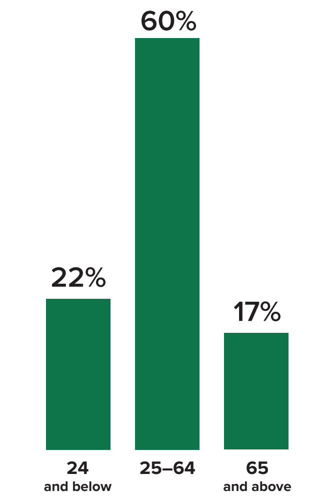
MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF & SHEEPMEAT

Korea

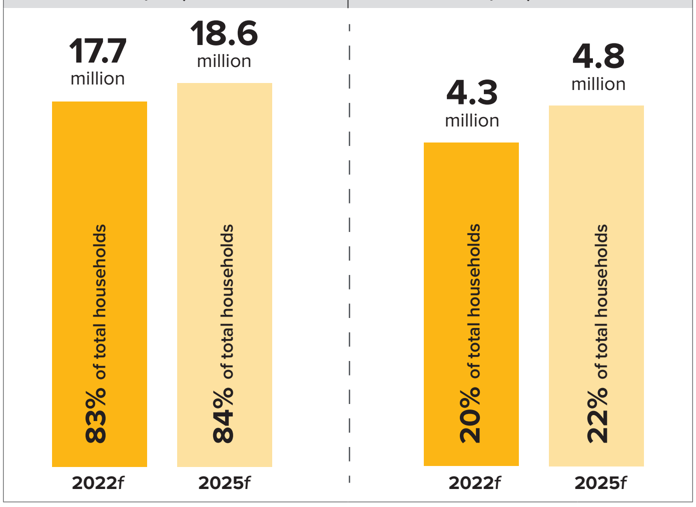
Korea has a relatively large meat market, with per capita beef consumption the highest in Asia. Korea also has one of the world's largest affluent consumer bases, with about 80% of its households earning a disposable income over US$35,000 per year. Korea represents one of the top three largest destinations for Australian beef exports, along with Japan and the US, and is one of the fastest-growing markets for Australian lamb exports. Australian red meat is well known and most-favoured among imports, backed by Korean consumers' preferences for the safety and naturalness of Australian products.

Population (proportion by age group)[1]

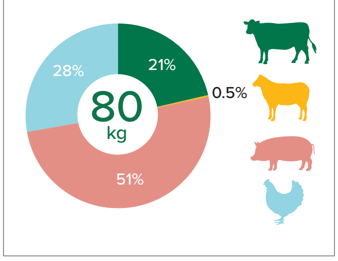


Total 51.3 million

Household number by disposable income[2]



Meat consumption per capita[3]

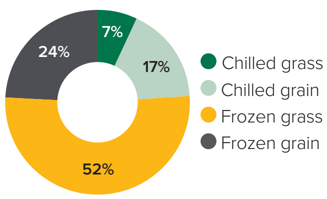


Annual grocery spend[4]

A$ 2,740 per person/year

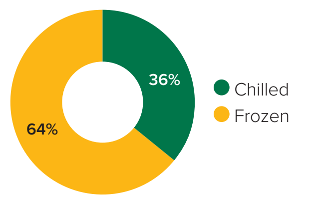
Korea has long been one of the top-ranking export destinations for Australian beef, and is now the third largest market after the US. It is also the second largest export customer of Australian grainfed beef.

Australian beef exports – volume[5]



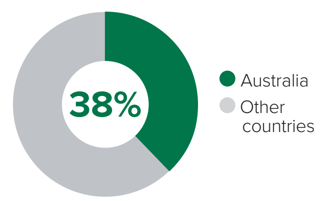
Total 159,409 tonnes swt

Australian beef exports – value[6]



Total A$1.4 billion

Australia's share of beef imports[7]

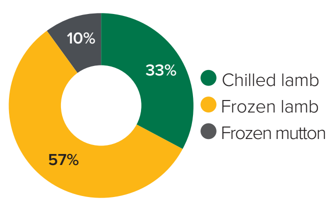


Country of origin trust perceptions[6]

Australian **beef** is the most **trusted imported** beef among **Korean** consumers

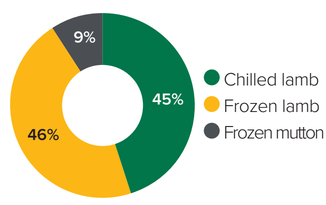
Australian sheepmeat exports to Korea have grown consistently over the past decade, making Korea the second largest Australian lamb customer in Asia.

Australian sheepmeat exports – volume[5]



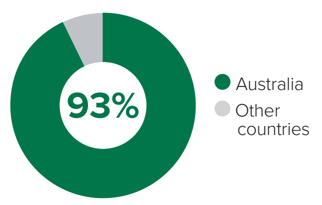
Total 17,168 tonnes swt

Australian sheepmeat exports – value[6]

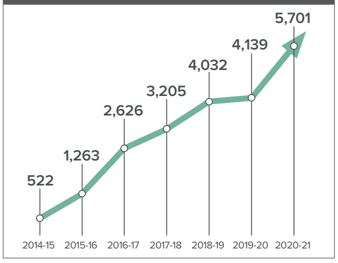


Total A$178 million

Australia's share of sheepmeat imports[7]



Australian chilled lamb exports[9] (tonnes swt)



Data source for charts: [1]Fitch Solutions 2022f, [2]Fitch Solutions 2021 (disposable income = earnings after taxes and social security charges), [3]Fitch Solution (beef, pork, chicken, 2022f), Gira (sheepmeat 2021e), [4]IGD 2022 (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]MLA Global Tracker, Korea 2021, [7]IHS Markit (2020–21), [8]MLA Global Tracker 2019, [9]DAWE

Beef

CONSUMERS

- Beef plays an important role in the Korean diet and is the most favoured meat in Korea. It has the strongest positive consumer associations for many influential factors that drive consumers' purchase decision-making when considering between meat proteins. These include 'family's favourite', 'taste' and 'nutritional benefits, especially for growing children'. Beef is also regarded as the most superior meat, with consumers willing to pay more for it *(Source: MLA Global Consumer Trackers, Korea)*.
- Despite having a sophisticated supply chain and high food safety standards, for Korean consumers, food safety and country of origin are significantly important factors, particularly when it comes to making beef purchasing decisions. This is partly driven by the market's high dependency on imports – about 65% *(Source: GIRA)* – for beef supply, and concerns over the safety of imported beef, along with rising health-consciousness. Assurance of food safety and country of origin have become particularly critical for Korean consumers. Australian beef has a strong competitive advantage on the safety front and is highly trusted by Korean consumers, just behind the local Hanwoo beef, largely owing to the perceived 'good nature of Australia'.
- Korea is experiencing dramatic changes in consumer behaviours, driven by rapid shifts in demographics and lifestyles. The proportion of the ageing population and single-person households are anticipated to be 25% and 32%, respectively, by 2025. Women's participation in the workforce is also gradually increasing, at 53% in 2020 *(Source: KOSIS)*. These demographic and lifestyle shifts are anticipated to shape the future of Korea's food market. For instance, Korea is already seeing a rapid rise in home meal replacement (HMR, fully or partially-prepared meals) and online shopping on the back of rising consumer needs for convenience.
- Similar to other parts of the world, the pandemic has accelerated Korean consumers' interests in health and wellbeing. With beef strongly associated with richness in nutritional value, it is gaining further traction in Korea during the pandemic as consumers look for health-boosting food options.

Important factors driving Korean consumers to pay more when buying meat

1	Is my/my family's favourite meat
2	Tastes delicious
3	Is the most superior meat
4	High nutritional value
5	Is an essential part of a healthy diet for growing children

Source: MLA Global Consumer Tracker Korea, 2020

FOODSERVICE

- Korea has a unique foodservice scene, with Korean-style BBQ being a feature of the country's dining culture. Enjoying meat with family or friends in meat-specialised restaurants is an integral part of the Korean lifestyle. This is reflected in a large and continuously growing number of meat specialty restaurants of approximately 74,000 outlets nationwide *(Source: Kosis, 2019)*.
- Korean consumers dine out for meat as frequently as once every week, and beef is a favourite meat choice, consumed twice a month on average *(Source: Hanwoo Board's 2020 Beef Consumption Retail Monitoring)*. Beef is enjoyed across a wide range of restaurant types, especially in Korean cuisine restaurants including meat specialty, which make up almost half of Korea's foodservice market.
- Korea's foodservice market experienced a healthy growth across all segments before the COVID-19 outbreak. Out of this, international cuisine restaurants (ethnic cuisines excluding conventional Chinese, Japanese and general Western-style), fast food (including hamburger) and meat specialty were among the fastest growing. However, the rapid expansion of this emerging segment has been disrupted by the pandemic.
- 'Enjoying delicious food' is the main motivator driving out-of-home consumption across all consumer segments, while convenience is a common reason amongst young and/or single-household consumers.
- An expanding number of single households and changing lifestyles have driven a rapid rise in demand for convenience offerings such as home delivery and ready meal kits, which is being accelerated by the pandemic.
- Local Hanwoo beef is most favoured by Koreans when they dine out for its perceived superior taste and quality. Australian beef is widely consumed across the whole foodservice sector and has larger market share within non-Korean cuisine segments, especially within hamburger chains, steakhouse chains, hotel fine dining restaurants and catering services.
- The Korean foodservice sector has never been fully shut down by the government but there are restriction measures in place that are subject to COVID-19 infection cases. Social distancing measures and consumers' fears of exposure to COVID-19 have affected foodservice sales. Foodservice operators have been expanding their businesses to weather the pandemic and capture changing consumer needs, with takeaway, home delivery and restaurant meal replacement (RMR) as key revenue drivers.

Korean foodservice sector – key users of Australian beef

Category	Major brands	Major cuts used
Fast food	Hamburger (Lotteria, Burger King, McDonald's)	Manufacturing beef
Casual eatery	Brisket soup (Shinsun Seolongtang, Hanchon SLT), Shabu shabu (Chasundang), various small BBQ outlets	Chuck roll, briskets, ribs, skirts, tail, oyster blade (BBQ style), offal
Mid-end	Steak (Outback Steakhouse), family restaurant (TGI Fridays, VIPs, Mad for Garlic), various BBQ chains	Chuck roll, loins, bone-in rib eye, various fore/hind cuts, offal
High-end	Five-star hotels, independent restaurants, celebrity chef venues	Loins
Canteen and catering*	LG Ourhome, Samsung Wellstory, CJ Freshway	Brisket, chuck roll, clod

Source: MLA

RETAIL

- The Korean retail sector is highly sophisticated and modernised, but also fragmented, with a high number of second-tier and regional chains. This drives strong price competition, with consumer and trade loyalty crucial to maintaining market position.
- Australian beef distribution through retail channels, including online, is estimated to have increased approximately 20% *(Source: MLA estimate)* since the COVID-19 pandemic, as consumption shifted from restaurant to home. Online retail, particularly channels directly operated by key retailers (hypermarket, supermarket and major e-commerce players), including home shopping, is accelerating online sales of Australian beef. However, offline hypermarkets and supermarkets still remain the key channels for Australian (and other imported) beef. Korean Hanwoo beef has a particularly strong presence in department stores. However, the pandemic has resulted in an increased presence of Hanwoo beef through online channels.
- Korea's online retail sector is well developed and among the largest in the world. Consumers can purchase Australian beef and lamb across several online platforms. Online sales of meat grew 67% year-on-year to A$7.3 billion in 2020, accounting for approximately 24% of total online food sales for the year *(Source: KOSIS)*. Key online retail channels including Coupang, SSG.com, Market Kurly, GS Fresh, Homeplus and Lotte mart online malls, have recently boosted their sales of Australian chilled beef in particular.
- Demand for fresh beef through on/offline retail has been accelerated by the pandemic as many consumers opt for home cooking. In addition, COVID-19 has also boosted consumer demand for HMR products, subsequently increasing demand for beef products within the processed food sector.
- Korea is seeing an emerging trend in the live-commerce channel – a new online retail format that combines entertainment and shopping features through live interactions between sellers and shoppers via social media platforms such as Kakao, Instagram and Naver. The live-commerce channel is still relatively small but growing in popularity.
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. Information about country of origin, along with environmental and 'naturalness' credentials, are highly important considerations at the point of purchase *(Source: MLA Global Consumer Tracker Korea, 2020)*. The COVID-19 wave has further increased consumer needs for safe, healthy and natural products.
- With high levels of consumer awareness and a strong association with trust toward "True Aussie" (the international brand for Australian red meat), the brand continues to be a great platform advancing Australia's competitive position in the Korean market.

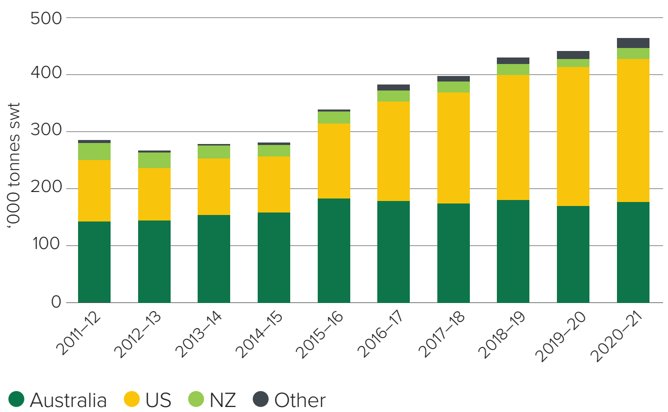
1 in 2 consumers **care more** about **safety** and **country of origin** when purchasing red meat since the beginning of the pandemic

Source: MLA Global Consumer Tracker Korea, 2020

COMPETITIVE LANDSCAPE

- Local beef production is relatively small, at around 300,000 tonnes cwe per year, supplying approximately 35% of total beef consumption on average *(Source: GIRA)*. In the long-term, growth in Korea's domestic production is likely to remain limited, largely due to an ageing farmer population and rising costs. However, competition from locally produced beef products is expected to increase gradually in the coming years as the cattle herd grows. Slaughter numbers are forecast to increase 30% to 990,000 head by 2024, from 763,000 head in 2020 *(Source: KREI)*.
- Korea's demand for imported beef remains steady, with total beef imports in 2020–21 increasing 5% to 463,935 tonnes swt.

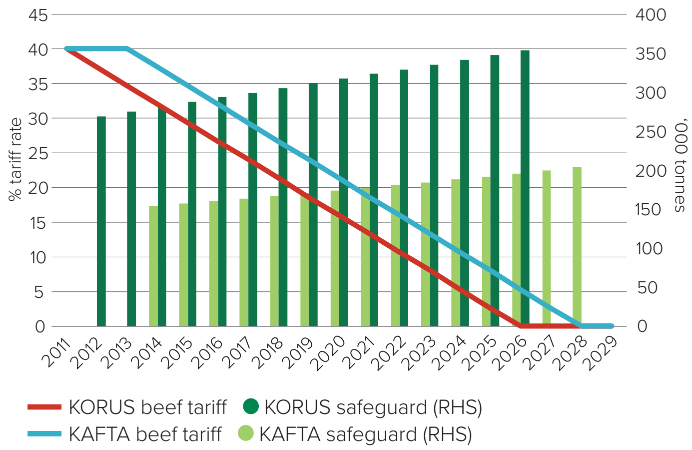
Korea beef imports by supplier



Source: IHS Markit, Australian Fiscal Year

- Australia and the US are the two major suppliers of imported beef to Korea. US beef imports have been on the rise lately, with shipments in 2020–21 totalling 251,152 tonnes swt, up 3% year-on-year.
- Heightened competition is expected for Australian beef in the short-term due to increasing domestic production and US imports, which are partly supported by more favourable tariffs and safeguard volumes. The tariff on US beef is 13.3% under the Korea-US Free Trade Agreement (KORUS), 5.3% lower than Australia's.

KAFTA and KORUS beef tariff schedules



Source: Austrade and USDA FAS

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2021 – 18.6%** **2022 – 16.0%** 0% in 2028 Under **KAFTA**	**US:** **2021 – 13.3%** **2022 – 10.7%** 0% in 2026 under **KORUSFTA***	**Safeguard** Tariff bounces back to 30% when Australian imports exceed trigger level**	No major hurdles for beef; strict quarantine inspection and clearance requirements for intestine products, introduced on 1 January 2021 as part of the government's efforts to maintain food safety

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
**Korea-US Free Trade Agreement*
*** Trigger volume is 181,120 tonnes swt in 2022*

Australian beef exports to Korea – 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	**159,409**		**159,000**		**165,309**		**-4**	**-5,900**
Storage	Chilled	38,050	24	33,195	21	35,171	21	8	2,878
	Frozen	121,360	76	125,804	79	130,138	79	-7	-8,778
Meat type	Grassfed	93,747	59	103,998	65	110,593	67	-15	-16,846
	Grainfed	65,663	41	55,001	35	54,716	33	20	10,947
Storage/meat type	Chilled grassfed	10,926	7	9,025	6	9,747	6	12	1,180
	Chilled grainfed	27,123	17	24,171	15	25,425	15	7	1,698
	Frozen grassfed	82,820	52	94,974	60	100,847	61	-18	-18,026
	Frozen grainfed	38,540	24	30,831	19	29,291	18	32	9,248

Source: DAWE, figures rounded

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
	Total	**1,432,493**		**1,463,380**		**1,338,332**		**7**	**94,161**
Storage	Chilled	511,864	36	462,376	32	435,544	33	18	76,320
	Frozen	920,629	64	1,001,004	68	902,788	67	2	17,842

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
Chuck roll	28,176	18	28,952	18	36,560	22	-23	-8,384
Brisket	23,309	15	18,218	11	19,278	12	21	4,031
Blade	20,576	13	19,807	12	23,693	14	-13	-3,117
Manufacturing	20,072	13	26,134	16	21,655	13	-7	-1,583
Silverside/outside	13,191	8	10,500	7	10,759	7	23	2,432
Ribs	13,016	8	15,695	10	13,517	8	-4	-500
Short ribs	9,189	6	10,503	7	10,295	6	-11	-1,106
Thick flank/knuckle	6,306	4	6,297	4	5,955	4	6	351
Other	25,574	16	22,893	14	23,597	14	8	1,977
Total	**159,409**		**159,000**		**165,309**		**-4**	**-5,900**

Source: DAWE

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

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Skirt	5,198	19	5,983	18	5,233	20	-1	-35
Intestines	5,038	19	9,645	29	5,941	22	-15	-903
Tripe	4,989	19	5,705	17	3,568	13	40	1,420
Other	11,601	43	12,457	37	11,978	45	-3	-377
Total	**26,825**		**33,790**		**26,720**		**0.4**	**105**

Source: DAWE

Value – in A$ 000

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
Total	**148,288**		**162,594**		**134,645**		**10**	**13,643**

Source: ABS/IHS Markit

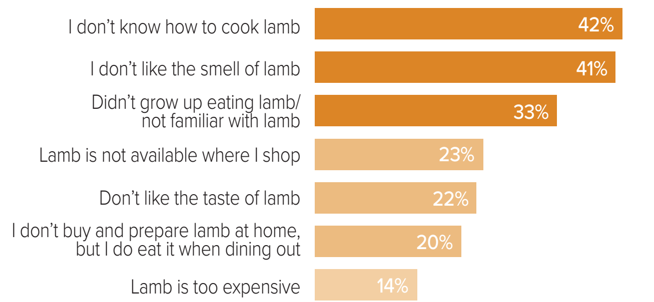
Sheepmeat

CONSUMERS

- Lamb is not a traditional part of the Korean diet, but has been growing in popularity in recent years. Korean consumers typically consume lamb in restaurants rather than at home, largely due to the lack of familiarity with the meat, its smell and lack of cooking knowledge.

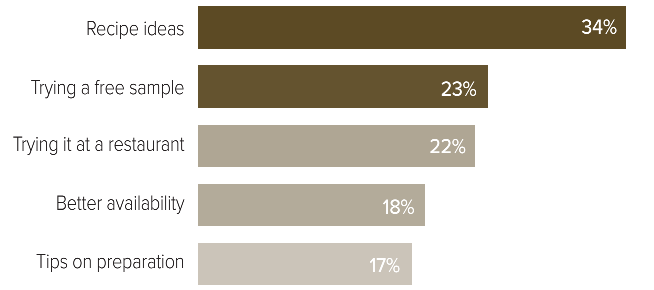
- Consumer education – including growing cooking confidence and awareness of the nutritional benefits of sheepmeat – remains crucial to growing consumption, considering the importance of nutrition on Korean consumers' meat purchase decision-making for daily meals.

Reasons for not buying lamb



Source: MLA Global Consumer Tracker, Korea 2018

What would convince Korean consumers to purchase lamb?



Source: MLA Global Consumer Tracker, Korea 2018 (multiple response)

- Korea is a fast-paced market where consumption trends are quickly embraced. Korea's lamb market is still new and relatively small but gaining traction as many consumers are keen to try new and different cuisines. Growing consumer interest in outdoor activities, including camping and BBQ, creates opportunities to grow lamb consumption.

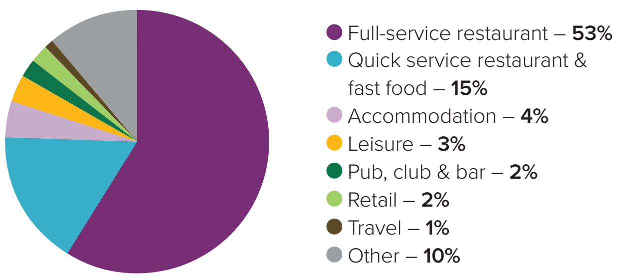
High nutritional value is **lamb's strongest consumer association,** despite it being unfamiliar to the majority of Koreans

Source: MLA Global Consumer Tracker Korea, 2020

FOODSERVICE

- Foodservice is the key consumption channel of lamb – especially lamb specialty restaurants. The market is estimated to have around 3,000 lamb specialty restaurants, dominated by independent and non-chain players *(Source: Korea Herald Business)*, with young Koreans being the key target consumers. Major chain lamb specialty restaurants include Ramuzin, Ichiryu, Mibang, Lamb Plus and Jin 1926.

Lamb usage estimate by foodservice channel



Source: : GlobalData, 2019

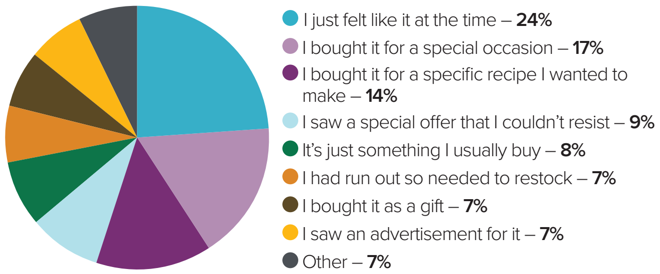
- Genghis Kan-style (Japanese table-top) sheepmeat barbecue is a popular menu item. Foodservice operators are also looking to localise sheepmeat menus to explore growth opportunities, considering Korean consumers' strong preference for local taste. However, COVID-19 has shifted sheepmeat demand from foodservice to on/offline retail, with a focus on offerings suited for camping occasions as many Koreans tend to hesitate to cook lamb at home due to its smell.

Lamb – Genghis Khan Korean-style

RETAIL

- Lamb is sold across many different retail channels in Korea, spanning from offline/online retail channels owned by large conglomerates to smaller stores operated by small-to-middle-sized retail players targeting niche markets.
- Korea's retail sector is seeing a rapid growth in the presence of lamb products in hypermarkets, department stores and online channels as players look to leverage increased consumer interest in lamb to boost sales. For example, major online players such as Market Kurly and Coupang already have a diversified range of lamb products available for purchase. Recently, lamb sales in the home shopping channel have also seen some growth.

Reasons for most recent lamb purchase



Source: : MLA Global Consumer Tracker, Korea 2017

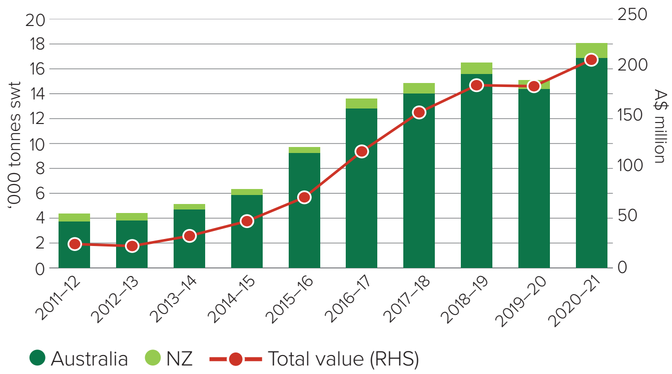
- Lamb is often purchased impulsively at retail venues (on/offline) or for a special occasion or recipe. Point of sale marketing, accompanied with tools providing consumers with cooking ideas for various special occasions, plays a pivotal role in increasing sales.

True Aussie Lamb sampling campaign with Lotte Mart promoting lamb cooking

COMPETITIVE LANDSCAPE

- Korea's sheepmeat supply is predominantly imported. Domestic production is limited, and accounts for a modest share of approximately 8% of total consumption. Small domestic supply, coupled with increasing consumption, creates opportunities for imports.
- The Korean imported sheepmeat market has increased significantly over the past 10 years (from a very low base), with Australia mostly taking advantage of the growth, representing 93% of total imports in 2020–21. Total sheepmeat imports reached 18,059 tonnes swt in 2020–21, up 20% year-on-year.
- Albeit a small volume, sheepmeat imports from NZ increased 75% year-on-year in 2020–21 to 1,208 tonnes swt.

Sheepmeat imports into Korea by supplier



Source: IHS Markit, KTSPI (2015 – 2021), KCTDI (prior to 2015)

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2021 – 4.5%** **2022 – 2.2%** 0% in 2023 under **KAFTA**	**NZ:** **2021 – 6.7%** **2022 – 4.5%** 0% in 2024 under **NZ-Korea FTA***	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** New Zealand-Korea Free Trade Agreement*

Australian sheepmeat exports to Korea – 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		**17,168**		**15,276**		**13,631**		**26**	**3,538**
Storage	Chilled	5,701	33	4,139	27	3,054	22	87	2,647
	Frozen	11,467	67	11,136	73	10,577	78	8	891
Meat type	Lamb	15,467	90	13,115	86	11,853	87	30	3,613
	Mutton	1,702	10	2,160	14	1,777	13	-4	-76
Storage/meat type	Chilled lamb	5,701	33	4,139	27	3,053	22	87	2,648
	Chilled mutton	0	0	0	0	1	0	-100	-1
	Frozen lamb	9,766	57	8,976	59	8,800	65	11	966
	Frozen mutton	1,702	10	2,160	14	1,777	13	-4	-75

Source: DAWE, figures are rounded

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in A$ 000
Total		**178,192**		**154,902**		**118,769**		**50**	**59,423**
Meat type	Lamb	160,979	90	135,331	87	105,906	89	52	55,074
	Mutton	17,213	10	19,571	13	12,863	11	34	4,349

Source: ABS/IHS Markit

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

	2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	%	in tonnes swt
Shoulder	8,271	53	7,604	58	6,715	57	23	1,556
Breast and flap	2,845	18	2,516	19	2,528	21	13	316
Rack	2,554	17	1,067	8	873	7	193	1,681
Manufacturing	490	3	789	6	782	7	-37	-293
Leg	474	3	265	2	201	2	136	273
Other	833	5	874	7	755	6	10	79
Total	**15,467**		**13,115**		**11,853**		**30**	**3,613**

Source: DAWE