

GLOBAL

MARKET SNAPSHOT



Beef



October 2018



MARKET SNAPSHOT

Beef

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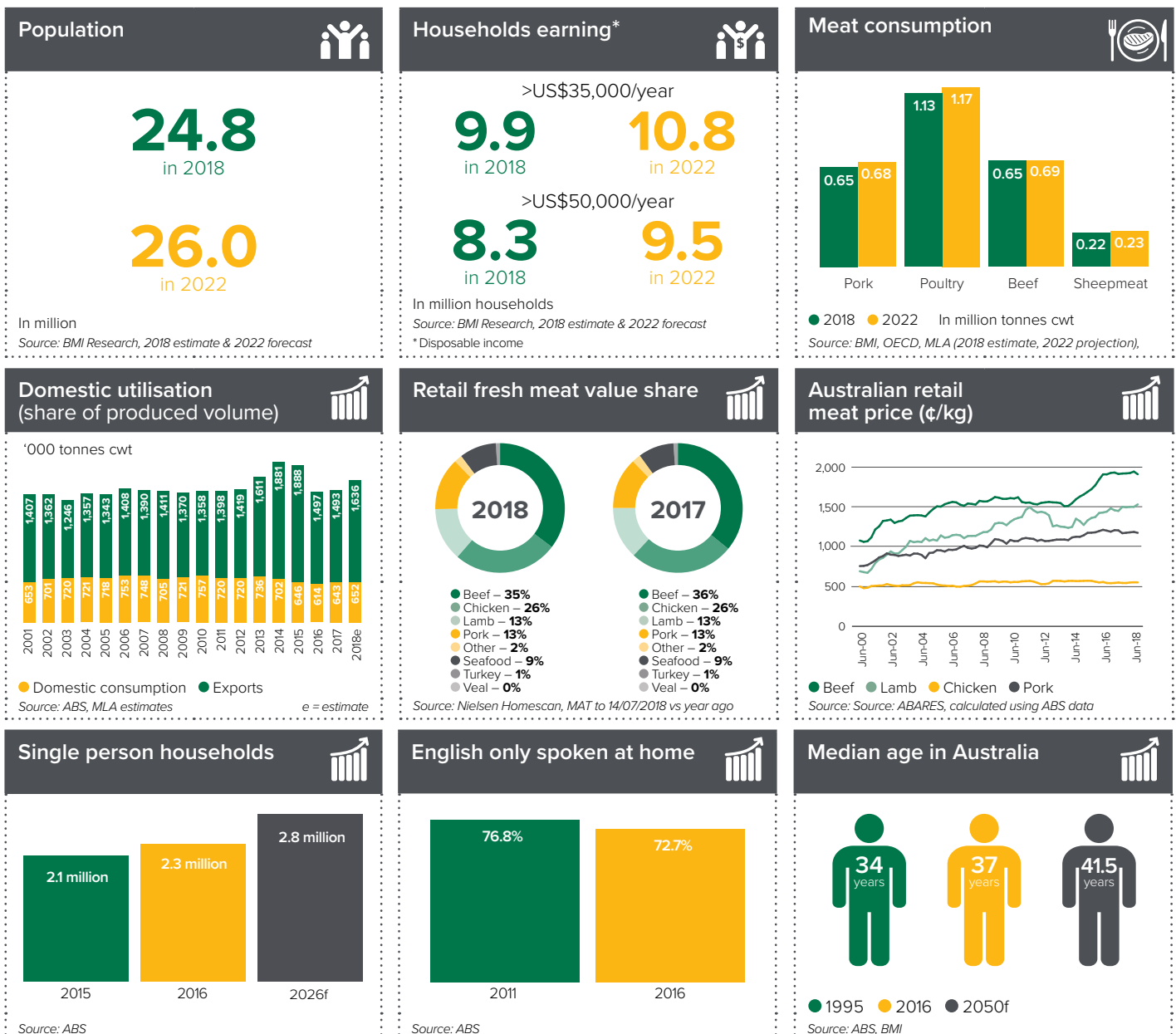
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Australia

Despite Australia's economy remaining strong in recent years, household income growth is relatively stagnant. Consumers continue to make trade-offs to balance the household budget, which is impacting purchasing behaviour around categories like fresh meat and making consumers more cautious and price sensitive. However, overall Australians continue to be big consumers of meat, being the sixth largest per capita consumers of beef in the world (Source: OECD, ABS).

Beef consumption in Australia is facing some challenges and opportunities:

- The 'premiumisation' trend across both retail and foodservice channels highlights consumers are willing to pay more for the right offer. Fresh meat such as beef is a key category consumers are willing to spend more on.
- Australia's changing demography provides some macro challenges for beef with two broad trends of increased migration from Asian countries (where pork is the dominant protein), and an ageing population who are avoiding red meat for health/functional/price reasons.
- Competitive pressures will continue on beef with ongoing competitor marketing activity (particularly pork), aggressive pricing (chicken) and the increasing profile of alternate proteins such as turkey and salmon.
- Maintaining value share will be a challenge if beef's price premium to chicken/pork grows larger, given the primary reason for consumers eating less red meat is currently due to cost and not health.
- Messaging around factors such as country of origin, environmental impact, animal welfare, health and safety, along with food integrity and transparency, provide opportunities to consider in consumer communication.



Consumers



- Australian consumer demand for beef is impacted by many factors, such as demographic shifts, income growth and changes in people's attitudes and beliefs towards food from family, friends and the media.
- Overall awareness of beef is high among Australians, with average consumption being around two serves a week (slightly less than chicken) (Source: MLA Global Consumer Tracker Australia, 2018).

Protein image profiles

	Beef	Lamb	Chicken	Pork	Seafood
Easy everyday	✓		✓		
Goodness	✓				✓
A little bit special		✓			✓

Source: MLA Global Tracker
* Tick = Area of strength vs other proteins

- Beef's strengths are around its perception of being a 'trusted quality'. It is also perceived as 'easy everyday' when compared to other proteins, such as lamb, seafood and pork, but is behind chicken on this measure (Source: MLA Global Consumer Tracker Australia, 2017).
- There is an opportunity to increase beef's appeal by reinforcing quick, easy and convenient ways that it can be prepared for everyday healthy meals (Source: MLA Global Consumer Tracker Australia, 2018).
- When consumers are shopping for beef, the key information they look for on the pack relates to freshness (meat colour, use-by date), and then price, followed by elements such as natural, hormone-free and animal welfare (Source: MLA Global Consumer Tracker Australia, 2018).

Rising costs of living

Australian consumers are paying higher prices for utilities, childcare, health and education, which in turn is contributing to more cautious consumer spending on food and grocery items according to recent research commissioned by Coles. Coles CEO John Durkan has said Coles customers, particularly in lower socio-economic areas, are shifting from buying premium products to the supermarket giant's own range of private label products, and are spending less on fresh produce and fresh meat, despite relatively low food and grocery price inflation over the same period.



What things do consumers look for on pack/on shelf when buying beef?

- ✓ Price per kg
- ✓ Price per pack
- ✓ All natural
- ✓ Quality grading or guarantee
- ✓ Colour of meat

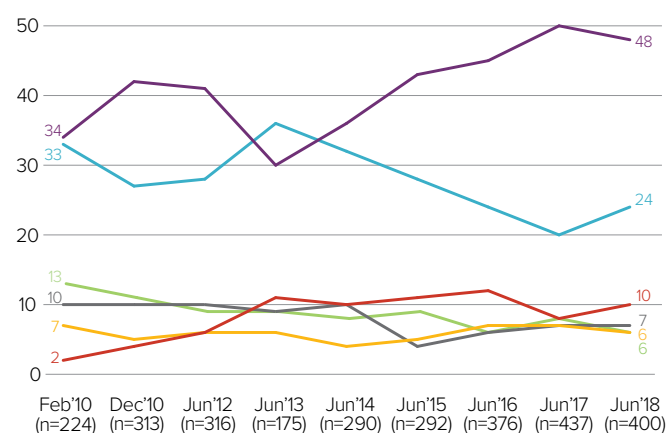
Source: MLA Global Consumer Tracker Australia, 2018

Australia's increasingly diverse population

High levels of immigration are driving Australia's population growth and also leading to an increasingly diverse population. The most recent ABS survey showed more than a quarter of Australia's residents are now born overseas, and for the first time in Australia's history, the majority of these people born abroad are from Asia rather than Europe. This is leading to foodservice and retailer operators looking at adjusting in-store/menu space that better targets these changing demographics.

- As the retail price of red meat has trended upwards since 2013, consumers claim price to be the main reason for eating less red meat, above health or animal welfare/environment concerns (see figure below).
- Despite beef's price premium to many other proteins it remains a very popular meat choice with Australians, being the sixth largest per capita consumers of beef in the world (Source: OECD).

Main reason for eating less red meat



- Too expensive
- Health concerns
- Concerned about treatment of animals
- Don't like the taste anymore
- Environmental concerns (any)
- Other

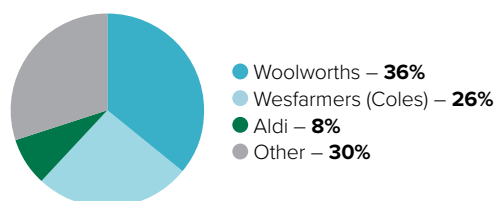
Source: Pollinate/MLA



Retail

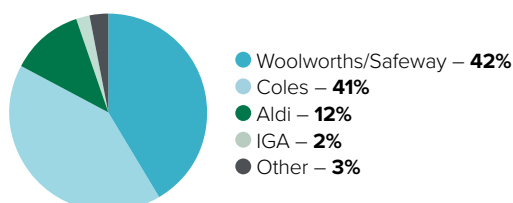
- Beef had the highest share of retail sales of any meat in 2017–18, with around 35% share of fresh meat sales (by value) (Source: Nielsen Homescan).
- It is a critical category for retailers with the average grocery basket value typically worth \$44, it jumps to around \$78 when the basket includes fresh meat/seafood (Source: Nielsen).

Grocery retail market shares



Source: IGD, 2017

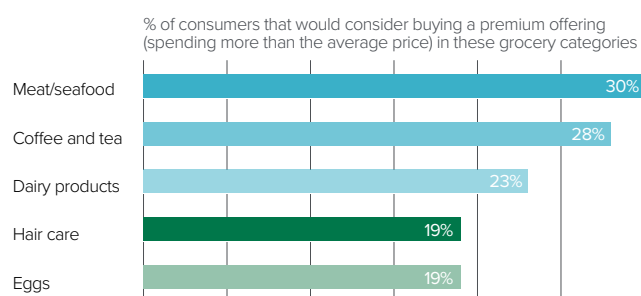
Main supermarket of purchase – beef



Source: MLA Global Consumer Tracker Australia, 2018

- There is an increasing focus on format differentiation and in-store experience (i.e. new concept stores with enhanced customer experience and stronger digital integration) and new promotions (i.e. 7-Eleven's Tasty Wednesday campaign). These retailers are all targeting this key shopper trend and seeking incremental sales that might otherwise have gone through the foodservice channel.
- Premiumisation trend is growing within retail and red meat is well positioned with meat as a category being Australian consumers' top choice when considering a higher price tag. Just under one-in-three consumers (30%) in Australia would consider spending more on a premium meat offering (Source: Nielsen Global Online Survey on Premiumisation).

Top upgradable grocery categories – Australia



Source: Nielsen Homescan Grocery E-Commerce Survey

There is a growing food box meal kit trend in Australia (such as Hello Fresh and Marley Spoon). These generally include portioned ingredients and simple recipes that allow consumers to quickly create their meal. They now capture 1.5% of total households (around 150,000 households) in 8 months to May 2018 (Source: Nielsen Homescan Grocery E-Commerce Survey).

Place of fresh meat purchase by average customer spend and market share

Australian grocers	Value share	Average spend per trip
Supermarkets (Woolworths, Coles, IGA and ALDI)	81%	\$17.43
Other supermarkets	3%	\$26.14
Non supermarkets	19%	\$32.78

Source: Nielsen Homescan, MAT to 14/07/2018

- The Australian grocery market is highly concentrated by global standards, with the two big retailers making up over 65% of the market. Coles, Woolworths and IGA all have a broad and significant national footprint, with Aldi currently catching up through expansion into the western states and increasing store counts on the east coast.

Key facts about major Australian grocery retailers

- Strong competition has continued in the Australian grocery market with the expansion growth of Aldi and Amazon's market entry.
- Woolworths:** Food sales experienced a strong turnaround this year with revenue growing +4.9% in the first half of 2018 (Source: IGD). Key developments behind this improved performance has been a focus on store refurbishment and trialling new formats. Woolworths rebranded over 5,700 lines to Woolworths (mid) and Essentials (entry) that are delivering strong growth (Source: IGD).
- Coles:** Food and liquor sales were up +2.0% year-on-year in 2017, behind Woolworths for the first time in recent years. Its continued 'Down Down' price strategy has led a food and liquor deflation of 0.8% for 2017 (Source: IGD).
- IGA (Metcash):** Supermarket food and liquor sales continued to capture low growth in the first half of 2018 up +0.3% on last year. Broadly Metcash has lagged behind the growth of Coles and Woolworths in recent years as the competition, especially around price, has intensified (Source: IGD).
- Aldi:** Rapid expansion has continued at Aldi and it is forecast to operate 590 stores nationwide by 2021. It experienced the largest growth (albeit off a smaller base) out of the four majors with a +12% increase in sales year-on-year (Source: IGD). Aldi is seeking to attract new customers with a widening range and a better fresh food offering.
- Costco:** Sales grew +15% as Costco plans to continue opening more new stores, increasing from its current nine stores to 15 by 2021 (Source: IGD). The focus is on having a complete food and general merchandise offer in one place, which is often sold in bulk.

The changing face of food retail

The retail sector in Australia is expected to undergo some significant change in the near future with the rapid increase in Woolworths and Coles sales through their online channels, Amazon Marketplace's launch and anticipated entry of new retailer Kaufland (operated by the world's fourth largest retailer, Germany's Schwarz Group). We are also seeing some changes in approach from current retailers with David Jones opening a premium food hall in Bondi Junction and Costco and Metcash both launching new services into the online space. Costco has introduced a B2B delivery service in Melbourne and Metcash is flagging a new digital portal in 2018 called IndieDirect.

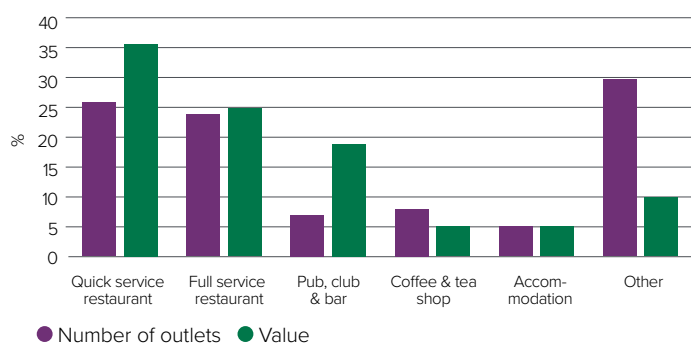


Foodservice



- Beef is the third most popular fresh meat protein consumed through the foodservice channel after chicken and seafood (Source: RIRDC/Fresh Agenda).
- The Australian foodservice sector is a key channel for beef and sources approximately 28% of our domestic beef and veal supply (Source: RIRDC/Fresh Agenda).
- The foodservice landscape is large, and competitive, with around 87,000 places to eat out, dominated by quick service restaurants (QSR), cafes, and casual dining restaurants. Generally, it is highly fragmented, with many individual companies having small market share. Exceptions include QSRs and institutional channels such as hospitals and aged care.
- Australians eat out an average of two to three times a week, with the foodservice market growing at a moderate pace in recent years averaging 2-3% growth annually. This is largely being driven by rising transaction prices, following the 'premiumisation' of food offerings across most channels (Source: GlobalData).

Foodservice channels: Outlets number and values (% of total)



Source: GlobalData

- Over 80% of foodservice sales in Australia will go through either a QSR, a full service restaurant (FSR) or a pub, club and bar.
- Within foodservice, beef has strong volume share in FSR and takeaway along with institutions (such as aged care and hospitals) and has opportunity in the event/leisure space.
- A key trend for beef has been the emergence of fast casual outlets that have forced up expectations of consumers. This trend has created a race among traditional QSR operators to 'premiumise' their brands and offering – this includes the removal of additives, introduction of natural ingredients and updated outlet decors (Source: GlobalData).

Modern Australian dinner parties

A recent study conducted by Galaxy Research on behalf of MLA has highlighted some new trends for Australian dinner parties, with 32% attending parties where everyone helps cook a culturally diverse meal. The majority of hosts (61%) also now plan their menu based on their guests' dietary needs (with 20-25% of hosts catering to gluten and dairy intolerances).

- Australia is often referred to as a 'takeaway nation' with 48% of consumers having eaten a takeaway in the past week. This number is expected to increase with the emergence and continued growth of numerous food delivery companies that open up the ability of FSR operators to outsource delivery. (Source: GlobalData)

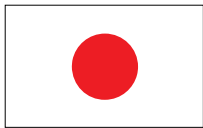
Food delivery apps having an impact

The four largest food delivery apps in Australia are UberEATS, Deliveroo, Menulog and Foodora with an estimated combined market share of 75% (Source: IBIS). These food delivery apps have been a contributor to the growth in the foodservice sector and are now establishing partnerships with the major QSRs (McDonalds has partnered with UberEATS and KFC with Foodora). This is driving two key trends – some restaurants are changing to cater to this delivery channel (specific menus and store format), while others such as fine dining restaurants, are focusing on ensuring customers continue to come in for seated meals by offering unique dining experiences.



- There are many factors that contribute to the choice to eat out or not, mostly occasion-based (i.e. where and when the meal takes place, and with whom). Having children in the household indicates a higher level of eating out, as well as influencing choice of venue and choice of meal. When it comes to where to go, convenience, value and familiarity are key, which partly explains the rise of QSRs, supermarket meals-to-go, and other casual dining options.





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Japan

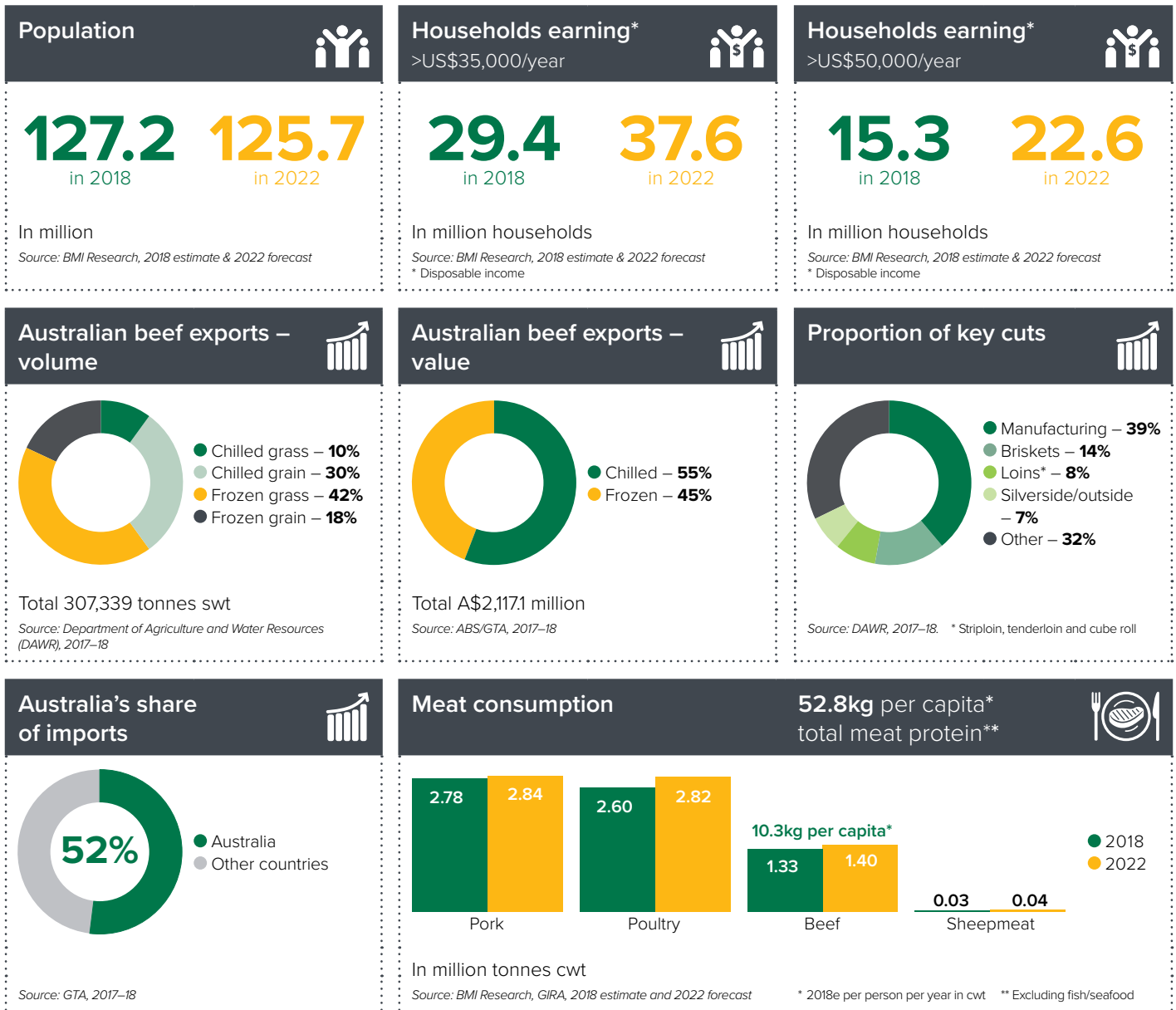
Japan is Australia's largest beef export market and the countries share a long established trade relationship. It is the world's third largest economy and one of the world's major meat importers. Despite an ageing society and a flat to declining population, its affluent and urbanised consumer base will continue to demand high volumes of quality imported proteins, such as Australian beef.

Challenges and opportunities in Japan for Australian beef include:

- Buoyed by improving economic sentiment and ongoing interest in akami (leaner meat) /steaks, Australian beef exports to Japan during 2017–18 experienced an impressive 10% growth year-on-year, the highest since 2012.
- Australia's well established trade protocols and advantageous market access conditions into Japan over other beef suppliers, provide a competitive advantage and strong foundation for future growth.
- Australia's strong presence in supermarkets and a wide range of foodservice outlets has it well positioned to take advantage of

key consumer trends, and collaborate with key influencing end-users.

- Australian beef is seen as a family favourite and is consumed most often among all imported beef in Japan, but is facing strong, increasing competition from the United States (US).
- Maintaining high awareness and a point of difference against other import supplier competitors in the minds of Japanese consumers will remain crucial, as its mature market status limits opportunities for significant growth in total consumption.



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Consumers



- Japanese consumers consider beef the most premium protein, and associate it with good taste and being a family favourite. While beef lags behind pork for versatility and convenience, its strong emotional connection underpinned by taste means it is an indispensable part of the Japanese diet.

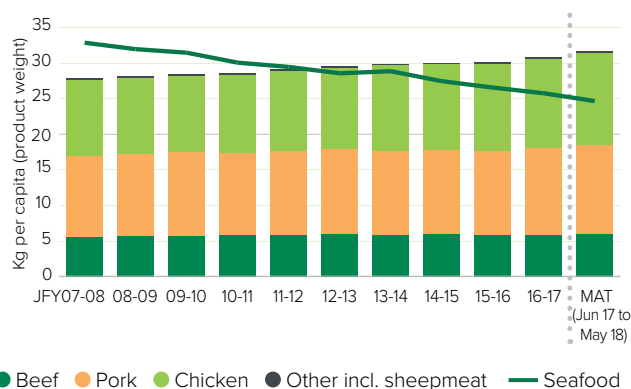
Attributes important for all proteins and beef associations

What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have to beef?
My/my family's favourite	Most superior meat
Easy to prepare	Tastes delicious
Consistent quality standards	My/my family's favourite
Easy to purchase	Can be used in different meals
Meat is usually tender	Easy to purchase

Source: MLA Global Consumer Tracker Japan, 2018

- Beef continues to be used in traditional Japanese recipes, but consumers are also inspired by international beef menus, both western and Asian. The *akami** meat boom made steak one of the common items on the table, however it is often served as one of many sharing dishes, rather than as a main meal.
- This sharing format is popular because consumers traditionally seek variety in foods to deliver enjoyment as well as nutritional balance. This means Japanese consumers tend to opt for a diversity of proteins, although some seafood has gradually been replaced with chicken and pork. Total beef consumption has been relatively stable, and is expected to remain so in coming years due to an increase in per capita consumption coinciding with the declining population (Source: BMI, based on 2017 consumption and 2022 forecast). Australia has opportunities to enhance the per capita consumption increase into the future by continuously reinforcing the goodness of beef through consumer marketing and leveraging Australia's reputation as a safe and trusted supplier.

Protein consumption per capita



Source: Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF). JFY = Japan Fiscal Year (April-March)

- Japan's population and economic growth are subdued compared with many neighbouring markets in Asia. That said, a high number of wealthy households and concentration in major cities, coupled with a sophisticated supply chain infrastructure, provide businesses with easy access to large groups of potential customers.

*When meat is called *akami* or 'leaner' in Japan, it is in comparison to highly marbled Wagyu beef or pork belly cut with a very high level of intermuscular fat. Most Australian beef is generally seen as *akami*, as it is comparatively less marbled.

Demographic comparison – Japan, China and the US

	Japan	China	US
Households with disposable income US\$50,000+ (in million)	15.3	4.99	64.9
Urban population (% of population)	95	59	82
Households – 1 or 2 persons (% of total)	59	39	62

Source: BMI, 2018 data



Beef bento box

Foodservice



- Consumers appreciate highly marbled Japanese Wagyu beef for special occasions and high-end dining, while leaner/less marbled Australian beef is used across the foodservice sector. The younger generation is a driving force of the *akami* trend, with a recent survey indicating their preference for meat with less fat (Source: MLA Global Consumer Tracker Japan, 2017). Interest in high protein diets among middle-aged consumers is also a positive development for Australian beef. Banking on these trends, there are an increasing number of steakhouses and meat-specialised bistros opening in the marketplace.
- The Japanese foodservice market is estimated to be worth over US\$289 billion, including cooked *nakashoku** food sales by retail outlets (Source: Japan Foodservice Association, 2016 data). The foodservice sector is a core distribution channel for Australian beef, accounting for an estimated 70% of Australian exports to Japan.

Major outlets for Australian beef (and key cuts used):

Hamburgers and <i>gyudon</i> chains (manufacturing beef, brisket)
Family and chain restaurants (manufacturing beef, various cuts)
High-end restaurants (loins, roast cuts)
<i>Yakiniku</i> – Japanese style table-top barbecue (loins, rib cuts, skirts, offal)
Canteens – schools, hospitals, catering (manufacturing beef, various cuts)
Steakhouses (loins, shoulder cuts)

Source: MLA

* *Nakashoku* refers to ready to eat dishes and is a food category between retail (cooking at home) and foodservice (dining out).

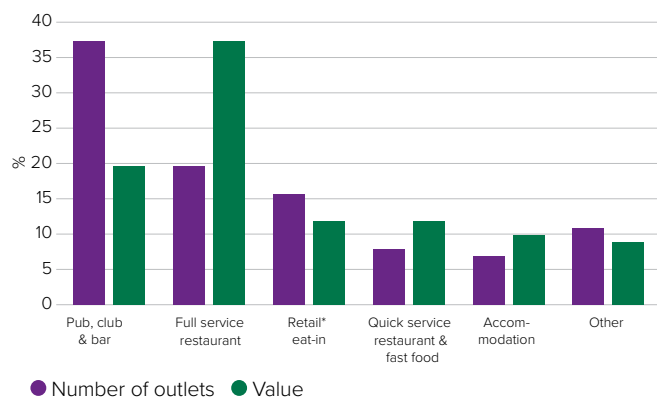




Hamburg and steak dish (image courtesy of Sawayaka restaurant)

- Full service restaurants are a clear leader in terms of overall value in the Japanese foodservice sector, while *nakashoku* retail and quick service/fast food categories compete with each other by offering convenient and affordable meal solutions. Beef usage volume and value are proportionally higher in the full service and fast food categories (Source: GlobalData, 2018).
- Nakashoku* retail sales are largely driven by delicatessen products offered by supermarkets, convenience stores and takeaway specialists where chicken and pork are currently more prevalent. Overcoming the price barrier and making beef more appealing to this segment will open up more opportunities for Australian beef, on the back of the country's ageing population and increasing numbers of single/two people households for whom the convenience of this category of food is most appealing.

Outlet number and value by key foodservice channel (% out of total) – 2018



● Number of outlets ● Value

Source: GlobalData

* Retail includes cooked food sold by supermarket, convenience stores and take out specialists.



Japanese style yakiniku BBQ

Retail



- More than a quarter of Japanese consumers are over 65 years old, and almost 60% of all families are either one or two person households (Source: BMI, 2018 data). This 'older and smaller' household trend will continue into the future, as will the emphasis on variety, convenience and maintaining a healthy lifestyle. Small portioned takeaway meals, easy to read and open packaging, and menus with reduced sugar or salt are some of the offerings of many supermarkets to appeal to this trend.
- Knowing where food comes from is also highly important to health-conscious Japanese consumers. Country of origin labelling is mandatory at Japanese retail level, and Australian beef is well positioned to take advantage of this, supported by perceived advantages in quality and safety of 'brand Australia' ('True Aussie') (Source: MLA Global Consumer Tracker Japan, 2017).



Key attributes consumers look for on a beef pack:

- safety
- freshness
- value
- origin



Key associations consumers have with the 'True Aussie' logo:

"This beef is..."

- ✓ safe to eat
- ✓ guaranteed/certified
- ✓ high quality/premium
- ✓ delicious

- Backed by increased supply, many Japanese retailers run special price promotions featuring US products. In most cases, Australian and US products co-exist in a retail space. Supermarkets often focus on the US for chilled brisket (shortplate) slices and chuck roll steaks, and on Australia for loin steaks and shaved/sliced packs from various cuts. Mixed *yakiniku* plate (a combination pack of several pork cuts, beef cuts and beef offal) is popular among variety-seeking consumers.

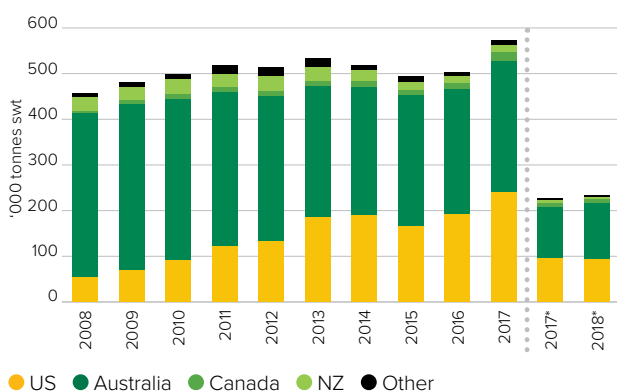


Other suppliers



- Australia is the dominant imported beef supplier to Japan, but is facing strong competition from the US. Chilled beef imports from the US have risen significantly since August 2017. This is largely as a result of the safeguard tariff snapback on frozen beef, which lasted until the end of the Japanese fiscal year on 31 March 2018.
- The tariff increasing safeguard mechanism was applicable to all supplying countries without an Economic Partnership Agreement (EPA), and imposed a 50% import duty instead of an applied tariff rate of 38.5%. Australia is exempt from this increase mechanism under its Japan-Australia EPA, and maintains an advantageous tariff rate of 29.3% for chilled beef, and 26.9% for frozen (as of September 2018).
- Other suppliers include New Zealand (NZ), Canada and Mexico but their collective share of the market remains less than 10%. Beef sourced from specified states in Brazil and Argentina is allowed to be imported into Japan, however there has been no commercial shipments recorded in imports data this year (imports data as of June 2018). India does not have access due to animal health concerns.

Beef imports by supplier



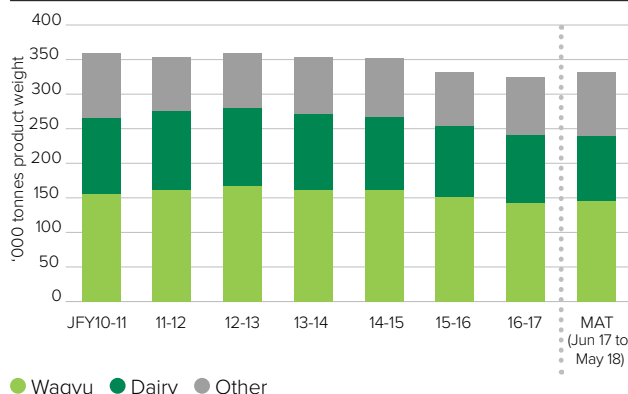
Source: GTA. * YTD (Jan to May) comparison

- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or commonly called TPP-11*, will enter into force on 30 December 2018 without the US. Japan's beef import tariffs for member countries, including Australia, will be reduced to 9 per cent within 15 years of entry into force.

* member countries are Australia, Japan, Canada, NZ, Singapore, Mexico, Chile, Peru, Malaysia, Vietnam, Brunei.

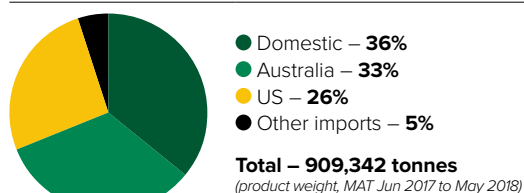
- In terms of Japanese domestic production, 331,179 tonnes (product weight) of beef was produced from June 2017 to May 2018, down 4% in comparison to the five-fiscal year average (344,368 tonnes). Key influencing factors for the decline include Japan's ageing farming population, high calf prices, and diversification of consumer preferences.

Japanese beef production by breed type



Source: Agriculture and Livestock Industries Corporation of Japan (ALIC)
JFY = Japan Fiscal Year, April to March

Beef consumption by supplier



Source: ALIC, Ministry of Finance (Japan), MLA estimate



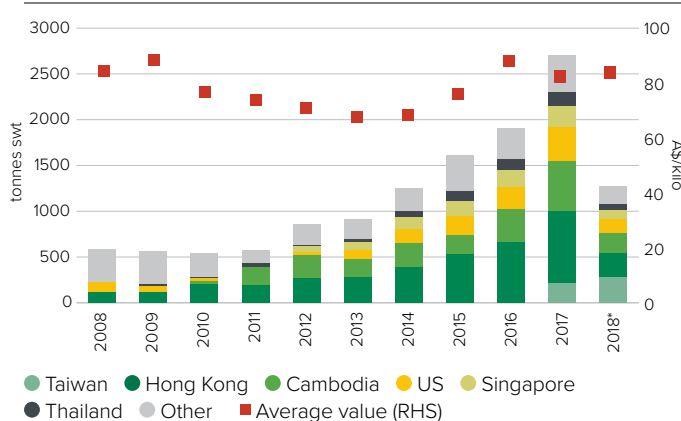
US shortplate is largely used for Gyudon beef rice bowl.

Japan's beef exports

Japan exports a very small quantity of premium beef to overseas markets, with the majority being highly marbled Wagyu beef. The trade has been growing since the late 2000s, underpinned by the growing reputation of Wagyu as a premium product, and the strong commitment by the Japanese central and prefectural governments to promote exports of agricultural products.

- Hong Kong, the US and Singapore have traditionally been the key export destinations.
- Taiwan opened its market for Japanese beef in 2017, and has taken more volume than Hong Kong from January to May 2018.
- Japan gained access to send chilled and frozen beef to Australia in May 2018.
- Japan's beef production is forecast to remain relatively steady.

Beef exports from Japan by destination



Source: GTA. *Jan to May 2018





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership agreement (JAEPA)	Under JAEPA: Until 31 March 2019 - 29.3% for chilled, 26.9% for frozen From 1 April 2019 - 28.8% for chilled, 26.7% for frozen	US The US has no FTA/EPA with Japan and a 38.5% tariff is applied	Safeguard Tariff bounces back to 38.5% if Australian imports exceed trigger level*	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Trigger level for chilled: 136,700 tonnes swt for JFY2018 (until March 2019). For frozen: 201,700 tonnes swt.



Australian beef exports to Japan – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		307,339	100	278,799	100	285,853	100	8	21,485
Storage	Chilled	123,726	40	114,361	41	122,011	43	1	1,715
	Frozen	183,612	60	164,438	59	163,842	57	12	19,770
Meat type	Grassfed	159,512	52	144,699	52	156,091	55	2	3,422
	Grainfed	147,826	48	134,100	48	129,763	45	14	18,064
Storage/meat type	Chilled grassfed	31,463	10	29,518	11	35,748	13	-12	-4,284
	Chilled grainfed	92,263	30	84,843	30	86,263	30	7	5,999
	Frozen grassfed	128,049	42	115,181	41	120,343	42	6	7,706
	Frozen grainfed	55,563	18	49,257	18	43,499	15	28	12,064

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		2,117,116	100	1,910,154	100	1,697,338	100	25	419,778
Storage	Chilled	1,160,996	55	1,098,891	58	962,263	57	21	198,733
	Frozen	956,120	45	811,262	42	735,075	43	30	221,044

Source: ABS/GTA

Volume – by major cut (in tonnes swt)

Volume – by major cut (in tonnes swt)							%	in tonnes swt
Manufacturing	120,719	39	109,902	39	103,292	36	17	17,426
Brisket	43,059	14	42,930	15	47,207	17	-9	-4,148
Silverside/outside	20,701	7	19,298	7	15,978	6	30	4,723
Blade	16,968	6	16,285	6	17,922	6	-5	-953
Topside/inside	16,804	5	15,862	6	14,384	5	17	2,420
Chuck roll	16,788	5	13,148	5	16,935	6	-1	-147
Striploin	14,218	5	11,945	4	11,155	4	27	3,063
Thin flank	7,996	3	5,617	2	6,383	2	25	1,613
Other	50,086	16	43,812	16	52,598	18	-5	-2,512
Total	307,339	100	278,799	100	285,853	100	7.52	21,485

Source: DAWR

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

Australian beef offal exports to Japan – by major cut (in tonnes swt)							%	in tonnes swt
Skirt	8,303	34	7,220	32	7,725	31	7	578
Tongues	8,079	33	7,585	33	8,762	35	-8	-683
Intestines	2,733	11	2,897	13	3,078	12	-11	-346
Other	5,157	21	5,169	23	5,718	23	-10	-560
Total	24,272	100	22,871	100	25,283	100	-4	-1,011

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000								%	in A\$ 000
Total	209,960		229,622		192,455		9	17,505	

Source: ABS/GTA



MARKET SNAPSHOT | BEEF

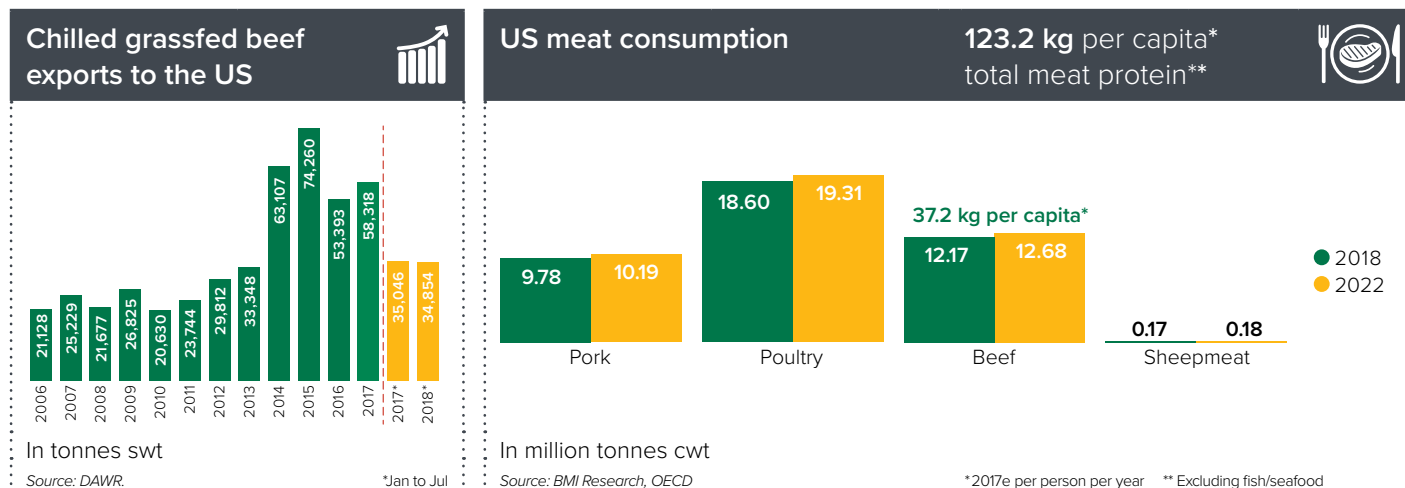
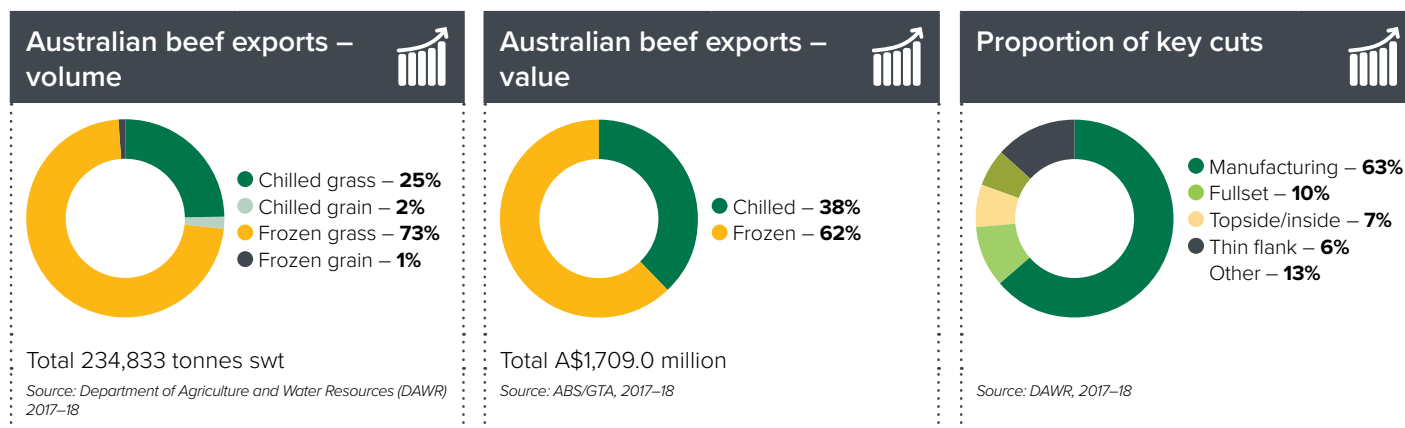
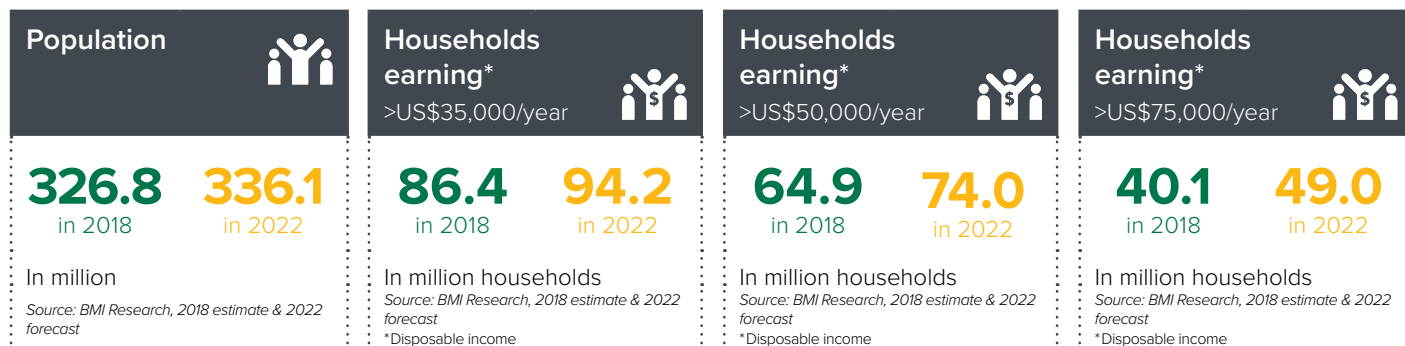
North America (US, Canada & Mexico)



UNITED STATES (US) – The United States is one of the largest consumers of beef globally, with its per capita consumption increasing in recent years. Despite the drop in Australian beef exports to the US from its peak in 2014–15, it remains one of the main destinations for Australian beef in volume and value terms, and is also a growing market for Australian chilled grassfed beef.

Challenges and opportunities in the US for Australian beef include:

- Although frozen manufacturing accounts for a large proportion of Australian beef exports to the US, the valuable chilled sector is gradually taking a greater volume share of exports, representing 27% of total exports in 2017 compared to 15% in 2012.
- Grassfed beef is a key growth area in both retail and foodservice. Its growing profile in the US has been on the back of strong demand by consumers who perceive it as better for the environment and the welfare of animals, along with it being more natural and better for their health.
- Growing beef consumption in the US has helped to absorb increased domestic production, as well as larger volume of imports from its North America Free Trade Agreement (NAFTA) partner countries – Canada and Mexico – and other suppliers including Australia.



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Consumers



- US beef consumption recovered in 2017 after a period of long-term decline. This has been strongly driven by higher US beef production which has continued throughout 2018 and is expected to continue in 2019.
- The majority of US consumers would consider buying imported beef and are aware of grassfed beef. Nine out of 10 would consider buying grassfed beef.
- Australian grassfed beef awareness and consumption is higher in New York, Washington DC, Boston, Florida and San Francisco. Purchasers of grassfed beef are interested in quality and 'naturally' raised beef, with concern for animal welfare and environmental sustainability also major factors considered when purchasing beef (Source: MLA Global Tracker, 2017).

Awareness of types of beef



Source: MLA Global Consumer Tracker US, 2018

- Australia is well placed to meet the demands for quality and animal welfare with superior food safety, traceability protocols and unique quality grading system, Meat Standards Australia (MSA).

Attributes important for all proteins and beef associations

What attributes are important for US consumers (all proteins)?

What attributes are important for US consumers (all proteins)?	What associations do consumers have to grassfed beef?
My/my family's favourite	Better for the animals
Easy & convenient to prepare	Better quality
Consistent quality standards	Naturally raised
Essential part of children's diet	Better for my health
Most superior	More flavourful beef

Source: MLA Global Consumer Tracker US, 2018

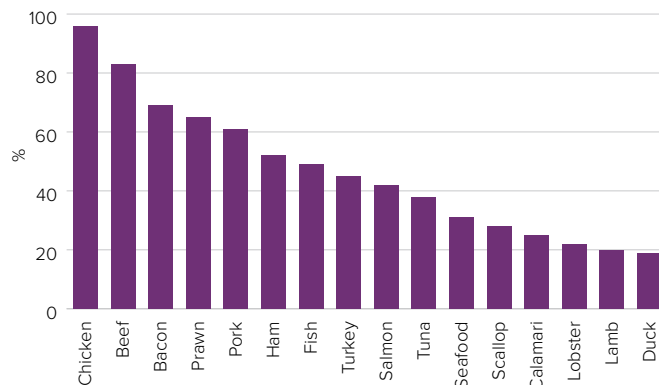


Foodservice



- Manufacturing beef for burgers and other processed beef products make up a large proportion of Australian beef sold into the foodservice sector in the US, while chilled grassfed beef is largely destined for full service restaurants and retail.

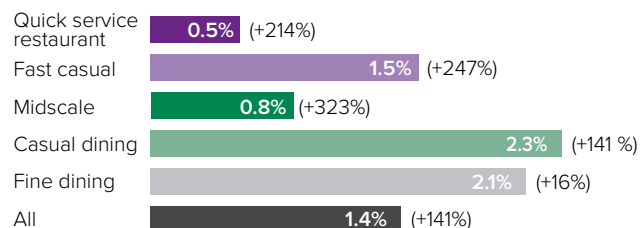
Chicken and beef drive US protein menuing



Source: Dataessential, beef and lamb menu analysis, 2017

- Although grassfed beef is most common in casual dining and fine dining restaurants, its growth is solid across all segments, particularly midscale*¹ and fast casual*² restaurants albeit from a low base (Source: DataEssential, beef and lamb menu analysis 2017).

Grassfed beef - penetration by restaurant segments

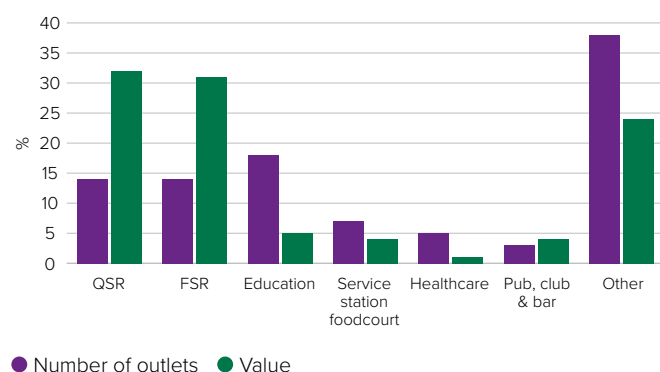


(Bracket percentage) = 4 year % change 2016 vs. 2012

Source: Dataessential, beef and lamb menu analysis, 2017

- The US foodservice segment is set to continue growing in the coming years, with more transactions and consumer spending driving strong growth. At the same time, there are shifts within the market as traditionally popular family and casual dining outlets are struggling to compete with fast casual options (Source: Global Data – US the future of foodservice 2021).

Outlet numbers and value channel by key foodservice channel (% of total)



● Number of outlets ● Value

Source: GlobalData, 2017 estimate

*¹ Midscale: waiter service at a moderate price; often breakfast focused and generally no alcohol

*² Fast casual: counter service with focus on higher quality, fresh ingredients and customisation



Retail

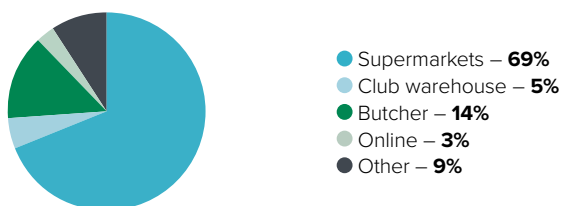


- Although the grassfed beef retail segment in the US is relatively small, demand for higher value chilled grassfed beef is increasing. Some of the most popular cuts include ground and steak cuts like tenderloin, striploin and rib eye. Sales of grassfed beef have been doubling since 2012 at the same time conventionally raised beef has largely stagnated.



- In the retail sector, supermarkets are the main purchase channel for Australian grassfed beef. However, no requirement for 'country of origin' labelling at point of purchase is challenging for Australian product to be differentiated in the sector.

Where do shoppers buy Australian beef – 2018

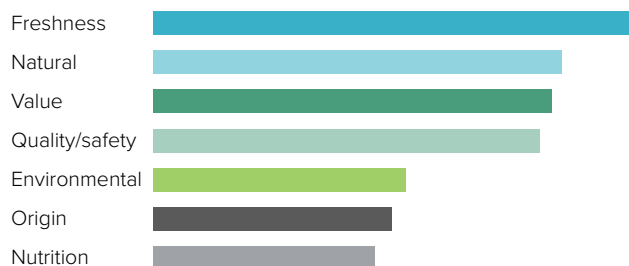


Source: MLA Global Tracker US, 2018

- Interestingly, Trader Joe's and Whole Foods shoppers are more likely to know the origins of their grassfed beef than the average supermarket shopper, representing an opportunity for Australian beef to increase origin awareness and preference.
- Australian grassfed beef is seen to provide the highest quality steak amongst imported product, with Costco and Whole Foods the most trusted sources for high quality steak (Source: MLA Global Tracker, 2017).

Motivation to choose and eat beef

Important themes ranked by relative importance



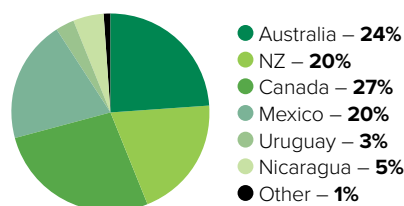
Source: MLA Global Consumer Tracker, 2018

Other suppliers



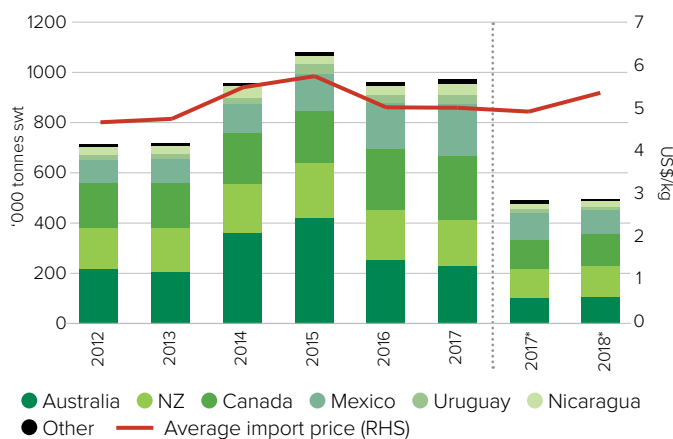
- The main competitors for Australian beef in the US market are US domestic beef, Canada, Mexico and New Zealand. Smaller suppliers include Uruguay and Nicaragua which have access to smaller quotas.
- Australia maintains its preferred access status to the US, only behind NAFTA partners (Canada and Mexico – with no quota restrictions). NZ has a quota of 213,402 tonnes with an out-of-quota tariff of 26.4%.
- In June 2017, the US Department of Agriculture (USDA) announced the immediate suspension of fresh beef imports from Brazil, as shipments failed food safety tests. The decision will remain in place until satisfactory corrective actions are taken.

US beef imports by market share



Source: GTA, Jan to Jul 2018

US beef imports by major supplier



Source: GTA
*Jan to Jul





US – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	Zero within quota (14.08% above quota)	Canada and Mexico NAFTA, no quota	Australia to US – 428,214 tonnes swt	E. coli and Salmonella sampling programs, label approvals and port mark compliance

Best access  Major challenges

Source: Trade agreements DFAT, MLA

Australian beef exports to US – summary table



Volume – in tonnes swt

		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		234,833	100	209,424	100	297,518	100	-21	-62,684
Storage	Chilled	63,200	27	57,600	28	61,157	21	3	2,043
	Frozen	171,633	73	151,824	72	236,361	79	-27	-64,727
Meat type	Grassfed	228,647	97	203,229	97	288,836	97	-21	-60,189
	Grainfed	6,186	3	6,195	3	8,682	3	-29	-2,496
Storage/meat type	Chilled grassfed	58,270	25	52,909	25	54,164	18	8	4,106
	Chilled grainfed	4,930	2	4,692	2	6,993	2	-29	-2,063
	Frozen grassfed	170,378	73	150,320	72	234,672	79	-27	-64,294
	Frozen grainfed	1,256	1	1,504	1	1,689	1	-26	-433

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		1,709,030	100	1,493,923	100	1,909,142	100	-10	-200,112
Storage	Chilled	652,619	38	523,025	35	544,776	29	20	107,842
	Frozen	1,056,411	62	970,899	65	1,364,366	71	-23	-307,955

Source: ABS/GTA

Australian beef exports to US – by major cut

Volume – in tonnes swt

								%	in tonnes swt
Manufacturing		148,358	63	128,191	61	197,539	66	-25	49,181
Fullset		24,125	10	13,199	6	3,052	1	690	21,073
Topside/inside		17,294	7	16,565	8	20,722	7	-17	-3,428
Thin flank		14,284	6	15,447	7	22,011	7	-35	-7,727
Silverside/outside		8,028	3	8,668	4	13,601	5	-41	-5,573
Other		22,744	10	27,354	13	40,592	14	-44	-17,848
Total		234,833	100	209,424	100	297,518	100	-21	-62,684

Source: DAWR

Australian beef exports to Canada – by major cut

Volume – in tonnes swt

								%	in tonnes swt
Manufacturing		14,489	70	11,860	70	19,637	74	-26	-5,148
Silverside/outside		1,985	10	2,332	14	2,896	11	-31	-911
Cube roll/rib eye roll		1,621	8	723	4	704	3	130	917
Other		2,512	12	2,046	12	3,305	12	-24	-793
Total		20,607	100	16,961	100	26,543	100	-22	-5,936

Source: DAWR

Australian beef exports to Mexico – by major cut

Volume – in tonnes swt

								%	in tonnes swt
Thin flank		366	99	84	100	453	98	-19	-87
Other		4	1	0	0	9	2	-59	-6
Total		370	100	84	100	462	100	-20	-93

Source: DAWR





CANADA – Overall meat consumption is declining in Canada, driven by changing demographics (growing number of immigrants) and an ageing population concerned about their health. Beef remains the second most popular protein in Canada, with per capita consumption averaging 19kg/year, behind poultry (34kg/year).

Challenges and opportunities in Canada for Australian beef include:

- The proportion of high income households in Canada is increasing steadily and can represent a growth opportunity for high quality beef through high-end retailers and foodservice.
- Australian beef exports to Canada are mostly comprised of frozen manufacturing beef, and are currently limited by a quota and an above-quota tariff.
- The US remains the main imported beef supplier to Canada,

accounting on average for more than 50% of total imports. The US and Mexico benefit from neither a tariff nor quota restrictions as part of North America Free Trade Agreement (NAFTA). Year-to-date June 2018 data shows that imports from Australia have increased by 23% and New Zealand by 10% while imports from the US decreased.

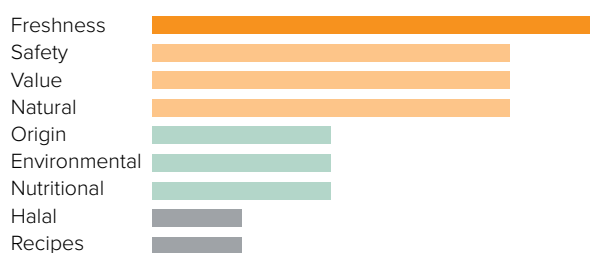


Consumers

- Most Canadian consumers already buy imported beef, and a growing majority of grassfed beef buyers are aware of the country of origin (68%), and most would consider buying imported beef (82%) (MLA Global Tracker 2017).
- Compared to global consumers, Canadian beef buyers are more concerned about natural produce, price and no added hormones.
- When purchasing beef, 'naturalness' is something buyers look for and grassfed is seen as an authentic differentiator. However, the appeal of grassfed beef has plateaued at the same time that newer descriptors have become more prevalent like organic, hormone-free, non-GMO and antibiotic-free. It appears consumers are not fully aware of the differences between these types of beef.

Motivation to choose and eat beef

Important themes ranked by relative importance



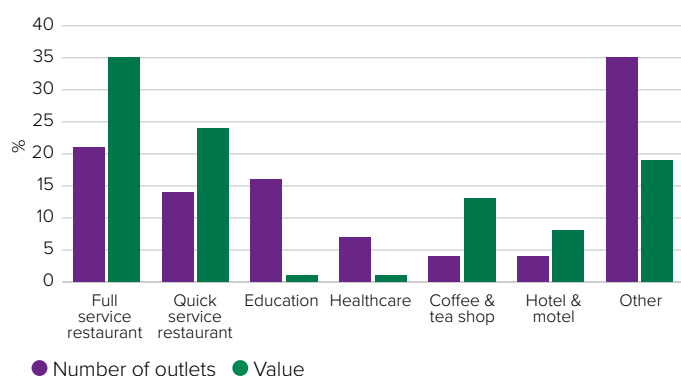
Source: MLA Global Tracker US, 2017

Foodservice and retail



- The full service restaurant and quick service restaurant channels lead the Canadian foodservice sector, generating a combined 60% of total revenue in 2017.
- Beef is the most valuable meat category in the quick service segment, representing 39% of the channel's total animal protein value*³ in 2016. (Source: GlobalData – Canada, The future of foodservice to 2021).

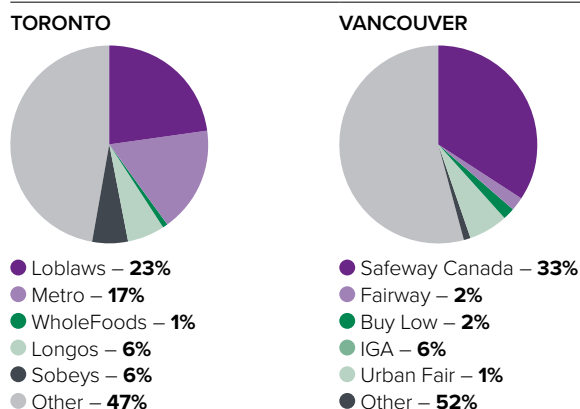
Outlet number and value by key foodservice channel (% of total)



Source: GlobalData, 2017 estimates

- At the retail level, Australian beef is mainly purchased from supermarkets, and as the retail sector is quite fragmented in Canada, each city has a different leader in claimed total beef sales (Source: MLA Global Tracker US, 2017).

Main supermarkets for purchasing beef



Source: MLA Global Tracker Canada, 2017

Canada – Market access overview



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement	Zero within quota (26.5% above quota)	US and Mexico NAFTA, no quota	35,000 tonnes/year swt 26.5% tariff apply over quota	E. coli and Salmonella sampling programs, label approvals and port mark compliance

Best access Major challenges

Source: Trade agreements DFAT, MLA

*³On-base percentage





MEXICO – Mexico has experienced stable economic growth over recent years, which has fuelled an expanding middle class who are expected to increase their appetite for beef.

Challenges and opportunities in Mexico for Australian beef include:

- Australian beef exports to Mexico have historically consisted of small volumes of frozen product used for further processing. Prior to March 2017, Australian beef faced tariffs which aren't payable by larger North American beef importers.
- The relaxation of tariffs, which has been extended to December 2019, and the superior shelf-life of Australian chilled beef have presented opportunities in this market, particularly considering

that Mexican consumers have a growing appetite for premium, high quality fresh meat.

- Rising incomes and an expansion of urban lifestyles have boosted growth prospects for products of high quality and value in Mexico through both the foodservice and retail channels.

(Source: BMI)

Consumers



- Mexicans are expected to consume approximately 1.86 million tonnes cwe of beef in 2018 and demand is projected to rise, as the peso strengthens and the middle class grows.

(Source: United States Department of Agriculture – USDA)

- Young, wealthy consumers are driving beef consumption growth in Mexico. Younger consumers with more money to spend are fuelling demand for high quality food and more formal dining experiences.
- The number of households with a higher income (above US\$35,000/year) is expected to register notable growth by 2021. In addition, hotel and restaurant expenditure is also set to increase, creating new opportunities for high value products such as Australian beef and lamb.



Trade access



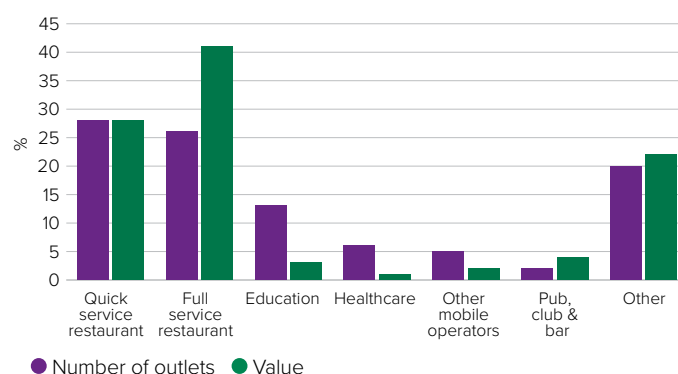
- In late 2017, the Mexican government extended the agreement establishing detailed provisions on unilateral tariff rate quotas, which allows 220,000 tonnes/year from non-NAFTA countries of beef to enter Mexico duty-free from any exporting countries until the end of 2019. The annual quota will be shared with other non-NAFTA countries.

Foodservice and retail



- Foodservice spending in Mexico is forecast to grow 60% in the next five years, with the growing working-age population and urbanisation lifting demand for more convenience among foodservice customers.
- Full service restaurants' is the largest segment within foodservice, holding over 40% share of sales in 2017. The channel is set to be the main beneficiary of Mexico's positive economic scenario, with rising discretionary incomes allowing families to trade up from quick service restaurants and being more receptive to higher value imported Australian beef.
- In the retail sector, hypermarkets are the most prevalent outlet type in the country. Retailers will increasingly target the upper-middle class segment in the coming years, through premium formats that offer popular imported produce (Source: BMI).

Outlet number and value by key foodservice channel (% of total)



Source: GlobalData, 2017 estimates

Mexico – Market access overview



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement Australia is an associate member of Pacific Alliance and is in the early stages of negotiating a FTA	Zero within quota (20-25% above quota)	US and Canada NAFTA, no quota	220,000 tonnes/year swt shared with other non-NAFTA countries until December 2019	Listing restrictions on who has approval to send to Mexico, labelling and language issues on carton and inner packaging, sample tests on arrival for all consignments, port of entry options limited

Best access Major challenges

Source: Trade agreements DFAT, MLA



MARKET SNAPSHOT | BEEF

Korea (South Korea)

Korean consumers love beef and are the highest per capita consumers across Asia. It has consistently been one of Australia's major export destinations, supported by steady consumer demand. Highly marbled, local Hanwoo beef has a special place in consumers' minds, while Australian beef is well-known and most favoured among imports.

Challenges and opportunities in Korea for Australian beef include:

- Australia is facing strong competition from the US. US beef has increasing awareness and frequency of consumption among Korean consumers.
- In consumers' minds, Australian beef currently outperforms the US in integrity and trust, but the US appeals more strongly for its convenience. Further building on consumer confidence and trade loyalty to Australian beef will remain crucial to maintaining Australia's position in the market.
- While the Korea-Australia Free Trade Agreement (KAFTA) continues to reduce beef import tariffs, Australia has triggered the safeguard* for the past four years, eliminating the benefits of tariff reductions and disadvantaging Australia against competitors, particularly the US.
- Korea's high earning consumer base and its preference for grainfed beef consistently support the high quality beef trade from Australia.

*Trade mechanism under KAFTA that Korea can revert to the 40% tariff level when imports exceed agreed volume.



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Consumers



- Among imported beef, Australian beef is the most favoured by Korean consumers (Source: MLA Global Consumer Tracker Korea, 2018), while highly marbled domestic Hanwoo is generally regarded as the most superior. Beef in general is considered a premium protein, and the market's per capita beef consumption is the highest in Asia (Source: BMI)*.

Attributes important for all proteins and beef associations

What attributes are important for Korean consumers (all proteins)? What associations do consumers have to beef?

Most superior meat	Tastes delicious
My/my family's favourite	I pay more for this meat
Consistent quality	Healthy diet for children
Taste delicious	My/my family's favourite
Healthy diet for children	High nutritional value

Source: MLA Global Consumer Tracker Korea, 2018

- Pork is the most consumed meat in Korea, but chicken consumption is forecast to grow fastest, backed by its affordable price and versatility for pre-prepared meals.
- Country of origin is very important to Korean beef buyers, as the country relies on imports for about 60% of its beef requirements (Source: BMI). Australian and US beef have similar levels of awareness among consumers, with Australian beef perceived as being safer and of superior quality. US beef appeals mainly for its 'lower price' 'convenience to purchase' and 'cuts suited for everyday cooking' (Source: MLA Global Consumer Tracker Korea, 2018). Further building on consumer confidence and trade loyalty to Australian beef will remain crucial for maintaining Australia's position in the market.
- Korea is the third largest economy in Asia, with the number of households earning more than US\$50,000/year forecast to reach 54% of total households by 2021 (Source: BMI Research). This large middle-high income consumer base will continue to underpin future beef demand, especially for high quality offerings.
- A growing number of high income households, along with an ageing population and declining birth rate, will likely further elevate consumer interest in products and services that promote a healthy lifestyle. This will provide a key positioning and messaging opportunity for Australian beef.



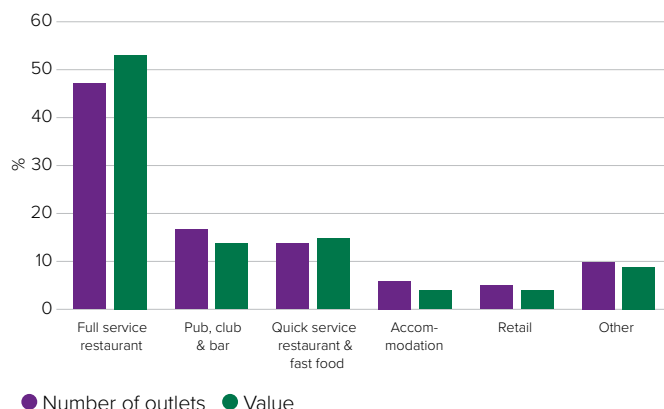
* 2017 data and 2021 forecast, total of beef, pork and chicken, excludes Australia, New Zealand (NZ) and Hong Kong.

Foodservice



- Australian beef is consumed across the whole foodservice sector, with products ranging from frozen manufacturing beef to highly marbled Australian Wagyu loin cuts. In the traditional Korean barbecue sector, highly marbled domestic beef is the most popular, followed by US beef, then Australian grainfed products.
- Korean consumers enjoy eating out, and traditional Korean flavours remain popular across generations. Approximately half of all foodservice outlets serve Korean-style dishes (Source: Food News Sep 2017 by MIFAFF Korea). Localised flavours infused into western fast foods are commonly seen, such as *bulgogi* burgers (Australian beef burger with local *bulgogi*-style sauce).
- The Korean foodservice sector is highly saturated, with more eateries than the UK and France combined, despite having a smaller population than each of these countries. However, the total sales value and the average spend per visit are significantly lower than these countries (Source: Global Data, 2017). Quick and cheap eateries are prevalent and frequently visited by office workers, families and students.
- While full service restaurants are the largest channel and value leader in the market, it is also highly competitive and fragmented with a high proportion of small independent operators. In the Korean foodservice sector overall, less than 20% of total outlets are 'chain operators' (operations with multi-unit outlets), in comparison to 31% in Australia and 43% in the US (Source: Global Data, 2017).

Number of outlets and value by key foodservice channel (% of total) – 2018



● Number of outlets ● Value

Source: GlobalData

Korean foodservice – 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.

*Largely supplying to institutions (schools, hospitals) and businesses.

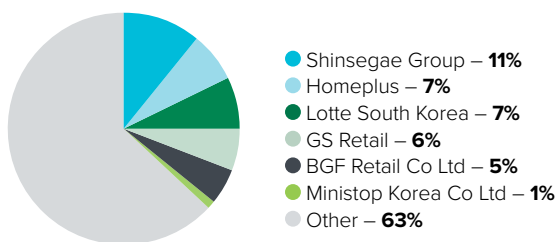


Retail



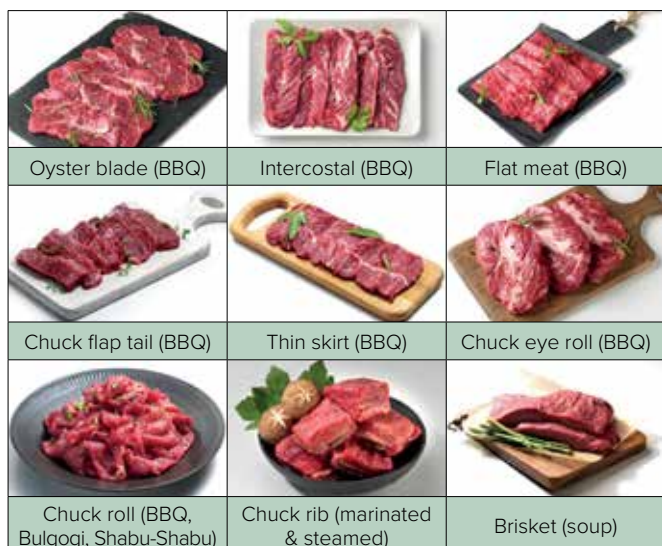
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. On-pack information about country of origin, along with environmental and 'naturalness' credentials are highly important considerations at the point of purchase (Source: MLA Global Consumer Tracker Korea, 2017).
- It is estimated that approximately 50% of Australian beef is distributed via retail, including fresh, value-added and cooked products (Source: Trade research, MLA). Hypermarkets and supermarkets are key channels for Australian (and other imported) beef, while domestic Hanwoo has a particularly strong presence in department stores.
- 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 being crucial to maintaining market position.
- With the move by US-owned retailer Costco to shift its chilled beef to 100% US products, other major retailers including E-Mart, E-Mart Traders, Lotte Mart and Homeplus have been able to respond with increased sales of Australian beef.

Grocery retail market shares – 2018



Source: IGD

What are the key cuts and typical dishes using Australian beef in Korea?



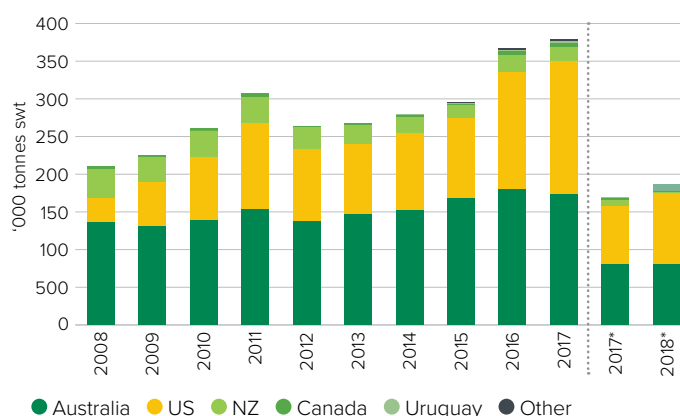
Source: MLA

Other suppliers



- Subdued local Hanwoo beef production, increased US product availability and easing prices of US beef resulted in a continuing rise in US beef imports into Korea. Total import volumes from January to June 2018 reached 217,318 tonnes swt, up 9% year-on-year and the highest on record for the period. Imports from Australia and New Zealand during the same period increased 1.5% and 7% respectively, but imports from the US registered the highest rise for the period (up 19% year-on-year).
- A tariff-increasing safeguard was triggered for the fourth year in a row in October 2018, disadvantaging Australia against the US. The tariff differential between the two countries increased from 5.3% to 18.7%, and will disrupt Australian trade for the remainder of 2018.

Beef imports by supplier



Source: GTA . * Jan to May

- Brazil and India do not have access to the market due to Korea's stringent animal health and food safety requirements.
- It is estimated that around 275,000 tonnes cwt of beef will be produced domestically in Korea during 2018 (Source: USDA). Production growth is likely to remain limited in coming years, largely due to producer uncertainty over future cattle prices, an ageing farmer population and rising costs.

KAFTA – tariff rates and safeguard volumes

Start Date	Safeguard quantity (in tonnes swt)	Import tariff under KAFTA	Import tariff rate after safeguard triggering
1-Jan-18	167,327	26.6%	40%
1-Jan-19	170,673	24.0%	30%
1-Jan-20	174,087	21.3%	30%
1-Jan-21	177,569	18.6%	30%
1-Jan-22	181,120	16.0%	30%
1-Jan-23	184,742	13.3%	30%
1-Jan-24	188,437	10.6%	24%
1-Jan-25	192,206	8.0%	24%
1-Jan-26	196,050	5.3%	24%
1-Jan-27	199,971	2.6%	24%
1-Jan-28	203,970	0.0%	24%
1 January 2029 onwards	excluded	0%	0%

Source: DFAT

- Compared to Australia, the US has a significantly larger safeguard triggering volume* under its trade agreement. It has not been triggered since the agreement came into effect in 2012.

* 306,000 tonnes swt for 2018.





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (KAFTA)	2018 – 26.6% 2019 – 24% 0% in 2028 Under KAFTA	US 2018 – 21.3% 0% in 2026 under KORUSFTA*	Safeguard Tariff bounces back to 40% when Australian imports exceed trigger level**	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Korea-US Free Trade Agreement

** Trigger volume is 167,327 tonnes swt in 2018



Australian beef exports to Korea – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		156,213	100	162,050	100	157,101	100	-1	-889
Storage	Chilled	35,426	23	34,644	21	34,298	22	3	1,128
	Frozen	120,787	77	127,406	79	122,803	78	-2	-2,016
Meat type	Grassfed	98,434	63	109,946	68	115,774	74	-15	-17,340
	Grainfed	57,778	37	52,104	32	41,327	26	40	16,451
Storage/meat type	Chilled grassfed	9,767	6	9,197	6	12,838	8	-24	-3,071
	Chilled grainfed	25,659	16	25,447	16	21,460	14	20	4,199
	Frozen grassfed	88,667	57	100,749	62	102,936	66	-14	-14,269
	Frozen grainfed	32,120	21	26,657	16	19,867	13	62	12,252

Source: DAWR

Value – in A\$ 000								%	in A\$ 000
Total		1,176,458	100	1,227,944	100	1,043,060	100	13	133,398
Storage	Chilled	400,207	34	406,165	33	330,171	32	21	70,036
	Frozen	776,251	66	821,779	67	712,890	68	9	63,361

Source: ABS/GTA

Volume – by major cut (in tonnes swt)								%	in tonnes swt
Chuck roll		33,271	21	37,648	23	38,216	24	-13	-4,945
Blade		21,297	14	26,573	16	25,132	16	-15	-3,835
Brisket		20,093	13	15,677	10	15,413	10	30	4,680
Manufacturing		17,053	11	23,135	14	20,072	13	-15	-3,019
Ribs		13,317	9	13,225	8	11,059	7	20	2,258
Short ribs		10,688	7	10,189	6	12,067	8	-11	-1,379
Silverside/outside		9,249	6	9,132	6	9,161	6	1	88
Thick flank/knuckle		5,851	4	4,453	3	3,542	2	65	2,309
Other		25,394	16	22,018	14	22,439	14	13	2,954
Total		156,213	100	162,050	100	157,101	100	-1	-889

Source: DAWR

Australian beef offal exports to Korea – by major cut (in tonnes swt)								%	in tonnes swt
Intestines		6,271	24	4,137	18	3,725	15	68	2,546
Cheek meat		4,987	19	4,551	19	5,727	23	-13	-740
Skirt		4,806	19	4,966	21	5,609	22	-14	-803
Other		9,691	38	9,733	42	10,210	40	-5	-519
Total		25,754	100	23,387	100	25,270	100	2	484

Source: DAWR

Value – in A\$ 000								%	in A\$ 000
Total		130,367		12,831		99,907		30	30,460

Source: ABS/GTA



MARKET SNAPSHOT | BEEF

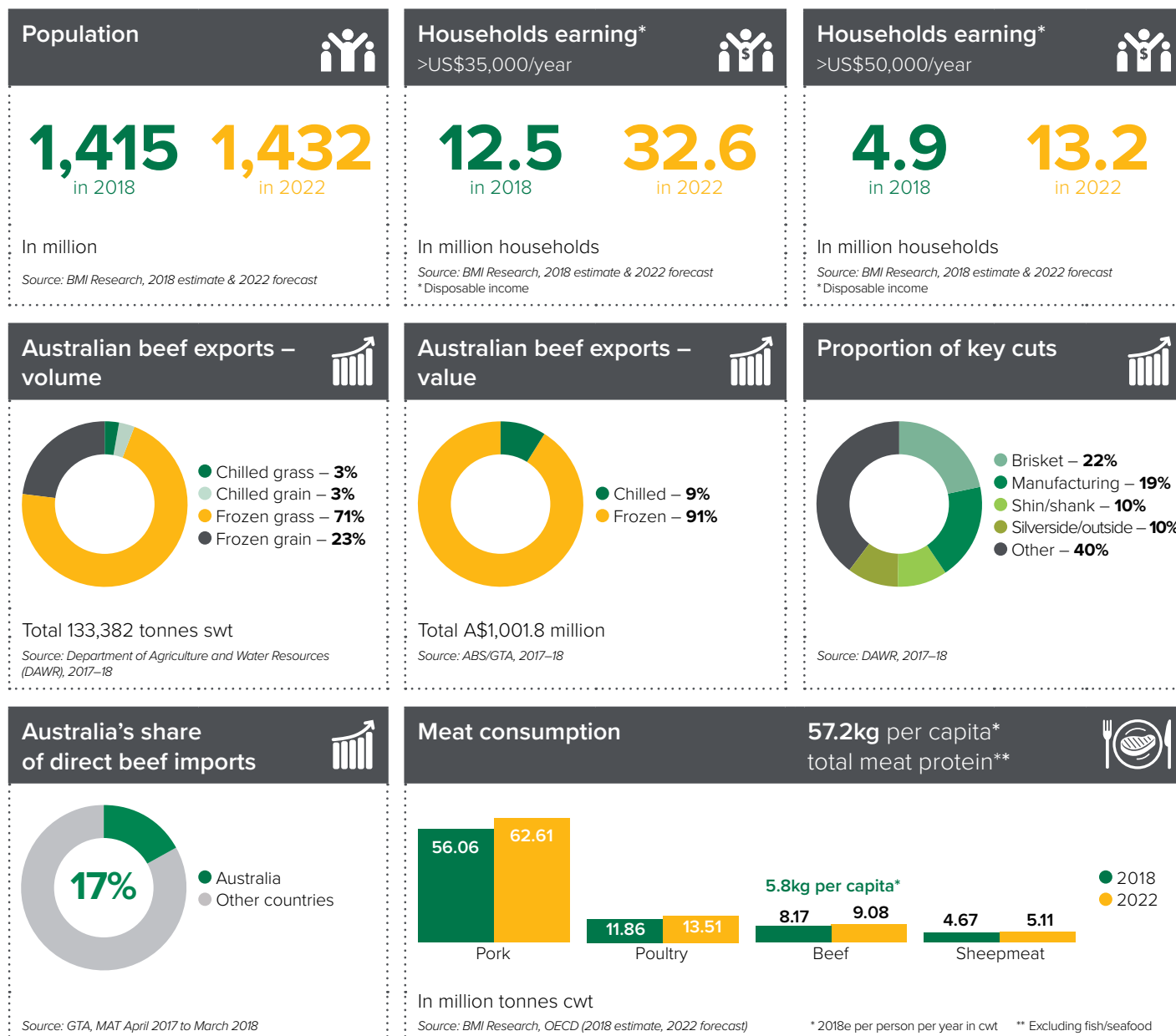
China

China is a large, complex country with significant regional variation, requiring a sophisticated market segmentation approach to identify and develop opportunities for Australian beef. Over recent years, Australia's beef exports to China have been quite volatile, with changing import protocols and the easing of restrictions placed on other countries.

Challenges and opportunities in China for Australian beef include:

- Consumer demand for premium imported beef is expected to continue to grow as China's economy shifts to become more consumption-driven, fuelled by continuing urbanisation and rising disposable incomes.
- While beef comprises a small share of dietary protein in China, wealthier consumers generally eat more beef on average and spend more when they buy it.
- Beef and beef offal are traditionally used in various stir fry, stew, soup, dumpling and hot pot dishes. While western-style beef dishes still remain mostly the domain of a segment of the foodservice sector, an increasing number of consumers are trialling new cuisines at home.
- China's beef market has two very distinct segments: foodservice and retail. Import demand in foodservice is very competitive and price-sensitive and hence particularly challenging for Australian product, while the retail segment reflects a consumer market in rapid transition, where customers are generally experimental and brand conscious.
- While ChAFTA* is reducing tariffs on Australian beef products, there are ongoing technical market access challenges facing the red meat industry – particularly increasing the number of plants (especially for chilled) that are eligible to export to China.

* China-Australia Free Trade Agreement



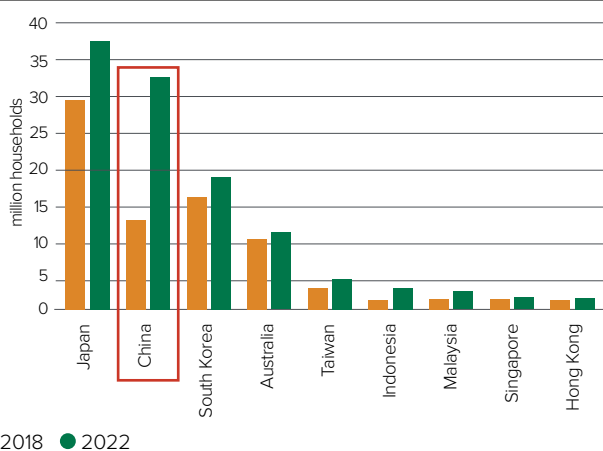
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Consumers



- Due to its population size, growing wealth and shifting diets, China represents an attractive market for premium Australian beef products. Focusing on niche opportunities with a differentiated product will help to build loyalty in a very competitive market.
- China is a country of great regional cultural diversity and variation in consumption habits and preferences. There are at least eight Chinese cuisines, with the use and flavouring of beef varying.
- Despite being the most populous country in the world, the proportion of consumers who can regularly afford to buy imported beef is relatively small, with 12.5 million households earning at least US\$35,000/year disposable income. That number is forecast to increase by just over 2.5 times to 32.6 million households over the next four years to 2022 (triple the number in Australia).

Number of households earning >US\$35,000/year*



● 2018 ● 2022

Source: BMI Research. 2018 and 2022 forecast. * Disposable income

- In China, beef comprises a small proportion of dietary protein compared to pork, chicken and seafood. However, with rising incomes and continued urbanisation, per capita beef consumption is forecast to increase by more than 15% from 2017 to 2027 (Source: GIRA).
- Chinese consumers consider beef a premium protein with high nutritional value and great taste, but its perceived weakness is that it is considered less easy to prepare, less fresh and less tender compared to other proteins.

Attributes important for all proteins and beef associations

What attributes are important for Chinese consumers (all proteins)?

My/my family's favourite meat

Easy and convenient to prepare

Tastes delicious

Cheaper

Consistent quality standards

What associations do consumers have to beef?

The most superior meat

High nutritional value

Willing to pay more for it

Animal is well cared for

Consistent quality standards

Source: MLA Global Consumer Tracker China, 2018

- Beef and beef offal are used in a variety of stir fry, stew, soup, dumpling and hot pot dishes. In urban upper middle class households, there is increasing exposure to western-style steaks, sausages, pasta dishes and burgers, particularly via foodservice but also at home.
- Affluent urban consumers appreciate Australian beef, which is recognised for being best able, among competitor products, to provide high quality steak. Consumers believe Australian

beef offers several advantages considered worth paying more for, such as safety and quality consistency, nutritional value, tenderness and overall superiority (Source: MLA Global Consumer Tracker, China 2017).

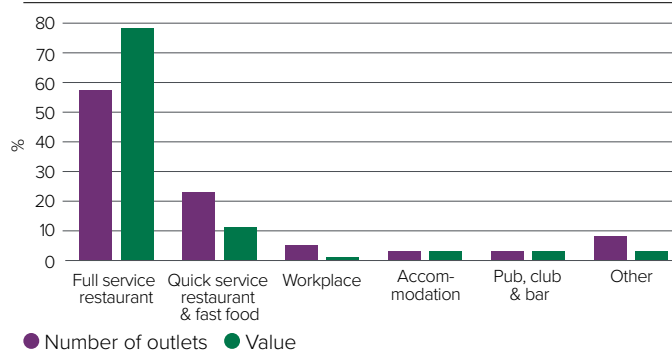
- Challenges with cold chain management in China remain significant, particularly for higher-end beef product, but improvements are increasing the availability and reach of Australian beef products to consumers in more cities.

Foodservice



- As a comparatively less familiar but premium protein, it is estimated that about half the beef in China is consumed outside the home (Source: GIRA), which provides opportunities for affluent urban consumers to try different cuisines and enjoy their 'meal experience'.
- MLA estimates that the bulk (around 70%) of Australian beef goes into further processing items such as hot pot rolls, burgers, meatballs and sausages. A smaller but growing proportion of Australian beef goes directly into the foodservice and retail sectors.
- Australian beef has a strong, established presence in China's premium western-style foodservice sector, as well as some up-scale hot pot restaurant chains, where differentiation based on quality and country of origin is important to diners. Some product is also used in mid-level western and Chinese-style restaurants and some western quick service restaurant chains.
- Full service restaurants dominate China's foodservice sector in both number of outlets and value. This sub-sector is highly fragmented comprising mainly independent operators, though chains (like steakhouse restaurants) are expected to see somewhat faster growth in coming years (Source: GlobalData).

Outlet number and value by key foodservice channel (% out of total)



● Number of outlets ● Value

Source: GlobalData. 2019 forecast.

- China is expected to continue its anti-corruption campaign for the foreseeable future, which has significantly impacted the high-end restaurant sector since it began in 2012, including beef sales through this channel.
- Some recent developments in the foodservice sector include rapid growth in takeaway food and home delivery services.



Source: iStock



Retail



- China is home to the world's largest grocery market by total sales (valued at A\$1,856 billion in 2019f), but it is also one of the world's most regionalised and fragmented (Source: IGD).

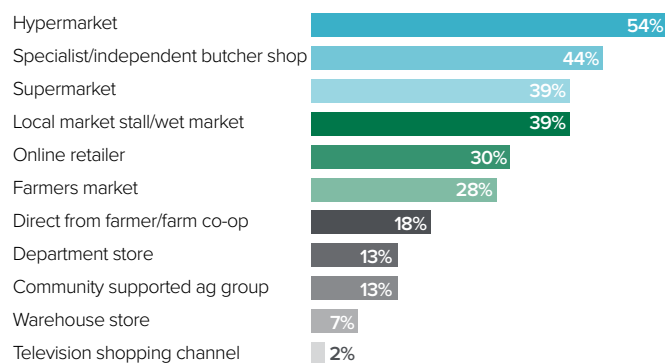
Top five grocery retailers in China by market share rank and region

	East	West	South	North
1	Sun Art Group	Wal-Mart Group	Wal-mart Group	Sun Art Group
2	Vanguard Group (+Tesco)	Yonghui Group	Vanguard Group (+Tesco)	Wu-Mart Group
3	Bailian Group	Vanguard Group (+Tesco)	WSL Group	Carrefour
4	Wal-mart Group	Carrefour	Sun Art Group	Vanguard Group (+Tesco)
5	Carrefour	New Century	Bubugao	Spar Group

Source: Kantar Worldpanel, May 2018

- China has mandatory country of origin labelling, so consumers are aware of where their beef comes from, particularly when purchased from modern retail channels. In addition, affluent urban consumers are driving growth in branded beef products as a marker of not only the important 'basics' of quality and safety, but as a source of meaning that contributes to their consumption experience via dimensions such as provenance.
- Traditional trade still plays an important role in the beef market, though much less so for imported beef. Frequent buyers of imported meat tend to source it from modern trade channels, for consumption at home. However, they will still sometimes use wet markets for meat that is served to guests, or when it is more convenient to drop by the neighbourhood wet market than visit a hypermarket.

Where frequent imported meat consumers bought beef from in the past month



Source: MLA-GlobalData China Attractive Cities Study, 2016. Top 15 attractive China cities combined.

- China's grocery retail sector is undergoing significant change, with new business models being trialled across the country including new mobile payment systems, unmanned convenience stores, small format grocery stores and same-day fresh grocery delivery, presenting new opportunities for Australian beef.
- Over the next few years, retail sales value growth for beef is forecast to be fastest in the e-commerce channel, estimated at around 15.9%, but will also be strong through hypermarkets and supermarkets (each at 9.5%) (Source: MLA China Attractive Cities Study, 2016).

Market access



- China has signed a number of bilateral free trade agreements with other significant meat producers including New Zealand, South Korea, Costa Rica, Chile and Peru.

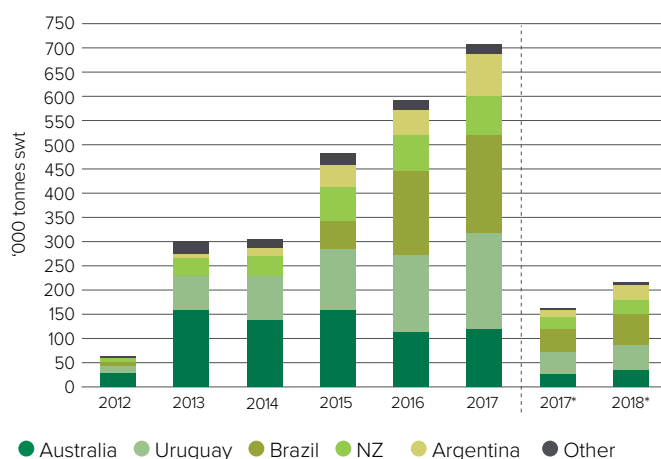
- In the past year or so, several countries have been granted market access to China for some beef products. The US re-gained market access for some products after being banned since 2003, when a case of bovine spongiform encephalopathy (BSE) was detected in the US. The US has an advantage over Australia as it has 53 plants approved for both chilled and frozen product, including tripe.
- In March 2017, Australia and China signed a Joint Statement on Enhancing Inspection and Quarantine Cooperation, aimed at providing Australian exporters with improved market access for chilled beef and beef offal. Pending the outcome of an audit process, an increase in the number of listed establishments will likely occur.

Other suppliers



- The China beef market is very competitive and will become more so as more countries are granted market access.
- China has a large beef cattle herd, estimated at 54 million head in 2018e (Source: GIRA), and although domestic beef production is expected to see continued growth in the coming years, there will remain a significant domestic supply gap that will need to be met by imports.
- 2017 saw China's largest ever import volume of beef, with 695,115 tonnes going through customs (Source: GTA).
- Australia's key competitors for frozen beef are Brazil and Uruguay, as well as New Zealand and Argentina.
- Australia was the sole approved supplier of chilled beef to China from mid-2014 to mid-2017, when China granted access to the US, approving 37 establishments, and New Zealand with 7 plants now listed for chilled beef. Italy has also recently begun exporting small volumes.

Direct beef imports by country of origin



● Australia ● Uruguay ● Brazil ● NZ ● Argentina ● Other

Source: GTA, China Customs.

*Jan-Mar

Live exports



- Despite high prices and the complexity of the live feeder/ slaughter cattle protocol signed between Australia and China in 2015, Australia exported 24,556 live cattle for processing and 71,776 beef breeders to China in 2017–18 (Source: DAWR, ABS).
- China also has a live feeder/slaughter cattle protocol agreement with Uruguay and imports mostly breeder as well as some feeder/slaughter cattle from New Zealand, Uruguay and Chile (Source: GTA).





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA)	2019 Chilled and frozen beef 6% Chilled carcasses 10% Frozen carcasses 12.5% 2024 Zero	Brazil, Uruguay, Argentina, Canada and US 12% tariff on meat 20/25% on chilled/frozen carcasses NZ Zero from 2016	Safeguard Additional customs duty will apply if Australian imports exceed 174,454 tonnes swt in 2019	Restrictions on the number of approved plants, chilled plants and restrictions on edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA

NB: China applies a 13% VAT on most items (muscle cuts, offal) and 17% on processed

Australian beef exports to China – summary table



Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		133,382	100	97,492	100	120,525	100	11	12,857
Storage	Chilled	7,764	6	6,126	6	6,671	6	16	1,093
	Frozen	125,618	94	91,366	94	113,854	94	10	11,764
Meat type	Grassfed	99,636	75	71,000	73	101,344	84	-2	-1,708
	Grainfed	33,746	25	26,492	27	19,181	16	76	14,565
Storage/meat type	Chilled grassfed	4,373	3	3,743	4	5,313	4	-18	-939
	Chilled grainfed	3,391	3	2,383	2	1,358	1	150	2,032
	Frozen grassfed	95,262	71	67,257	69	96,031	80	-1	-769
	Frozen grainfed	30,356	23	24,109	25	17,822	15	70	12,533

Source: DAWR

Value – in A\$ 000

		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in A\$ 000
Total		1,001,780	100	746,648	100	713,424	100	40	288,356
Storage	Chilled	93,739	9	85,294	11	61,933	9	51	31,806
	Frozen	908,041	91	661,354	89	651,490	91	39	256,551

Source: ABS/GTA

Volume – by major cut (in tonnes swt)

	2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in tonnes swt
Brisket	29,122	22	23,035	24	25,967	22	12	3,155
Manufacturing	24,756	19	11,450	12	10,132	8	144	14,624
Shin/shank	13,546	10	12,144	12	16,841	14	-20	-3,295
Silverside/outside	12,738	10	8,693	9	11,348	9	12	1,390
Blade	10,239	8	7,391	8	8,409	7	22	1,830
Thick flank/knuckle	6,356	5	4,301	4	7,484	6	-15	-1,129
Ribs	5,618	4	3,547	4	3,535	3	59	2,083
Chuck roll	4,905	4	5,261	5	3,557	3	38	1,348
Other	26,103	20	21,671	22	33,252	28	-21	-7,148
Total	133,382	100	97,492	100	120,525	100	10.67	12,857

Source: DAWR

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

	2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in tonnes swt
Tendon	884	39	945	28	1,675	39	-47	-792
Heart	807	36	1,190	36	1,615	38	-50	-808
Kidney	362	16	677	20	583	14	-38	-221
Other	219	10	518	16	374	9	-41	-154
Total	2,272	100	3,330	100	4,247	100	-47	-1,975

Source: DAWR

Value – in A\$ 000

	2017–18	2016–17	5-year average (2012–13 to 2016–17)	%	in A\$ 000
Total	37,925	25,335	23,828	59	14,097

Source: ABS/GTA



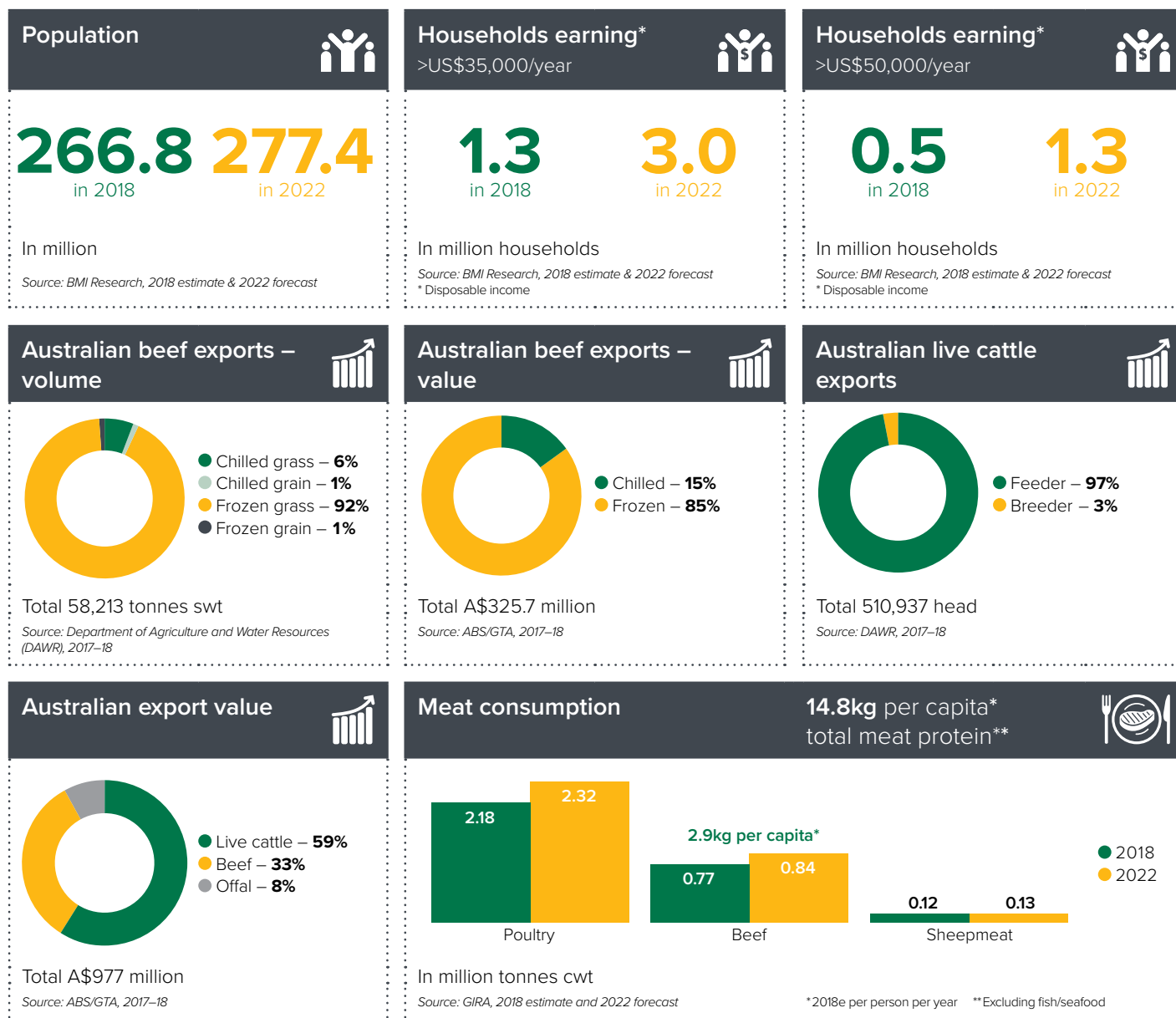
MARKET SNAPSHOT | BEEF

Indonesia

Indonesia has one of the largest beef markets in Asia with total consumption volume forecast to grow 9% by 2022. The country's large population, expanding middle-class consumers, rapid urbanisation and robust economic growth are the key driving forces of this growth. While the market size and growth prospects present opportunities, there are challenges facing Australian exporters.

Challenges and opportunities in Indonesia for Australian beef include:

- The Indonesian cattle and beef industry is economically and politically important to Indonesia with self-sufficiency for beef having long been one of the nation's top priorities, which has resulted in Indonesia being a highly regulated market with strong government intervention.
- Competition is intensifying with Indian buffalo meat growing its penetration and popularity across retail, foodservice and manufacturing sectors. There have also been potential threats from new entrants as the Indonesian government continues to boost price affordability by diversifying beef supply sources.
- Beef is a versatile meat in Indonesian cuisine and perceived as the most superior meat amongst many Indonesian consumers.
- Shifting consumer diets and rising household incomes continue to underpin demand for high-protein foods including beef and high-quality products.
- New trade agreement between Indonesia and Australia is expected to deliver more liberalised market access and further tariff reductions for Australian boxed beef and live cattle exports (see Trade access).



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Consumers



- Beef is the third most consumed protein in Indonesia behind chicken and fish. However, it is perceived to be the most important source of protein and is used widely in a variety of traditional dishes, such as *bakso* (meatball) and *rendang* (meat dish cooked with coconut milk).

Attributes important for all proteins and beef associations

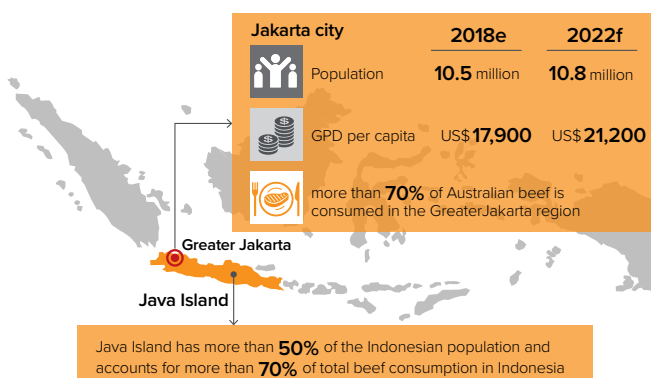
What attributes are important for Indonesian consumers (all proteins)?

Easy and convenient to prepare	Most superior meat
Fresh	My/my family's favourite
Easy and convenient to purchase	Willing to pay more for this meat
Tastes delicious	Can be used in many different meals
Tenderness	Consistent quality standards

Source: MLA Global Consumer Tracker Indonesia, 2018

- The island of Java – the most populated island in Indonesia – accounts for the largest proportion of the country's total beef consumption. Australian beef, in particular, is consumed mostly in Greater Jakarta.

Jakarta city profile



Source: GlobalData, Statistics Indonesia, QASA, MLA estimate

- Indonesia has a large, young and diverse consumer base, with more than 60% of its population under 40-years-old (approximately 180 million people). It is also undergoing rapid urbanisation. An additional 13 million people are expected to live in urban areas by 2022 (Source: BMI Research).
- With Indonesia being a Muslim-majority country, food being Halal influences the buying decisions of a large proportion of Indonesian consumers. Beef consumption typically spikes during the festive seasons, particularly around the months of Ramadan and Idul Fitri. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing for beef demand changes every year.

Ramadan schedule

Year	First day	Last day
2018	May 16	Jun 14
2019	May 6	Jun 4
2020	Apr 24	May 23
2021	Apr 13	May 12
2022	Apr 2	May 1

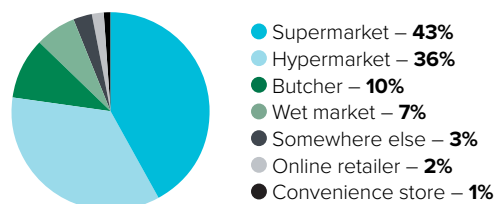
Note: Ramadan's start day may vary by country as it depends on when the new moon is first sighted.

Retail



- Indonesia's modern grocery retail market is highly fragmented and only accounts for approximately 7% of the market, however, it is continuously expanding.
- In Greater Jakarta, consumers generally visit multiple retail channels from modern to traditional outlets to purchase beef. Australian boxed beef is sold across a range of different retail channels in the region with supermarkets and hypermarkets being the most common places of purchase. The majority of beef derived from Australian lot-fed cattle is channelled into wet markets as hot carcasses with around 10% sold into modern retail outlets.
- The expansion of modern retail to second-tier cities such as Surabaya (the capital of East Java province), Bandung (the capital of West Java province) and Semarang (the capital of Central Java province) presents growth potential for Australian beef beyond the Greater Jakarta region.

Where do consumers go and buy Australian beef in Jakarta?



Source: MLA Global Consumer Tracker Indonesia, 2018

Major modern retail chains selling Australian beef in Indonesia

Format	Retail banner
Supermarket	Hero, AEON, Ranch Market, Farmers Market, Food Hall
Hypermarket	Hypermart, Carrefour, Lulu Hypermarket, LotteMart, Giant, Yogya

- There has been an emerging trend towards 'modernisation' and 'premiumisation' in the meat retail space across the Greater Jakarta region, driven by a number of leading meat importers and distributors opening up their own butcher shops where a range of high-quality meat products including both locally slaughtered and imported beef products are offered.



'Meatshop Indoguna' – a modern butcher shop owned by PT Indoguna Utama, one of the leading meat importers in Indonesia.

- Indian buffalo meat is mainly sold in wet markets, however, it also presents in supermarkets and hypermarkets with limited penetration. Lulu Hypermarket – an Indian-owned and United Arab Emirates-based retail chain (entered into Indonesia in 2016) – is one of the largest sellers of Indian buffalo meat amongst modern retailers.

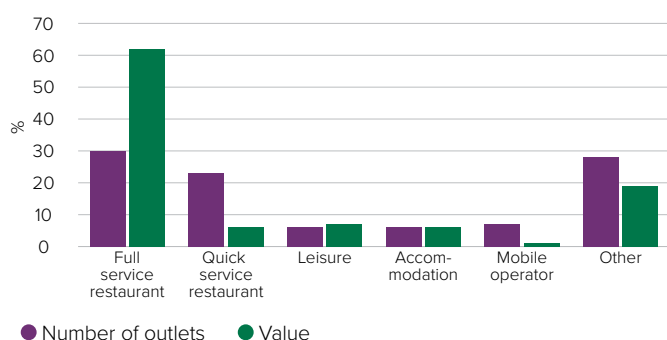


Foodservice



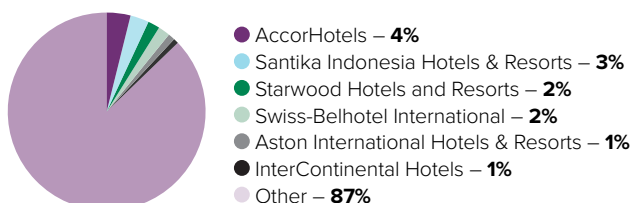
- The foodservice channel in Indonesia is diverse, ranging from high-end international restaurants to local family-owned kiosks, known as *warungs*, and street vendors.
- Australian beef is widely used in Indonesia's foodservice sector, mostly within medium to high end restaurants. These are typically limited to major cities and tourist destinations, with Jakarta and Bali the key markets.
- Besides small-scale foodservice operators, medium to large-scale local foodservice operators have also exhibited preferences towards Indian buffalo meat as it is cheaper and can be used in place of beef in a variety of traditional dishes, particularly slow-cooked dishes.
- The Indonesian foodservice market is forecast to grow by 5% through to 2021, partly supported by continued urbanisation, rising incomes and robust tourism growth. The evolving e-commerce sector is also driving the foodservice market. Gojek and Grap are amongst the leading players expanding their home-delivery services, which offers consumers a wide range of food choices, convenience and low delivery costs.

Proportion of outlet number and value by key foodservice channel



Source: GlobalData, 2018 estimate

Market share of major hotel chains by foodservice sales



Source: GlobalData, 2016

- Despite being fragmented, Indonesia's foodservice market is evolving towards modernisation, underpinned by the continued expansion of shopping malls, modern retail outlets, and hotels; combined with the increasing preferences towards trendy, modern and international dining experiences amongst young consumers.



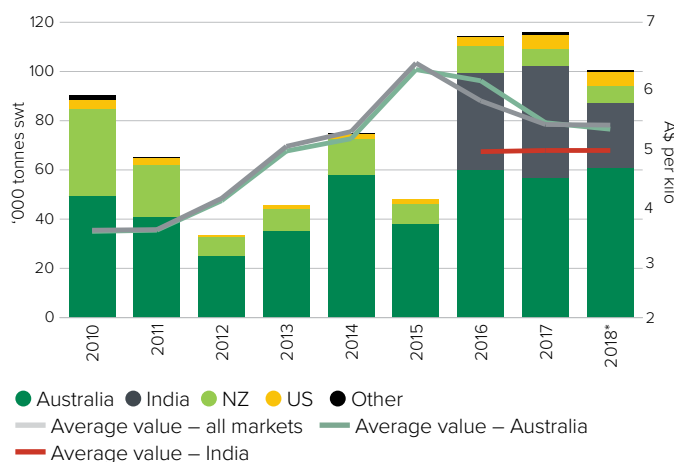
Beefsteak at the Holycow Steakhouse – a medium-end steakhouse chain in Indonesia.

Other beef suppliers



- India has become Australia's major competitor in the Indonesian beef market since its legal entry in August 2016.
- Indonesia's initial quota for Indian buffalo meat imports for 2018 was 100,000 tonnes with BULOG, a state-owned enterprise, initially appointed as the sole importer. However, additional import permits have been granted to PT Berdikari, another state-owned enterprise, with an expected allocation volume of 10,000 to 20,000 tonnes, in an attempt to increase the availability of cheap Indian buffalo meat to broader areas across the country.
- Indian buffalo meat is priced at around IDR 80,000/kg (A\$7.5/kg) for frozen meat, and IDR 95,000/kg (A\$8.9/kg) for thawed meat. It is largely distributed to wet markets, BULOG's retail stores, and small to medium food manufacturers.
- New Zealand (NZ) is the third largest beef supplier to Indonesia with a share of 7% (or 7,000 tonnes from May 2017 to April 2018). NZ beef imports to Indonesia have declined significantly in recently years (down about 9% per annum on average).
- Boxed beef imports from the US have increased significantly from a low base. Indonesia imported 5,500 tonnes of US beef during the period from May 2017 to April 2018 (up 36% year-on-year).
- The competitive landscape is expected to increase as the Indonesian government continuously seeks to reduce high beef prices and diversify beef supply sources with Brazil currently being assessed for market access.

Beef imports into Indonesia by supplier



Source: GTA, *2018: Moving Annual Total from May 2017 to April 2018.



Australian beef versus Indian buffalo meat sales promotion

Lulu Hypermarket (Tangerang, Indonesia) – discounted prices at IDR 79,900/kg (A\$7.5/kg), below the price ceiling for modern retail of IDR 80,000 (in February 2018).

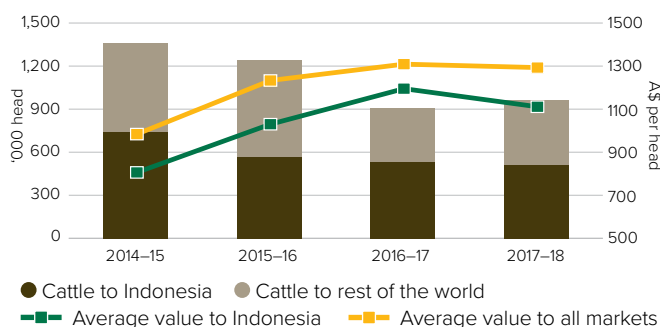


Live cattle exports



- Indonesia accounts for over 50% of Australia's live cattle exports. In addition, Australian lot-fed cattle have played an important role in meeting the rising demand for beef in Indonesia. It is estimated to have supplied more than 20% of Indonesia's total beef consumption.
- In 2017–18, Australia exported roughly 510,900 head of cattle to Indonesia, down 7% year-on-year. The decline was influenced by a range of factors including strong livestock prices in Australia during the second half of 2017, increased competition from Indian buffalo meat, and regulatory complexity surrounding Indonesia's live cattle import policies.
- The '5:1 feeder to breeder' import policy, which requires importers to import one breeder for every five feeder cattle, came into effect in October 2016. The first audit to evaluate its performance is expected to occur in December 2018, and subsequently every two years thereafter.
- The Indonesian government is considering the importation of around 6,000 head of breeder cattle as part of its efforts to increase self-sufficiency.

Australian live cattle exports



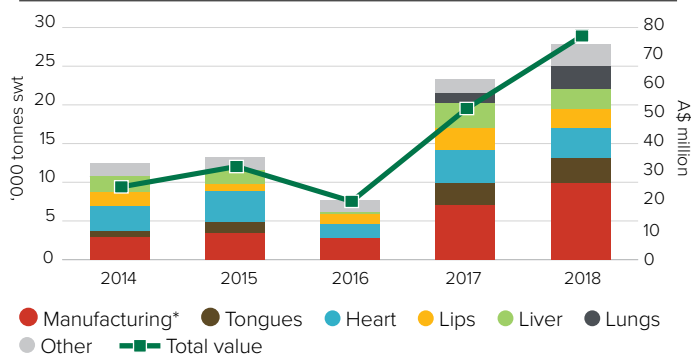
Source: ABS/GTA

Beef offal exports



- Besides beef, offal is also widely utilised across household, foodservice and manufacturing sectors in Indonesia. For example, tongue is one of the most popular offal cuts used in a variety of Indonesian dishes and tongue root is widely used in the manufacturing sector.
- Underpinned by the relaxation of beef offal cut restrictions effective since 2016, and the decline in domestic production, Indonesia's demand for Australian beef offal has surged. In 2017–18, Indonesia imported roughly 27,800 tonnes and became Australia's largest destination for beef offal exports.

Australian beef offal exports to Indonesia by major cut



Source: DAWR, 2017–18. *Manufacturing includes tongue roots and trimmings.

Trade access



- The Indonesian government is intensifying its efforts to achieve stable beef prices and to boost domestic beef production capacity. It has introduced a number of measures and revisions to existing trade regulations and policies for all boxed beef, offal, and live cattle imports.

Boxed beef and offal imports

- The Indonesian government, through the amendment of Ministry of Trade (MoT) Regulation 37/2016 published in May 2016, relaxed restrictions on the importation of secondary cuts of beef and offal, which were imposed in the previous year. Subsequently, most beef cuts are allowed to be imported into the market. In addition to the cut relaxation, Indonesia opened trade with foot-and-mouth disease (FMD) countries, notably granting market access to India.
- As part of the government's policy to stabilise beef prices and provide consumers with access to affordable meat, importers are required to sell cheaper-priced meat, including buffalo meat, in the wet markets. Modern retailers are also required to sell frozen beef at a maximum price of IDR 80,000/kg (about A\$7.5/kg), effective from 10 April 2017.

Live cattle imports

- Importers obtaining import recommendation are obligated to realise the importation gradually, during a period of validity specified in the recommendation. Import recommendation is currently valid for 12 months.
- Following the revised requirements for live cattle imports, effective from 21 February 2017, the maximum average weight for feeder cattle has been increased from 350kg to 450kg, with a maximum age of 48 months (up from 36 months).

Indonesia and Australia trade relationships

- Indonesia and Australia have a trade relationship through the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) with tariff reduction remaining a key focus.
- The two countries also have a partnership in the red meat and cattle sector, namely the Indonesia-Australia Red Meat and Cattle Partnership (IA-RMCP), a bilateral initiative established in 2013. A range of programs have been undertaken to facilitate the partnership's core objective which is to maximise opportunities for development and collaboration between the Indonesian and Australian red meat and cattle sectors.
- The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) was finalised on 31 August 2018. IA-CEPA, on entry into force, will deliver immediate or gradual tariff reductions for those boxed beef and live cattle product lines not addressed under AANZFTA, and more liberalised access for live cattle exports. IA-CEPA's key outcomes include:

Product	On entry into force
Male cattle	Tariff: 0% within quota, 2.5% out of quota Quota: 575,000 head in year one, which will grow 4% per annum over five years to 700,000 head • Import permits will be issued automatically on an annual basis and without seasonal restrictions – an improvement on previous administrative procedures.
Female cattle	Tariff: 0% (eliminated from 5%) No quota or import permit restrictions
Frozen bone-in beef	Tariff: 2.5% (reduced from 5%) and eliminated after five years
Frozen boneless beef and frozen beef offal	Tariff: 0% (eliminated from 5%) • No quota or import permit restrictions for all boxed beef and offal product lines





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN*- Australia-NZ Free Trade Agreement (AANZFTA) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) Conclusion of negotiations	Boxed beef – 5% on chilled & frozen boneless beef** Live cattle – 5% (0% for purebred breeding cattle)	India (buffalo meat): India-ASEAN FTA, 5% tariff	Volumes managed by the Indonesian government's import permit system	Highly regulated market, with complex import conditions and regulations. The government controls type of meat and offal products that can be imported into the country

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Association of Southeast Asian Nations. Members include Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, Brunei, Myanmar, Laos and Cambodia.

** Removed by 2023. Chilled and frozen carcase, and chilled bone-in exports are at 0%. Frozen bone-in exports are fixed at 5%.



Australian beef exports to Indonesia – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		58,213	100	50,860	100	45,804	100	27	12,410
Storage	Chilled	4,188	7	4,166	8	3,488	8	20	701
	Frozen	54,025	93	46,694	92	42,316	92	28	11,709
Meat type	Grassfed	56,852	98	50,122	99	45,049	98	26	11,803
	Grainfed	1,361	2	739	1	754	2	80	607
Storage/meat type	Chilled grassfed	3,391	6	3,703	7	3,026	7	12	365
	Chilled grainfed	798	1	463	1	462	1	73	336
	Frozen grassfed	53,461	92	46,418	91	42,023	92	27	11,438
	Frozen grainfed	564	1	276	1	293	1	92	271

Source: DAWR

Value – in A\$ 000		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in A\$ 000
Total		325,700	100	292,287	100	249,754	100	30	75,946
Storage	Chilled	49,094	15	45,537	16	37,367	15	31	11,726
	Frozen	276,607	85	246,750	84	212,387	85	30	64,220

Source: ABS/GTA

Volume – by major cut (in tonnes swt)		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in tonnes swt
Manufacturing		18,865	32	20,711	41	24,319	53	-22	-5,454
Thick flank/knuckle		8,630	15	6,056	12	3,301	7	161	5,329
Blade		5,769	10	3,160	6	2,520	6	129	3,249
Other		24,949	43	20,934	41	15,664	34	59	9,285
Total		58,213	100	50,860	100	45,804	100	27	12,410

Source: DAWR

Australian beef offal exports to Indonesia (in tonnes swt)		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in tonnes swt
Manufacturing		9,945	36	7,051	30	3,279	28	203	6,666
Heart		3,974	14	4,313	18	2,421	20	64	1,552
Tongues		3,127	11	2,812	12	1,345	11	133	1,782
Other		10,766	39	9,150	39	4,802	41	124	5,964
Total		27,812	100	23,327	100	11,848	100	135	15,964

Source: DAWR

Value – in A\$ 000		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	%	in A\$ 000
Total		77,499		52,968		27,422		183	50,077

Source: ABS/GTA

Australian live cattle exports to Indonesia

Volume – in head	510,937	533,906	547,086	-7	-36,149
Value – in A\$ 000	573,916	635,665	491,216	17	82,700

Source: DAWR, ABS/GTA



MARKET SNAPSHOT | BEEF

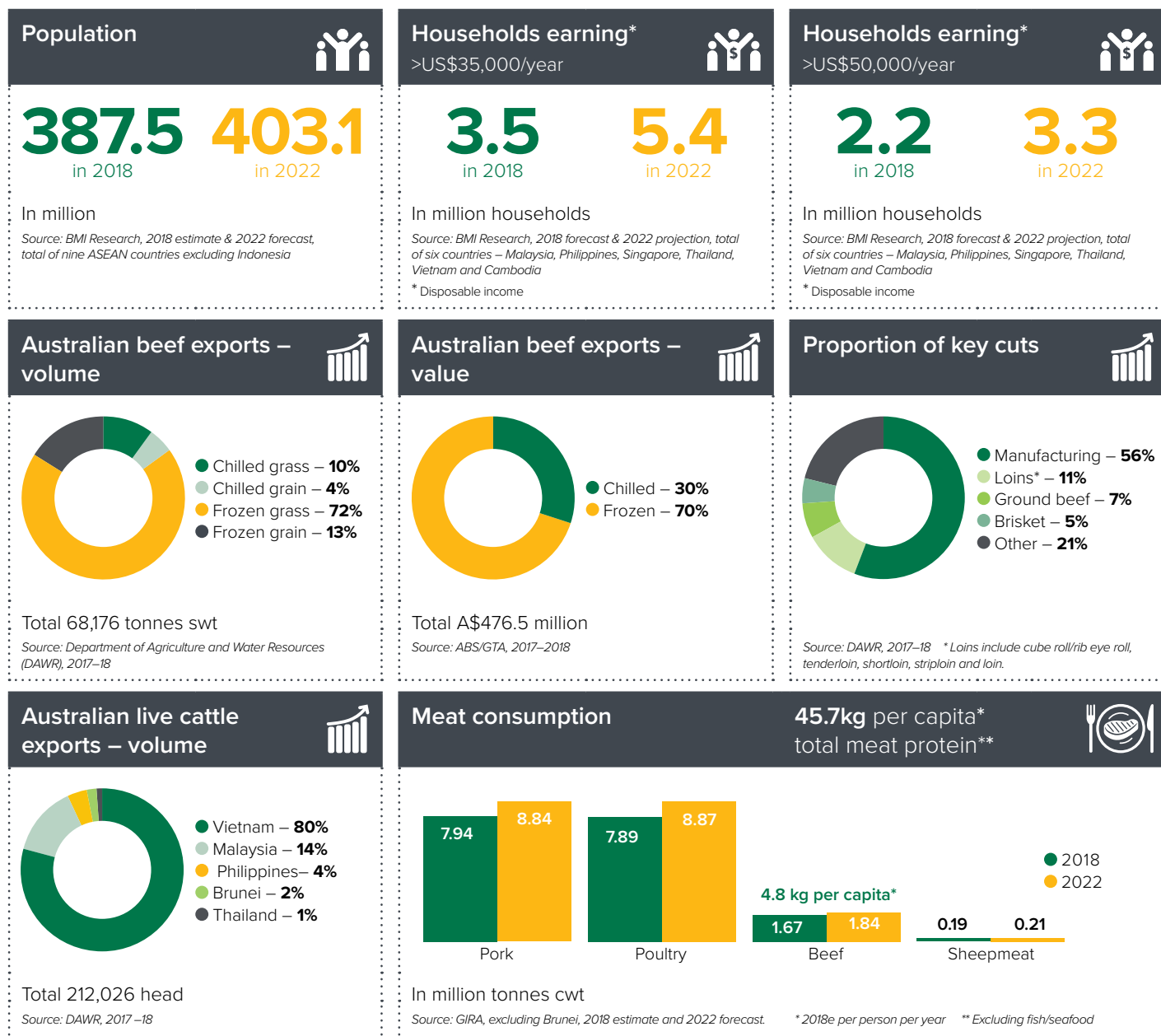
South East Asia (excluding Indonesia)

South East Asia (SEA*) is one of the fastest-growing consumer markets in the world, underpinned by a young population, rapid urbanisation, and rising incomes, albeit off a small base. Increased demand for nutritional and high quality food represent growth opportunities for Australian beef exports. However, the SEA region is diverse, with consumer spending power, consumption habits and stage of market maturity varying greatly across countries.

Challenges and opportunities in SEA for Australian beef include:

- More than half of Australian beef exports to SEA consist of manufacturing beef. This product faces strong competition from Indian buffalo meat (in Vietnam, Malaysia, the Philippines) and Brazilian beef (in Singapore).
- The competitive landscape is anticipated to become more intense and complex as imports of European and US beef grow across the region.
- SEA's large consumer base, with its rising disposable incomes and the subsequent increase in standard of living, continues to drive demand for high quality food products, including imported beef.
- Growth in the tourism sector, coupled with expansion in the modern retail and foodservice sectors, represent growth potential for beef products.

* In this report, South East Asia (SEA) includes the following countries – Singapore, Malaysia, Thailand, the Philippines, and Vietnam, as well as Brunei, Cambodia, Laos and Myanmar. MLA has a separate snapshot report for Indonesia.



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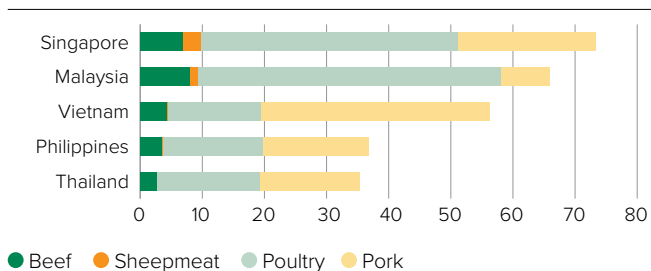


Consumers



- SEA is a culturally and socio-economically diverse market. Consumer lifestyles, dietary habits, household incomes and many other aspects vary widely across countries. For example, Singapore has one of the world's wealthiest consumer bases – its gross domestic product (GDP) per capita is almost forty times higher than that of Cambodia.
- In Malaysia, with more than half of its population practising Islam, pork remains the least consumed meat protein, however it is the most consumed protein in neighbouring Vietnam.
- Demand for Australian beef is also varied across the markets, reflecting the diversity in the SEA region. For instance, Singapore is the largest destination for Australian chilled beef exports in the region, while the Philippines remains the largest market for frozen manufacturing beef.

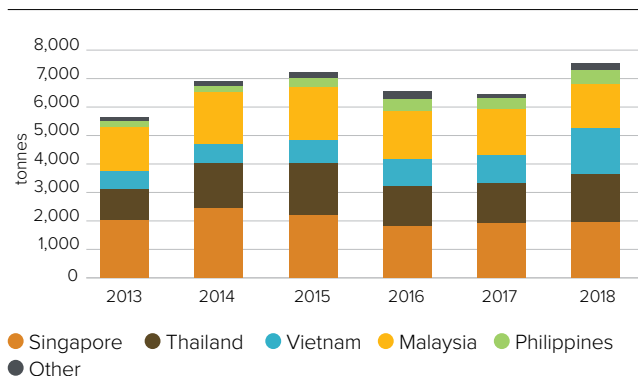
Per capita meat consumption (kg/head)



Source: GIRA, 2018 estimate

- Fish, seafood and chicken are the most frequently consumed proteins in SEA, due to their affordable prices and availability. Fish, especially, is perceived to have high nutritional value and to be an essential part of a healthy diet for growing children.
- Pork is a predominantly consumed meat in Vietnam, and a popular one in Singapore, the Philippines and Thailand. However, demand for beef is growing fast, partly underpinned by increasing purchasing power and growing appetites for beef among SEA's consumers.

Australian loin cuts exports to SEA



Source: DAWR



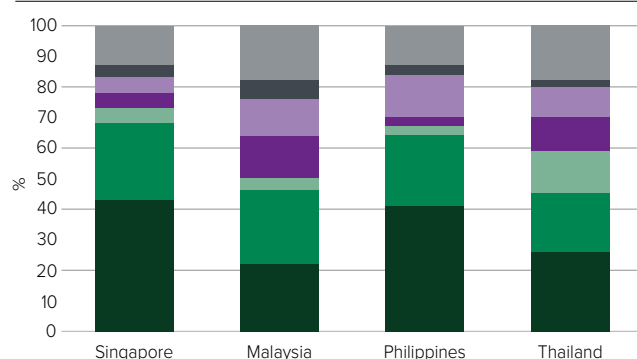
'Pho' – Vietnamese beef noodle soup.

Foodservice



- The foodservice sector in SEA is vibrant and dynamic, with market structure and stage of maturity varying greatly across countries.
- Despite the small market size, Singapore remains the most lucrative market for foodservice in the region (in terms of average sales per outlet), underpinned by a large proportion of high income consumers (including local Singaporeans and international expats) and a strong tourism sector. Although competition is relatively high in Singapore, the sophisticated and highly developed foodservice industry is expected to continuously offer growth opportunities for Australian beef exports, especially in the premium foodservice segments.

Value share by major foodservice channel



● Quick service restaurant ● Full service restaurant
● Mobile/operator ● Accommodation ● Pub, club & bar ● Leisure
● Other

Source: GlobalData 2018 estimate

Top hotel chains by foodservice sales – 2016

Singapore	Malaysia	Thailand	Philippines
AccorHotels	Marriott International	AccorHotels	AccorHotels
InterContinental	InterContinental	Anantara	Wyndham Hotels & Resorts
Pan Pacific Hotels	Shangri-La	Dusit International	InterContinental
Hilton Worldwide	Dorsett Hospitality International	Centara Hotels and Resorts	Crown Regency Hotels & Resorts
Millennium Hotels and Resorts	Resorts World Genting	InterContinental	

Source: GlobalData

- Young, urban consumers with increasing incomes in SEA tend to have a strong appetite for modern, trendy and international restaurants and menus. Western-style menus including beef steak, Japanese-style hotpot (*shabu-shabu*) and Korean barbecue (*bulgogi*) are among international cuisines that are growing in popularity.
- SEA attracts about 100 million international tourists annually, generating more than US\$100 billion/year on average (Source: WorldBank, 2016 data). The strong tourism sector is expected to continue to drive demand for beef in the foodservice sector across SEA's countries.

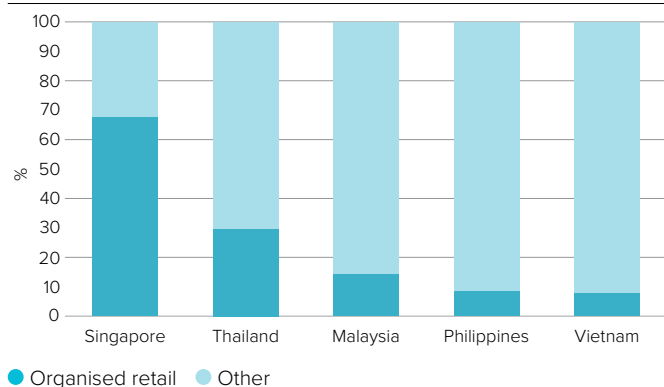


Retail



- With the exception of Singapore – which has a developed and sophisticated retail market – the grocery retail sector in SEA remains highly fragmented, and dominated by traditional channels including wet markets and small, family-owned stores. The modern retail sector is growing, however, it remains limited to major top-tier cities across the region.

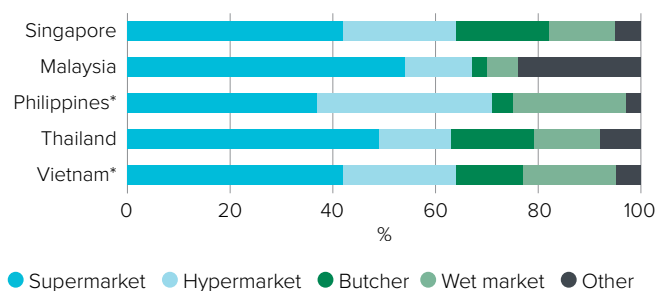
Market share of grocery retail



Source: IGD, 2018 forecast

- Consumers in SEA purchase beef across retail channels, from wet markets to modern retail outlets. However, supermarkets and hypermarkets remain the most common channels of beef purchase among consumers in large and urban cities.

Where do consumers go and buy Australian beef?



Source: MLA Global Tracker Malaysia and Thailand, 2018; MLA Global Tracker Singapore, 2017; MLA Global Tracker Philippines and Vietnam, 2016
* Places of purchase of beef.

- In a number of countries across SEA, religious beliefs have a strong influence on the meat purchase decisions of consumers.

Top five important themes motivating beef purchase

Malaysia	Singapore
Halal	Safety
Safety	Freshness
Freshness	Natural
Natural	Value
Value	Origin

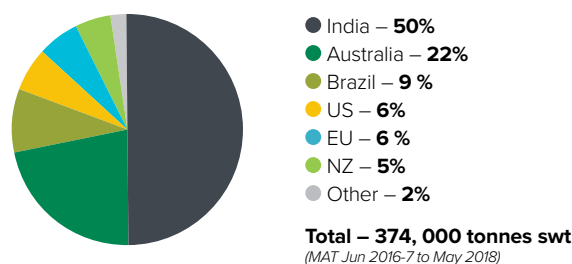
Source: MLA Global Consumer Tracker 2017

Other suppliers



- India is a leading supplier of bovine meat – Indian buffalo meat – to the region, particularly to Vietnam, Malaysia and the Philippines. However, the majority of Indian buffalo meat imports are frozen and channelled into wet markets and meat processing manufacturers.
- Although Brazilian beef exports to SEA lag behind India and Australia, it is the largest beef supplier in Singapore, and is expanding competition in chilled beef in the Singaporean modern retail sector.
- SEA's beef imports from the US have increased strongly in recent years, largely underpinned by increased demand from the Philippines and Vietnam. During the period from July 2017 to June 2018, the US exported 24,104 tonnes swt of beef to SEA, up 15% year-on-year, of which the Philippines and Vietnam accounted for 41% and 39% respectively.
- Demand for EU beef has also grown in recent years, particularly from the Philippines. During the period from June 2017 to May 2018, the Philippines imported 21,761 tonnes swt of beef from the EU, up 23% year-on-year.
- Despite the small volume, Australia is the largest supplier of chilled beef to SEA, followed by New Zealand.

SEA beef imports by supplier



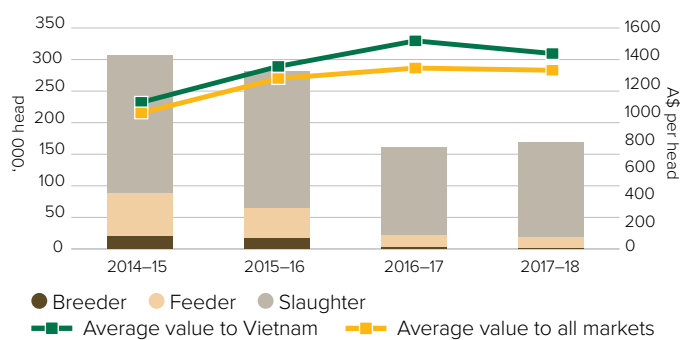
Source: GTA, DAWR, Vietnam Customs

Live exports



- Vietnam is Australia's second largest destination for live cattle exports, after Indonesia. In 2017–18, Australia exported 169,078 head of cattle to Vietnam, up 5% year-on-year, partly supported by lower cattle prices.

Australian live cattle exports to Vietnam



Source: ABS, DWAR, financial year





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)	Singapore, Malaysia, the Philippines and Vietnam Zero	India (buffalo meat) India-ASEAN FTA 0% tariff into Malaysia ; 6% to the Philippines eliminated by 2019; 12% to Vietnam ; (15% for frozen carcasses), eliminated by 2022	Singapore, Malaysia, the Philippines and Vietnam Zero	Singapore, the Philippines, Vietnam and Thailand No major hurdles
Malaysia-Australia FTA (MAFTA)	Thailand 5.33% within quota, 50% out of quota in 2018	Brazil No FTA	Thailand Safeguard quantity of 1,463.26 metric tonnes in 2018, 1,536.43 metric tonnes in 2019.	Malaysia Maintains import regulations in accordance with Halal
Thailand-Australia FTA (TAFTA)	2.67% within quota, 50% out of quota in 2019			
Singapore-Australia FTA (SAFTA)	Zero in 2020			

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian beef exports to SEA – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		68,176	100	56,912	100	61,038	100	12	7,138
Storage	Chilled	9,653	14	9,026	16	8,302	14	16	1,352
	Frozen	58,523	86	47,887	84	52,737	86	11	5,786
Meat type	Grassfed	56,058	82	44,200	78	52,020	85	8	4,038
	Grainfed	12,118	18	12,712	22	9,019	15	34	3,100
Storage/meat type	Chilled grassfed	6,711	10	6,014	11	6,086	10	10	625
	Chilled grainfed	2,943	4	3,012	5	2,216	4	33	727
	Frozen grassfed	49,347	72	38,186	67	45,934	75	7	3,413
	Frozen grainfed	9,176	13	9,701	17	6,803	11	35	2,373

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		476,484	100	404,560	100	359,188	100	33	117,297
Storage	Chilled	145,191	30	139,693	35	110,005	31	32	35,186
	Frozen	331,294	70	264,867	65	249,183	69	33	82,111

Source: ABS/GTA

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

Australian beef exports to Singapore – by major cut (in tonnes swt)							%	in tonnes swt
Striploin	1,091	19	1,080	18	1,191	13	-8	-100
Cube roll/rib eye roll	595	11	587	10	600	6	-1	-5
Rump	576	10	564	9	570	6	1	6
Other	3,398	60	3,734	63	7,036	75	-52	-3,639
Total	5,660	100	5,964	100	9,398	100	-40	-3,738

Source: DAWR

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

Australian beef exports to Malaysia – by major cut (in tonnes swt)							%	in tonnes swt
Manufacturing	5,816	52	4,614	45	5,749	44	1	67
Brisket	937	8	627	6	388	3	141	549
Striploin	927	8	955	9	1,051	8	-12	-124
Other	3,594	32	3,965	39	5,775	45	-38	-2,181
Total	11,274	100	10,161	100	12,963	100	-13	-1,689

Source: DAWR

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

Australian beef exports to Philippines – by major cut (in tonnes swt)							%	in tonnes swt
Manufacturing	31,350	86	25,185	86	25,056	85	25	6,295
Ground beef	2,157	6	2,041	7	1,090	4	98	1,067
Thick flank/knuckle	558	2	215	1	353	1	58	205
Other	2,547	7	1,875	6	2,914	10	-13	-366
Total	36,612	100	29,317	100	29,412	100	24	7,200

Source: DAWR



MARKET SNAPSHOT | BEEF

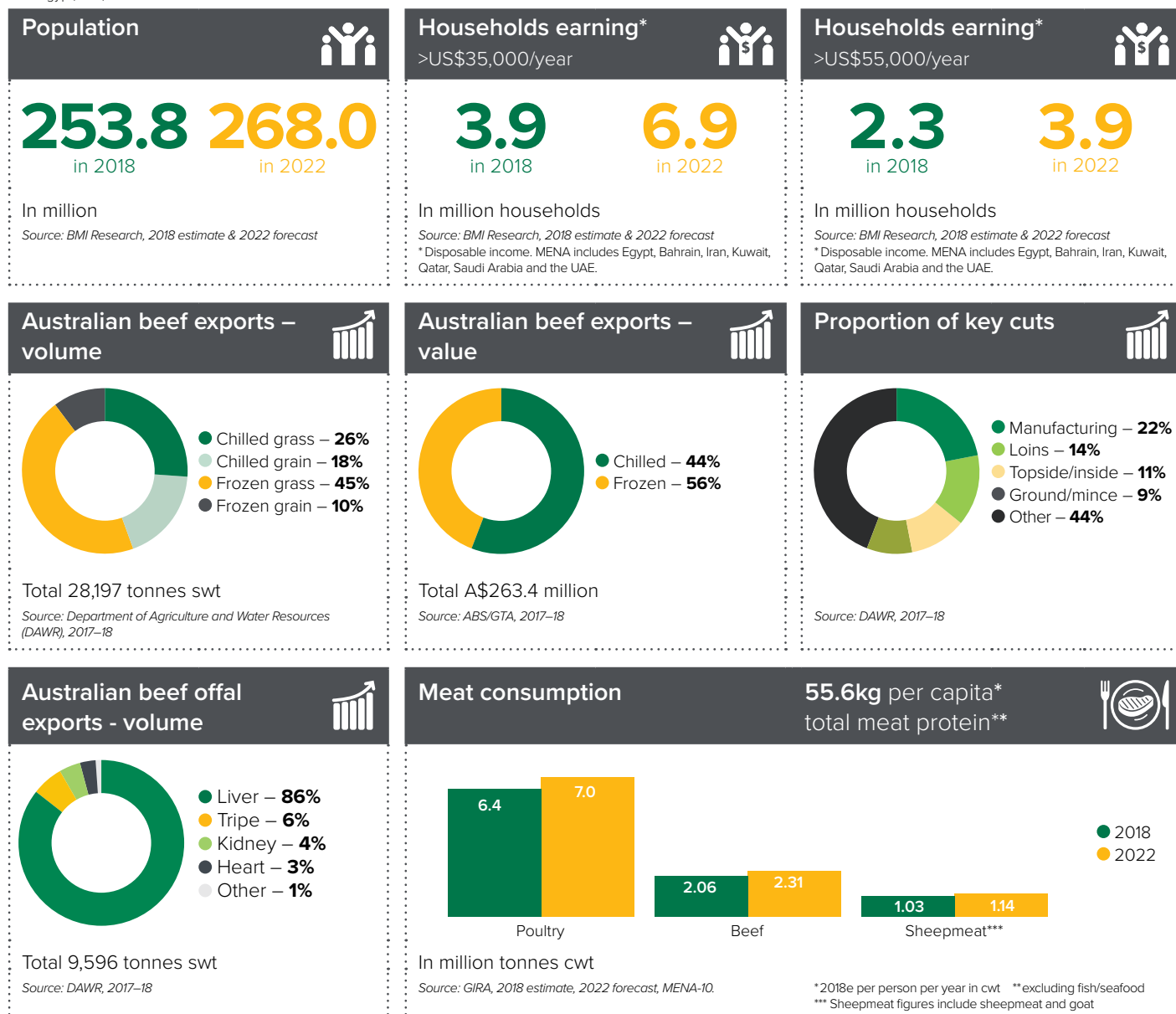
MENA (Middle East & North Africa)

MENA* is a large, complex region with many varied consumer markets. Consumer confidence, product demand and overall spending are heavily impacted by factors such as the oil price, regional political instability and conflict, but broader socio-economic trends provide numerous opportunities for premium imported beef across the region.

Challenges and opportunities in MENA for Australian beef include:

- Beef is a secondary protein after lamb, chicken and fish in most MENA diets, mainly driven by the low grade of domestic beef traditionally available. However, consumption and spending on beef is forecast to increase in many markets in the coming years.
- Spending on imported meat is generally higher across the Middle East compared to North Africa, particularly in Gulf Cooperation Council* (GCC) countries with a large and growing base of wealthy consumers, which will remain the main area of opportunity.
- Premium beef consumption and import demand are forecast to increase in a number of markets, particularly GCC countries, driven by a number of trends including increasing disposable incomes, ongoing urbanisation and westernisation and a large wealthy expat population.
- Retail is quite underdeveloped and fragmented, even in some GCC countries, but development is expected to increase and, with it, potential growth in chilled beef sales.
- Markets with developing tourism sectors are seeing growth in imported beef use in high-end foodservice outlets and the casual dining segment.
- Technical barriers to trade are significant in the region and differ between countries. Removing these barriers is a priority for Australia to improve trade, competitiveness and ease of doing business.

* Unless otherwise stated, in this snapshot MENA includes 10 countries: The Gulf Cooperation Council (GCC) 6: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). Plus: Egypt, Iran, Jordan and Lebanon



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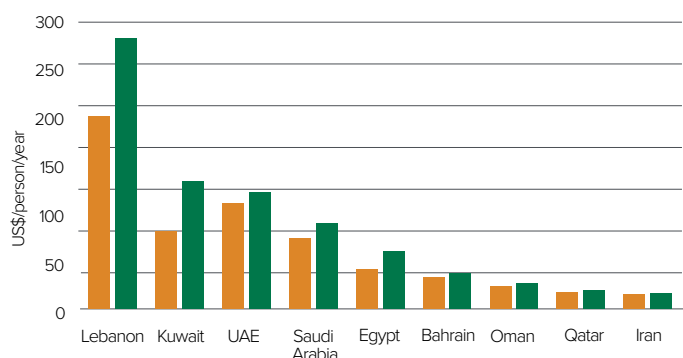


Consumers



- The growth of imported beef demand in MENA is being driven by urbanisation, westernisation, a young population, a large expat professional population, forecast low inflation and a developing tourism sector. However, risks are also significant due to a heavy reliance on oil and gas exports in several countries, as well as the presence of conflict and regional political instability, which can significantly impact on both trade and consumer demand for imported products.
- The contribution of beef to dietary protein varies by country, with the size of beef markets by both volume and value shaped by factors such as food traditions, the size of the domestic industry, the spending capacity of consumers and population size. Per capita beef consumption is forecast to increase in most markets in the region, along with spending on beef.

Beef sales per capita (US\$)



● 2018 ● 2022

Source: BMI Research. 2018 and 2022 forecast figures. Sales through all channels.

- Jordanians eat comparatively more beef than other MENA consumers and hence have more positive perceptions of it. In markets like the UAE and Saudi Arabia, where beef has traditionally been considered a generic protein, growth in the fast food and hotel sectors is shifting eating habits, particularly among the young and wealthy, resulting in increased beef consumption and spending growth.

Attributes important for all proteins and beef associations

What attributes are important for MENA consumers (all proteins)

UAE	Saudi Arabia
Is the most superior meat	Fresh
Tastes delicious	My/my family's favourite
The meat is usually tender	Tastes delicious
Consistent quality	Guaranteed safe to eat
Easy to prepare	High nutritional value

What associations do MENA consumers have to beef?

Can be used in many different meals	Can use in different meals
Tastes delicious	Fresh
The most superior meat	Guaranteed safe to eat
The animal is well-cared for	Easy and convenient to purchase/prepare
Is my/my family's favourite meat	Tastes delicious

Source: MLA Global Consumer Tracker UAE, Saudi Arabia, 2018

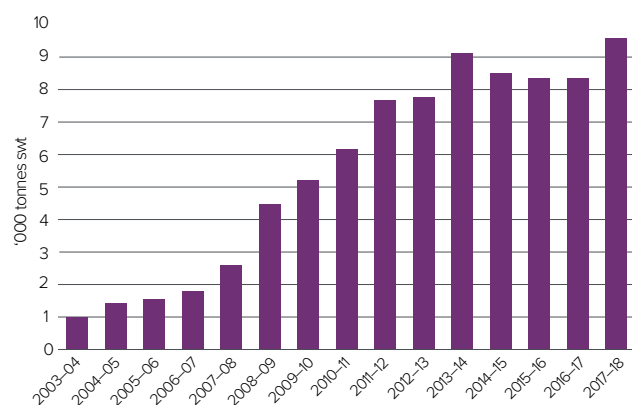
- After domestic beef, Australian beef generally has the highest awareness in consumers' minds, significantly higher than other suppliers of imported beef. While domestic beef tends to rate strongest on the most important attributes of freshness, nutritious, Halal-certified and safety, Australian beef is seen as offering advantages on other dimensions such as being easy to purchase, having a variety of cuts that suit cooking styles and being positive on animal welfare.

Foodservice



- A significant proportion of Australian frozen grassfed beef exported to the Middle East is in the form of trimmings, hamburger patties and ground beef, which are used in the foodservice sector in both local and western-style chains.
- However, the past five years has also seen significant growth in demand for higher value cuts of Australian chilled beef, such as branded packaged loin cuts, particularly in areas with higher concentrations of five-star hotels such as some Gulf countries.

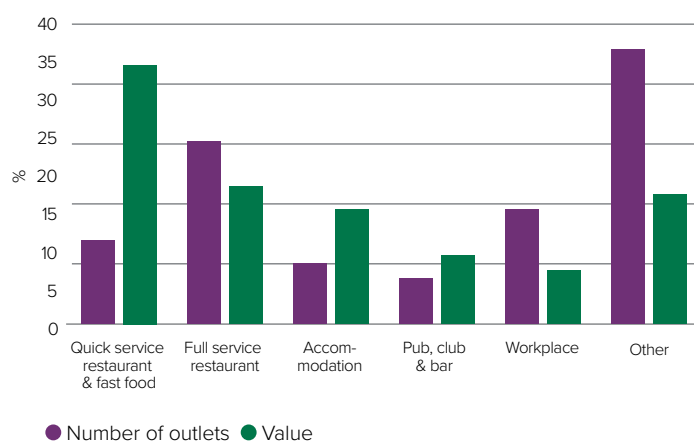
Australian chilled beef exports to the UAE, Bahrain, Qatar, Kuwait and Oman (combined)



Source: DAWR. Fiscal year.

- Leisure tourism is a core driver of beef consumption value growth in these key markets.
- In the UAE, quick service restaurants are the largest users of beef by value, followed by full service restaurants. However, both are expected to see equally strong value growth in beef sales over the next few years (Source: GlobalData). Dubai's hosting of the World Expo in 2020 and Qatar's hosting of the 2022 FIFA World Cup are expected to be drivers of growth in the foodservice channel in these markets, with many new hotels planned for construction.
- In the comparatively less westernised market of Saudi Arabia, full service restaurants are the largest beef users by value (and 15 times larger than the same segment in the UAE). Religious tourism is the leading driver of the tourism sector in the Kingdom, with an estimated 18.7 million tourists in 2017, which has positive spin-offs for beef usage in the foodservice sector (Source: World Travel and Tourism Council).

UAE number of outlets and value by key foodservice channel (% out of total)



● Number of outlets ● Value

Source: GlobalData. 2018 forecast.

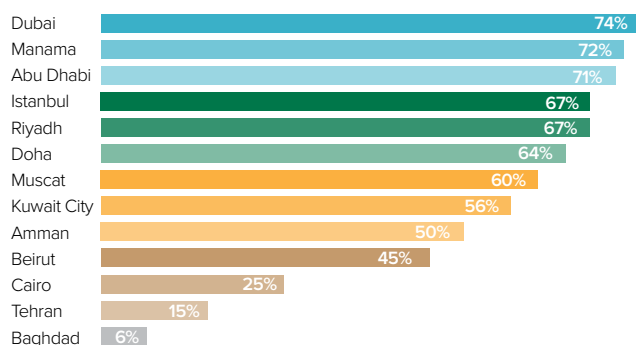


Retail



- Apart from some of the wealthier Gulf markets, the MENA region's mass grocery retail sector is largely under-developed and fragmented.
- However, the sector is seeing significant development across the region, which is typically accompanied by growth in the chilled market for red meat, representing a growing opportunity for premium Australian product.

Penetration of hyper/supermarkets



Source: MLA-GlobalData MENA Attractive Cities Study, 2018. 2018 forecast.

- The UAE's grocery retail sector is highly developed and consolidated by global and regional standards, with the majority of the urban middle class purchasing Australian beef from hypermarkets, although butchers and wet markets are still quite prominent.
- Key retailers in the region where consumers purchase Australian beef include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Panda and Danube Saudi (Arabia).
- While comparatively less developed, Saudi Arabia represents the largest food retail market in the region and the strongest retail growth opportunity due to its combined growth rates and scale (Source: BMI Research). At the same time, *bakalas* (small corner shops) still account for more than half of grocery market share nationally, although most Australian beef is purchased through hypermarkets and supermarkets.
- In many MENA countries, country of origin labelling is not mandatory. However, at high-end retail most meat products are clearly labelled as wealthier consumers want to know where their meat comes from.

Top five most important beef claims on pack or at shelf

	UAE	Saudi Arabia	Jordan
1	100% all natural	100% all natural	Meat colour
2	Halal certification	Quality grading	No blood in pack
3	Quality grading	Halal certification	Halal certification
4	Animal welfare credentials	Safety certification	Country of origin
5	Safety certification	Animal origin	Date packed

Source: MLA Global Tracker UAE, Saudi Arabia and Jordan, 2017

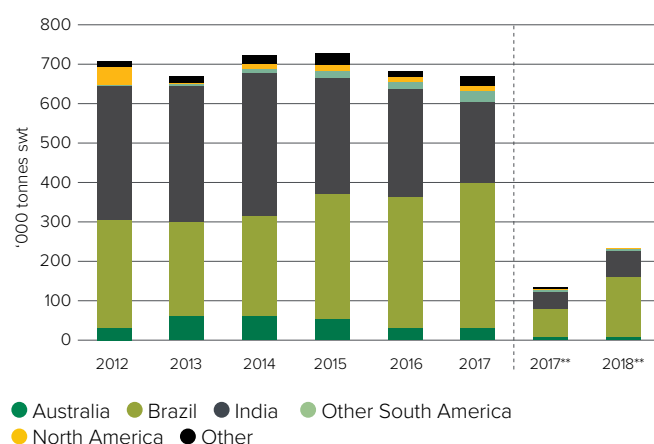
- In the MENA region, cheaper cuts are used for stewing and slow cooking, as well as the grilling of cubes in the form of kebabs. Mince is used in burgers, kofta and as a filling for pastries. In Egypt, bovine liver and cuts such as brisket and flank are popular. Grilling of prime cuts is gaining popularity, as western influences have started to appear in the meal repertoires of wealthier consumers.

Other suppliers



- Beef import demand across the region varies significantly, depending on domestic production and consumption habits. In some GCC countries like the UAE, Kuwait, Oman, Qatar and Bahrain, almost all beef consumed is imported. In Saudi Arabia, Jordan, Egypt, Israel and Iran, generally over half of beef consumed is imported, with the rest coming from live imports and local production, primarily from the domestic dairy industry (Source: GIRA). Overall, the main beef importers by volume are Egypt and Iran, followed by Saudi Arabia, UAE, Algeria and Israel (Source: GTA).
- The bulk of beef imports come from Brazil and India, mostly frozen bone-out and lean cuts of beef/buffalo meat. Brazil has surpassed India as the leading supplier by volume since 2015.
- Australia is a key secondary source of beef by volume, but is a key supplier in the premium segment, along with some South American countries including Paraguay, Argentina and Uruguay, where quality beef has been benefiting from devalued currencies in their key markets of the UAE, Saudi Arabia and Qatar.
- Smaller volumes are also supplied by the United States (US) (mostly to the UAE, Kuwait and Qatar), South Africa (UAE, Kuwait and Jordan), New Zealand (NZ) (UAE, Saudi Arabia) and the European Union (EU) (mostly to Egypt, UAE and Saudi Arabia).

Beef/veal exports to MENA* by supplier



Source: GTA, DAWR.

* MENA-10 **Jan-Mar

Livestock exports



- In 2018, Turkey and Israel were Australia's key live feeder and slaughter cattle export destinations in the region, taking 40,051 and 38,549 head respectively for the 12 months to June, both down slightly on the previous year. Qatar, Kuwait and the UAE took smaller numbers (Source: DAWR).
- Australia also exported a small number of beef and dairy breeder live cattle to the UAE (Source: DAWR).
- In 2017–18, Australia's key competitors in the MENA live cattle market were Brazil, Uruguay and Romania (particularly in significant importing countries such as Turkey, Lebanon, Israel and Jordan) and to a smaller extent Ireland and Ukraine (Source: GTA).





Market access overview

GCC member countries: Kuwait, Oman, UAE, Qatar, Saudi Arabia, Bahrain

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement however Australia is negotiating a GCC-Australia FTA	2018 0% for chilled meat and carcasses 5% for frozen meat and carcasses, chilled and frozen bovine offal	India and Brazil Same as Australia NZ FTA negotiation was concluded but yet to be ratified.	Zero	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Non-GCC countries:

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	Australia to: Morocco: 200% duty on beef Turkey: 225% duty on beef Iran: tariff rates vary depending on demand/supply situation Israel: 50% tariff on chilled offal Jordan: 10% tariff on boneless meat	India and Brazil Same as Australia NZ FTA negotiation was concluded but yet to be ratified	Quota restrictions in Tunisia and Palestine only	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Best access Major challenges

Source: Trade agreements, MLA



Australian beef exports to MENA – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
Total		28,197	100	27,688	100	46,916	100	-40	-18,719
Storage	Chilled	12,508	44	10,956	40	15,609	33	-20	-3,102
	Frozen	15,689	56	16,732	60	31,307	67	-50	-15,618
Meat type	Grassfed	20,247	72	21,533	78	38,678	82	-48	-18,431
	Grainfed	7,949	28	6,155	22	8,238	18	-4	-288
Storage/meat type	Chilled grassfed	7,462	26	6,644	24	10,575	23	-29	-3,113
	Chilled grainfed	5,045	18	4,313	16	5,034	11	0	11
	Frozen grassfed	12,785	45	14,890	54	28,103	60	-55	-15,318
	Frozen grainfed	2,904	10	1,842	7	3,203	7	-9	-299

Source: DAWR

Value – in A\$ '000								%	in A\$ '000
Total		263,358	100	253,382	100	319,745	100	-18	-56,386
Storage	Chilled	160,115	61	147,397	58	158,354	50	1	1,761
	Frozen	103,243	39	105,985	42	161,390	50	-36	-58,147

Source: ABS/GTA

Australian beef exports to Saudi Arabia – by major cut (in tonnes swt)								%	in tonnes swt
Manufacturing		1,808	21	2,491	26	8,801	39	-79	-6,993
Ground/Minced beef		881	10	1,769	19	1,666	7	-47	-785
Brisket		770	9	482	5	391	2	97	379
Other		4,971	59	4,715	50	11,583	52	-57	-6,611
Total		8,431	100	9,457	100	22,441	100	-62	-14,010

Source: DAWR

Australian beef exports to the UAE – by major cut (in tonnes swt)								%	in tonnes swt
Manufacturing		2,670	29	1,809	22	1,578	18	69	1,092
Topside/inside		1,469	16	1,501	18	1,856	22	-21	-386
Carcase		705	8	501	6	658	8	7	48
Other		4,226	47	4,342	53	4,515	52	-6	-289
Total		9,071	100	8,153	100	8,606	100	5	465

Source: DAWR



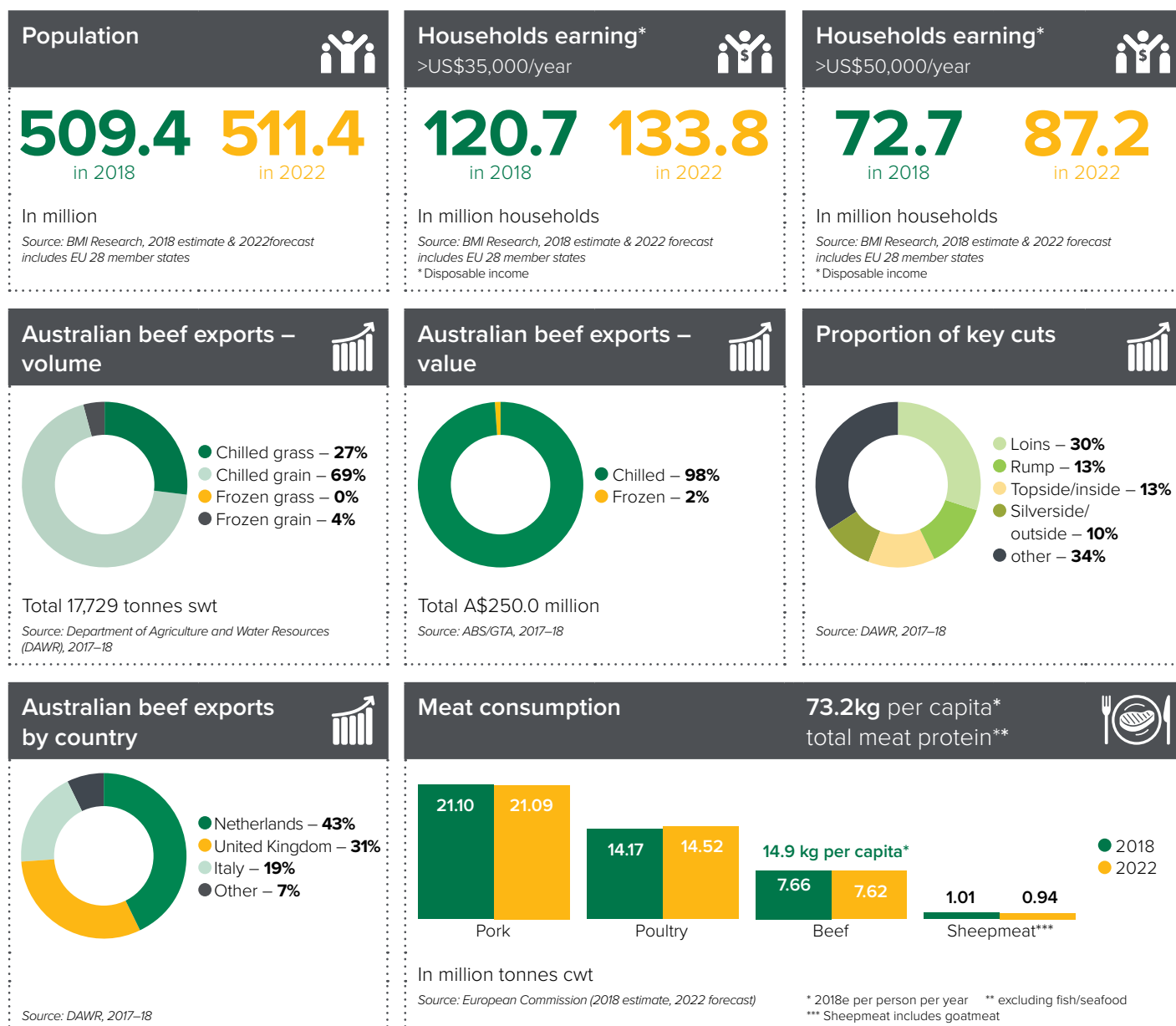
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European Union

The European Union (EU) contains one of the largest pools of wealthy consumers (households earning in excess of US\$35,000/year) in the world. While a lucrative market, the EU's stance towards agricultural imports has restricted Australia's ability to grow exports to this market.

Challenges and opportunities in the EU for Australian beef include:

- Australia's primary barrier to growing beef exports to the EU remains the highly restrictive, low volume tariff rate quotas. The high tariffs applied on imports outside the two main quotas makes further trade commercially prohibitive.
- Australia and the EU have begun the process of securing a closer bilateral trade partnership and formal Free Trade Agreement (FTA) negotiations commenced in July 2018. The outcome of these negotiations will be the main determinant of Australia's future prospects in the region.
- The United Kingdom (UK) is Australia's largest market for beef within the 28-member union and its exit from the EU (Brexit, which is due to occur in March 2019) creates an attractive opportunity for Australia to improve its current market access.
- Australia's trade to the EU is made up of a large portion of high value chilled primal cuts, primarily targeting foodservice and catering which prefer Australian product for its size, quality and consistent supply. Continuing to capture niche, premium markets remains Australia's biggest opportunity outside of trade negotiations.



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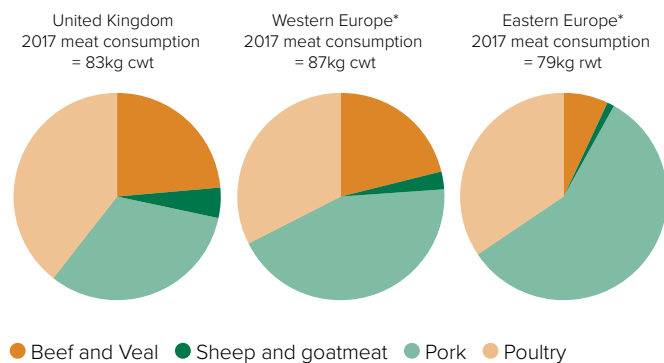


Consumers



- The EU is a large per capita consumer of beef by global standards. However, within the market, consumption levels range between countries, driven by varying degrees of economic development and beef's role within the traditional cuisine.

EU per capita meat consumption

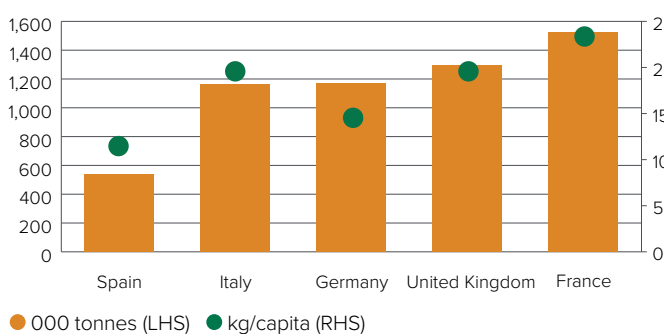


Source: European Commission, Prospects for EU agriculture markets and income 2017-2030, MLA rwt to cwt conversion

* Western Europe, includes (country codes) BE, DK, FR, DE, EL, IE, IT, LU, NL, PT, ES, UK, AT, FI and SE
* Eastern Europe, includes CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI, BG, RO and HR

- The EU was one of the largest beef consumer markets in the world in 2017, at just under 8 million tonnes cwe – behind the US but comparable to that of China and Brazil.
- Within the EU, the UK accounts for about 16% of total consumption across the region and, at 17.9kg in 2017, is one of the largest per capita consumers in the market. France, Germany and Italy are the other major consumer markets in the region.
- Overall EU consumption growth in animal protein appears limited, with many countries close to economic maturity and host to an ageing population. Beef is also challenged by consumer concerns over animal welfare, the environment and emphasis on locally produced products.

Beef consumption across the EU



Source: BMI. Data are carcase weight equivalent 2017 estimates.



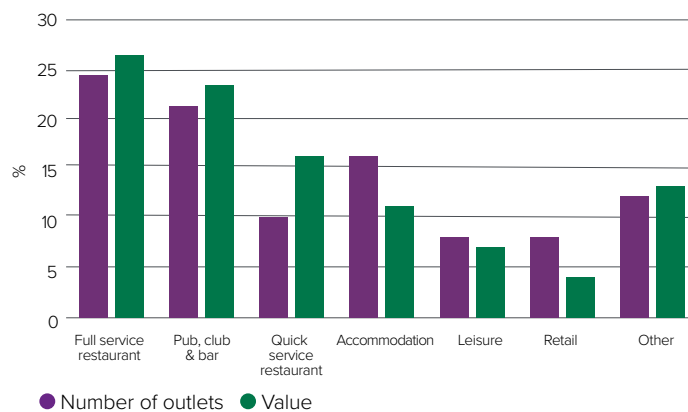
Source: bigstock

Foodservice



- Although limited in volume, the majority of Australian beef exported to the EU is destined for foodservice.
- The foodservice sector (inclusive of the UK, Spain, Germany, Italy, France and the Netherlands) is dominated by full service restaurants, pubs and clubs and quick service restaurants.

Outlet number and value by key foodservice channel



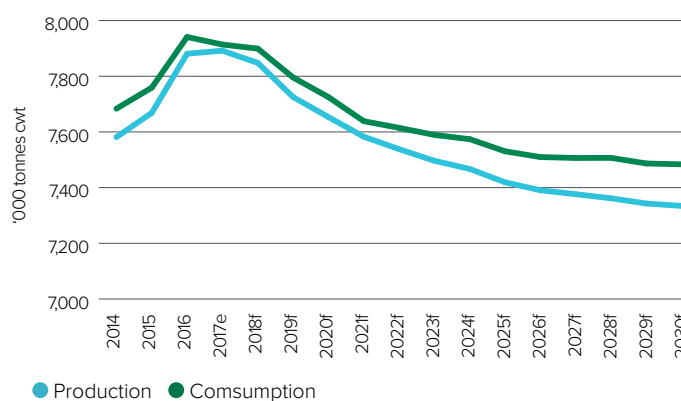
Source: GlobalData. Inclusive of the UK, Spain, Germany, Italy, France and the Netherlands.

Production



- The EU is a significant producer of beef, but most production is derived from a dairy-based herd. In 2017, beef production was an estimated 7.89 million tonnes cwt (almost four times that of Australia). France holds the position as the largest beef producer in the region, accounting for 18% of EU production in 2017, followed by Germany (14%) and the UK (11%).
- While there was a short-term recovery in 2016 and 2017, due to a milk price induced liquidation of the dairy herd, beef production in the EU is expected to continue its gradual decline, in line with a falling herd and reduced local demand.
- The EU is not self-sufficient in beef, with demand exceeding EU production capabilities. By 2030, the European Commission estimates that the EU will require 353,000 tonnes cwe of beef imports to cover the domestic shortfall.

EU beef production and consumption



Source: European Commission, Prospects for EU agriculture markets and income 2017-2030

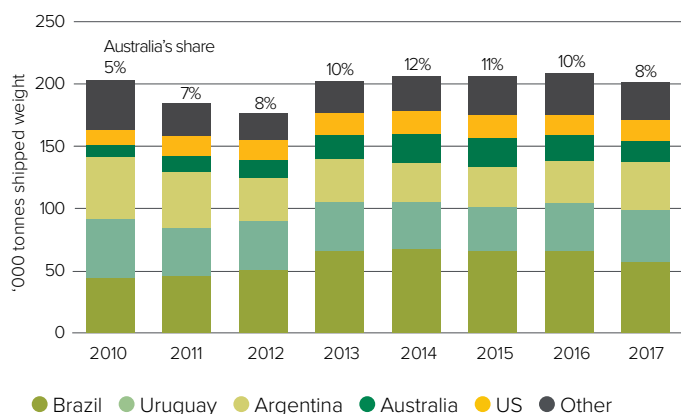


Other suppliers



- Imports outside the EU account for just 4% of EU beef consumption and the majority of imported product is sourced from South America, due to higher quotas and lower import prices and their ability to trade outside quota.
- Brazil, the imported beef market leader, supplies a lower cost, mostly frozen product into the EU (which declined 13% in 2017 to 56,500 tonnes).
- Imports from Uruguay (which increased 9% to 42,000 tonnes swt), Argentina (which increased 15% to 38,000 tonnes) and the US in 2017 were of higher quality and comprise mostly chilled product.

Beef imports by supplier*



Source: Global Trade Atlas
* Excludes internal trade.

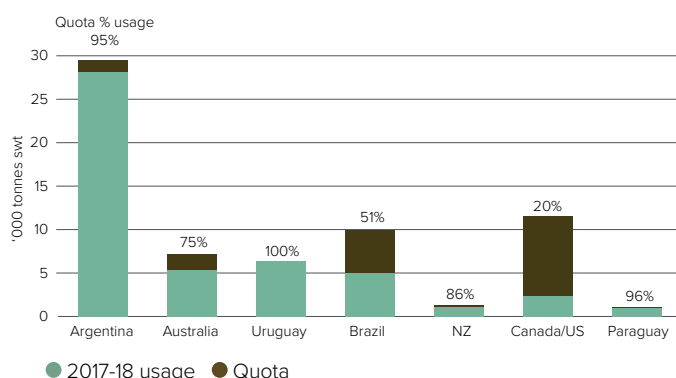
- Under the weight of increasing global supplies, EU import prices have largely eased from the major South American beef suppliers over the last two years, in-part affected by currency movements. This is in contrast to Australian prices over the same period trending higher, exceeding that of product from Argentina and well above the price of beef from Uruguay and Brazil.
- Mercosur – the bloc of Argentina, Brazil, Uruguay and Paraguay – has been in on-off FTA negotiations with the EU since 2000 but the two have come close to a final agreement more recently. However, beef remains a critical stumbling block in negotiations, with the Mercosur trade bloc rejecting a proposed 99,000 tonne quota offer earlier this year.

Market access



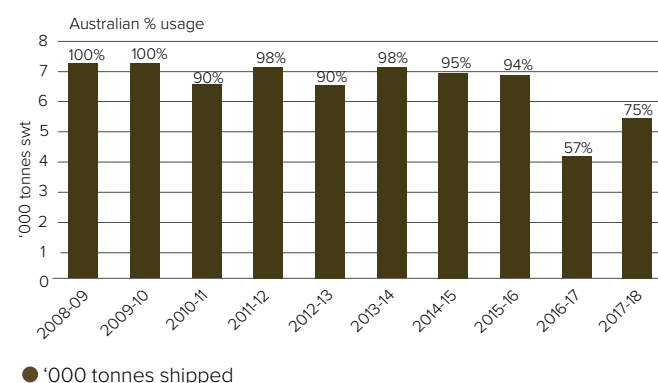
- Australia's current market access – involving low volume import quotas and high out of quota import tariffs – is the greatest limiting factor preventing an increase in exports to the EU.
- Australia predominantly exports beef under two quotas; the High Quality Beef (HQB) Hilton country specific quota (7,150 tonnes with 20% in-quota tariff) and the HQB global grainfed quota (45,000 tonnes with 0% in-quota tariff shared on first-come first-served basis with US, Uruguay, NZ, Argentina).
- Australia's current beef trading regime with the EU is in stark contrast to the majority of its other export markets – which are embracing either free trade or import regime reform. Transformation of these EU import arrangements will be a necessary component of any FTA negotiations.
- Since 1979, Australia has had access to a country specific Hilton beef quota and has consistently filled the majority of its annual allocation. However, Brexit may cause existing country-specific Hilton quotas to be split between the EU and UK, restricting Australia's flexibility adapt to market conditions and target the most attractive consumer markets in the region.

Hilton quota usage



Source: EU Commission

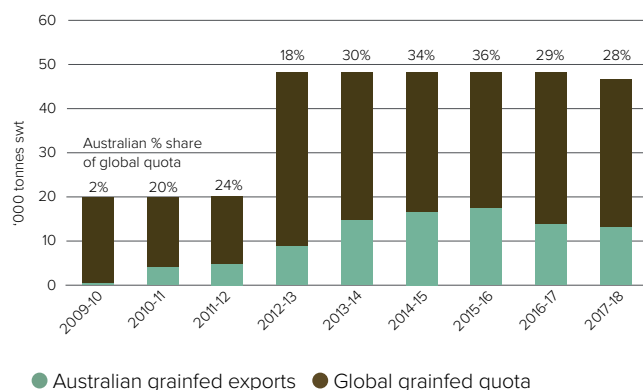
Australian Hilton quota usage



Source: EU Commission

- Australia has often been a high contributor to the HQB global grainfed quota, using 28% of this shared quota in 2017–18. Strong demand for high quality Australian beef has led to the EU now being Australia's fourth largest grainfed beef export market.
- In October 2018, the EU Commission received a mandate to negotiate a settlement with the US over a longstanding WTO dispute – from which the existing global grainfed quota was earlier compensation. As a principle supplier of the shared quota, Australia will be consulted on any reviewed trading arrangements. This potentially places Australia's access to supply grainfed beef under the shared quota at risk.

Australian global grainfed quota usage



Source: DAWR

- The HQB global grainfed quota reduced from 48,200 tonnes to 45,000 tonnes following the provisional entering into force of the Canada–EU FTA in September 2017.

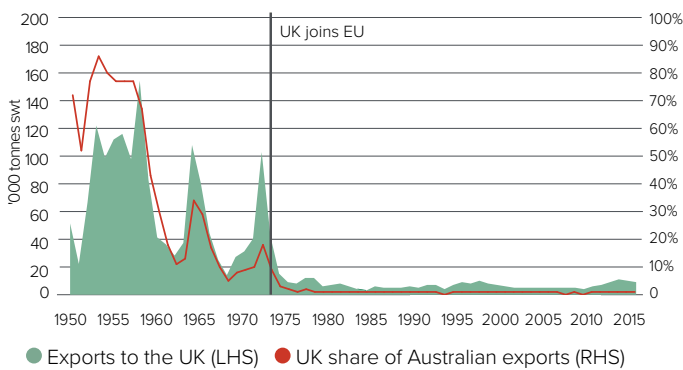


Brexit



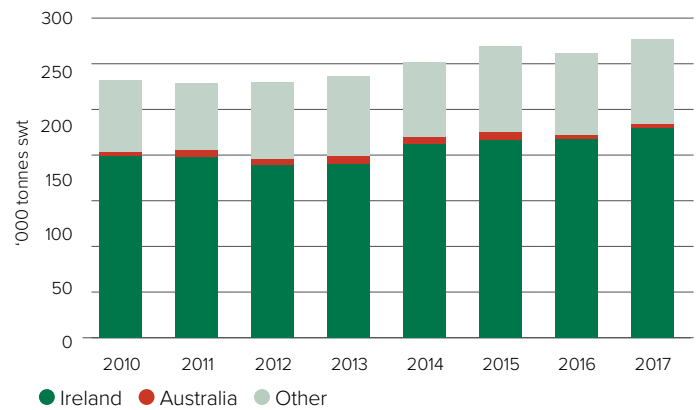
- Prior to the UK's exit from the EU (expected in March 2019) it must negotiate the terms of departure and its future trade relationship with the single market.
- The UK will need to develop a new trading regime incorporating its own World Trade Organization (WTO) tariff schedule, as well as adjusting its bilateral relations accordingly. This has the potential to have a significant effect on Australia's red meat access, as does the possibility of a 'hard' Brexit after March 2019, or a 'soft' Brexit after December 2020.
- The UK is Australia's single largest red meat export market within the EU, and Australia has long had historical ties with the country. In the decade prior to joining the EU, the UK accounted for as much as 34% of Australian beef exports globally.

Australian beef exports to the UK



- The UK hosts a large population of wealthy, beef eating consumers. While red meat consumption growth prospects remain limited, imports will likely remain considerable and Brexit provides Australia with an opportunity to improve its access to a high value market.
- While a large producer of beef, the UK is still a net beef importer. Benefiting from unrestricted access, Ireland supplied 68% of UK imports in 2017 with an additional 23% coming from within the EU.

UK beef imports



- If no trade relationship is agreed upon by March 2019, imports and exports between the UK and EU will default to World Trade Organisation (WTO) Most Favoured Nation rules.
- The UK government has indicated it would continue the level of Common Agriculture Policy support to local beef producers out to 2020, but longer term the level of farm subsidies and other support measures are uncertain. Agribenchmark data indicates 5–26% of typical UK beef finisher income in 2016 was derived from government payments.
- The EU is the UK's single largest trading partner, overall and in the case of red meat, and the future regime hinges on whether the exit is smooth (a free trade agreement is reached before March 2019) or disorderly (the relationship reverts to WTO trading rules).
- The UK must finish negotiating the terms of its exit from the EU, prior to engaging other countries in formal trade negotiations. The Australian government has expressed an appetite to pursue future trade opportunities with the UK through an eventual FTA.
- The UK economy has been resilient post-Brexit vote – in part supported by a significant devaluation of the currency – however, there is significant risk that a disorderly Brexit could result in an economic slowdown and inflated food prices, which could impact overall demand for meat.

UK figures

Population	Households earning* >US\$35,000/year	Households earning* >US\$50,000/year
66.2 in 2018	24.0 in 2018	15.5 in 2018
67.3 in 2022	25.8 in 2022	19.4 in 2022
In millions	In million households	In million households
Source: BMI Research, 2018 estimate & 2022 forecast	Source: BMI Research, 2018 estimate & 2022 forecast	Source: BMI Research, 2018 estimate & 2022 forecast
	* Disposable income	* Disposable income





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement commenced in July 2018	2018 7,150 tonnes country specific HQB quota: 20% in-quota tariff; above quota tariff 12.8% + €3/kg Access to 45,000 tonnes* global grainfed quota: 0% in-quota tariff; above quota tariff 12.8% + €3/kg	Argentina, Brazil and US/Canada have larger allocations than Australia under the Hilton quota but are severely underutilised Ongoing pressure on global grainfed quota – with quarterly allocation being filled within weeks	2018 7,150 tonnes under country specific High Quality Beef quota Shared access to 45,000 tonnes* global grainfed quota Access (via EU importer held licences) shared frozen beef quota and frozen beef for processing quota, which at times source Australian product	HGP free compliance adds costs to doing business with the EU

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* The shared global grainfed beef quota shrank following the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA). The quota reduced to 45,000 tonnes however, given the change occurred midway through the fiscal year, the 2017–18 quota was 46,600 tonnes. In October 2018, the EU Council provided the EU Commission a mandate to negotiate a settlement with the US over a longstanding WTO dispute – from which the existing global grainfed quota was earlier compensation. As a principle supplier of the shared quota, Australia will be consulted on any reviewed trading arrangements.

Australian beef exports to EU – summary table



Volume – in tonnes swt		2017–18		2016–17		5-year average (2012–13 to 2016–17)		change 2017–18 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		17,729	100	17,330	100	21,168	100	-16	-3,451
Storage	Chilled	17,029	96	16,909	98	20,014	95	-15	-2,985
	Frozen	700	4	421	2	1,153	5	-40	-465
Meat type	Grassfed	4,795	27	3,581	21	6,951	33	-31	-2,168
	Grainfed	12,933	73	13,749	79	14,217	67	-9	-1,283
Storage/meat type	Chilled grassfed	4,783	27	3,547	20	6,332	30	-24	-1,549
	Chilled grainfed	12,246	69	13,362	77	13,682	65	-10	-1,437
	Frozen grassfed	12	0	34	0	619	3	-100	-619
	Frozen grainfed	688	4	386	2	534	3	29	153

Source: DAWR

Value – in A\$ 000								% in A\$ 000	
Total		250,024	100	228,696	100	248,986	100	0	1,037
Storage	Chilled	245,823	98	227,212	99	237,162	95	4	8,660
	Frozen	4,201	2	1,484	1	11,824	5	-64	-7,623

Source: ABS/GTA

Volume – by major cut (in tonnes swt)								% in tonnes swt	
Striploin		2,617	15	2,441	14	3,027	14	-14	-410
Rump		2,354	13	2,233	13	2,662	13	-12	-308
Topside/inside		2,290	13	2,351	14	3,537	17	-36	-1,258
Silverside/outside		1,767	10	1,810	10	2,494	12	-29	-727
Cube roll/rib eye roll		1,658	9	1,544	9	1,702	8	-3	-44
Blade		1,357	8	1,411	8	1,558	7	-13	-201
Chuck roll		1,314	7	1,375	8	1,554	7	-15	-240
Tenderloin		1,033	6	874	5	1,120	5	-8	-86
Thick flank/knuckle		1,009	6	1,139	7	1,478	7	-32	-469
Brisket		510	3	502	3	231	1	121	279
Other		1,818	10	1,650	10	1,805	9	1	13
Total		17,729	100	17,330	100	21,168	100	-16	-3,451

Source: DAWR