, there has been a gradual uptick in in-home lamb consumption as consumers look to try ‘something different’ for their daily meals at home.
- Although unfamiliarity with the meat and lack of cooking knowledge is a key barrier for Japanese consumers, some 36% of consumers surveyed indicated that they would try to cook lamb at home if they were provided with tips on preparation or how to cook it *(Source: MLA Global Consumer Tracker, Japan 2021)*.
- The recently growing trend in outdoor activities including camping and barbecuing is also driving up lamb purchases, as consumers increasingly seek novel eating experiences on such occasions.

Attributes important for all proteins and lamb associations

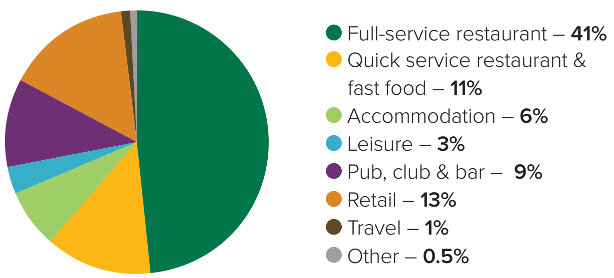
What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have with lamb?
Tastes delicious	Low in fat
Guaranteed safe to eat	High nutritional value
Consistent quality standards	Tastes delicious
Superiority	Meat is tender
Freshness	My/my family’s favourite

Source: MLA Global Consumer Tracker Japan, 2021

FOODSERVICE

- Foodservice is the main channel for sheepmeat in Japan. In particular, Genghis Khan (sheepmeat barbecue on a table-top grill) restaurants have been a significant driver of Australian sheepmeat demand in Japan. They are particularly popular in Hokkaido and among tourists. These restaurants however, are still feeling the after-effects of the foodservice restrictions enforced over more than two years due to COVID-19. Returning international tourists are expected to have a positive impact on recovery.

Lamb usage estimate by foodservice channel



Source: GlobalData, 2022f

- While the impact of COVID-19 has been felt across all foodservice operators, some businesses weathered it better due to their focus on local customers. Lamb menus began to appear in casual to mid-range chain outlets, including Chinese style lamb hot pot, grilled lamb skewers and yakiniku lamb .
- Lamb does not have the price competitiveness of pork or chicken but is appealing for restaurants that seek a point of difference and higher value dishes. With the pandemic reinforcing Japanese consumers’ interests in health and immunity through diet, there are opportunities for Australian lamb to leverage its positive health/nutrition perceptions in the foodservice sector.

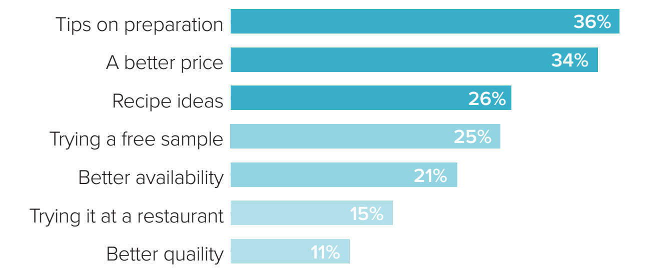
Lamb Shabu Shabu

Sheepmeat

RETAIL

- Lamb is mostly consumed via the foodservice sector, however, the pandemic has encouraged more consumers to experiment with cooking lamb at home.
- Japanese consumers buy lamb from multiple retail venues with supermarket, hypermarket and butcher shops being the most common places of purchase. Despite a large e-commerce sector, online purchasing remains a less popular choice for Japanese consumers when it comes to fresh meat purchases including lamb. The majority of consumers prefer to see the meat before they buy it due to freshness and safety concerns *(Source: MLA Global Consumer Tracker, Japan 2021)*.
- Along with a lack of familiarity and knowledge about lamb, perceived lack of availability at retail venues is a barrier for Japanese consumers to purchase lamb. Educating consumers about lamb cooking ideas and conducting in-store activations to entice consumers to the lamb section in retail stores are seen as strong opportunities to drive lamb sales.

What would convince Japanese consumers to buy lamb?



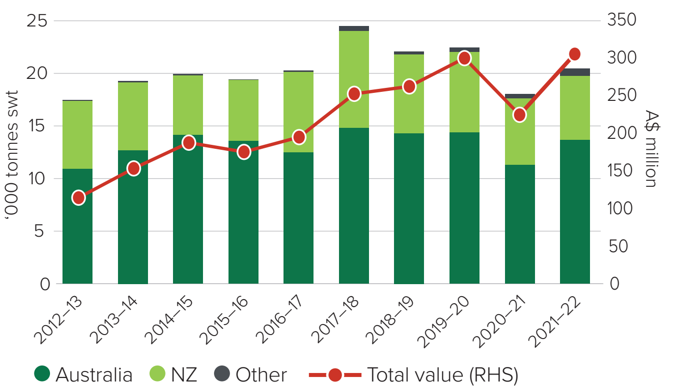
Source: MLA Global Consumer Tracker, Japan 2021

- The pandemic has accelerated retail sales for lamb with more consumers looking for ways to enjoy food and life either at home or outdoors with healthy, meaningful meal choices. Evolving lamb eating habits in venues other than restaurants indicates potential demand growth for retail-ready cuts or offerings (for example: camping-ready set, home-meal/party-ready set).
- New Zealand has a competitive presence in the sector with its smaller-sized bone-in (lamb cutlet) products, while Australia offers a greater range of products including shoulder, neck fillet and steak cuts.
- The True Aussie Lamb brand is well recognised and strongly associated with trusted quality by Japanese consumers. This will continue to be a key platform underpinning Australian lamb sales in Japan complimented by a robust Lambassador program.

COMPETITIVE LANDSCAPE

- Imports make up roughly 99% of total Japanese sheepmeat consumption. The gradual recovery of the foodservice sector and expansion of retail resulted in 13% year-on-year growth for sheepmeat imports in 2021–22, with total import volume of 20,467 tonnes swt. Australia is the dominant imported sheepmeat supplier to Japan with a market share of 67%. Imports of Australian sheepmeat to Japan rebounded strongly at 21% year-on-year in 2021–22 to 13,661 tonnes swt from 11,273 tonnes swt in the year before.

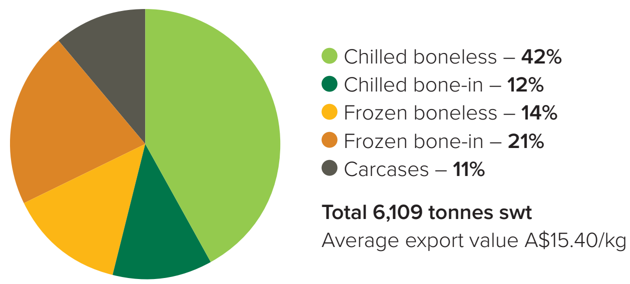
Sheepmeat imports by supplier



Source: IHS Markit, Australian Fiscal Year

- New Zealand is the second largest supplier of sheepmeat imports to Japan, accounting for 30%. Imports from New Zealand declined 3% year-on-year due to supply constraints and increased demand in other markets such as the US, Malaysia, Saudi Arabia and Korea.

Sheepmeat imports from New Zealand



Source: IHS Markit, 2021–22

- The Japanese sheepmeat market, albeit off a small volume, has seen a growing number of smaller suppliers including Iceland, France, Argentina, Chile, Spain, UK and the US enter the market.

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership Agreement **(JAEPA)** Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)**	NIL (for all countries)	**New Zealand:** (same access conditions as Australia)	Zero	No major hurdles

Best access … Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to Japan – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**14,678**		**11,882**		**13,501**		**9%**	**1,177**
Storage	Chilled	6,198	42%	5,922	50%	5,880	44%	5%	317
	Frozen	8,480	58%	5,960	50%	7,621	56%	11%	859
Meat type	Lamb	10,613	72%	8,550	72%	9,171	68%	16%	1,442
	Mutton	4,065	28%	3,332	28%	4,331	32%	-6%	-266
Storage/meat type	Chilled lamb	6,129	42%	5,885	50%	5,821	43%	5%	308
	Chilled mutton	69	0.5%	36	0.3%	59	0.4%	16%	10
	Frozen lamb	4,484	31%	2,665	22%	3,349	25%	34%	1,134
	Frozen mutton	3,996	27%	3,295	28%	4,271	32%	-6%	-275

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**187,470**		**127,226**		**138,309**		**36%**	**49,161**
Meat type	Lamb	137,104	73%	96,433	76%	99,382	72%	38%	37,722
	Mutton	50,366	27%	30,792	24%	38,927	28%	29%	11,439

Source: ABS/IHS Markit

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

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Shoulder	6,861	65%	4,794	56%	5,511	60%	24%	1,350
Manufacturing	1,372	13%	1,893	22%	1,698	19%	-19%	-325
Leg	747	7%	560	7%	674	7%	11%	73
Rack	587	6%	530	6%	622	7%	-5%	-34
Chump	471	4%	361	4%	203	2%	132%	268
Other	574	5%	412	5%	463	5%	24%	111
Total	**10,613**		**8,550**		**9,171**		**16%**	**1,442**

Source: DAFF