Market research for the value-added meat products key program

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INTRODUCTION

In December 1992, the Meat Research Corporation commissioned Technomic Consultants International to conduct a study with the objective to assess the foodservice industry potential for Australian semi-processed and value-added red meat products in Australia, Japan, Korea, Taiwan and Hong Kong.

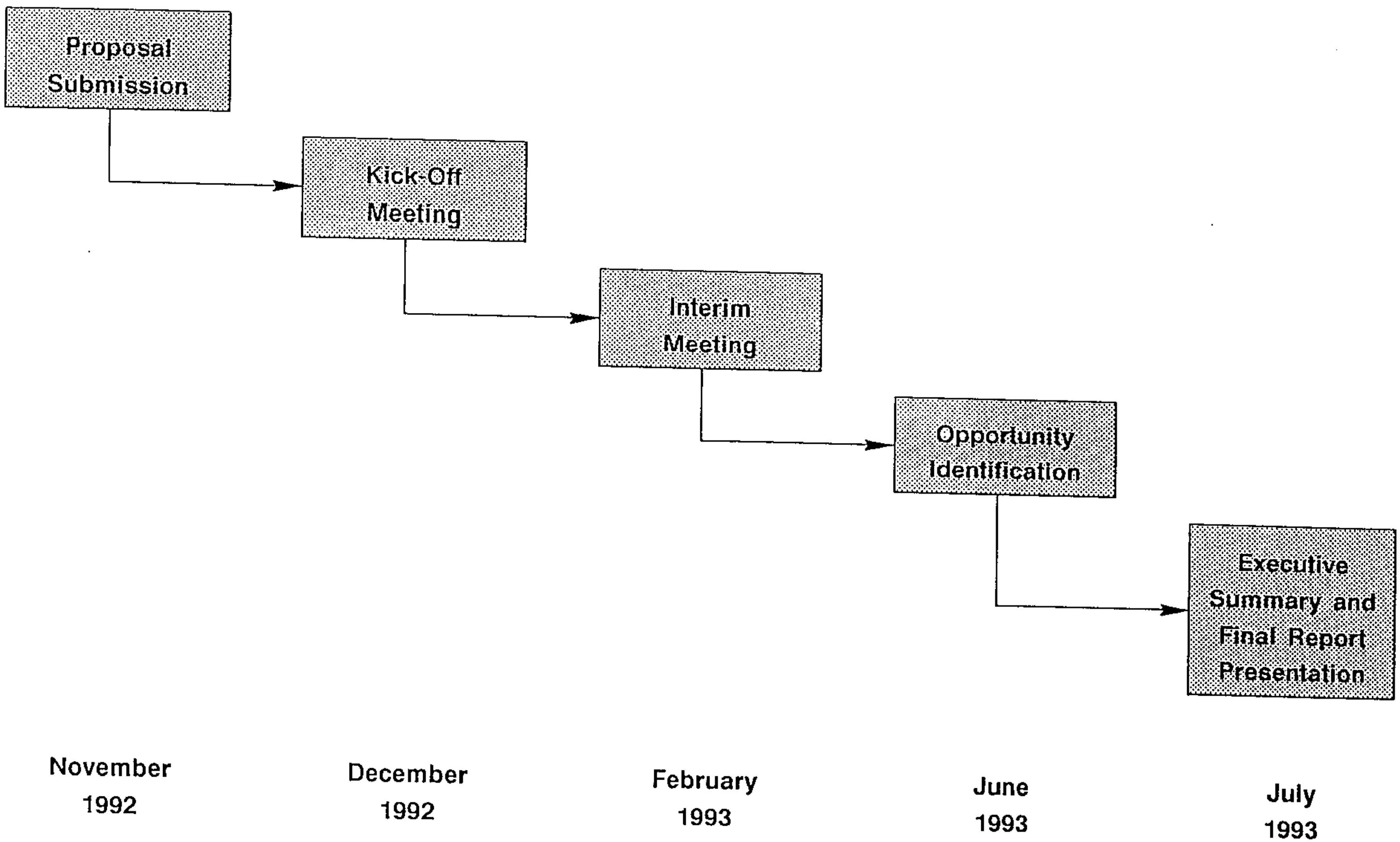
Technomic is pleased to present the Meat Research Corporation with key findings of the study in the following Executive Summary.

METHODOLOGY

Technomic used a combination of non proprietary secondary information and personal interviews to achieve the study's objectives.

On average we conducted between 50 and 60 multiple interviews in the various Asian markets, and over 140 in Australia alone, with the most knowledgeable participants in the key segments of the foodservice industry which results are presented in detail in the final report.

STUDY CHRONOLOGY



PREFACE

It should be noted that the study for Australia, within the context of this overall market research program, was different from the four Asian markets studied in addition to Australia.

Recognizing that Australia is in an advanced stage of product life cycle with regard to meat consumption, meat production, meat cuts, and meat types, Australia was used as a model for determining the current Foodservice Industry usage of meat. This, in turn, allowed the studies to proceed in the other four Asian countries of Hong Kong, Japan, Korea and Taiwan utilizing the Australian experience as a basis for investigating markets, product types and value-added opportunities.

As such, Australia is not directly comparable with these markets, being more advanced in its product life cycle. The Australian experience, however, has been captured through in-depth interviews, and the results of these interviews which, to some degree determine overall meat trends and value-added opportunities in a more sophisticated market, are contained in the survey findings.

These results, while providing a basis for exploring the Asian market, also provide a useful overview of current consumption trends, the current take-up of various meat and core food types, and the growth potential for meats in the Australian Foodservice Industry.

AUSTRALIA

GENERAL OVERVIEW OF THE RED MEAT MARKET

- Of the estimated $3.7 billion spent per annum on food and beverages in Australia through approximately 58,000 foodservice outlets, $1,515 million was spent on meat (beef and veal, lamb, pork, processed meat), poultry and seafood in 1991.

- Beef and veal, and lamb, account for approximately 39%, or $591 million of all fresh and processed meats in the foodservice sector.

- The segments which account for the majority of expenditure on core foods (meat, poultry and seafood) are restaurants/cafes, hotels/motels, and fast food establishments.

- Australia is not an importer of red meats, except in insignificant amounts - particularly New Zealand lamb.

- Australia is a major exporter of red meats (1991/92 - $2.7 billion). Australia exports almost 50% of its beef and veal production. The major market for beef is the U.S., followed by Japan and Korea.

- Australia exports almost 50% of its mutton production. The 1991/92 export value was $280 million and the major markets are the Middle East, C.I.S. (formerly U.S.S.R.) and Japan. Almost all mutton used in the domestic market is in processed form.

- Lamb exports totalled $108 million in 1991/92, falling approximately 10% from the previous year as a result of lower production levels. The major markets for Australian lamb are the Middle East, P.N.G. and the U.S.

- Beef and veal is the most consumed meat type by Australians (33%), followed by poultry (23%).

AUSTRALIAN CONSUMPTION TRENDS

- Although beef and veal dominate meat consumption in Australia, they have a declining growth pattern. Consumption of beef and veal has fallen approximately 1.4% annually over the past five years.

- Consumption of lamb has fallen by 4.5% per annum over the past five years and mutton has declined by 8.5% over the same period.

- Overall consumption of red meats in Australia over the past five years has declined 3% p.a. If we exclude the large annual average consumption decline of mutton, the decline for beef and lamb is only 2.2% p.a. In the next five years beef and lamb is anticipated to follow a similar pattern of declining consumption to the last five years - i.e. around 2% p.a.

- In contrast to red meats, seafood, pork and poultry have all shown positive annual average consumption growth rates over the past five years. All these food types are expected to continue their growth pattern over the next five years.

- The growth rate in seafood is likely to increase as this food type fits the Australian desire for lighter healthier meals. Its present annual average growth rate is approximately 5.2%. A growth rate of 3% p.a. for the next five years seems reasonable.

- If the pork industry continues to develop leaner pork cuts and educate consumers on preparation, this food type will also grow over the next five years. Its present annual average growth rate is 2.6%, but it is also capable of a growth rate of 3% p.a. for the next five years.

- The annual average growth rate of poultry consumption of 2.4% in the last five years may plateau and remain a stable to slight percentage growth (say, 2.5 to 2.7% p.a.) in the next five years.

- The growth rates of food types reflect the Australian consumption trends of lighter and more healthy meals. This means leaner meats, low cholesterol foods, lighter more easily digestible foods, smaller portions of core food types, and an increasing accent on fresh foods.

- Goat and buffalo meat are consumed in insignificant amounts.

- The foodservice industry has a positive view of red meats. They are easy to prepare and are a natural, good quality food. However, foodservice personnel recognize that current adverse publicity on red meat could be reversed with more active responsiveness by the meat industry.

- The foodservice industry believes that poultry is, and will continue to be, the fastest growing food type, closely followed by beef.

- The major problem with beef was inconsistent quality. For lamb, the major problem was its variation in fat content.

- Seventy-four percent of our foodservice respondents stated there were no problems with poultry, red meat's major competitor. This indicates that the poultry industry has addressed many of the requirements of the foodservice industry - viz. consistency in quality, price stability, packaging, and consistent sizing and fat content.

- Seafood, a growing competitor to red meats, must address the problems of high prices, sporadic availability, and a low shelf life.

- Beef is not as price competitive as poultry. Stability of prices, economical use of cuts and trimmings, portion control, and the development of cheaper, innovative cuts would assist greater price competitiveness.

- If these changes take place quickly enough, combined with a positive market image, beef in the foodservice sector could hope to stabilize consumption for the next three years, and to increase growth by 1-1.5% within the period 1995-97.

- If lamb (lean lamb) is promoted, the overall decline in consumption could be arrested. Assuming that consumption in the foodservice sector parallels domestic consumption, lamb could experience a decline of less than 1% p.a. by 1995-1997.

- The majority (74%) of foodservice respondents purchase red meat supplies from wholesale butchers. The main reasons for their choice of suppliers were availability of quality meats, price competitiveness and good service.

REQUIREMENTS OF THE FOODSERVICE INDUSTRY — EXPECTED INDUSTRY SUPPORT

- Consistent supply of product.
- Consistent sizes of cuts, especially for portion control requirements.
- Consistently low fat content. This applies to both beef, and to a greater extent, lamb.
- Development of leaner meats through improved scientific animal husbandry.
- Establishment of consumer trends for meat consumption. This is assisted by general consumer advertizing on cuts of meat, ease of preparation, recipe ideas, and presentation.
- Foodservice segment targeting - particularly in new cuts and innovative recipe ideas suitable for quantity preparation. These should not be aimed solely at five star hotels, but be relevant to individual segments (e.g. fast food, hospitals).

EXPECTED INDUSTRY SUPPORT

- As an industry, disseminate the health aspects of red meat to counteract and rebuff negative publicity in the market place.
- Improve the knowledge and service levels of red meat distributors - wholesale and independent butchers who provide the majority of red meat to the foodservice industry.
- Stabilize the price range of meat to assist menu planning by chefs and caterers.
- Develop menu ideas for cheaper cuts of meat and disseminate these to gain consumer and foodservice acceptability.

RATING OF MEAT INDUSTRY IN MEETING THESE REQUIREMENTS

- Almost half of our respondents stated that none of the food type industries (beef, lamb, poultry, etc.) supported the foodservice sector.

- The poultry industry was rated as having the best marketing and sales representation (40% of respondents nominating an industry). Poultry also gave the greatest support to the foodservice industry (35% of those nominating an industry).

- Value support was the development of new products, industry representation, general consumer advertizing, and continuously available product in consistent sizes and quality.

- Promotions such as the Trim Lamb Campaign and the Beef Shortcuts are useful in disseminating information to consumers who influence the menu direction of the foodservice industry. The Lamb Industry promotion is the most remembered (44% of respondents), probably because it is the most recent.

METHODS OF INCREASING THE MARKET SHARE OF FRESH RED MEATS

- More industry promotion, and research and development into new cuts, leaner meats, cheaper cuts, etc.
- Constant general advertizing to counteract the poor publicity surrounding red meats and the fear of high cholesterol and unhealthy diets.
- Improve the techniques and cutting abilities of the distributors of meat (butchers) including their attitude to quality of service.
- Direct menu preparation, types of cuts, and new product ideas to individual foodservice segments. These ideas must be relevant to the segment.
- Improve labelling, particularly on Cryovac meats which must be labelled and dated individually to show the age of the meat, the date Cryovaced, etc.

METHODS OF INCREASING THE MARKET SHARE OF FRESH RED MEATS

- Increase education in the foodservice industry on the advantages and uses of Cryovac.
- Disseminate information and educate the foodservice industry through such magazines as "Hospitality".
- Develop a grading system of meats for both the foodservice industry and consumers.
- Address the issue of the need to reduce the cost of food production.
- Educate meat providers and the foodservice industry about the types of animals and their attributes, grain feeding, packaging, labeling, dates, etc.

In addition to 2.3 above where some items can be considered to add-value to meat for the foodservice sector, there are other types of value adding to meat such as small goods, restructured meats, etc. These are discussed below.

- The most used value-added meats are small goods, dried beef products (beef powders and stock) and diced meat cubes/sliced meats.

- Cook/chill meats were thought to be more appropriate to large cafeterias or other establishments such as hospitals which cater for large numbers of meals, often in different locations.

- Chilled/frozen portions would be used more if a consistent size and quality could be achieved. Their main use was in catering for large numbers - labour saving and portion control, and in an emergency when a greater than anticipated number of meals was needed.

- Diced meat cubes/sliced meats are used to save labour, cost and time. Shredded meats are often used for pizzas.

- Most respondents preferred to cut their own beef strips for sauteed meals, although if better cutting was available there is a potential to increase volume.

- Whole muscled meats are little used, although some experimentation had been undertaken, sometimes without success. Firms such as Unichef are currently presenting their whole muscled meat products to the foodservice industry.

- Pastry meals offer a good potential for increased volume. Australians have a tradition in the meat pie, but new uses developed as a result of Asian influences, are increasing. Examples are samosas and curry puffs.

- Australians need suggestions of innovative products to increase the pastry meal volumes used as they tend to think only of "the pie".

- Retort packs are rarely used, and most respondents did not know what retort packs were.

- The use of restructured products is at present restricted to organizations with a more ethnic clientele. Most respondents indicated that restructured products would not be acceptable. Many who indicated use of restructured meats were referring to hamburgers and patties they made themselves - i.e. they were not using commercial restructured meats.

- Tinned corned beef is not used by any of our respondents. There is no potential for this product in its present form.

- Dim Sims are used in small quantities by most segments. Some respondents made their own to achieve the desired quality.

- Respondents were unable to suggest many new uses for value-added meats. It is therefore evident that they need assistance in development and presentation of new ideas.

- Manufacturers could offer very few suggested value-added items and documentation, and photos of these were non-existent. If value adding is to be advanced, then more is needed in this key area.

- Twenty-one percent of respondents believed that more pre-prepared foods would be used in the foodservice industry in the future in an effort to reduce labour costs. Some segments, especially at the premium end (e.g. Five star hotels) resisted the use of pre-prepared foods.

STRATEGIES TO TAKE ADVANTAGE OF OPPORTUNITIES

The following opportunities exist for increasing the volumes of value-added meats in the foodservice industry.

OPPORTUNITIES	STRATEGIES
Improve the cutting consistency and quality of portions, diced meats and beef strips.	Educate and train wholesale butchers regarding varieties of cuts preferred by the foodservice sector according to a predetermined Q.A. program.
Improve the consistency of sized portions. One of the main benefits of chilled/frozen portions is portion control, and this is not always achieved.	Develop standardized portion control for the industry.
Promote the time saving benefits of using value-added meats, especially for diced meats, sauteed strips, cook/chill etc. High labour costs are a concern to the foodservice industry.	Issue time-saving recipes with cost savings charts indicating time and cost savings.
More stocks and sauces to complement meats would be used if ingredients were excellent.	Improve the quality of value-added items such as Dim Sims, pastry products and dry beef powders/ boosters. These are frequently made in-house due to less than satisfactory taste and/or quality.

STRATEGIES TO TAKE ADVANTAGE OF OPPORTUNITIES

OPPORTUNITIES	STRATEGIES
Simplicity and variety are important to increasing foodservice sales.	Develop simple and easy to prepare ways of using value-added meats, and promote these via foodservice recipes to the industry.
Australia has a meat/pastry culture which should be capitalized on.	Develop innovative ideas for utilizing meats and pastry together.
The healthy aspects of meat need to be emphasized.	Actively promote any health benefits in value-added meat products. Reduce the fat content in small goods as much as possible. Items such as salami receive adverse health publicity due to its high fat content.
There is a general antipathy about using muscled meats, retort packs and restructured meats. This was observed to stem from a lack of knowledge and motivation to learn.	Educate providers and the foodservice industry about muscled meats, retort packs and restructured meat - provided the quality is high.

STRATEGIES TO TAKE ADVANTAGE OF OPPORTUNITIES

OPPORTUNITIES	STRATEGIES
The ethnic market has distinct product preferences.	Develop the ethnic market for certain value-added meats - diced, sauteed strips, meat/pastry combinations, restructured meats.
Some market segments are more advanced than others in their attitude towards the introduction of value-added meat items - e.g. airline caterers.	Target these market segments for specific value-added meats in order to develop new lines. Interview these segments to establish preferred lines for introduction.
Fast food and finger food segments are dominated by poultry based dishes.	Develop value-added meat ideas for these segments which are time and cost competitive with poultry.

JAPAN

GENERAL OVERVIEW OF THE RED MEAT MARKET

- In 1992 red meat (beef) expenditure in the industry stood at US$11.8 billion or 44% of total country expenditure. Foodservice consumption of poultry and seafoods accounted for 59% and 50% respectively. Seafoods still represents the largest core food used in the industry with beef a close second, pork third and poultry in fourth place. Consumption of lamb, mutton and goat is small.

- Red meat consumption is highest in restaurants, fast food and hotels/Japanese inns, and catering.

- In the past five years less expensive meat imports, as a percentage of total meat supply, have increased in volume from 30% in 1986 to 60% in 1992 reaching 281,000 tons. However, foreign meat packers still represent only 4% of the total semi-processed and value-added beef segment.

- Imports are expected to continue to outgrow domestic supply in the medium term because of expected further reductions in import tariff due to U.S. government pressure and increasing consumer emphasis on "value for money" in times of economic slowdown. By 1997 imported beef is expected to reach 70-75% of total beef supply to the foodservice. Current import tariff is 50% on non processed and processed meats except for small goods which is 25%.

GENERAL OVERVIEW OF THE RED MEAT MARKET

- Australia is the largest beef exporter to Japan (52% import market share) followed by the U.S. (46%). However, during the last five years U.S. imports have shown faster average volume growth (32% v.s. 27%)

- In terms of segment share of beef imports, fast food, low priced chain restaurants, catering and beer halls use from 50% to 97% imported beef for their requirements.

- The corresponding share of beef imports for independent middle-high class restaurants and hotels ranges from only 25-40%.

- Among core foods, red meat consumption showed the fastest annual growth in volume of 15% during 1987/92 as a result of import liberalization which has reduced the market price of beef. Growth is expected to continue at 7-9% during 1993/97, compared with 4-5% for poultry and 6-7% for seafoods.

- In Japan, red meat is synonymous with beef because lamb, mutton and goat consumption is small and there is almost no consumption of buffalo. Beef is classified into two types : grain fed which is preferred in many of Japan's hotels and inns mostly in the form of typical Japanese dishes, especially Shabu-Shabu and beef Sukiyaki, and grass fed which is sometimes disliked by hotels because of the alleged grass smell and harder texture but commonly used in less expensive menus in fast food, lower end restaurants and in catering, usually in highly processed form.

- Increasing health consciousness will favourably impact consumption of seafoods and poultry. Pork is being promoted as a healthy food but still suffers from an unhealthy image. Red meat in general is not commonly perceived as a healthy food. However, grass fed beef has the potential to be promoted as a lean and natural meat.

- Demand for expensive meats (e.g. Shimofuri beef) is shrinking because of the economic recession and lower priced beef is becoming increasingly more attractive not only at the lower end but also in middle class restaurants and hotels.

- Japan's meat packers and meat wholesalers supply 96% of all semi-processed and value-added beef products to the foodservice industry which represents 60-65% of total beef demand. Only 4% is supplied by foreign meat packers.

- End-users require improvements in trimming accuracy and trimming consistency from packers in the U.S. and Australia. Overseas suppliers must also be able to cope with smaller order sizes per item e.g. 300-500 pieces.

- In the case of highly processed products such as cooked steak with gravy or seasoned hamburger patties, Japanese end-users often find that products are not supplied to their exact specifications in terms of taste e.g. too spicy or too salty. As for hamburg steak, Japanese consumers prefer a mixture of pork and beef, or pork and poultry with tiny pieces of onion. Foreign meat packers find it hard to meet these requirements.

- Because not all Japanese end-users have sufficient staff to effectively communicate with foreign meat packers on such issues, most of them prefer to purchase their products from domestic meat packers and meat wholesalers. Also, the 50% import duty on processed meats reduces their price competitiveness.

- Users' comments with respect to Australian beef pointed out inflexibility of suppliers in meeting specific portion control requirements, inconsistencies in tenderness, color and marbling at the high end of the market but no problems were experienced in fast food, low priced chain restaurants or corporate canteens.

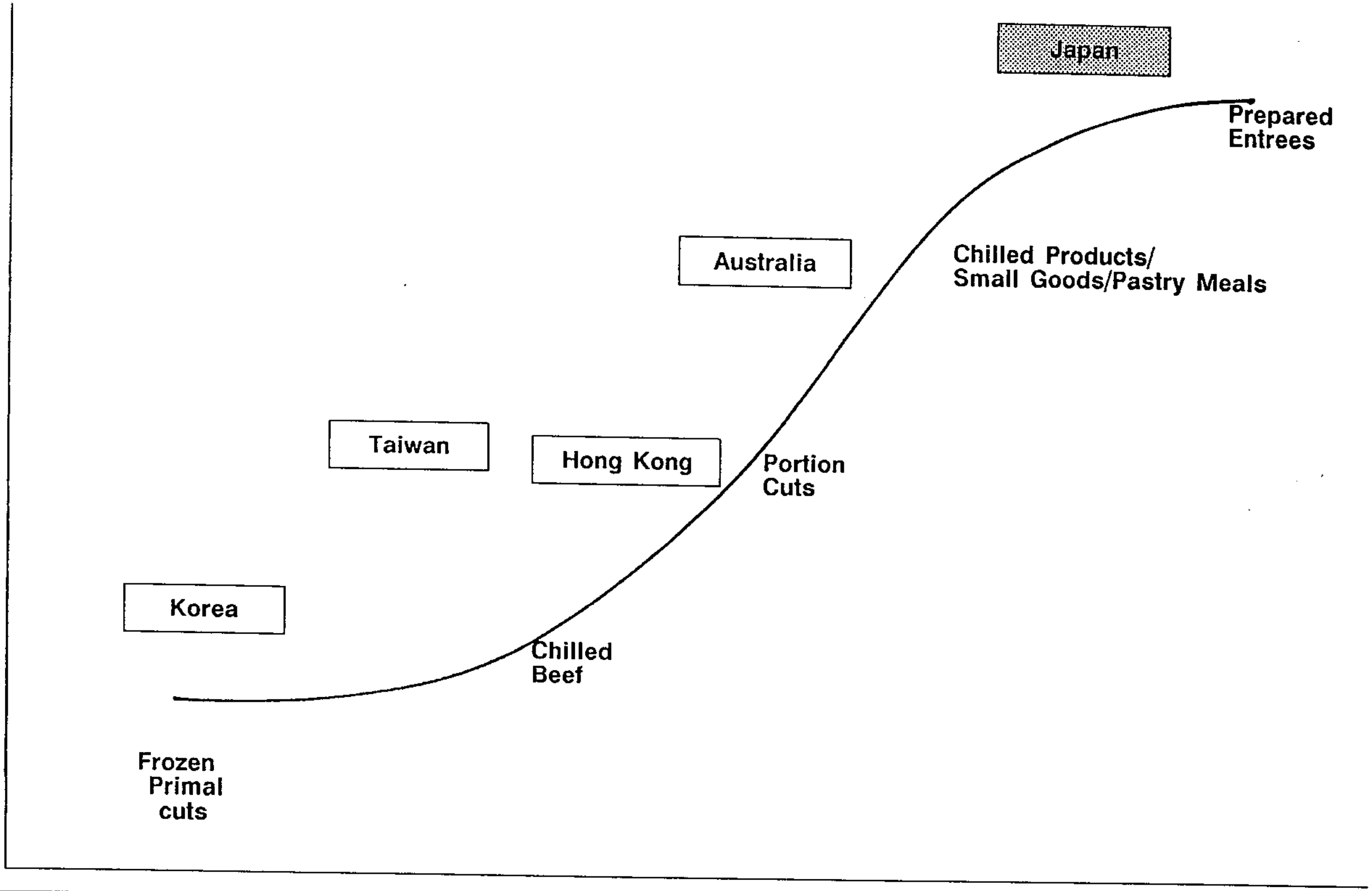
- On the other hand, good packaging and reliability in chilled beef supply were quoted as highly positive characteristics. Australia's strong competitiveness with grass fed beef in particular was singled out as the most significant competitive advantage over other meats, imported and local.

- Australia's beef grading standards are considered to be compatible with Japanese grading standards.

- Regarding sales promotion the AMLC recognizes the need to focus their priorities on the more attractive (present and potential) industry segments i.e. catering and corporate canteens, and educational institutions.

- The industry is also of the opinion that a positive image of Australian grass fed beef as natural and healthy lean meat could be promoted much stronger.

STAGE OF DEVELOPMENT IN VALUE-ADDED MEATS



Beef Product Opportunity Assessment

	PRODUCT	MANUFACTURER
HIGH	Hamburg Steak	. Ajinomoto . MCC . Asahi Foods . Nippon Sanso
MEDIUM	Beef Curry; Beef Stew; Beef Bowl; Beef & Vegetables	Beef Curry . MCC . House . Heinz . S&B Shokuhin . Bell Shokuhin Kogyo . Ebara . Art Coffee . Nichiro Beef Stew . MCC . Bell Shokuhin Kogyo . Ebara . Heinz Beef Bowl . Ajinomoto . Asahi Foods . Katokichi Beef & Vegetables . Kyowa Hakko Kogyo . Unitika Sanko
LOW	Beef & Potato; Beef Pilaf	Beef & Potato . Yayoi Shokuhin . Katokichi (Future) Beef Pilaf . Ajinomoto
FORESEEN NEAR TERM MARKET ENTRY	Beef Cutlet, Beef with Japanese Noodle	Beef Cutlet . Katokichi . Ajinomoto Beef with Noodle . Katokichi

Non Beef Product Opportunity Assessment

The following product segments should be targeted for penetration by beef to exploit latent opportunity potential.

HIGH	MEDIUM	LOW
Pork Cutlet	Chicken Cutlet	Cooked Sliced Pork, Vegetables and Noodles (Chinese Style)
Dim Sum (Pork)	Pork Curry	Cooked Chicken and Vegetables (Soy Flavor)
	Chicken Curry	Samosas (Pork)
	Spring Roll (Pork)	Meat Pies (Pork)
	Cooked Sliced Pork and Vegetables	
	Pork and Vegetable Soup	

Suggestions for New Products Development

- More Japanese menu development. Beef menu development based on Western cooking has been almost fully developed. Developing Japanese style menu requires, however, close communications between Australian meat packers and Japanese meat packers/wholesalers and possibly selected end-users.

- New menu items will have to be relatively strongly seasoned and fully cooked to cover grass smell. Examples include meat broiled with soy, and curry flavored steak/grilled beef.

  Again, as to the final seasoning/taste, close communications are essential.

- More Chinese menu development. Currently pork, poultry and seafoods are main foods in Chinese menu. Pork can be partly replaced by beef if beef can narrow the price gap with pork and differentiate the taste from pork. Generally speaking, Chinese menu is strongly flavored and grass smell of grass-fed beef is not a significant matter. Chinese foods are probably the second most popular dishes which can be made suitable for schools/corporate canteens, etc.

Finger Foods

In Japanese foodservice industry beef is rarely used in finger foods such as meat pies and samosa.

- Japanese consumers are traditionally accustomed to use pork in these items.
- Beef is still perceived as more expensive than pork. Shift from pork to beef does not necessarily improve profitability.

SPECIFIC VALUE-ADDED PRODUCT OPPORTUNITIES

- Future opportunities for Australian beef products are largely in low priced chain restaurants, fast food, schools/educational institutions, corporate canteens where the attitude towards Australian beef is generally speaking positive or neutral.

- Depending on the type of meat products imported, distribution should generally take place either through Japanese meat importers or specialized foodservice distributors to minimize communication problems unless there is specific in-house language capability at source to deal direct with large volume Japanese end-users which would ensure greater price competitiveness.

- In 1995 total meat exports from Australia to Japan are estimated at ~235,000 tons of which 165,000-190,000 tons is processed including finished exports <u>and</u> Australian beef processed by Japanese meat packers and wholesalers into portion cuts, restructured patties/steaks, sliced meat, minced and dried meat, and small goods.

SPECIFIC VALUE-ADDED PRODUCT OPPORTUNITIES

End-User Segments

	HOTELS	HIGHER CLASS RESTAURANTS	LOWER CLASS RESTAURANTS	FAST FOOD	CORPORATE CANTEENS	EDUCATIONAL INSTITUTIONS	HOSPITALS	CATERING	COFFEE SHOPS	BEER HALLS	CLUBS
Hamburg Steak			X		X	X		X			
Curry (Beef, Pork, Chicken)	X	X	X	X	X	X		X			
Stew	X	X			X						
Beef Bowl			X	X	X	X	X	X			
Beef & Vegetable			X		X	X	X	X		X	
Beef & Potato			X			X	X				
Pilaf (Beef)			X								
Pork Cutlet			X		X	X		X			
Dim Sum (Pork)			X		X	X	X	X		X	
Chicken Cutlet			X		X	X	X				
Pork Curry			X			X					
Chicken Curry			X			X					
Spring Roll			X		X	X					
Cooked Sliced Beef & Vegetable			X		X	X					
Pork & Vegetable Soup			X		X	X					
Cooked Sliced Pork, Vegetable & Noodle			X		X	X					
Cooked Chicken and Vegetable			X		X	X	X				

Contacts

Australian meat processors should invest considerable <u>time</u> and <u>manpower</u> in making contacts with the right companies in Japan who will assist in identifying product areas of opportunity by introducing them to Japanese meat processing methods and end-user requirements.

They include, meat importers, food processors, foodservice distributors and major end-users.

Meat Importers

- Sumisho Prime Meat (part of Sumitomo Corporation)
  - Just started to import cooked hamburg steak from Australia.
- Hannan Corporation
- Marubeni
- Zenchiku

Contacts (Cont'd)

Food Processors

- MCC
  - This company used to import finished meat products from Australia but stopped because suppliers were not able to meet specifications. Despite this experience they are still open to discussions.
  - MCC could be a prospective alliance for Australian meat packers, either as an importer/distributor of finished imports or local finisher of semi-processed imports.

Foodservice Distributors

- Ryoshoku
- Fujisan
- Asahi Foods
- Toshoku

Contacts (Cont'd)

End-Users

- Hotels
  - Prince
  - Tokyu Hotel Chain
  - Hotel Sunroute
- Low Priced Chain Restaurants
  - Skylark
  - Denny's Japan
  - Royal
  - Volks
- Beer Halls/Drinking Places
  - Sapporo Lion
  - New Asahi
  - Murasaki
- Corporate and School Canteens/Institutions/Hospitals
  - Green House
  - Shida Corporation
  - Daiei
  - Nikko Trust
- Middle-High Class Restaurants
  - New Tokyo
  - Meiji Inryo
- Fast Food
  - McDonald's
  - Mos Food Service
  - Lotteria
  - Yoshinoya D & C
- Catering
  - Royal
  - Selyo Food System
  - Alf
- Chinese Restaurants (Menu Development)
  - Toh-Ten-Koh
  - Greenhouse
  - Hei-Chin-Roh

Japanese end-users generally perceive foreign meat processors incapable of executing exacting orders demanding

- Consistent quality
- Exact adherence to flavoring and other specifications
- On-time delivery
- Immediate remedial action in the case of mishaps.

Once contacts with industry and end-users have been established and continue to develop, Australian meat processors should take part in "Foodex Japan", the largest local processed food industry convention, and other exhibitions.

Technomic recommends the following three prong strategy:

Marketing and Distribution

- Strong positioning of Australian grass fed beef as natural, low fat and lower cost meat.
- Maintaining price competitiveness is one of Australia's most significant advantages over competitive Japanese and U.S. beef.
- Strengthen distribution through Japanese meat importers and/or specialized foodservice distributors through increased visits by Australian suppliers to stay abreast of market demands.

Promotion

- Consumer education in the home will influence attitude towards grass fed Australian beef in foodservice.
- Focus sales promotion on industry segments with greatest potential for Australian products. More Japanese and Chinese menu development in consultation with key end-users.

<u>Investment</u>

- Australian meat packers to seriously consider opening their own offices in Japan like Excel, ConAgra and IBP have done.
- Explore feasibility to acquire own meat processing operations in Japan (Excel's Chiba facility is an example).
- Evaluate possibility to "finish" locally, Australian semi-finished product imports into Japan to ensure strict adherence to end-user specifications through an alliance with an experienced local food processor e.g. MCC.
- Should imports (finished or semi-finished) prove uncompetitive for various reasons, local technology sharing - if proper safeguards against abuse can be put in place - could be another option for market participation, although clearly the least attractive.

KOREA

GENERAL OVERVIEW OF THE RED MEAT MARKET

- Seafood (49%) is the most popular meal component while pork (30%) is the most liked meat item followed by beef (11%) and chicken (10%). Whereas pork and chicken are more affordable beef is artificially expensive which has positioned it as a luxury item.

- Local red meats are insufficient in supply and imports are needed to meet demand. Only beef is popular. Lamb imports are restricted and goat meat imports are banned.

- In 1992 Australia had a 30% (mostly grass fed) share of total beef demand (232,000 tons) against the U.S. with 20% and New Zealand with 5%. Domestic sales accounted for 43%.

- Local beef is considered to be the top quality followed by U.S. grain fed and Australian grain fed. Australian grass fed beef ranks at the lower end and New Zealand grass fed beef is in the middle.

- The Korean beef import situation is a highly charged and political affair.

- Recent U.S. negotiations have led to an agreement to increase in 1993 the minimum access level of beef imports to 99,000 tons of which the SBS (simultaneous buy-sell system) quota is 10%. Increases of 7% were approved for 1994 and 1995.

- The SBS quota level for 1993 has been raised to 10% from 7%, increasing further to 20% in 1994 and 30% in 1995.

- The SBS system is designed to meet U.S. objectives - full sets are not demanded and the government tenders for grain-fed specific cuts which only U.S. suppliers can satisfy in any volume.

- The government does not allow Australian grass fed meat in the wholesale distribution system as this would be to the detriment of local suppliers and U.S. grain fed beef despite the fact that Australian beef is low fat which makes it preferable over U.S. beef and other imports.

- The lack of a free market mechanism reduces feedback for Australian suppliers and limits knowledge of Australian meat and its attributes among Korean end-users.

- The SBS system, established in 1991, is the first move towards a more liberal market but it is limited to just three organizations, the Korea Tourist Hotel Supply Centre, the National Livestock Cooperation Federation and the Korea Cold Storage Co.

  - Following negotiations, this may be extended to the Korea Superchain Association, all restaurants and fast food outlets.

- However, the Livestock Product Marketing Organization will remain in charge. At present, this organization hinders free trade with a 20% import duty, but more severely, margins of between 120 to 200%.

- Hotels, clubs and large restaurants all submit beef orders to the Korea Tourist Hotel Supply Centre (KTHSC) for consolidation and submission to the Livestock Product Marketing Organization (LPMO) for approval and processing.

  However, food operators can <u>also</u> order specific brands directly from suppliers under the SBS system <u>or</u> can order specific cuts as per LPMO tenders.

- Restaurants, fast food (except for McDonald's) and institutions <u>must</u> rely on wholesalers and retailers for beef supplies. They have no input in overseas beef sourcing. McDonald's, however, is allowed to source through KTHSC as prices and supply are more stable.

- U.S. military, airline catering and ship chandling are allowed to import beef direct free from any government interference including tariffs.

  The Korea military imports beef directly from U.S. suppliers. However, the government will switch to local beef by 1994/95.

RED MEATS IN FOODSERVICE

- Red meat consumption in the industry in 1992 was 48,000 tons of which nearly all was beef.
- Restaurants (200,000+) account for the majority of Korean beef (52%) while U.S. beef is dominant in hotels. Australian beef has successfully penetrated the fast food and restaurant segments.
- Restaurants use beef and pork in traditional meals (i.e. Bulgogi). Most of them buy beef and pork as carcass/primal cuts for in-house butchering.
- It is estimated that foodservice use of beef by 1995 will total 60,000 tons growing at an average of 8% per year. Growth will be led by fast food, hotels and restaurants.
- Assuming adequate quota is available total imports in 1995 should reach 185,000 tons with Australia securing 52% of the import market.
- In hotels where 65% of all core foods is beef, striploin, tenderloin and prime rib are large volume items.

In summary, the key findings of this report highlight the difficulty of operating in S. Korea. It is a total market of 232,000 tons in 1992 but has relatively low per capita consumption and a potential latent demand for imported beef of about 185,000 tons by 1995 of which about 32% will pass through foodservice end-uses.

- The government is likely to continue demanding bone-in Australian product to keep some processing in Korea to cover investments in boning facilities at KCSC and NLCF.

- Australian grass-fed beef is not allowed through the important wholesale auctions.

- Other than U.S. portion cut steaks there are virtually no value-added red meat products available in S. Korea. Despite positive statements from officials in S. Korea, it is extremely unlikely Australian semi-processed products will be imported in the near future.

- Manufacturers of small goods and meat processors depend overwhelmingly on pork due to the high price of beef. Technomic believes considerable latent demand for beef imports exists here too.

SPECIFIC VALUE-ADDED PRODUCT OPPORTUNITIES

- Korea is at the most elementary stage in red meat processing. Almost all end-users have in-house facilities for processing domestic and imported meat.

- No red meat is imported in processed or value-added state other than U.S. portion cut steaks equivalent to 8,000 tons or 17% of foodservice meat consumption. This is expected to increase to 10-12,000 tons by 1995 or 18%, as their use will increase in popularity in top class hotels and restaurants.

- There is limited demand for diced meats, retort packs, cook/chill meats, restructured products, sauteed meals, pastry meals, small goods and tinned meat.

- All fast food outlets grind beef for processing and portioning into hamburgers and pizza toppings, but some fast food end-users are eager to talk to suppliers about ready made patties and other products.

- Chilled beef is almost certain to become popular at the high end <u>if</u> handling facilities can be improved.

SPECIFIC VALUE-ADDED PRODUCT OPPORTUNITIES

- Some demand is expected for meats prepared for specific processing such as sauteed beef strips and seasoned meats but import clearance will have to obtained from LPMO. If enough demand can be created at Korea's tourist hotels, imports should be possible through the KTHSC but raising significant volumes is not likely.

- Direct sales to airline caterers and ship chandlers.

- Direct sales to hotels, clubs and large restaurants under the SBS system through KTHSC.

- Non red meat opportunities include Mandoo as a Dim Sum type product. It is normally made from pork or chicken with Kimchi and usually prepared in-house. With beef, Mandoo could in time become popular but beef's prohibitive price has prevented its use.

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
COOK/CHILL MEATS Incl. stews, meat and gravy, meat and vegetables	. Curry rice using curry mix (retail packets without any meat) to which diced potatoes, carrots, and some fresh beef cubes and beef slices are added. This mix is than poured over rice. . Chilli sauce on rice with hamburger meat. . Spaghetti with hamburger meat.	. Curry stew with beef . Beef containing chilli sauce . Beef containing spaghetti sauce . Hai-Rice (Fried rice with diced beef)	. Restaurants . Low-end hotels . Fast food . Institutions Ottogi, Dong Won, Cheil and Haitai are all developing similar type products for introduction in 3-5 years.
ATTRACTIVENESS RATING	Medium		
RETORT PACKS Meat/stew, meat/gravy	. Kalbi beef rib with sauce . Bulgoki with sauce . Beef pilaf . Spaghetti with ground hamburger . Curry with diced beef	. Changchorim beef dish - Very salty, usually cubed with sauce	. Low-end hotels . Restaurants . Institutions Some end-users are purchasing these products in retort packs from retail stores. Leading manufactures include Knorr and Ottogi. High prices are preventing increased foodservice use.
ATTRACTIVENESS RATING	Low/Medium		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
CHILLED/FROZEN PORTIONS	. Steaks	. Convention type, large functions . Seasoned products	. Hotels . Airlines (future)
ATTRACTIVENESS RATING	Medium/High		
RESTRUCTURED PRODUCTS Roast beef, patties, steaks	. Beef patties . Hamburger steak . Beef (and pork) cutlets - Ton Gas Suh	. Restructured roast beef and steak, particularly for fast food. . Bulgoki burgers . Kimchi burgers	. Low-end hotels . Restaurants (western) . Institutions . Fast food Most institutions use soy as a filler in patties consumed on campus. Use of hamburger steak and beef/pork cutlets is high in western restaurants.
ATTRACTIVENESS RATING	Medium/High		
SAUTEED MEALS Beef strips	. Bulgoki - Thinly sliced beef strips	. Very traditional dish always freshly prepared in front of customer, however, sauteed Bulgoki with sauce in retort pack has potential.	. Korean style restaurants Some frozen food companies already supply Bulgoki strips in retort pack to the retail trade.
ATTRACTIVENESS RATING	Low		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
SMALL GOODS	. Coney or corn dogs (mostly pork with a corn bread batter)	. Beef sausages . Coney dog (beef) sausage	. Fast food . Restaurants (Swiss/German) . Beer Halls (Hofs) . Institutions Doosan is interested in supplying beef sausages to their German style beer halls and restaurant chains.
ATTRACTIVENESS RATING	Medium/High		
CORNED BEEF (TINNED)	. No consumption as product taste is not appreciated.	-	If superior tasting product could be produced there is potential as span and ham in cans are quite common.
ATTRACTIVENESS RATING	Low/Medium		
DRY BEEF PRODUCTS	. Application is in seasoning for noodles - Odaeng - Ramyon - Naengmyon	. Jerky as a snack (Anju) in drinking establishments has considerable potential.	. Hotels . Lower-end restaurants . Fast Food . Institutions Jerky is available in retail stores but not yet in foodservice.
ATTRACTIVENESS RATING	Medium/High		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
PASTRY MEALS	. Currently no awareness other than in some western style restaurants.	. Attractive potential opportunities for meat pies, samosas, spring rolls and curry puffs.	There is no significant western style pastry products awareness yet in Korea which offers considerable scope for new product introduction starting at the westernized end of the market i.e. hotels and western restaurants for subsequent penetration into fast food, institutions and local restaurants. Bakeries may also be interested since they offer pastries using meat and cheese.
ATTRACTIVENESS RATING	Medium/High		
OTHER PRODUCTS Dim Sum type	. Meat dumpling (Yakimandu) which can be steamed, boiled or fried. - Very cheap - Easy to cook but time consuming to make	. New flavors and types are required	. Restaurants (particularly Chinese) . Lower-end hotels . Fast food . Institutions Usually purchased in frozen form (poly bags) from retail stores.
ATTRACTIVENESS RATING	Low/Medium		

It is recommended that Australian meat processors contact foodservice operators in the following segments to get a clearer understanding of required product specifications and potential market size. Also mentioned here are the names of potential importers. All contacts are Seoul based.

- Hotels (High End)
  Sheraton Walker Hill
  Westin Chosun
  Lotte
  Seoul Hilton

Key Contact:
Korean Hotel Purchasing Managers Association

- Hotels (Low End)
  Hamilton
  Seoulin
  Ch'On JI

- Universities
  Seoul University
  Korea University
  Yonsei University

- Hospitals
  Severance
  Seoul National University
  Cheil

- Fast Food
  Wendy's
  Pizza Hut
  Doosan (KFC/Others)
  McDonald's
  Uncle Joe's

- Restaurants
  Horyung Garden
  Dongnam BBQ
  Galbichip Korean Beef

- Potential Importers
  Haitai Frozen Foods
  Cheil Refrigeration
  Ch'On IL
  Ch'On Oh Integration
  Malayan Refrigerating Co.

- Air Catering
  Korean Air Catering Centre

The Korean meat import sector is under great pressure from U.S., Canadian, New Zealand and Australian trade negotiators. It is expected that the Koreans will open up the market further in the following manner.

- Further increases in the SBS purchase quota to allow end-users greater access to overseas beef suppliers.
- Increase the number of government appointed distributors to increase competition and access to beef imports by end-users (i.e., Non-Government Distributors as opposed to the government influenced organizations currently in place such as the NLCF and KCSC).
- The beef market will be fully opened up in 1997, but the Korean government will be prepared to control the flow of imports through non-tariff barriers, such as:
  - Strictly implementing the National Livestock Quarantine Act to keep imports on ships for long periods of time while testing of product takes place.
  - Strict issuance of beef import licenses.
  - Intensive government campaigns promoting local beef products and discouraging purchases of imported beef products.
    - through local petitions organized by farmers.
    - organized student demonstrations.
    - newspaper, magazine and television campaigns.

The successful penetration of Australian meat products in Korea will require efforts from both Australian meat processors and the Australian government. Basic cut and value added meat demand remains in an embryonic stage and should be addressed as per the opportunities outlined in the previous pages.

Australian Meat Processors

- Long term intensive effort by individual meat products suppliers to form and nurture relationships with key foodservice operators.
- Australian professionals on the ground in Korea to establish strong relationships and to better understand the industry dynamics and fine points.
- A group effort involving the Australian Meat and Livestock Corporation and Australian meat packers working in Korea to develop and implement a cohesive long term marketing strategy.

Australian Government

- Despite all the difficulties, the Australian government must negotiate to open up the market for grass fed boneless beef cuts and continue to put pressure on the Korean Government to open up its markets.

TAIWAN

GENERAL OVERVIEW OF THE RED MEAT MARKET

- Pork is the most preferred core food (47%), followed by seafood (29%) and poultry (21%). Usage of red meat (~3%) is minor but average growth during 1987-1992 was 7-8%.

- Eighty-two percent of red meats are supplied from imports (mainly Australia, New Zealand and the U.S.). At least 97% of all red meats arrives frozen. Chilled beef accounts for 3% of imports.

- Over the past three years Australia (74%) has had outstanding success in capturing the bulk of the beef market from the U.S. (5%) and New Zealand (14%). However, this has been almost exclusively in the lower end of the market.

- U.S. producers have meanwhile focused on higher value cuts which are more commonly used in the foodservice trade.

- Australia is also the main source of lamb/mutton to Taiwan with New Zealand as sole competitor.

- Import duty is NT$30/kg on unprocessed beef and NT$15/kg on sheep or goat (or 20% of c.i.f. value whichever is greater). However, "special quality" U.S. meats (only U.S. products are graded this way) receive a preferential duty of NT$20-23.80/kg. All prepared and processed meat products are subject to an import duty of 30% of c.i.f. value.

- Usage of red meat has grown steadily at 12% on average during 1989/92. It reached 25,500 tons by end 1992 of which two thirds was beef and one third lamb.

- Future annual growth is expected at 12-15% outpacing total Taiwan meat consumption as well as growth in the foodservice sector as a whole.

- Australia's dominance of the lower end or mass market for red meats has left consumers with a negative or at best pessimistic view of Australian meat quality.

- While Australia successfully targeted the lower market share, the U.S. meat industry targeted the higher reaches with fresh chilled meat products and acquired a reputation as the sole source for high quality beef products.

- The net result is a reluctance on the part of high end operators to use Australian meat - although they recognize that Australian meat is comparable - because their customers believe that Australian meat represents lower quality.

- Usage of red meat products in the foodservice industry is dominated by the restaurant, fast food and hotel trades. Clubs, airline catering and a few other specific end-users are individually large users but their volume in aggregate is not great. Lower strata segments like institutions, hospitals, schools, etc. rarely use significant quantities of red meat products.

- The traditional use of beef dominates in Taiwan. U.S. beef imports are dwarfed by Australia's imports of low value cuts which are used in many traditional dishes. Nevertheless, the consumption of steaks in steak houses is experiencing very high growth and U.S. meat is taking a very dominant position. Growth has also been impressive in western restaurants, where beef is used in about 50% of all meals served. Consumption of lamb/mutton is limited to hotels, western restaurants and clubs.

- Hotels prefer chilled grain fed beef. Little value-adding is required as they have their own butcheries. Cost control may drive some value-added usage but consumption of beef or lamb in the segment is not that high.

- Portioning of meat used in steak houses is done mainly by meat importers. Local restaurants (5,000+) have little interest in portion control or other value-added products as beef is a non traditional item. Mostly stir-fry and BBQ applications.

- All the major fast food burger outlets have their patties prepared locally in central kitchens.

- There is minimal importation of value-added meat as five major importers/processors handle the meat once imported. They provide portions for the retail trade and some minimal quantities for the western restaurant and steak house segment, mostly short ribs and porterhouse cuts. Total demand is <250 tons.

- In addition, an estimated 300 tons of beef containing small goods is produced by five dedicated small goods producers and some hotels (for own use). Imports of specialty beef items are insignificant.

- It is estimated that demand for value-added products by end 1995 will still be <800 tons vs. total red meat consumption in the industry of 35,000 tons or ~2%.

- One importer, Wellroc, is now experimenting with seasoned steaks for steak houses and producing restructured steaks but this is untried and untested.

- The Taiwanese military is supplied with canned meat.

- There is no or little demand for cook/chill meats, diced meats, retort packs, sauteed meals, pastry meals (Dim Sum and Samosas), meat pies or tinned meats. It is likely that some imports will gradually enter the market but the volume will remain small. Some companies produce beef containing frozen entrees for the retail market, but not very successfully.

- There have been some instances of new products and semi-prepared items coming from the poultry industry led by Ding Gua Gua, one of the island's leading chicken fast food outlets.

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
COOK/CHILL MEATS Incl. stews, meat and gravy, meat and vegetables	. Stews . Meat and vegetables . Meat and gravy All consumed <u>fresh</u> on a bed of rice or noodles with/without sauces (e.g. spaghetti sauce)	. Other types of semi-prepared meals	. Steak houses . Coffee houses . Institutions . Office/factory canteens No cook/chill products are foreseen to be introduced over the next 2-3 years. Should be low cost to be successful.
ATTRACTIVENESS RATING	Low		
RETORT PACKS Meat/stew, meat/gravy	. Various meat stews and meat/gravy dishes with different sauces on rice but using invariably <u>freshly</u> cut meat. . Beef Stroganoff	. Any semi-prepared meat types	. Steak houses . Coffee houses . Fast food . Institutions The appearance of retort packs is at least several years away. Low cost is critical driving factor.
ATTRACTIVENESS RATING	Low		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
CHILLED/FROZEN PORTIONS	. Portioned and seasoned steaks	. Chilled, higher quality cuts will be required.	. Restaurants/steak houses . Coffee houses . Institutions (hospitals). Low price points required. . Airlines (future)
ATTRACTIVENESS RATING	Medium		
RESTRUCTURED PRODUCTS Roast beef, patties, steaks	. Hamburger beef patties	. Seasoned patties and steaks . Restructured steaks	. Fast food . Steak houses . Coffee houses Price will play an important role in gaining penetration - very cost conscious end users.
ATTRACTIVENESS RATING	Medium		
SAUTEED MEALS Beef strips	. Stir-fry and BBQ applications	. Same type of products but with different sauces to save on labor costs	. Restaurants (Chinese and others) . Institutions
ATTRACTIVENESS RATING	Medium		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
SMALL GOODS	. Predominantly pork sausages	. Pork/beef sausages have some potential	. Beer halls . Hotels . Restaurants (western) . Clubs
ATTRACTIVENESS RATING	Low/Medium		
CORNED BEEF (TINNED)	Nil	Nil	Tinned beef is not an acceptable product as it is furthest away from a fresh product perception.
ATTRACTIVENESS RATING	Nil		
DRY BEEF PRODUCTS	. Powdered product used as bouillon base or soup stock	. Beef jerky as snack item	. Hotels . Restaurants
ATTRACTIVENESS RATING	Medium		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
PASTRY MEALS	. Spring rolls, mostly containing pork and vegetables . Samosas . Dumpling (beef/pork)	. Spring rolls (vegetables/pork/beef) . Various red meat cut only dumplings . Meat pies	. Hotels . Restaurants (western) Several large producers including Ajinomoto, Wei Chuan and President Foods have introduced similar products to the retail trade several years ago with little success.
ATTRACTIVENESS RATING	Low/Medium		
OTHER PRODUCTS Dim Sum type	. Dim Sum - Hargow - Shaomai - Beef balls - Others . Shuijiao (pork and vegetables) - northern Chinese	. Substitute beef for pork wherever possible	. Restaurants (Cantonese) Current Dim Sum types are mostly shrimp and pork based. Beef promotion can reduce pork consumption.
ATTRACTIVENESS RATING	Low		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

- An extremely poor consumer perception of Australian meat products exists in Taiwan.
- Foodservice operators are generally more knowledgeable on Australian meat products but are unwilling to support Australian products for fear of being unable to meet consumer expectations.
- The foodservice industry is generally unsophisticated and without any tradition of value-added product usage.
- The greatest opportunity for increasing Australian meat products export values is in higher quality cuts rather than value-added products.
- Australian meat imports are managed almost exclusively by commodity type traders when other possibilities to engage foodservice specialist distributors exist.

Limited opportunities exist for value-added products in Taiwan.

- However, Australian meat producers may wish to give some thought to designing a special low cost value-added line of:
    - Portioned and seasoned steaks for the growing steak house segment.
    - Similarly portioned products as well as semi prepared meat meals with sauces etc. for the coffee house segment.
- The difficulty in both these segments will be:
    - Maintaining price points low enough to suit these cost-conscious end-users.
    - Establishing a distribution system with distributors willing to risk dealing with these often "unstable" end-users.

It is recommended that Australian meat processors contact foodservice operators in the following segments to get a clearer understanding of required product specifications and potential market size. Also mentioned here are the names of potential importers. All contacts are Taipei based.

- Hotels (High End)
  - Sherwood
  - Regent
  - Ambassador
  - Grand Hyatt
- Universities
  - National Chung Hsin
  - Fu Jen
  - National Taiwan Institute of Technology
- Hospitals
  - Veterans
  - National Taiwan University Hospital
  - Taiwan Adventist Hospital
  - Chung Sheng General Hospital
- Hotels (Low End)
  - Taipei Fortuna
  - President
  - Imperial
  - Royal
- Restaurants
  - Celestial
  - Huai Hsiang Lou
  - Hsin Yen
  - Dan Ryan's
  - TGI Friday's
- Flight Catering
  - Grand Hotel
- Fast Food
  - McDonald's
  - Pizza Hut
  - Lotteria
- Steak Houses
  - Hua Hsin
  - Shiao Tung
  - Hsino Shih Fu
  - Ponderosa
- Potential Importers
  - Shin Gau Sheng
  - Leonine
  - Eurofoods
  - Treasure Foods

Australian meat producers are in a very strong position in Taiwan when the market is viewed in its entirety. However, as stressed earlier in this report, Australia has been ineffective in penetrating the high-value segments of the market. At the same time, the notion of increasing export values through the exploitation of various value-added products has yet to be realized due to a basic lack of demand for most products.

Australian meat products need to be repositioned first in the mind of end-users and secondly with foodservice operators if export values are to be increased. Action can be taken at both the government level and by individual Australian meat suppliers.

<u>Government & Association</u>

- A country-wide marketing campaign needs to clearly establish with consumers that Australian meat products can meet all quality levels and needs.
- An ideal solution would create a separate brand or easy identification for high quality products aimed at the market segments currently occupied by US meat products.
- This effort should be coordinated between retail marketing and foodservice marketing efforts.
- Strong government pressure should also be applied to allow equitable tariff rates between U.S. and Australian premium grade products.

Meat Suppliers

- For selected foodservice segments, suppliers must move away from a heavy reliance on the commodity meat importers.
- Greater attention must be paid to following up promotion campaigns to ensure that customers are consistently sent the products that suppliers are attempting to promote.
- New distributors with a focus on supplying higher value/value-added products to the foodservice industry should be sought out.
- Specific products for the steak houses and coffee shops should be developed.
- Some thought should be given to placing Australian nationals in the market to cultivate distributor relationships and identify niche opportunities for new products as they arise.
- Establishment of an AMLC office serving the Taiwan and possibly the Hong Kong market should be seriously considered to counteract the growing U.S. Meat Export Federation influence.

HONG KONG

GENERAL OVERVIEW OF THE RED MEAT MARKET

- Pork is by far the most popular meat type (33%) followed by chicken (21%). Beef consumption has been stagnant since 1987 and now accounts for ~25% of pork demand or 8% of total core food consumption.

- Lamb and goat account for <1% with lamb consumption showing signs of increasing acceptance among Chinese. Goat is eaten largely in winter time.

- Seafood is the most widely preferred meal component (37%). Growth in both poultry and seafood is the result of a trend towards lighter, healthier meals which is foreseen to continue.

- China is the largest supplier of beef followed by Brazil, the U.S., Australia and New Zealand. New Zealand lamb/mutton imports are slightly higher than those from Australia. China is also the main supplier of goat meat to the territory.

- Frozen (major) and chilled (minor) beef imports account for 66% of total consumption vs. 34% live imports, all from China. There is no duty on any type of meat imported.

- U.S. Prime/Choice Beef is considered top of the range followed by Australian grain fed beef and Australian/New Zealand grass fed. Meat from Brazil is of reasonable quality and sometimes competes with both Australian and New Zealand meat. Meat from China is perceived as poor quality.

- Estimated consumption of red meat in 1992 was 26,000 tons of which 92% was beef and 8% lamb/goat.

- Restaurants (7,200 outlets) are the largest consumers of beef followed by hotels. All other industry segments, except for fast food and airline catering, are relatively small users.

- Utilization of meat in the various segments is driven by quality/price sensitivity considerations.

- Hotels, western restaurants, airline catering and clubs use U.S. Prime and Choice Beef as well as meat from Australia and New Zealand, both beef and lamb. Chinese restaurants invariably use meat from South America and China with the latter dominating. Fast food operations tend to consume meat from China, South America and Australia (McDonald's). Other than the top hotels, the Hong Kong market is highly price conscious.

- Future annual growth in beef consumption is estimated at 2-3% largely from Chinese restaurants using increasingly cheaper meat from China at the expense of Brazilian meat.

- In Hong Kong, with few exceptions, all meat is processed and value-added locally as most operators have adequate in-house facilities and trained staff to convert primal cuts into menu size items and also produce some small goods.

- In addition, there are dedicated meat processors supplying the various segments with a wide range of semi-processed and value-added butchery products including an excellent range of mostly pork containing small goods some of which is also imported, often from EEC countries at subsidized prices.

- Approximately 1,150 tons or ~4% of all red meat consumed (26,000 tons) is value-added of which meat patties (fast food) account for 90%. The balance is in portion cuts used in airline catering and hotel restaurants with large consumption of standard menu items e.g. steak houses, convention centre restaurant. Local and imported beef containing small goods account for another ~250 tons.

- As labor cost in Hong Kong's foodservice industry is not (yet) a factor, there is little demand for cook/chill meats, diced meats, retort packs, sauteed meals. Pastry products including Dim Sum and Samosas are either prepared by specialized kitchen staff or commercially supplied by several companies.

- The use of imported portion cuts, patties and ravioli, tortellini and lasagne - all with beef filling - although small at present is expected to grow but volumes will remain small.

- A few competing non red value-added meat products have recently been introduced including marinated chicken breast, stuffed chicken breast and smoked duck and turkey breast.

The Hong Kong foodservice industry has only recently started to buy portion cuts <u>selectively</u> as a first step towards using value-added meat products.

- Cathay Pacific Catering Services can be expected to become a regular user of tenderloin portion cuts in the coming years.
  - 1993 volume, however, is not likely to exceed 100 tons.
- Selected hotels and steak houses offer secondary potential for portion cut usage but, again, the present volume is small at less than 50 tons per year. Portion cuts should be individually packed.
- Fast food burger operations are potential beef patty buyers but McDonald's example of switching to China (Shenzhen) for supplies has created a precedent competitors in this segment may wish to follow.
- Opportunities for small goods are very limited as prices need to be competitive with locally produced products (Lucullus, etc.) and EEC/Canada subsidized imports which is unlikely to be the case.
- By end 1995 the potential volume of portion cut meats - primarily for Cathay Pacific and selected hotels/steak houses - is not expected to exceed 500 tons unless McDonald's can be persuaded to switch back to an Australian supplier within the next three years, which would add another 1,000 - 1,500 tons.

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
COOK/CHILL MEATS Incl. stews, meat and gravy, meat and vegetables	. In-house preparation using fresh ingredients	. Meat and gravy products of different kinds	Lower-end hotels and fast food may provide a niche opportunity if prices are attractive.
ATTRACTIVENESS RATING	Low		
RETORT PACKS Meat/stew, meat/gravy	. In-house preparation using fresh ingredients.	. New sauce/meat combinations may generate interest	. Lower-end hotels . Selective, fast food outlets . Small clubs . Staff canteens Concept is hardly known at retail level. Would need considerable promo effort to overcome bias against packaged meat products.
ATTRACTIVENESS RATING	Low		
CHILLED/FROZEN PORTIONS	. Steaks	. Large scale functions . Seasoned products	. Hotels (steak houses) . Hotels/Convention Centre . Airlines (most promising)
ATTRACTIVENESS RATING	Medium/High		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
RESTRUCTURED PRODUCTS Roast beef, patties, steaks	. In-house preparation, imported, or purchased from dedicated butchery products manufacturers	. Seasoned/marinated restructured steaks and patties	. Fast food . Restaurants Large scale consumption of patties is sourced from Australia (soon China) and the U.S.
ATTRACTIVENESS RATING	Low/Medium		
SAUTEED MEALS Beef strips	. Stir-Fry	. Stroganoff . Curries	. Restaurants (Chinese and ethnic incl. western)
ATTRACTIVENESS RATING	Low		
SMALL GOODS	. Mostly pork based sausages and other (pork based) products	. Beef/pork or beef only sausages	. Hotels . Western restaurants . Fast food . Airlines Beef sausage as a product is not new. Little effort has gone into developing new flavors/fillings e.g. beef with cheese sausage.
ATTRACTIVENESS RATING	Medium		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
CORNED BEEF (TINNED)	. Minor	. Sandwiches	. Fast food . Hotels (low-end) Sandwich corners may become users depending on taste and price. Tinned corned beef is purchased retail in small volume.
ATTRACTIVENESS RATING	Low		
DRY BEEF PRODUCTS	. Beef powder as a soup or gravy stock-limited use (hotels only)	. Beef jerky as a snack	. Hotels . Restaurants Chicken powder is the dominating product for in-kitchen use.
ATTRACTIVENESS RATING	Low (Powder) / Medium (Jerky)		
PASTRY MEALS	. Beef pies (beef, onion, curry) . Curry puffs (beef, onion, curry) . Samosas (beef, onion, curry, seafood) . Spring rolls (beef, pork, mushroom, bamboo, vegetables)	. New product/ ingredient combinations	. Hotels . Restaurants . Clubs . Fast food Several of these products are already commercially made and supplied to the foodservice by Winner, Amoy, Maxim's, Marie's and St. Honore. Culturally, pork and chicken will remain strong favorites. Most preparation is still done in-house.
ATTRACTIVENESS RATING	Medium/High		

SPECIFIC VALUE-ADDED RED MEAT PRODUCT OPPORTUNITIES

FOOD TYPE	CURRENT USAGE	NEW USAGE	PROBABLE END-USE SEGMENTS
OTHER PRODUCTS Dim Sum type	. Hargow (shrimp, bamboo, pork) . Shaomai (shrimp, pork, green) . Beef ball . Dumplings (mainly pork or shrimp)	. Meat roll (beef/pork, soy, oyster sauce) . Hargow with beef . Shaomai with beef . Meat dumplings (replacing pork contents or adding beef to pork) Some form of vegetables is always part of the product.	. Hotels . Restaurants . Clubs . Fast food Although pork as the key ingredient is strongly preferred, opportunities for beef may exist if suitably presented.
ATTRACTIVENESS RATING	Medium		
OTHER PRODUCTS	. Lasagna) . Tortellini } with beef . Ravioli)	. More product variety is needed . Any new forms of meat containing pasta	. Airline catering . Hotels . Institutions
ATTRACTIVENESS RATING	Medium		

PRACTICAL FOLLOW-UP RECOMMENDATIONS

It is recommended that Australian meat processors contact foodservice operators in the following segments to get a clearer understanding of required value-added product specifications and potential market size. Also mentioned here are the names of potential importers.

- Hotels (High End)
  - H.K. Convention Centre
  - Mandarin
  - Hilton
  - Regent
- Universities
  - Hong Kong University
  - Chinese University
  - H.K. Baptist College
- Hospitals
  - H.K. Baptist
  - Government Supply Center
- Hotels (Medium End)
  - Luk Kwok
  - Evergreen Plaza
  - Wharney
  - Park Lane
- Restaurants
  - Cafe de Coral
  - Maxim
  - Fairwood
  - Jimmy's Kitchen
  - Dan Ryan
- Ship Chandling
  - Sims
- Fast Food
  - McDonald's
  - Wendy's
  - Pizza Hut
- Clubs
  - American Club
  - Hong Kong Club
  - Ladies Recreation Club
- Potential Importers
  - Silco
  - Hong Kong Refrigeration Co.
  - Hoover
  - Elite
- Air Catering
  - Cathay Pacific Catering Services
  - Lufthansa Ground Services

Although the demand for value-added meat products in Hong Kong is still small there is potential for growth which can best be exploited if the Australian meat packers establish a closer relationship with their local importers/distributors so they will be better positioned to monitor what the participants in the various foodservice segments require at any time and how their competitors are operating.

To support the Australian meat packers in this strategy, the Australian Meat & Livestock Corporation may wish to seriously consider setting up a Hong Kong representative office which would carry out the following functions.

- Supervise the execution of all sales promotional activities at both foodservice and retail level currently conducted by the local public relations company.

- Maintain ongoing personal contacts with the major participants in all foodservice segments to monitor the activities of the various Australian meat importers and distributors and most importantly to discuss with the chefs, food & beverage managers and other decision makers their meat product needs and their views on competitive meat sources and related promotional activities.

- Monthly market reports to be submitted to AMLC's head office in Sydney for dissemination among Australian meat suppliers as appropriate.

It is worth mentioning in this respect that the U.S. Meat Export Federation has had an office in Hong Kong for many years performing precisely the above responsibilities.