MEAT & LIVESTOCK AUSTRALIA

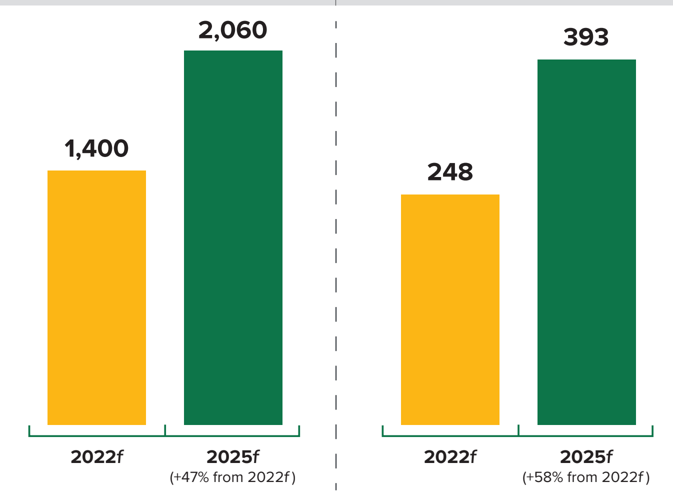
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Malaysia

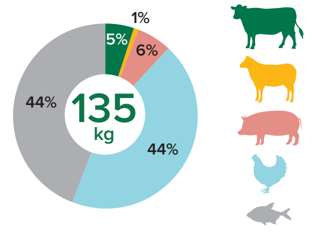
Malaysia is Australia's second largest export market for mutton and largest destination for sheepmeat within South-East Asia. Continued expansion of the nation's already well-established retail, foodservice and tourism sectors, and a large pool of young, educated and wealthy consumers who are avid restaurant diners, makes Malaysia the second most attractive market in South-East Asia for Australia, after Singapore. Steady import growth of high value red meat products including chilled beef and lamb reflects stable demand among affluent consumers and the resilience of Malaysia's retail and foodservice sectors in response to COVID-19.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

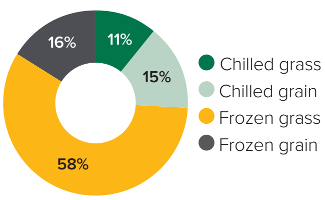


Annual grocery spend[4]

A$ 1,300 per person/year

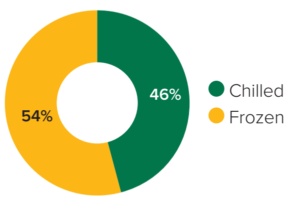
Australian beef exports

Australian beef exports – volume[5]



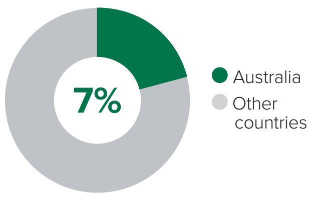
Total 8,116 tonnes swt

Australian beef exports – value[6]

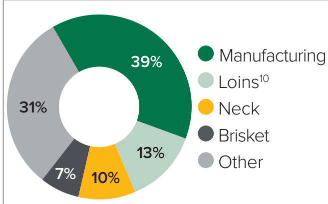


Total A$79.8 million

Australia's share of beef imports[7]

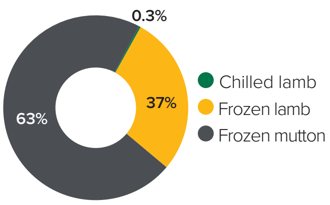


Australian beef exports by cut[8]



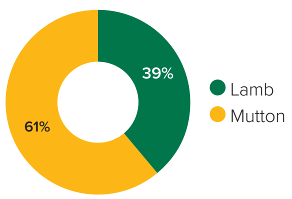
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



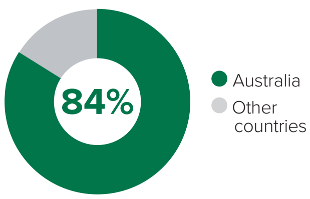
Total 26,010 tonnes swt

Australian sheepmeat exports – value[6]

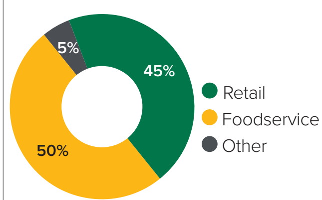


Total A$204.8 million

Australia's share of sheepmeat imports[7]



Key distribution channels of Australian sheepmeat[9]



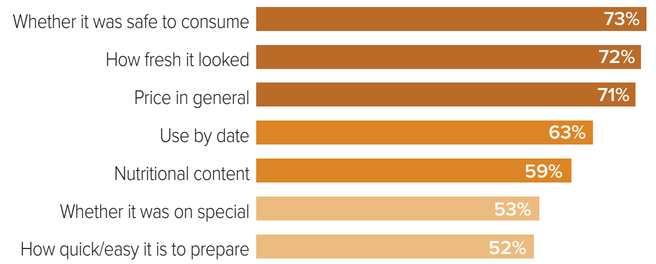
Data source for charts: [1,2] Fitch Solutions, [3] Fitch Solution (beef, pork, chicken, 2022f), Gira (sheepmeat, fish 2021e), [4] IGD 2022f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAWE (2020–21), [6] ABS/IHS Markit (2020–21), [7] IHS Markit (MAT from June 2020 to May 2021), [8] DAWE (2020–21), [9] MLA market intelligence, [10] Loins include striploin, cube roll/rib eye roll, tenderloin and loin.

Beef

CONSUMERS

- Malaysia has the second highest consumer purchasing power in the South East Asia region after Singapore *(Source: Fitch Solutions)*. The market also has a relatively high per capita beef consumption of around 7kg per person per year *(Source: GIRA)*.
- Beef plays an important role in the Malaysian diet, especially among Muslim consumers who account for more than 60% of the population.
- Beef is seen as a superior meat with great taste, but generally does not have as distinctive a profile in Malaysia as it does in neighbouring countries. Chicken and fish tend to have stronger positive associations *(Source: MLA Global Consumer Tracker)*.
- However, growth in beef consumption is expected to continue at a fast pace in the coming years on the back of an increasing number of affluent consumers and the growing popularity of beef as a healthy and superior protein. Australian beef is eaten most frequently among this affluent consumer segment *(Source: Fitch Solutions and MLA Global Consumer Tracker, Malaysia 2020)*.
- Australia is also believed to offer the highest quality beef steak, with 40% of affluent Malaysians (annual income of A$25,000 or above) indicating that Australian beef would be the first choice for their next beef purchase *(Source: MLA Global Consumer Tracker Malaysia, 2019)*.
- Halal is an important element in beef purchasing in Malaysia. Beef consumption typically spikes during the festive seasons, particularly during the Ramadan fasting month, Hari Raya Aidilfitri and at Christmas.
- COVID-19 has accelerated the health and wellbeing trend, with many consumers switching to a healthier diet. Food safety and maintaining good immunity and health remain the greatest concerns and interests for Malaysian consumers alongside freshness, especially when they buy red meat *(Source: MLA Global Consumer Tracker, Malaysia 2020; GlobalData Consumer Survey Q1 2021)*.

Factors that have become more important to Malaysian consumers since the COVID-19 outbreak when purchasing red meat



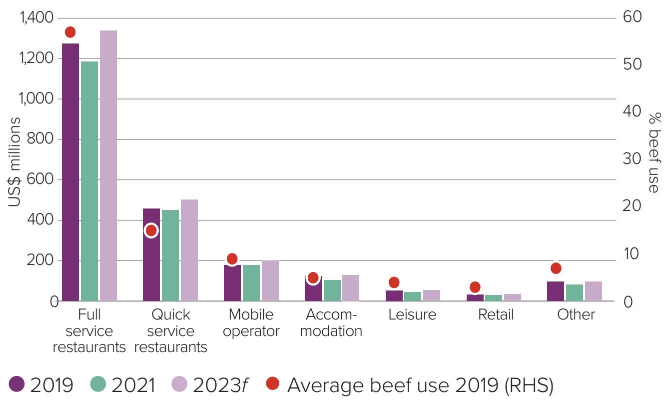
Source: MLA Global Consumer Tracker, Malaysia 2020

- Despite an economic contraction, the pandemic saw an increase in Malaysia's demand for high quality beef imports. Chilled beef imports increased 11% year-on-year in 2020–21, driven by strong growth in imports of Australian and Japanese chilled products, albeit off a small base. Chilled Australian beef owns approximately 80% of shelf space positioning in middle to high-end retail stores.

FOODSERVICE

- Malaysia has a relatively established foodservice sector, with one of the fastest growth rates in the region, driven by changing consumer lifestyles, growing tourism and continued urbanisation.
- Australian beef exported to Malaysia is typically used in higher-end hotels, restaurants and institutions.
- Local Malaysian is the favourite cuisine, followed by Chinese. Japanese, Korean and western cuisines are gaining in popularity, mostly driven by young, educated and affluent consumers. Many affluent consumers who frequent the high-end foodservice sector are keen on Wagyu beef as well as Angus and highly marbled grainfed beef.
- However, Malaysia's foodservice sector has been hit hard by the pandemic and a full recovery is still uncertain as COVID-19 cases continue to spike. Most restaurants, hotels and bars have collectively closed their dine-in services for a significant period of the outbreak, with some 120 hotels temporarily closed for quarantine and others closed for good *(Source: Prestige)*. Although restaurants are allowed dine-in with a one metre distancing rule in place (the Standard Operating Procedures), many choose not to open for the time being, fearing the high infection rates.
- Food delivery has been a key revenue driver for the Malaysian foodservice sector. Total foodservice sales through the online channel are estimated to have grown by 44% year-on-year in 2020 *(Source: Google, Temasek, Bain & Company)*.
- The pandemic is also seeing a growing number of upmarket foodservice operators such as Skillet KL, Nobu and myBurgerLab expanding their businesses by offering new 'do-it-yourself' meal kits delivered to consumers' homes, in addition to takeaway or online meal delivery.
- The online upmarket foodservice channel represents a great opportunity not only to sell Australian red meat, but also to introduce ways of enjoying it and to increase loyalty among targeted affluent Malaysians by capitalising on their strong aspirations for dining experiences, even during the pandemic *(Source: MLA Global Consumer Tracker, Malaysia 2020)*.
- Malaysia looks to relax its COVID-19 containment measures in states with improving COVID-19 conditions in order to facilitate industry growth, including reopening dine-in services and making interstate travel available to fully vaccinated people. Malaysia has one of the world's fastest vaccination rates, with almost 50% of the population fully vaccinated *(Source: Our World in Data, as of 9 September 2021)*.

Foodservice sales and beef usage estimate by channel

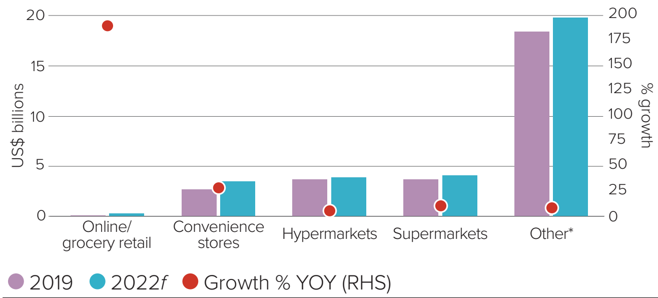


Source: GlobalData

RETAIL

- Malaysia's grocery retail sector is fragmented, with organised retailers accounting for approximately 38% of the market. Despite a relatively high urbanisation rate of 78%, traditional channels or wet markets are still dominant.
- Most Malaysian consumers frequent traditional markets for local beef and Indian buffalo meat, and modern retail outlets such as supermarkets or hypermarkets for imported beef, including Australian.
- During the pandemic, all the traditional markets were closed under the pandemic movement restriction order, meaning consumers could only buy meat from modern retail stores, mini grocery stores and online retailers.
- Besides Halal, freshness is a very important factor influencing Malaysian consumers' beef purchasing decisions as it is thought to affect the taste of the dish (such as that the fresher the beef is, the sweeter the taste it can deliver once cooked[1]).
- The Klang Valley region has a growing number of premium grocery retail stores, capturing increasing demand for high quality imported food products, including premium beef from affluent local and expatriate consumers. Jaya Grocer, Village Grocers and Ben's Independent Grocer are among popular upmarket retail brands.
- Although still a small segment, more Malaysian consumers are looking for lean and organic beef, reflecting the growing importance of health and strong consumer associations with its health benefits *(Source: MLA Global Consumer Tracker, Malaysia 2019).*
- Online grocery makes up only around 1% of total grocery retail sales, but remains the fastest growing channel, followed by convenience stores. Many online platform grocery retailers have grown over the last year, as the pandemic has accelerated the online grocery channel in Malaysia. For example, AirAsia, a Malaysian-based low-cost airline, has tapped into the online grocery retail market in 2020 as part of its efforts to survive the pandemic. Australian beef and sheepmeat products are also sold on AirAsia's online grocery platform (known as "AirAsia Grocer"), as well as on other major platforms such as Mygroser, Redtick, Gogopasar, HappyFresh, GrabSupermarket, Sejadi and online stores owned by major supermarkets/hypermarkets.
- Despite COVID-19-related challenges, the Malaysian retail sector saw a new player entering the market in 2021. Don Don Donki, a Japanese discount chain, opened its first store in Kuala Lumpur in March 2021 amid the COVID-19 spread. The chain aims to open a total of 11 outlets in Malaysia by 2024. Don Don Donki offers a variety of Japanese-style food products including high quality, Halal-certificated Wagyu beef *(Source: NNA).*

Grocery retail sales by channel forecast



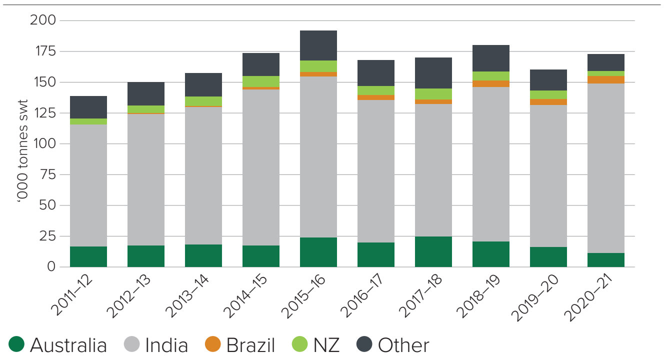
*Source: IGD, *Other includes traditional channel*

[1] *International Food and Agribusiness Management Review, Exploring the Factors Influencing Consumers' Choice of Retail Store When Purchasing Fresh Meat in Malaysia, 2013.*

COMPETITIVE LANDSCAPE

- Malaysia imports approximately 80% of its beef, of which Indian buffalo meat accounts for around 80% on average. Malaysia's beef imports rebounded in the year ending May 2021, with total imports up 12% year-on-year to 161,444 tonnes swt. This was after a 10% decline in the same period last year due to COVID-19-related disruptions to foodservice businesses, logistics including spiked freight costs, port congestions and tight beef supplies from major suppliers.
- Imports of Indian buffalo meat grew 19% year-on-year for the year ending May 2021, reaching 137,743 tonnes swt. Malaysia's demand for Indian buffalo meat is anticipated to remain strong, a result of weakening purchasing power, especially among consumers with lower incomes.
- Australia is the second largest beef supplier to Malaysia, with a market share of approximately 7%. Imports from Australia declined 30% year-on-year in the year ending May 2021, largely driven by reduced demand in the foodservice sector and a sharp decline in grassfed beef exports due to approved exporters facing cattle supply shortages. Grainfed beef has partially offset the pressure of limited cattle supply, albeit at some 20% higher prices. Australian grainfed beef exports to Malaysia registered 21% growth year-on-year for 2020–21.
- Australia is also the largest supplier of chilled beef, accounting for approximately 85% of Malaysia's chilled beef imports. In the year ending May 2021, imports of Australian chilled beef grew 4% year-on-year to 1,831 tonnes.
- Brazil has become the third largest supplier following a period of steady growth, overtaking New Zealand, which dropped 37% year-on-year in the year ending May 2021.
- Demand growth for chilled beef imports has remained steady in recent years. Total chilled beef imports for the year ending May 2021 grew 6% compared to pre-COVID-19 levels, reaching 2,133 tonnes swt. Demand for Japanese beef also surpassed the pre-COVID-19 level, albeit off a small base, with shipments reaching 349 tonnes swt, up 74% year-on-year. This reflects a relatively small but steadily growing market for high quality beef in Malaysia. Australia is facing growing competition from Japan for chilled Wagyu products, largely due to limited supply.
- Malaysia maintains strict Halal requirements for meat and food products. Meat intended to be imported to Malaysia must be Halal and meat plants must follow the required Halal protocols and be inspected and approved by the Malaysian Department of Islamic Development (JAKIM) and the Department of Veterinary Services (DVS). The approval period for the establishment is valid for two years. However, the validation period may be extended for an additional two years subject to the outcome of the mandatory 'Annual Performance Evaluation' *(Source: Malaysia Department of Veterinary Services).* Due to the pandemic, approved meat plants have been given an automatic extension until the outbreak is contained.

Malaysia beef imports by major supplier



Source: IHS Markit, MAT from June to May

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)** Malaysia-Australia Free Trade Agreement **(MAFTA)** Trans-Pacific Partnership **(CP-TPP)**	Under AANZFTA and MAFTA: 0% for all product lines	**India:** 0% **New Zealand:** Same conditions as Australia **Brazil:** 0%	Zero	Maintains import regulations in accordance with Halal and health requirements

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Malaysia – 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	**8,116**		**9,666**		**10,445**		**-22**	**-2,328**
Storage	Chilled	2,152	27	2,353	24	2,149	21	0	4
	Frozen	5,964	73	7,313	76	8,296	79	-28	-2,332
Meat type	Grassfed	5,583	69	7,574	78	8,728	84	-36	-3,145
	Grainfed	2,533	31	2,092	22	1,716	16	48	817
Storage/meat type	Chilled grassfed	924	11	1,286	13	1,449	14	-36	-525
	Chilled grainfed	1,228	15	1,066	11	699	7	76	529
	Frozen grassfed	4,659	57	6,287	65	7,279	70	-36	-2,620
	Frozen grainfed	1,305	16	1,026	11	1,017	10	28	288

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	**79,776**		**88,784**		**80,023**		**0**	**-247**
Storage	Chilled	36,366	46	34,532	39	30,262	38	20	6,104
	Frozen	43,410	54	54,251	61	49,761	62	-13	-6,351

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	3,124	38	3,871	40	4,651	45	-33	-1,527
Neck	831	10	690	7	794	8	5	37
Striploin	574	7	957	10	958	9	-40	-384
Brisket	564	7	510	5	653	6	-14	-89
Topside/Inside	536	7	665	7	575	6	-7	-39
Thick flank/knuckle	417	5	426	4	427	4	-2	-10
Blade	411	5	560	6	568	5	-28	-157
Cube roll/rib eye roll	390	5	543	6	457	4	-15	-68
Silverside/outside	222	3	299	3	256	2	-13	-34
Other	1,047	13	1,145	12	1,105	11	-5	-58
Total	**8,116**		**9,666**		**10,445**		**-22**	**-2,328**

Source: DAWE

Sheepmeat

CONSUMERS

- Despite modest per capita consumption levels, the frequency of sheepmeat consumption is relatively high in Malaysian diets. About one-third of consumers say they have bought lamb in the last month, well above Asia's average of 19% *(Source: MLA Global Consumer Tracker)*.
- As Malaysia is a multicultural nation, its cuisine is influenced by many different cultures including Malay, Chinese, Arabic, Indian, Indian Muslim, Javanese and European. Sheepmeat is not only popular among the Muslim and Indian Muslim communities, but also enjoyed by other ethnic groups. Sheepmeat is not taboo to most religions and hence can be enjoyed by many consumers.
- Sheepmeat has increasingly become a favourite meat for daily consumption among many families, in addition to being a favourite meat for special treats or special occasions. Demand for sheepmeat typically spikes during the festive seasons, particularly around Deepavali, Ramadan, Hari Raya and Christmas.
- Malaysian consumers tend to be more familiar with sheepmeat than those in neighbouring countries. In addition to superiority, some Malaysians think sheepmeat, and lamb in particular, is tender, tasty, nutritious and versatile.
- However, 'don't know how to cook it' remains a key barrier for Malaysian consumers to eating sheepmeat at home. Some 30% of consumers say they don't buy and prepare lamb at home but do eat it when dining out, compared to the global average of 15% *(Source: MLA Global Consumer Tracker)*.
- Malaysian consumers, especially male millennials, are interested in sheepmeat. In particular, they are interested in cooking more meals with sheepmeat, especially lamb, and learning how to cook more exciting sheepmeat dishes *(Source: MLA Attractive Cities Study Kuala Lumpur, 2018)*. Some adventurous consumers say they would try to buy and cook lamb if they were inspired by recipe ideas, cooking tips or good experiences at a restaurant.
- With COVID-19 movement restriction measures in place, sheepmeat consumption has switched from out-of-home to in-home, driving increased demand for Australian lamb shoulder, neck, breast and flap and mutton bone-in loin.

6 in 10

Malaysians surveyed indicate that they

cook new and different meals or look for food inspiration

during the COVID-19 outbreak

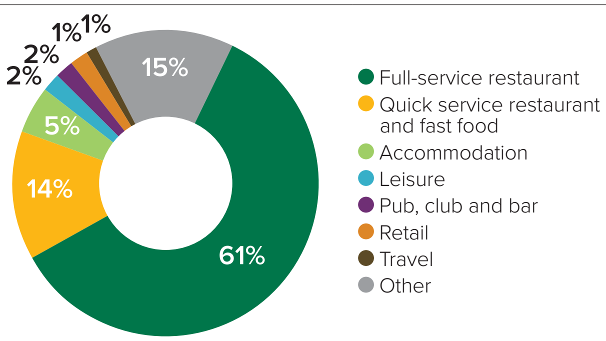
Source: MLA Global Consumer Tracker, Malaysia 2020

Lamb soup

FOODSERVICE

- Driven by consumer preferences for enjoying sheepmeat out-of-home, foodservice is an important channel to growing sheepmeat consumption in Malaysia, but the sector is one of the most hard-hit by the pandemic. Takeaway, online delivery and new innovative business initiatives, such as ready-to-cook meal kits and marinated lamb chops sold through online channels, are expected to remain the key channels for sheepmeat until foodservice activities, including dine-in, resume.

Lamb usage estimate by foodservice channel



Source: : GlobalData, 2019

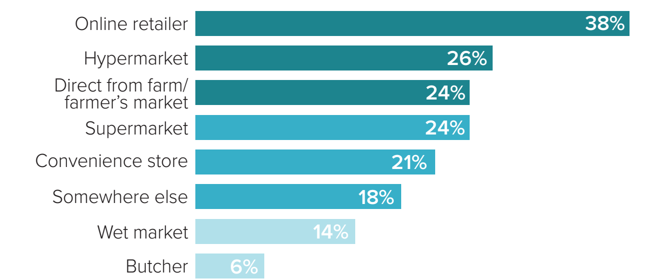
- 'Direct-to-consumers for home consumption but with restaurant experiences' is one of the value propositions that mid- to high-end foodservice operators are exploring to cope with revenue losses for dine-in business due to COVID-19. This presents an opportunity to grow demand for Australian sheepmeat amid the ongoing challenges caused by COVID-19 to the Malaysian foodservice sector.

Lamb Dhal (Lamb curry)

RETAIL

- Malaysian consumers buy sheepmeat from multiple retail outlets, including both modern and traditional. Supermarkets and hypermarkets remain the most common places to purchase imported sheepmeat products.
- Roast, grill, stew, panfry, curry and BBQ are the most popular ways of cooking lamb at home. Malaysian consumers tend to use more pre-prepared ingredients such as marinades when cooking sheepmeat dishes, compared to neighbouring countries *(Source: MLA ASEAN Attractive Cities Study Kuala Lumpur, 2018)*.
- Capturing the growing need for convenient home-cooking, there has been an increase in the number of importers providing 'ready-to-cut' services to retailers, which enables quick and diverse product offerings to end-consumers at retail outlets. These include ready-to cook raw and marinated products.

Change in red meat channel since the COVID-19 pandemic (% of consumers saying they have purchased much more from a channel)



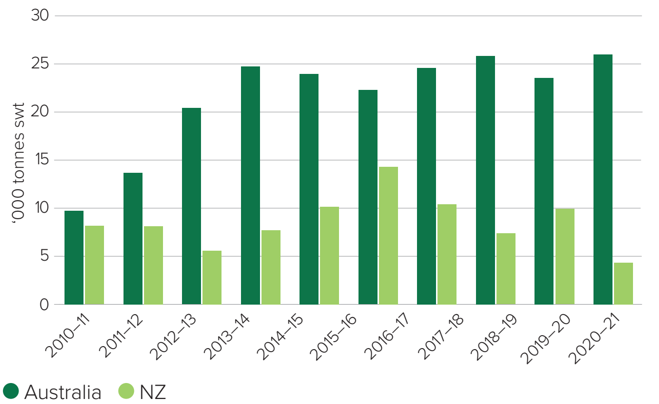
Source: MLA Global Consumer Tracker, Malaysia 2020

- The fear of going out to supermarkets during the pandemic is changing consumers' red meat purchasing habits. More consumers are demonstrating greater willingness to purchase meat online, which is a gradual shift from the long-term meat purchasing habit and preference for freshness and inspection before buying. Australian sheepmeat products are increasingly sold across major online grocery platforms in Malaysia such as AirAsia Grocer, Mygroser, Redtick, Gogopasar, HappyFresh, GrabSupermarket, Sejadi and online stores owned by major supermarkets/hypermarkets.
- As COVID-19 affects demand within the foodservice sector, some key meat importers/distributors whose main business was to supply meat to foodservice (business-to-business), have temporarily shifted their focus to other business ventures. These include business-to-consumer through their own online channels and/or supplying to new online retailers that have sprouted since the pandemic. For example, Steaksnmeal.com is an online grocery store specialising in premium fresh meat and ready-to-eat, ready-to-cook meat products. Steaksnmeal.com is fully owned by Selamat Supplies Sdn Bhd, one of Malaysia's leading meat importers and distributors, supplying beef and sheepmeat to hotels, restaurants, retailers and airline caterers.
- A net 16% of consumers surveyed have indicated that they have purchased red meat through online channels more than before the pandemic. About 30% say they are likely to stick to online for red meat purchases compared to pre-COVID-19 *(Source: MLA Global Consumer Tracker, Malaysia 2020)*.

COMPETITIVE LANDSCAPE

- Approximately 90% of some 40,000 tonnes of sheepmeat consumed in Malaysia comes from imports *(Source: GIRA)*.
- Australia is a leading supplier, with a market share of around 85%, followed by New Zealand. Imports from Australia remain steady, while volumes from New Zealand have fallen in recent years. In 2020–21, Australian sheepmeat exports to Malaysia reached an all-time high at 26,010 tonnes swt, largely driven by a 45% year-on-year increase in demand for lamb, despite a 3% contraction of the predominant mutton exports.
- On the contrary, New Zealand sheepmeat exports to Malaysia were at a record low of only 4,341 tonnes swt in 2020–21, a 56% drop compared to the previous year, largely due to increased demand from more lucrative markets with fewer barriers to entry.

Sheepmeat exports to Malaysia by Australia and NZ



Source: IHS Markit, ABS, Statistics New Zealand; Australian Fiscal Year

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)** Malaysia-Australia Free Trade Agreement **(MAFTA)** Trans-Pacific Partnership **(CP-TPP)**	Under AANZFTA: 0% for all product lines	**New Zealand:** Same conditions as Australia	Zero	Maintains import regulations in accordance with Halal and health requirements

Best access — Major challenges

Source: Trade agreements, DFAT

Australian sheepmeat exports to Malaysia – summary table

Volume – in tonnes swt

		2020–21	% out of total	2019–20	% out of total	five-year average (2015–16 to 2019–20)	% out of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**26,010**		**23,568**		**24,051**		**8**	**1,959**
Storage	Chilled	77	0.3	49	0.2	86	0.4	-10	-8
	Frozen	25,933	99.7	23,520	99.8	23,966	99.6	8	1,967
Meat type	Lamb	9,650	37	6,675	28	8,248	34	17	1,402
	Mutton	16,360	63	16,893	72	15,803	66	4	557
Storage/ meat type	Chilled lamb	77	0.3	49	0.2	86	0.4	-10	-8
	Chilled mutton	0	0	0	0	0.02	0	-1	-0
	Frozen lamb	9,573	37	6,627	28	8,163	34	17	1,410
	Frozen mutton	16,360	63	16,893	72	15,803	66	4	557

Source: DAWE, figures are rounded

Value – in A$ 000

		2020–21	% out of total	2019–20	% out of total	five-year average (2015–16 to 2019–20)	% out of total	%	in A$ 000
	Total	**204,807**		**186,757**		**153,005**		**34**	**51,802**
Meat type	Lamb	79,800	39	58,655	31	57,124	37	40	22,675
	Mutton	125,007	61	128,101	69	95,881	63	30	29,126

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2020–21	% out of total	2019–20	% out of total	five-year average (2015–16 to 2019–20)	% out of total	%	in tonnes swt
Lamb	Shoulder	7,362	76	4,430	66	5,749	70	28	1,613
	Leg	553	6	636	10	640	8	-14	-87
	Shank	532	6	509	8	447	5	19	85
	Other	1,204	12	1,101	16	1,412	17	-15	-209
	Total	**9,650**		**6,675**		**8,248**		**17**	**1,402**
Mutton	Carcase	8,493	52	8,371	50	8,676	55	-2	-183
	Shoulder	3,362	21	3,478	21	2,866	18	17	496
	Leg	1,728	11	2,092	12	1,763	11	-2	-35
	Other	2,777	17	2,952	17	2,499	16	11	278
	Total	**16,360**		**16,893**		**15,803**		**4**	**557**

Source: DAWE