

International Market Briefings

Global Markets Update

China:

- **COVID-19 update** – Overall, COVID-19 has been well controlled throughout the country, with single digit total daily increase of new cases. There are a total of 867 existing cases in China as of today, with the vast majority in the two cities of Nanjing and Yangzhou. Lockdown measures are implemented in the high-risk areas and some travel restrictions are applied on passengers to and from the medium to high risk areas. Nationwide vaccinations are being rolled out in a highly organised fashion at the community level. The government planned to have 900 million vaccines administered by end of July, but well exceed this target and completed a total of 1.6 billion shots. However, the efficacy rate of the vaccine has clearly dropped on the new Delta variant and the necessity of a booster shot is being evaluated.
- **Market access** – The customs clearance process remains slow due to extensive sanitisation and checking procedures throughout the country. There are reports that the Shanghai port has a “go-slow on AU” mandate which caused even worse delays. While the backlog situation is real, we have not been able to confirm or disaffirm the mandate.
- **Competitor analysis** – Beef demand in China remain strong, with total beef imports continuing to grow in the first half of 2021. Imports of frozen beef reached a total landed volume of 1.11 million tons, an increase of 14.2% over the same period in 2020. The growth rate represents a much slower trajectory compared to past three years, but it is predicted to pick up in the next two months, with total landed volume of about 190,000 tons expected. Argentina’s export restriction policy has shown its impact, creating a 20% decrease in exports to China, but the impact has almost been entirely compensated for by increases from Brazil (+11%) and Uruguay (+21%). In June 2021, the average CIF price to China continued to rise to 4.95US\$/kg, higher than it was in 2019. The US has taken over Australia to become the fifth largest supplier to China since May.
- **MLA activity** – The 2021–22 financial year kicked off strongly, with quite a full schedule of both online and offline activities. Since July, we have published 10 articles and reports on MLA’s WeChat channel, nine videos, one foodservice campaign featuring 23 top tier restaurants and started off our first ever True Aussie Academy in China. The restaurant campaign, Australian Beef and Lamb Carnival, kicked off on 2 August with a media luncheon at the Mr. Willi’s restaurant, owned and operated by celebrated Australian chef, Craig Willis, who is also a True Aussie ambassador of MLA since 2019. We were also joined by Liu Bing, deputy Counsel General at Shanghai Consulate, and Heidi Dugan, a Brisbane born celebrity gourmet critic and TV anchor living in China for over 20 years. The list of the 23 participating restaurants includes some of the finest steakhouses, Western and Asian cuisine venues, all featuring a special menu of their signature dish of Australian meat. The True Aussie Academy is a collaboration of MLA with the celebrity chef, Clinton Zhu, and his Efun Culinary School. The project includes 10 sessions in a number of different cities across the country, where the participants will learn how to handle and cook Australian meat and be awarded a certificate upon completion.

Korea:

- **COVID-19 update** – From the middle of July, COVID-19 cases spiked in Korea. The government introduced the new social distancing rules from July 2021, and Seoul's metropolitan regions have remained at the highest level 4 restrictions from 11 July. These restrictions will continue until 5 September, at which point they will be reviewed. Additionally, restaurants are open until 9pm, but only for those vaccinated with two doses. The restrictions have resulted in a number of business closures.
 - **Market access** – Shipping 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 on 1 January 2021 in response to growing concerns of foreign matter. For January to July this year, export of small intestines have recovered by 34% year-on-year, but large intestine trading volumes are still down 18%, due to partially failed cases. Australian beef quota usage is getting faster in August due to a higher currency rate for early application on customs clearance. Quota utilised 75.25% with 43,956t leftover, similar to 26 August 2020 at 75.51% with 42,635t leftover.
 - **Sector analysis** – Retailers and e-commerce retailers are still recording strong sales, even under the highest level 4 restrictions in the Seoul metropolitan regions and in other cities. However, limited imports and delayed products mean there is a struggle for supply. Most foodservice sales have dropped significantly with the new social distancing restrictions, but are pivoting with delivery options to recuperate some losses. In the case of Wagyu products, the supply is continuously limited, which has a negative impact on the market handling the products. Burger chains have less interest in purchasing beef trimming due to recent high prices, and are monitoring whether fluctuating prices make it reasonable for them to serve.
 - **Competitor analysis** – US beef prices are unstable. In July, there was a slight drop in some products prices (chuck items, clods), but from early August their export price jumped due to hoarding in the domestic market. USMEF supports the promotion of retail stores (E-mart) competing on sales, but limited supply and higher prices have created issues for physical sales.
 - **MLA activity** – Due to higher COVID-19 cases in-market, MLA has been required to delay some collaborations and promotions. In early August, MLA had a promotion with Coopang (Rocket Fresh) which saw sales increase by 177% for the week compared to the same time in 2020. There is an upcoming Chooseok (Thanksgiving day) promotion plan with the E-commerce market, and an autumn Campaign plan will be created before Nov this year. The Kuk Cook campaign is also being planned for expansion.
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South-East Asia:

- **COVID-19 update** – There is still high daily official COVID-19 cases across most key South-East Asia countries, resulting in tightened restrictions. Singapore is the exception, with >70% of the population fully vaccinated. Differentiated measures (e.g. travel, dine-ins, access to shops) for vaccinated individuals are also starting to be applied in parts Malaysia and Indonesia.
- **Market access** – There were delays in clearing containers in the Philippines due to labels not containing best before or expiration dates. Philippine meat importers and trade associations are making representations to their government on the sudden tighter enforcement of pre-existing minimum labelling requirements. Exporters can contact DAWE should they have concerns about the requirements. The Indonesian government has recently issued the regulation that would allow virtual audits of establishments and registered premises during the pandemic. In practical terms, it may take 3–6 months before Australian establishments can be assessed. MLA will be participating in the [Malaysia International Halal Showcase](#) virtual trade show commencing on 9 September and hosting trade webinars.

- **Competitor analysis** – Higher value US beef's presence has grown slightly in Thailand, Vietnam and Singapore. Buffalo meat import volumes are steady into Vietnam, Malaysia and Indonesia, with Indonesia considering allocating an additional 20,000 tonnes for the last quarter of 2021. For January to July 2021, live cattle trade is down 12.8% and 47.2% to Vietnam and Indonesia, due to the pandemic's impact on the economy and cheaper frozen meat competition. In Indonesia, some feedlots have opted to temporarily halt operations.
 - **Sector analysis:** In Vietnam, strict stay-home orders have made it challenging to access food; logistics infrastructure was not able to keep up with online orders. Retailers are reporting variable sales – in Indonesia, the Philippines and Thailand, more middle-up consumers are buying less high-value items, including beef and lamb. In Malaysia, Australian red meat positioning in high end retailers continues to perform well even though the supply is inconsistent and limited. Across South-East Asia, sliced, diced, minced meat packs remain popular daily options in both online and offline retail settings, as consumers look for convenience and value-for-money options. More wholesale distributors are starting direct business-to-consumer options, (through online platforms for example), which looks set to continue even after the pandemic.
 - **MLA activities** – The 2021 financial year Beef Up campaign culminated with Singapore and Malaysia webinars attended by 107 participants and reported in 30 media sources. The [Great Steak Escape](#) campaign is underway in Singapore and Malaysia, involving over 30 restaurants, hotels and retail partners, and will be expanded to Thailand in September. August Margaret River Wagyu retail promotion is underway in Robinsons' in the Philippines. MLA will be conducting a series of mini webinars across each of the key South-East Asia markets in mid-September, providing updates on the trade issues, red meat situation and trends.
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MENA

- **COVID-19 update** – Cases are slowly decreasing across the region due to large-scale vaccination programs. Quarantine-free travel is starting to open, with only a PCR test on arrival for the UAE and Egypt, while proof of vaccination is also required for entry into Saudi Arabia, Qatar, Oman and Bahrain. Vaccine passports are being used routinely in many countries to access activities such as shopping, attending weddings and events and attending school. The UAE has now moved off the UK red list, allowing greater travel between the two countries, which should provide a boost for tourism in the UAE. However, travel between the UAE and Saudi Arabia remains restricted.
- **Market access** – Amanda Hodges has joined the MLA MENA team as the Trade and Market Access Manager, taking over the role from Spencer Whitaker. Amanda's background includes leading business development teams for Austrade and more recently working in the private sector, advising agribusiness and healthcare industries in the Gulf.
- **Sector analysis** – With travel opening between MENA countries and Europe, many Gulf Corporation Council citizens and residents have taken the opportunity to visit other countries over summer. As a result, the normal reduction in lamb and beef volumes over summer (July and August) has occurred, with trade volumes expected to pick up in September. Demand for premium beef remains strong across the UAE, Saudi Arabia and Kuwait, particularly for Wagyu cuts. Sea freight access to the Middle East is an ongoing concern due to container shortages and delays in shipping, while the cost of air freight continues to impact the chilled lamb carcass trade.
- **Competitor analysis** – Lamb from eastern Europe and northern Africa have maintained a strong presence in the market, especially during the recent Eid holidays in July. The increased value of US beef has seen a reduction of supply of US Angus product in the UAE, Saudi Arabia and Kuwait. All competitors are also impacted by the ongoing logistic challenges around securing sea freight to the Middle East.
- **MLA activity** – Damon Holmes has joined the MENA team as the new Business Development Manager, looking after the trade, retail and foodservice sectors. Damon brings a strong industry background with him, spending time in the MLA Market Insights team and more recently, the Integrity Systems Company in the traceability and food safety programs. MENA is also recruiting for a Business Consultant Manager to be based in Riyadh, KSA. This will be a dedicated resource to support new and existing trade within Saudi Arabia.

North America

- **COVID-19 update** – The US is showing a lot more optimism as vaccination rates move quickly. However, COVID-19 case numbers are rising due to the Delta variant, especially in places where vaccination rates are lower. Most states are allowing restaurants to open at or near full capacity, but mask wearing is required for indoor venues and places in many states. The reopening of foodservice across the US is taking off and consumer demand continues to be strong, despite concerns around rising COVID cases.
- **Market access** – In general, it has been a difficult year for Aussie beef product into North America, with supply and price challenges. Manufacturing beef export volumes were significantly down in Q2, however, there appears to be some bounce back in volumes for Q3, though still down significantly year-on-year. Australian lamb volumes have increased significantly in the past couple of months and the overall trade is likely to eclipse previous years at the current rate of imports, with a high demand.
- **Sector analysis** – The positive economic and consumer outlook continues, with predicted unemployment rates going into 2022 at near record lows. Foodservice has bounced back well, but labour continues to be the biggest challenge for both this sector and many others, including slaughter plants. Overall consumer demand for both beef and lamb is strong, and retail continues to perform well, with the most serious issue being rising food inflation. This is expected to temper once the majority of government stimulus has stopped in the last quarter of 2021.
- **Competitor analysis** – Australia’s position as the premium beef offer continues to be threatened by Central and South American countries, although the focus on China has blunted South American penetration into the US. In the near term, our competitors do not appear to be taking significant market share; rather, the market is tight with supplies, especially for lean trim. However, medium- to long-term trends suggest Australia could lose significant market share overtime. With lamb, Australia continues to dominate the market share, particularly at retail. In the short-term, both domestic and NZ volumes have been tighter and are not a present threat to Australia’s dominant position.
- **MLA activity** – MLA’s summer grassfed beef campaign, ‘Eat Better. Feel Better.’, leverages the seasonal surge in demand for beef in the grilling season. MLA’s activities centre around positioning True Aussie Beef as a product that makes meal moments around the summer easy, taking advantage of key American past times such as cooking out and tailgating moving into the football season at the end of summer. It also promotes the health benefits of eating lean beef, with the target being fitness foodies. Our “Simply Spring” lamb campaign finished in Q2 of 2021 and extended the interest throughout the spring season to ‘own’ Mother’s Day in May. The multi-channel digital approach centred on a new interactive “choose your own adventure-style” cooking video tool and a short Mother’s Day themed video series to drive stronger engagement and build loyalty for Australian lamb.

Japan

- **COVID-19 update** – Japan continues to enact a state of emergency, which in recent weeks has expanded in length and geographical regions. The impact is predominantly affecting foodservice, as 8pm closures and restrictions on alcohol service restrain trade. We continue to see some venues defying the requests, however, general compliance has been high. Retail, delivery, and online sales continue to be stable-to-growing as consumers modify their consumption behaviours. Japan continues to escalate its vaccine rollouts as Tokyo held the Olympic Games without spectators and the Obon (summer) holidays saw sharp declines in domestic travel during what is traditionally a peak time.
- **Market access** – Like many markets, supply and price continue to be the two main concerns. Recently missed sailings and container availability have also affected the market.
- **Sector analysis** – Foodservice continues to struggle under the cloud of ongoing states of emergency, leading to uncertainty around stock control and conditions of operation. Restrictions

have yet to ease, making it difficult for many to rebuild their businesses. Estimates of up to 1500 food and beverage venues have closed across Tokyo in the past 12 months, in particular those unable to pivot to meet modified demand and government requirements. Western style quick service restaurants continue to experience a boom in sales growth. Overall, total food sales were up 0.1% year-on-year to June, but 22.6% down on pre-pandemic levels. Yakiniku restaurants still trading have fared well, as Japanese consumers feel safer in a yakiniku restaurant with the increased ventilation that removes smoke from grills. Diversification to yakiniku and Genghis Kahn style restaurants by major foodservice chain restaurants continues in the market. Traditional retail remains robust in-market, with e-commerce developing across the country. Rakuten and Amazon continue to be dominant, however, are currently not reaching the level of sales volume seen in traditional retail. Lamb demand has been robust in all regions, with good coverage in both retail and foodservice outlets. Consumers are attracted to the nutritional benefits, while also looking to try something new beyond pork and chicken staples.

- **Competitor analysis** – The US Meat Export Federation are currently running their social media focused summer campaign, scheduled to wrap up on 31 August. The UK's Agriculture and Horticulture Development Board (AHDB) will embark on a range of promotional and marketing activities for beef, pork and lamb from September. As a kick-off event, it will hold an online seminar for industry participants on 16 September and set up an online matching platform to pair with 10 UK companies.
- **MLA activities** – MLA's major consumer campaign 'Let's Barbie' is in full swing in-market, leveraging the sponsorship and media opportunities from the Olympics. The summer campaign launch generated preliminary results of media coverage from 122 sources across the country, reaching 87.6 million people and generating \$6.8 million in estimated media value. The new TVC promoting cooking thick-cut steak at home and a healthy active lifestyle ran throughout the Olympic period nationwide in one of MLA's largest broadcast activities in recent years.
 - The offline activation Aussie Beef Clubhouse has so far attracted over 50,000 visitors, with consumers enjoying the experience of Aussie style barbeque. This is a 20% increase in customers from the previous year and due to its popularity will be extended until the end October, targeting an additional 25,000 consumer visits. MLA Japan was pleased to showcase the Aussie Beef Barbeque packs and True Aussie Beef summer campaign activities to the Minister for Trade, Tourism and Investment, The Hon Dan Tehan MP on his visit to Tokyo in July.
 - The annual Yakiniku business fair was held in Tokyo on 30 June, with MLA showcasing three different grades of beef and lamb to importers and end-users. The team achieved a 100% satisfaction rate from customers visiting the True Aussie Beef and Lamb booth. The upcoming annual Prince Hotel Australia Fair launches this week and will run through September and October in 12 hotels.