



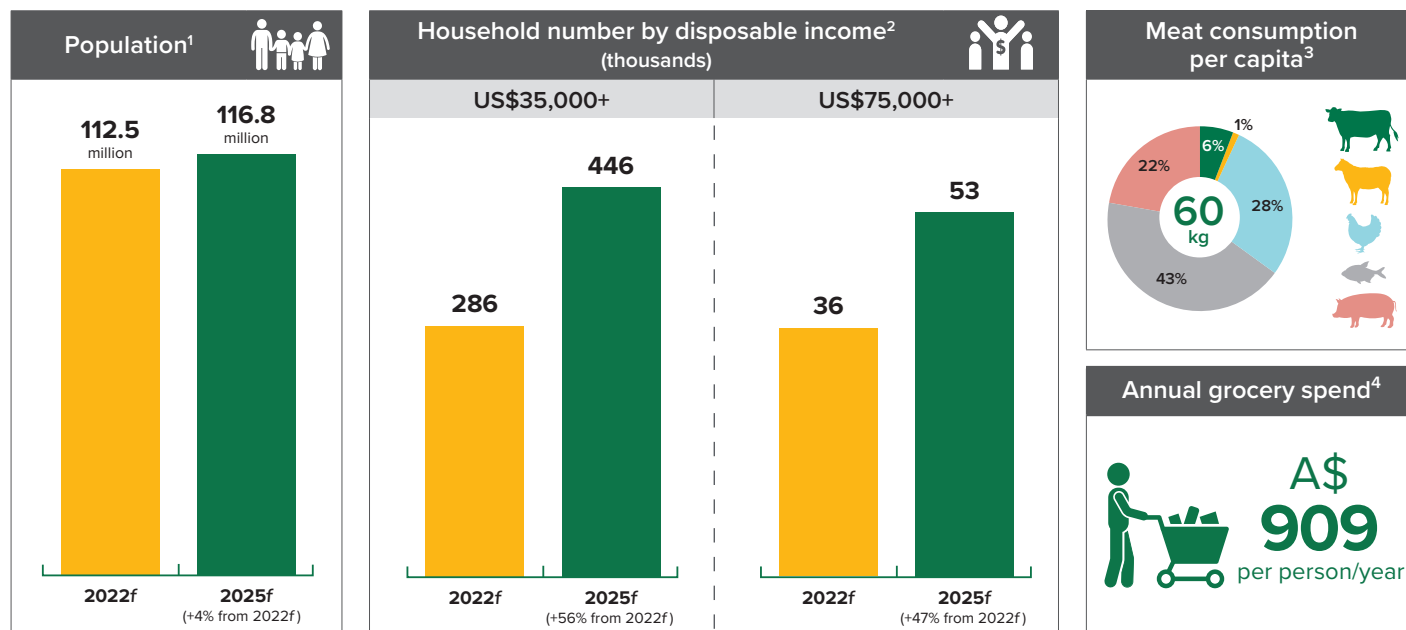
MARKET SNAPSHOT | BEEF & SHEEPMEAT



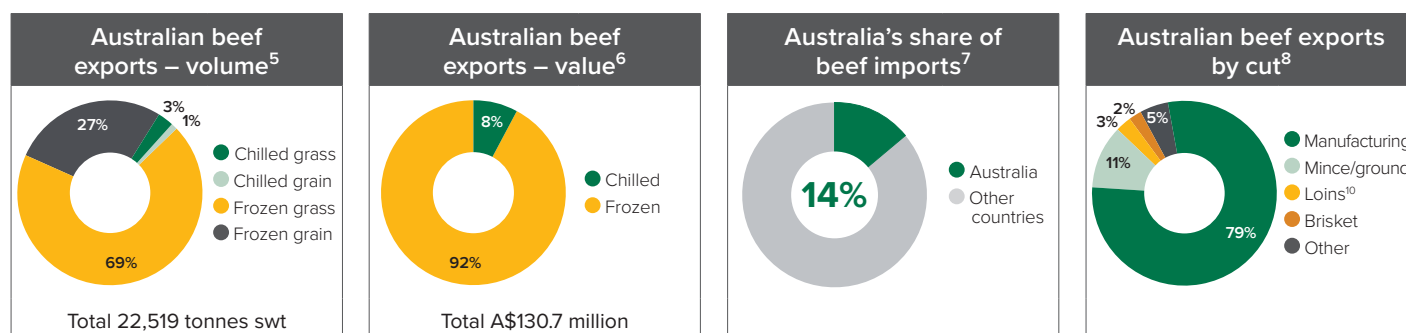
Philippines

The Philippines is poised to become a growth market for Australian red meat exports, underpinned by strong fundamentals. These include a fast-growing economy, a youthful, digitally-connected and aspirational population with increasingly disposable incomes and the rapidly expanding modern retail, foodservice, tourism and food manufacturing

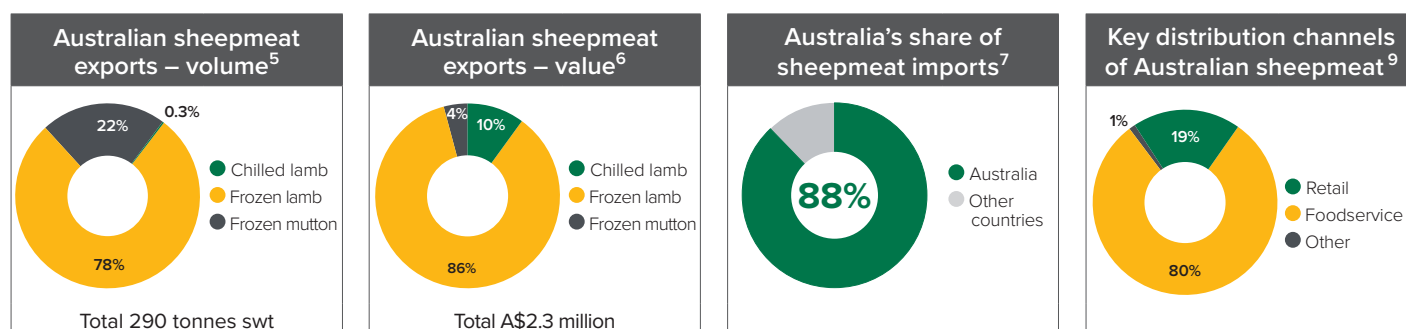
sectors. While total beef imports recovered in 2020–21 after a 19% drop the previous year, demand for high quality beef continued to fall due to COVID-19-induced disruptions to the high-end foodservice sector and weakening purchasing power.



Australian beef exports



Australian sheepmeat exports



Data source for charts: ^{1,2} Fitch Solutions, ³ Fitch Solution (beef, pork, chicken, 2022f), Gira (sheepmeat, fish 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), ⁵ DAWE (2020–21), ⁶ ABS/IHS Markit (2020–21), ⁷ IHS Markit (2020–21), ⁸ DAWE (2020–21), ⁹ MLA market intelligence, ¹⁰ Loins include striploin, cube roll/rib eye roll, striploin, tenderloin and loin.

CONSUMERS



- Beef is a relatively popular protein in the Philippine diet despite a modest per capita consumption level. *Bulalo* (soup made with beef shank), *kaldareta* (beef stew with veggies), beef *pares* (braised beef), *sinigang* (soup made with beef ribs) and *salpicao* (beef dish originating in Spain) are popular beef dishes. Beef is also the typical protein choice for Sunday family lunches in the Philippines.
- Wealthy consumers tend to eat beef more frequently than those with lower incomes. Spanish beef dishes are commonly cooked for daily meals, while steak is a popular dish for family gatherings. Imported beef products, including Australian and US, are widely used by this consumer segment in their home cooking repertoires.
- Beef is regarded as the most superior meat with great taste. Consumers have indicated they are willing to pay more for it compared to other proteins. This trend is particularly strong among wealthy consumers (Source: MLA Global Consumer Tracker Philippines 2016).

Important attributes when Philippine consumers select between meats

Philippine consumers' beef associations

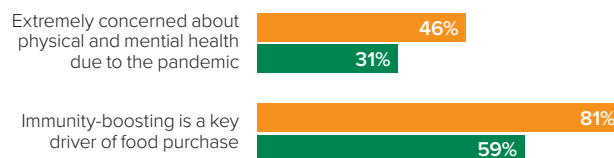
My/my family's favourite meat	The most superior meat
Versatility	Willing to pay a bit more for it
Easy and convenient to prepare	The animal is well-cared-for
An essential part of a healthy diet for growing children	Delicious taste
Freshness	Consistent quality standards

Source: MLA Global Consumer Tracker Philippines, 2016

- Chicken and seafood remain the most frequently consumed and most favoured proteins among the majority of Philippine consumers.

- The Philippines is seeing increased demand for high quality, imported gourmet, natural and organic foods, driven by a growing number of health-conscious wealthy consumers, both locals and expatriates.
- The Philippines has a relatively youthful population among South-East Asian countries, with those aged between 15 and 39 accounting for around 42% of the population, roughly 45.5 million (Source: Fitch Solutions). In line with regional trends, younger consumers are aspirational, digitally and socially connected and enthusiastic about dining experiences. The young Filipinos demonstrate a relatively strong concern about environmental issues, with some 71% indicating they are happy to pay a little more for a brand with sustainability credentials (Source: Kantar TNS).
- The COVID-19 pandemic has had a profound impact on Filipino consumers. Compared to other markets within the Asia-Pacific region, Filipino consumers exhibit the greatest level of concern across a number of COVID-19-induced issues including financial situation and physical and mental health. Hence, they remain the most budget-conscious consumers and appear to have a greater interest in health-promoting food products (Source: GlobalData).

Health concerns and importance of immunity-boosting in food purchasing decisions



● Philippines ● South-East Asia average

Source: GlobalData Q12021 Survey, Philippines

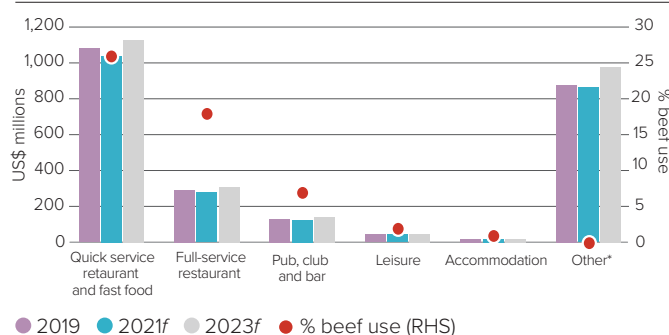
FOODSERVICE



- Although the foodservice sector remains highly fragmented and is still dominated by small, local independent restaurants, the Philippines has a relatively well-established, modern, chained foodservice sector. Jollibee Foods Corporation and Max's Group are among leading conglomerates operating under a diverse portfolio of brands. Fast food chain Jollibee, in particular, is a global brand with over 1,300 restaurants worldwide.
- The Philippines' food culture is diverse, with strong influences from Spain and the US. Western-style menus are often featured in modern restaurants.
- The Philippines' foodservice sector is growing at a robust rate, driven by the young, aspirational population with rising disposable incomes, rapid urbanisation and the continuous expansion of shopping malls and modern, contemporary food hubs in major cities across the country.
- Tourism is also an important component driving growth in the foodservice sector. The Philippines' tourism sector is smaller than those of neighbouring countries such as Indonesia and Vietnam, but has been growing steadily in recent years.
- The pandemic has heavily impacted the Philippines' foodservice sector, with sales in 2020 estimated to have fallen by 30%. Slow recovery is expected due to ongoing high COVID-19 cases and low vaccination rates. Due to economic uncertainties, household spending on restaurants and hotels is anticipated to remain weak and it may take a few years to reach pre-COVID levels.

- Home delivery has been the key revenue generator for many foodservice operators, spanning from fast food to fine dining, to stay afloat during the pandemic. Many have adjusted their menus to meet consumers' emerging needs for home delivery such as family and kid-friendly options, with young married couples with kids being the main customers (Source: Grab The Philippines 2020/2021 Food Trends Report). Some have launched new products or services such as home delivery or takeaway ready-to-cook meals to capture consumers' new lifestyles and needs shaped by the pandemic.

Foodservice sales and beef usage estimates by channel

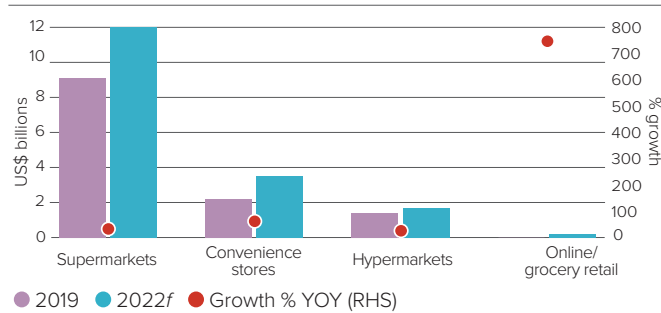


Source: GlobalData, *Other includes mobile kiosks



- With a market share of approximately 77%, traditional channels are still dominant in the Philippines' grocery retail sector. However, modern retail is expanding at a rapid rate, underpinned by urban expansion and evolving consumer shopping habits.
- In large cities such as Manila, consumers mainly purchase beef from supermarkets and hypermarkets, with a small proportion purchasing from wet markets. Australian beef is generally sold in higher-end modern retail outlets such as The Marketplace.

Grocery retail sales by channel forecast



Source: IGD, *Other includes traditional channel

- The Philippines has seen a rapidly expanding number of wealthy local and expatriate consumers in Metro Manila. Upmarket retail outlets had been expanding across the region to capture this growing and lucrative consumer segment until COVID-19 hit.
- The emerging health-promoting food category, including organics and products with natural claims, is expanding, driven by increasing demand from the wealthy and health-conscious consumers.

Top five important attributes Philippine consumers look for when buying beef in modern retail outlets

1	100% natural
2	Freshness
3	Colour of the meat
4	Date packed
5	Animal welfare credentials

Source: MLA Global Consumer Tracker Philippines, 2016

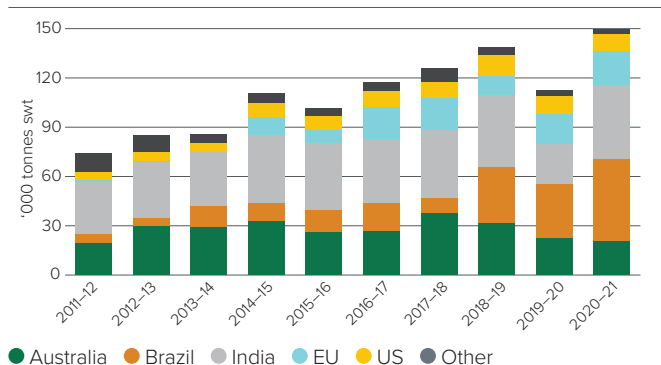
- The pandemic has accelerated the Philippines' online grocery market, which is still relatively small with a market share of only 1% (within modern retail). A quarter of consumers surveyed indicated that they have started buying groceries online as a result of the pandemic, while some 50% said that they have continued to do this or have done this more frequently (Source: GlobalData).
- The Philippines is seeing a growing number of small, independent players tapping into the online grocery space, with some specialising in gourmet foods, such as Delidrop, Gerald, Gourmet Direct and Prime Choice. Premium Australian beef products are also sold through this upmarket online channel.
- An increase in home-cooking frequency has shifted the Philippines' demand for Australian beef cuts. More premium cuts such as loins, ribs, brisket and blade have been among the highest growing, while manufacturing and carcass beef have declined sharply over the past two years compared to pre-COVID-19 levels.

COMPETITIVE LANDSCAPE



- The Philippines' beef market is highly competitive, with over twenty countries competing to fulfil the demand for imported beef of around 130,000 tonnes per year on average.
- Australia, Brazil, India, the EU, the US and New Zealand are all major suppliers. Brazil's exports have grown dramatically in recent times, overtaking India to be the largest beef supplier to the Philippines.

Philippines beef imports by major supplier

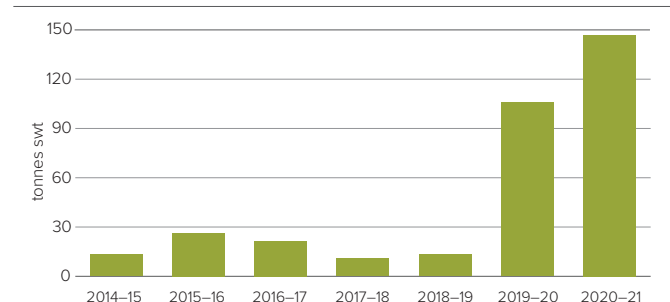


Source: IHS Markit, Australian Fiscal Year

- Most imported beef is sold through modern retail. Australian, US and New Zealand products are predominantly utilised in higher-end foodservice and retail.
- The growing foodservice sector and increasing beef consumption on the back of population expansion and the recent African Swine Fever outbreak have underpinned demand for imported beef in recent years.

- Despite the high number of COVID-19 cases, the Philippines' beef imports reached a record high in 2020-21, up 8% from pre-COVID-19 levels to almost 150,000 tonnes swt. This strong growth was mostly driven by increased demand for more affordable products from Brazil and India. Beef imports from Australia, the US and NZ declined due to COVID-19 disruptions to high-end foodservice and manufacturing sectors.
- Albeit off a small base, imports of Japanese beef have significantly increased during the pandemic, with shipments in 2020-21 reaching a record high of 146.8 tonnes swt, from an average of only 15 tonnes swt before COVID-19. This reflects resilient demand for premium beef products among the affluent consumers in the Philippines.

Japanese beef imports to the Philippines



Source: IHS Markit, Australian Fiscal Year



Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA)	0%	Brazil, US, Canada: No FTA, 10% India: ASEAN-India FTA: 5% for most of products, 0% for frozen boneless product EU: FTA under ratification, tariff 10% New Zealand: Same conditions as Australia	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, WTO, Philippine Department of Trade and Industry



Australian beef exports to the Philippines – 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	
								%	in tonnes swt
Total		22,519		24,810		30,402		-26	-7,883
Storage	Chilled	757	3	1,013	4	845	3	-10	-88
	Frozen	21,762	97	23,798	96	29,557	97	-26	-7,795
Meat type	Grassfed	16,253	72	20,504	83	23,536	77	-31	-7,283
	Grainfed	6,266	28	4,306	17	6,866	23	-9	-599
Storage/meat type	Chilled grassfed	610	3	737	3	681	2	-10	-71
	Chilled grainfed	147	1	276	1	163	1	-10	-16
	Frozen grassfed	15,643	69	19,767	80	22,855	75	-32	-7,212
	Frozen grainfed	6,119	27	4,031	16	6,702	22	-9	-583

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		130,657		194,074		159,456		-18	-28,799
Storage	Chilled	9,824	8	12,849	7	10,402	7	-6	-578
	Frozen	120,832	92	181,225	93	149,054	93	-19	-28,221

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)								%	in tonnes swt
Manufacturing		17,828	79	20,133	81	25,674	84	-31	-7,845
Minced/ground		2,403	11	2,254	9	2,044	7	18	359
Brisket		541	2	199	1	186	1	191	355
Striploin		369	2	394	2	204	1	81	165
Cube roll/rib eye roll		334	1	342	1	259	1	29	74
Carcase		299	1	402	2	404	1	-26	-105
Blade		156	1	157	1	86	0.3	81	70
Thick flank/knuckle		104	0.5	140	1	315	1	-67	-211
Rump		88	0.4	136	1	131	0.4	-33	-44
Other		398	2	653	3	1,098	4	-64	-700
Total		22,519		24,810		30,402		-26	-7,883

Source: DAWE





Sheepmeat

CONSUMERS



- Sheepmeat is a niche protein in the Filipino diet. It is typically consumed on special occasions at foodservice venues rather than at home.
- Consumer awareness and associations with lamb are relatively low compared to other meat proteins. Although lamb is an unfamiliar and less favoured meat, it is seen as superior, with some consumers indicating they are willing to pay a bit more for it (Source: MLA Global Consumer Tracker Philippines, 2016).
- Lack of knowledge of how to cook sheepmeat and unfamiliarity with the protein remain key challenges for its consumption at home.
- The younger consumer groups tend to be more open to eating lamb.
- Some consumers (40%) believe that lamb is becoming more popular (Source: MLA Global Consumer Tracker Philippines, 2016).

FOODSERVICE



- The majority of Australian sheepmeat exports to the Philippines are utilised in high-end restaurants including four- and five-star hotels. Demand for imported sheepmeat has dropped significantly and this is anticipated to continue until the tourism and high-end foodservice sectors begin to recover.



Australian lamb served in a high-end restaurant in Manila

RETAIL



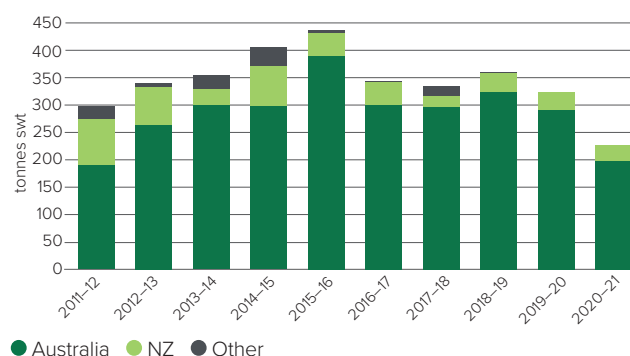
- Imported sheepmeat is typically sold in supermarkets, hypermarkets and upmarket butcher shops.
- Consumer education remains the key to growing sheepmeat consumption in the Philippines. Inspired cooking ideas, preparation tips and ready-to-cook options are among the immediate methods enticing Filipino consumers to try cooking sheepmeat at home.
- Premium online retail has emerged out of the COVID-19 pandemic. The Philippines' retail sector is seeing a growing number of independent, upmarket-oriented online stores targeting affluent consumers. Some examples include Delidrop, Gerald, Gourmet Direct and Prime Choice, where Australian sheepmeat products can be found.

COMPETITIVE LANDSCAPE



- The Philippines' sheepmeat market is predominantly supplied by local production (mostly goatmeat). Imports account for less than 2% of total sheepmeat consumption, with Australia, New Zealand and the US being leading suppliers.

Philippines sheepmeat imports by major supplier



Source: : IHS Markit, Australian Fiscal Year





Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA)	Under AANZFTA: 0% for all product lines	New Zealand: Same conditions as Australia	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT

Australian sheepmeat exports to the Philippines – summary table



Volume – in tonnes swt		2020–21		2019–20		five-year average (2015–16 to 2019–20)		change 2020–21 vs five-year average	
		% out of total		% out of total		% out of total		%	in tonnes swt
Total		290		669		626		-54	-335
Storage	Chilled	1	0.3	3	1	8	1	-87	-7
	Frozen	289	99.7	665	99	618	99	-53	-329
Meat type	Lamb	228	79	565	84	579	93	-61	-351
	Mutton	62	21	104	16	46	7	35	16
Storage/ meat type	Chilled lamb	1	0.3	3	1	8	1	-87	-7
	Chilled mutton	0	0	0	0	0	0	0	0
	Frozen lamb	227	78	561	84	572	91	-60	-345
	Frozen mutton	62	21	104	16	46	7	35	16

Source: DAWE, figures are rounded

Value – in A\$ 000								%	in A\$ 000
Total		2,270		5,948		4,787		-53	-2,517
Meat type	Lamb	2,178	96	5,581	94	4,603	96	-53	-2,426
	Mutton	92	4	367	6	184	4	-50	-91

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)								%	in tonnes swt
Lamb	Shoulder	119	52	181	32	203	35	-41	-84
	Rack	47	20	124	22	93	16	-50	-46
	Leg	34	15	212	38	213	37	-84	-179
	Other	28	12	47	8	71	12	-60	-42
Total		228		565		579		-61	-351
Mutton	Shoulder	23	36	35	33	14	29	66	9
	Leg	18	30	38	37	13	28	42	5
	Rack	16	26	24	23	13	29	20	3
	Other	5	8	8	7	6	14	-18	-1
Total		62		104		46		35	16

Source: DAWE