

# final report

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## **International market potential for extended shelf life meat products**

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# CONTENTS

EXECUTIVE SUMMARY .....	4
<b>1</b> INTRODUCTION.....	7
<b>2</b> TERMS OF REFERENCE .....	7
<b>3</b> DEFINING AND POSITIONING THE PRODUCT.....	7
3.1 SPECIFIC ATTRIBUTES OF THE PRODUCT .....	8
3.2 PRODUCT AVAILABILITY IN AUSTRALIA .....	10
<b>4</b> TECHNICAL BACKGROUND .....	11
4.1 MODERN RETORT OPERATIONS.....	12
4.2 PACKAGING .....	13
4.2.1 Pack Size .....	13
4.2.2 Plastics and Tray Manufacture .....	13
4.2.3 Overall Advantages.....	14
<b>5</b> MARKET COMPARISONS .....	14
<b>6</b> GERMANY .....	15
6.1 MARKET OVERVIEW.....	15
6.1.1 Population and Demographics.....	16
6.1.2 GDP and Economic Profile .....	16
6.1.3 The German Market for Food .....	17
6.1.4 Extended Shelf Life Products.....	17
6.2 IMPORT TARIFF SITUATION.....	19
6.3 RETAIL MARKET.....	20
6.3.1 Major Chains & Concentration .....	21
6.3.2 Pricepoints .....	23
6.4 FOODSERVICE MARKET .....	23
6.5 MARKET SUMMARY .....	24
<b>7</b> JAPAN .....	25
7.1 MARKET OVERVIEW.....	25
7.1.1 Population and Demographics.....	25
7.1.2 GDP and Economic Profile .....	25
7.1.3 Food Market.....	25
7.1.4 Extended Shelf Life Products.....	26
7.2 IMPORT TARIFF SITUATION.....	27
7.3 RETAIL MARKET .....	28
7.3.1 Major Chains and Concentrations.....	28
7.3.2 Home Meal Replacement Sector .....	30
7.4 FOODSERVICE MARKET .....	30
7.4.1 Restaurants.....	30
7.4.2 Hotels and Travel-Related .....	31
7.4.3 Institutional Food Markets .....	31
7.4.4 Pricepoints .....	32
7.5 MARKET SUMMARY .....	32
7.5.1 Opportunities for Ambient Products .....	32
<b>8</b> SOUTH KOREA .....	33
8.1 MARKET OVERVIEW.....	33
8.2 TARIFF SITUATION REVIEW .....	35
8.3 RETAIL MARKET.....	35

8.3.1	<i>Major Chains &amp; Concentration</i> .....	35
8.3.2	<i>Potential Entry Strategy</i> .....	36
8.3.3	<i>Pricepoints</i> .....	37
8.4	<i>FOODSERVICE MARKET</i> .....	37
8.4.1	<i>Composition of Foodservice Suppliers</i> .....	37
<b>9</b>	<b>UNITED STATES OF AMERICA</b> .....	<b>38</b>
9.1	<i>MARKET OVERVIEW</i> .....	38
9.1.1	<i>Demographics</i> .....	39
9.2	<i>TARIFF SITUATION REVIEW</i> .....	40
9.3	<i>RETAIL MARKET</i> .....	41
9.3.1	<i>Major Chains &amp; Concentration</i> .....	41
9.3.1	<i>Identification of Comparable Products</i> .....	42
9.3.1	<i>Pricepoints</i> .....	44
9.4	<i>FOODSERVICE MARKET</i> .....	44
9.5	<i>MARKET SUMMARY</i> .....	46
<b>10</b>	<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	<b>48</b>
<b>11</b>	<b>REFERENCES</b> .....	<b>52</b>

#### **TABLE OF FIGURES**

Figure 1	- Images from Chilled Meals Section, UK Supermarket (4) .....	9
Figure 2	- Schematic of Retort Pouch Process .....	12
Figure 3	- High-Speed Retort Pouch Filler & Sealer (Toyo Jidoki) .....	13
Figure 4	- Attributes of Shelf - Stable Packs .....	14
Figure 5	- Market Comparison Matrix .....	15
Figure 6	- Germany: Major Factors in Consumer Demand to 2010 .....	17
Figure 7	- Germany: Expenditure on Ready Meals 2007 .....	18
Figure 8	- HS Tariff Headings – Germany .....	19
Figure 9	- Fleury Michon Product, Europe 2008 .....	21
Figure 10	- Retail Food and Beverage Trade, Germany .....	21
Figure 11	- Major Retail Store Groups, 2006 .....	22
Figure 12	- Germany's Top Foodservice Providers .....	23
Figure 13	- Retort Meal with Rice and Protein .....	26
Figure 14	- Japan Sterilized Rice (left) and Chazuke (R) .....	27
Figure 15	- Japan: Retail Sales of shelf-stable Meals, 2007 .....	27
Figure 16	- HS Tariff Headings – Japan .....	28
Figure 17	- Japan: Retail Food Distribution Channels .....	29
Figure 18	- Japan: Largest Supermarket Chains 2006 .....	29
Figure 19	- Japan: Largest Convenience Chains 2006 .....	29
Figure 20	- Japan: Ready Meals by Product Category .....	33
Figure 21	-South Korea: Prepared Meals in Flexible Pouches (MLA) .....	34
Figure 22	- HS Tariff Headings – South Korea .....	35
Figure 23	- Korea: Major Institutional Food Service Companies, 2006 .....	38
Figure 24	- HS Tariff Headings - USA .....	40
Figure 25	- USA: Ready Meals Market Segmentation % Share 2006 .....	40
Figure 26	- USA: Major Retail Food Chains 2007 .....	41
Figure 27	- USA: Ready Meals Sales by Category, 2007 .....	42
Figure 28	- USA: Retail Sales of shelf-stable Meals, 2007 .....	43

## **Executive Summary**

The report examines the opportunities for shelf-stable meat products in four export markets and identifies the barriers and likely issues for each market. It identifies limited opportunities in three of the four markets (Germany, Japan and USA).

The major weaknesses identified by the report in developing export markets for shelf-stable product are the level of existing refrigerated capacity; the presence of similar or identical products in the marketplace; and perceived conflicts between consumers' desire for fresh, healthy meals and what is, essentially, a preserved meal.

The report identifies three other markets not included in the original terms of reference which may offer more opportunity, based on projected population growth, consumer preferences and other characteristics of the market.

The shelf-stable technology uses existing principles for cooking and sealing products under pressure to prevent deterioration for an extended period of time. The retort technology on which shelf-stable products are based is well-known by consumers in all of the four target markets. There is already a profusion of food and beverage products on the market in these countries in this form.

Aside from cost of production, possibly the biggest challenge facing shelf-stable products is the entrenched presence of chilled and frozen products alongside these retort packs which better address consumers' underlying belief that 'fresh is best.'

The aging trends in the population of most developed countries, combined with the steady increase in the number of one-person and two-person households, is a positive for shelf-stable products but only insofar as they can compete in quality, price and product appeal with the growing ranks of chilled ready meals. There are a number of potential market niches which the Australian industry could conceivably address e.g. "food that stands for something", "green" food, functional foods to correct specific ailments and gluten-free meals for the growing proportion of the population with chronic dietary problems.

Specific points to emerge for each market are as follows:

### **1. Germany**

This is a mature-growth market with high levels of exposure to this type of packaging. The clear preference in the market for pork and processed meats, less interest in beef and even less in sheepmeat, could make this a difficult market to develop. Prospects for sheepmeat and goatmeat at retail and foodservice are considered to be low at this time. The existence of a relatively high import tariff into the European Union compared to conventional chilled/frozen product would necessitate keen pricing for any

beef products sent to this market. Positives for promoting this product in the German market include product traceability and likely popularity of organic-certified products.

## **2. Japan**

This is another mature-growth market and it is already familiar with this product type. The market is extremely demanding about product quality and food safety. The traceability attributes of Australian product would likely suit this market, however, considerable work would need to be undertaken to raise the aesthetic characteristics of current offerings to ensure the cuisines met Japanese market demand. Retail sales could well prove successful in this market, coat-tailing on the Aussie Beef programs currently in place. However, competition here is keen from other protein sources and manufacturers would need to be mindful of this in maintaining very high levels of product presentation. It is recommended that retail opportunities be explored further on the basis of the product offering healthful, nutritious benefits, from a secure food source, which is convenient to use. In regard to the foodservice market, there is scope to grow interest in the product through skilful exploration of the many convenience stores in the country, as part of a wider program. Prospects for sheepmeat and goat meat are considered poor.

## **3. Korea**

While this market has several characteristics in common with the Japanese market, it is considered that the established presence of other suppliers of similar product along with the prohibitive import tariff would make a product launch either in retail or foodservice difficult. The foodservice market is extremely large here and should by rights be attractive to Australian manufacturers. It is considered possible that a manufacturer could work with a catering company to see if some of these obstacles could be overcome. This is also a market where consumers equate freshness with quality, however, in the workplace setting there may be room for modification. Prospects for any product but beef in this market are poor. Overall, preference for fresh food and the scale of the import tariff will probably preserve this market for domestic manufacturers for some time.

## **4. USA**

This market has reasonably strong prospects both at retail and in specific areas of foodservice. The growth of the ethnic market, single-person households, total population growth rate and the constant drive for new products in a market of this size must offer some prospects. The low import tariff in the US also suggests that imported product of this type could be successful. It is recommended that three areas be targeted for possible development: small regional supermarkets; ethnic market which offers potential for sheepmeat and goatmeat product lines; and specific dietary and wellness demand markets e.g. gluten-free which will be a significant growth category in the US in the next 10-15 years. The

Australian manufacturing base can also easily satisfy demands for product traceability; environmental sustainability; and other endorsement programs demanded by this market.

## **1 Introduction**

Meat and Livestock Australia (MLA) commissioned a desk research project into the international market potential for extended shelf life meat products. The shelf-stable technology under discussion was the subject of an earlier MLA report (MLA, RMICS.001, 2006) which assessed the impact on the domestic industry of the modified retort process. Since the development of the shelf-stable process for red meat there has been good uptake of the product in selected streams of the foodservice and retail markets. It seemed timely to assess the international sales prospects and to determine what measures the MLA could take to encourage industry to seize any opportunities identified.

The project has been undertaken primarily by desk research and has also incorporated:

- Information requested and supplied from the MLA office in South Korea;
- Purchase of market research data from three groups: AC Nielsen, DataMonitor and RTS;
- Discussions with selected traders and manufacturers currently active in the market, as well as two companies which were active in the shelf-stable products market;
- Review of tariff codes through a tariff consultant; and
- Other market intelligence sources.

## **2 Terms of Reference**

The objectives for the project established under the Terms of Reference were as follows:

- Quantify the current value of the shelf-stable category in four export target markets (Japan, USA, Germany and Korea.)
- Identify areas and strategies for growth of Australian shelf-stable products in these target markets.
- Determine how MLA could best facilitate the industry to adopt these opportunities.

The report offers some general background information on the technology and product style, reviews each target market and presents conclusions and recommendations at the end of the report.

## **3 Defining and Positioning the Product**

One of the challenges in dealing with the potential market for this product is to locate it in the product category. Section 4, which reviews the technology behind shelf-stable products, demonstrates that the product undergoes the same thermo-processing operation as a tinned (canned) product, but also has the convenience of a lighter, soft-sided pack, tray or

A.MPM.0005 - International market potential for extended shelf life meat products pouch. Because it requires no refrigeration along the supply chain, it



generally ends up on the grocery shelf where consumers may overlook it, or not fully appreciate its flexibility. To date, this has been the chief difficulty in marketing the product in the Australian retail context, as noted in the 2006 report. Part of the benefit of placing the product in the dry grocery area is to remove the refrigeration costs, but in the convenience store setting, merchandisers and distributors are having to place the product back in the refrigerated cabinets in order to have it “noticed” by consumers.

This introduces another consideration in dealing with the product, namely, the existence in the Australian market, along with all four target markets, of an extensive and sophisticated cold chain investment, right through to the consumer, to the point where it is difficult to conceive of circumstances where there is no access to refrigeration. Being able to store the product for a long period may have its attractions, but these instances would seem to be fairly limited and therefore the product will need other attributes to recommend it besides long shelf life. For consumers in a hurry there are numerous foodservice options, however, when a home-cooked meal is required there is a wide range of chilled and frozen meals already available which only require reheating.

There is also the question of the taste of the product: as identified in earlier research, some consumers feel uncomfortable about the product not needing refrigeration particularly if it contains a percentage of meat, and who feel the meat tastes tough after the retort process.

### **3.1 Specific Attributes of the Product**

Factors that may influence the decision to stock shelf-stable meats have been identified as follows:

1. Limited refrigeration space.
2. High turnover.
3. Need for quick service of standard portions.
4. Inability or cost prohibitions of using highly-skilled catering staff and chefs.
5. Unpredictable volumes to be sold due to weather, unreliable crowds or related.
6. Price points of food served.
7. Ability to hold stocks but not in refrigeration.
8. Need to distribute food over large geographic areas and logistics issues.
9. Seasonal conditions most likely to require food that is warmed or heated, e.g. winter, spring and autumn.

The term ‘ambient’ is used often in the US and European markets and within the context of this report ‘ambient’ will also be used to refer to product in the shelf-stable category

Future growth is expected to be steady rather than dramatic in any one market. Market growth will likely be due to increasing demand for convenience with more families having both parents working; less

## International market potential for extended shelf life meat products

inclination to spend time on food preparation; and an increase in the frantic pace of life in general. The main obstacle to strong growth is the fact that by and large these consumer demands are already being met through frozen and chilled meals and also through the ready availability of take-away and affordable dining at family and higher level restaurants. Refrigerated storage is available to almost all consumers in these markets now. What will grow is the total ready meals segment into which ambient foods fit neatly, so it may be a question of how much of this growth can be “cannibalised” from other sub-categories such as chilled meals.

There will likely continue to be new offerings in the ambient meals sector in order to continue to overcome consumer perceptions about the reliability and safety of this packaging mode. The outlook for canned meals in these markets (as opposed to developing markets where refrigeration really is an issue) is therefore restrained. The bottom line is that consumers currently perceive chilled meals as being fresher and of higher quality than either frozen meals or those in ambient packaging, including cans. The superior standard of the chilled meals retail market in the United Kingdom in terms of taste, range and presentation seems to leave little room for either frozen or ambient product to exist, except as a question of price. Figure 1 shows four photographs of products in the chilled meals section of a UK supermarket, and readers are also directed to the chilled meals catalogue at [www.marksandspencer.co.uk](http://www.marksandspencer.co.uk) for more views of prepared meals available to the retail consumer.

**Figure 1 - Images from Chilled Meals Section, UK Supermarket (4)**



The manufacturer of the soup and prepared meal pouches shown in these photographs was quoted in an industry magazine in July 2007 as follows:

*Initially, we launched six enhanced products for M&S earlier this year. But these were still only meat-in-sauce products. For us, the endgame was always to produce a complete ready meal in a pot. The M&S business gave us the springboard to do that. Now we've launched Quick Eat, which is a Princes branded product and produced a range of complete ready meals for M&S too. We originally thought that buying the machinery would get us 50% of the way there but it was nowhere near. We had to rethink our entire process to do these meals. There's nothing standard about them. To get the quality for a ready meal that would sell at £1.98, compared with other pot products that sell at 49p, we needed to stop the carbohydrate absorbing the sauce. The real breakthrough was getting a full meal for example, rice or pasta with a sauce and a protein into the pot in layers, in such a way that they wouldn't mix.<sup>1</sup>*

This indicates the difficulties already experienced by an existing UK manufacturer of introducing a new product of this type into the retail (and also foodservice) area, and of the types of obstacles that Australian manufacturers might expect in trying to participate in these very competitive markets.

### 3.2 Product Availability in Australia

Although outside the TOR, a brief situation update on shelf-stable processing in the Australian context may be useful:

At foodservice level, the main product lines in 2008 are being sourced from Tatiara Meat Co Pty Ltd (TMC) at its Laverton, Vic plant. It prepares a modified pack of the products it is currently shipping to foodservice customers in the UK. It is understood that interests connected with CRF Colac-Otway have also entered the market but this has not been further investigated.

At retail level, the major player appears to be Enjoy-o-Meal. It is now owned by the San Remo food group of South Australia which will likely strengthen the brand's position with supermarkets. It is available at other retail outlets e.g. petrol and convenience outlets, but at these locations it is normally stocked in the chiller section because of uncertainty about where else to display it.

The shelf-stable category in the supermarkets is increasing, with offerings from Hormel (Compleats) and other imported lines from Indonesia. These pack sizes are smaller than Australian manufacturers' packs. It is interesting to note that the Heinz Watties' line of meals, which are manufactured and imported from India, have been withdrawn from the market, reportedly due to poor sales levels. Also in the category are shelf-stable pots of chunky soups and stews which compete well with reheatable puréed soups. Sunrice continues with its retort rice packs

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<sup>1</sup> Food Retailing (UK) July 2007.

although the varieties containing beef are now more difficult to find in the market.

#### **4 Technical Background**

Shelf-stable technology is a form of thermal processing which serves to preserve food and to prevent spoilage by destroying the micro-organisms in the product being preserved. It works under the principles of the pressure retort designed and developed by Denis Papin and, later, by Nicolas Appert. In 1810, the Englishman Thomas Durance patented the use of metal containers for preserving food and the first recorded commercial canning factory was built in 1813.

The pressure retort destroys micro-organisms in the product through the application of sustained heat, under pressure, over a specified time. Ingredients are placed in individual units, traditionally into metal cans or glass jars or (under the modern shelf-stable application) into flexible plastic pouches or trays. The units are sealed and placed in the retort. Once the can or pack has been sealed no further bacteria can enter. A quantity of liquid – normally water - is brought to boiling point in a sealed airtight chamber or retort. The steam is superheated and, as the liquid in the product boils, the steam increases, filling the retort chamber and raising the pressure. This pressure forces the superheated steam into and through the contents and ensures the product is evenly and thoroughly heated to complete the sterilisation process. Microbes are destroyed in the process and the pouch's contents are stabilised from deterioration for an indefinite period. A pressure regulator is used to maintain the correct pressure and keeps the steam from rushing out, while the pressure is controlled by raising or lowering the heat. The retort process, however, cannot give the ingredients, particularly meat, a “browned” appearance. This is normally accomplished through a pre-cooking cycle prior to the product being batched and placed in the retort for processing.

During the 20<sup>th</sup> century further concentrated work was done on food production through retort in the United States, culminating with the release of “MRE” – “meal ready to eat” – rations in flexible packaging, which enabled US Army troops to produce a hot meal on demand in the field with the use of a field stove. The flexible pouch film is comprised of several very thin layers of foil for durability and impermeability and is lighter and easier to carry than a can.

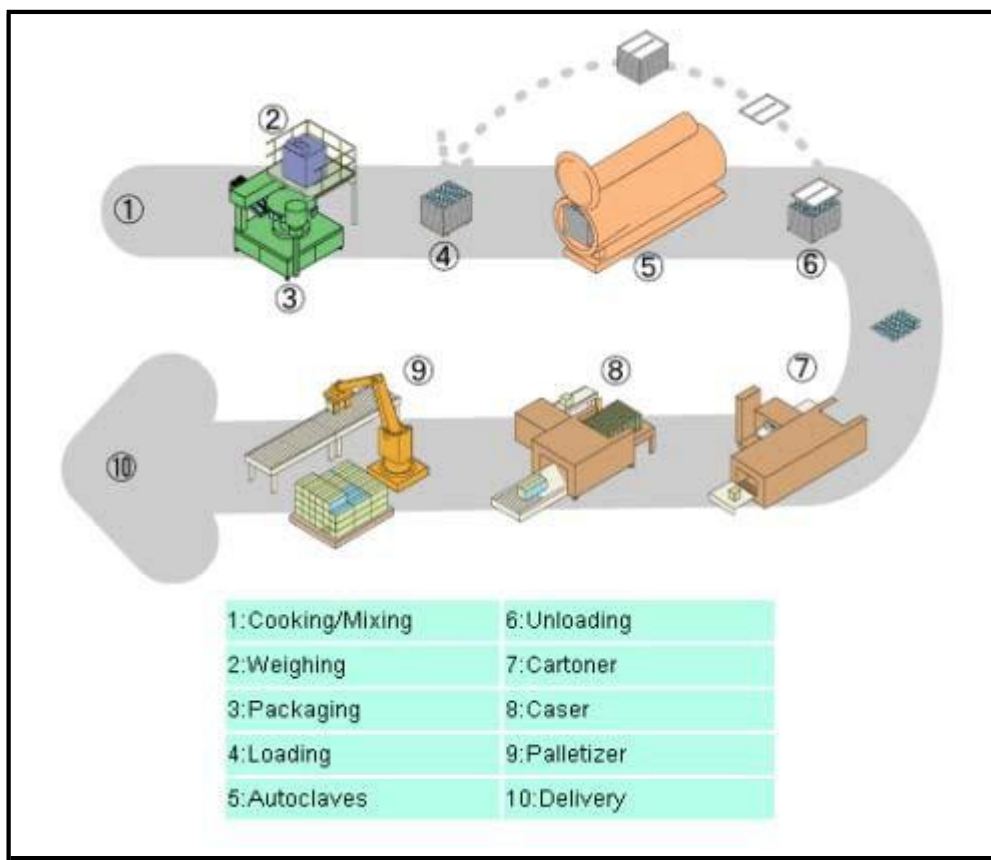
Because meat, like seafood, poultry and milk, is a low acid food, it is more prone to spoilage and requires more thorough heating over a longer time than acid foods. Commercially sterile canned meat products generally reach an internal temperature of 225°F-240°F but this can be slightly lower depending upon the level of salt and nitrites which are added to the product mix. The severe heat treatment which the product sustains during the thermal process can also create changes in the flavour, texture and colour of the product being treated (these are referred to as organoleptic characteristics). These are factors which the shelf-stable technology

researched by MLA seeks to minimise, without compromising the product's safety. It requires some calibration of the cooking times and pressure levels to the specific product ingredients.

#### 4.1 Modern Retort Operations

Control of the retort phase itself is critical as the product must be subject to a temperature/pressure/time process adequate to destroy all micro-organisms and ensure the foods are thoroughly cooked. Figure 2 shows the process starting with mixing and weighing of product batches before being bagged, sealed and retorted.

**Figure 2 - Schematic of Retort Pouch Process**



Source: *Toyo Jidoki* website

Food safety guidelines for thermal processing in most countries typically require that the enterprise have a qualified staff member to supervise the retort procedure, to ensure the time/pressure/temperature parameters are met and that proper data recording procedures are followed.

Retorts are normally either custom-built or modified for specific premises with issues like access to services, footprint size and load-out areas in mind. There are a variety of overseas manufacturers and two or three local manufacturers. Figure 3 shows a high speed pouch filler and sealer which is fairly typical of those used in US, Asian and European production lines.

**Figure 3 – High-Speed Retort Pouch Filler & Sealer (Toyo Jidoki)**



## **4.2 Packaging**

Typically the product is manufactured and marketed in plastic pouches which may either be clear, opaque or colour-printed for retail display. In some instances product appearance is not enhanced by the use of a clear film in the pouch, so most product lines currently use opaque plastic or colour-printed plastic. The pouch may have a gusset at the base to facilitate display or for stability when reheated in a microwave oven. Alternatively, the product can be manufactured in a rigid tray either with or without partitions for other meal ingredients including rice, pasta shapes or vegetables. Retort pouches can normally sell at a higher price than canned product because of slightly lower transport costs and customer convenience. There is good consumer acceptance of plastics over cans, due to better appearance, convenience and ease of opening and reheating. There is also scope now for ohmic packs which self-heat, using special metal tabs concealed in the corner of the packs.

### **4.2.1 Pack Size**

Product pack sizes out of Australian manufacturers tend to range from 300 g-400 g. It is possible to make pack sizes larger which has consequences for retort times and for capacity as fewer units will fit into the retort. Organoleptic characteristics also may need to be evaluated as a consequence of longer cooking times.

### **4.2.2 Plastics and Tray Manufacture**

The plastic used for the manufacture of the pouch, lidding and tray film must be of a heavy grade to withstand the heat of the retort vessel and be impermeable to oxygen in order to retain the sterilised state of the product inside. Suppliers of these films include Versapack, Amcor and FM. The film must be gas impermeable and normally comprises three-layer or four-layer aluminium or plastic. The pouches and trays also enable

merchandising using packaging styles and printed graphics not readily available to fresh red meat products at retail. These include items like cardboard display sleeves, full colour graphics and advanced packaging materials.

**4.2.3 Overall Advantages**

The following attributes were identified for ambient and shelf-stable packs, as shown in Figure 4.

**Figure 4 - Attributes of Shelf - Stable Packs**

FEATURE	PERCEIVED BENEFIT
Requires no refrigeration	Able to be stored and used at will
Package durability	Fewer cuts and dents
Reduced cooking time	Better taste and nutritional value
Reduced bulk and weight over can	Cheaper to transport and store
More environmentally friendly than can	Less waste, easier on environment
Product differentiation through pouch 'look' and feel	Improved sales

**5 Market Comparisons**

A matrix was developed as shown at Figure 5 to assist in understanding the basic characteristics of the four target markets. Data for the Australian market was also included. The individual country assessments in the report may be reviewed with this matrix.

Figure 5 - Market Comparison Matrix

	GERMANY	JAPAN	KOREA	USA	AUST
Population (m) 2005-2006	82	127	49	301	20.6
GNP Per capita 2005-2006	34,400 \$US	32,100 \$US	24,500 \$US	44,000 \$US	45,021 \$AUD
Population growth rate	-0.02%	-0.02%	0.3%	0.8%	0.8%
Est. beef consumption kg/per capita pa	11.1	9.2	10.0	43.0	35.5
Est. sheepmeat consumption kg/per capita pa	<1.5	<2.0	<2.0	6.0	14.0
Internet usage % households	70	57	73	57	42
Main health/food safety issues	Origin; carbon footprint; well-being	Origin; food quality	Origin; fresh, tradition	Food safety; diet	Healthy; diet; fresh
Microwave ownership % of households	73	91	82	78	61 (est)
% women in workforce - OECD 2003	58.7	56.8	48.1	65.7	62.2

Sources: CIA Factbook 2007, ABS, USDA FAS.

In summary, all four markets are large markets with mature populations and low or no real population growth (with the exception of USA). Per capita incomes are relatively high, consumers are well-connected and well-informed through internet and other communications systems; there is a definite trend towards more women in the paid workforce, which has repercussions for the types of food required in the home and in foodservice situations. While nearly all consumers are concerned about value for money, there is generally an over-riding issue which is either perennial (values-driven) or ephemeral (driven by fads or trends).

## 6 GERMANY

### 6.1 Market Overview

Germany is an affluent market with growing awareness and acceptance of international flavour trends and cuisines. It is still, however, a very conservative market with definite preferences for traditional German products, cuisines and packaging styles. The reunification with eastern Germany has probably served to slow down the integration of many outside influences on foods, shopping and purchasing patterns as the



German economy has been focussed for over two decades on bringing the east and west of the country together.

Germany is the largest market in the European Union for food products. It has a highly productive domestic agricultural sector with regard to supply of meat and meat products. Germany's retail food market is highly competitive and is supplied with a plethora of products and ingredients from around the world. The German consumer is discerning and the key supermarket operations must subsequently cater for a demanding shopper with high expectations of product packaging, freshness, quality, consistency and availability. These are traditional traits in the German market: more recently, consumers have also taken to heart the issues of environmental sustainability and "food miles" by requesting information on the source and carbon impact of various products in the supermarkets, particularly chilled lines. Another emerging issue may be interest in organically-grown product but this is not yet clear as there is already such heavy regulation of conditions under which EU product may be produced than 'organic' is seen as a superfluous label.

#### **6.1.1 Population and Demographics**

With the second largest population (82 million) in the EU-27 and a high GDP per capita, Germany is an attractive market for food exporters and manufacturers. A significant feature is the aging structure of the population. Germany has had one of the lowest birth rates in the world for several decades which has resulted in about 40% of the population being aged 45 years or older. Moreover, there is a growing number of single-person households (around 40% of total households) and a very high percentage of women of working age being engaged in the workforce. This second factor has contributed to the country's high average net household income. The consequence is that large portions of the German market are likely to be attuned to products marketed for convenience and ease-of-use in single person households.

Germany's foodservice market occupies an important place in the overall food supply chain but is sensitive to the economic issues in the larger marketplace. Demand has been stagnant during the mid-2000's and is not expected to grow substantially in the next three-five years.

#### **6.1.2 GDP and Economic Profile**

The German economy is reportedly recovering from three-four years of flat performance with estimated GDP growth in 2007 of 2.6% over 2006. High levels of unemployment have abated and there is renewed investment in plant and equipment throughout the country. The major issue which the economy and government at all levels continues to address is the ongoing integration of the former east German economy into the nation as a whole: it is estimated that annual transfers from west to east equate to around \$US80 billion. There is still a considerable lag in income and living standards between west and east and unemployment in the east is more than twice as high as in the western states.

Some of the labour and welfare initiatives of the federal government are of relevance here and include a gradual increase in the mandatory retirement age from 65 to 67 and promotion of greater female participation in the labour market. There is some uncertainty as to how the economy and the labour market will react to the challenged being presented by the weaker US dollar, continued high oil prices and tougher credit markets.

### 6.1.3 The German Market for Food

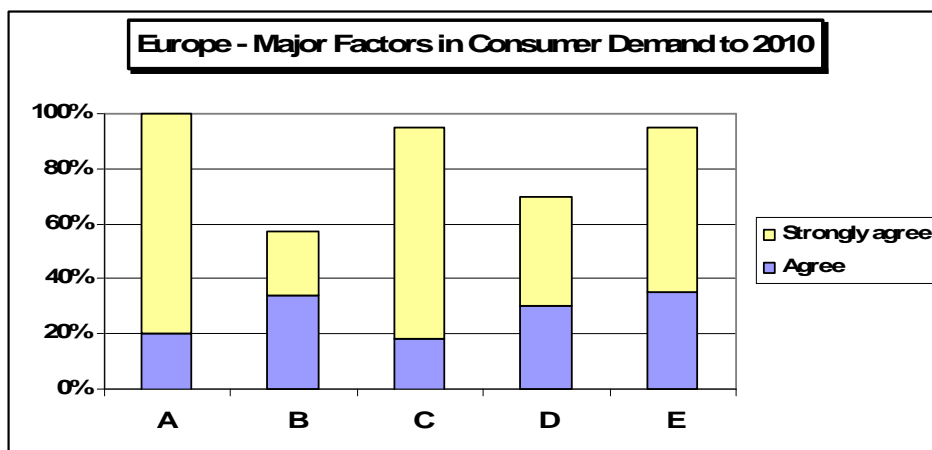
The German production sector is very strong and is the principal supplier of domestic food requirements. The majority of food imports into Germany come from within the European Union: the Netherlands, Belgium and Italy are chief suppliers in the meat, meat products and rice categories.

As noted earlier the German market is characterised by high expectations, strong preference for pork and pigmeat products, along with specialised smallgoods and a clear preference for established cuisines. Total estimated expenditure on food and beverages in 2006 (foodservice and retail) was €188 billion, making it the Union's largest market. Federal statistics indicate that around 15% of this figure was spent in restaurants, canteens and similar settings which, if true, placed Germans well behind Australian and US consumers who outlay around 36% and 44% respectively of their total food expenditure in the foodservice sector.

### 6.1.4 Extended Shelf Life Products

The product style under discussion - ambient products - is familiar to German consumers and is already accepted for a range of items including beverages. There is little at this point to suggest that ambient product would not be acceptable in the future provided food safety and quality issues were properly addressed. The large percentage of single-person households may even mean the market is predisposed to accepting this variety of product. Some of these issues emerge from the results of consumer market research undertaken in 2006-2007 by RTS Data, as shown in Figure 6.

**Figure 6 - Germany: Major Factors in Consumer Demand to 2010**



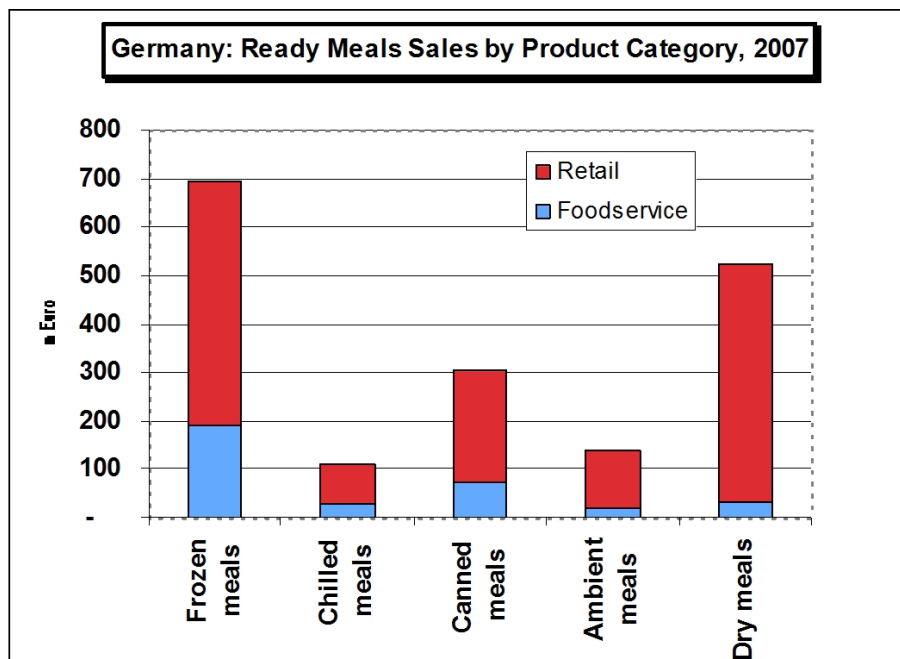
## International market potential for extended shelf life meat products

A	Consumers will increase purchases of take-away
B	Changes in disposable income
C	Changes in population structure
D	Changes in the pace of life
E	Increased health awareness

Source: Business Insights. The Meal Solutions Outlook to 2007. November 2007

Expenditure in the German market for ready meals was estimated at €1.77 billion in 2007 as shown in Figure 7, of which canned and ambient meals represent around 20%. It is considered that the bulk of this product would represent meals containing pork i.e. very few beef products. Total product volumes were equal to around 24,000 tonnes.

**Figure 7 - Germany: Expenditure on Ready Meals 2007**



Source: RTS

Data source RTS states that there are moderate growth prospects for the sector but also indicates that this will relate mostly to the chilled product category as consumers become more comfortable with the concept of chilled, prepared meals. They see stagnant growth for the frozen ready meals categories and also for ambient/ shelf-stable product categories. Canned/tinned lines are certainly set to be phased out in favour of soft-sided pouches and trays according to their data interpretations.

The major obstacles for exports of shelf-stable products to this market include:

- Consumer uncertainty about the product: while they accept the packaging, German tastes are very conservative and they tend to stay with the familiar;

- EU inspection requirements (establishment must be approved to process meat products for the European Union);
- Strong competition from within the EU and other European suppliers of the same product categories;
- Existence of a sophisticated cold chain at all levels of retail and foodservice which may make the product's main selling point superfluous;
- Traditional patterns of German trade which prefer long term trading/business relationships;
- Poor or nil knowledge about Australia as a supply source for this product.

Moreover, the anticipated expansion of the EU over the next decade may give product from the new member states improved access to the EU, an advantage that will not be easily overcome by competing third countries.

It is important to note that labour availability is not a critical issue in the German market or most other EU markets. Currently within the EU there is not the pressure on labour availability that exists in Australia or other developed countries. The entry in the past five years of additional states to the Union has meant there is now a plentiful supply of labour. Availability of labour is rarely identified by European food manufacturers as a challenge, although cost of labour is sometimes identified as a challenge.<sup>2</sup>

**6.2 Import Tariff Situation**

Import tariffs for Germany are those applicable to the rest of the European Union. Ambient products enter the market outside the High Quality Beef and Sheepmeat import quota arrangements. Import duties for beef, sheepmeat and goatmeat products under discussion are as indicated in Figure 8 and are calculated on the landed value of the consignment.

**Figure 8 - HS Tariff Headings – Germany**

	Germany	
	Duty	tariff code
Beef product	16.60%	1602503990
Lamb/mutton product	12.80%	1602907600
Goatmeat product	16.60%	1602907800

By contrast, most beef entering the EU from Australia enters at 20% tariff and there is no tariff on lamb or other sheepmeat. The tariff levels which this product would attract therefore are comparatively high and would put

<sup>2</sup> Business Insights. The Meal Solutions Outlook to 2007. November 2007.

the product on a poor footing compared with ambient product from within the Union or close neighbours with preferential tariff rates.

In strict terms the product has advantages over conventional meat exports because it does not require refrigeration or specialised handling. While this potentially enables a wider number of businesses to handle import and distribution of the product, it would probably be better placed with an importer or experienced wholesaler which has had dealings in servicing niche product lines within supermarket and discount store settings.

### **6.3 Retail Market**

A significant factor in regard to the German market is the question of cuisine as the menus for chilled meals currently in the market are very traditional. As well, pork is the dominant meat sold in this market, with beef being well behind pork and traditional European smallgoods. Traditional flavours, it is estimated, account for at least 50% of the product flavours currently on offer. Ethnic cuisines from Italy, Asian and India (mild) are also gaining acceptance.

It was not possible to obtain images of extended shelf life products in German supermarkets despite best efforts. However at Figure 9 are shown two images of Fleury Michon product identical to the products found in German retail outlets except with French wordings and styles. These packs comprise one-person servings of 300g including beef, chicken, or ham. In German markets, ham and pork products would outnumber the beef products in these lines by three to one. The retail pricepoint in Germany is approximately €4.25-€4.60 per unit.<sup>3</sup>

The product has the advantage of not requiring refrigeration or specialised handling which reduces the freight rate by approximately 57%. While this also potentially enables a wider number of operations to handle the distribution/import of the product, it would probably be better served if placed with a broker or wholesaler who is very experienced in international trade and who has experience in servicing niche product lines within supermarket and discount store settings.

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<sup>3</sup> (the equivalent of \$A7.20 at 20 June 2008)

Figure 9 - Fleury Michon Product, Europe 2008



Germany's retail sector is diverse and highly competitive. There is a wide variety of store types ranging from high-end, high-value stores to discount houses. It is noted that some of the biggest companies have interests in several styles of retail operations. As suggested in Figure 10 the discount stores are major players, commanding around 24% of the estimate total number of stores and handling around 52 % of total sales. But also of interest is the high level of patronage at small, convenient (or traditional, neighbourhood) stores. Whether this is evenly represented through rural and urban areas is not known, however, all sources suggest that there is a strong allegiance to purchasing locally. Prices are higher but consumers are attracted by proximity, long trading hours and the fact that many have a range of ready-to-eat meals (chilled) meals.

Figure 10 - Retail Food and Beverage Trade, Germany

	No. of Stores			Market Share 2005	Sales Value (Billion Euros)			Market Share 2005
	2003	2004	2005		2003	2004	2005	
Hypermarkets	2494	2688	2880	5%	€ 31.90	€ 32.90	€ 33.00	26%
Discount Stores	13750	14214	14610	24%	€ 47.40	€ 49.60	€ 51.80	41%
Supermarket	8790	8620	8770	14%	€ 30.10	€ 29.70	€ 29.30	23%
Traditional shop	39900	37350	35200	57%	€ 14.50	€ 13.80	€ 13.40	11%
	64,934	62,872	61,460	100%	€ 123.90	€ 126.00	€ 127.50	100%

Source: Eurohandel Institute

### 6.3.1 Major Chains & Concentration

Due to the increase in the number of discount stores, it is understood that the leading retailers, including Edeka, Rewe and Spar, have developed their own discount chains and increased the use of private label lines in their conventional stores to reduce their average pricepoints.

**Figure 11 - Major Retail Store Groups, 2006**

Major Ranked Retail Stores, 2006			
Company	Gross Sales (Millions)	Food Sales	% from food
Edeka-Gruppe	€ 35,750	€ 30,898	86%
Metro-Gruppe	€ 31,930	€ 13,097	46%
Rewe-Gruppe	€ 31,209	€ 22,257	72%
Schwarz-Gruppe	€ 22,700	€ 18,410	81%
Aldi-Gruppe	€ 2,300	€ 17,360	81%
Tengelmann-Gruppe	€ 14,262	€ 8,141	59%

**Source: EuroHandel Institute**

The major store groups listed in Figure 11 are German-owned and feature among the largest retailers in Europe. The Wal-Mart group entered the German market in 2001 and, while it made inroads into food sales, it also found many challenges and obstacles. Its interests were sold in 2006 to the Metro group which is ranked second in the country. The major themes with retail customers continue to be “health/well being” and “quality” even over price. Data also suggests that food provenance is now becoming important in the eyes of the consumer, so a product which can offer some degree of traceability is likely to prove popular.

The evolution of the discount store sector in Germany – where individual stores may be comparatively small, not superstores - has been supported by the more straitened economic times of the past five or six years. These conditions may have enabled management to position their holdings as convenient, local, cheap but carrying good quality lines. The Aldi chain, for example, is held up as an example of this trend because German consumers consistently regard its discount products to be as good as branded items found in conventional supermarkets. In these surroundings, where proximity and store hours matter, the shelf-stable product may well find a home.

Information gathered from Eurohandel Institute indicates that other types of convenience outlets such as kiosks, stores located at petrol station sites, etc, were increasing in number early in the 2000s but that this trend has now stalled. Suitability of such a venue is unclear as their primary trade is in beverages, snacks etc. However, the two major wholesaling groups – Lekkerland and Metro – have extremely strong distribution channels through this entire sector, both for food and non-food items, a fact which should not be ignored. Moreover, these groups are used to handling relatively small quantities of specialised products which describes this product well. These wholesalers already acquire many of their lines from specialised agents and importers so the task for an Australian manufacturer of having to “pitch” the merits of stocking an imported product is significantly lessened.

The potential for an e-commerce market at this stage is relatively limited: while e-commerce offers consumers an alternative to the store visit (either through supermarket websites or stand-alone product vendors with good

distribution systems), most of the growth in the German consumers' on-line purchases has been in the non-food categories.

### 6.3.2 Pricepoints

Indications are that comparable products in the marketplace sell between €4.20-€4.80 per unit (typically 300g).

## 6.4 Foodservice Market

Described as highly competitive and quite fragmented, the foodservice sector in Germany generated a turnover of around \$US51 billion in 2006. The gradual improvement in the German economy in the past 18 months has had flow-on effects, it is reported, for the food sector but the foodservice sector also reacts sharply to news about labour issues, unemployment results and credit squeezes by lenders. It reflects changes in the wider demographic setting such as increases in the number of working women, the aging population, increases in the number of foreign-born citizens and other trends.

It is very rare for foodservice operators to import directly as the process is \ complicated. Instead there are two predominant distribution channels in the German market for food service products: cash and carry wholesalers and specialised businesses with their own dedicated cold storage, dry storage facilities and distribution systems within the market. The latter category will often import directly from overseas suppliers (as opposed to using an import agent) in addition to purchasing from domestic processors and importers. Two major regional distributors in this group are Intergast and Service Bund which cover a range of regions, albeit at a lower level of activity than the first or second place-holders.

Major food service wholesalers are shown in Figure 12.

**Figure 12 - Germany's Top Foodservice Providers**

<b>Company</b>	<b>Turnover 2004 (Millions)</b>
GV-Partner	€ 845
Rewe GV-Service	€ 712
Intergast / Gafateam	€ 583
Service-bund	€ 477
Como	€ 421
Edeka-Group	€ 361

Source: DataMonitor

Apart from these major wholesalers, there is also a solid business base in the cash and carry wholesale segment which comprises of stores supplying food products (as well as non-food items) to foodservice



operators including small retailers, restaurants and coffee shops, etc. This could offer a promising distribution avenue for shelf-stable products because it gives strong exposure to the numerous small businesses that conceivably could move this product i.e. strong ongoing demand for specific items, requiring no labour or chef input with known outcome guaranteed. The disadvantage of this approach, however, is that it relies on push-through marketing to identify the product's availability, to urge individual business owners to purchase it, to build confidence in the brand, ensure it will be supplied by the cash-and-carry operator and continue to sustain the interest level.

## **6.5 Market Summary**

It is clear that the German market –at both retail and foodservice levels – is a very attractive one, being a large market with high per capita expenditure on food and beverage, an aging populace looking for convenience and choice and a large number of competitive retailers and distributors to a new entrant plenty of choice. The packaging type is not unknown to the German consumer or foodservice decision-maker and the range of product types currently available out of the Australian pool could be reasonably compatible with local cuisine styles.

The major factors which would support the product in the marketplace relate to the preponderance of graying, single-person households in Germany i.e. convenience, ease of use, range of cuisines, plus the health/food safety assurances flowing from product of Australian origin.

The difficulty in introducing the product into the German market relates to the fact that its major selling point – shelf stability – is possibly superfluous in an advanced and relatively affluent market where refrigeration is commonplace and the ongoing trend is for fresh foods.

## **7 JAPAN**

### **7.1 Market Overview**

This has been a valuable market for the Australian meat industry for the past thirty-five years and the demanding nature of the Japanese market is well-known to Australian exporters. It is the world's largest market for imported consumer food products, with around 60% of caloric intake coming from suppliers outside Japan. The hallmarks of the market have traditionally been quality, convenience and freshness, although more difficult economic times now mean that consumers are also looking for competitive pricing.

#### **7.1.1 Population and Demographics**

Like several other developed economies, Japan's population (127 million) is aging rapidly. The share of elderly people in the working population of Japan is one of the world's highest and this trend will be exacerbated over the next 15 years because the country's fertility rate is very low. By the year 2025, it is estimated the proportion of elderfolk to workers will be 1:2 which will mean considerable stress for families and for the Japanese economy overall. These issues may include increased health costs, a fall in the level of household savings and a deficit in the number of workers available to keep the economy functioning. There has been a strong increase in the number of women in the workforce. Since the Second World War the Japanese population has been characterised by high levels of personal savings, however, this has altered in the period since 1995 and there is far less capital invested now in personal savings. The mass retirement of "baby boomers" in the next decade will certainly have a significant impact on consumption levels in Japan.

#### **7.1.2 GDP and Economic Profile**

Japan's industrial sector relies heavily on imports of raw materials and fuels, with the exception of rice in which it is normally self-sufficient. Growth slowed markedly in the 1990s, averaging just 1.7% GDP, largely because of the after-effects of overinvestment during the preceding two decades. In the period 2002-2007, growth improved and the issues of deflation and economic activity lessened, leading the central bank to raise interest rates to 0.25% in July 2006. Japan's huge government debt, which totals 182% of GDP, and the aging of the population are two major problems. There is continued dialogue on the role of and effects of reform in restructuring the economy, particularly with respect to addressing income disparities.

#### **7.1.3 Food Market**

As indicated earlier, Japan is heavily dependent on food imports across all categories, particularly meat and dairy products. This sector is often one

of the first areas to sustain the fallout from increased taxes, rising interest rates and other difficulties.

Convenience stores and supermarket chains are experiencing a continued decline in same-store sales. Approaches that major convenience store players and medium-sized enterprises are considering to return to growth include developing new locations and formats, such as "fresh convenience stores" (featuring a wide variety of produce and other fresh foods), and combined or co-located stores.

#### 7.1.4 Extended Shelf Life Products

In Japan, retort pouch technology has been widely accepted, and a variety of pouched products, ranging from sukiyaki to soup, is available in this packaging format. Figure 13 and Figure 14 indicate examples of retail packs of noodles in retort pouches and of chazuke in a retort cup/bowl.

**Figure 13 - Retort Meal with Rice and Protein**



Figure 14 – Japan Sterilized Rice (left) and Chazuke (R)



Data at Figure 15 indicates retail sales of shelf-stable meal products in Japan.

Figure 15 - Japan: Retail Sales of shelf-stable Meals, 2007

	MAT ending September 2007 (Oct06 - Sept07)				
	Value (000 Yen)	Value Share (Yen)	Volume (KG)	Volume Share (KG)	Average Price Per Pack
Total Microwave Meal	49,449,393	100.0	224,962,316	100.0	220
Total Sterilized Rice	33,641,010	68.0	129,651,017	57.6	259
Total Set Meal	8,334,039	16.9	38,267,512	17.0	218
Total Risotto	2,267,137	4.6	11,093,352	4.9	204
Total Rice	2,063,525	4.2	9,611,637	4.3	215
Total Chazuke/Rice Gruel	1,092,866	2.2	4,427,385	2.0	247
Total Pasta	1,074,901	2.2	5,320,274	2.4	202
Total Noodle	1,024,985	2.1	4,697,987	2.1	218
Total Curry incl beef/pork)	720,667	1.5	2,621,137	1.2	275
Total Retort Rice Porridge/Gruel	5,256,249	10.6	44,855,754	19.9	117
Total Retort Rice	615,757	1.3	5,130,999	2.3	120
Total Others (soup, baby food )	1,602,337	3.3	7,057,040	3.1	626

Source: AC Nielsen

## 7.2 Import Tariff Situation

The Japanese tariff on value-added imports of the type under discussion is slightly lower than those for standard beef imports. The tariff details are indicated in Figure 15.

**Figure 16 - HS Tariff Headings – Japan**

	JAPAN	
	Duty	tariff code
Beef product	21.30%	1602502101
Lamb/mutton product	21.30%	1602902906
Goatmeat product	21.30%	1602902906

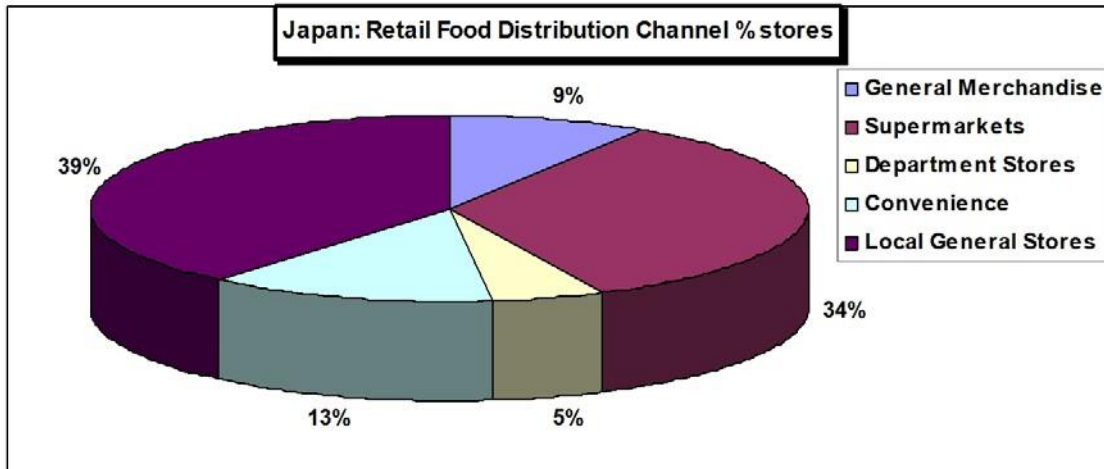
### 7.3 Retail Market

The retail sector in Japan handles around 62% of the food and drink products sold to consumers. It is considered that there are several sectors which could be approached in order to develop markets for ambient products. However there have been some very poor patches of trading in the period since 2003, with total retail food sales falling. The supermarket and convenience store segments have enjoyed continuous growth during this time, but the overall market has been driven down by falling sales at department stores and smaller, local store categories. It is apparent that more consumers are making their food and beverage consumer purchases at larger supermarkets featuring a wider assortment of merchandise at lower prices, and also toward convenience store locations, with their easy - if somewhat more expensive - round-the-clock product availability while shunning the major department stores and the traditional markets.

#### 7.3.1 Major Chains and Concentrations

Japan's food retail market is highly fragmented and continues to retain a very high percentage of general and specialty stores, including "mom-and-pop" stores and independent local grocery stores. Over time, however, these stores are giving way to larger general merchandise stores (GMS), supermarkets (SM), and convenience store (CVS) chains. The GMS, SM and CVS could offer real prospects to sales of ambient product if approached properly. The breakup is detailed in Figure 16 which shows the percentage of total food sales for which each group is currently responsible (2006).

**Figure 17 - Japan: Retail Food Distribution Channels**



The structure of the Japanese retail sector offers several potential areas for development of ambient food sales. Japanese retailers use various strategies to develop new business and to secure existing customer bases. One of the literature searches undertaken for the project noted that convenience stores, for example, are currently developing original product offerings for their mainstay fast food businesses. The 7-Eleven chain for example is combining with suppliers of bento box lunches, side dishes and pickled vegetables to build new take-away offerings for their stores. Reportedly, boxed lunch sales make up about 40% of total sales in this sector.

**Figure 18 - Japan: Largest Supermarket Chains 2006**

Rank	Company Name	Turnover (\$US billion)	No. of Stores
1	Aeon	42	688
2	Ito-Yokado	36	177
3	Daiei	18	254
4	Uny	12	156
5	Seiyu	10	209

Source: RTS Data

**Figure 19 - Japan: Largest Convenience Chains 2006**

Rank	Company Name	Turnover (\$US billion)	No. of Stores
1	Seven-Eleven	24	10826
2	Lawson	13	8077
3	Family Mart	10	11501
4	CircleK	9	3270
5	Mini-Stop	3	1563

**Source: RTS Data**

This is one example of a creative strategy that could work well with the products under consideration, as 7-Eleven (the largest of the CVS chains) has over 10,000 stores throughout Japan (see Figure 19). Together with four other key operators it holds about 90% of the convenience store market. Short lead-time and nationwide distribution are essential in dealing with major CVS operators, it also offers big potential for exporters. Global sourcing, especially for ingredients and raw materials used in fast foods, has become more popular. CVS operators not only work with consumer product manufacturers but also with trading firms and ingredients manufacturers.

### **7.3.2 Home Meal Replacement Sector**

There is good reason to believe that the Home Meal Replacement (HMR) sector which accounted for 8% of food sales to consumers in 2004 may also offer some promise to the cause. HMR represents more than 10 percent of many retailers' total sales and is one of the big arenas for food sales in Japan. The strong growth of HMR has been a characteristic of developments in the Japanese food sector. This category covers prepared foods sold at supermarkets, takeout meals sold at specialty store chain operators, and various readymade foods sold at convenience and department stores. The sector is a driving force in Japan's food and drink market. Demand for cheaper, more convenient and better-tasting food is expected to spur further growth in the HMR sector as the number of working women, single households and elderly, continues to rise.

Although the sector consists mostly of small regional companies, consolidation is increasing. These larger producers are responsible for the supply to major supermarket operators and convenience stores, and are also tenants in department stores. High-volume buyers are still relatively rare; global sourcing and direct transactions with foreign suppliers are also uncommon. In addition, relatively high turnover for menu items often makes companies hesitant about global merchandising. HMRS could be a good focal point for development of markets for ambient products.

## **7.4 Foodservice Market**

The Japanese food service sector accounted for about 38% of consumer food sales in 2004. Food service encompasses four major segments: restaurants; hotels and other accommodation facilities; bars, cafes, and coffee shops; and institutional food service companies serving schools, hospitals, and corporate facilities.

### **7.4.1 Restaurants**

This sub-group offers good export prospects for the sale of ambient packs since they are responsible for nearly half of current food sales in the foodservice sector. The restaurant segment achieved around US\$ 78 billion in sales in 2004, at more than 240,000 outlets. The sector is quite fragmented and most restaurant businesses are small, with roughly 70% outlets run by individuals or families. While overall statistics reflect a

generally weak performance, larger family-style chains and specialized formats continue to show promise.

Several major "family restaurant" chains are increasingly important in the segment and are very active in global sourcing with particular interest in semi-processed or precooked foods like premixed ingredients, specialty sauces and entrees. Japan's fast food segment also fits into this category and they consistently require a stable supply of products at a specific quality to compete effectively in this segment.

#### **7.4.2 Hotels and Travel-Related**

Most hotels are chains from which over 40% of their income, on average, comes from food service. They are mainly oriented toward Western food and frequently have "food fair" promotions featuring different countries' cuisines. Theme parks are also an important part of the sector. Other theme parks around the country also attract thousands of visitors a day.

#### **7.4.3 Institutional Food Markets**

The institutional market comprises cafeterias at factories, offices, hospitals, school cafeterias and welfare facilities. These operations are typically served by contract caterers with whom relationships could be built. While growth has been sporadic in recent years (linked to job losses and consequent closure of canteen facilities) there is expected to be growth in the future driven by an aging population, reforms to the medical insurance program for the elderly, and the launch of a nursing care insurance program.

Information has been received that this is in fact a huge growth area in some parts of Japan and in Shanghai, China. We are aware of one firm that currently supplies 40,000 meals per day in a corporate cafeteria. Companies such as the Compass Group are very active in this market segment. The Compass Group specialises in institutional and concession catering (sporting venues, work canteens, etc). They are a global company and are also involved in military catering and related logistics transport and distribution. Companies are continuing to outsource their catering due to efficiency considerations and this growth may provide a channel for a shelf-stable meat offering.

Television, online, and mobile shopping are all growing at an extremely rapid pace in Japan. Increasingly health-conscious consumers with a variety of purchasing channels available are driving up sales of health foods, and there are reports of organic food sales also increasing, with orders delivered direct from the farm. Total food sales through direct marketing channels reached \$1,579 million (¥189.544 billion) in 2006. Although there is no official estimate of sales statistics for the take-away sector of the foodservice market, a study by the Japan Meal Replacement Association (JMRA) in 2003 estimated that combined sales for prepared dishes at delicatessen specialty shops, department stores, general



supermarkets, food supermarkets and convenience stores totalled \$US58 billion (¥6.97 trillion). As the number of working wives and senior household members increases, the take-out market seems a good prospect for continued robust sales levels.

#### 7.4.4 Pricepoints

Typically a retort pack of rice with some pork garnish and spinach can be bought from the convenience store for ¥400- ¥600 (approximately \$A3.90-\$5.80). These prices are similar to a bento box which comprises of fresh or pre-prepared but not thermo-processed items.

### 7.5 Market Summary

It may be possible to look at a distribution arrangement whereby a global catering company is targeted (possibly an airline catering company). With a German head office and catering in Asia and the Pacific Basin it may be the ideal test market. Lamb items could also be suitable for airline catering than in Japan. In addition, the global airline catering firm has their own test kitchens and meal preparation arrangements as well as in house chefs and access to consultant chefs. Meals could be designed for the shelf-stable format with appropriate ingredients, meat cuts and flavours to suit the range of markets and styles of food presented on a large range of airline routes. Cooperative development of the recipes and meal designs and input of chefs and consultants could provide for more long range planning and setup of purpose built installations in Australia. Such facilities could have lower costs per unit due to larger volumes of finished product and this would assist the purchase of large volumes of raw materials including beef and lamb at cheaper costs per unit of input. Consumables, packaging materials and the like could also be purchased at lower costs per unit. The airline catering distribution and marketing model could then be rolled out for supply to corporate and industrial catering due the proposed plants size and capacity to supply larger volumes at lower unit costs.

#### 7.5.1 Opportunities for Ambient Products

Japan has a large number of local Japanese manufacturers producing food in overpressure retorts. Japan and Taiwan also produce the films, pouches and aluminium foil pouches used in manufacturing shelf-stable products. Taiwan manufactures the pouches used in retort processes throughout the world.

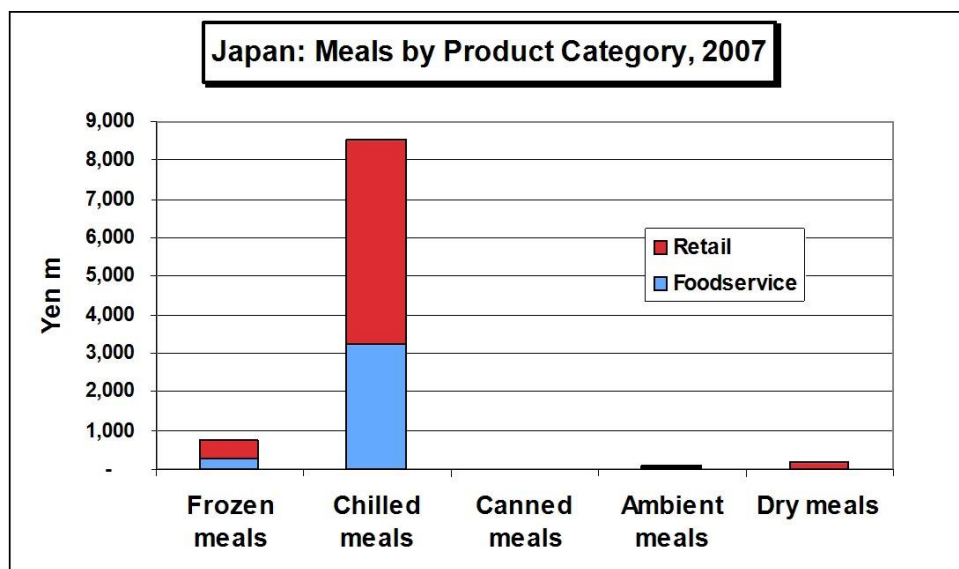
The nature of the Japanese market, with large chains of family restaurants, may be an excellent method of Australian manufacturers accessing the large market. The westernisation of younger Japanese consumers indicates that pubs may be increasing in number and the sourcing of shelf-stable meat products would suit the business. However the key issue with Japan is the development of the correct flavour profile and ingredients to suit Japanese tastes, as well as a relatively attractively designed packaging solution in either aluminium foil or plastic.

The ability to ship the shelf-stable packs as dry cargo in either airfreight or sea freight will reduce the cost of freight and also provide for a more flexible method of shipping smaller quantities to Japan. It is also possible to top up airfreight shipments to Japan if the product is consolidated at airfreight forwarders in Australian airports.

Due to the limited demand for lamb in Japan, it is likely that a range of beef items should be selected. These might include beef ribs both bone in and boneless, e.g. short ribs. (This item would be highly sought after for Korea as well, although recipes and meal design and flavourings could be more highly spiced for Korea.) Other items such as thick skirts and thin skirts could be utilised, as well as items such as beef tails. Serving portions would be smaller than the current UK market and trimming and cutting lines of beef items would need to represent the most popular items consumed by Japanese consumers.

With the long standing food safety concerns in Japan and recent re-entry of USA product, there may be a good opportunity to develop market niches in areas such as catering, quick service Japanese style restaurants, airline catering and large dining halls setup to serve business parks and corporate worker dining room offerings.

**Figure 20 - Japan: Ready Meals by Product Category**



Source: RTS Data

## 8 SOUTH KOREA

### 8.1 Market Overview

Of the four target markets, South Korea was the most difficult for which to provide an assessment of the opportunities and challenges in marketing extended shelf life product. The principal reasons for this were the paucity of English language websites from which to glean data, trends, etc; and

the fact that market statistics are very difficult to access through the conventional market data methods used elsewhere in the report. Neither AC Nielsen, RTSDData or Data Monitor could offer useful data from the retail or foodservice sectors regarding retort packs.

Through advice from the MLA Seoul office, however, it was ascertained that prepared meals in flexible pouch packaging are not only extremely common and popular in the Korean market but also that the category has been popular for some considerable time. In fact a Korean company was responsible for the construction and commissioning of a thermo-processing factory in Ulaan-Batar in neighbouring Mongolia around 12 years ago. This factory, like a dozen in operation in South Korea, is responsible for retorting and distributing several million prepared meals per annum for distribution to retail level and for use in work canteens and other institutional feeders.

**Figure 21 -South Korea: Prepared Meals in Flexible Pouches (MLA)**



These images indicate a wide range of shelf-stable meals available in flexible pouches. The product range includes beef and pork with the inclusion of vegetables and rice or starch in the pack. There are approximately eight different brands available at this supermarket. It is unknown how many emanate from the same manufacturer.

Import figures for South Korea indicate that the current level of imports of this category of product is less than 400 metric tonnes per year. This is mainly sourced from Japan and a small quantity from Mongolia. It is not known if it is for the retail or foodservice market.

## 8.2 Tariff Situation Review

It is apparent from the data presented at Figure 21 that extended shelf life product imported into Korea will face a prohibitive tariff level no matter what the meat content. While conventional chilled and frozen beef enters South Korea at a tariff ranging up to 40% of landed value, value added product of this kind faces a tariff almost double that level and this amounts to what MLA Korea aptly describes as a “showstopper” Nor is there any immediate prospect of the tariff being revised downwards, meaning that any attempt to build up the market must be undertaken in the knowledge that the list price of the product either at retail or when sold into foodservice would have to reflect almost 75% of its landed value. Given the fact there are already many Korean-made products on the market, it is questionable whether this market could be viable.

**Figure 22 - HS Tariff Headings – South Korea**

	SOUTH KOREA		
	Duty	tariff code	standard duty rate
Beef product	72%	1602501000	0%-40%
Lamb/mutton product	30%	1602509000	<12%
Goatmeat product	30%	1602509000	<12%

## 8.3 Retail market

The supply chain into the Korean retail grocery sector are modern with distinct stages. As in other international industries the supermarkets potentially can import directly a high proportion of their stock lines, particularly drygoods such as ambient meals, and source other products conventionally through importers and brokers. In regard to fresh beef requirements, however, the supply chain is quite distinct, and <sup>4</sup>currently no supermarkets import their beef requirements directly.

### 8.3.1 Major Chains & Concentration

The retail scene in South Korea has changed markedly in the past ten years and a key feature has been the development of hypermarkets which appear to have become the single largest retail force in the country. The highly urban nature of the Korean economy probably contributes to this (about 50% of the population lives in the country’s three main provinces, which form one enormous megalopolis). Constant consumer demand for more product choices drives retailers to expand their stores and make each successive establishment larger and inclusive of more product categories.

<sup>4</sup> MLA Korea office, March 2008.

Online retailing is also growing in popularity with some estimates indicating that it accounts for 10% of retail sales (food and non-food). Contributing factors have been demands for convenience, wider choice of products and the pre-disposition of the populace to technology-linked consumer behaviour. This trend is expected to continue to grow in the next five years.

Like Japan, South Korea is heavily dependent on food imports with between 60%-70% of total food on a caloric basis imported from other sources. It has an aging population with an increasing interest in healthful living and a strong interest in healthy diets. Another important characteristic of the Korean market is the strong belief in the value of healthy foods and increasingly of functional foods that target specific health concerns.

Unless a potential end user such as a chain store, distributor or foodservice operator is known in advance, the entry of even small quantities of shelf stable meals will be fraught with difficulty. The Korean beef market has been severely disrupted throughout 2007 due to excessive purchasing and position taking by importers and agents and then over-stock situations with sudden decisions to cease buying as well as contracts for purchases being abruptly cancelled. Even though USA beef imports in 2007-08 have been insignificant if not non-existent, the market is still prone to unforeseen collapses which can potentially unravel back to Australian suppliers.

### **8.3.2 Potential Entry Strategy**

It may be possible to target a Korean/Australian firm with an existing wine import business, restaurant connections and airport concession experience. The firm in question has restaurants on the Gold Coast and may be in a position to look at taking samples to Korea for distribution to pubs, family restaurants and similar foodservice outlets. As the shelf stable product is not perishable and requires only drygoods storage, the business may be able to integrate the shelf stable offerings with their existing wine import business. The company management is aware of the pitfalls of market entry into Korea.

Probably the most significant aspects of the Korean market entry strategy is to review product packaging in Korean language, review flavours and spices required etc. Koreans are major beef consumers and tend to favour highly spiced and oily flavours with liberal quantities of chilli, as well as sweet ingredients such as sugar and honey for example, Korean bulgogi (ribs). It would be essential for any new products being developed for export to Korea to have input by experts in Korean cooking and restaurant trends. There are many ex-patriate Koreans resident in Australia, of which a tasting panel could be formed for product research and testing.

The key requirement for entry into the Korean market is an end user partner and an experienced meat import agent. Korea is a "minefield" in terms of import regulations, import clearances and assuring payment on time.

### 8.3.3 Pricepoints

Indications from MLA are that per unit pricing for ambient meals are in the order of KW1280-KW1520 (each unit is approximately 200g).

## 8.4 Foodservice Market

Probably the most significant aspects of the Korean market entry strategy are to review product packaging in Korean language and to review flavours and spices required. Koreans are big beef consumers and tend to favour highly spiced and oily flavours with liberal quantities of chilli as well as sweet ingredients such as sugar and honey. e.g. Korean bulgogi (ribs). It would be essential for any new products developed for export to Korea to have input by experts in Korean cooking and restaurant trends. Many expatriate Koreans live in Australia, so it should be relatively easy to establish a taste panel for product research and testing.

After cost of raw materials, labour costs represent a large proportion of production costs for manufactured food items. There are also more labour add-on costs existing in the Korean market. Recent trends have seen the number of small-scale, family-owned businesses declining to some extent. Their geographical coverage is being absorbed by large-scale restaurants, particularly those under franchise operations and using broad-line distributors. These distributors inevitably have links with importing groups and agencies from which they source many of their raw ingredients. These chains are also likely to have more scope to explore new product ranges and to offer some higher volume prospects than the single-store presence they have replaced.

### 8.4.1 Composition of Foodservice Suppliers

There are approximately 550 companies active in producing frozen & chilled meals for the consumer market. The breakup of these companies into product types was not available, however, the perishable foods chain is well-developed with appropriate pack sizes and packaging styles relevant to the full gamut of foodservice establishments. Figure 23 provides details about the largest companies. It is commonplace for large companies to provide the midday meal to their workers. On any one day, this could easily represent up to 100,000 meals.

**Figure 23 - Korea: Major Institutional Food Service Companies, 2006**

Name of Company	Annual Sales	No. of Outlets	Change in 2005	No. of Meals Serving Daily
Our Home	\$604 million	580	-20	690,000
Samsung Everland	\$569 million	500	+20	600,000
CJ Food System	\$646 million	580	-15	500,000
G-Net (Hyundai)	\$281 million	320	-60	300,000
Shinsegae Food System	\$249 million	400	+80	300,000
Arakor	\$104 million	360	+40	250,000
ECMD	\$107 million	300	+20	200,000
Foodist	\$98 million	218	+15	180,000

Source: Korea Food Distribution Yearbook 2006

## 9 UNITED STATES OF AMERICA

### 9.1 Market Overview

The sheer size of the US market recommends it for consideration. It has a consumer base of approximately 300 million, strong projected growth rates among key ethnic groups and an ongoing demand for new products, tastes and experiences. It is the world's largest economy with a GDP of US\$11 trillion and Australia's most important economic partner (DFAT 2007). It is also the largest importing economy in the world and US consumers have a relatively high measure of consumer purchasing power (around \$US36,400 per capita pa). A high proportion – around 15 percent – of inhabitants were born outside the US which means that tastes and cuisines are very much open to change. The median age of the population is 36 years (considerably younger than that of Germany, Japan or South Korea) and its current population growth rate is almost one per cent, a rare thing in a developed world economy.

The US is expected to become a net importer of food by the year 2015. However, US-produced food is still currently dominant in most categories. The US has been Australia's single largest market for beef and veal exports for most of the past 40 years, importing manufacturing beef and selected frozen primals for the further processing sector. More recently, chilled beef exports also emerged as an important part of the US market with annual shipment levels exceeding 20,000 metric tonnes in 2007. Shipping and commercial networks with the US market are very well-established; product labelling requirements are well understood by Australian industry; the bulk of our abattoirs and boning rooms are US-approved; in short there is a base relationship which recommends the US as a market for further processed products.

US consumers are ethnically diverse, with significant growth rates among the Hispanic and Muslim populations expected for the next 15-20 years. Many market commentators detect food and demand trends first in the US that later filter through to other markets, including Australia, in the following period. The longer-term trends, such as fewer meals being prepared and eaten at home; food purchases coming from a wide range of establishments (convenience stores, take- aways) and "eating on the go" are very pronounced in this market. There is a strong reliance on the use of microwave ovens in food preparation at home and also much less time being spent on meal planning and preparation than in other markets, owing to the growing time, travel and commitment pressures that families live under. The number of single-person and shared/unrelated households in the US is increasing and is expected to approach almost 52% by the year 2025. Retail food sales are dominated by supermarkets and account for around 50% of the total US food dollar. Some observers note an emerging specialty and health food retail sector which may be of benefit to this product's introduction.

US food buyers and consumers are constantly searching for new products. Product features must provide value for money, address a health or other need, and be attractively packaged, innovative and easy to use. It is not surprising that there is ongoing demand in the marketplace for new product offerings, styles and packaging modes that complement and support the very busy lifestyles of the average US consumer.

#### **9.1.1 Demographics**

The main points regarding the US market as identified by the US Government Population Reference Bureau are as follows:

- ◆ The population is growing for many reasons including better health care, higher immigration levels and increased fertility levels. It is expected to reach 325 million by 2035.
- ◆ The population is aging: there is an increased proportion of persons aged 65 years and older. Projections are that by 2040 more than 20% of Americans will be over 65 (currently 12% of the population is over 65).
- ◆ The population is becoming more racially and ethnically diverse, due to the effects of decades of immigration. The number of whites in the US is expected to fall from 80% of the total populace to 72% by 2040. The Hispanic population is projected to increase as a percentage of the total US population from 12.6% (2005 levels) to 24.4% by 2050.

One of the possible consequences of these demographic changes is that the Social Security system will be badly weakened by larger numbers of aged people drawing benefits from the system and by decreased numbers in the labour force funding the system with their contributions.



**9.2 Tariff Situation Review**

Access for Australian product has improved under the terms of the Free Trade Agreement concluded in 2004. In the past, frozen beef and veal exports were subject to a set of complex access and quota arrangements, however, these arrangements have largely been removed and Australian product now enters the US free of tariff as indicated in Figure 24, with the exception of out-of-quota products which attract more favourable tariffs than those applied to imports from competing nations.

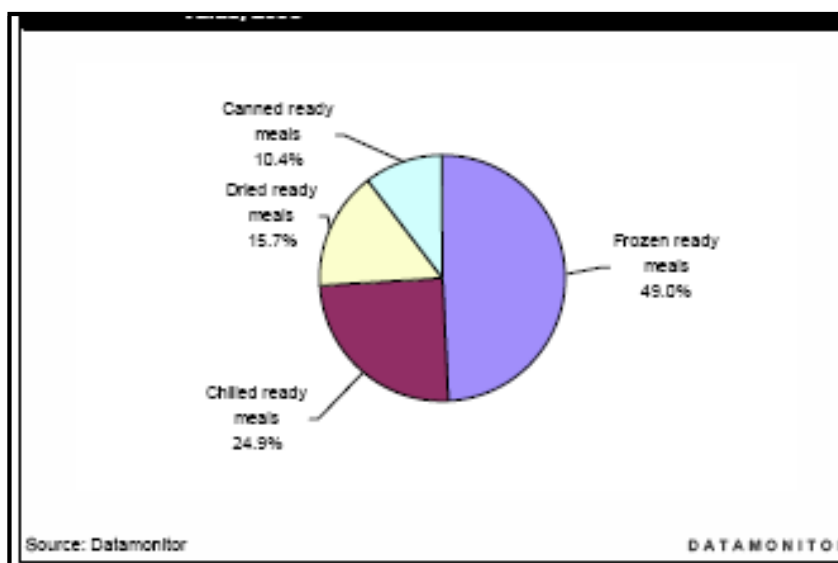
**Figure 24 - HS Tariff Headings - USA**

	USA		
	Duty	tariff code	standard
Beef product	Free	16025090	0.00
Lamb/mutton product	Free	16029090	0.00
Goatmeat product	Free	16029090	0.00

Value added products of the type under discussion have preferential access to the market under the FTA, while competitors including New Zealand face tariff rates of up to 12% for some product categories.

Datamonitor estimates the ready meals market generated total revenues of \$US13.5 billion in 2006 with a compound annual growth rate of just under one percent over the previous four years. It is estimated that frozen ready meal sales represented 50%, chilled products' share was 25% and the balance comprised dried, canned and flexible pouch products. This is indicated in Figure 25.

**Figure 25 - USA: Ready Meals Market Segmentation % Share 2006**



The major companies active in the category are ConAgra Foods and Nestle (each with a market share of around 16%) and Heinz with around 10%. Approximately 18 other players make up the balance of the market.

### 9.3 Retail Market

#### 9.3.1 Major Chains & Concentration

It is estimated there are over 42,000 supermarkets in the US, excluding small independently-owned stores. The major chains are indicated in Figure 26.

**Figure 26 - USA: Major Retail Food Chains 2007**

	CHAIN	No. STORES	TURNOVER \$US 2006-07
1	Wal-Mart (including Sam's Clubs – total food and non-food, food estimated to comprise 51% of total sales)	3085	239.5 b
2	Kroger Co	4296	59.9 b
3	Costco Wholesale Corp	433	51.9 b
4	Albertsons	2674	41.3
5	Safeway	1802	38.6

Another important trend is the continued growth of hypermarkets and super-sized supermarket stores in the style of Wal-Mart. These are more prevalent in rural and semi-rural areas rather than densely-populated inner city areas where smaller, specialty retailers tend to predominate.

Because of the large number of smaller retailers also present in the US market- regional and even city-specific retailers - there is plenty of scope for Australian companies to establish and maintain a supply relationship without fear of falling foul of a monolithic supermarket chain. This is particularly so given the growth in special interest food categories which can be detected in the frozen foods sector e.g. the diet component of the ready meal lines and gluten-free meals. This is tipped to become a big market which will require particular effort in servicing e.g. Bristol Farms of Wegman in California and selected specialty chains in New York. Any of these could represent an opportunity to take a share of a modest portion of high value turnover. While it may address a niche market, it will still represent a very big market because of the size of the US market overall.

Convenience markets are another significant channel which should be explored – there are approximately 130,000 of these. Desk research suggests the product category tends to be dominated by ready-to-eat and heat-and-eat food products. There is a buyers' association which caters to this very large group of stores.

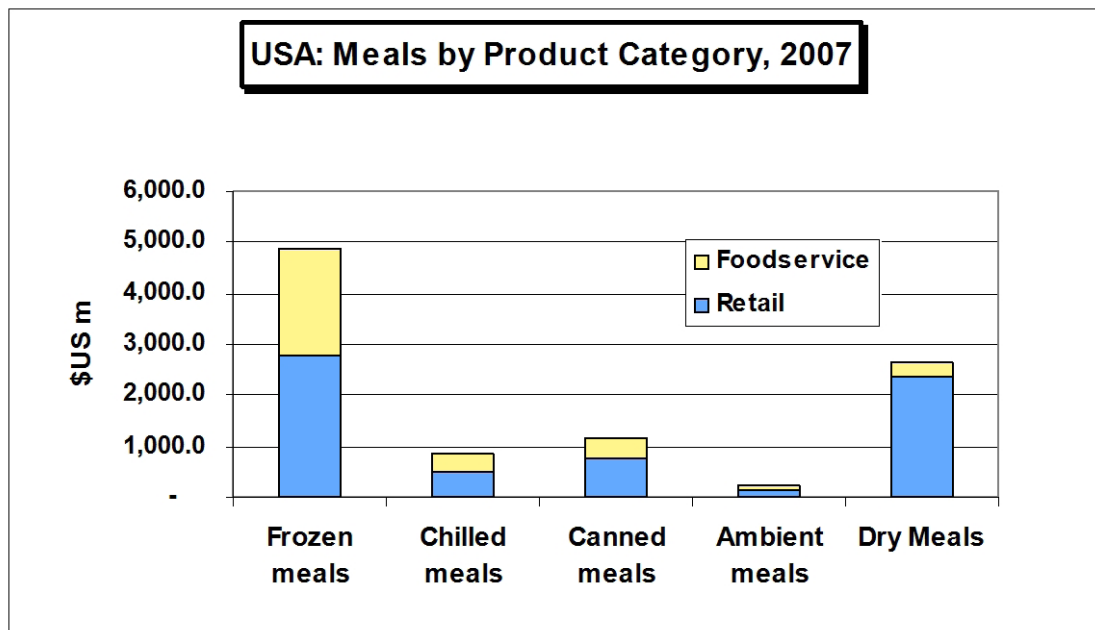
These specialty stores should not be overlooked as they comprise retail operations that emphasise gourmet, quality, health and natural food lines. Whole Foods Market is the obvious example, now operating over 170 stores with the largest store situated in Manhattan. Another current trend which manufacturers here need to be aware of is that of "food that stands for something" e.g. animal welfare, environmental sustainability, health and wellness.

**9.3.1 Identification of Comparable Products**

One example of shelf-stable product already in the market is the Jack Link "Fully Cooked Ground Beef" which comprises of 250 g of 90CL ground beef in a laminated pouch which is guaranteed to keep for 18 months. The package is fully drained prior to sealing and is available in three cuisines styles (Mexican, Seasoned and Italian). This seems to fit relatively well with the high use of ground beef in the US market (over 65% of beef consumed in the US is in ground form). In 2007, both Smithfield and Esskay introduced chipped beef in retort packs without any sauces or accompaniment, simply as a prepared ingredient for further use in meal preparation at home.

Data on the sales levels of comparable product is presented at Figure 27 and Figure 28. The sales level for ambient product is rather lower than anticipated, particularly if one takes into account the very large number of MRE (meals- ready-to-eat) which are currently being produced for US armed forces. It was not possible to reconcile this anomaly with either AC Nielsen or Datamonitor so it is assumed that the data is exclusive of sales to the military.

**Figure 27 - USA: Ready Meals Sales by Category, 2007**



Source: AC Nielsen

## International market potential for extended shelf life meat products

At retail level, the leading brands for retort meals are Stouffers and Hormel Compleats. We were not able to discover brand ownership within the product category. Figure 28 shows the sales data by cuisine style (chilli, casserole, stew, etc). Note that the charts do not include data from Wal-Mart as the company does not supply sales data to third parties. Wal-Mart data could be assumed to represent a high percentage of total sales.

**Figure 28 - USA: Retail Sales of shelf-stable Meals, 2007**

	Total Equivalent Units 16 ounces ('000 units)		Sales Dollars		Avg Retail Price Per Equiv Unit - 16 oz ('000 units)		% Change-Sales Units	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
CHILI-SHELF STABLE	221,485	208,961	340,727	330,721	1.54	1.58	n/a	-0.06
DISHES - SHELF STABLE	86,888	89,677	242,123	275,779	2.79	3.08	n/a	0.10
STEW - BEEF - SHELF STABLE	46,468	37,508	74,428	67,322	1.60	1.79	n/a	-0.16
CHICKEN - SHELF STABLE	183	159	370	290	2.02	1.82	n/a	-0.11

Retail sales figures based on Food stores, drug stores+ Mass Merchandisers but excluding Wal-Mart.

Source: AC Nielsen

The constraining factor in terms of the US market is the size of the competition i.e. ConAgra and Nestle are both extremely large companies that dominate commodity purchases on a global and regional scale. They are also significant suppliers of other items into the retail sector which gives them an advantageous position when dealing with retailers.

The predominance of these companies makes it difficult for new entrants hoping to present the market with a new and distinct product (e.g. low-fat items, organic-certified product). The larger companies already playing in the market are generally able to respond by offering a similar product in a short time. The volumes the larger players are currently dealing with undoubtedly give them a competitive edge in terms of amortising fixed costs. Incumbent companies may also have an advantage over newcomers in convincing retailers to make shelf space available.

The ready-to-eat trend is exceptionally strong in the USA in almost all levels of retail markets. At base it is fed by time-poor consumers with high to very high disposable incomes and is underpinned by significant changes in demographics of the nation's households.

It is also interesting to note from the market literature the relatively high demand for organic product and the lack of availability for this product during much of the year. While it is a niche market, it is a large niche market which will likely grow with time if consumers become more concerned about food origins.

### 9.3.1 Pricepoints

Retail prices for shelf-stable or ambient meals are currently in the order of US\$2.95-US\$3.65 per unit. This relates to a shallow-lip tray featuring beef, pork or chicken, including vegetables and a starch product in a stock-based sauce. Standard packs are equivalent to 320g.

## 9.4 Foodservice Market

The foodservice sector is also worthy of consideration because of the size of the economy and the relentless trend towards more meals being consumed away from home. There is also a growing range of health-oriented and ethnic restaurants at several price-points. Concerns about key health issues, including obesity, is making some consumers more particular about choosing where to dine away from home.

Chain restaurants, including quick serve restaurants (QSR's), dominate the food service sector and chains are particularly prominent in the middle range, casual dining category. The USDA expects this sector of the market to have the most potential for growth as opposed to the QSR sector which is expected to only grow at a moderate level over the next decade.

The key to the foodservice sector is linking with a distributor which can offer access to several points in the foodservice market including healthcare and hospitals; accommodation; casual dining; institutional feeders and small diners. This improves the chances for the manufacturer at this end of developing a strong market for the product.

Other potential areas of product differentiation include country of origin, branding, ethnicity, religious certification, environmental certification, substantiated health and wellness claims, nutrition e.g. gluten-free, and animal welfare.

It is necessary in the US market to make contact with large scale distributors of meat including beef and lamb into specialised markets. The lamb import business in USA and Canada is very well established with long term experienced importers serving major market segments such as Los Angeles, San Francisco and San Diego. Lamb imports are mainly air freight but frozen and some vacuum packed chilled lamb is imported via sea freight. The importers are very familiar with major Australian lamb packers and their offerings. Similar import arrangements are well established on the USA East Coast in regions such as Florida and Chicago.

While acknowledging the importance of these importers in the overall market, new distributors may be necessary to ensure sufficient promotion and market development can be carried out for shelf-stable products. Austrade has a significant number of regional offices across the USA. It may therefore be advantageous to prepare a description of the products available as well as various packaging options for distribution to the Austrade offices. They may be better able to reach key decision makers

who distribute food products other than meat; thus securing genuinely new outlets and distribution systems. It could be the case that current lamb importers are neither set-up (or possibly not interested) in shelf-stable offerings.

Targeted outlets could include industrial catering, pub and hotel chains, airline catering, institutions, hospitals and cafeterias which require a product that is simple to prepare and simple to store. A typical meal would be a room service meal where the contents of the shelf-stable meat pouch are placed in a bowl in a microwave and heated. Side vegetables are added and the meal can then be provided on a 24 hour room service menu at a relatively high margin. Key benefits of pursuing this market channel are:

- ◆ Raw material is not displayed or presented to consumer.
- ◆ Product is shelf-stable and can be stored in kitchens indefinitely.
- ◆ Consistent portions are inherent to the product and only heating of item required, meaning less-trained staff and kitchen hands can prepare the meal

Provided a suitable importer and customs clearance agent can be found, there is potential to supply a large, established distributor focused on the gaming and accommodation market in Las Vegas. This company is not currently supplying meat, but other items, and has pre-established catering contracts. With relevant support and encouragement, the market could be established on an assured basis with volumes and pricing put together in advance of plant establishment. This would ensure new market growth (not cannibalized from existing chilled or frozen product categories) is established, with volumes sufficient to justify the investment of capital for plant setup. An importer is required to clear the shipments through the US Customs entry point. The importer may also handle customs clearance and delivery scheduling or a specialist customs agent could be used.

The following checklist could be used in developing the US foodservice market:

1. Selection of importer and customs clearing agent.
2. Preparation of brief overview of shelf-stable product.
3. Selection of most appropriate packaging design and outer carton design.
4. Review of possible carton sizes and labelling.
5. Review of US Customs provisions for shelf-stable products (beef and lamb) for appropriate duties and clearance requirements.
6. Notification and review of possible Austrade contacts and regions.
7. Preparation and outline of business model and financial model.
8. Selection of pilot plant for preparation of samples. Subject to AQIS, samples may be prepared in a non-USA establishment provided the sample is less than 10 kilograms and provided it has No Commercial Value.

9. Selection and review of possible beef and lamb cuts and trim specifications. Use AUS-MEAT to review these if required.
10. Selection and discussion with freight forwarder and insurance agent for cover of marine/airfreight risk and other insurance as required. USA sales are traditionally made on CIF basis (cost, insurance and freight).
11. Prepare export costings and pricing model.
12. Review possible point of sale literature available from MLA in Australia and US on food safety, labelling and other standards to support approaches by distributor to chain hotels, foodservice distributors and brokers.
13. Develop matrix of most likely regions and sub-markets, for example, New York/Manhattan market compared to New York regional area. Identify catering companies or events that may seek to stock a shelf-stable product. Consider sporting venues such as horse racing clubs, tennis, football and baseball market segments and suppliers. Select a test market for review with importer selected.

## 9.5 Market Summary

By virtue of the size of the market, the US presents distinct prospects for shelf-stable product. The demographic and social changes in the US market suggest that, properly positioned, a shelf-stable offering from Australia could be successful, not just for beef but also for lamb and goatmeat due to the diverse ethnic population.

The foodservice and retail areas both offer potential. The key to success would seem to be in selecting an appropriate market facilitator with sufficient contacts in food and non-food channels to make some positive inroads on behalf of the Australian manufacturer. Another option may be to devise a market entry strategy through a consolidator<sup>5</sup> such as BEMCO.

Typically, the consolidating firm has connections and existing business in supermarkets and distributors in countries which have been identified by Austrade as having potential for growth and development. It uses its connections in the markets and locally-engaged staff to approach supermarket chains and other food distributors to run promotions. They then seek to work with the consolidator to use their skills, contacts and experience to put together a full range of food and beverage product offerings. This can range from small volumes to import and place on display with a cooperating retailer to running a "Taste of Australia" type promotion. Costs of freight are kept lower by shipping larger volumes of a range of products that may complement each other, e.g. ambient products, wine, groceries such as olives, chocolates, desserts, jams, biscuits, all under an Australian theme promotion. Such methods of market development are tried and tested in many markets. Austrade and

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<sup>5</sup> A consolidator is a specialised company that is experienced in arranging airfreight or sea freight consignments in small volumes from multiple suppliers. They negotiate all logistics arrangement including appropriate freight rate discounts and arrange for suppliers to ship directly to consolidation point, using an airport freight forwarder.

## **International market potential for extended shelf life meat products**

the consolidator handle all relevant shipping documents and import clearance, thus saving a new exporter the ordeal of clearing small volumes of product in strict markets with complex import clearance regimes. This could be an alternative method of developing new export markets with initial small and test volumes.



## 10 Conclusions and Recommendations

The retort technology on which the shelf-stable product capability is based is well-known by consumers in all four of the target markets, particularly in Japan and South Korea. There is already a profusion of food and beverage products on the market in these countries in this form.

Aside from cost issues, possibly the biggest challenge facing the product is the entrenched presence of chilled and frozen products alongside the retort packs. These competing products may better address some consumers' underlying perception that "fresh is best."

It is considered that all four target markets offer significant challenges to market entry. While Japan and South Korea are important markets for Australian beef, the distribution systems and marketing arrangements relevant to shelf-stable product will require closer investigation prior to supply. The US is probably slightly easier to manage, but it, too, is a crowded market with many US-based providers of similar beef product offerings and well-established fast food and chain store buying arrangements.

The following recommendations are made:

1. Substitute 'ambient' for shelf-stable in describing the product. This moves away from comparison with canned products and also serves to deflect consumer concerns about the process the product may have undergone in order to become "stable."
2. Recognise that the thermo-processing operation is sophisticated, labour intensive and comes with high start-up costs. It is not suited to most companies currently in the processing and value-adding sector here in Australia because it is not compatible with the flexible product specifications, delivery methods and reliance on the cold chain that currently characterise their business operations.
3. For the few companies currently active in this area in the Australian industry, the greatest challenges continue to be market intelligence and controlling operating costs, particularly packaging costs. Independent assistance in these two areas will likely be welcomed by these players more than encouraging other players to enter the market at this stage.

To assist the relatively small number of processors which may be able to participate in this product initiative, it is recommended that their views be sought about providing the following support:

1. Competitor watch: for specific markets, engage an appropriate local market-watcher to identify the existing suppliers; product range; distribution avenues; pricepoints; pack sizes; cuisine

styles; store placement (dry/chilled etc.) to more fully inform their possible market entry.

2. Tariff expertise: Assist the companies in sourcing expertise to locate a better tariff rate where available. Of the four target markets investigated, two tariff codes (those for EU and Japan) are relatively complex but may offer improved access for specific product categories (health food) upon further investigation. This is a specialised area and one which may yield more favourable trading conditions particularly in respect of product size (sliced, diced, comminuted, etc) and individual unit size.
3. Packaging information: Manufacturers are well-served by packaging companies and are quick to signal if their needs or budget are not being met. However, packaging trends are not always so well covered. There may be benefit in sourcing information for this group from international markets with the objective of assisting their products to be among the best in the market.

If it is determined that the number of companies taking up this technology needs to increase, the following steps are recommended:

1. Target companies with existing capacity in terms of time-in-market experience, management expertise and reputation
2. Consider targeting those value adders which have international ownership connections, dedicated supplier/buyer operations and experience in consumer branded products. There are a number of these in the market research conducted for MLA in recent years. Most of these companies also are experienced with the type of rigorous record-keeping which is inherent in a thermo-processing system.
3. Consider fostering a relationship between the manufacturer(s) and an experienced export broker. This will likely yield real benefits in terms of access to the market, the best distribution system, access to supermarkets and foodservice customers and will assist manufacturers at this end by smoothing out the costs of financing the shipment and distribution of these products.
4. Start to consider the issue of "food miles" which may arise in the course of promoting this style of product. As highlighted in the report section on Germany, European consumers are inquisitive as to the origin and carbon impact of food imports. It may be of use to start to investigate the ramifications of these issues for the Australian meat industry (both frozen and value-added),

It is also concluded that there are several other potential markets for this product category which warrant further investigation and which might yield positive results. They are India, Indonesia and Spain.

India was identified in the initial project proposal in 2007 as a country with enormous promise due to:

## International market potential for extended shelf life meat products

- Rapid population increase
- Rapid increase in disposable income
- Strong aspirational drivers among the newly-rich for new products and modern food trends
- Pre-disposition towards consumption of sheepmeat
- Projected growth of foodservice sector as middle class expands.

Indonesia is also seen as a market with promise for this product. There is currently a small quantity of shelf-stable product entering Australia from this market (under 100 tonnes/annum) but this is not forecast to increase. The Indonesian market is attractive for the following reasons:

- Strong population growth rate (almost 1.3%)
- Huge market – population of 240 million
- Pre-disposed to Australian food products including meat
- Growing middle class
- Credible Halal certification system

Spain (and, to a lesser extent, Portugal) is the third growth market identified in the course of this project. It has been a member of the EU since 1986, but unlike Germany has several positive factors in its favour:

- Its economy is now developing strongly and is among the best performing economies in the Union, along with those of Ireland and Portugal.
- It has a fast -developing tourism industry and is extremely popular with the well-heeled European and US travel fraternity.
- The populace is pre-disposed towards consumption of sheepmeat.
- Cuisine styles in this region are sympathetic to the slow cook method at the base of thermo-processing and the limited range of recipe flavours currently in use in Australia would suit this cuisine.
- It appears to have a completely undeveloped ready meals market.

In sum, it is recommended that these three markets be considered as possible alternatives to the four markets reviewed in the report and,

## **International market potential for extended shelf life meat products**

should any further dialogue take place with Australian manufacturers, they be advised of the potential opportunities offered therein.

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## International market potential for extended shelf life meat products

Specific websites:

[www.enjoyomeal.com.au](http://www.enjoyomeal.com.au)

[www.foodprocessing.com](http://www.foodprocessing.com)

[www.mtrfoods.com](http://www.mtrfoods.com)

[www.packmasters.com.au](http://www.packmasters.com.au)

[www.meals.com](http://www.meals.com) (Nestle website)

[www.stouffers.com](http://www.stouffers.com)