International Market Briefings

Global Markets Update

China:

- **COVID-19 update** – The situation is largely under control throughout the country, with daily new cases in single or low double digits and the majority of new cases from incoming visitors. Vaccinations are being quickly rolled out to all communities. There are very few restrictions on domestic travelling. All sectors are recovering from the pandemic to different degrees.
- **Market access** – There is still no sign of relisting suspended plants in the foreseeable future, with no improvement to the geo-political relationship. Extensive quarantine and sanitation measures have been implemented at the ports, adding additional costs and time clearance processes and further limiting importer abilities to meet growing demand in China amid contracted supply from Australia. Demand for beef from Chinese importers remains firm, with prices stable. On the other hand, several operators expressed concern about the situation in Hong Kong. An agent indicated that for at least three months the grey channel has been at half speed, with low volumes of business compared to usual. As for sheepmeat, over-demand continues and deals from Uruguay include lamb carcases of 9–24 kg at US$5,600 CFR. According to one trader, values in other destinations such as the Middle East are 15% below China.
- **Competitor analysis** – Brazil exported 56,411 tonnes shipped weight (swt) of fresh beef to China in February, the smallest volume since March last year. In any case, the start of 2021 came with much more robust sales to China. For the first two months of the year, Brazil exported 118,312 tonnes of beef, an increase of 30% compared to 2020. Meanwhile, the average export value in China was US$4,641/tonne, with a marked stability in the last four months but 19% below a year ago. The two major supplying regions of beef to China – Mercosur and Oceania – are estimated to have shipped about 140,000 tonnes to the market in February, slightly above the previous month, but about 60,000 tonnes below the peak of shipments last November. From Mercosur, shipments are estimated at around 110,000 tonnes (data from Argentina is not yet available), with a monthly decrease of 5,000 tonnes. . New Zealand sales increased by 6,000 tonnes to reach 19,355 tonnes, as did those from Australia by roughly 2,500 tonnes to reach 11,676 tonnes.
- **MLA activity** – We recently held the Meat Australia China Awards event, featuring traders, restaurants, and retailers, as well as individual ambassadors that exhibit best practice in promoting Australian meat. We also delivered the first Compliance and Regulatory Seminar for importers in Shanghai, addressing common legal and regulatory issues in the importation process. A second seminar is scheduled on 27 April in Beijing. MLA will also participate in SIAL this year, after a break in 2020, starting May 18 in Shanghai.

Korea:

- **COVID-19 update** – Throughout April, COVID-19 cases have remained high, however, the government has maintained level 2 social distancing restrictions for the Seoul Metropolitan Region and some cities. There are limited restrictions on retail and foodservice outlets, with these remaining open until 10pm.
- **Market access** – Shipping docking delays are still one of the main issues for trade, with limited shelf life for chilled beef and shortened supply for retail and the e-commerce market. Enhanced inspection of imported edible intestines came into effect as of 1 January 2021 in response to growing concerns of foreign matter. After three months of inspections, there has been a reinvigoration of interest for edible intestines, with product passing the enhanced inspection process.
- **Sector analysis** – Retailers are promoting US beef and Hanwoo, with sales up to 50% and 30%, respectively.. Foodservice is recovering, but still limiting people shopping at night. Recovery has reached around 80% of pre-COVID-19 levels. Major retailer E-mart have started a price compensation campaign if their prices are higher than competitor retailers, including for e-commerce market Coupang.
- **Competitor analysis –** US beef prices have been increasing recently, but their contracted products are still being imported at a higher quantity. From April, US tenderloin has been imported in a similar quantity to Australia's. Australian product is growing in sales through developed markets, such as retail and e-commerce.
- **MLA activity** – From 19 April for six weeks, we are having a Kuk Cook Digital campaign that includes six major e-commerce channels (Coupang, SSG, Market Kurly, GS online, Lotte Online Mall, and HomePlus online mall) working on promoting True Aussie. Those e-commerce channels now hold more than 20–25% of imported Australian chilled beef. From 12 April, E-mart traders are holding a three-week Hojuchungjungwoo (TAB) Thanking festival, with the key products for the festival being 100-day grainfed Wagyu and marinated beef (thin, thick skirt, bulgogi).

South-East Asia:

- **COVID-19 update –** Several countries and territories in South-East Asia (SEA) have continued to report COVID-19 transmissions in recent months. Recovery in individual countries will remain weak and incomplete if the domestic spread of the virus is not controlled. For instance, the latest International Monetary Fund forecasts suggest that income per capita in the ASEAN-5 economies (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) will still be 6% lower in 2024 than the level that was expected before the pandemic struck.
- **Market access –** Global trade has held up surprisingly well, as SEA is a heavily trade-driven region. Market access to beef and lamb have been stable, however, there have been some technical trade issues with halal labelling changes in Malaysia and issues travelling for halal audits and approvals. On 6 April 2021, 60 importers, wholesalers and retailers from Malaysia participated in the MLA Virtual Trade Forum in response to importers' feedback and queries on the new labelling requirement. MLA is working with the Australian Government to ensure they have the appropriate information to inform Malaysian Department of Veterinary Services regarding Australia's inability to comply with 'imported by' label requirements.
- **Sector analysis –** SEA tourism and foodservice sectors have been heavily affected by the COVID-19 outbreak. With uncertainty around COVID-19 still high, domestic consumption is expected to be the key for SEA to overcome ongoing challenges until international travel resumes. A local customer-centric approach within foodservice and retail is essential to growing Australian beef and lamb in SEA as COVID-19 continues to unfold globally. Despite the pandemic, Singapore, Indonesia, Vietnam, and others are seeing an increase in the number of gourmet grocer outlets across major cities that target emerging affluent local and expatriate consumers. This trend creates further opportunities to grow premium beef products.
- **Competitor analysis –** SEA is also seeing a robust increase in the presence of US beef. US beef imports have grown at 25% a year on average over the past three years. Strong growth is occurring across all US export markets in SEA. The US is spending more on marketing and promotion and becoming a strong competitor to watch in the market.

- **MLA activity –** The True Aussie brand will be focusing on physical availability over the coming three months to help drive sales in foodservice. With the price of beef and lamb on the increase, True Aussie must commit to a premiumisation strategy driving desirability for Australian beef through a 360-marketing campaign that celebrates its product range variety. In June, True Aussie will be continuing the 'Beef Up' campaign, focusing on provenance and quality. It will also communicate to consumers the message that 'we are sad our neighbours can't visit us in Australia and see our natural treasures, but we can still share the best of our produce with SEA consumers to taste our Natural Australian Goodness'.

Indonesia:

- **COVID-19 update –** The COVID-19 vaccination program is well underway, with an estimated 500,000 people being vaccinated daily. Daily official case numbers still averaged 6,000 in Q1. Most provinces are still implementing localised COVID-19 measures, restricting operational capacity to 50%.
- **Market access –** Q1 2021 trade volume was slightly down, partly due to concerns about the influx of cheaper frozen meat imports from India and Brazil. Chilled beef imports tracked higher, however, reflecting a growing appetite for quality beef. The Indonesian government (Ministry of Agriculture) is finalising changes to import conditions for live cattle, easing the breeder-feeder import requirements to 3% based on pen capacity and reducing days-on-feed to 90 days. The ministry is considering temporarily easing conditions for establishment approvals to secure more consistent red meat supply during the pandemic.
- **Sector analysis –** The Indonesian government is projecting a 4.8–5.3% GDP growth for 2021, slightly above what is being forecasted by the IMF (4.3%). With the vaccination program underway, consumer confidence has rebounded, but hospitality and foodservice businesses have yet to see significant uptick in sales in Q1. Supermarkets and hypermarkets did report a rise in Ramadan and Eid al-Fitr sales, in line with this being the peak consumption period. A few supermarket chains are expanding, and it is anticipated that high-end modern retail would remain the dominant showcase for Australian products, even as consumers are increasingly flexi-shopping between fresh and wet markets, modern trade and online.
- **Competitor analysis –** Indonesia is still actively diversifying supply from non-traditional countries including Europe and South America. Cheaper frozen meat from Brazil and India continue to gain ground in the price-sensitive commodity channels, with traders recently estimating up to 30% displacement. Australian beef still has strong penetration in the modern trade (mid- and high-end foodservice and retail) and continue to be regarded as safe, of consistent quality standards and premium. It would be important for Australia to maintain its premium positioning, rather than competing in the commodity space as competition intensifies – this is done by increasing our brand presence and power through True Aussie Beef and Lamb activities, broadening our collaboration with nine supermarket chains including Aeon, Ranch & Farmers Market, Hero (Dairy Farmers), Foodhall and LotteMart.
- **MLA activity -** In Indonesia and SEA, True Aussie activities are focused on physical availability, with targeted campaigns in foodservice and retail. Following on from the Ramadan campaign, in June there will be a month-long foodservice festival with up to 30 restaurants in Jakarta, in line with the SEA Beef Up campaign.

MENA

- **COVID-19 update –** COVID-19 continues to have a significant impact on life across the MENA region. Some countries are seeing a significant increase in daily positive case numbers, with closed borders and short-term lockdowns continuing to be implemented when required. Large-scale vaccination programs across MENA continue to be rolled out, with the UAE taking the lead in the region with over 9.6 million vaccinations to date. The pandemic will impact pilgrims in Saudi Arabia – pilgrims and worshippers who have been vaccinated against COVID-19 or have recovered from coronavirus will be allowed into the Grand Mosque in Mecca.

- **Market access -** Shelf-life changes have recently been announced in Saudi Arabia and Oman, which increase the shelf life of chilled vacuum packaged beef and sheepmeat from 70 days to 120 days and 90 days, respectively. This achievement has an estimated overall industry benefit in excess of $A50 million pa. Work is ongoing in Egypt to pursue shelf-life extensions for chilled vacuum packaged product. A successful shelf-life trial in Cairo managed by MLA and the Animal Health Research Institute (AHRI) concluded that chilled vacuum packaged beef was suitable to consume up until 126 days.
- **Sector analysis –** The retail sector remains strong among all MENA markets, with the online sector seeing significant growth, although from a very small base of 2.4% within the region. With a relatively wealthy population unable to travel internationally, domestic tourism and entertainment remains strong. This has seen the premium grainfed beef category increase 28% in shipped volume, with growth mainly occurring in the Kingdom of Saudi Arabia (KSA) and the UAE. Dubai has remained open to international tourism, which has kept the hotel occupancy and the foodservice sector relatively stable. It has now launched a Dubai Digital Nomad Visa campaign to actively encourage people to work remotely from Dubai.
- **Competitor analysis:** A large Russian beef company had a significant presence at Gulfood, presenting a beef product that is now very competitive with Australian grainfed MB3-4. They have made inroads into the premium KSA retail market and are looking to expand across the region.
- **MLA activity –** The major focus is the current Ramadan campaign, positioning Australian beef and lamb as a premium ingredient suitable for traditional Arabic dishes, and not just western dishes. This messaging will be important to continue to maintain or grow market share, especially for Australian lamb as demand grows in other markets. Dubai's Expo 2020 is still planned to launch in October 2021 and will likely be one of the only global events to be held this year. While visitor numbers are expected to be much lower than forecast, it will still provide a fantastic opportunity to showcase premium Australian lamb and beef on the global stage throughout the six-month event.

Europe and the UK

- **COVID-19 update** – COVID-19 remains a live issue across the EU and UK, with varied responses across the market, including significant lockdown measures. Lockdown restrictions are easing in the UK, with non-essential shops and outdoor hospitality reopening on 12 April 2021 and a roadmap to greater freedom throughout May and June. Across Europe, several countries have recently resumed tighter restrictions, including France, Germany, Italy and the Netherlands. The implementation of the vaccine roll-out remains a priority and there are plans for easing of restrictions throughout the spring and early summer.
- **Market access** – The tenth round of Australia-EU Free Trade Agreement (A-EU FTA) negotiations were held virtually in early March, with negotiating parties reporting substantive progress made across a range of issues. Constructive discussions on goods market access, including agricultural market access, were held, however, the EU is yet to make any offer for Australian beef and sheepmeat. The eleventh round of negotiations are scheduled for June 2021. The fourth round of Australia-UK Free Trade Agreement (A-UK FTA) negotiations were held virtually at the end of February and early March, with negotiators reporting that good progress was made across the agreement. While there is yet to be an offer on Australian beef and sheepmeat, the negotiating teams indicated that good progress was made on the text of the Trade in Goods chapter. The fifth round of negotiations is scheduled to take place at the end of April.
- **Sector analysis –** As a result of numerous restrictions across the region, the hospitality and foodservice sectors have been constrained for the first quarter of 2021, with the retail sector continuing to perform. However, in the UK particularly, the relaxation of restrictions and potential for local travel and tourism, along with the return of outdoor dining have brought a certain air of optimism. There is ambition across the EU for tourism to be permitted in some format over the summer months, however, this will likely be highly regulated through rigorous testing procedures and/or vaccine passports.

North America

- **COVID-19 update –** The US is showing a lot more optimism as vaccination rates move quickly. However, COVID-19 case numbers are still at unacceptable levels and public health authorities are urging caution about easing restrictions too early. Some states are allowing restaurants to open at or near full capacity, while others continue to follow national guidelines. The reopening of foodservice across the USA is at best, patchy.
- **Market access –** In general, it has been a difficult year for Aussie product into North America with supply and price challenges. The strong Australian dollar and high Australian cattle prices in the first quarter have driven manufacturing beef export volumes down by over 50% year-on-year. Lamb trade has slowed but is more in line with previous years.
- **Sector analysis –** Foodservice continues to be challenged by COVID-19 restrictions and lingering consumer reservations to return to eating out. However, there is a sense that relief is in sight as summer approaches. The surge in ghost kitchens, new delivery and contactless purchasing are hallmarks of pandemic survival, but these innovations are likely here to stay. Retail continues to perform strongly in the US, and newfound consumer confidence in the kitchen has encouraged more premium product purchases, including of steak and lamb, to replace restaurant dining experiences. The positive economic and consumer outlook has been greatly assisted by government support packages, in addition to some segments of the economy performing strongly despite challenges around COVID-19.
- **Competitor analysis –** Australia's position as the premium offer has come under some competition from Central and South American countries, although, the focus by Brazil, Argentina and Uruguay on China has blunted their penetration into the US. NZ has also faced supply challenges, particularly on lamb.
- **MLA activity –** MLA's winter "Make a Moment" campaign leveraged the seasonal sales spike of lamb and grassfed beef, positioning True Aussie Beef and Lamb as a resource for elevating meal moments during the holiday season and promoting the ease of incorporating these into special occasion menu repertoires. The multi-channel digital approach centred on a season of virtual events, culminating in an attempt to host the world's largest virtual dinner party on Australia Day, 2021. Spring is the key season for lamb in the US, but finding Aussie lamb at retail is complicated. Our spring campaign uses mobile technologies to find and target category shoppers, drive them in store, raise Aussie lamb awareness and preference, as well as support supplier and retail partners.

Japan

- **COVID-19 update** – COVID continues to impact Japan as the country moves into a suspected fourth wave. Foodservice in particular remains impacted by early closures at 8pm in a quasi-state of emergency. Discussions continue within the government as to the likely length of these restrictions while the vaccine roll-out moves along at a comparatively slow pace. Retail, delivery and online sales, however, continue to be stable-to-growing as consumers modify their consumption behaviours. The upcoming Golden Week, starting late April through early May, is traditionally a busy time for travel, events and gatherings, however, movements are expected to be subdued as many err on the side of caution.
- **Market access** – Safeguards on US beef ended on April 16 after activating in March. The safeguard triggered at a time when market prices were rising on the back of a decrease in the supply of Aussie beef. Reported shipping delays also affected market sentiment for imported beef, impacting most major exporters to Japan.
- **Sector analysis** – Over the last 12 months, retail has remained resilient, however, the increasing costs of raw materials recently have retailers concerned. In market, they are hesitant to raise prices for the end user considering a lack of recent wage growth. The performance of domestic Wagyu in-market is rising on the back of government subsidies in 2020. The effect has been compounded by rising prices of imported meats in recent months. Demand has been increasing for yakiniuku meat in retail in line with the early closure of restaurants.
- **Competitor analysis** – Competition remains robust in the market, with continued interest from producers from the US. Interest (albeit of a lower volume) is also increasing from several UK and European exporters.

- **MLA activities** – MLA will conduct its major Summer Consumer Campaign from May through to September this year. The ‘Let's Barbie’ campaign aims to build awareness, preference and intent to purchase through targeted, integrated marketing activities. The campaign will leverage both the opportunity of the Olympics as well as the 30th anniversary of the liberalisation of beef in the market. As the e-commerce environment rapidly evolves, MLA is conducting partnership-marketing activity with both Amazon Fresh and Rakuten Ichiba, the two market leaders. Foodservice promotions are a focus over summer, with several major restaurant chains across the country conducting True Aussie Beef activities. The 2020 Yakiniku Exhibition is expected to proceed in Tokyo and Osaka in June/July, with MLA participation. MLA is also holding a major online and offline lamb campaign called the Lambassador Festival over the coming months.
