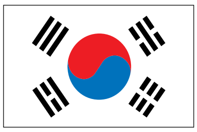


MARKET SNAPSHOT | **BEEF**

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.

Population

51.2 in 2018 | **51.8** in 2022

In million

Source: BMI Research, 2018 estimate & 2022 forecast

Households earning* >US$35,000/year

15.8 in 2018 | **18.6** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast
*Disposable income

Households earning* >US$50,000/year

9.3 in 2018 | **13.1** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast
*Disposable income

Australian beef exports – volume

- Chilled grass – **6%**
- Chilled grain – **16%**
- Frozen grass – **57%**
- Frozen grain – **21%**

Total 156,213 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), 2017–18

Australian beef exports – value

- Chilled – **34%**
- Frozen – **66%**

Total A$1,176.5 million

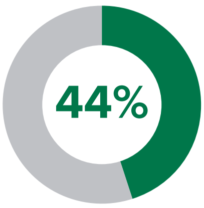
Source: ABS/GTA, 2017–18

Proportion of key cuts

- Chuck roll – **21%**
- Blade – **14%**
- Brisket – **13%**
- Manufacturing – **11%**
- Other – **41%**

Source: DAWR, 2017–18

Australia's share of imports

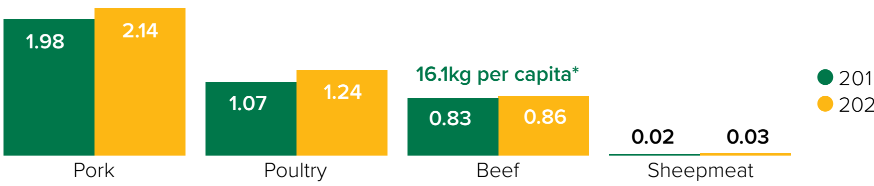


- Australia
- Other countries

Source: GTA, 2017–18, volume based

Meat consumption

76.2kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA, 2018 estimate & 2022 projection

*2018e per person per year in cwt **excluding fish/seafood

FOR FURTHER INFORMATION VISIT US ONLINE AT:
www.mla.com.au or email us at: globalindustryinsights@mla.com.au

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 childern	High nutritional value

Source: MLA Global Consumer Tracker Korea, 2018

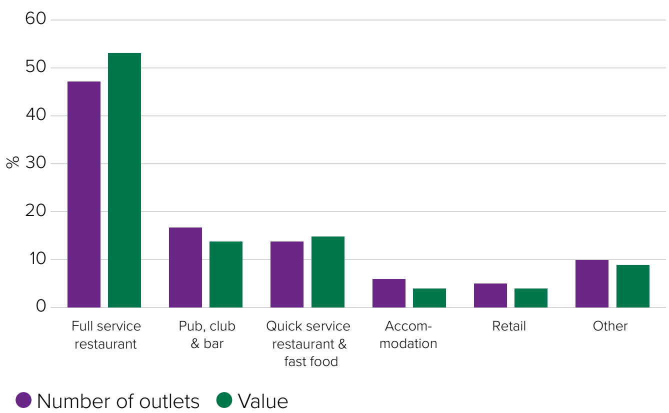
- Pork is the most consumed meat in Korea, but chicken consumption is forecast to grow fastest, backed by its affordable price and versatility for pre-prepared meals.
- Country of origin is very important to Korean beef buyers, as the country relies on imports for about 60% of its beef requirements *(Source: 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



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

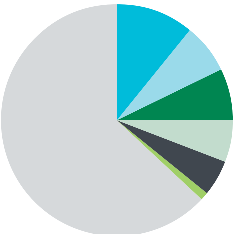
Source: MLA.

*Largely supplying to insititutions (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.

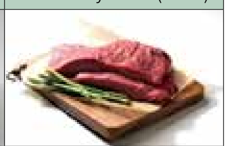
Grocery retail market shares – 2018



- Shinsegae Group – **11%**
- Homeplus – **7%**
- Lotte South Korea – **7%**
- GS Retail – **6%**
- BGF Retail Co Ltd – **5%**
- Ministop Korea Co Ltd – **1%**
- Other – **63%**

Source: IGD

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

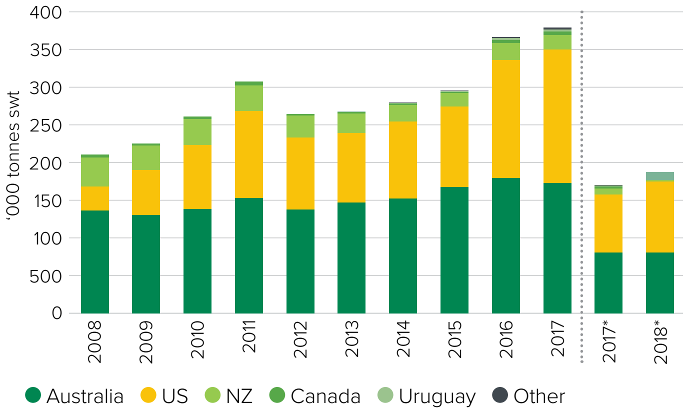
 Oyster blade (BBQ)	 Intercostal (BBQ)	 Flat meat (BBQ)
 Chuck flap tail (BBQ)	 Thin skirt (BBQ)	 Chuck eye roll (BBQ)
 Chuck roll (BBQ, Bulgogi, Shabu-Shabu)	 Chuck rib (marinated & steamed)	 Brisket (soup)

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 come 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 %	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

		2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	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)

	2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	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)

	2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	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

	2017–18		2016–17		5-year average		%	in A$ 000
Total	**130,367**		**12,831**		**99,907**		**30**	**30,460**

Source: ABS/GTA