

International market briefings

Global markets update

China:

- **COVID-19 update** – The COVID-19 situation continues to be well controlled throughout the country despite a modest resurgence in the southern city of Guangzhou, where there are around 160 active cases. Lockdown measures are currently in place in the high-risk zones, with all restaurants and fresh markets in these areas closed. A nationwide vaccination program is being rolled out in a highly organised fashion at community level. The government expects to have 900 million injections completed by the end of July.
- **Market access** – Market access remains challenging for Australian exporters, with plant suspensions unresolvable for the foreseeable future and a slow customs clearance process. MLA and DAWR employees posted in China will co-host a roundtable discussion in Shanghai with representatives from key exporters and importers this week to discuss the current situation and government responses.
- **Competitor analysis** – China's demand for beef remains firm at a time of great complexity due to a container shortage that has raised the cost of freight up to US\$350–400 per tonne, depending on the product. In the first four months of the year, exports to China from the top six countries shipped a combined 626,000 tonnes, about 120,000 tonnes more than for the same period in 2020. Exports from the main suppliers (Mercosur, Oceania and the United States) are estimated to have been 156,000 tonnes shipped in April, a drop of 24,000 tonnes on the previous month and in line with volumes shipped in April 2020. Brazilian beef exports to China remained slightly above 60,000 tonnes in April, about 7,000 tonnes less than in March. Operators reportedly handled sales of chuck and blade from Uruguay at US\$5,100 cost, insurance and freight, knuckle at US\$5,600, rib plate at US\$4,100, and shin and shank at US\$7,200. In the case of Brazil, exporters ask for US\$6,000 for six-cut forequarters and between US\$3,800–4,000 for beef trimming 80 VL. Sheepmeat business is also very firm. Agents handled sales from Uruguay of lamb carcasses of 9–24kg at US\$6,500 and six-cut mutton in a range of US\$5,400–5,600 cost and freight.
- **MLA activity** – The high note of recent MLA activities is without a doubt the SIAL trade show and networking function from 18–20 May. With international travel restrictions in place, MLA set up virtual meeting rooms and a virtual trade booth at the MLA stand for exporters to have a direct link with the visitors on the ground, as well as for exhibitors with customers who couldn't travel to Shanghai. The MLA stand and the networking function drew an engaged crowd of customers despite a smaller audience than in previous years, ongoing political tension between the two governments and a gigantic US presence next to ours. This level of engagement is a result of our continuous trade-focused empowerment activities to boost confidence in the Australian red meat industry. During the past six months, MLA has rolled out five large-scale virtual and physical trade events, facilitating export-import matching, trade discussion on e-commerce opportunities, compliance training and advocating best practice and success stories in the market. Through our digital marketing platforms throughout 2020–21, MLA published 56 articles generating 305 million pageviews, 43 million digital views, and 1.5 million digital engagements. We conducted eight workshops for retail and foodservice customers which 150+

retail staff attended, and which had over 13,000 livestream views and over 14,000 engagements online. To strengthen display and merchandising standards in retail channels, we distributed over 346 premium space standard guides along with training workshops, 380,000 True Aussie labels and 101,625 point-of-sale materials in 48 retail channels. MLA staff visited 37 stores in seven cities.

Korea:

- **COVID-19 update** – Throughout May, COVID-19 cases remained high. The government has maintained level 2 social distancing restrictions for the Seoul Metropolitan Region and some cities until 4 July, at which time they will review this status. The government is planning to announce changes to social distancing restrictions in July – restaurant opening hours will be extended by two hours to 12am if the infection cases remain at this level. Even though cases are high, people are going out more and eating out in restaurants.
 - **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. Within five months, export of intestines had decreased 70%, but since April export quantity has started to increase again. Large intestine trading volumes are still down, due to partially failed cases.
 - **Sector analysis** – Retailers and e-commerce retailers are still promoting Hanwoo and US beef short rib cuts, with sales up 20–50%. With people participating in outdoor activities, retail, e-commerce and delivery foods sales are down slightly, with foodservice sales increasing mainly on weekends.
 - **Competitor analysis** – US beef prices are still rising in the wholesale market and export prices are up more than 40% compared to a few months prior (when Australian beef prices were up). Due to the increase in US beef prices, there is interest in Australian beef commodity products as a replacement for processing products and in the foodservice market.
 - **MLA activity** – From April 19 to June 2, 2021, we have run 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. The digital campaign summary includes 104,271,585 total impressions and 19,434,962 total views. The e-commerce retailer promotion results will be coming out soon.
 - **Market issue** – In June, a strike by unionised delivery workers to improve working conditions is putting pressure on eBay Korea and 11STREET, both of which outsource their deliveries. On the other hand, e-commerce major retailers like Coupang and SSG.com that operate their own logistics centres or hire delivery drivers directly, have avoided being affected. Small- to mid-sized fresh food vendors have had difficulty with delays on their deliveries.
-

South-East Asia:

- **COVID-19 update** – The last two months saw a surge of COVID-19 cases in Thailand, Vietnam, Malaysia and Singapore, resulting in tighter movement and operational restrictions in retail, foodservice and hospitality. In some areas, there is growing acceptance that the virus is likely to be endemic. Governments are accelerating the roll-out of vaccines and implementing more schemes to support businesses so they can operate effectively under the ‘new normal’, and the safe re-opening of borders to facilitate economic recovery, such as Phuket’s planned reopening in July. Thai businesses are cautiously upbeat about the next six months as the government has set a goal to fully reopen in 120 days.
- **Market access and competitor analysis** – Malaysian importers have not reported any issues with the new inner and outer labelling requirements, there is ongoing representations to work through listing of meat establishments. The beef trade in Vietnam and Thailand had started off strongly prior to COVID-19’s surge last month. There is a 20% year-to-date increase in manufacturing and higher-value beef exports into the

Philippines, partly spurred by reduced restrictions and on the back of African Swine Fever. In April, live cattle trade into Indonesia and Vietnam was down by around 3% and 59%, respectively for the year-to-date due to subdued demand, price and competitors. Distributors noted Indian and Brazilian prices have risen in the past few months but are still retailing 15–20% cheaper than Australian or locally processed product.

- **Sector analysis** – The foodservice sector, particularly high-end, full-service restaurants, remained moderately affected in several markets due to the very limited dine-in capacity. Most retailers are still reporting relatively stable sales compared to two months ago, including through online platforms. In line with changes in consumer shopping behaviour, some supermarket chains are revamping their offerings and store formats, such as opting for smaller store sizes (Giant in Malaysia), expanding ranges of convenient, healthy and gourmet foods and boosting online presence. Resellers are taking to social media and group community buys are gaining popularity.
 - **MLA activity** – MLA and 11 exporters took part in the Food & Hotel Asia Match Meat Series. The two-day event consisted of seminars, networking, and business-matching sessions as a precursor to the 2022 FHA trade show. From June to August, MLA is conducting the Great Steak Escape campaign in partnership with select restaurants, hotels and gourmet retailers. MLA has also launched the new Thailand ‘ambassador’ for Australian beef, Chef Pam, to promote awareness. The Lambassador chef series will be extended in Singapore and Malaysia from July onwards.
-

Indonesia:

- **COVID-19 update** – There has been a spike in numbers following the *Eid al-Fitr* holidays, with Greater Jakarta daily case numbers doubled compared to Q1. Indonesia’s government has extended the nationwide small-scale restriction measures but stopped short of imposing any additional controls. Domestic travel has increased, and household spending improved the past two months, but the upper-middle class are still holding back due to economic uncertainties.
 - **Market access and competitor access** – Businesses are concerned about the Indonesian government’s plans to impose 5–12% value-added tax for ‘premium’ key agriculture commodities including livestock and beef, particularly under current conditions where demand is already weak due to soft purchasing power. Work is ongoing to regain access for rendered products and listings of meat and registered establishments – the Ministry of Agriculture is revising regulations that would allow virtual audits to take place. All supplier countries would benefit from the revised policy, potentially allowing more establishments to be approved from Mexico and Brazil. In the June/July period, around 20,000 tonnes of Indian buffalo meat are expected to enter, depending on price and logistics.
 - **Sector analysis** – With *Ramadan* and *Eid al-Fitr* being the peak beef consumption period, modern retail did report good sales and growth compared to 2019, but less than 2020 (when sales benefitted from the panic buying spike). Indonesian lot feeders cleared their stock of around 40,000 head of cattle for the holidays. Current feedlot capacity after *Eid al-Fitr* is around 40%, with many yet to restock fully due to price and supply out of Australia, competition from cheaper frozen meat and soft demand. Hypermarket chain Giant will shut all stores by the end of July 2021 amid declining revenues. Giant has over 40 stores nationally catering to low-middle income consumers, offering mainly local beef and frozen buffalo meat.
 - **MLA activity** – In June, MLA conducted the month-long Jakarta Beef Up Festival and Great Steak Escape, partnering with 25 restaurants to highlight Australian beef on menus. As part of the True Aussie Beef & Lamb ‘always on’ social digital program, we also launched the YouTube channel, [TrueAussieIndonesiaOfficial](#). Preparation is underway for the Indonesia Livestock Export Program Conference in November 2021.
-

MENA

- **COVID-19 update** – COVID-19 continues to have a significant impact on life across the MENA region. New variants and relaxing restrictions following *Ramadan* have increased daily case numbers across MENA,

though these numbers are now beginning to stabilise. Vaccine programs continue to play a strong role across the region, with 90% of the UAE's targeted groups vaccinated (14.2 million people). Access to high throughput areas such as shopping centres, beaches and entertainment venues are now being restricted for those who cannot demonstrate they have been fully vaccinated.

- **Market access** – The industry consultation period has concluded in Egypt for a proposed increase to chilled shelf life to 98 days for lamb and beef. Feedback is currently being reviewed by the Egyptian Organization for Standardization & Quality (EOS). If accepted, implementation of extended shelf-life would take place in two to four months, with a six-month transition period.
- **Sector analysis** – The usual peak in lamb volumes during *Ramadan* did not eventuate in 2021 due to COVID-19-related restrictions in all markets, with both lamb and beef volumes similar to previous months. Retail has continued its strong, consistent performance in all categories due to a relatively wealthy population unable to travel internationally. Foodservice and hotel occupancy has been strong in the UAE because of continued international tourism, mainly from eastern Europe. In other markets, domestic tourism and entertainment continue to underpin hotel occupancy and premium grainfed beef demand in foodservice, particularly in Saudi Arabia, Qatar and Kuwait.
- **Competitor analysis:** The increased cost of air freight has seen the Australian chilled lamb carcass market being substituted by product from other countries, particularly Romania and eastern Europe. Sentiment in the market is that there will be a switch back to Australian chilled lamb carcass if the freight cost can become competitive again.
- **MLA activity** – Following the easing of restrictions in the UAE after *Ramadan*, the MLA MENA team has been able to begin physical activities, rebooting face-to-face importer training, foodservice immersions and trade promotion activities throughout June. True Aussie Beef & Lamb has partnered with the Victorian Government and local importer FoodSource for menu promotion across several Dubai venues throughout June. The menu has been curated by Chef Guy Grossi of Melbourne and highlights branded lamb and beef as the build-up for Expo2020 (now a year later) continues towards its October launch date.

Europe & UK

- **Market access – A-EU FTA:** The eleventh round of Australia-EU Free Trade Agreement (A-EU FTA) negotiations were held virtually in early June, with negotiating parties reporting a good and constructive atmosphere, along with a shared commitment to negotiate an ambitious and comprehensive agreement. Constructive negotiations continued in areas of good market access (however, the EU is yet to make any offer for Australian beef and sheepmeat), sanitary and phytosanitary measures and geographical indications. The twelfth round of negotiations has been tentatively scheduled for October 2021.
- **Market access – A-UK FTA:** Prime Ministers Morrison and Johnson announced an agreement in principle regarding the parameters of the Australia-United Kingdom Free Trade Agreement on 15 June 2021. The agreement will see Australian beef and sheepmeat access to the UK liberalised over a 10-year transition period under the following phase-in:
 - Increasing TRQ volumes on beef over 10 years, with access to a duty-free transitional quota of 35,000 tonnes on entry into force (EIF), rising in equal instalments to 110,000 tonnes in year 10. In the subsequent five years (years 11–15 after EIF) a product specific safeguard will be applied on beef imports exceeding a further volume threshold, rising in equal instalments to 170,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year. Out of quota tariffs will remain at MFN until year 10 and then be eliminated.
 - Increasing TRQ volumes on sheepmeat over 10 years, with a duty-free transitional quota of 25,000 tonnes on EIF rising in equal instalments to 75,000 tonnes in year 10. In the subsequent five years (years 11–15 after entry into force) a product specific safeguard will be applied on sheepmeat imports exceeding a further volume threshold, rising in equal instalments to 125,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year. Out of quota tariffs will remain at MFN until year 10 and then be eliminated.

The negotiating teams will continue work to finalise the legal text of the agreement in the coming months, with a view of formally signing the agreement later in the year, followed by formal ratification of the agreement.

- **Sector analysis** – COVID-19 restrictions across the region are gradually being lifted, however, restrictions are being managed on a regional basis and travel is largely still restricted. Local tourism and the summer season are driving demand for outdoor dining and along with it a certain air of optimism. Moves are afoot to permit seasonal summer tourism, 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 exceed 50%, with 44% of the population fully vaccinated. Cases are down and most states are allowing restaurants to open at or near full capacity, as national guidelines relax and mask wearing declines significantly. The positive economic and consumer outlook continues as the jobless rate declines, in addition to some segments of the economy performing strongly despite challenges around COVID-19.
 - **Market access** – It continues to be a difficult year for Australian product into North America, with supply and price challenges. The strong Australian dollar and high Australian cattle prices in the first half of the year have driven manufacturing beef export volumes down by over 50% year-on-year, however, volumes have started to pick up in June. After a slow start to the year, the lamb trade has picked up and volumes in May are up for the year-to-date on previous years.
 - **Sector analysis** – The reopening of foodservice across the US is still patchy but the sentiment is positive and many restaurants that looked like closing during the pandemic were supported by government relief packages. Closure rates have been lower than expected at around 14% of restaurants that were open pre-pandemic, but independent operators suffered disproportionately. One of the biggest challenges now is attracting workers back into the industry. Retail continues to perform strongly in the US and consumer confidence in the kitchen has encouraged more premium product purchases, including of steak and lamb, to replace restaurant dining experiences, despite the foodservice sector reopening. The cook at home trend appears to be here to stay, at least in the short-term.
 - **Competitor analysis** – The big news for the market in May was the self-imposed export ban by Argentina for 30 days. While Argentina is not a large supplier to the US, volumes were expected to steadily increase to this market over time. China continues to dominate the trade flows from South American countries, with both Uruguay and Brazil not sending large volumes to the US. They are also somewhat blunted by restrictive quotas. NZ continues to face supply challenges on lamb, further affirming Australia's dominant position in the US market.
 - **MLA activity** – MLA's 'Simply Spring' campaign leveraged the seasonal sales spike of lamb, positioning True Aussie Lamb to extend the traditional Easter season and capture another special meal opportunity – Mother's Day. This was through a series of [educational tools](#) promoting the ease of incorporating lamb into special occasion menu repertoires. Our spring campaign used 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. The 'Eat Better Feel Better' summer campaign positions True Aussie grassfed beef as a healthy, nutritious and sustainable option. To capture shopper attention during heightened seasonal focus on outdoor entertaining, as well as health and fitness, the campaign encourages consumers to swap at least one meal a week for Aussie grassfed beef.
-

Japan

- **COVID-19 update** – The impact of COVID-19 is predominantly affecting foodservice, as 8pm closures and restrictions on alcohol service restrain trade. Some venues have defied the orders, however general compliance has been high. Retail, delivery, and online sales continue to be stable-to-growing as consumers modify their consumption behaviours. In recent weeks, vaccine rollouts have ramped up as Tokyo prepares to hold the Olympics in late July.

- **Market access** – Like many markets, supply and price continue to be the two main concerns. The effect of the cyber-attack on JBS this month was also a source of unease in the market.
 - **Sector analysis** – Foodservice has struggled under the cloud of ongoing states of emergency, leading to uncertainty around stock control and conditions of operation. It is expected that post 20 June, restrictions will ease, allowing foodservice vendors to gradually rebuild their businesses. By contrast, Western style quick service restaurants continue to experience a boom in sales growth. Overall total food sales are down 3.4%, while meat sales are down 8%, compared to the same time last year. Yakiniku restaurants still trading have fared well as Japanese consumers feel safer in a yakiniku restaurants with the increased ventilation that removes smoke from grills. Major foodservice chain restaurants have therefore begun to diversify into popular lamb focused Genghis Khan restaurants in response to this behaviour. Retail continues to remain robust in-market, with e-commerce continuing to develop across the country. Rakuten and Amazon continue to be dominant. 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 has commenced their summer campaign from 1 June to 31 August. Polish beef has entered the market next to Canada, Mexico and NZ.
 - **MLA activities** – MLA’s major consumer campaign ‘Let’s Barbie’ launches in June and will run until September. The campaign promotes cooking thick-cut steak at home and a healthy active lifestyle. This year’s theme builds on the strong emotional connection the consumer has with Aussie Beef and staying Genki – the Japanese word for vitality. The launch coincides with 30 years of Aussie beef trade liberalisation in the market. The campaign integrates traditional, digital and offline media channels built around a bespoke television commercial (TVC). Highlights include strategic nationwide TVC coverage during the Olympic period and a three-month offline Aussie Beef Clubhouse that brings the experience of Aussie style barbeque directly to the Japanese consumers. The campaign also targets retail customers through True Aussie steak sauce promotions in major retailers. MLA has upgraded its True Aussie Beef stickers, which link the customer to handy recipes, product information and promotions directly from the pack. The annual Yakiniku business fair will be held on 30 June, with MLA showcasing three different grades of beef and lamb to importers and end-users. Consumer-facing foodservice promotions have increased with activities in Ikinari steak, Daddy’s, Carl’s Jr and Family Garden.
-