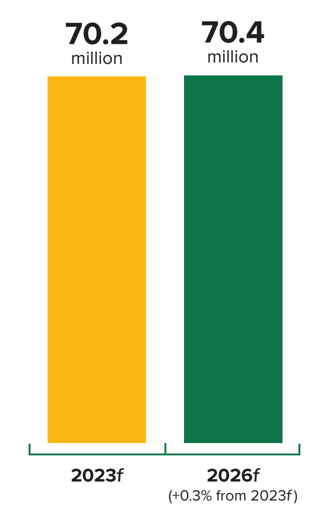
MARKET SNAPSHOT | BEEF & SHEEPMEAT

MLA
MEAT & LIVESTOCK AUSTRALIA

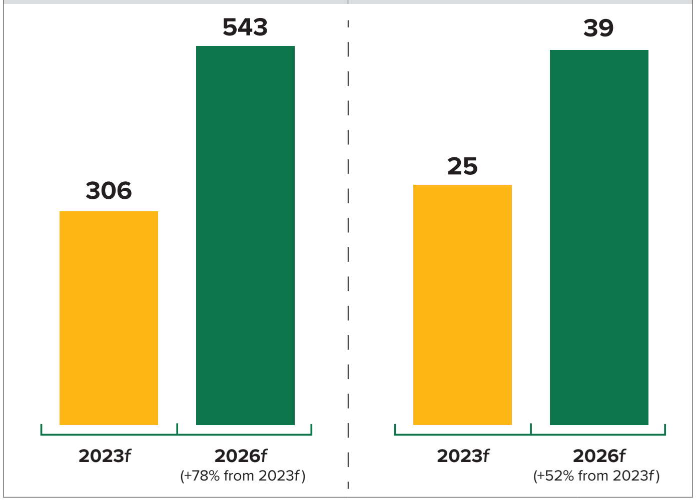
Thailand

Thailand has seen rapid demand growth for quality red meat in recent years, despite pandemic-related disruptions. Import demand has been increasing since 2017, driven by a growing population of young, affluent consumers, plus a large and well-established tourism service sector. Historically, Australia has been Thailand's largest beef and sheepmeat import supplier, with around a third of total value being chilled product. The complete removal of tariffs and quotas since January 2020 under both the Thailand-Australia Free Trade Agreement (TAFTA) and the ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA) has strengthened red meat trade and will support growth into the future.

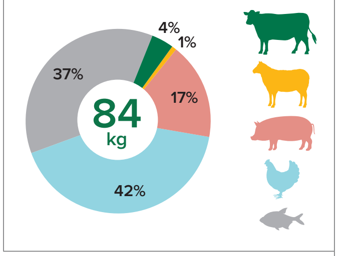
Population[1]



Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

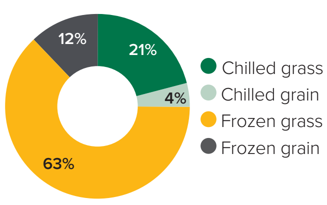


Annual grocery spend[4]

A$ 1,600 per person/year

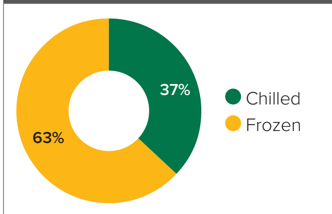
Australian beef exports

Australian beef exports – volume[5]



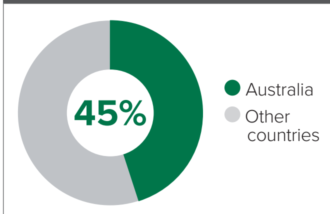
Total 12,551 tonnes swt

Australian beef exports – value[6]

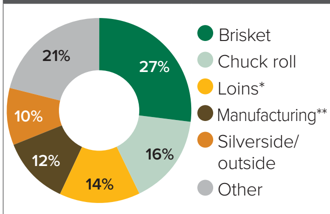


Total A$164.2 million

Australia's share of beef imports[7]

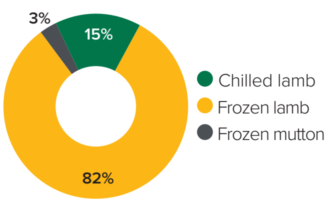


Australian beef exports by cut[8]



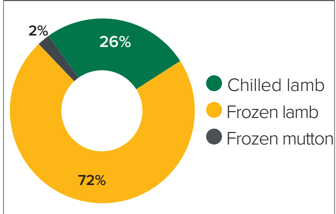
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



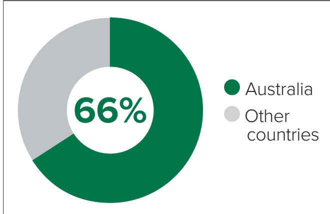
Total 593 tonnes swt

Australian sheepmeat exports – value[6]

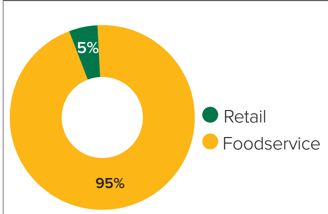


Total A$8.94 million

Australia's share of sheepmeat imports[7]



Key distribution channels of Australian sheepmeat[9]



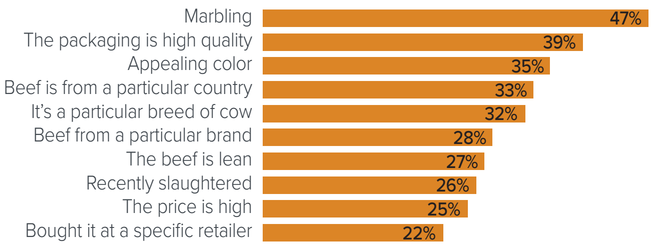
*Data source for charts: [1,2] Fitch Solutions, [3] Fitch Solutions (beef, pork, chicken, 2023f), Gira (sheepmeat and fish, 2022f) [4] IGD 2023f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAFF (2021–22), [6] ABS/IHS Markit (2021–22), [7] IHS Markit (2021–22), [8] DAFF (2021–22) *Loins include striploin, cube roll/rib eye roll, tenderloin and loin **Manufacturing includes trimmings, hamburger (ground), minced/ground beef, [9] MLA market intelligence*

Beef

CONSUMERS

- Thais have relatively high per capita beef consumption in the Southeast Asia region, ranking closely behind Singapore and Malaysia *(Source: Fitch Solutions)*.
- As a significant regional poultry, fish and pork producer, these proteins naturally dominate Thai diets, being widely available and cheaper than other options. Beef is perceived as being a superior meat compared to others, with a delicious taste, making it the ideal meat for special occasions *(Source: MLA Global Consumer Tracker Thailand, 2021)*.
- Thailand is well-known for its own cuisine, developed over centuries, and is among the top drawcards for tourists. Beef is a prominent ingredient in Thai cuisine, particularly in popular dishes such as pad krapow nue, guay teow ruea and panang nue. Hence, beef is a prominent protein in Thai consumers' minds. Bovine offal consumption is relatively small for the region but is used in diverse dishes in foodservice such as *sa nuea sadung* or *kuaichap*.
- Pre-pandemic, rising incomes and steadily increasing urbanisation supported growth in discretionary spending and demand for higher-value products such as Australian beef *(Source: Fitch Solutions)*. While average consumer purchasing power was impacted by COVID-19, current forecasts have it returning to growth in 2022. Affluent Thai consumers however, have maintained their preference for quality imported beef. Already supplying the largest share of Thailand's imports, Australia is in a strong position to leverage new growth opportunities.
- Young consumers (aged 18–34) enjoy beef more frequently in their weekly meal repertoires with 73% of households with children purchasing imported beef at least fortnightly, cementing the base for future premium beef demand *(Source: MLA Global Consumer Tracker, Thailand 2021)*.
- Attributes such as 'guaranteed safe', 'tenderness' and 'family favourite' are among the top priorities when choosing beef products, while drivers of premium 'superior' beef includes markers of high quality such as 'tenderness', 'marbling' and 'consistent quality standards'. Australian beef occupies a good position in the market and consumer minds, enjoying high awareness and a strongly positive reputation on all quality dimensions as well as being seen as a superior meat *(Source: MLA Global Consumer Tracker Thailand, 2021)*.
- Australian exports have a significant proportion of high value cuts such as loins, suitable for grilled cooking, but also the highest proportion of brisket cuts, sliced for Korean BBQ and in Thai cuisine dishes such as in boat noodle soup.

Top 10 attributes of high quality beef – affluent* Thai consumers

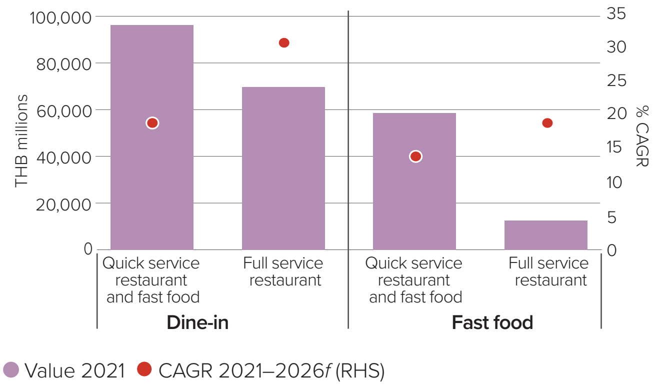


*Source: MLA Global Consumer Tracker, Thailand 2021. * Annual household income over 750,000 Baht*

FOODSERVICE

- Thailand has a large and well-established foodservice sector which serves the large volume of international tourist visitors and growing numbers of domestic tourists.
- Thailand's foodservice sector has faced several waves of restrictions in response to COVID-19 outbreaks, hitting the sector hard. In 2020, domestic restaurant and accommodation spending fell 48% on 2019 levels but is currently forecast to recover to pre-pandemic levels by 2025 *(Source: Fitch Solutions)*. Government support measures helped mitigate some of the losses.
- Tourism is a key driver of beef consumption, with 39 million visitors in 2019. Numbers fell 83% in 2020 year-on-year but with most restrictions lifted in 2022, visitors are forecast to return to pre-pandemic numbers by 2025 *(Source: Fitch Solutions)*.
- Dining-out is an important part of local culture and social life, especially among affluent and young Thais, especially Generation Z and young millennials (aged 18–35). These consumer segments seek new dining experiences such as trying new food trends, concepts and cuisines. International cuisines have become increasingly popular, especially Japanese and Korean but also American and European, which all feature high quality imported beef.
- While dine-in services are recovering rapidly as restrictions ease, take-away is still expected to maintain growth following operator adaptation to strong consumer demand during lockdowns. New services appeared, including do-it-yourself kits that mimic restaurant dishes at home. Demand for convenience is underpinned by busier lifestyles and an increasing proportion of women in the workforce.

Thailand's restaurant total sales value and growth by service type



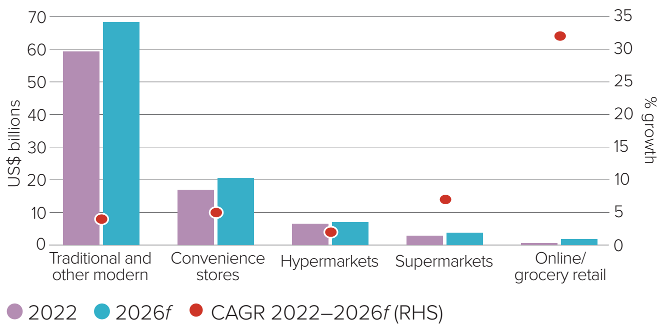
Source: GlobalData

- Against the backdrop of the pandemic and rising incomes, Thai consumers are seeking healthier lifestyles, including foods perceived to offer health benefits. With families becoming smaller and wealthier, demand for quality, nutritious food is on the rise. Australian red meat is increasingly sought after as it is perceived to offer consistently high quality and nicely marbled, tender products *(Source: MLA Global Consumer Tracker, Thailand 2021)*.

RETAIL

- Thailand has the second largest total retail sales value in the region after Indonesia. Similar to other regional counterparts, Thailand's retail is dominated by traditional small-scale independent retailers, which account for 69% of the total retail sector in 2022. However, the country has a relatively well-established modern retail segment and the largest in the region by sales value, dominated by convenience stores and hypermarkets *(Source: IGD)*.

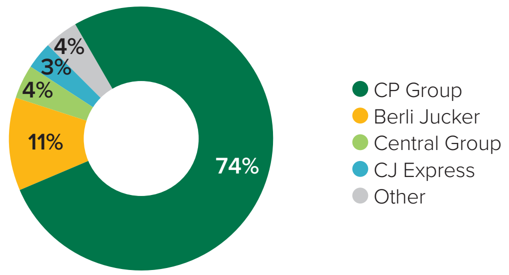
Thailand's total grocery retail sales and growth



Source: IGD, Growth % = Compound annual growth rate (CAGR) 2020–2022f, IGD forecast

- Modern retail growth is forecast to outpace traditional channels and gain market share in the coming years. Modern players are expanding their store networks to reach more consumers, many of whom prefer to do grocery shopping at smaller stores closer to home.
- The pandemic saw retail sales across all channels increase, including for fresh meat, when foodservice shut. This has presented opportunities for Australia as Thailand's dominant supplier of high quality chilled beef.
- Online grocery shopping is another trend accelerated by the pandemic that is expected to remain elevated. It is forecast to enjoy the fastest growth of all retail channels up to 2026 with retailers continuing to invest heavily in partnerships with delivery providers. Beef experienced an increase in online sales due to stronger shopper confidence in e-retail as previous concerns about safety and trust declined. In 2021, half of urban consumers purchased beef online, many for the first time *(Source: MLA Global Consumer Tracker, Thailand 2021)*.
- A combination of Thailand's high female workforce participation, long commute times and long work hours mean that 'convenient' and 'easy to prepare and cook' are particularly important attributes when choosing between proteins *(Source: MLA Global Consumer Tracker Thailand 2018 and 2021)*. Compared to neighbouring countries, where the majority of consumers prefer to cook beef from scratch, Thai consumers are more likely to use pre-prepared options *(Source: MLA Attractive Cities Study, 2018)*. As Thais perceive beef as more challenging to prepare and cook than some other proteins, there are opportunities for quick and easy beef meal solutions.

Thailand's modern grocery retail market share

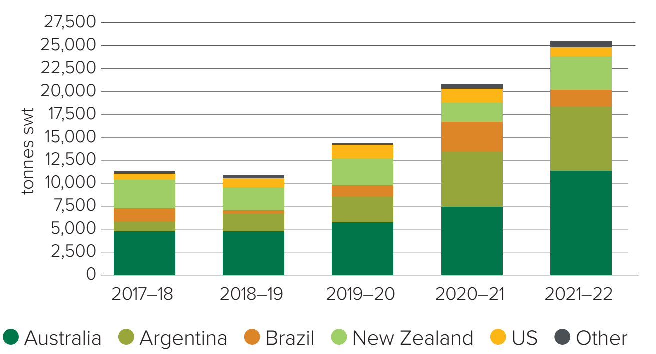


Source: IGD 2022

COMPETITIVE LANDSCAPE

- Thailand has a significant cattle herd, supplying the domestic market and a small export trade with neighbouring countries. Despite government efforts, however, productivity remains low and the production-consumption gap has continued to widen.
- Beef imported by Thailand accounts for about 18% of local consumption, a relatively small proportion by regional standards. However, imported beef plays a bigger role in meeting the growing demand for high quality beef.
- Australia is the largest supplier of imported beef to Thailand, with a volume share of 44%, equating to 11,329 tonnes swt valued at A$166 million in 2021–22. A high proportion of this growth has come from frozen beef, which more than doubled in volume. Australia dominates the smaller but higher value, expanding chilled market with a 97% market share, equating to 26% of Australia's total shipped export value to the country, with strong demand by the growth in lockdown of cooking at home. Thailand is the second highest unit value for Australian beef exports in Southeast Asia with export prices 36% above the regional average – only below Singapore.
- Australia has significantly enhanced its market access to Thailand following the total removal of import tariffs and quotas from January 2020 under the ASEAN-Australia New Zealand Free Trade Agreement. This improved access is expected to support further growth in Australian exports to this lucrative market. While a relatively small supplier, New Zealand also benefits from zero tariffs.
- Argentina has become a bigger competitor for Australia in the Thai market and has positioned itself as the second-largest supplier for two consecutive years, accounting for a 28% share in 2021–22. Similarly, Brazil and the US have also been increasing export volumes since 2015 to become the 4th and 5th largest suppliers, respectively. However, in 2021–22 Brazil volumes fell 43% and US volumes dropped 35% year-on-year. With no trade agreements in place, these suppliers face a 50% tariff.
- Japanese beef has high awareness among Thai consumers as the most superior beef, occupying a small premium niche particularly in Japanese cuisine restaurants. From a low base, Japanese beef has increased its presence in the market, reaching a record high of 372 tonnes swt in 2021–22. Japanese beef has zero tariff under the Japan-Thailand Economic Partnership Agreement.
- Thailand is the second largest offal importer in the Southeast Asia region – Argentina and Australia are the largest suppliers.

Thailand beef imports by major supplier



Source: IHS Markit, Australian Fiscal Year

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN – Australia New Zealand Free Trade Agreement **(AANZFTA)** Thailand – Australia Free Trade Agreement **(TAFTA)**	**Under AANZFTA:** 0% for all product lines	**New Zealand:** Same conditions as Australia **Japan:** Zero tariff under JTEPA **US, Argentina, Brazil:** No FTA, tariff 50%	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Thailand – summary table

Volume – in tonnes swt

		2021–22	% of total	2020–21	% of total	five-year average (2016–17 to 2020–21)	% of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**12,551**		**8,547**		**6,771**		**85%**	**5,780**
Storage	Chilled	3,132	25%	3,398	40%	2,177	32%	44%	955
	Frozen	9,418	75%	5,149	60%	4,594	68%	105%	4,825
Meat type	Grassfed	10,528	84%	7,136	83%	5,719	84%	84%	4,809
	Grainfed	2,023	16%	1,411	17%	1,052	16%	92%	970
Storage/meat type	Chilled grassfed	2,586	21%	2,641	31%	1,391	21%	86%	1,195
	Chilled grainfed	546	4%	756	9%	786	12%	-30%	-240
	Frozen grassfed	7,942	63%	4,494	53%	4,328	64%	84%	3,615
	Frozen grainfed	1,476	12%	655	8%	266	4%	455%	1,210

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% of total	2020–21	% of total	five-year average	% of total	%	in A$ 000
	Total	**164,246**		**90,386**		**72,733**		**126%**	**91,513**
Storage	Chilled	61,345	37%	48,981	54%	37,199	51%	65%	24,146
	Frozen	102,901	63%	41,405	46%	35,534	49%	190%	67,367

Source: ABS/IHS Markit, figures are rounded

Volume – by major cut (in tonnes swt)

	2021–22	% of total	2020–21	% of total	five-year average	% of total	%	in tonnes swt
Brisket	3,353	27%	1,498	18%	650	10%	416%	2,704
Chuck roll	1,981	16%	1,126	13%	756	11%	162%	1,225
Silverside/outside	1,311	10%	1,154	14%	768	11%	71%	543
Mince/ground	1,187	9%	961	11%	1,444	21%	-18%	-257
Striploin	839	7%	858	10%	736	11%	14%	103
Manufacturing	728	6%	391	5%	368	5%	98%	359
Cube roll/rib eye roll	632	5%	621	7%	484	7%	30%	148
Blade	592	5%	437	5%	276	4%	114%	316
Topside/inside	512	4%	370	4%	218	3%	135%	294
Other	1,416	11%	1,130	13%	1,071	16%	32%	345
Total	**12,551**		**8,547**		**6,771**		**85%**	**5,780**

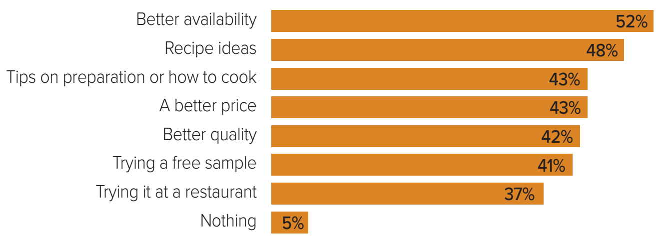
Source: DAFF

Sheepmeat

CONSUMERS

- As a niche protein, sheepmeat in Thailand is typically consumed on special family occasions and mainly in foodservice venues.
- Although consumption has been relatively low and stable for some years, it is projected to increase at a CAGR of 5.5% between 2021 and 2026 *(Source: GIRA)*. This is due to the growing population of affluent, urban consumers seeking a greater variety of proteins in taste, nutrition and cuisine.
- Thai consumers have comparatively little experience with lamb at home compared with some neighbouring countries and hence find it challenging to prepare and cook. However, most are open to it, many indicating they would likely buy and cook lamb more often if they had easier access to recipe ideas or tips on how to cook it *(Source: MLA Global Consumer Tracker, Thailand 2021)*.
- Tenderness, high quality and superiority are the key attributes Thai consumers associate with lamb and ones they believe make it a protein worth paying a premium for *(Source: MLA Global Consumer Tracker, Thailand 2021)*.
- For Thai consumers, Australian lamb is positively associated with premium attributes such as being low in fat and nutritious, while Australia's production system is positively linked with being environmentally sustainable and strong on animal welfare.

What would encourage Thai consumers to buy lamb?



Source: MLA Global Consumer Tracker Thailand, 2021

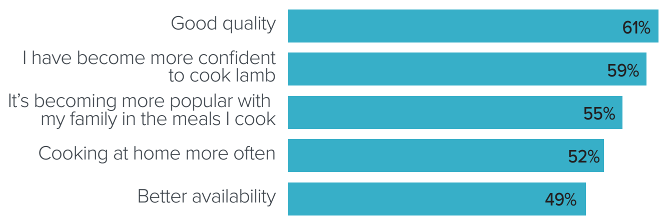
FOODSERVICE

- Foodservice is the key channel for sheepmeat consumption in Thailand, as most consumers either do not know how to prepare it or find it difficult to cook at home. The vast majority of Australian sheepmeat exported to Thailand is utilised in the foodservice sector.
- The significant impact of the pandemic on the country's foodservice sector has notably reduced import demand for sheepmeat. However, as the sector resumed operation, imports have shown signs of recovery.
- During the pandemic, lamb was less able to shift to retail and home-cooking compared to beef, due to lack of familiarity and limited knowledge of how to cook lamb at home. This posed significant challenges for Australian sheepmeat, softening demand. Take-away and meal delivery along with ready meals remain growth opportunities in the market even as dine-in service resumes.

RETAIL

- A relatively small proportion of sheepmeat in Thailand is sold through retail for home consumption. However, the restrictions on foodservice due to the pandemic did drive an uplift in retail sales of sheepmeat. In 2021, 41% of lamb consumers reported buying more lamb than the previous year, as consumers cooking at home sought greater variety in proteins, flavours and cuisines *(Source: MLA Consumer Global Tracker, Thailand 2021)*.
- The most common Australian sheepmeat purchase points, used by affluent Thai consumers, are supermarkets, followed by hypermarkets, and then butchers. Online purchasing of lamb is more common than beef as it is less available in offline channels, and the pandemic accelerated adoption among lamb consumers from 62% to 75% *(Source: MLA Consumer Global Tracker, Thailand 2021)*.

Top 5 reasons Thais bought more lamb than the year before

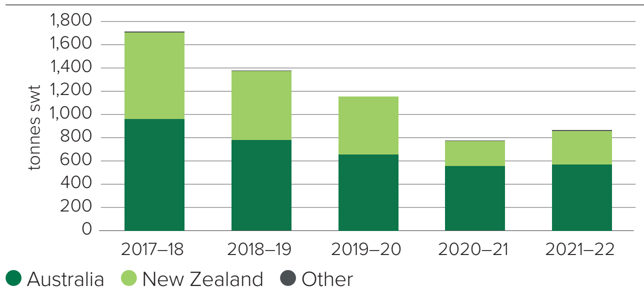


Source: MLA Global Consumer Tracker Thailand, 2021

COMPETITIVE LANDSCAPE

- Thailand has a relatively small sheepmeat (including goatmeat) market. Domestic production is forecast to remain steady at around 2,000 tonnes cwe annually. However, with consumption forecast to grow over the next several years, imports will need to increase at around CAGR 13.2% from 2021 to 2026 from a small base of 1,000 to 2,000 tonnes cwe to meet demand *(Source: GIRA)*.

Thailand sheepmeat imports



Source: IHS Markit, Australian Fiscal Year

Market access overview – sheepmeat

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Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian sheepmeat exports to Thailand – summary table

Volume – in tonnes swt

		2021–22	% of total	2020–21	% of total	five-year average (2016–17 to 2020–21)	% of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**593**		**628**		**782**		**-24%**	**-189**
Storage	Chilled	91	15%	137	22%	229	29%	-60%	-138
	Frozen	502	85%	491	78%	553	71%	-9%	-51
Meat type	Lamb	576	97%	626	100%	758	97%	-24%	-182
	Mutton	17	3%	2	0.3%	24	3%	-30%	-7
Storage/ meat type	Chilled lamb	91	15.3%	136	22%	214	27%	-57%	-123
	Chilled mutton	0	0%	1	0.2%	15	2%	-100%	-15
	Frozen lamb	485	82%	491	78%	544	70%	-11%	-59
	Frozen mutton	17	3%	1	0.2%	9	1%	94%	8

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% of total	2020–21	% of total	five-year average	% of total	%	in A$ 000
	Total	**8,938**		**7,891**		**10,938**		**-18%**	**-2,000**
Meat type	Lamb	8,790	98%	7,849	99%	10,641	97%	-17%	-1,851
	Mutton	148	2%	42	1%	297	3%	-50%	-149

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2021–22	% of total	2020–21	% of total	five-year average	% of total	%	in tonnes swt
Lamb	Rack	154	27%	216	34%	288	38%	-47%	-134
	Manufacturing	125	22%	63	10%	47	6%	166%	78
	Shoulder	111	19%	140	22%	105	14%	6%	7
	Other	186	32%	208	33%	318	42%	-42%	-132
	Total	**576**		**626**		**758**		**-24%**	**-182**
Mutton	Rack	16	98%	0.1	4%	12	48%	43%	5
	Boneless loin	0.4	2%	1	32%	1	3%	-46%	-0.3
	Other	0	0%	1	64%	12	49%	-100%	-12
	Total	**17**		**2**		**24**		**-30%**	**-7**

Source: DAFF