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.

Population

387.5 in 2018 | **403.1** in 2022

In million

Source: BMI Research, 2018 estimate & 2022 forecast, total of nine ASEAN countries excluding Indonesia

Households earning* >US$35,000/year

3.5 in 2018 | **5.4** in 2022

In million households

Source: BMI Research, 2018 forecast & 2022 projection, total of six countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

* Disposable income

Households earning* >US$50,000/year

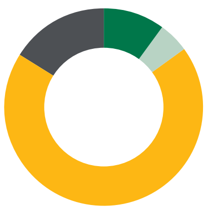
2.2 in 2018 | **3.3** in 2022

In million households

Source: BMI Research, 2018 forecast & 2022 projection, total of six countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

* Disposable income

Australian beef exports – volume



- Chilled grass – **10%**
- Chilled grain – **4%**
- Frozen grass – **72%**
- Frozen grain – **13%**

Total 68,176 tonnes swt

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

Australian beef exports – value

- Chilled – **30%**
- Frozen – **70%**

Total A$476.5 million

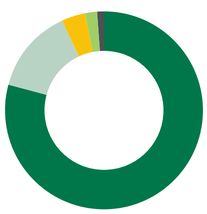
Source: ABS/GTA, 2017–2018

Proportion of key cuts

- Manufacturing – **56%**
- Loins* – **11%**
- Ground beef – **7%**
- Brisket – **5%**
- Other – **21%**

*Source: DAWR, 2017–18 * Loins include cube roll/rib eye roll, tenderloin, shortloin, striploin and loin.*

Australian live cattle exports – volume



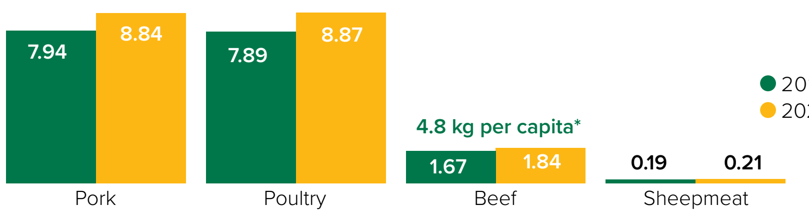
- Vietnam – **80%**
- Malaysia – **14%**
- Philippines– **4%**
- Brunei – **2%**
- Thailand – **1%**

Total 212,026 head

Source: DAWR, 2017 –18

Meat consumption

45.7kg per capita* total meat protein**



In million tonnes cwt

*Source: GIRA, excluding Brunei, 2018 estimate and 2022 forecast. * 2018e per person per year ** Excluding fish/seafood*

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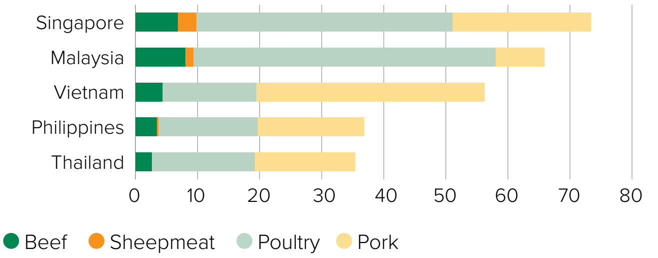
Consumers

- 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.

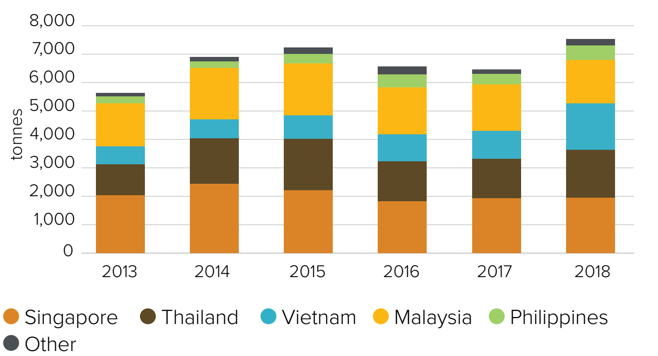
Per capita meat consumption (kg/head)



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



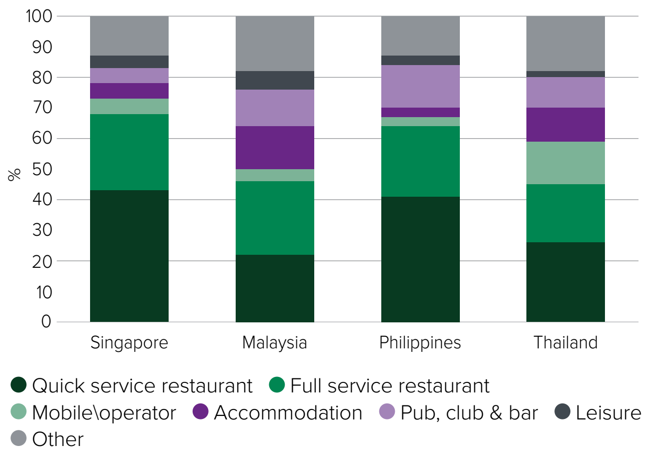
Source: DAWR

'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



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	

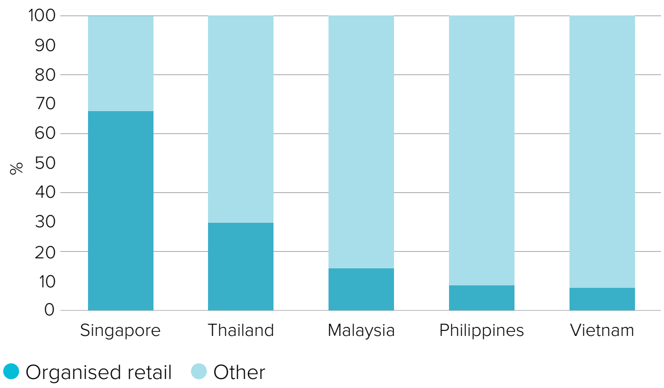
Source: GlobalData

- 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.

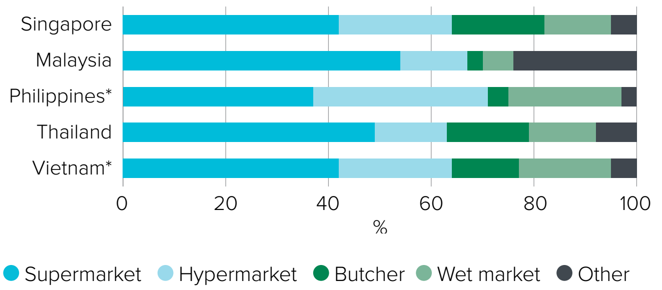
Market share of grocery retail



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

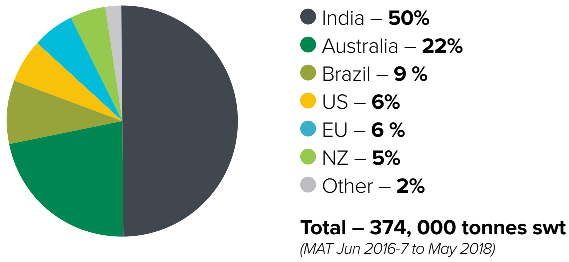
Malaysia	Singapore
Halal	Safety
Safety	Freshness
Freshness	Natural
Natural	Value
Value	Origin

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

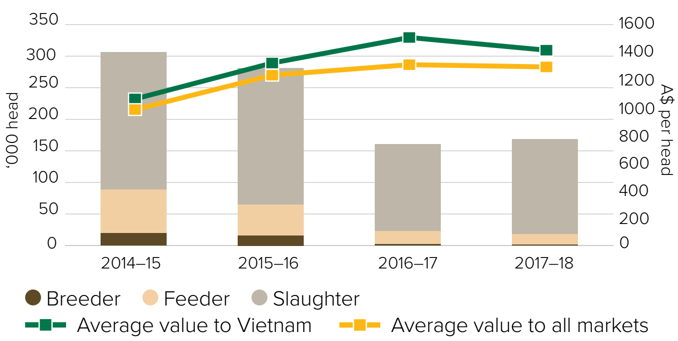


Source: GTA, DAWR, Vietnam Customs

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)** Malaysia-Australia FTA **(MAFTA)** Thailand-Australia FTA **(TAFTA)** Singapore-Australia FTA **(SAFTA)**	**Singapore, Malaysia, the Philippines and Vietnam** Zero **Thailand** 5.33% within quota, 50% out of quota in 2018 2.67% within quota, 50% out of quota in 2019 Zero in 2020	**India** (buffalo meat) India-ASEAN FTA 0% tariff into **Malaysia**; 6% to the **Philippines** eliminated by 2019; 12% to **Vietnam**; (15% for frozen carcases), eliminated by 2022 **Brazil** No FTA	**Singapore, Malaysia, the Philippines and Vietnam** Zero **Thailand** Safeguard quantity of 1,463.26 metric tonnes in 2018, 1,536.43 metric tonnes in 2019.	**Singapore, the Philippines, Vietnam and Thailand** No major hurdles **Malaysia** Maintains import regulations in accordance with Halal

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

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

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

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

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