MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF & SHEEPMEAT

Korea

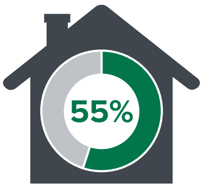
Korea is the second largest destination for Australian beef exports and one of the fastest growing export markets for Australian lamb. It has also been one of the most resilient export markets for Australian red meat as global demand becomes more susceptible to supply and price volatility. Shifting consumer eating habits and preferences towards a high-protein diet, coupled with heightened consumer attention to health and food safety in the wake of the COVID-19 pandemic has driven demand for Australian beef, while growing trends in camping and in-home consumption have underpinned steady growth for Australian lamb exports.

Population[1]

Total population

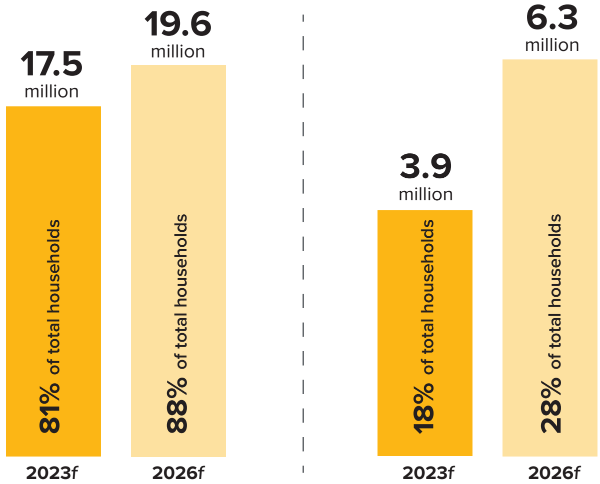
51.3 million

Proportion of one-or-two person households

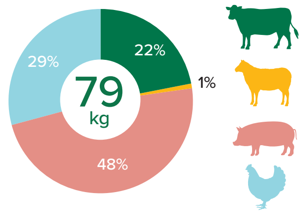


- 1 or two person households
- 3 or more person households

Household number by disposable income[2]



Meat consumption per capita[3]

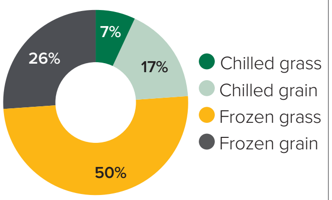


Annual grocery spend[4]

A$ **3,390** per person/year

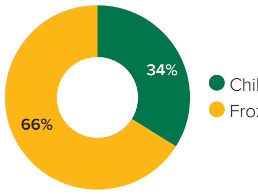
Korea has long been one of the top export destinations for Australian beef, and is now the second largest market after Japan. It is also the second largest export customer of Australian grainfed beef.

Australian beef exports – volume[5]



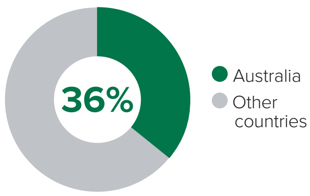
Total 159,857 tonnes swt

Australian beef exports – value[6]



Total A$1.8 billion

Australia's share of beef imports[7]

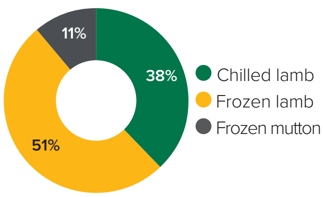


Country of origin trust perceptions[6]

Australian **beef** is the most **trusted imported** beef among **Korean** consumers

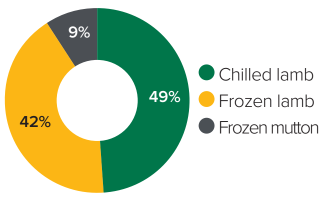
Australian sheepmeat exports to Korea have grown consistently over the past decade, making Korea the second largest Australian lamb customer in Asia.

Australian sheepmeat exports – volume[5]



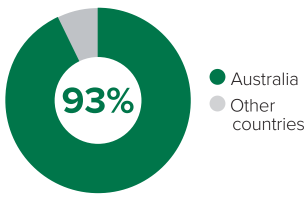
Total 18,878 tonnes swt

Australian sheepmeat exports – value[6]

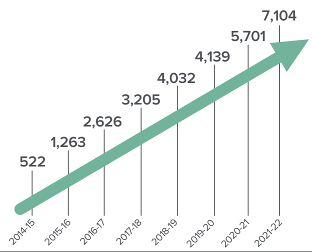


Total A$220 million

Australia's share of sheepmeat imports[7]



Australian chilled lamb exports[9] (tonnes swt)



Data source for charts: [1]Fitch Solutions 2023f, [2]Fitch Solutions 2022 (disposable income = earnings after taxes and social security charges), [3]Fitch Solution (beef, pork, chicken, 2023f), Gira (sheepmeat 2022e), [4]IGD 2022 (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]MLA Global Tracker, Korea 2021, [7]IHS Markit (2021–22), [8]MLA Global Tracker 2021, [9]DAFF

Beef

CONSUMERS

- Korea has the highest per capita beef consumption in Asia at approximately 13.8kg per person per year in 2021 *(Source: KREI-KASMO 2021)* compared with Asia's average of about 5.5kg *(Source: Fitch Solutions)*. Beef plays an important role in the Korean diet. It is regarded as a great source of protein essential to a healthy and nutritious diet, especially for growing children. In addition to functional benefits, beef also has a strong emotional profile in the Korean consumer's mind. It is the family's favourite meat with a great taste and superior quality. This drives Korean consumers to pay extra for it *(Source: MLA Global Consumer Tracker, Korea)*.
- Beef is a versatile meat in the Korean cuisine, with many cuts utilised in a range of different cooking methods, spanning from stir-fry, grill, soup, braise to eating raw. The pandemic has seen more consumers enjoying beef at home due to limited foodservice capacity or fear of getting infected with COVID-19.
- Despite having a sophisticated supply chain and high food safety standards, Korean consumers are highly sensitive to food safety, following the Mad Cow disease (Bovine Spongiform Encephalopathy) outbreak in the early 2000s. This was compounded with rising consumer sentiment on health risks due to the increased impact of environmental issues that originated from neighbouring countries in the following decade, such as fine dust pollution. As a result, Korean consumers pay great attention to food safety credentials and country of origin when they buy imported beef. COVID-19 has further heightened Korean consumers' demand for food safety assurance. Australia is the most trusted country of origin for imported beef thanks to its perceived 'clean, green, and natural' image.
- Korea is experiencing dramatic changes in consumer behaviours, driven by rapid shifts in demographics and lifestyles. The proportion of the ageing population (65 years old and above) and single-person households are forecast to be 26% and 36%, respectively, by 2030. Women's participation in the workforce is also gradually increasing, at 53% in 2021 *(Source: KOSIS)*. These demographic and lifestyle shifts are anticipated to shape the future of Korea's food market. For instance, Korea is already seeing a rapid rise in demand for home meal replacement products (HMR, fully or partially-prepared meals) and online shopping on the back of increasing consumer needs for convenience.
- Korea's inflation has been trending upwards and nearly hit a 24-year high in June 2022 to 6% as global oil prices surge. Rising energy and food prices pose risks for consumer spending, with the consumer confidence index plunging to 96.4 points – the lowest level since January 2021 *(Source: KOSIS)*. While beef demand for household consumption is steady, high inflation rates are expected to result in temporary shifts in buying behaviour and preference, with stronger consumer expectation for value for money anticipated.

Key factors influencing Korean consumers when buying beef

- Taste/flavour
- Food safety
- Freshness
- Country of origin
- High quality

Source: MLA Project Cyclone 2021 Korea

FOODSERVICE

- Korea has a unique foodservice scene, with Korean-style BBQ being a feature of the country's dining culture. Enjoying meat with family or friends in meat-specialised restaurants is an integral part of the Korean lifestyle.
- Korean consumers dine out to eat meat as frequently as once a week, with beef a favourite meat choice *(Source: Hanwoo Board's 2021 Hanwoo Beef Consumption & Retailing Monitoring)*. Beef is utilised in many different cuisine types, including both local traditional and international cuisines. It is enjoyed across a wide range of restaurant types, especially in Korean cuisine restaurants including meat specialty, which make up almost half of Korea's foodservice market.
- The frequency of out-of-home beef consumption has declined since the COVID-19 outbreak. However, it is gradually rebounding as the market transitions into a new normal.
- 'Enjoying delicious food' is the main motivator for out-of-home consumption across all consumer segments, while convenience is a common reason among young and/or single-household consumers.
- An expanding number of single households and busy lifestyles have driven a rapid rise in demand for convenient offerings such as home delivery and ready meal kits. This trend has been accelerated further by the pandemic.
- Local Hanwoo beef is most favoured by Koreans when they dine out for its perceived superior taste and quality. Australian beef is most preferred among imports. It is widely consumed across the whole foodservice sector and has larger market share within non-Korean cuisine segments, especially within hamburger chains, steakhouse chains, hotel fine dining restaurants and banquette venues.

Korean foodservice sector – key users of Australian beef

Category	Major brands	Major cuts used
Fast food	Hamburger (Lotteria, Burger King, McDonald's)	Manufacturing beef
Casual eatery	Brisket soup (Shinsun Seolongtang, Hanchon SLT), Shabu shabu (Chasundang), various small BBQ outlets	Chuck roll, briskets, ribs, skirts, tail, oyster blade (BBQ style), offal
Mid-end	Family restaurant (TGI Fridays, VIPs, Mad for Garlic), various BBQ chains	Chuck roll, loins, bone-in rib eye, various fore/hind cuts, offal
High-end	Five-star hotels, independent restaurants, celebrity chef venues	Loins
Canteen and catering*	LG Ourhome, Samsung Wellstory, CJ Freshway	Brisket, chuck roll, clod

Source: MLA

** Largely supplying to institutions (schools, hospitals) and businesses*

RETAIL

- The Korean retail sector is highly sophisticated and modernised, but also fragmented, with a high number of second tier and regional chains. This drives strong price competition, with consumer and trade loyalty crucial to maintaining market position. Main channels for beef include warehouse-type retail (e.g. Emart Trader), hypermarket (e.g. Emart, LotteMart, and Homeplus), supermarket (e.g. Emart Everyday, GS Fresh, Lotte Super), and e-commerce.
- Demand for fresh beef through on/offline retail has been accelerated by the pandemic as consumers cook more at home. As a result, Australian beef has been utilised more in retail (including online) than foodservice compared to pre-COVID-19 levels. More Australian beef products have been sold online, driven by retailers' efforts to capitalise on the growing consumer needs for contactless shopping due to fear of COVID-19 infection, and for convenience. Major online retail platforms that offer Australian beef include Coupang, Market Kurly, GS Fresh, and the big-3 retailers – Emart, Homeplus and Lotte Mart's online malls.
- However, offline hypermarkets and supermarkets still remain the key channels for Australian (and other imported) beef. The market has also seen more consumers frequenting supermarkets for beef/grocery purchases since the pandemic as they opt for shorter shopping trips at less busy places.
- With single and two-person households making up more than 50% of total households in the country, demand for retail cuts, volume and pack sizes suitable for smaller households and their cooking preferences is expected to grow. Besides, the growing HMR category is expected to drive demand for beef as an ingredient within the processed food sector. Australian beef brisket is one of the popular items used in HMR products, particularly in the pre-cooked soup category such as *Yukgaejang, Seolleongtang* and *Miyeok-guk*.
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average, a focus which has escalated further since the pandemic. Information about country of origin, along with food safety, freshness and 'naturalness' credentials, are highly influential on the purchase decision-making process of the Korean consumers when they buy beef.
- With high levels of consumer awareness and strong association with trust toward "True Aussie" (the international brand for Australian red meat), the brand continues to be a great platform advancing Australia's competitive position in the Korean market.

1 in 2

consumers **care more** about **safety** and **country of origin** when purchasing red meat since the beginning of the pandemic

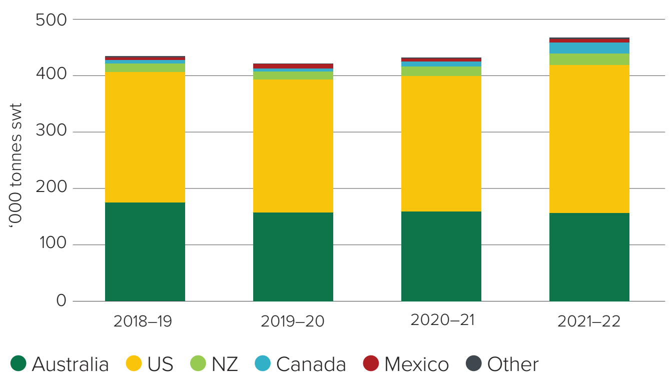
Source: MLA Global Consumer Tracker Korea, 2020

COMPETITIVE LANDSCAPE

- Imported beef plays an important role in meeting Korea's high demand for beef. Local production accounts for approximately 35% of total beef consumption, hence the market relies on imports for the rest of its total demand of about 693,000 tonnes swt (estimated level in 2022 by KREI*).
- Total beef imports in 2021–22 continue to register a healthy growth despite COVID-19-induced impacts, up 8% year-on-year to 467,943 tonnes swt *(Source: Korea Meat Trade Association)*.
- Australia and the US are the two major suppliers of imported beef to Korea, making up more than 90% of Korea's total beef imports. Albeit a smaller volume, beef imports from Canada and Mexico have increased significantly over the past five years at a compounding annual growth rate of 19% and 45% respectively.

**KREI: Korea Rural Economic Institute's March 2021 report on Change in meat consumption and implications*

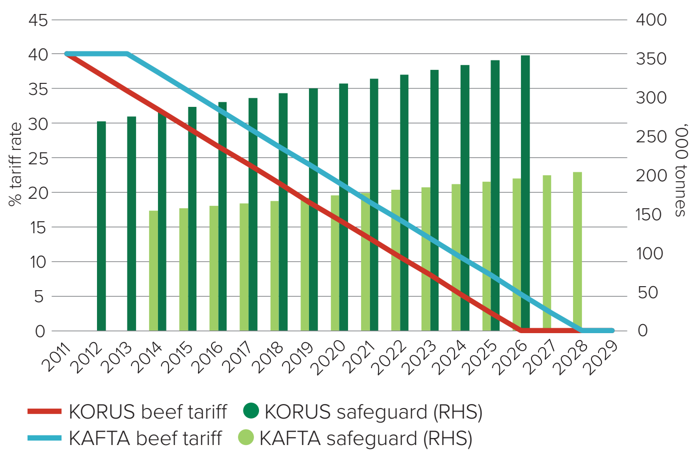
Korea beef imports by supplier



Source: Korea Meat Trade Association, Australian Fiscal Year

- Heightened competition is expected for Australian beef in the short-term due to increasing domestic production and other imports, including US beef, which are partly supported by more favourable tariffs and safeguard volumes. The current tariff on US beef is 10.6% under the Korea-US Free Trade Agreement (KORUS) trade agreement, 5.4% lower than Australia's.
- The Korean government has imposed a temporary tariff-free policy on major imported food commodities, including beef, in a move to curb surging inflation since early July. The government removes tariffs on 100,000 tonnes of imported beef through to the end of the year. With the tariff cuts, Korea expects to see a decline of approximately 5–8 percent in retail beef prices.

KAFTA and KORUS beef tariff schedules



Source: Austrade and USDA FAS

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2022 – 16.0%** **2023 – 13.3%** 0% in 2028 Under **KAFTA**	**US:** **2022 – 10.6%** **2023 – 8.0%** 0% in 2026 under **KORUSFTA***	**Safeguard** Tariff bounces back to 30% when Australian imports exceed trigger level**	No major hurdles

Best access ⟶ Major challenges

Source: DFAT, US ITA
**Korea-US Free Trade Agreement*
*** Trigger volume is 184,742 tonnes swt in 2023*

Australian beef exports to Korea – 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	**159,857**		**159,409**		**162,553**		**-2%**	**-2,696**
Storage	Chilled	38,597	24%	38,050	24%	35,349	22%	9%	3,247
	Frozen	121,260	76%	121,360	76%	127,204	78%	-5%	-5,944
Meat type	Grassfed	91,931	58%	93,747	59%	104,994	65%	-12%	-13,063
	Grainfed	67,925	42%	65,663	41%	57,559	35%	18%	10,366
Storage/meat type	Chilled grassfed	11,737	7%	10,926	7%	9,627	6%	22%	2,110
	Chilled grainfed	26,860	17%	27,123	17%	25,723	16%	4%	1,138
	Frozen grassfed	80,195	50%	82,820	52%	95,367	59%	-16%	-15,173
	Frozen grainfed	41,065	26%	38,540	24%	31,837	20%	29%	9,229

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	**1,830,617**		**1,424,427**		**1,358,407**		**35%**	**472,210**
Storage	Chilled	629,622	34%	507,737	36%	449,397	33%	40%	180,225
	Frozen	1,200,995	66%	916,690	64%	909,010	67%	32%	291,985

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
Chuck roll	29,570	18%	28,176	18%	33,620	21%	-12%	-4,050
Brisket	27,085	17%	23,309	15%	19,979	12%	36%	7,106
Manufacturing	19,923	12%	20,072	13%	21,508	13%	-7%	-1,586
Blade	18,949	12%	20,576	13%	22,361	14%	-15%	-3,411
Ribs	13,735	9%	13,016	8%	13,740	8%	0%	-5
Silverside/outside	12,207	8%	13,191	8%	10,954	7%	11%	1,252
Short ribs	9,033	6%	9,189	6%	10,241	6%	-12%	-1,207
Thick flank/knuckle	5,310	3%	6,306	4%	6,032	4%	-12%	-722
Other	24,044	15%	25,574	16%	24,118	15%	0%	-74
Total	**159,857**	**100%**	**159,409**		**162,553**		**-2%**	**-2,696**

Source: DAFF

Australian beef offal exports to Korea – 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
Intestines	4,741	19%	5,038	19%	6,537	24%	-27%	-1,796
Skirt	4,592	18%	5,198	19%	5,278	19%	-13%	-685
Tripe	4,021	16%	4,989	19%	3,925	14%	2%	97
Other	11,896	47%	11,601	43%	12,038	43%	-1%	-142
Total	**25,251**		**26,825**		**27,778**		**-9%**	**-2,527**

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	**210,446**		**147,763**		**141,581**		**49%**	**68,865**

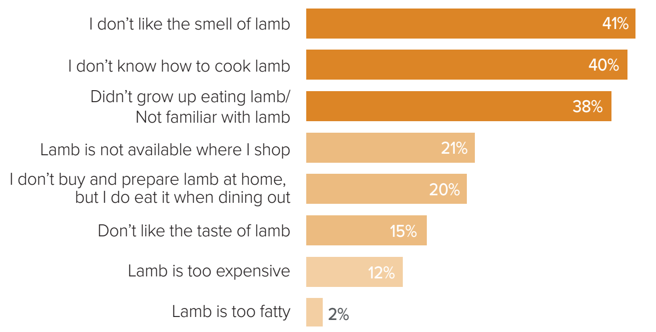
Source: ABS/IHS Markit

Sheepmeat

CONSUMERS

- Lamb is not a traditional part of the Korean diet, but has been growing in popularity in recent years. Korean consumers typically consume lamb in restaurants rather than at home, largely due to the lack of familiarity with the meat and lack of cooking knowledge.

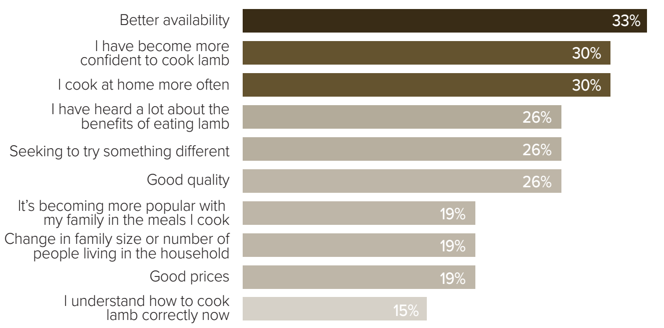
Reasons for not buying lamb



Source: MLA Global Consumer Tracker, Korea 2021

- Korea is a fast-paced market where consumption trends are quickly embraced. Korea's lamb market is still new and relatively small but gaining traction as many consumers are keen to try new and different cuisines. TV reality shows and social media have played an important role in introducing lamb consumption culture to Korea as they seek novel content to excite the audience.
- Influenced by mass media and pop culture, coupled with the Australian industry's effort (such as the Global Lambassador program), more Korean consumers are becoming interested in trying lamb at home. Consumer education – including growing cooking confidence and awareness of the nutritional benefits of lamb – remains crucial to growing consumption. In addition, convenient yet exciting offerings that require minimal preparation are also key to enticing Korean consumers to incorporate lamb into their in-home meat consumption repertoire.

Reasons for increasing lamb purchases



Source: MLA Global Consumer Tracker, Korea 2021

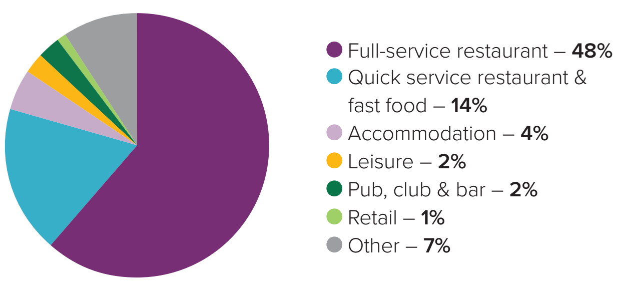
High nutritional value is **lamb's strongest consumer association,** despite it being unfamiliar to the majority of Koreans

Source: MLA Global Consumer Tracker, Korea 2021

FOODSERVICE

- Foodservice is the key consumption channel of lamb – especially lamb specialty restaurants, with young Koreans being the key target consumers. Major chain lamb specialty restaurants include Ramuzin, Ichiryu, Mibang, Lamb Plus and Jin 1926.

Lamb usage estimate by foodservice channel



Source: : GlobalData, 2022f

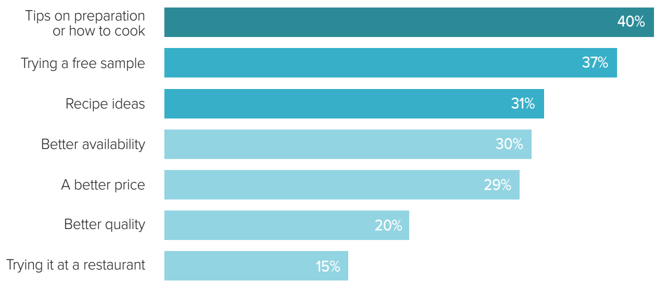
- Genghis Kan-style (Japanese table-top sheepmeat barbecue-style cooking) and Malatang (Chinese-style hot pot) are popular menu items. Foodservice operators are also looking to localise sheepmeat menus to explore growth opportunities, considering Korean consumers' strong preference for local taste. Due to COVID-19's impacts, sheepmeat consumption through the foodservice sector was partly offset by on/offline retail.

Lamb – Genghis Khan Korean-style

RETAIL

- Retail lamb sales through both offline and online channels have grown rapidly since the COVID-19 outbreak as retail players look to capitalise on the growing consumer need for 'something different' for special occasions such as camping or for a special treat at home to boost sales.
- Lamb is sold across many different retail channels in Korea, with major places of purchase including warehouse-type stores (e.g. Emart Trader), hypermarket (e.g. Emart, LotteMart, and Homeplus), supermarket (e.g. Emart Everyday, GS Fresh, Lotte Super), and e-commerce.

What would encourage Korean consumers to try to cook and eat lamb at home?



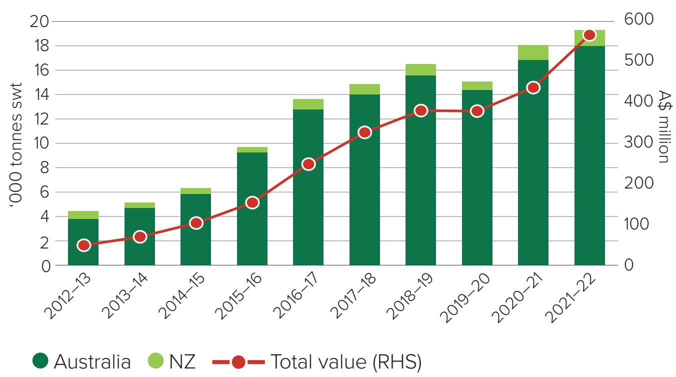
Source: : MLA Global Consumer Tracker, Korea 2021

- Korea has a diverse e-commerce market with a wide range of online retailing formats, spanning from general marketplaces to grocery-specialised stores (operated by both pure online and offline players, home shopping, and live commerce). Major online players such as Market Kurly and Coupang already have a diversified range of lamb available for purchase while lamb sales in the home shopping and live-commerce channels are expanding.
- Lamb is often purchased on impulse at retail venues (on/offline) or for a special occasion or recipe. Point of sale marketing, accompanied with tools providing consumers with cooking ideas for various special occasions, plays a pivotal role in increasing retail sales.

COMPETITIVE LANDSCAPE

- The Korean sheepmeat market is dominated by imports. Demand for imports has increased rapidly over the past 10 years as consumers' appetite for meat grows. Australia mostly takes advantage of the growth, representing more than 90% of the market.
- Driven by the growing trends in in-home consumption and camping, sheepmeat imports remain robust despite COVID-19 disruptions. Total sheepmeat imports in 2021–22 continue its upward trajectory, with volume up 7% year-on-year to 19,298 tonnes swt.
- Albeit a small volume, sheepmeat imports from NZ have increased at a fast pace over the past two years, up 35% on average compared to pre-COVID-19 levels

Sheepmeat imports into Korea by supplier



Source: IHS Markit

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2022 – 2.25%** **2023 – 0.0%** under **KAFTA**	**NZ:** **2022 – 4.5%** **2023 – 2.2%** 0% in 2024 under **NZ-Korea FTA***	Zero	No major hurdles

Best access ... Major challenges

Source: DFAT, NZFAT
** New Zealand-Korea Free Trade Agreement*

Australian sheepmeat exports to Korea – 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	**18,878**		**17,168**		**15,208**		**24%**	**3,670**
Storage	Chilled	7,104	38%	5,701	33%	3,941	26%	80%	3,163
	Frozen	11,774	62%	11,467	67%	11,266	74%	5%	508
Meat type	Lamb	16,721	89%	15,467	90%	13,422	88%	25%	3,299
	Mutton	2,157	11%	1,702	10%	1,786	12%	21%	372
Storage/meat type	Chilled lamb	7,104	38%	5,701	33%	3,941	26%	80%	3,163
	Chilled mutton	0	0%	0	0%	2	0%	-100%	-2
	Frozen lamb	9,617	51%	9,766	57%	9,481	62%	1%	135
	Frozen mutton	2,157	11%	1,702	10%	1,785	12%	21%	372

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	**220,273**		**177,195**		**142,671**		**54%**	**77,603**
Meat type	Lamb	199,271	90%	159,989	90%	128,124	90%	56%	71,147
	Mutton	21,003	10%	17,207	10%	14,547	10%	44%	6,456

Source: ABS/IHS Markit

Australian lamb exports to Korea – 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	9,917	59%	8,271	53%	7,580	56%	31%	2,336
Breast and flap	2,328	14%	2,845	18%	2,794	21%	-17%	-466
Rack	2,253	13%	2,554	17%	1,274	9%	77%	979
Manufacturing	766	5%	490	3%	694	5%	10%	72
Leg	595	4%	474	3%	273	2%	118%	321
Other	863	5%	833	5%	806	6%	7%	56
Total	**16,721**		**15,467**		**13,422**		**25%**	**3,299**

Source: DAFF