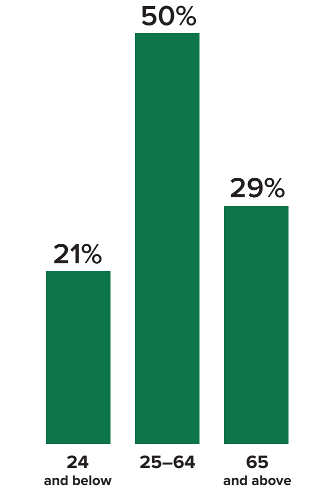
MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF & SHEEPMEAT

Japan

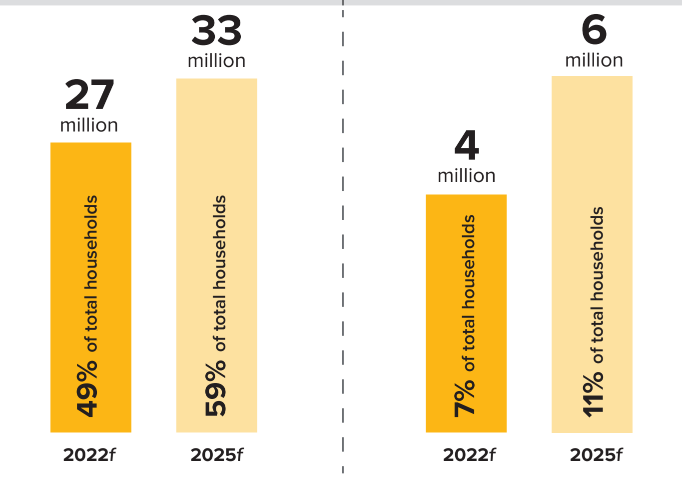
Japan is Australia's largest beef export market. It is also one of the world's economic powerhouses, despite flat economic growth. Japan has a relatively high number of affluent households, a sophisticated supply chain and highly developed and diverse retail and foodservice sectors. Australian beef has the strongest brand image among imported products, which is underpinned by favourable consumer associations on various aspects that drive their purchasing decisions. Growing consumer interest in health, variety and enjoyment in food, coupled with a strong demand for high quality red meat create opportunities for growth for Australian beef, despite a shrinking population.

Population (proportion by age group)[1]

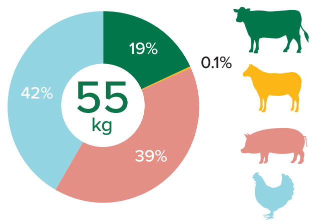


Total 125.6 million

Household number by disposable income[2]



Meat consumption per capita[3]

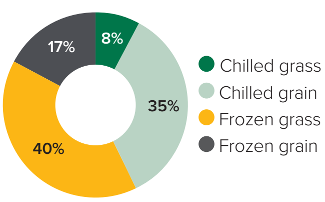


Annual grocery spend[4]

A$ 4,440 per person/year

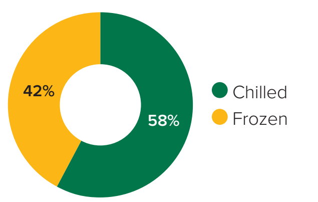
Japan is the largest export destination for Australian beef. It is also the largest market for grainfed beef, taking close to half of total grainfed exports.

Australian beef exports – volume[5]



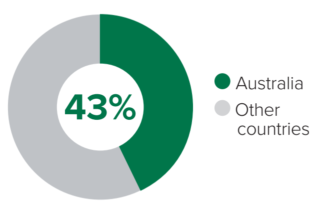
Total 243,357 tonnes swt

Australian beef exports – value[6]



Total A$1.95 billion

Australia's share of beef imports[7]



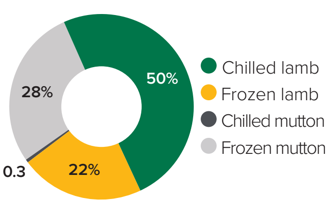
Australian beef offal exports[6]

A$220 million

Key outlet: ***Yakiniku*** (table-top BBQ)

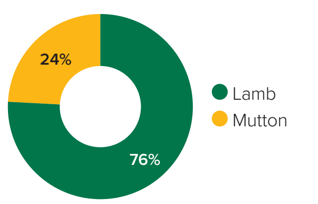
Japan is a consistent buyer of Australian sheepmeat and is the largest chilled lamb customer in Asia.

Australian sheepmeat exports – volume[5]



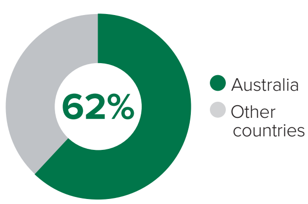
Total 11,882 tonnes swt

Australian sheepmeat exports – value[6]



Total A$127 million

Australia's share of sheepmeat imports[7]



Major outlet of Australian sheepmeat[8]

Genghis Khan (Sheepmeat BBQ)

in Hokkaido (Northern island of Japan)

Data source for charts: [1]Fitch Solutions 2022f, [2]Fitch Solutions (disposable income = earnings after taxes and social security charges), [3]Fitch Solutions (beef, pork, chicken, 2022f), Gira (sheepmeat 2021e), [4]IGD 2022f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), [5]DAWE (2020–21), [6]ABS/IHS Markit (2020–21), [7]IHS Markit (2020–21), [8]MLA

Beef

CONSUMERS

- Japanese consumers appreciate balance and variety in their diets, and often seek out food that delivers both enjoyment and health benefits. Health is expected to be the top priority for many Japanese consumers when making food decisions, driven by the growing number of health-conscious consumers, especially among the elderly (65-years-old and above), who account for nearly one quarter of the Japanese population.
- Although beef accounts for a relatively modest proportion of the Japanese diet, it is seen as the tastiest meat favoured by many Japanese families. Beef also has a strong image for various nutritional benefits such as being high in protein or as a source of stamina *(Source: JMI*)*.

True Aussie Beef 2021 Summer Campaign.

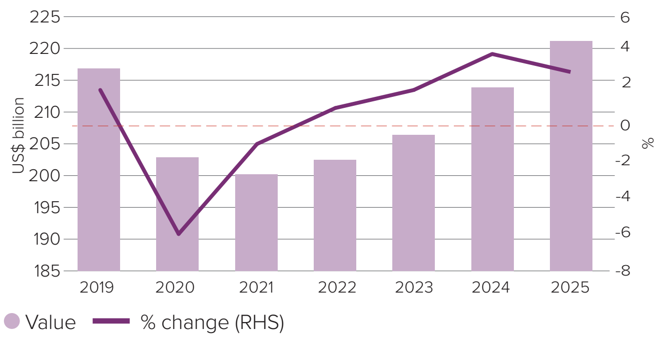
- To Japanese consumers, marbled Wagyu beef is the most prestigious beef and often used for special occasions, while akami (leaner meat) such as Australian beef is more suited to western and Japanese-style everyday meals.
- Despite having one of the world's largest economies, Japan has experienced slow economic growth for decades – a strong underlying factor shaping consumer behaviour and preference toward value-orientation. Although Japanese consumers are price-conscious, they are willing to pay for a product if its value propositions are well-aligned to their needs.
- Changing lifestyles and shifting demographics – including an increasingly ageing population, single households and greater participation of women in the workforce – have created strong demand for 'convenience' offerings. As a result, the ready-meal market has had the highest growth in the Japanese food market, albeit off a low base *(Source: Japan Ready-Made Meal Association)*.
- Sustainability is a developing concept in Japan. Interest in sustainability is currently more focused around saving resources, recycling and reducing waste, rather than actively buying products that support ethical/sustainable causes *(Source: GlobalData, online research)*. However, leading Japanese businesses have demonstrated a strong interest in sustainability and have begun promoting sustainability through their Corporate Social Responsibility programs, accelerated by the Tokyo 2020 Olympics (held in 2021).
- The outbreak of COVID-19 has impacted many aspects of consumers' lives in Japan. That said, a survey conducted in May 2020 by Meat & Livestock Australia (MLA) revealed that most consumers have not changed their consumption patterns across protein and non-protein food groups. Beef consumption saw a slight increase among those who said they increased their consumption of different foods.

** JMI: Japan Meat Information Service Center, October 2020 survey.*

FOODSERVICE

- Japan's restaurant sector is one of the most developed in the world in size and sophistication, with a diverse range of global cuisines and price points available to consumers. Consumers appreciate highly marbled Japanese Wagyu beef for high-end dining, while leaner/less marbled Australian beef is used across the foodservice sector.
- Australia is a dominant supplier of beef to hamburger chains and casual dining restaurants in Japan. While the pandemic impacted all foodservice businesses, some operators in this segment weathered the challenge comparatively well, supported by their take-out/delivery capability.

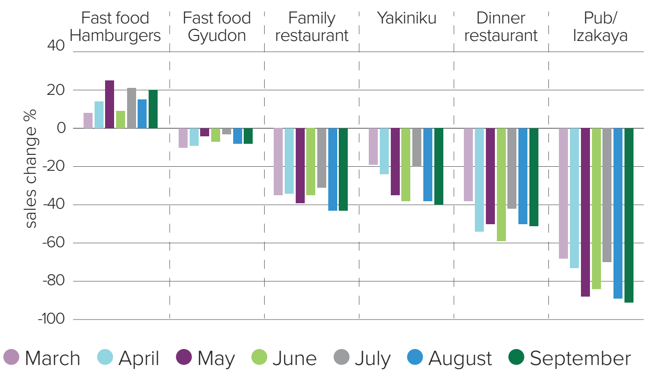
Household spending on restaurant and hotel forecast



Source: Fitch Solutions

- Mid-range eateries and hotels are also major users of Australian beef. However, their demand was severely reduced due to social-distancing rules, shortened business hours and loss of tourists/business functions. The speed of recovery will be particularly slow for operators whose businesses largely catered for international tourists.

Japan foodservice performance – 2021 vs 2019

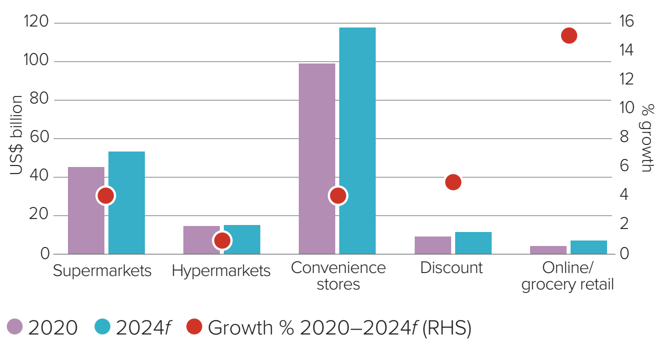


Source: Japan Foodservice Association, Family restaurant refers to Western style venues

RETAIL

- The Japanese retail food market is highly sophisticated, but also very fragmented, with over 60% of the grocery market occupied by many regional and/or second-tier businesses.
- Supermarkets are the most common place for Japanese consumers to purchase both fresh and cooked food items, including imported beef. Government requests for restricting movement and increased home-cooking have supported strong growth in grocery sales amid the spread of COVID-19.
- Convenience stores account for more than half of Japan's grocery retail market, of which fast foods and daily food categories such as ready-to-eat meals (bento lunch box) and delicatessen products make up about one-third of the channel's total sales. Sales through this channel in 2020 were the lowest in 20 years, mainly affected by COVID-19 as more consumers switched to home-cooking and/or refrained from going out.

Grocery retail sales by channel



Source: IGD, Growth % = Compound annual growth rate (CAGR) 2020–2024f, IGD forecast.

- Take up of online grocery shopping increased as a result of the pandemic and is anticipated to grow further, albeit off a low base. Many Japanese consumers, particularly older generations, still prefer to seek out the 'value of the day' (price, freshness, seasonality and variety) in-store.
- Variety, convenience and maintaining a healthy lifestyle are very important for Japanese consumers. Despite increased competition from US beef, Australian beef is well-positioned to capitalise on these spaces, supported by perceived advantages in quality, the safety of 'brand Australia' True Aussie *(Source: MLA Global Consumer Tracker 2018)* and commercial brand promotions.

TRUE AUSSIE BEEF™ オーストラリア産牛肉

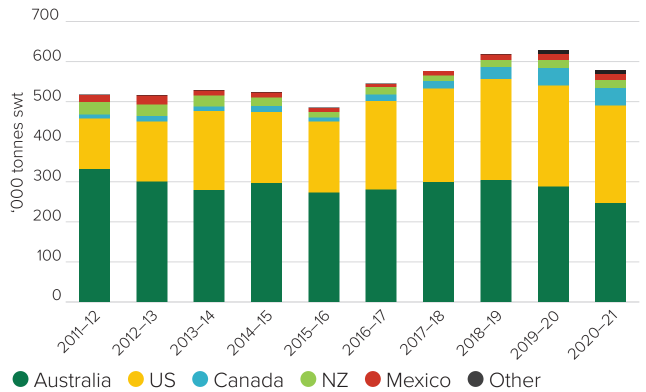
Key attributes consumers look for on a beef pack:	Key associations consumers have with the 'True Aussie' logo:
	"This beef is..."
Safety	✓ Safe to eat
Freshness	✓ Guaranteed/certified
Value	✓ High quality/premium
Origin	✓ Delicious

Source: MLA Global Consumer Tracker Japan 2018.

COMPETITIVE LANDSCAPE

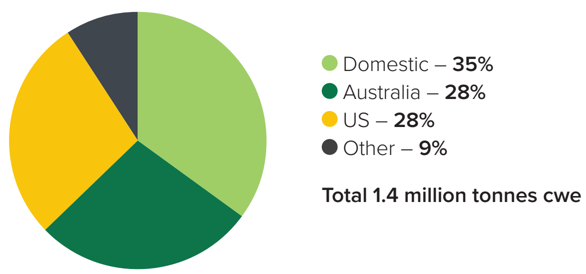
- Japanese beef production has been relatively stable at around 330,000 tonnes (boneless cut equivalent) per year, with half of production being Wagyu. Domestic production contributes about 35% of total beef demand in Japan. Sales of high value Wagyu beef have been subdued since 2020, as consumers tighten their budgets under the uncertainties of COVID-19.
- Australia and the US are the main suppliers of imported beef into Japan. Almost 65% of imports from the US are brisket/shortplate cuts (largely supplied to *Gyudon* rice bowl users), and another 25% are chilled shoulder/rounds for other foodservice and supermarket trade. The US is also a major supplier of beef offal (tongue in particular) to Japan's *yakiniku* restaurants.
- Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (commonly called TPP-11 or CPTPP), the import tariff on beef from member countries, including Australia, will be reduced to 9% by 2033, from the current 25.8%. The tariff on US beef is matched with the CPTPP rate under the US-Japan Trade Agreement.
- Imports from Canada, New Zealand and Mexico have increased significantly since the beginning of the CPTPP, albeit off a low base. In 2020, Japan had a sharp increase in imports from other smaller suppliers such as Poland, Uruguay, Ireland and the UK, albeit off a small base.
- Overall, Japan's imported beef market has experienced healthy growth in recent years. In spite of COVID-19 disruptions and challenges, imports in 2020 dropped only a modest 2% year-on-year.
- Japan exports a very small quantity of premium beef (5,565 tonnes swt in Japanese fiscal year 2020), with the majority being highly marbled Wagyu beef. North Asia, South-East Asia and the US are the main destinations for Japanese beef exports, taking almost 90% of total shipments. Australia imported 54 tonnes swt of Japanese beef during the same period.

Japan beef imports by supplier



Source: IHS Markit, Australian Fiscal Year.

Japan's beef consumption by supplier



Source: GIRA, IHS, MLA estimate, CY2020.

Market access overview – beef

Trade agreements	Import tariffs*	Competitors**	Volume restrictions	Technical access
Comprehensive and Progressive Agreement for Trans Pacific Partnership **(CPTPP)** Japan-Australia Economic Partnership agreement **(JAEPA)**	**Under CPTPP:** 25% for chilled and frozen beef From **1 April 2022** – 24.1% 9% on **1 April 2033**	**US:** The US-Japan Trade Agreement – tariff is matched with CPTPP **Canada, NZ, Mexico:** Same condition as Australia under CPTPP	**Safeguard** Tariff bounces back to 38.5% (30% after 1 April) if imports exceed trigger level*	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

** Visit DFAT Free Trade Agreement Portal (https://ftaportal.dfat.gov.au) for detailed tariff schedule under JAEPA and CPTPP, safeguard, prepared meat, offal and live animals.*

Australian beef exports to Japan – summary table

Volume – in tonnes swt

		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**243,357**		**284,023**		**288,265**		**-16**	**-44,908**
Storage	Chilled	105,231	43	124,186	44	122,457	42	-14	-17,226
	Frozen	138,126	57	159,837	56	165,807	58	-17	-27,681
Meat type	Grassfed	116,789	48	145,263	51	147,990	51	-21	-31,201
	Grainfed	126,569	52	138,760	49	140,275	49	-10	-13,706
Storage/meat type	Chilled grassfed	19,826	8	30,583	11	31,337	11	-37	-11,510
	Chilled grainfed	85,405	35	93,603	33	91,121	32	-6	-5,716
	Frozen grassfed	96,962	40	114,680	40	116,653	40	-17	-19,691
	Frozen grainfed	41,164	17	45,157	16	49,154	17	-16	-7,990

Source: DAWE

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
	Total	**1,946,544**		**2,422,225**		**2,113,283**		**-8**	**-166,740**
Storage	Chilled	1,127,022	58	1,373,000	57	1,213,180	57	-7	-86,159
	Frozen	819,522	42	1,049,225	43	900,103	43	-9	-80,581

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	105,046	43	115,295	41	111,605	39	-6	-6,559
Brisket	27,419	11	33,676	12	39,833	14	-31	-12,414
Silverside/Outside	17,761	7	20,311	7	19,112	7	-7	-1,351
Topside/Inside	14,712	6	16,246	6	15,863	6	-7	-1,150
Blade	13,818	6	16,906	6	17,181	6	-20	-3,362
Chuck Roll	12,967	5	15,547	5	15,867	6	-18	-2,900
Striploin	8,595	4	12,704	4	13,249	5	-35	-4,654
Shin/Shank	6,717	3	6,303	2	6,079	2	10	638
Other	36,321	15	47,035	17	49,475	17	-27	-13,154
Total	**243,357**		**284,023**		**288,265**		**-16**	**-44,908**

Source: DAWE

Australian beef offal exports to Japan – by major cut (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Skirt	6,956	34	8,744	35	8,223	33	-15	-1,268
Tongues	6,771	33	8,759	35	8,395	34	-19	-1,625
Intestines	2,809	14	2,357	9	2,635	11	-7	173
Other	4,212	20	5,278	21	5,391	22	-22	-1,179
Total	**20,747**		**25,138**		**24,645**		**-16**	**-3,898**

Source: DAWE

Value – in A$ 000

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
Total	**220,444**		**272,702**		**232,981**		**-5**	**-12,537**

Source: ABS/IHS Markit

Sheepmeat

CONSUMERS

- Sheepmeat has a minor but relatively established presence in Japan, in comparison to other niche proteins such as goatmeat and game meat. Lamb, in particular, is growing in popularity, especially among younger generations who are more open to experimenting with new food trends.
- Lamb consumption is more prevalent among consumers from the northern Japanese island of Hokkaido, followed by Tokyo. About 75% of consumers from Sapporo (capital city of Hokkaido) prefecture and 50% of consumers from Tokyo indicate that they have purchased lamb compared with an overall average of 30% across the country. Hence, lamb is rather well known to consumers from these two cities compared to other parts of Japan. Lamb is perceived to have delicious taste, high nutritional value and low fat content by Sapporo and Tokyo's consumers *(Source: MLA Global Consumer Tracker, Japan 2020)*.
- 'Unfamiliarity with the meat' and 'lack of cooking knowledge' are key barriers to lamb consumption in Japan. About one third of consumers surveyed indicate that providing tips on preparation would encourage them to buy lamb.
- A recent growing trend in outdoor activities, including camping and barbecuing, is expected to be a driver for lamb consumption in Japan.

Attributes important for all proteins and lamb associations

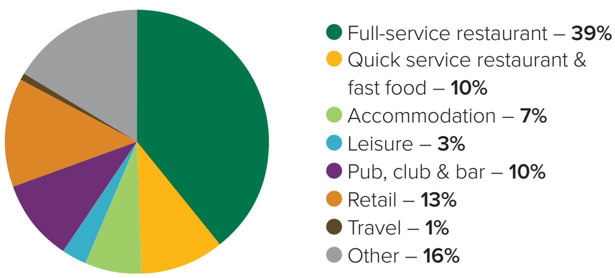
What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have with lamb?
My/my family's favourite	Tastes delicious
Consistent quality standards	Low in fat
Easy and convenient to purchase	High nutritional value
Easy and convenient to prepare	Meat is tender
An essential part of a healthy diet for growing children	My/my family's favourite

Source: MLA Global Consumer Tracker Japan, 2020

FOODSERVICE

- *Genghis Khan* (sheepmeat barbecue on a table-top grill) restaurants have been a significant driver of Australian sheepmeat demand in Japan. They are particularly popular in Hokkaido and among tourists. However, these restaurants have been hard-hit by the pandemic and the subsequent decline in tourists.
- While the impact of COVID-19 has been felt across all foodservice operators, some businesses weathered it better, due to their focus on local customers. Lamb menus started to appear in casual to mid-range chain outlets, including Chinese style lamb hot pot, grilled lamb skewers and *yakiniku* lamb.

Lamb usage estimate by foodservice channel



Source: : GlobalData, 2019

- Lamb does not have the price competitiveness of pork or chicken but is appealing for restaurants that seek a point of difference and higher value dishes. With the pandemic reinforcing Japanese consumers' interests in health and immunity through diet, there are opportunities for Australian lamb to leverage its positive perceptions in the foodservice sector.

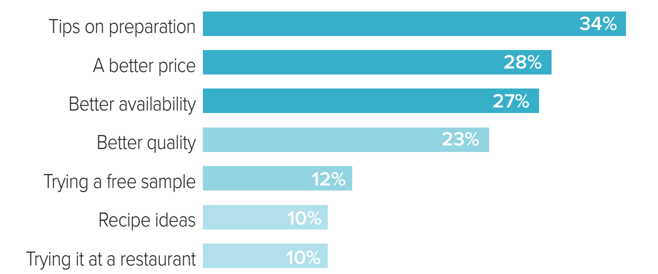
Lamb Shabu Shabu

Sheepmeat

RETAIL

- Lamb is mostly consumed through the foodservice sector, however, the pandemic has encouraged more consumers to experiment with cooking lamb at home.
- Japanese consumers buy lamb from multiple retail venues, with supermarkets, hypermarkets and butcher shops being the most common places of purchase.
- Along with lack of familiarity and knowledge of lamb, perceived lack of availability at retail venues is a key barrier for Japanese consumers to buy lamb. Educating consumers on lamb cooking ideas and in-store activations to entice consumers to the lamb area in retail stores are among major opportunities to increase lamb sales. Most consumers' lamb purchase decisions are made either at the time they see the product or based on a specific recipe they want to make *(Source: MLA Global Consumer Tracker Japan, 2017, 2018)*.

What would convince Japanese consumers to buy lamb?



Source: MLA Global Consumer Tracker, Japan 2018

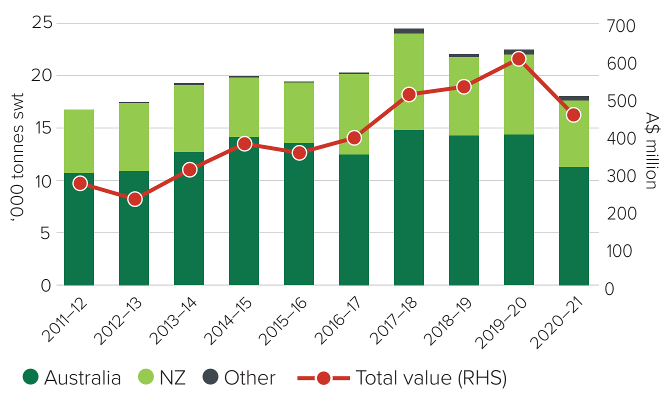
- New Zealand has a competitive presence in the sector with its smaller-sized bone-in (lamb cutlet) products, while Australia offers a greater range of products including shoulder, neck fillet and steak cuts.
- The True Aussie Lamb brand is well recognised and strongly associated with trusted quality by Japanese consumers. This will continue to be a key platform underpinning Australian lamb sales in Japan.

True Aussie Lamb 2021 Lambassador Campaign

COMPETITIVE LANDSCAPE

- The Japanese sheepmeat industry remains very small*, hence sheepmeat demand in Japan has been, and will continue to be, filled by imports.

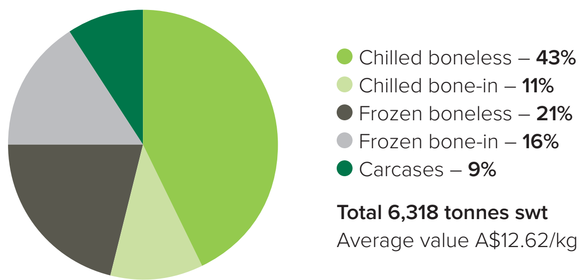
Sheepmeat imports by supplier



Source: IHS Markit, Australian Fiscal Year.

- Australia is the dominant imported sheepmeat supplier to Japan, but is facing ongoing competition from New Zealand, which has the same access conditions. Other suppliers include Iceland, France, Argentina and the US, but collective volumes have been limited.

Sheepmeat imports from New Zealand



Source: IHS Markit, 2020–21.

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership Agreement **(JAEPA)** Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)**	NIL (for all countries)	**New Zealand:** (same access conditions as Australia)	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to Japan – summary table

Volume – in tonnes swt

		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**11,882**		**13,793**		**13,814**		**-14**	**-1,932**
Storage	Chilled	5,922	50	5,890	43	5,691	41	4	231
	Frozen	5,960	50	7,902	57	8,122	59	-27	-2,163
Meat type	Lamb	8,550	72	9,643	70	9,123	66	-6	-573
	Mutton	3,332	28	4,149	30	4,690	34	-29	-1,359
Storage/meat type	Chilled lamb	5,885	50	5,815	42	5,629	41	5	257
	Chilled mutton	36	0.3	75	1	63	0.5	-42	-26
	Frozen lamb	2,665	22	3,828	28	3,495	25	-24	-830
	Frozen mutton	3,295	28	4,075	30	4,628	34	-29	-1,332

Source: DAWE, figures are rounded

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
	Total	**127,433**		**164,320**		**134,292**		**-5**	**-6,859**
Meat type	Lamb	96,506	76	118,252	72	94,494	70	2	2,012
	Mutton	30,927	24	46,069	28	39,798	30	-22	-8,871

Source: ABS/IHS Markit

Australian lamb exports to Japan – by major cut (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Shoulder	4,794	56	5,898	61	5,552	61	-14	-758
Manufacturing	1,893	22	1,806	19	1,639	18	15	253
Leg	560	7	667	7	655	7	-15	-95
Rack	530	6	585	6	646	7	-18	-116
Chump	361	4	175	2	150	2	141	211
Other	412	5	512	5	481	5	-14	-69
Total	**8,550**		**9,643**		**9,123**		**-6**	**-573**

Source: DAWE