MARKET SNAPSHOT | SHEEPMEAT

South East Asia (including Indonesia)

South East Asia (SEA*) is one of the fastest-growing consumer markets in the world, underpinned by strong economic growth, a young population, rapid urbanisation and rising incomes. Increasing demand for high quality food, coupled with a growing trend in dining out, represent growth opportunities for Australian lamb and mutton exports. However, the SEA region is diverse, with consumer spending power, consumption habits, and stage of market maturity greatly varying across countries.

Challenges and opportunities in SEA for Australian sheepmeat include:

- Sheepmeat is a niche meat protein and consumed far less than chicken, pork, and beef in the region. With many consumers not growing up eating sheepmeat, it remains rather unfamiliar. Consumers' lack of awareness and familiarity with sheepmeat, coupled with the high prices, have led to a limitation in sheepmeat consumption at home across the region.
- Overall, sheepmeat consumption across SEA is forecast to grow, supported by its large Muslim consumer base who typically consume sheepmeat to celebrate important religious festivals. Sheepmeat consumption is also supported by the expanding young and urban populations who are keen to experience new tastes and are open to international food culture.
- Robust growth in the tourism sector, increased expansion of barbecue and hot pot restaurants in large cities and the growing amount of consumers dining out across the region are underpinning a gradual uptake of lamb products.

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

Population

654.3 in 2018 | **680.5** in 2022

In million

Source: BMI Research, 2018 estimate & 2022 forecast, total of 10 countries

Households earning* >US$35,000/year

4.8 in 2017 | **8.4** in 2022

In million households

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

* Disposable income

Households earning* >US$50,000/year

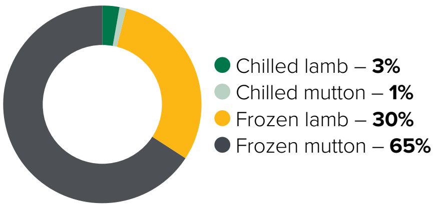
2.7 in 2018 | **4.6** in 2022

In million households

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

* Disposable income

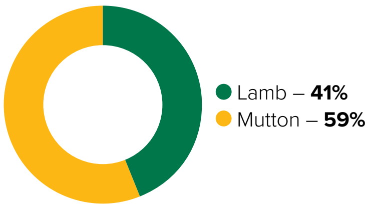
Australian sheepmeat exports – volume



Total 41,078 tonnes swt

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

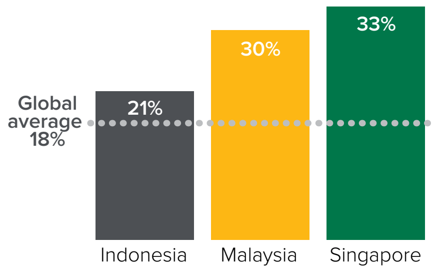
Australian sheepmeat exports – value



Total A$294.7 million

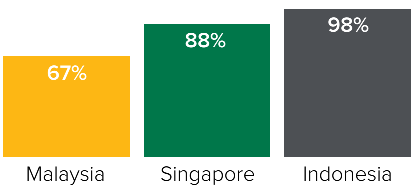
Source: ABS/GTA,2017–18

Do not buy and cook lamb at home (but do eat it when dining out)



Source: MLA Global Consumer Tracker SEA, 2017

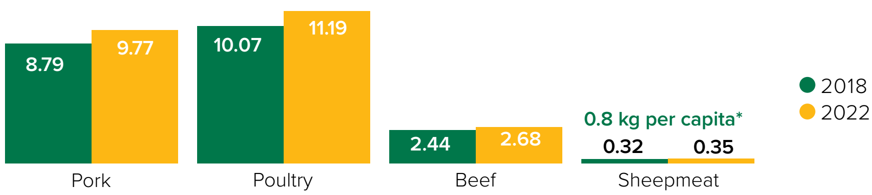
Australia's share of sheepmeat of imports



Source: GTA, based on 12 months volume of Malaysia (June 2017 – May 2018), Singapore (July 2017 – June 2018) and Indonesia (May 2017 – April 2018)

Meat consumption

42.3kg 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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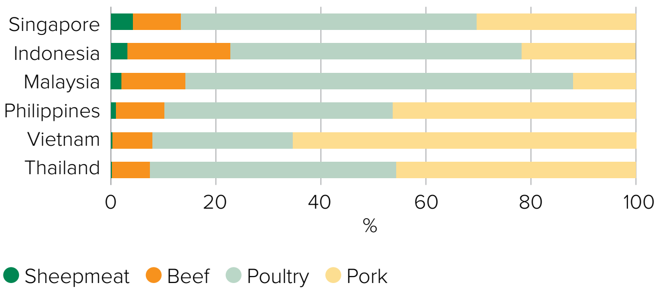
Consumers

- SEA is home to more than 650 million people from a variety of ethnic, cultural, religious and economic backgrounds. This diversity is reflected in the broad range of lifestyles, dietary habits, and consumption behaviours.
- Sheepmeat is consumed more frequently in Malaysia, Indonesia and Singapore than in other SEA countries. Although sheepmeat is a niche protein and less familiar to many consumers across the region, it is perceived as a superior meat, which consumers are willing to pay a bit more for.

Per capita meat consumption (% of total)



Source: GIRA, 2018 estimate

- Lack of familiarity and knowledge in cooking, high price point and housing structure – which is usually a small house or apartment across urban cities – remain major barriers to sheepmeat consumption at home, as consumers are afraid of failure in cooking and strong smells permeating throughout the house. Therefore, SEA consumers tend to enjoy lamb and mutton dishes outside their house, mostly at foodservice venues.
- Tasting, sampling, and providing recipe ideas and preparation tips are amongst the potential promotional activities that will help heighten consumer awareness of sheepmeat, subsequently increasing sheepmeat consumption in SEA.

What would convince consumers to buy lamb?

Indonesia	Malaysia	Thailand
Trying it at a restaurant	Recipe ideas	Trying a free sample
Trying a free sample	Trying it at a restaurant	Trying it at a restaurant
Tips on preparation	Tips on preparation	Recipe ideas

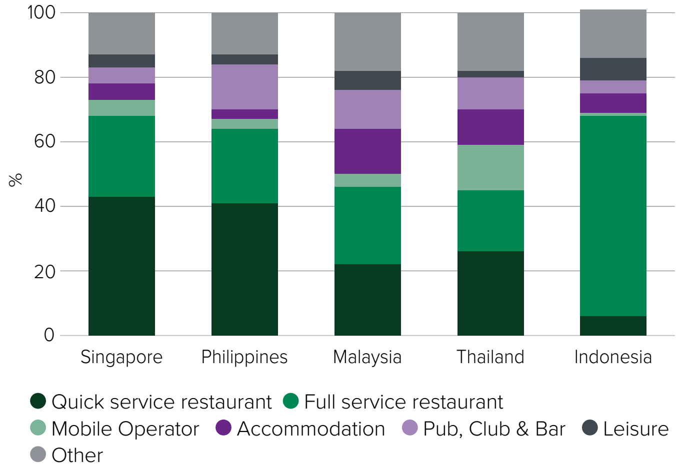
Source: MLA Global Consumer Tracker Indonesia, Malaysia and Thailand, 2018.

Tongseng Kambing – Indonesian lamb stew.

Foodservice

- The foodservice sector in SEA is vibrant and dynamic, with market structure and stage of maturity varying greatly across countries. With consumers preferring not to cook sheepmeat at home, foodservice remains an important channel for sheepmeat consumption in the region.
- Despite the small market size, Singapore remains the most lucrative market for foodservice in the region (in average sales per outlet terms), underpinned by a large proportion of high-income consumers (including local Singaporeans and international expats) and a strong tourism sector. Singapore's sophisticated and highly developed foodservice channel is expected to continuously offer growth opportunities for Australian sheepmeat exports, especially in the premium foodservice segment.

Value share by major foodservice channel



Source: GlobalData, 2018 estimate

Top hotel chains by foodservice sales

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

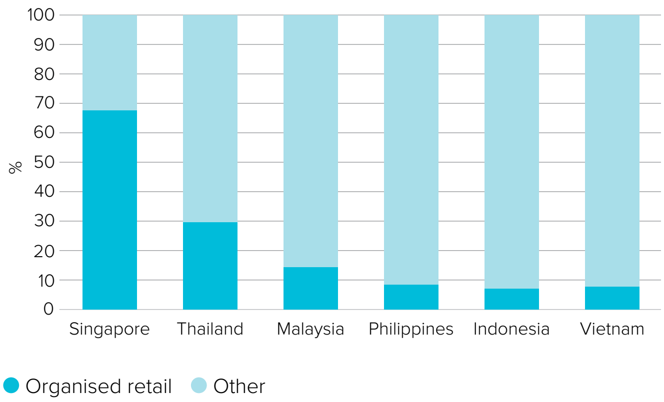
Source: GlobalData, 2016

- SEA attracts more than 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 sheepmeat products 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 is limited to major top-tier cities.

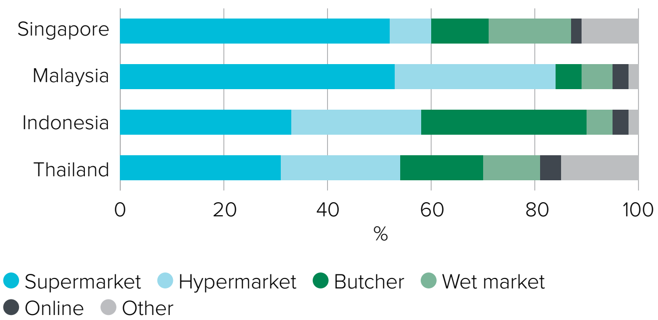
Market share of grocery retail



Source: IGD, 2018 forecast

- Consumers in large cities across SEA often buy Australian lamb through multiple retail channels with supermarkets and hypermarkets remaining the most common places of purchase.

Where do consumers go and buy Australian lamb?



Source: MLA Global Tracker Indonesia, Malaysia and Thailand, 2018; MLA Global Tracker Singapore, 2017.

- With Malaysia and Indonesia having a large number of Muslim consumers, Halal certification remains an important influence when it comes to sheepmeat purchases in these markets.

Top five important themes motivating lamb purchase

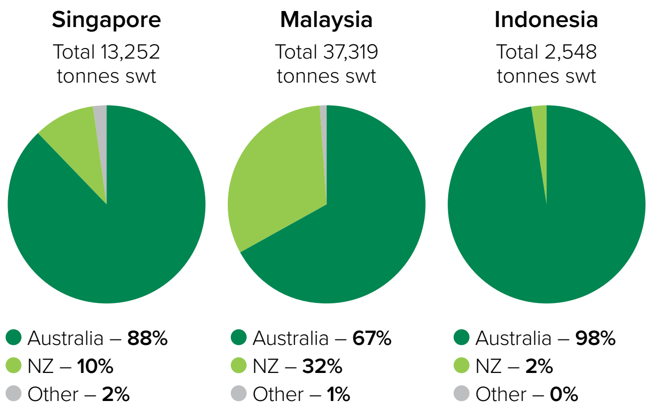
Malaysia	Indonesia	Singapore
Halal	Halal	Natural
Safety	Freshness	Safety
Natural	Natural	Freshness
Freshness	Safety	Value
Value	Value	Nutritional

Source: MLA Global Consumer Tracker SEA, 2017

Other suppliers

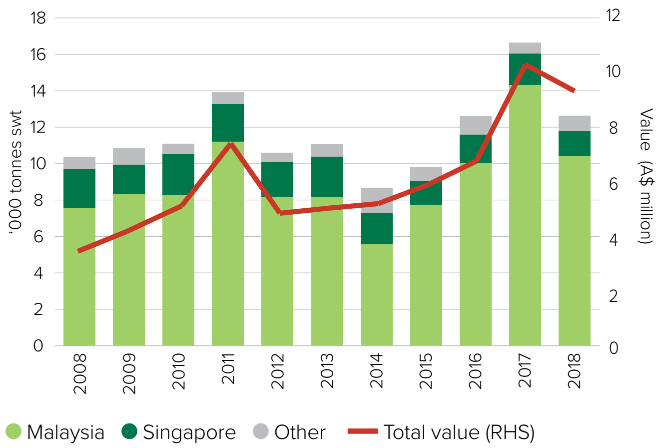
- Australia has long been the leading supplier of sheepmeat in SEA. Overall, it maintains a market share of about 70%, however, its competitive position is slightly different across markets.
- Despite a smaller market share, New Zealand's (NZ) sheepmeat exports to SEA have grown at a rapid rate of about 9% per annum on average in recent years. However, shipments to SEA dropped significantly during the period from July 2017 to June 2018, down 24% to 12,600 tonnes from 16,600 tonnes swt in the previous period, largely due to strong demand from other export markets of NZ such as China, Taiwan and the Netherlands.

Sheepmeat imports by major supplier in selected markets



Source: GTA, Singapore – from July 2017 to June 2018, Malaysia – from June 2017 to May 2018, Indonesia – from May 2017 to April 2018.

NZ's sheepmeat exports to SEA



Source: GTA, from July 2017 to June 2018.

A butcher shop in Singapore.

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia-New Zealand Free Trade Agreement **(AANZFTA)** Indonesia-Australia Comprehensive Economic Partnership Agreement **(IA-CEPA)*** Conclusion of negotiations	**0%** Except Indonesia, Cambodia, Laos and Myanmar**	**NZ** (same access conditions as Australia)	Zero	Indonesia, Malaysia and Brunei maintain import regulations in accordance with Halal requirements

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

* Indonesia: IA-CEPA, on entry into force, tariff cut to 2.5% (from 5%) and eliminated after five years.

** Indonesia: 5% for chilled bone-in and all frozen products; Cambodia: 15% (except a 35% tariff on frozen boneless products); Myanmar: 5%; Laos: 10%. Tariff will be 0% in Myanmar and Cambodia in 2020, and in Laos in 2021.

Australian sheepmeat 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 %	change 2017–18 vs 5-year average in tonnes swt
	Total	**41,078**	**100**	**39,755**	**100**	**37,685**	**100**	**9**	**3,393**
Storage	Chilled	1,705	4	1,617	4	1,459	4	17	246
	Frozen	39,373	96	38,138	96	36,226	96	9	3,147
Meat type	Lamb	13,817	34	15,869	40	13,699	36	1	118
	Mutton	27,261	66	23,886	60	23,986	64	14	3,275
Storage/ meat type	Chilled lamb	1,332	3	1,235	3	1,135	3	17	197
	Chilled mutton	373	1	383	1	324	1	15	50
	Frozen lamb	12,485	30	14,635	37	12,564	33	-1	-79
	Frozen mutton	26,888	65	23,503	59	23,662	63	14	3,226

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	**294,727**	**100**	**249,028**	**100**	**206,530**	**100**	**43**	**88,197**
Meat type	Lamb	119,459	41	117,118	47	93,505	45	28	25,954
	Mutton	175,268	59	131,910	53	113,025	55	55	62,244

Source: ABS/GTA

Australian sheepmeat 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
Lamb	Leg	775	34	867	35	661	33	17	114
	Carcase	452	20	367	15	325	16	39	127
	Shoulder	259	12	300	12	254	13	2	5
	Other	762	34	959	38	748	38	2	15
Total	**Total**	**2,249**	**100**	**2,493**	**100**	**1,988**	**100**	**13**	**261**
Mutton	Carcase	3,638	42	5,537	56	4,576	53	-20	-938
	Leg	3,209	37	2,715	28	2,602	30	23	607
	Manufacturing	1,382	16	1,075	11	1,030	12	34	353
	Other	431	5	477	5	389	5	11	43
Total	**Total**	**8,661**	**100**	**9,803**	**100**	**8,597**	**100**	**1**	**64**

Source: DAWR

Australian sheepmeat 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
Lamb	Shoulder	5,044	66	7,613	78	5,537	70	-9	-493
	Carcase	834	11	724	7	898	11	-7	-64
	Leg	810	11	418	4	496	6	63	315
	Other	972	13	1,068	11	952	12	2	20
Total	**Total**	**7,660**	**100**	**9,822**	**100**	**7,882**	**100**	**-3**	**-222**
Mutton	Carcase	9,358	55	6,786	54	7,240	55	29	2,118
	Shoulder	3,042	18	2,177	17	1,993	15	53	1,048
	Leg	2,311	14	1,146	9	960	7	141	1,351
	Other	2,217	13	2,344	19	2,936	22	-25	-720
	Total	**16,927**	**100**	**12,453**	**100**	**13,130**	**100**	**29**	**3,798**

Source: DAWR