

GLOBAL

MARKET SNAPSHOT



Beef



January 2018



MARKET SNAPSHOT

Beef

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MARKET SNAPSHOT | BEEF

Australia

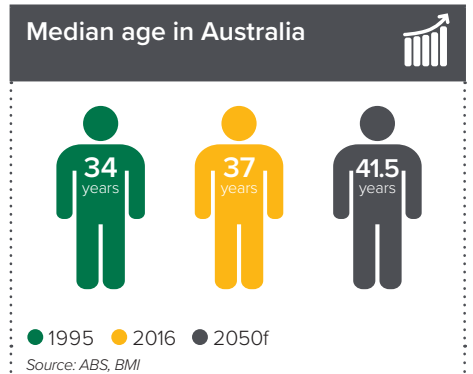
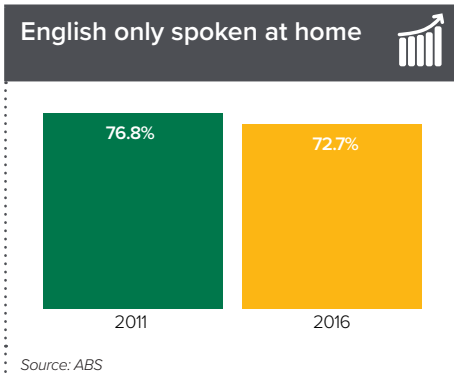
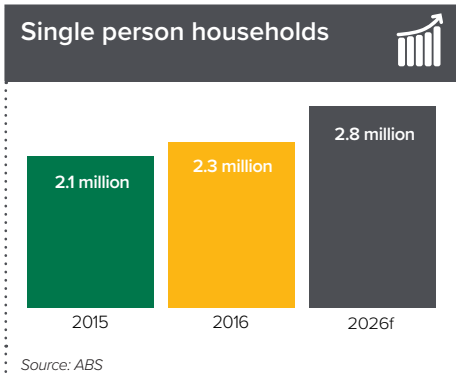
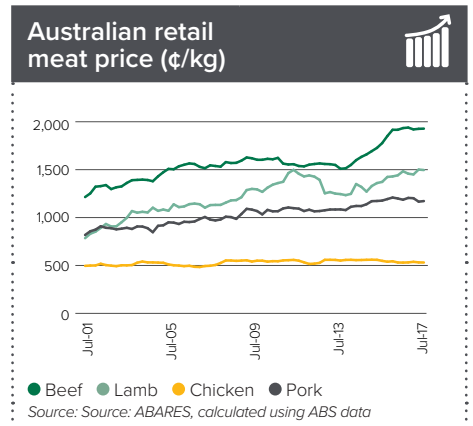
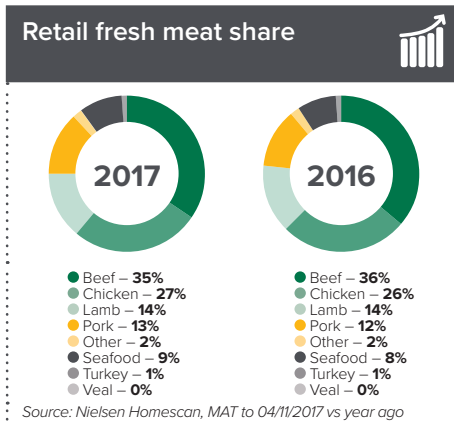
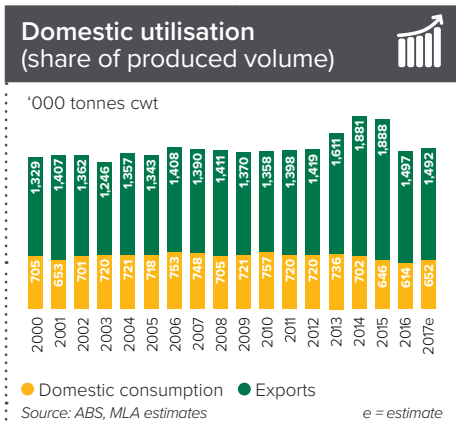
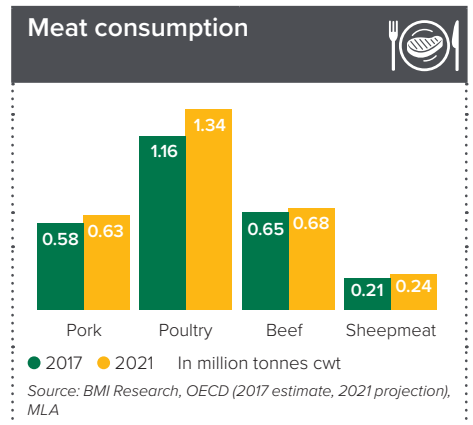
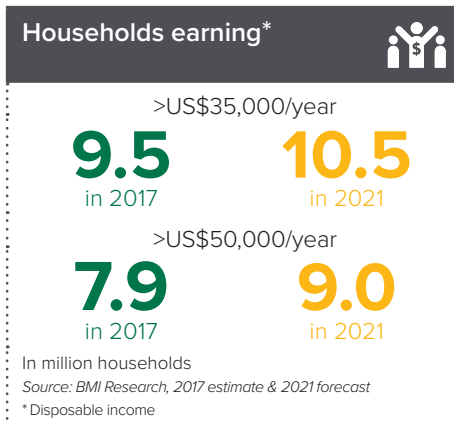
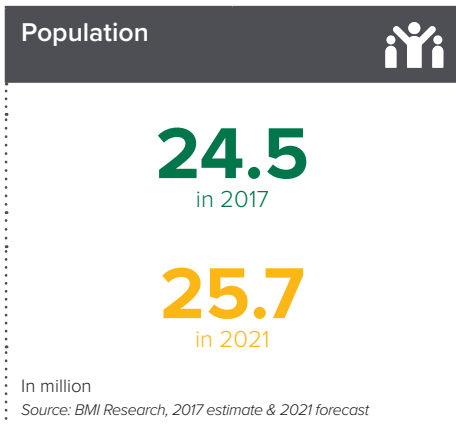
In recent years Australia's economy has remained strong; however Australian consumers' confidence is being weighed down by high household debt and low wage growth. Disposable income has failed to grow with inflation and broadly rising living costs (electricity, childcare, rent), which is impacting consumer purchasing behaviour around categories like fresh meat causing them to become 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).

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.
- 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.
- Australia's changing demography provides some macro challenges for beef with two broad trends of increased migrations 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 challenging if beef's price premium to chicken/pork grows larger as the primary reason for consumers eating less red meat is currently due to cost and not health.



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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, 2017).

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, 2017).
- When consumers are shopping for beef, the key information they look for on the pack relates to price and then freshness (meat colour, use-by date), followed by elements such as natural, hormone-free and animal welfare (Source: MLA Global Consumer Tracker Australia, 2017).
- Research by Roy Morgan into Australian Food Attitudes from 2006 to 2016 highlights some key trends that beef messaging can leverage with now almost three quarters of the population (72%) saying they enjoy food from all over the world (up from 65% in 2006). Food without additives in it has also become increasingly popular along with a preference for taste over ingredients. Interestingly some of the health-orientated dietary concerns such a low fat diet has dropped (Source: Roy Morgan).

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 come out and 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?

Colour of meat

Price per kg

Date packed

Freshness

Use by date

What are attributes that are important for Australian consumers? (all protein)

Is my/my family's favourite meat

Is easy and convenient to prepare

Is the most superior meat

Tastes delicious

Consistent quality standards

What key strengths does beef have?

Is the most superior meat

Is an essential part of a healthy diet for growing children

Can be used in many different meals

Consistent quality standards

Tastes delicious

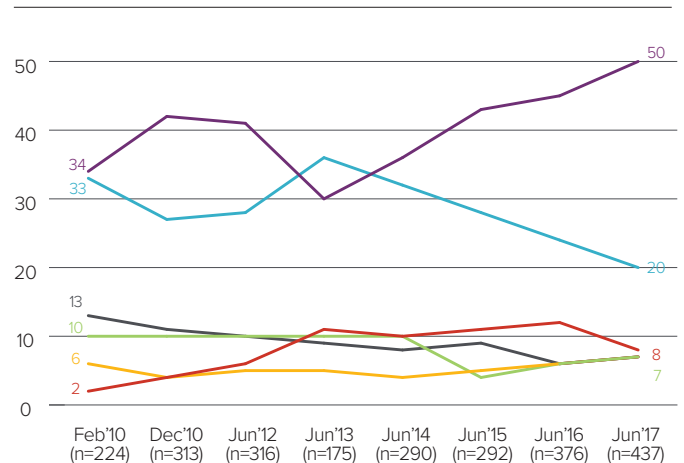
Source: MLA Global Consumer Tracker Australia, 2016

Australia's increasingly diverse population

High levels of immigration are driving Australia's population growth and also leading to a more increasingly diverse population. In the most recent ABS survey it showed that 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: OECOD).

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

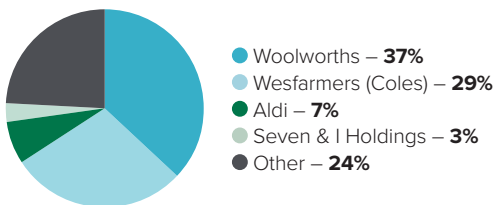
Source: Pollinate/MLA

Retail



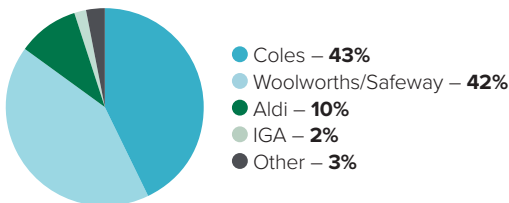
- Beef had the highest share of retail sales of any meat in 2016-17, with around 36% share of fresh meat sales (by value) (Source: Nielsen Homescan).
- It is a critical category for retailers with the average grocery basket value typically worth \$45, it jumps to around \$80 when the basket includes fresh meat/seafood (Source: Nielsen).

Grocery retail market shares – 2017



Source: IGD

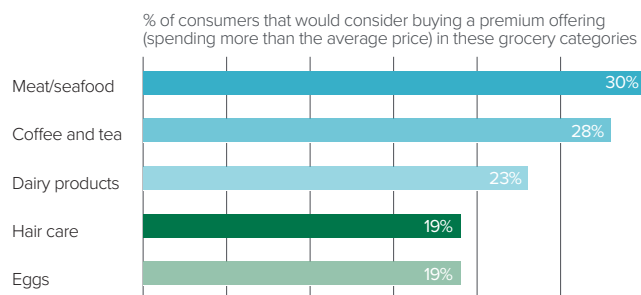
Main supermarket of purchase – beef



Source: MLA Global Consumer Tracker Australia, 2017

- There is an increasing focus on convenience options with supermarkets expanding their ready-to-eat meal range and convenience stores trialling new formats (i.e. Caltex's 'The Foodary') and new promotions (i.e. 7-Eleven's Friday \$2 Pie Day). 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, Marley Spoon and Aussie Farmers Direct). These generally include portioned ingredients and simple recipes that allow consumers to quickly create their meal. They now capture 0.8% of the online grocery market (Source: Nielsen Homescan Grocery E-Commerce Survey).

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

Place of purchase	Average customer spend	Value market share (\$)
Butcher	\$37	23.5%
Market/Delicatessen/Other	\$34	9.4%
Woolworths/Safeway	\$27	26.4%
Coles	\$25	23.2%
Aldi	\$22	7.6%
IGA	\$22	5.4%

Source: Roy Morgan Jan-Dec 2015, quoted in press release Feb 2016

- The Australian grocery market is highly concentrated by global standards, with the two big retailers making up over 60% 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 in 2017 with the ongoing growth of Aldi and Costco placing pressure on all retailers with price emerging as a core strategy across the board.
- **Woolworths:** Food sales experienced a strong turn-around this year with revenue growing +4.5% in 2017 (Source: Woolworths). Key developments behind this improved performance has been a focus on store refurbishment and trialling new formats. Woolworths has also continued to invest in price with annual deflation at 2.1% (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: Coles).
- **IGA (Metcash):** Supermarket sales continued to capture low growth in 2017 up +1.3% on last year. Broadly Metcash have 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 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 moving forward 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 flagging a new digital portal in 2018 called IndieDirect.

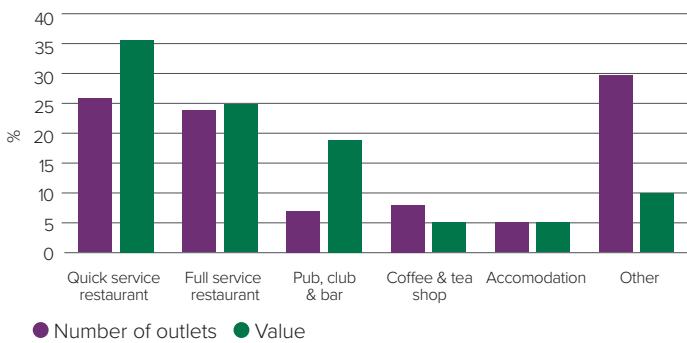


Foodservice



- 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

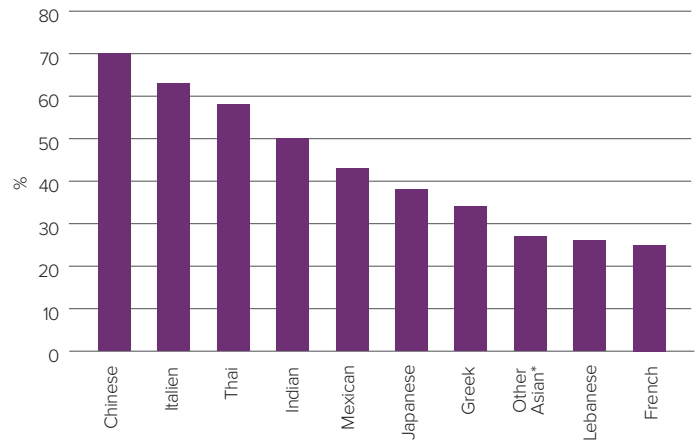
- Over 80% of foodservice sales in Australia will go through either a quick service restaurants (QSR), a full service restaurant (FSR) or a pub, club and bar.
- Within foodservice beef has strong volume share in FSR and takeaway along with institutions (such as aged care & hospitals) and has opportunity 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)

Favourite international cuisine types



Source: Roy Morgan Single Source (Australia), Jan-Dec 2015 (n=15,367)
* Other Asian includes Vietnamese, Indonesian, Malaysian, Korean, etc

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 Foodora). A Sensis eBusiness survey of 800 Australian consumers has found that nearly-half (47%) of shoppers are now buying take-away online, up from 36% 12 months ago. 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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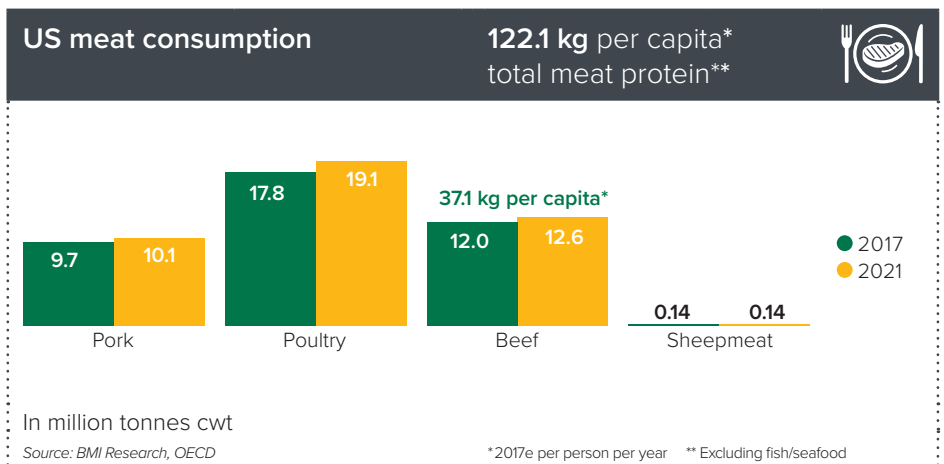
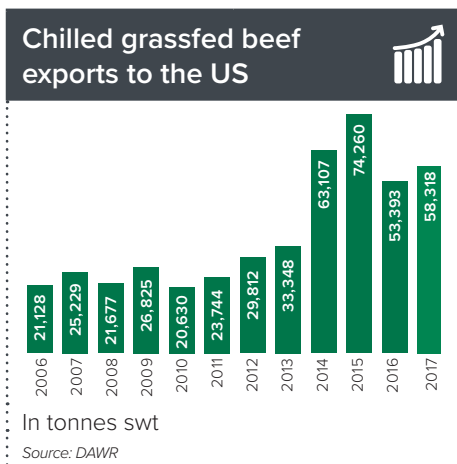
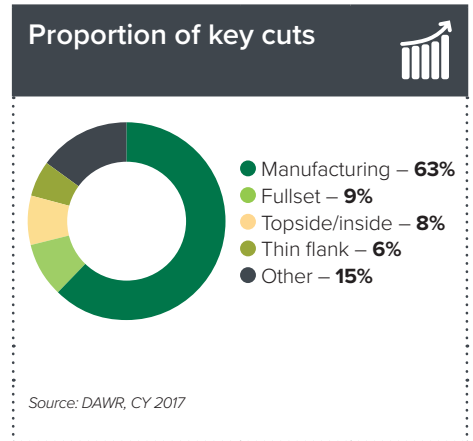
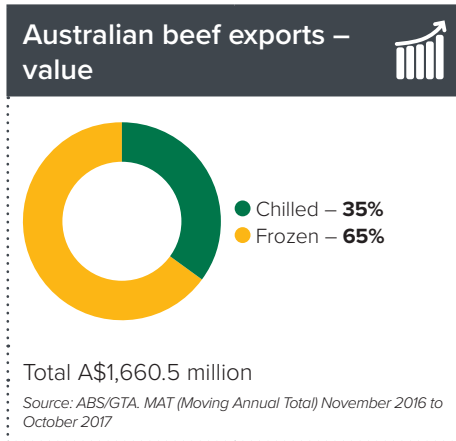
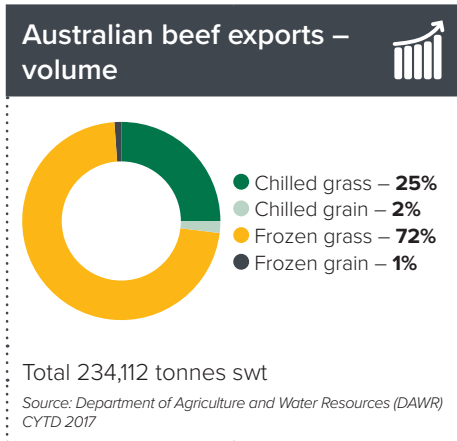
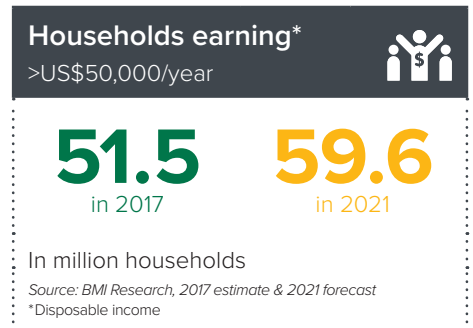
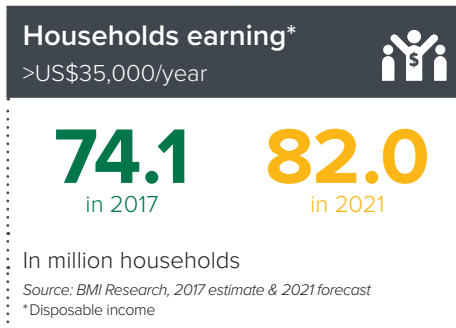
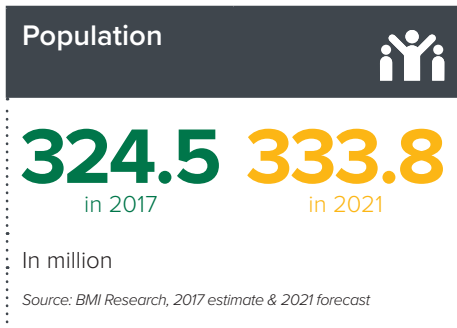
North America (US, Canada & Mexico)



UNITED STATES (US) – The United States is the largest consumer of beef globally, with its total consumption up in 2017, after a long term decline. Despite the recent decrease of Australian beef shipments to the US, 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.
- Australian beef exports to the US have decreased slightly in 2017 (down 3%, to 234,112 tonnes swt). This drop has been driven by tight supplies of Australian cattle partnered with increased US beef production, and higher imports from North America Free Trade Agreement (NAFTA) partner's countries – Canada and Mexico.



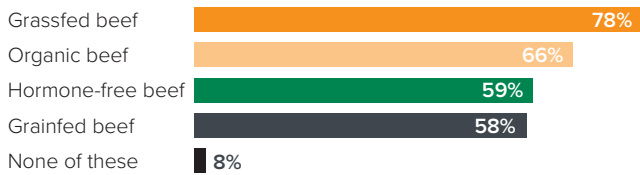
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Consumers



- US beef consumption has recovered slightly in 2017 after a period of long-term decline. This is being strongly driven by higher US beef production which is forecast to continue in 2018.
- 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 majors factor considered when purchasing beef (Source: MLA Global Tracker, 2017).

Awareness of types of beef



Source: MLA Global Consumer Tracker US, 2017

- 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 Standard Australia (MSA).

Attributes important for all proteins and beef associations

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
Most superior	Naturally raised
Guaranteed safe to eat	Better quality
Essential part of children's diet	Better for my health
Consistent quality standards	Better for the environment

Source: MLA Global Consumer Tracker US, 2016 and 2017



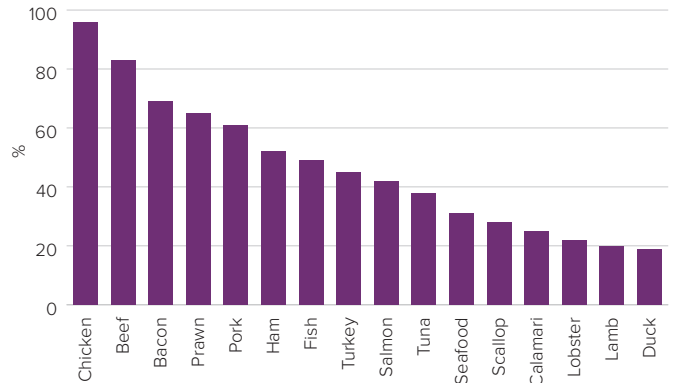
Source: MLA

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.

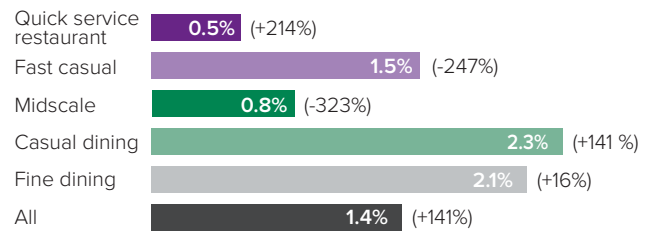
Chicken and beef drive US protein menuing



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 (Source: DataEssential, beef and lamb menu analysis 2017).

Grassfed beef - penetration by restaurant segments

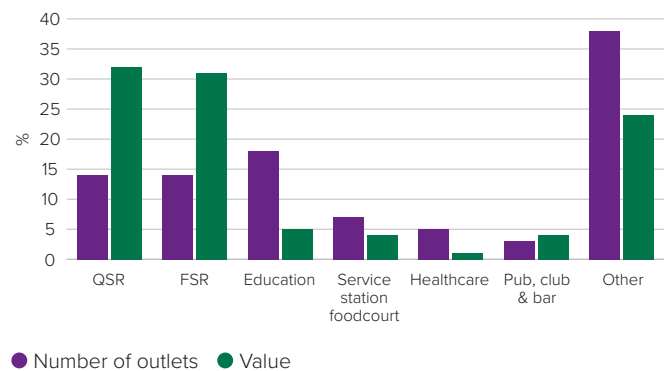


(Bracket percentage) = 4 year % change 2016 vs. 2012

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 consumers spending driving strong growth. Outlet numbers are forecast to stagnate, demonstrating the maturity of the US foodservice market (Source: Global Data – US the future of foodservice 2021).

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



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

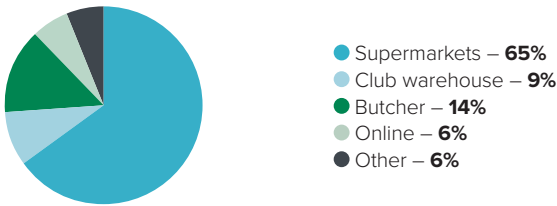


- Although the grassfed beef retail segment in the US is relatively small, demand for higher value chilled grassfed beef is increasing. Some of the most popular cuts include ground and steak cuts like tenderloin, striploin and rib eye.



- In the retail sector, supermarkets are the main purchase channel for Australian grassfed beef. However, limited '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 – 2017

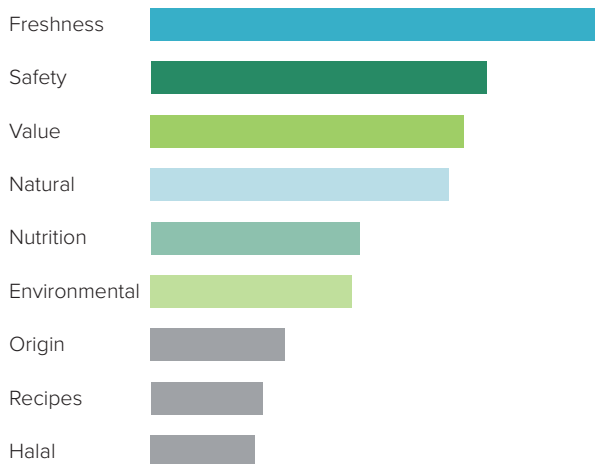


Source: MLA Global Tracker US, 2017

- 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



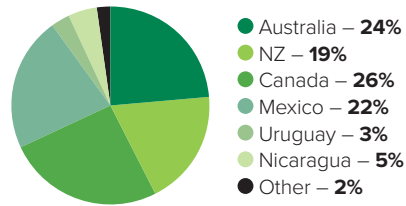
Source: MLA Global Consumer Tracker, 2017

Other suppliers



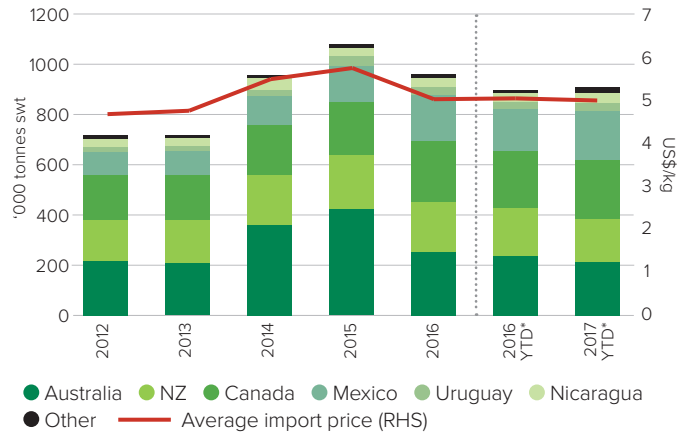
- The main competitors for Australian beef in the US market are the US domestic beef, Canada, Mexico and New Zealand. Smaller suppliers include Uruguay and Nicaragua which have access to smaller quotas.
- Australia maintains its preferred access status to the US, only behind NAFTA partners (Canada and Mexico – with no quota restrictions). New Zealand has a quota of 213,402 tonnes with an out-of-quota tariff of 26.4%.
- In June 2017, the U.S. 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 – 2017*



Source: GTA * YTD Jan-Nov

US beef imports by major supplier



Source: GTA
*CYTD: calendar year to Jan-Nov



Source: MLA



US – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	Zero within quota (17.6% above quota)	Canada and Mexico NAFTA, no quota	Australia to US – 423,214 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		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.		
		% out of total		% out of total		% out of total	%	in tonnes swt	
Total	234,112	100	242,013	100	298,533	100	-22	-64,421	
Storage	Chilled	63,741	27	61,364	25	57,793	19	10	5,948
	Frozen	170,372	73	180,649	75	240,740	81	-29	-70,369
Meat type	Grassfed	227,158	97	232,242	96	289,916	97	-22	-62,758
	Grainfed	6,954	3	9,770	4	8,617	3	-19	-1,663
Storage/meat type	Chilled grassfed	58,318	25	53,393	22	50,784	17	15	7,534
	Chilled grainfed	5,423	2	7,971	3	7,009	2	-23	-1,586
	Frozen grassfed	168,840	72	178,850	74	239,132	80	-29	-70,292
	Frozen grainfed	1,531	1	1,799	1	1,608	1	-5	-77

Source: DAWR

Value – in A\$ 000

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.		
		%		%		%	%	in A\$ 000	
Total	1,660,507 *	100	1,726,972	100	1,853,385	100	-10	-192,878	
Storage	Chilled	584,649*	35	592,356	34	508,140	27	15	76,509
	Frozen	1,075,859*	65	1,134,616	66	1,345,245	73	-20	-269,387

Source: ABS/GTA, 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Australian beef exports to US – by major cut

Volume – in tonnes swt

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	147,275	63	150,679	62	200,523	67	-27	-53,248
Fullset	20,835	9	6,979	3	1,397	0	1391	19,438
Topside/inside	18,065	8	18,431	8	20,105	7	-10	-2,040
Thin flank	13,905	6	19,861	8	22,629	8	-39	-8,724
Silverside/outside	8,667	4	10,728	4	13,479	5	-36	-4,813
Other	25,365	11	35,335	15	40,401	14	-37	-15,035
Total	234,112	100	242,013	100	298,533	100	-22	-64,421

Source: DAWR

Australian beef exports to Canada – by major cut

Volume – in tonnes swt

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	13,425	67	14,247	74	19,100	74	-30	-5,675
Silverside/outside	2,811	14	1,698	9	2,732	11	3	79
Cube roll/rib eye roll	1,290	6	667	3	639	2	102	651
Other	2,428	12	2,704	14	3,214	13	-24	-786
Total	19,954	100	19,316	100	25,684	100	-22	-5,730

Source: DAWR

Australian beef exports to Mexico – by major cut

Volume – in tonnes swt

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Thin flank	122	99	96	100	481	98	-75	-359
Other	1	1	0	0	9	2	-87	-8
Total	124	100	96	100	491	100	-75	-367

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 17kg/year, behind poultry (35kg/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 is mostly comprised of frozen manufacturing beef, and is 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 benefits from neither a tariff nor quota restrictions as part of North America Free Trade Agreement (NAFTA). Imports from Australia, New Zealand and Uruguay declined in 2017 as imports from the US increased.

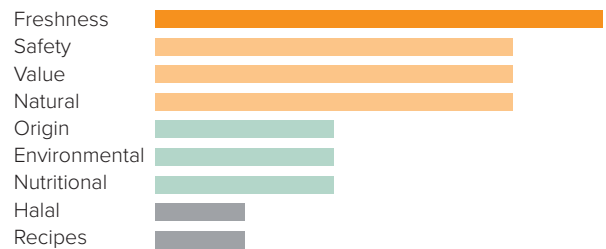


Consumers

- 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

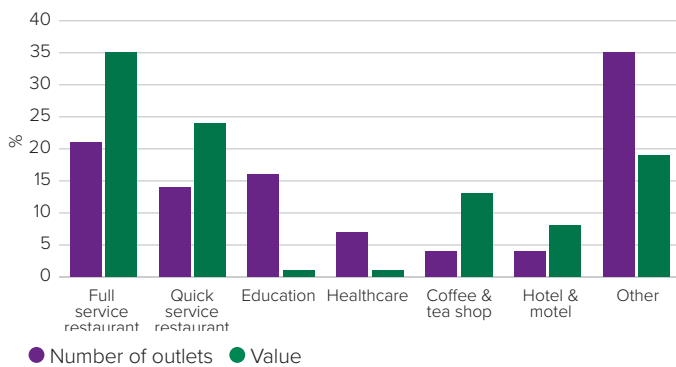
Foodservice and retail



- The full service restaurant and quick service restaurant channels lead the Canadian foodservice sector, generating a combined 64% of total revenue in 2016.
- 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).

- 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).

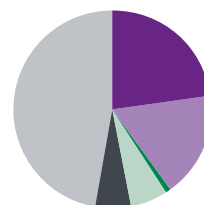
Outlet number and value by key foodservice channel (% out of total)



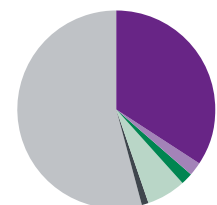
Source: GlobalData, 2017 estimates

Main supermarkets for purchasing beef

TORONTO



VANCOUVER



Source: MLA Global Tracker US, 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 present 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\$75,000/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



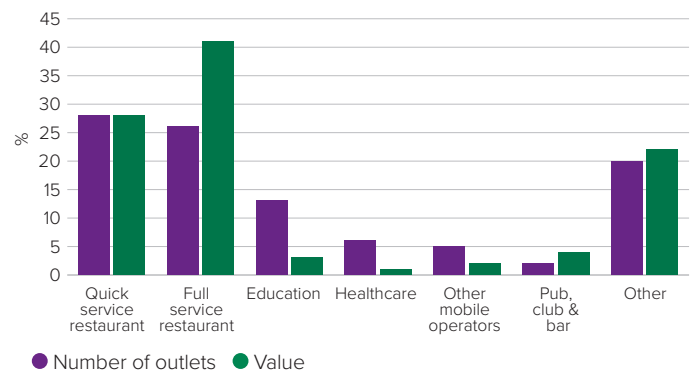
- In late 2017, the Mexican government extended the agreement establishing detailed provisions on unilateral tariff rate quotas, which allows 200,000 tonnes/year of beef to enter Mexico duty-free from any exporting countries until the end of 2019. The annual quota will be shared with other non-NAFTA 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 a 43% share of sales in 2016. 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 (% out of total)



Source: GlobalData, 2017 estimates

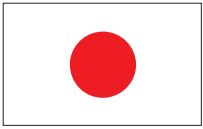
Mexico – Market access overview



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	200,000 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



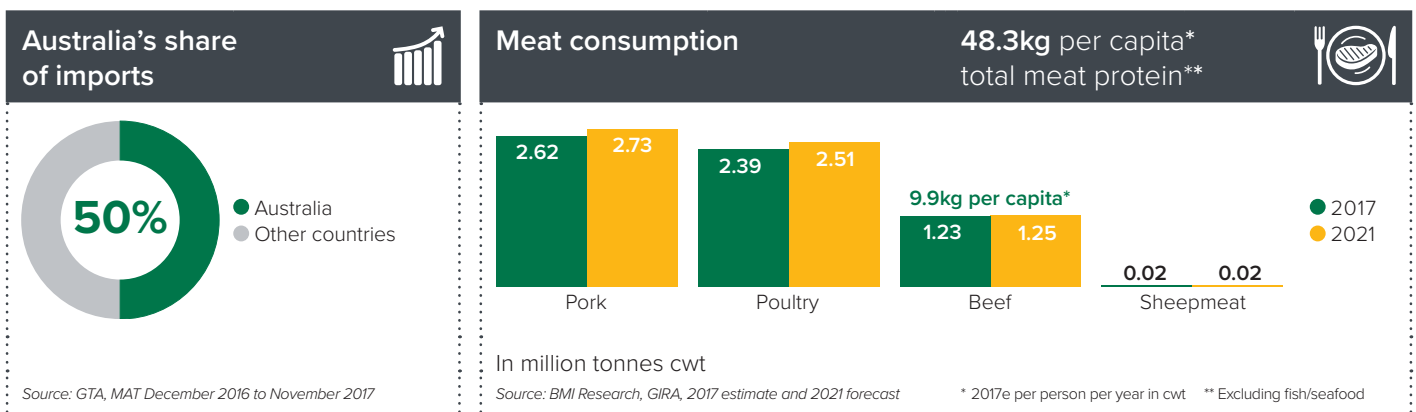
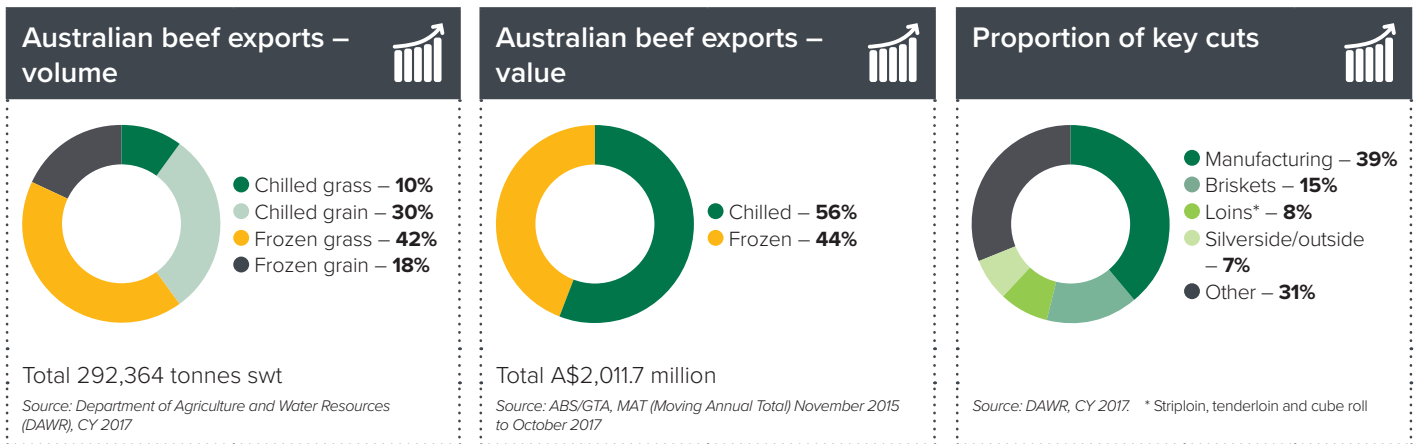
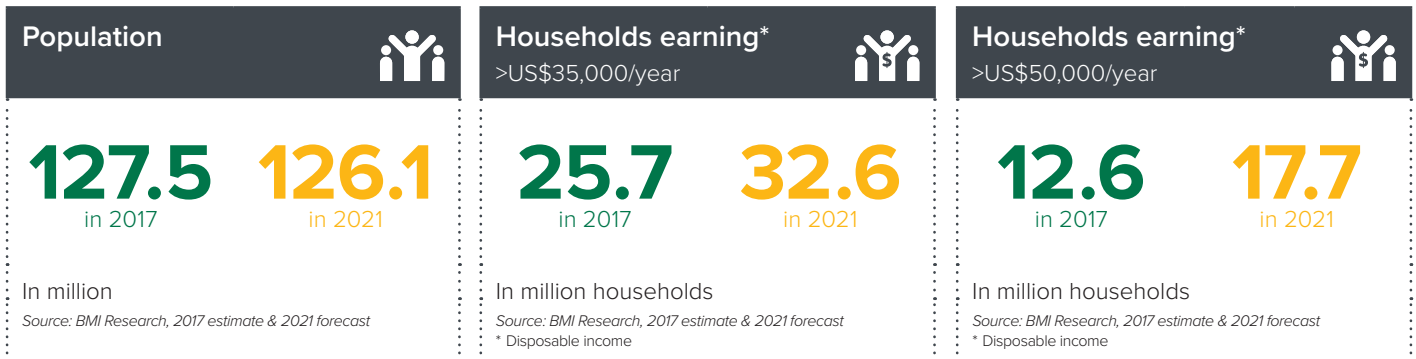
MARKET SNAPSHOT | BEEF

Japan

Japan is Australia's largest beef export market stemming from 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:

- 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, such as increasing interest in *akami* (leaner meat) and steaks.
- 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 US.
- Maintaining high awareness and a point of difference against other import supplier competitors in the mind 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)?

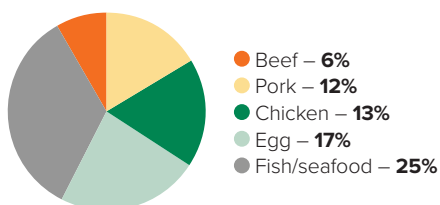
What associations do consumers have to beef?

My/my family's favourite	Most superior meat
Easy to prepare	Tastes delicious
Can be used in different meals	My/my family's favourite
Easy to purchase	Can be used in different meals
Animal is well-cared for	Easy to purchase

Source: MLA Global Consumer Tracker Japan, 2017

- 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 2016 consumption and 2021 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) JFY16-17

- 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, provides businesses with easy access to large groups of potential customers.

Demographic comparison – Japan, China and the US

	Japan	China	US
Households with disposable income US\$50,000+ (in million)	17.7	7.8	59.6
Urban population, % population	96	62	83
Number of the US\$50,000+ households per square km	42	0.4	5.6

Source: BMI, the World Bank, MLA, 2017 forecast



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 increasing numbers of steakhouses and meat-specialised bistros opening in the marketplace.
- The Japanese foodservice market is estimated at over US\$289 billion, including cooked food *nakashoku** 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 of 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

* 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.

* *Nakashoku* is a food category between retail (cooking at home) and foodservice (dining out).





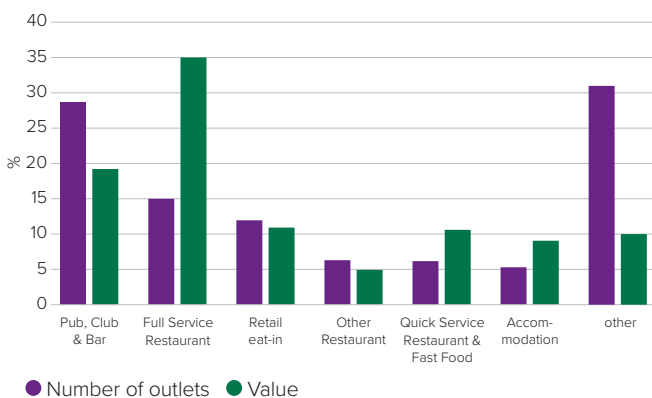
Retail



Hamburg and steak dish (image courtesy of Sawayaka restaurant)

- Full service restaurants are a clear leader in 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, 2017).
- *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.

Outlet number and value by key foodservice channel (% out of total) – 2017



Source: GlobalData



Japanese style yakiniku BBQ

- 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, 2017 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

- Increased imports from the US during 2017 resulted in many Japanese retailers running 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, beef cuts and beef offal) is popular among variety-seeking consumers.

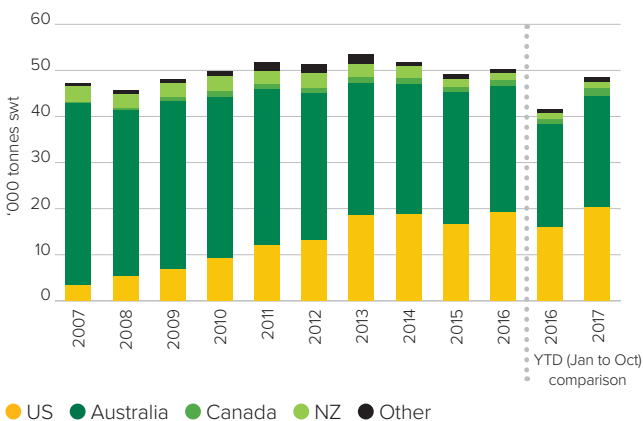




Other suppliers

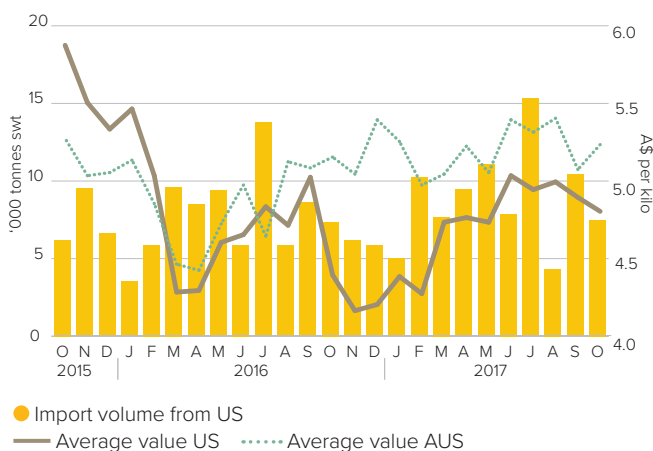
- Australia is the dominant imported beef supplier to Japan, but is facing strong and increasing competition from the US. Imports from the US surged in 2017, supported by the rise in US domestic production and subsequent decline in prices. As a result, the tariff increasing safeguard mechanism was triggered from August 2017.
- Due to the safeguard, the frozen beef tariff for all supplying countries without an Economic Partnership Agreement (EPA) was raised to 50% from 38.5%, from 1 August 2017 until 31 March 2018. Australia is exempt from this increase under its Japan-Australia EPA, and maintains an advantageous tariff rate of 29.9% for chilled beef, and 27.2% for frozen (as of January 2018).
- Despite the tariff snapback, demand for US beef remained strong, supported by highly competitive brisket/plate (shortplate) prices. Subsequently, imports from the US between January to October 2017 totalled 203,387 tonnes swt, up 28% from the same period in the previous year.
- Other suppliers include New Zealand, Canada and Mexico but their share in the market collectively remains under 10%. Brazil is working on safety assessment and import protocols with the Japanese government, with no fresh beef (chilled and frozen) currently imported into Japan from Brazil. India does not have access due to animal health concerns.

Japan beef imports by supplier



Source: GTA

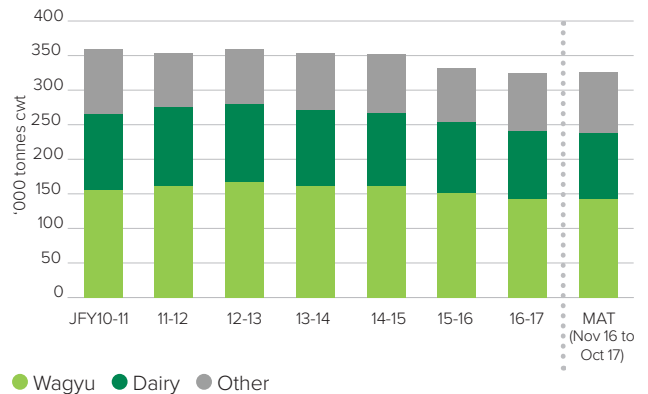
US frozen brisket imports into Japan



Source: GTA

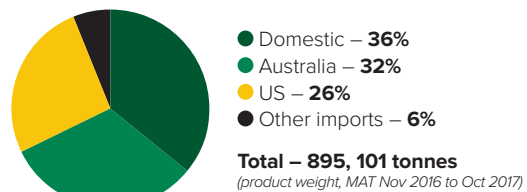
- In terms of Japanese domestic production, 326,394 tonnes cwt of beef was produced during November 2016 to October 2017, down 6% in comparison to the five-calender year average (346,398 tonnes cwt). Key influencing factors for the decline include Japan's ageing farming population, high calf prices, 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

Japan beef consumption by supplier



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



US shortplate is largely used for Gyudon beef rice bowl.



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership agreement (JAEPA)	Until 31 March 2018 – 29.9% for chilled beef, 27.2% for frozen. From 1 April 2018 – 29.3% for chilled, 26.9% for frozen*	US The US has no FTA/EPA with Japan and is applied a 38.5% tariff (50% for frozen until 31 March 2018)**	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

* Japan Australia Economic Partnership Agreement

** as at February 2017

*** Trigger level for chilled: 133,300 tonnes swt for Japan Fiscal Year (JFY) 2016 (until March 2017), 135,000 tonnes swt for JFY2017 (April 2017 to March 2018).

For frozen: 198,300 tonnes swt and 200,000 tonnes swt, respectively.



Australian beef exports to Japan – summary table

Volume – in tonnes swt		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		292,364	100	264,325	100	288,133	100	1	4,231
Storage	Chilled	117,382	40	116,657	44	123,255	43	-5	-5,873
	Frozen	174,982	60	147,668	56	164,878	57	6	10,104
Meat type	Grassfed	150,308	51	135,320	51	160,169	56	-6	-9,861
	Grainfed	142,057	49	129,005	49	127,964	44	11	14,092
Storage/meat type	Chilled grassfed	28,474	10	31,994	12	37,110	13	-23	-8,636
	Chilled grainfed	88,908	30	84,663	32	86,145	30	3	2,763
	Frozen grassfed	121,833	42	103,326	39	123,059	43	-1	-1,225
	Frozen grainfed	53,149	18	44,342	17	41,820	15	27	11,329

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			%		%		%	%	in A\$ 000
Total		2,011,654*	100	1,809,672	100	1,658,192	100	21	353,462
Storage	Chilled	1,125,313*	56	1,097,255	61	938,916	57	20	186,396
	Frozen	886,342*	44	712,417	39	719,275	43	23	167,066

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Volume – by major cut (in tonnes swt)

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	115,376	39	97,500	37	101,952	35	13	13,424
Brisket	43,301	15	42,381	16	49,505	17	-13	-6,204
Silverside/outside	20,297	7	16,614	6	15,554	5	30	4,743
Blade	16,800	6	16,271	6	18,073	6	-7	-1,273
Chuck roll	15,956	5	13,831	5	14,259	5	12	1,697
Topside/inside	15,241	5	14,084	5	17,339	6	-12	-2,098
Striploin	13,025	4	12,148	5	10,925	4	19	2,100
Fullset	7,497	3	6,828	3	6,527	2	15	970
Other	44,871	15	44,668	17	54,000	19	-17	-9,128
Total	292,364	100	264,325	100	288,133	100	1	4,231

Source: DAWR

Australian BEEF OFFAL exports to Japan – by major cut (in tonnes swt)

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Tongues	7,666	33	7,866	35	8,789	35	-13	-1,123
Skirt	7,289	32	7,170	32	7,741	31	-6	-453
Intestines	2,874	13	2,774	12	3,111	12	-8	-238
Other	5,156	22	4,939	22	5,693	22	-9	-536
Total	22,985	100	22,748	100	25,334	100	-9	-2,349

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
	%		%		%		%	%	in A\$ 000
Total	216,322*	236,785	187,002	16	29,320				

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.



MARKET SNAPSHOT | BEEF

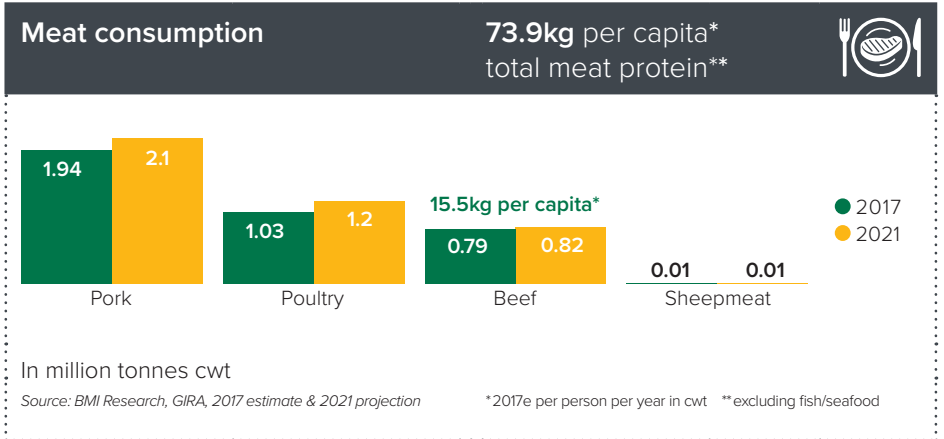
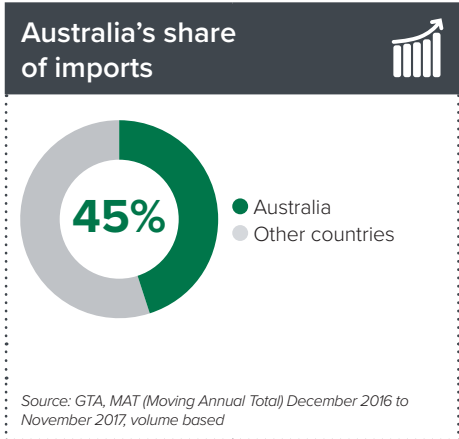
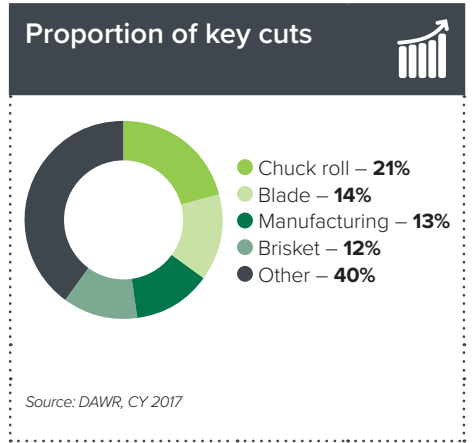
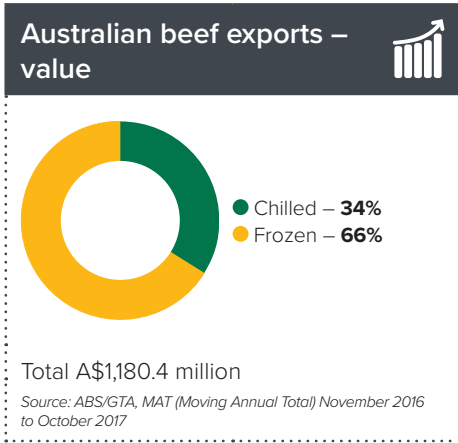
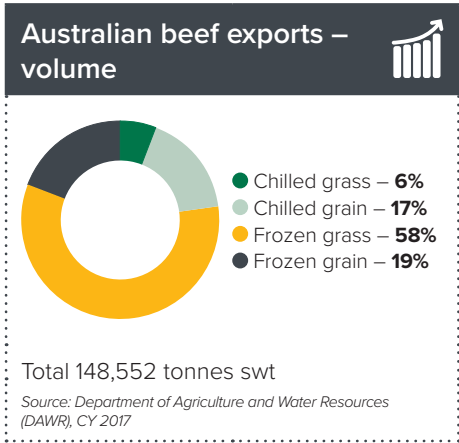
Korea (South Korea)

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 consumer's 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 three years, eliminating the benefits of the tariff reductions and disadvantaging Australia against competitors, particularly the US.
- Korea's high earning consumer base and its preference for grainfed beef consistently supports the high quality beef trade from Australia.
- The impact of the Anti-Bribery Act (introduced in 2016) continues to be felt by high-end restaurants, while tension with North Korea has not yet noticeably affected demand

*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, 2017), 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?**

Easy to prepare	Tastes delicious
Consistent quality	I pay more for this meat
Guaranteed safety	Healthy diet for children
Environmentally sustainable	My/my family's favourite
Healthy diet for children	High nutritional value

Source: MLA Global Consumer Tracker Korea, 2017

- 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 to deliver stronger against safety and superior quality. US beef appeals mainly for its 'convenience to purchase' and 'cuts suited for everyday cooking' (Source: MLA Global Consumer Tracker Korea, 2017). 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.
- Increasing 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.



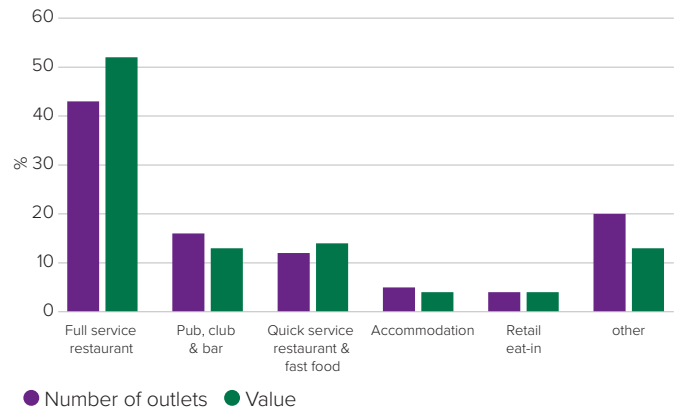
* 2017 data and 2021 forecast, total of beef, pork and chicken, excludes Australia, New Zealand and Hong Kong.

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 market 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 (% out of total) – 2017



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.

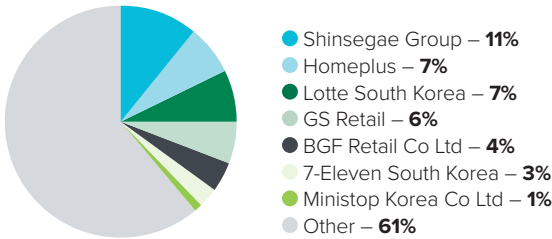
*Largely supplying to institutions (schools, hospitals) and businesses.

Retail



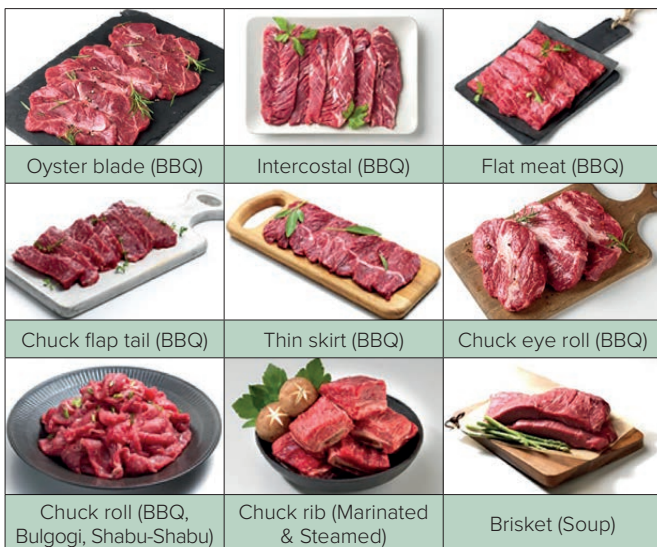
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. On-pack information about country of origin, along with environmental and 'naturalness' credentials are highly important considerations at the point of purchase for beef in Korea (Source: *MLA Global Consumer 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 outlets 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 – 2017



Source: IGD

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



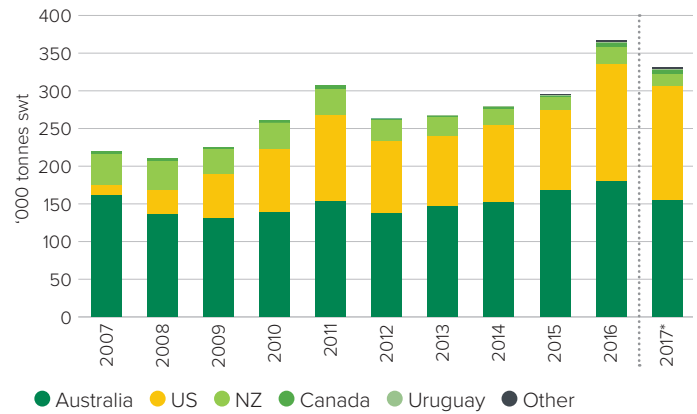
Source: MLA

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. Despite reduced intake from Australia and New Zealand, total import volumes during January to October 2017 reached 331,094 tonnes swt, up 3% year-on-year and the highest on record for the period.
- A tariff-increasing safeguard was triggered for the third year in a row in October 2017, disadvantaging Australia against the US. The tariff differential between the two countries increased from 5.3% to 16%, disrupting Australian trade for the remainder of 2017.

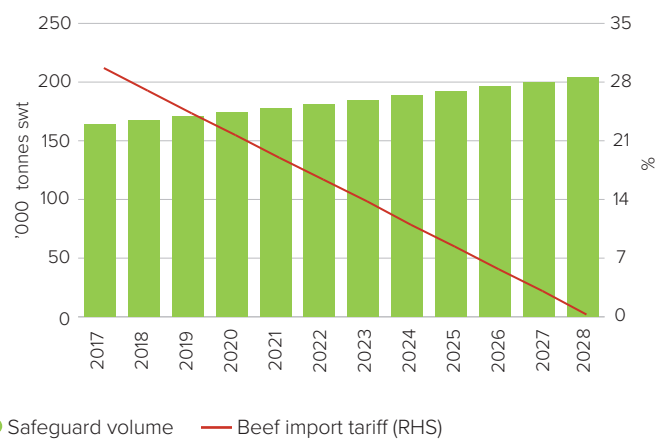
Korea beef imports by supplier



Source: GTA. * Jan to Oct

- 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 280,000 tonnes cwt of beef was produced domestically in Korea during 2017 (Source: *USDA*). Production growth is likely to remain limited in coming years, largely due to producer uncertainty over future cattle prices, ageing farmer population and rising costs.

KAFTA – tariff rates and safeguard volumes



Source: Trade agreement, MLA

- Compared to Australia, the US has a significantly larger safeguard triggering volume* under its trade agreement. It has not been triggered since the agreement entered into force 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)	in 2018 – 26.6% 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		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		148,552	100	179,854	100	153,536	100	-3	-4,985
Storage	Chilled	33,708	23	36,641	20	34,214	22	-1	-506
	Frozen	114,844	77	143,214	80	119,323	78	-4	-4,479
Meat type	Grassfed	94,987	64	124,098	69	113,946	74	-17	-18,959
	Grainfed	53,564	36	55,756	31	39,590	26	35	13,974
Storage/meat type	Chilled grassfed	8,748	6	10,168	6	13,525	9	-35	-4,778
	Chilled grainfed	24,960	17	26,473	15	20,688	13	21	4,272
	Frozen grassfed	86,240	58	113,930	63	100,421	65	-14	-14,181
	Frozen grainfed	28,604	19	29,283	16	18,902	12	51	9,702

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			%		%		%	%	in A\$ 000
Total		1,180,373 *	100	1,359,189	100	995,718	100	19	184,655
Storage	Chilled	402,635*	34	431,128	32	315,929	32	27	86,706
	Frozen	777,738*	66	928,061	68	679,790	68	14	97,948

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Volume – by major cut (in tonnes swt)

Major cut	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Chuck roll	31,650	21	43,561	24	37,655	25	-16	-6,004
Blade	21,334	14	30,160	17	23,893	16	-11	-2,559
Manufacturing	19,357	13	24,134	13	19,541	13	-1	-184
Brisket	17,496	12	17,991	10	14,767	10	18	2,729
Ribs	13,587	9	12,367	7	10,565	7	29	3,022
Short ribs	10,196	7	10,238	6	12,519	8	-19	-2,323
Silverside/outside	8,325	6	12,168	7	9,064	6	-8	-739
Thick flank/knuckle	4,953	3	4,986	3	3,301	2	50	1,653
Other	21,654	15	24,250	13	22,233	14	-3	-580
Total	148,552	100	179,854	100	153,536	100	-3	-4,985

Source: DAWR

Australian BEEF OFFAL exports to Korea – by major cut (in tonnes swt)

Major cut	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Intestines	5,780	24	2,586	11	3,644	14	59	2,137
Skirt	5,126	21	5,283	23	5,468	22	-6	-342
Cheek meat	4,713	20	5,021	22	5,884	23	-20	-1,170
Other	8,255	35	9,682	43	10,218	41	-19	-1,963
Total	23,874	100	22,571	100	25,213	100	-5	-1,339

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
	%		%		%		%	%	in A\$ 000
Total		130,193*		124,576		94,776		37	35,417

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.



MARKET SNAPSHOT | BEEF

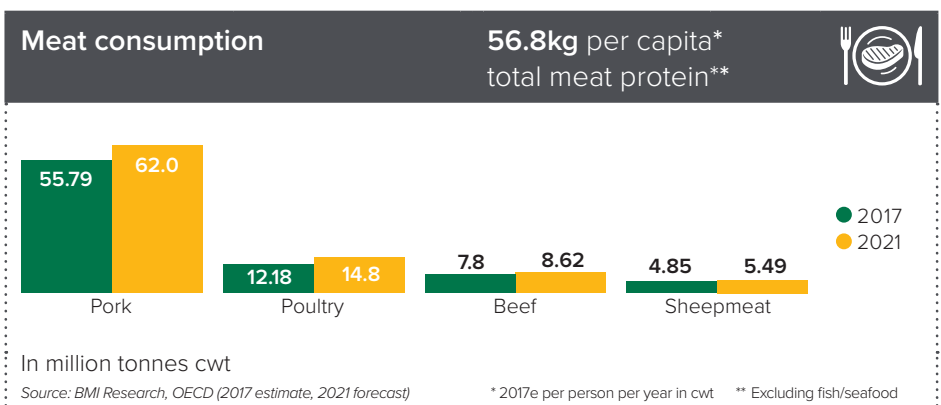
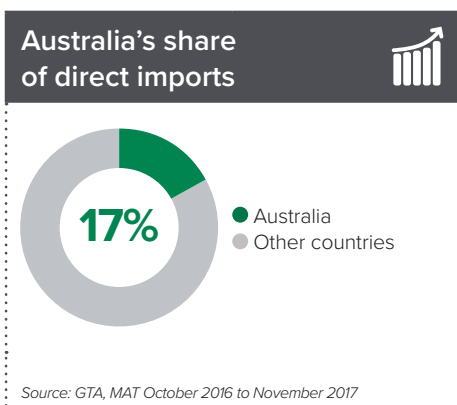
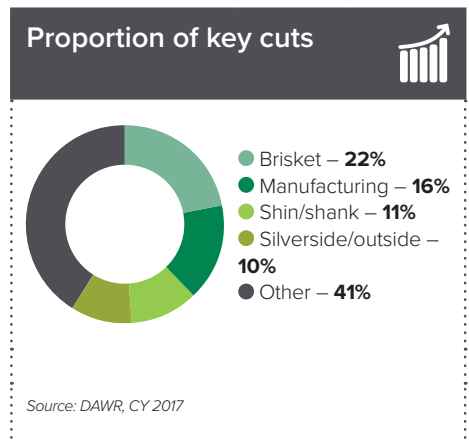
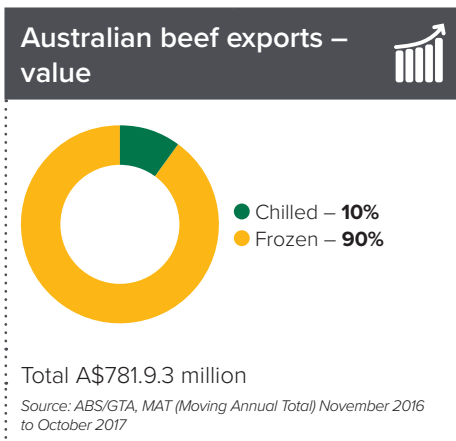
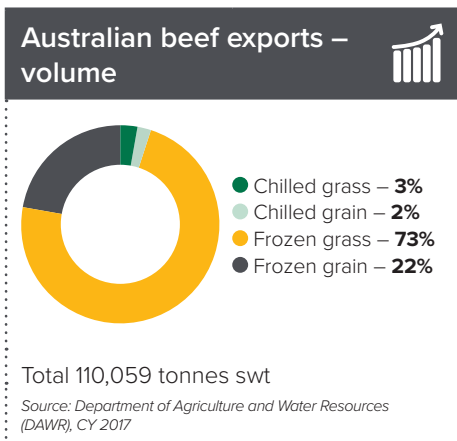
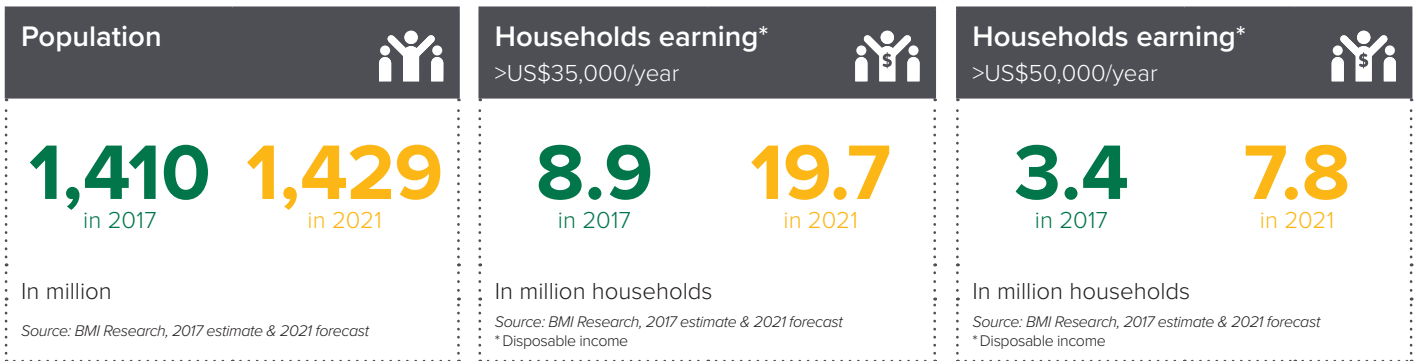
China

China is a large, complex country with significant regional variation, requiring a sophisticated market segmentation approach to identifying and developing 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 contributes a small share of dietary protein in China, wealthier consumers generally eat more beef than average and spend more when they buy it.
- Beef and beef offal is 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



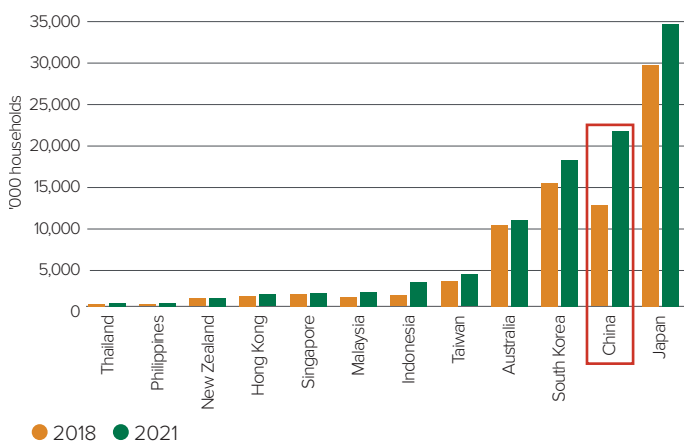
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Consumers



- 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 small, with 12.2 million households earning at least US\$35,000/year disposable income. That number is forecast to increase by 74% to 21.2 million households in the next four years by 2021 (double the number in Australia).

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



Source: BMI Research, 2018 and 2021 forecast. * Disposable income

- In China, beef contributes 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 some 24% from around 6.5kg in 2017e to 8.1kg in 2027f (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)?	What associations do consumers have to beef?
My/my family's favourite meat	High nutritional value
Easy and convenient to prepare	Essential part of children's diet
Essential part of children's diet	My/my family's favourite meat
Cheaper	Easy and convenient to purchase
Can be used in many different meals	Tastes delicious and Willing to pay more for it

Source: MLA Global Consumer Tracker China, 2017

- 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. These consumers recognise Australia 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).

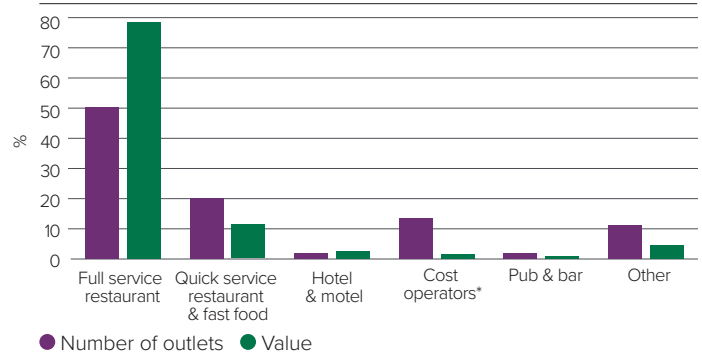
- Challenges with cold chain management in China remain significant, particularly for higher-end beef product, but improvements are increasing the availability and reach of Australian beef products to consumers in more cities.

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 food '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: Global Data).

Outlet number and value by key foodservice channel (% out of total) – 2017



Source: GlobalData, 2017 estimate. * Cost operators: includes educational, military and medical institutions, state-owned enterprises etc.

- 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 US\$1,275 billion in 2018f), but it is also one of the world's most regionalised and fragmented (Source: IGD).

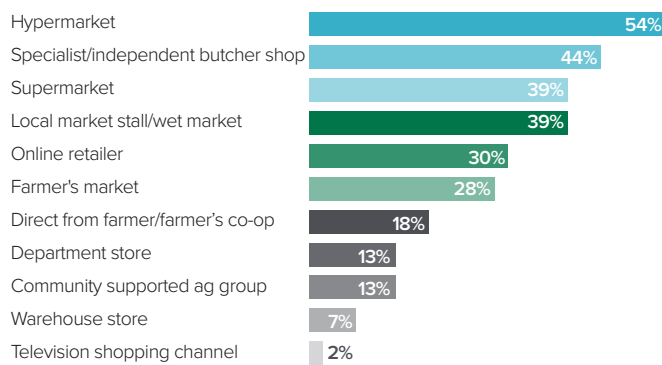
Top five grocery retailers by market share rank by China region

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

Source: Kantar Worldpanel, September 2017

- 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, but still use wet markets sometimes. This is particularly for home consumption rather than meat that is served to guests, and when it's 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.

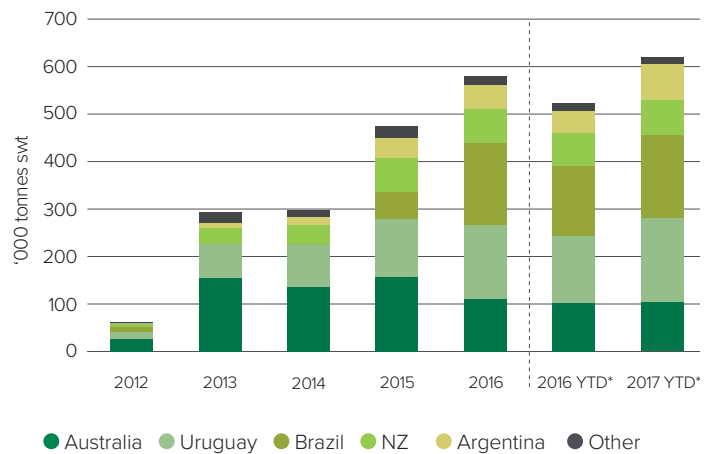
- In 2017, South Africa and France were granted market access to China for some beef products and the US re-gained limited market access after being banned since 2003, when a case of bovine spongiform encephalopathy (BSE) was detected in the US.
- In March 2017, Australia and China signed a Joint Statement on Enhancing Inspection and Quarantine Cooperation, aimed at providing Australian exporters 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 in the future.

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 53 million head in 2017 (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.
- In 2016, direct beef imports comprised around 9.5% of the beef consumed in China (Source: BMI Research, 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 up until 2017, when China granted access to the US, approving 37 establishments, and New Zealand on a preliminary six-month trial basis involving 10 establishments.

China direct beef imports by country of origin



Source: GTA, China Customs.

*YTD Jan-Nov

Live exports



- Despite high prices and the complexity of the live feeder/ slaughter cattle protocol signed between Australia and China in 2015, some 1,200 Australian live cattle were exported for processing, as well as 11,883 beef breeders and 58,888 dairy breeders exported to China in 2016–17 (Source: DAWR, ABS).
- China also has a live feeder/slaughter cattle protocol agreement with Uruguay and imports mostly dairy breeder cattle, particularly from New Zealand, which supplied China with 458,179 head in 2016–17. Smaller numbers were supplied by Chile, Uruguay and Mexico (Source: GTA).





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA)	2018 Chilled and frozen beef 7.2% Chilled carcasses 12% Frozen carcasses 15% 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 170,000 tonnes swt in 2018	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		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		110,059	100	94,040	100	110,917	100	-1	-858
Storage	Chilled	6,045	5	6,526	7	6,253	6	-3	-208
	Frozen	104,014	95	87,514	93	104,664	94	-1	-650
Meat type	Grassfed	83,544	76	70,483	75	94,330	85	-11	-10,785
	Grainfed	26,515	24	23,557	25	16,588	15	60	9,927
Storage/meat type	Chilled grassfed	3,560	3	4,656	5	5,084	5	-30	-1,525
	Chilled grainfed	2,486	2	1,870	2	1,169	1	113	1,316
	Frozen grassfed	79,985	73	65,827	70	89,246	80	-10	-9,261
	Frozen grainfed	24,029	22	21,687	23	15,418	14	56	8,611

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			%		%		%	%	in A\$ 000
Total		781,921*	100	670,415	100	640,560	100	22	141,361
Storage	Chilled	79,327*	10	80,526	12	56,830	9	40	22,498
	Frozen	702,593 *	90	589,889	88	583,730	91	20	118,863

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Volume – by major cut (in tonnes swt)

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Brisket	24,248	22	21,689	23	23,572	21	3	676
Manufacturing	17,446	16	13,071	14	9,110	8	92	8,336
Shin/shank	11,688	11	13,565	14	15,929	14	-27	-4,240
Silverside/outside	11,026	10	6,813	7	10,347	9	7	679
Blade	8,355	8	6,124	7	7,642	7	9	713
Other	37,296	34	32,779	35	44,318	40	-16	-7,022
Total	110,059	100	94,040	100	110,917	100	-1	-858

Source: DAWR

Australian BEEF OFFAL exports to China – by major cut (in tonnes swt)

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Heart	687	34	1,643	37	1,526	33	-55	-839
Tendon	574	29	1,618	37	1,688	25	-66	-1,114
Other	743	7	1,146	26	886	41	-16	-143
Total	2,004	100	4,407	100	4,100	100	-51	-2,096

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			%		%		%	%	in A\$ 000
Total	26,019*	27,176		23,264		12		2,755	

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.



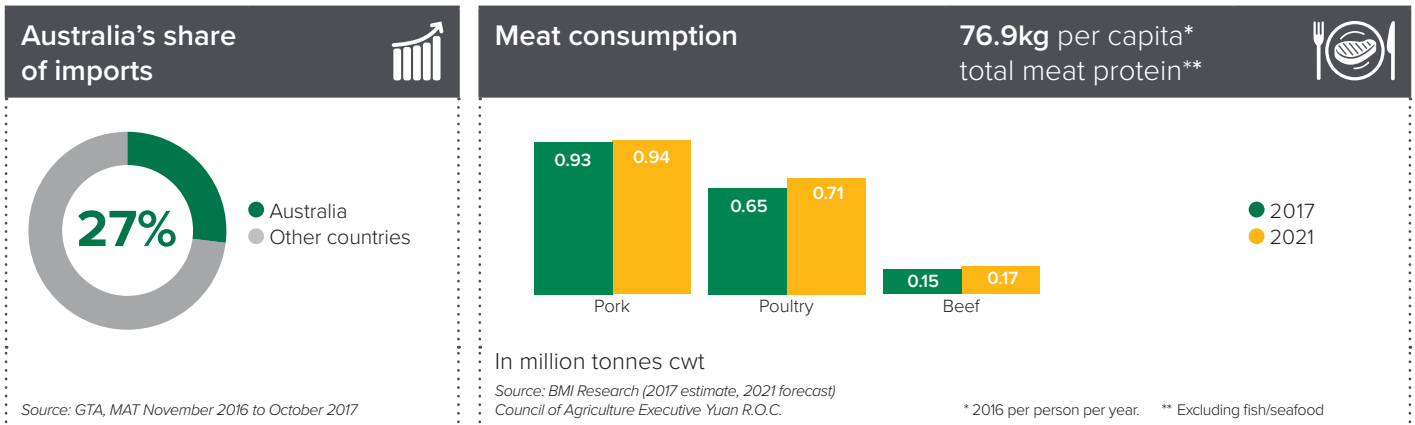
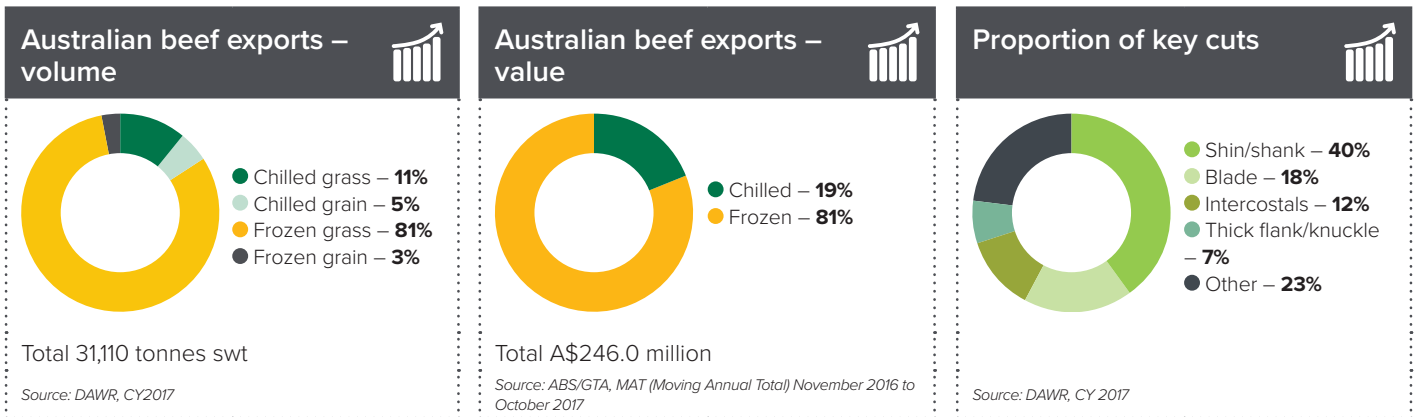
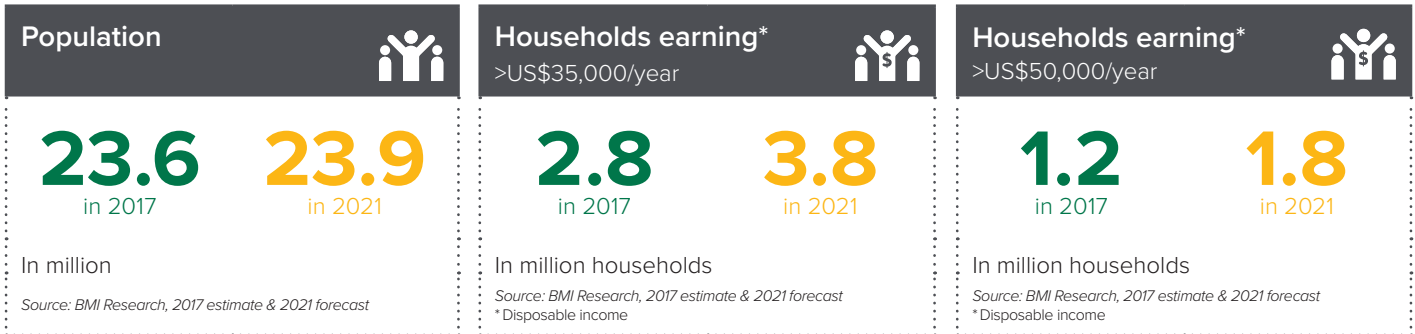
MARKET SNAPSHOT | BEEF

Taiwan

Taiwan has been a consistent destination market for Australian beef over the past two decades. Although beef contributes only a small proportion of dietary protein in Taiwan, consumption demand is forecast to continue growing in future, driven by a combination of increasing incomes, tourism and shifting diets among youth.

Challenges and opportunities in Taiwan for Australian beef include:

- Taiwan has a large population of young urban adults, with growing disposable incomes and more openness to western-style foods, which will grow demand for premium beef products.
- Although Taiwan's population is ageing, its highly urbanised, wealthy and mobile-connected older citizens represent new value growth opportunities for Australian beef in the foodservice sector.
- Australian chilled beef exports to Taiwan have tripled over the past decade, representing a key segment for future growth.
- Taiwanese consumers' awareness of Australian beef is high and perceptions are positive. Education and marketing are playing a critical role in increasing the utilisation of a greater variety of beef cuts in the market. Australia will continue to focus on developing opportunities at high-end foodservice and retail outlets.
- Taiwan's beef market is becoming more competitive with several countries, including Japan, the Netherlands and Sweden being granted conditional market access in 2017. In 2015, the US surpassed Australia to become Taiwan's largest beef supplier and will continue to be Australia's key competitor in the market.



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Consumers



- Taiwanese dietary protein is dominated by pork, chicken and seafood, but per capita beef consumption has more than doubled over the past 20 years and increased by 46% in the past decade alone (Source: Taiwan Council of Agriculture). Beef consumption growth is forecast to continue, driven by high disposable incomes, low inflation and a large young adult population (Source: BMI Research).
- Beef's perceived comparative strengths are that it is high in nutritional value, tastes delicious, is quite versatile and a family favourite. On the downside, it is considered difficult to prepare.

Attributes important for all proteins and beef associations

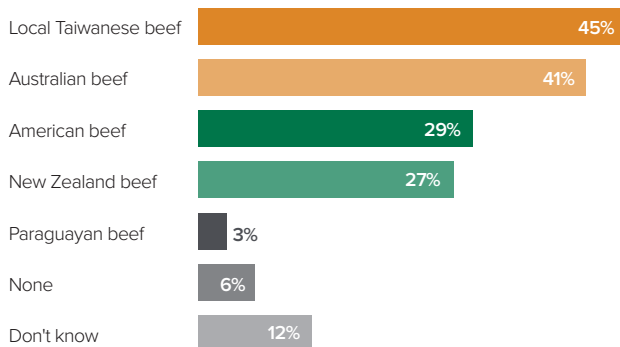
What attributes are important for Taiwanese consumers (all proteins)? **What associations do consumers have to beef?**

My/my family's favourite meat	High nutritional value
Easy and convenient to prepare	Tastes delicious
Consistent quality standards	Can be used in many different meals
Freshness	My/my family's favourite meat
Most superior meat	Essential part of children's diet

Source: MLA Global Consumer Tracker Taiwan, 2016

- Taiwan's consumer market for premium beef products has matured, offering a range of opportunities. Some segments have developed a preference for highly marbled beef, such as US prime and Australian Wagyu M8+, while other health and lifestyle-driven segments seek quality grassfed beef.
- Australian beef is well positioned in Taiwan, with consumers perceiving Australian beef as having superior safety, quality consistency, and being higher in nutritional value compared to other import suppliers.

Taiwan consumer perceptions of their favourite beef by country of origin



Source: MLA Global Consumer Tracker Taiwan, 2016

- Taiwan's population is quite wealthy by regional standards, with 933,000 households earning more than US\$50,000/year disposable income, which is forecast to almost double to 1.8 million by 2021. This growing middle-high income consumer group offers premium opportunities for Australian beef (Source: BMI Research).

Foodservice



- The foodservice sector in Taiwan is critical for Australian beef, accounting for an estimated 70% of volume, with the remainder going into retail for home consumption. The Taiwanese love to eat out and do so significantly more than the global average. With forecasted spend to increase, this will remain a critical channel.
- Almost half of Australia's frozen beef exports (mostly grassfed), are comprised of shin/shank and intercostals, which are primarily used in the slow wet cooking of local Chinese-style dishes such as beef noodle soup, which Taiwan is famous for. Thin-sliced beef is used for hot pot or shabu shabu cooking.

Popular beef cuts in Taiwan

Intercostals and shin (special trim) are used in beef noodle soup



Source: MLA Asian Cut Guide, 2013



Source: iStock

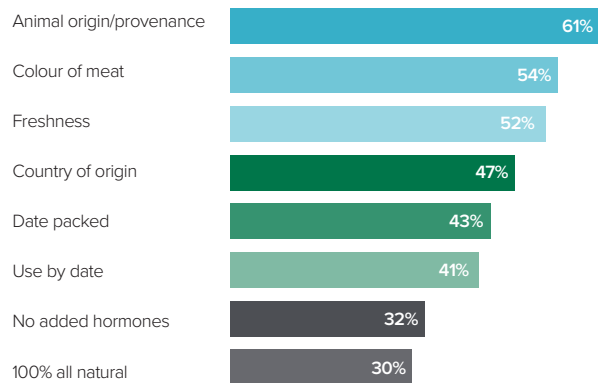
- Australia also exports a mix of frozen and chilled cube roll/rib eye roll, striploin and tenderloin cuts for use in western-style cooking. The western-style fine dining segment has grown in recent years, with a number of new high-end restaurants opening in major cities, using premium beef cuts. Australian Wagyu has established a presence in this sector and mid-grained product is also becoming known. Japanese yakiniku is also a very popular cuisine in Taiwan, with cube roll/rib eye roll in high demand by yakiniku restaurants.
- Tourism is an important and growing sector of Taiwan's economy, accounting for a significant proportion of beef consumption. Taiwan's unique food culture, shaped by a mix of its own indigenous cuisines as well as those from China and Japan, is known as a regional food trend-setter. There are opportunities for Australian beef to link in with these trends, which may have spill-over benefits into the wider Asian region beyond Taiwan.
- Taiwan's government has a New Southbound Policy which targets South-East and South Asian countries, making Australia (and New Zealand) a potential strategic partner for regional economic cooperation. As the number of visitors from these regions grows, the demand for Halal meat products will increase.

Retail



- According to Taiwanese law, all beef product (raw meat chilled and frozen, value added and pre-cooked, both packed and bulk) must have country of origin information on the label. Hence, consumers have a strong awareness of beef's country of origin.
- Taiwanese buyers of Australian beef tend to buy it from either supermarkets or hypermarkets.

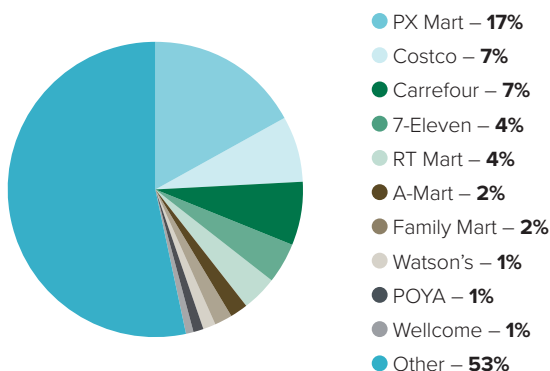
Top things Taiwanese consumers look for on-pack when purchasing beef



Source: MLA Global Consumer Tracker Taiwan, 2016

- Taiwan's grocery retail sector is quite mature and consolidated by regional standards, assisted by a high rate of urbanisation (78% urban in 2018) and reasonably high population density.
- Taiwan is unique for having the most convenience stores per capita in the world. As this format approaches saturation, hypermarkets are forecast to see faster sales growth in coming years and will be a strong channel for imported beef sales growth.
- Strong competition in the retail sector is encouraging innovation. New growth may emerge from developments in ready-to-eat categories and eat-in areas, which may offer new opportunities for imported beef.

Taiwan's largest grocery retail market players by market share – 2017



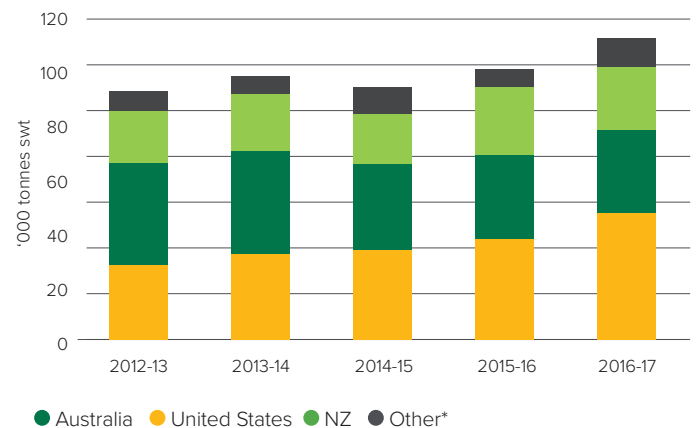
Source: Kantar WorldPanel, 18 June 2017, 52 rolling weeks.

Other suppliers



- While Taiwanese consumers regard their own domestically produced beef very highly, the country is a small producer and is forecast to rely on imports for almost 96% of the beef consumed on the island in 2018 (Source: BMI Research).
- Taiwan's beef import demand appears to be strengthening. In 2016, annual beef imports exceeded the 100,000-tonne mark for the first time ever, reaching 109,522 tonnes swt.
- Most imported beef is supplied by the US, Australia and New Zealand, which have dominated the import market since the 1990s.

Taiwan total beef imports by country of origin



Source: GTA, Financial year data.

*Other includes: Paraguay, Nicaragua, Panama, Honduras, Costa Rica and Canada.

- Australia's beef exports to Taiwan have hovered around 30,000 tonnes swt/year for the past two decades. While they are mostly comprised of frozen grassfed product, chilled volumes have grown steadily over the years, more than tripling between 2007 and 2017, with the unit price almost doubling in that period.
- In recent years, Australia has exported a few air shipments of mostly dairy breeder live cattle to Taiwan.
- In 2016–17, the US was Taiwan's leading chilled beef supplier at 69% volume share and Australia at 20% market share (Source: GTA).
- Taiwan imported 7,035 tonnes swt of bovine offal 2016–17, with Australia now the second largest supplier after Nicaragua, exporting mostly frozen tendon and tripe (honeycomb) to the market.
- US imports are limited to beef derived from cattle less than 30 months of age due to bovine spongiform encephalopathy (BSE) concerns. Furthermore, items such as ground beef and internal organs are ineligible.
- Taiwan's beef market has become increasingly competitive:
 - New Zealand beef now enters Taiwan tariff free under the ANZTEC agreement
 - Conditional access has been granted to Japan, Sweden and the Netherlands after a 14-year ban due to bovine spongiform encephalopathy (BSE) concerns.
 - Taiwan and Paraguay signed an economic cooperation agreement, expanding the beef quota for Paraguayan beef to 10,406 tonnes swt in 2017 (from 880 tonnes in 2014).
 - In July 2017, Honduras re-gained market access after a suspension of trade for several years.



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	NT* \$10/kg 15% tariff on offal	<ul style="list-style-type: none"> Australia's access is equal to the US but less advantageous than New Zealand NT\$10/kg on US and Paraguayan beef, 15% tariff on offal NT\$1/kg tariff on beef from El Salvador, Honduras 0% tariff on beef from Panama, Guatemala, Nicaragua, New Zealand, Singapore 	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA.

* New Taiwan Dollar

Australian beef exports to Taiwan – summary table



Volume – in tonnes swt	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.		
		% out of total		% out of total		% out of total	%	in tonnes swt	
Total	31,110	100	31,385	100	34,447	100	-10	-3,337	
Storage	Chilled	4,978	16	5,056	16	4,921	14	1	57
	Frozen	26,132	84	26,329	84	29,526	86	-11	-3,394
Meat type	Grassfed	28,687	92	29,856	95	32,064	93	-11	-3,376
	Grainfed	2,423	8	1,529	5	2,383	7	2	39
Storage/meat type	Chilled grassfed	3,381	11	3,939	13	3,304	10	2	77
	Chilled grainfed	1,597	5	1,116	4	1,617	5	-1	-20
	Frozen grassfed	25,307	81	25,916	83	28,760	83	-12	-3,454
	Frozen grainfed	825	3	412	1	766	2	8	59

Source: DAWR

Value – in A\$ 000	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.		
		%		%		%	%	in A\$ 000	
Total	245,956*	100	240,779	100	221,994	100	11	23,962	
Storage	Chilled	47,418*	19	45,613	19	45,508	20	4	1,910
	Frozen	198,538*	81	195,166	81	176,487	80	12	22,051

Source: ABS/GTA. 2016* = Moving Annual Total (MAT), November 2016 to October 2017.

Volume – by major cut (in tonnes swt)	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Shin/shank	12,422	40	11,866	38	11,160	32	11	1,262
Blade	5,715	18	5,845	19	7,269	21	-21	-1,554
Intercostals	3,625	12	3,879	12	4,310	13	-16	-686
Thick flank/knuckle	2,329	7	2,013	6	2,083	6	12	246
Chuck roll	1,670	5	1,024	3	1,411	4	18	259
Other	5,349	17	6,757	22	8,213	24	-35	-2,864
Total	31,110	100	31,385	100	34,447	100	-10	-3,337

Source: DAWR

Australian BEEF OFFAL exports to Taiwan - by major cut (in tonnes swt)	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Tendon	1,753	60	1,120	42	1,206	40	45	547
Tripe	913	31	1,306	48	1,252	42	-27	-339
Other	248	9	267	10	531	18	-53	-283
Total	2,914	100	2,692	100	2,989	100	-3	-75

Source: DAWR

Value – in A\$ 000	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in A\$ 000
Total	24,529*	100	19,114	100	14,263	100	72	10,266

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.



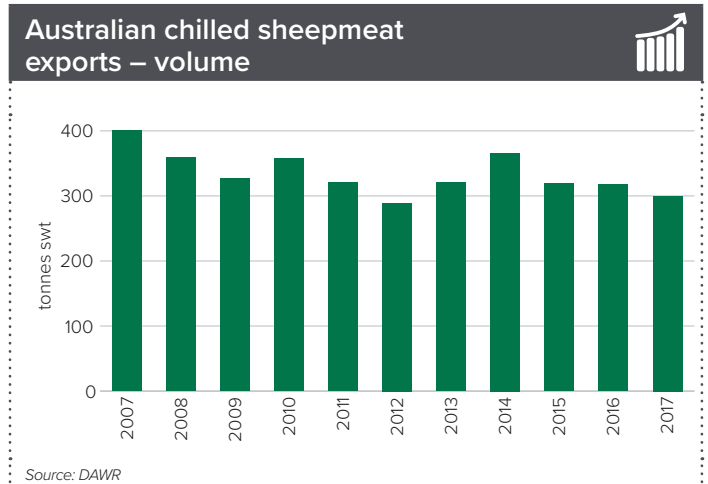
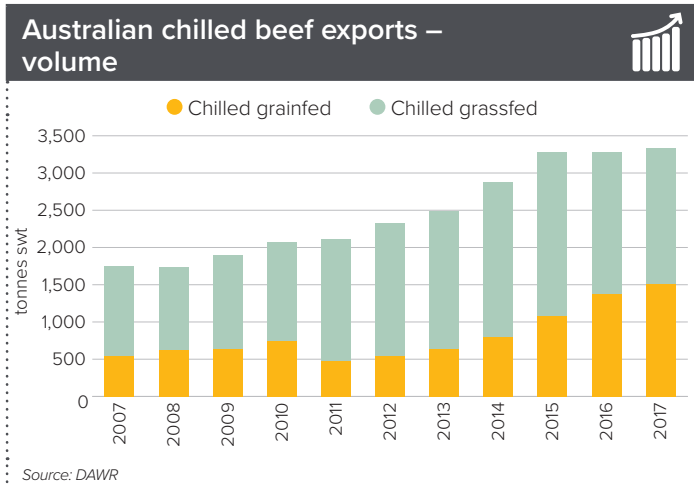
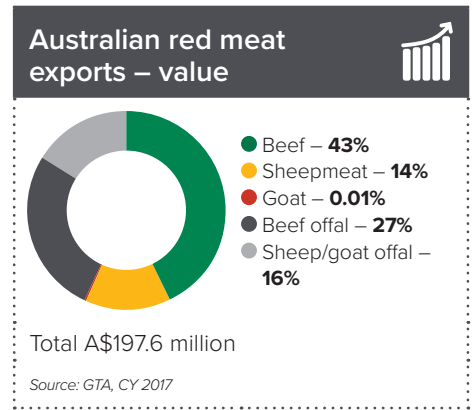
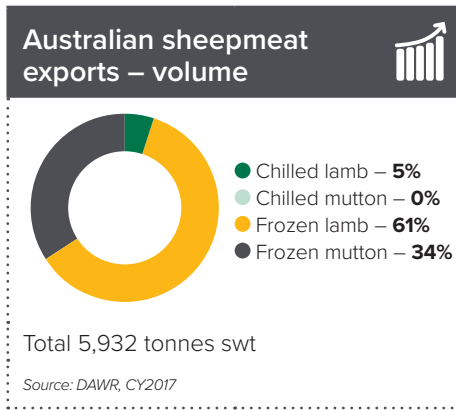
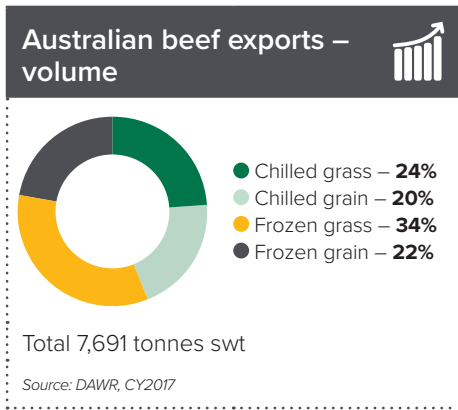
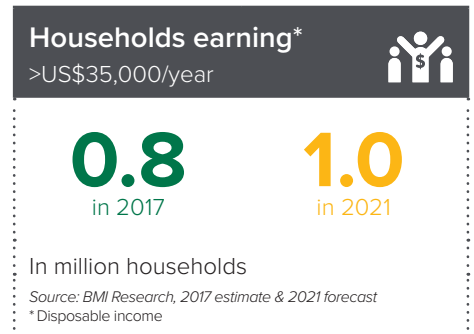
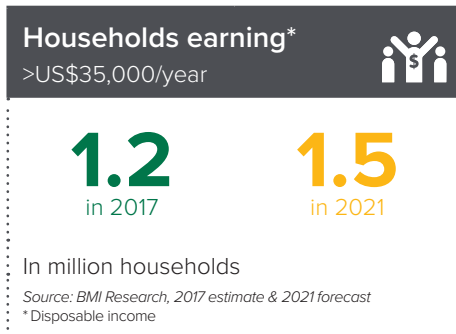
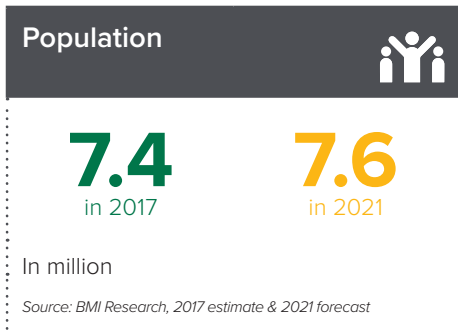
MARKET SNAPSHOT | RED MEAT

Hong Kong SAR, China

Hong Kong SAR (Special Administrative Region) is a unique, high value market for red meat, with its comparatively wealthy local population, large number of in-bound tourists, relatively low market access barriers and its traditional role as a regional re-export hub.

Challenges and opportunities in Hong Kong for Australian beef and sheepmeat include:

- Hong Kong demand for premium chilled beef and lamb, of which Australia is a key supplier, in both high-end retail and foodservice sectors has steadily grown over the years and is expected to remain robust into the medium term.
- However, it is anticipated Australia will face increased competition from a range of suppliers and in all segments of the market as Hong Kong becomes more of a target destination for exports.
- Australia-Hong Kong Free Trade Agreement (A-HKFTA) negotiations officially commenced in May 2017. Although Hong Kong is one of the world's most open markets, Australia is seeking to formalise the current tariff-free arrangement for Australian red meat and livestock imports, as well as progress market access for a number of co-products where there is currently no agreed certification.



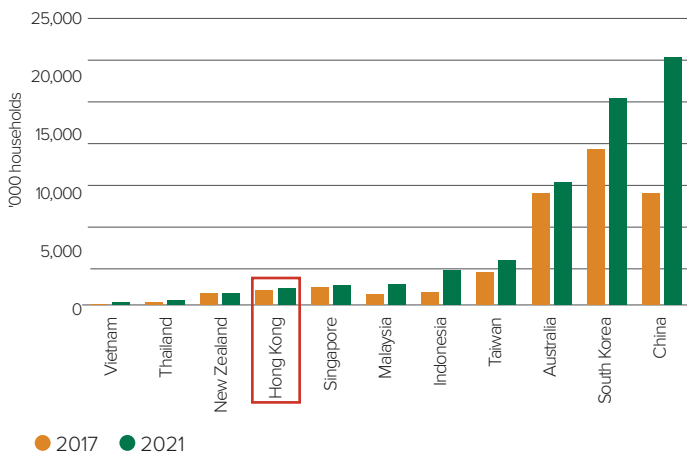
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Consumers



- Hong Kong is an attractive market for premium Australian red meat due to its large tourist visitor numbers and a wealthy population that is open to western-style foods and who can regularly afford premium imported meat products.
- Hong Kong is one of the world's most densely populated cities and the region's most affluent. The proportion of households forecast to earn over US\$35,000/year disposable income in Hong Kong will be 47% in 2018 (compared to 2.5% in China), including many wealthy expatriates (Source: BMI Research).

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



Source: BMI Research. 2017 estimate, 2021 forecast. * Disposable income

- Hong Kong's traditional food style reflects China's southern cuisines with diets traditionally dominated by seafood, pork and poultry due to local production, versatility and price.
- However, beef and lamb are forecast to see stronger year-on-year sales growth compared to other proteins in Hong Kong, driven by a growth in demand for cuisines that use red meat, such as western, Japanese, Korean, and northern Chinese. Hong Kong's long history as a regional trade centre, British colonial influence and large international tourism in-flows makes consumers particularly receptive to international foods and flavours.

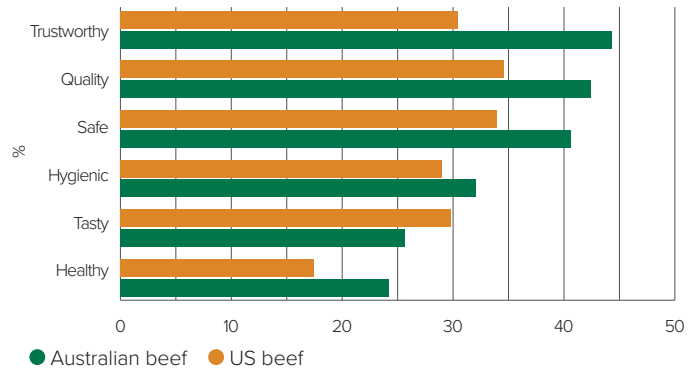
Hong Kong, sales, US\$ million, % year-on-year growth

	2018	2021
Beef	7.7	8.2
Lamb	6.5	7.0
Other meats and preparations	7.0	7.6
Shellfish and preserved fish	5.1	5.7
Poultry	5.1	5.6
Fish and fish products	4.5	5.1
Pork	3.0	3.3
Bacon and ham	-3.6	2.6
Other preserved/processed fish and seafood	0.7	0.4

Source: BMI Research. 2018 and 2021 forecast figures.

- Food safety is a prominent consideration for consumers, contributing to growing demand for natural and organic foods with traceable provenance, including in the meat category.
- Despite an ageing population and decreasing household size, wealthy, urbanised and technologically proficient consumers in Hong Kong will spend more on premium, specialised propositions such as convenience and functional foods (Source: BMI Research).
- Although awareness of Australian beef isn't quite as high as US beef, Australian product is highly regarded by those who have consumed it, especially when it comes to trust, quality and safety.

Hong Kong consumer perceptions of Australian and US beef



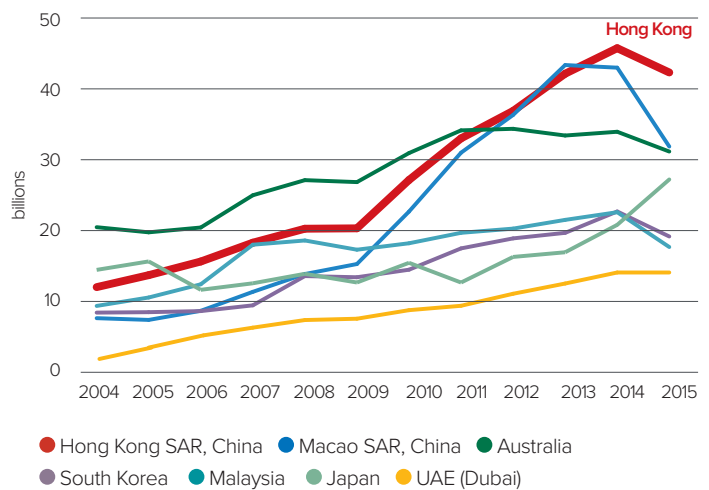
Source: MLA Report, Understanding of the Hong Kong Beef Market, 2013

Foodservice



- Hong Kong has a large, well-developed foodservice sector that is fuelled by its significant tourist visitor numbers and accounts for a significant portion of red meat consumption.

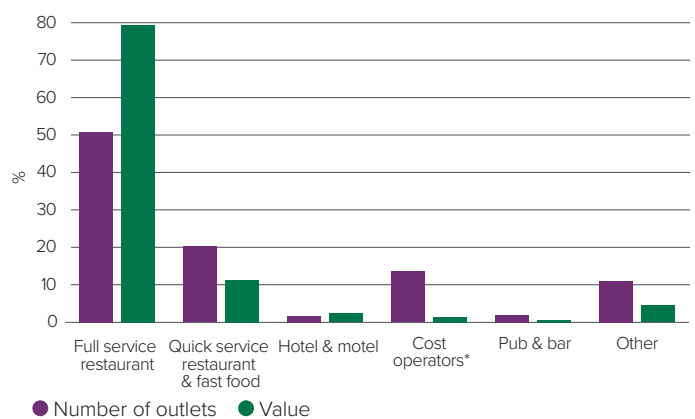
International tourism receipts (current US\$)



Source: World Bank

- Hong Kong's foodservice sector is dominated by full service restaurants, which is also the largest channel by value for beef and lamb, followed by quick service restaurants. These restaurants demand chilled and frozen whole, raw beef cuts and chilled, processed lamb products in the form of coated portions (e.g. crumbed) and sausages (Source: GlobalData).

Outlet number and value by key foodservice channel (% out of total) – 2017



Source: GlobalData. 2017 estimate.

* Cost operators: includes educational, medical, welfare institutions.

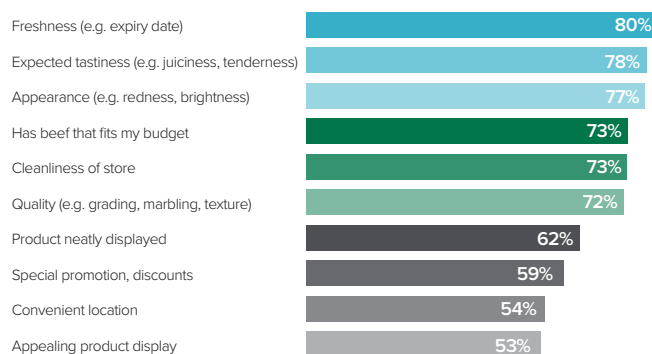
- Australian beef and lamb is sold in a wide variety of foodservice channels in the mid to high-end range. When consumers want a premium red meat experience, they tend to enjoy it at steakhouses and western and Japanese restaurants, where product provenance is more prominent.



Source: iStock

- When buying beef at retail, freshness, appearance and expected taste are the top considerations of Hong Kong shoppers.

Hong Kong consumer's top 10 beef purchase considerations



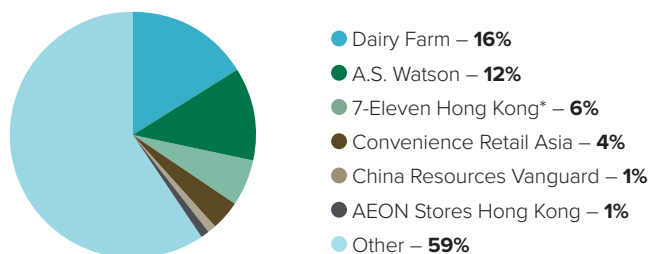
Source: MLA Report, *Understanding of the Hong Kong Beef Market, 2013*. Top 2 Box Agree: Extremely + Very important.

Retail



- Hong Kong's grocery retail sector is highly developed and very competitive due to its wealthy but comparatively small market size and increasing availability of cheaper food products from neighbouring markets. It is a vital channel for Australian red meat with around 75% of Australian chilled beef, and around a third of Australian chilled lamb sold through retail (MLA estimates).

Hong Kong Grocery Retail Market Share – 2018



Source: IGD, 2018 forecast.

* In Hong Kong, 7-Eleven is part of the Dairy Farm Group.

- Country of origin labelling is not mandatory in Hong Kong but pre-packed portioned red meat products must list the company name and address where the portioning occurred. Where meat is processed on-site, this labelling information is not required. However, as a mature market, Hong Kong consumers want to know where their meat comes from and consequently most product indicates origin at point-of-sale in some way.
- Hong Kong consumers are cosmopolitan and sophisticated, reflected in the growing presence of food halls, gourmet and specialist stores. 'Premiumisation' is a major driver of retail growth, shaped by a growing demand for healthier, more innovative value-added food propositions, such as ready-made and frozen foods (Source: BMI Research).
- New local convenience and specialist stores are emerging in the market, intensifying competition and providing premium meat with new channels. Online grocery shopping penetration levels remain low, as a high population density makes local smaller format stores more convenient for busy working shoppers and the elderly.

Trade issues



- Imported food is essential in Hong Kong, with imports expected to account for at least 95% of all food consumed into the foreseeable future. In 2018, all beef, lamb and poultry consumption is expected to be sourced from imports (Source: BMI Research).
- Hong Kong has been an important regional re-export hub, particularly for frozen meat. In recent years, Hong Kong frozen red meat import volumes have seen more volatility and general declines, as market access conditions in neighbouring countries have changed. As China's meat market opens up to more suppliers and importing policy reforms are implemented in coming years, Hong Kong's role in meat re-exporting is likely to gradually decline over the coming decade.
- The 29km-long Hong Kong–Zhuhai–Macau Bridge, due to open late 2017, will connect Hong Kong, Macau and mainland China. This area will become an important economic hub along the Maritime Silk Road, part of China's Belt and Road Initiative. This project is likely to further boost tourism visitors to the region, shorten goods transportation times and integrate Hong Kong further with mainland processing industries.

Other suppliers



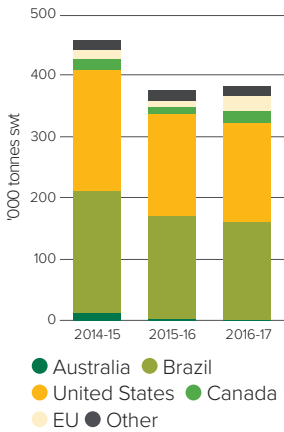
Beef

- Of Hong Kong's total frozen beef imports in 2016–17 (totalling 312,240 tonnes swt), Brazil supplied just over half (51%) followed by the US (29%), with Australia supplying a much smaller share of 0.5%.
- Despite their small volumes, frozen imports from EU countries such as the UK, Ireland, Poland and the Netherlands have been increasing, intensifying competition.
- Of Hong Kong's total chilled beef imports in 2016–17, Australia was the largest supplier (47% volume share), followed by the US (29%) and Brazil (8%). The 2016–17 average unit price of Hong Kong's chilled beef imports was A\$23.78/kg, compared to A\$6.33/kg for frozen beef.

- Japan's chilled beef volume share of 7% accounts for 20% of the value share, largely consisting of highly marbled Wagyu beef products.

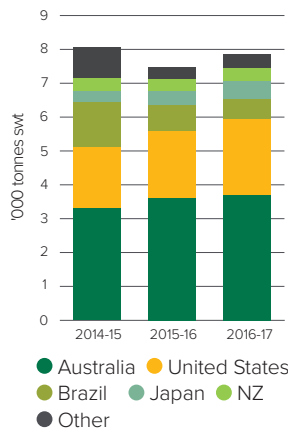
- Sheep offal imports are supplied by Australia (98% of which is frozen tripe), as well as the UK and New Zealand.

Hong Kong FROZEN beef imports



Source: GTA, Financial year data.

Hong Kong CHILLED beef imports

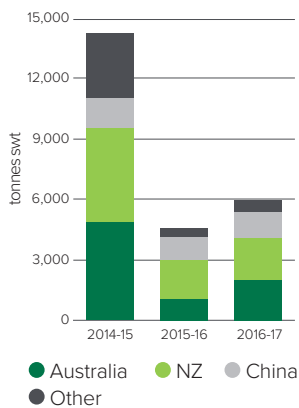


Source: GTA, Financial year data.

Sheepmeat

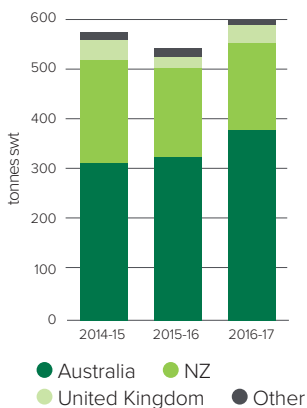
- Hong Kong's frozen sheepmeat imports have fallen sharply in recent years due to a drop in demand from China. Frozen mutton imports peaked at 20,785 tonnes swt in 2010, dropping to 3,806 tonnes swt in 2016. Australia, New Zealand and China are Hong Kong's main sheepmeat suppliers.
- Hong Kong's chilled lamb import volumes have been steadier in recent years with Australia consistently the leading supplier, with a volume share of 85% in 2016-17.

Hong Kong TOTAL Sheepmeat imports



Source: GTA, Financial year data.

Hong Kong CHILLED Sheepmeat imports



Source: GTA, Financial year data.

Offal

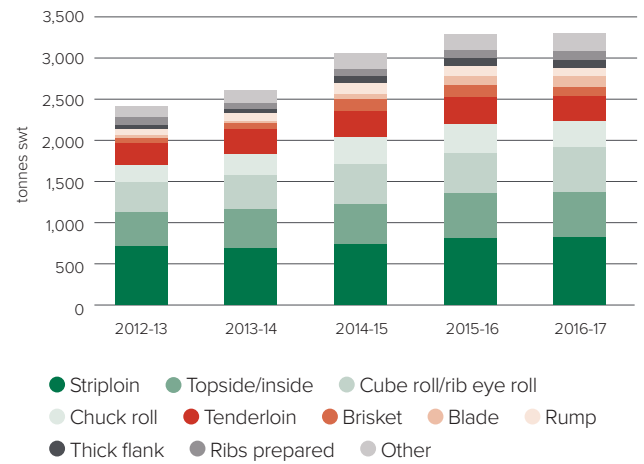
- Hong Kong is the world's largest importer of beef and sheep offal. In 2016-17, beef offal imports totalled 279,391 tonnes swt, valued at A\$1.1 billion – 99% is frozen and most is tripe. Much of this product is re-exported to China, where it is used in a wide variety of dishes. For the same period, frozen sheep/goat offal imports totalled 21,155 tonnes swt, valued at A\$78.5 million.
- Brazil supplies just over 50% of Hong Kong's beef offal imports, followed by the US and Argentina.
- In 2016-17, Australia exported 18,174 tonnes swt of frozen bovine offal to Hong Kong, representing 7% of Hong Kong's total frozen bovine imports, consisting mostly of tripe. Australia's small volume of chilled beef offal exports to Hong Kong (132 tonnes swt), which are most likely consumed in Hong Kong, were mostly cheek meat, skirt and tail.

SPOTLIGHT ON AUSTRALIAN PREMIUM RED MEAT EXPORTS TO HONG KONG



- In 2016-17, Australia's chilled beef exports to Hong Kong reached a 10-year high of 3,317 tonnes swt, valued at A\$64.5 million.
- The unit prices earned were almost 80% higher (A\$19.37/kg) than the average of all Australia's chilled beef export markets (A\$10.87/kg). Striploin comprised the largest proportion (25%) of chilled beef cuts exported to Hong Kong in 2016-17. The proportion and quantity of grainfed beef has been increasing in recent years as demand for more premium quality cuts has grown.

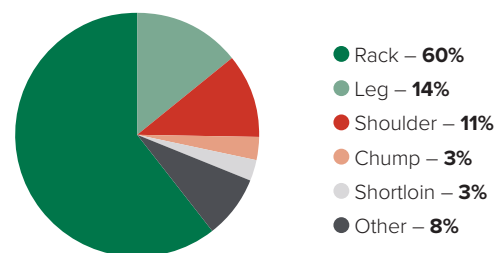
Australian chilled beef cuts exports to Hong Kong



Source: DAWR, Financial year data.

- Australia's chilled lamb exports to Hong Kong have consistently hovered near the 300-tonne mark for 10 years. In 2016-17, Australia exported 304 tonnes swt, valued at A\$8.1 million.
- Unit prices in 2016-17 were 28% higher (A\$12.29/kg) than the average of all Australia's chilled lamb export markets (A\$9.64/kg).
- Rack comprised the largest proportion (60%) of Australia's chilled lamb cuts exported to Hong Kong.

Australian chilled lamb cuts exports to Hong Kong 2016-17



Source: DAWR, Financial year data.



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A, but Australia is negotiating an agreement*	N/A	Australia has same access with other suppliers	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Australia-Hong Kong Free Trade Agreement (A-HKFTA) negotiations officially commenced in May 2017.

Australian red meat exports to Hong Kong – summary table



Australian BEEF exports to Hong Kong

Volume – in tonnes swt		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		7,691	100	4,494	100	7,460	100	3	231
Storage/meat type	Chilled grassfed	1,825	24	1,901	42	1,963	26	-7	-138
	Chilled grainfed	1,513	20	1,374	31	886	12	71	627
	Frozen grassfed	2,650	34	948	21	4,083	55	-35	-1,433
	Frozen grainfed	1,702	22	271	6	527	7	223	1,175

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017	%	2016	%	5-year average (2012-2016)	%	change 2017 vs 5-yr av.	
								%	in A\$ 000
Total		85,727*	100	76,585	100	82,055	100	4	3,672
Storage	Chilled	65,407*	76	62,495	82	45,451	55	44	19,955
	Frozen	20,320*	24	14,090	18	36,603	45	-44	-16,283

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Australian SHEEPMEAT exports to Hong Kong

Volume – in tonnes swt		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		5,932	100	1,264	100	6,938	100	-15	-1,006
Storage/meat type	Chilled lamb	300	5	317	25	322	5	-7	-22
	Chilled mutton	-	0	-	0	0.4	0	-100	-0.4
	Frozen lamb	3,599	61	842	67	4,563	66	-21	-964
	Frozen mutton	2,033	34	105	8	2,053	30	-1	-20

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017	%	2016	%	5-year average (2012-2016)	%	change 2017 vs 5-yr av.	
								%	in A\$ 000
Total		26,794*	100	12,161	100	32,786	100	-18	-5,992
Storage	Chilled	20,179*	75	11,723	96	25,546	78	-21	-5,366
	Frozen	6,615*	25	439	4	7,240	22	-9	-626

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Australian BEEF OFFAL exports to Hong Kong

Volume - by major cut (in tonnes swt)		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		20,662	100	20,664	100	22,063	100	-6	-1,402
Tripe		20,069	97	19,790	96	21,184	96	-5	-1,116
Tendon		414	2	652	3	665	3	-38	-251
Other		179	1	222	1	213	1	-16	-34

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017	%	2016	%	5-year average (2012-2016)	%	change 2017 vs 5-yr av.	
								%	in A\$ 000
Total		53,778*		58,919		73,215		-27	-19,437

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Australian SHEEP OFFAL exports to Hong Kong

Volume - by major cut (in tonnes swt)		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		10,456	100	9,128	100	9,395	100	11	1,061
Tripe		10,223	98	9,075	99.4	9,072	96.6	13	1,151
Kidney		229	2	1	0.0	304	3.2	-25	-75
Other		4	0	52	1.6	19	0.2	-79	-15

Source: DAWR

value – in A\$ 000

value – in A\$ 000		2017	%	2016	%	5-year average (2012-2016)	%	change 2017 vs 5-yr av.	
								%	in A\$ 000
Total		31,151*		29,780		31,002		0	150

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.



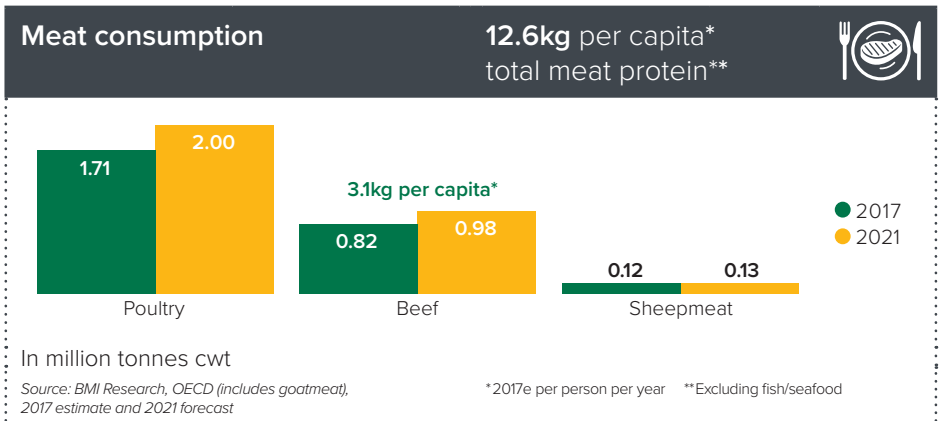
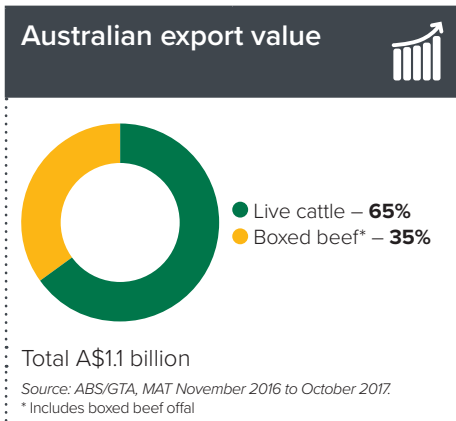
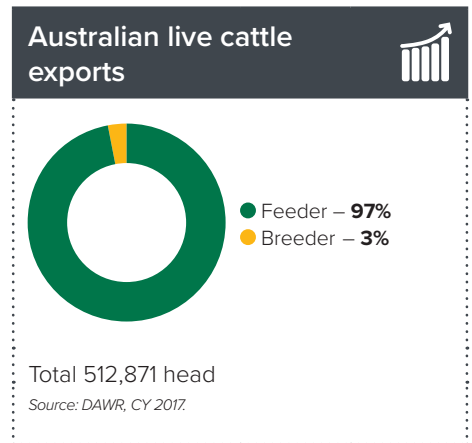
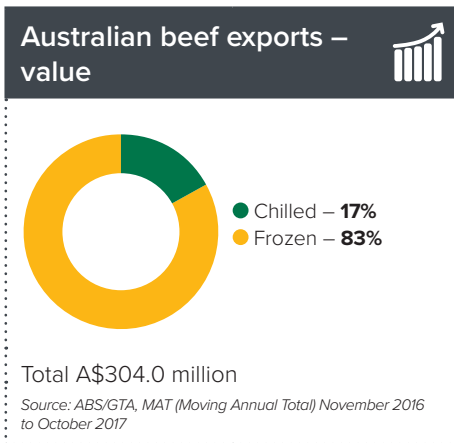
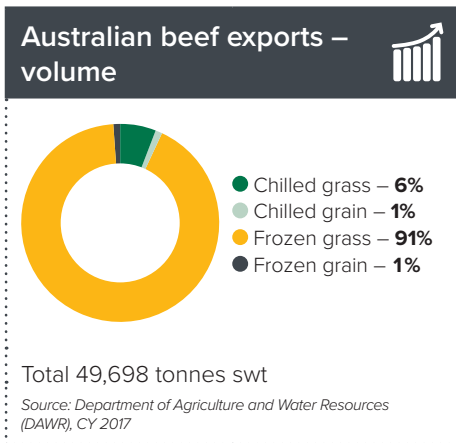
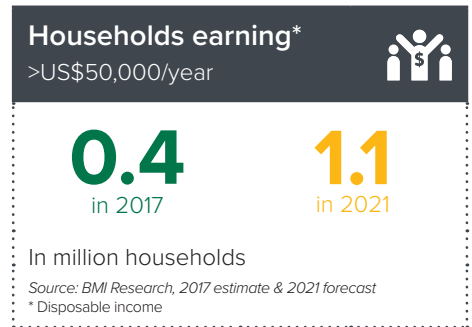
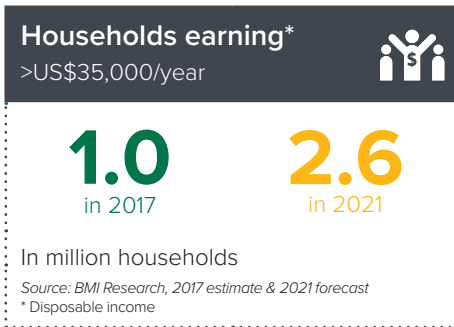
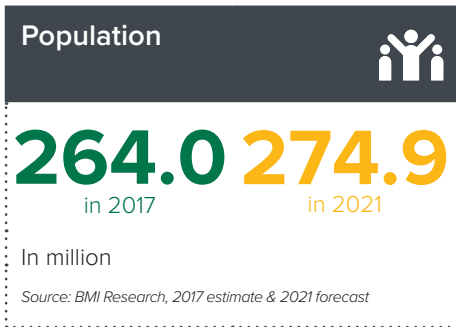
MARKET SNAPSHOT | BEEF

Indonesia

Indonesia's expanding population, rapid urbanisation and rising household incomes have increased demand for high quality food and evolved protein consumption habits. These trends have supported beef consumption. Affordable beef prices and increasing self-sufficiency remain a top priority of the Indonesian government. A number of measures have been introduced to achieve its objectives.

Challenges and opportunities in Indonesia for Australian beef include:

- The Indonesian government is seeking to grow supplier competition to stabilise beef prices. This has included granting access to Indian buffalo meat (IBM) in August 2016 which can now be found across wet markets, small and medium meat and *bakso* (meatball) manufacturers, and foodservice outlets. It is also currently assessing Brazil as a potential supplier, which would further intensify competition.
- Continued regulatory uncertainty as the government is expected to closely monitor measures imposed on both boxed beef and live cattle imports in line with its food security goals.
- With a large population and rapid rise in household incomes, Indonesia's total household spending on food and beverages is amongst the world's highest and is forecast to grow continuously, highlighting strong growth potential for Australian beef.
- A young, increasingly urban population with rising disposable incomes is creating opportunities for Australian beef within modern foodservice and retail outlets. Australian beef has a strong, well-established reputation in Indonesia and is perceived as the most superior meat by consumers, indicating a strong foundation for expansion in the premium segment.



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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

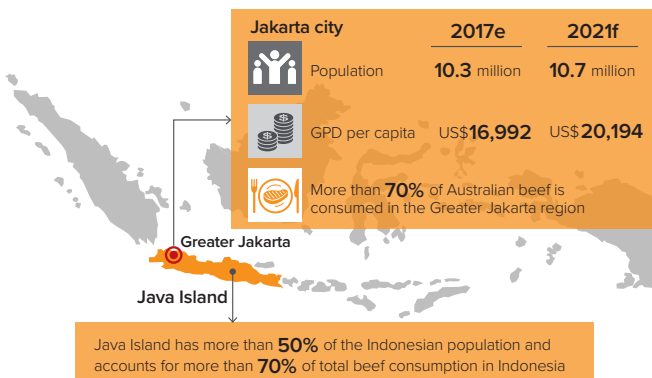
What attributes are important for Indonesian consumers (all proteins)? **What associations do consumers have to beef?**

My/my family's favourite meat	Most superior meat
Environmentally sustainable	Willing to pay more for this meat
Easy and convenient to prepare	My/my family's favourite
Willing to pay a bit more for this meat	Can be used in many different meals
Essential part of children's diet	Consistent quality standards

Source: MLA Global Consumer Tracker Indonesia, 2017

- 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.

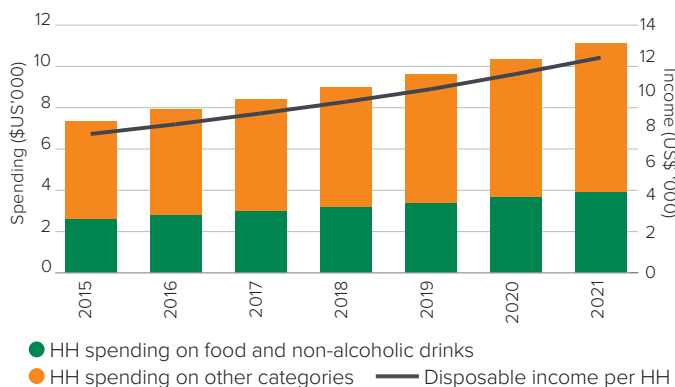
Jakarta city profile



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. The proportion of people living in urban areas is expanding continuously. An additional 10 million people are expected to live in urban areas by 2021 (Source: BMI Research).

Indonesian household (HH) income and spending



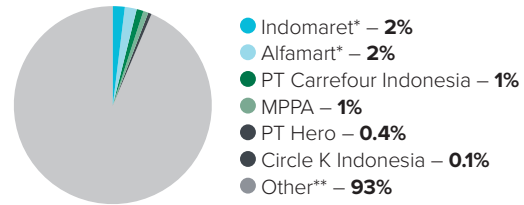
Source: BMI Research

Retail



- Indonesia's modern grocery retail market is highly fragmented and only accounts for approximately 7% of the market; however, it is continuously expanding.

Grocery retail market share – 2017

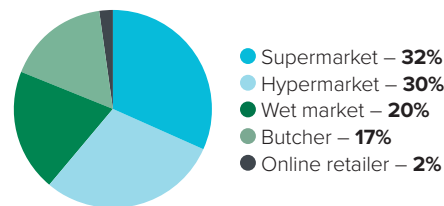


Source: IGD, 2017 estimate

* Convenience store ** Include wet markets

- In Greater Jakarta, where the majority of Australian beef is consumed, consumers generally visit multiple retail channels from modern to traditional outlets to purchase beef. Australian beef is also sold across a range of different retail channels in the region, however supermarkets and hypermarkets remain the most common places of purchase.
- 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?



Source: MLA Global Consumer Tracker Indonesia, 2017

Top five important themes motivating beef purchase

- 1 Halal
- 2 Freshness
- 3 Safety
- 4 Natural
- 5 Value

Source: MLA Global Consumer Tracker, 2017, Indonesia

- Outside of wet markets, Indian buffalo meat can also be found in modern retail outlets. Its presence is partly propelled by the government's policy that modern retail has to provide cheap frozen meat offering of maximum IDR 80,000/kg (about A\$7.8/kg), in place since April 2017.

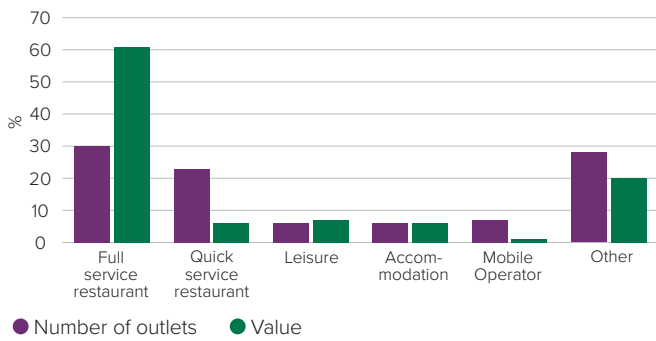


Foodservice



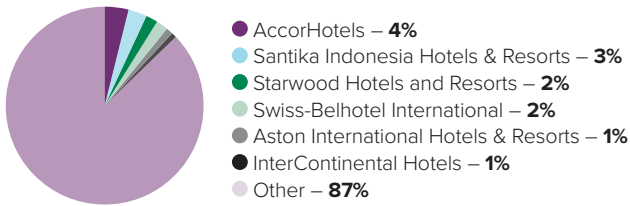
- The foodservice channel in Indonesia is diverse, ranging from high-end international restaurants to local family-owned kiosks, known as *warungs*, and street vendors.
- Beef* is mostly consumed in full service restaurants (68%) and quick service restaurants (24%). These are expected to remain the largest channels for beef consumption in this sector (Source: GlobalData).
- 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.
- Since the legal entry of Indian buffalo meat, small foodservice operators have exhibited increased preferences towards cheaper Indian buffalo meat as it 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 strongly, supported by continued urbanisation, rising incomes and growing tourism.

Proportion of outlet number and value by key foodservice channel – 2017



Source: GlobalData. 2017 estimate

Market share of major hotel chains by foodservice sales – 2016



Source: GlobalData

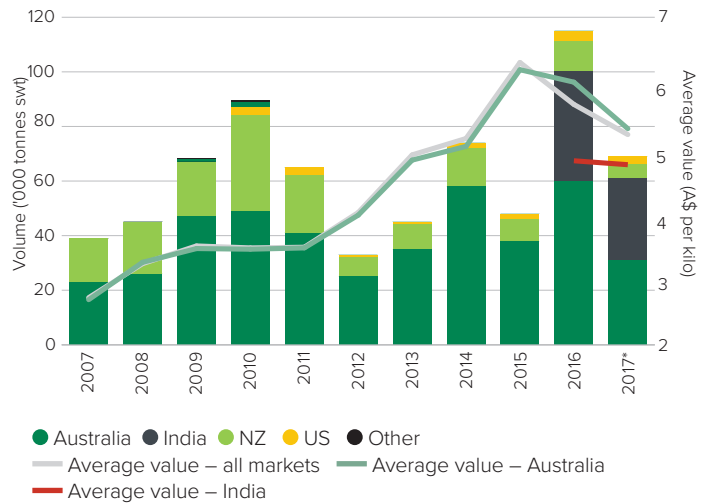
* Beef excludes processed and cooked beef products.

Other beef suppliers



- The competitive landscape has become more complex since market access was granted to Indian buffalo meat (IBM) in August 2016 – a government's measure aimed at reducing high beef prices.
- Between August 2016 and July 2017, IBM imports to Indonesia totalled 69,596 tonnes swt, 25% greater than the volume of Australian beef imports (55,823 tonnes swt), making India the largest supplier of bovine meat (excluding offal) in the market. However, including offal, Australia maintains a greater market share.
- The majority of IBM is used in wet markets, followed by small and medium *bakso* manufacturers and foodservice operators. A very small proportion of IBM is sold in modern retail outlets.
- Despite the small proportion (4%, or 5,023 tonnes swt), US beef imports grew significantly from August 2016 to July 2017, up 78% compared to the same period last year.
- In addition to permitting IBM imports, the Indonesian government is looking to further broaden its sources of imported beef. Brazil is being assessed as a potential supplier of beef and cattle for 2018, potentially adding further competition to Australian exports.

Indonesia beef imports by supplier



Source: GTA/ABS * YTD Jan-Jul



Indian frozen buffalo meat being sold at special price of IDR 69,000/kg (about A\$6.7/kg) during the opening of the Lulu Hypermarket, Indonesia.

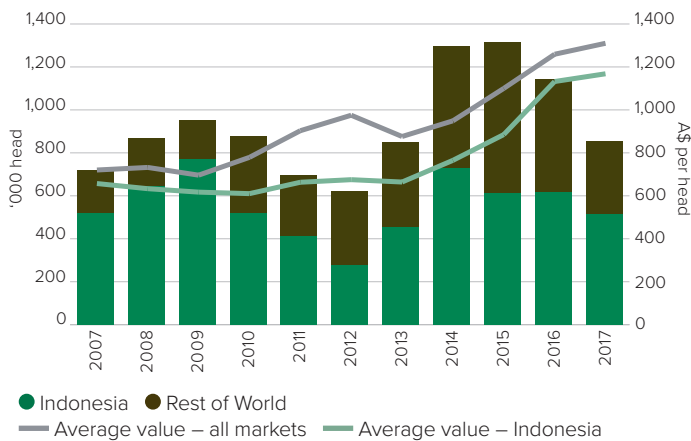


Live cattle exports



- Indonesia is Australia's largest destination for live cattle exports. In 2017, 512,871 cattle were shipped to the market, down 17% year-on-year. The decline was influenced by a range of factors including tight supply and strong livestock prices in Australia, coupled with increasing regulatory complexity surrounding the live cattle import permit system, the presence of cheaper buffalo meat imports, and the 5:1 feeder to breeder import policy of the Indonesian government.
- Australian lot-fed cattle in Indonesia have played an important role in meeting the growing consumer demand for beef. It is estimated to account for more than 10% of the Indonesia's total beef consumption volume.
- The 5:1 feeder to breeder 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.
- Australia has been the sole trade partner supplying live cattle to Indonesia. However, the Indonesian government is exploring additional sources including Mexico and Brazil.

Australian live cattle exports



Source: ABS, GTA, DAWR. 2007-2014 export volumes are based on ABS, 2015-2017 are based on DAWR. 2017 average values are Jan-Oct figures. There might be minor differences between the ABS/GTA data above and other reports published by DAWR owing to differences in the data extraction dates and source.

Trade access



- The Indonesian government is intensifying its efforts to achieve stable beef prices and boost domestic beef production capacity. A number of measures have been introduced, including the opening of trade with foot and mouth disease (FMD) countries; revisions to import permit conditions and removal of quota; the 5:1 feeder to breeder import policy; and the relaxation of restrictions on boxed beef cuts and weight limits for live cattle that can be imported to the country.
- In 2016, the government relaxed its regulations on the importation of secondary cuts of beef and offal which were imposed in the previous year. Under the new regulations, most beef cuts are now allowed to be imported into the market.
- In early 2017, the government introduced revised regulations on the weight and age limits of imported feeder cattle. Under the revision, the average weight limit for feeder cattle imports has been increased from 350kg to 450kg, with a maximum age of 48 months (up from 36 months).
- The Indonesian government has also put in place a maximum ceiling price policy for a number of commodities including fresh and frozen beef. To stabilise prices and provide consumers with access to affordable meat, modern retailers are also required to sell frozen beef at maximum IDR 80,000/kg (about A\$7.80/kg) as part of its policy.
- The tenth round of Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) negotiations was held in November 2017. The IA-CEPA will address impediments to bilateral trade, and explore ways to enhance economic cooperation in specific sectors identified as key drivers of economic growth. The agricultural sector is one of the key discussion items in the negotiations.



Ramadan



- Beef consumption spikes during 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

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





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN* - Australia-New Free Trade Agreement (AANZFTA) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) under negotiation	Boxed beef – 5% on chilled & frozen bone-less 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 carcass, 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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		49,698	100	61,676	100	44,093	100	13	5,606
Storage	Chilled	3,752	8	4,667	8	3,448	8	9	305
	Frozen	45,946	92	57,009	92	40,645	92	13	5,301
Meat type	Grassfed	48,517	98	60,525	98	43,343	98	12	5,174
	Grainfed	1,181	2	1,151	2	750	2	57	431
Storage/meat type	Chilled grassfed	3,048	6	4,139	7	2,988	7	2	60
	Chilled grainfed	704	1	528	1	460	1	53	244
	Frozen grassfed	45,469	91	56,387	91	40,355	92	13	5,114
	Frozen grainfed	478	1	622	1	291	1	64	187

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		304,017*	100	346,877	100	236,694	100	28	67,324
Storage	Chilled	50,208*	17	49,540	14	36,022	15	39	14,186
	Frozen	253,809*	83	297,336	86	200,671	85	26	53,137

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Volume – by major cut (in tonnes swt)

								%	in tonnes swt
Manufacturing	15,313	31	36,143	59	24,134	55	-37	-8,821	
Thick flank/Knuckle	7,513	15	3,165	5	2,957	7	154	4,556	
Brisket	5,579	11	4,031	7	1,541	3	262	4,038	
Other	21,294	43	18,337	30	15,461	35	38	5,833	
Total	49,698	100	61,676	100	44,093	100	13	5,606	

Source: DAWR.

Australian BEEF OFFAL exports to Indonesia (in tonnes swt)

								%	in tonnes swt
Manufacturing*	8,578	33	6,155	34	2,656	27	223	5,922	
Heart	3,788	15	2,481	14	2,237	22	69	1,551	
Liver	3,224	12	1,383	8	1,228	12	162	1,996	
Other	10,490	40	8,136	45	3,858	39	172	6,633	
Total	26,080	100	18,155	100	9,979	100	161	16,101	

Source: DAWR. * Manufacturing includes tongue root, tongue root meat and tongue trimming.

Value – in A\$ 000

								%	in A\$ 000
Total	67,243*		38,367		22,522		199	44,721	

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

Australian LIVE CATTLE exports to Indonesia

Live cattle exports								%	head/value
Volume - in head		512,871		615,604		538,711		-5	-27,968
Value – in A\$ 000		694,656		698,913		459,643		51	235,013

Source: DAWR/ABS (CY2016, CY2017 volume figures), ABS/GTA (5-year-average volume, and value with 2017 value being Moving Annual Total (MAT), November 2016 to October 2017).



MARKET SNAPSHOT | BEEF

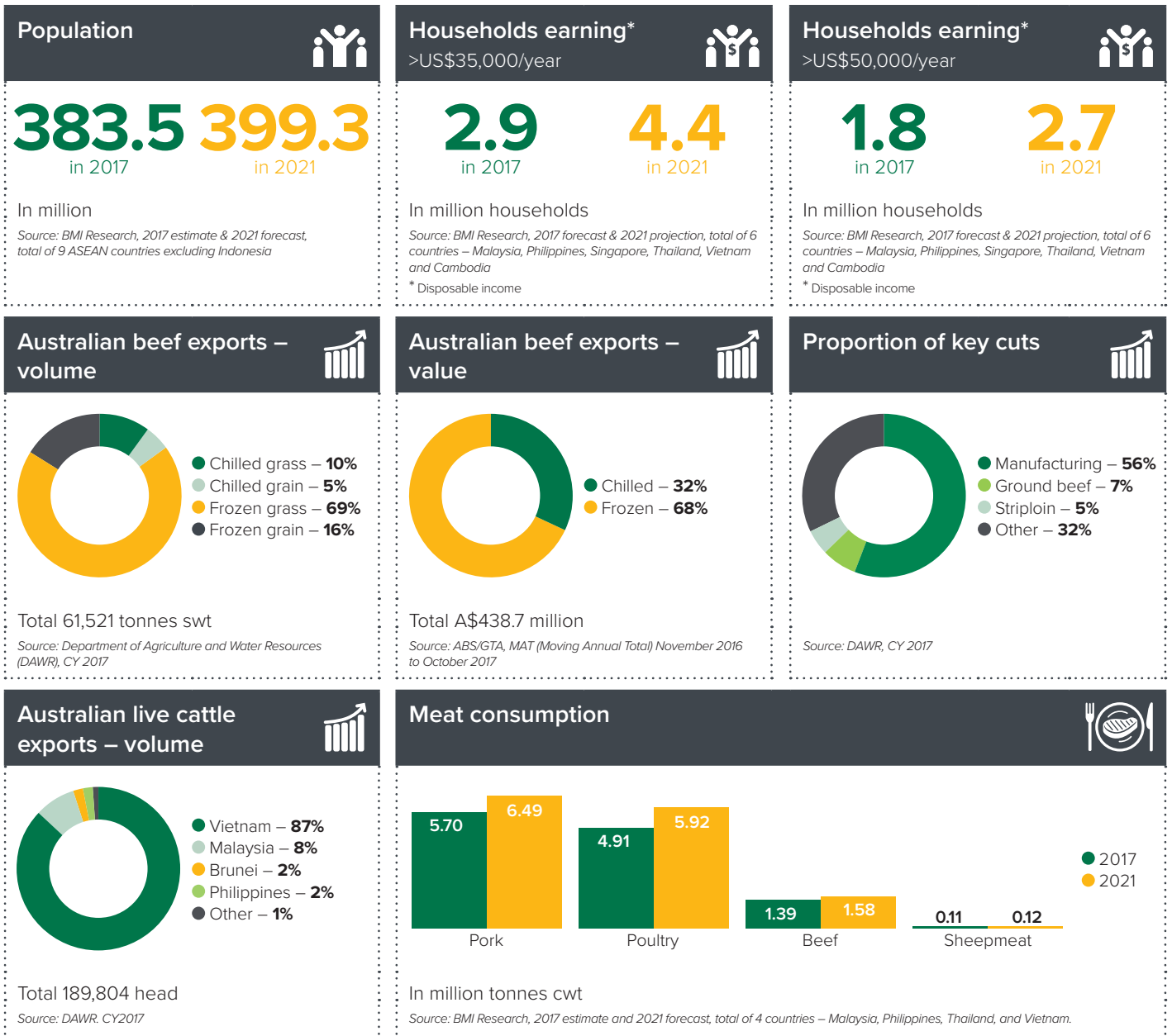
South East Asia (excluding Indonesia)

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. 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.
- Robust growth in the tourism sector, coupled with expansion in retail and foodservice, represent growth potential for beef products, particularly chilled beef.

* 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.



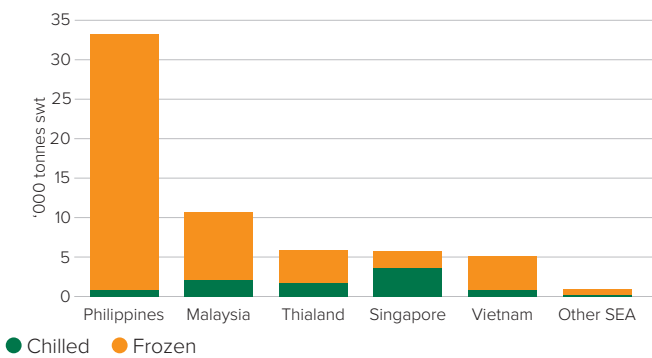
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Consumers



- 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 quite varied across the markets. Singapore remains the largest destination for Australian chilled beef exports in the region, while the Philippines is the largest destination for frozen manufacturing beef. Despite the small volume, Australian chilled beef exports to Vietnam and Cambodia have grown strongly in recent years, underpinned by rapid growth in household incomes and the expansion of modern retail and foodservice sectors.

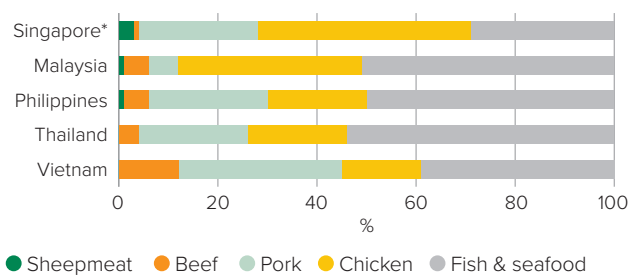
Australian chilled vs. frozen beef exports to SEA – 2017



Source: DAWR

- Fish, seafood and chicken are the most frequently consumed proteins in SEA due to their affordable prices and availability. However, demand for beef is growing fast, supported by rising incomes and the increasing appetite for high quality protein. Beef is also perceived as the most superior meat among the majority of consumers in SEA.

Per capita protein consumption (% out of total, 2017e)



Source: OECD, AVA. * Singapore's figures are of 2016.

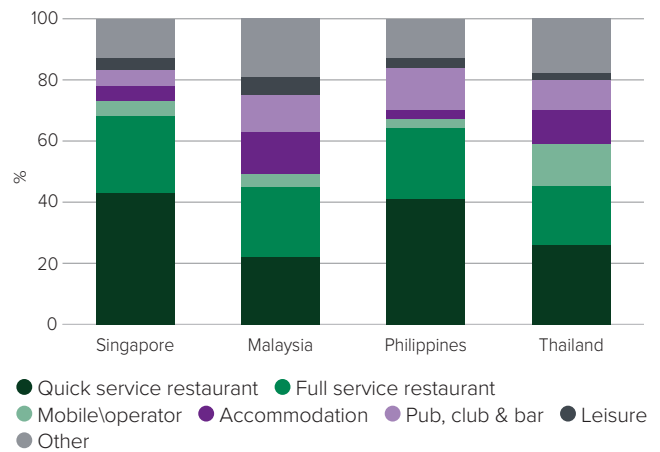


Foodservice



- 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 – 2017e*



Source: GlobalData

*Value does not include institutional sector (e.g. schools, hospitals, military services, etc.).

- Malaysia is forecast to be the fastest-growing market for foodservice in the region, largely supported by its rapid rise in number of high-income households and urban population.

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

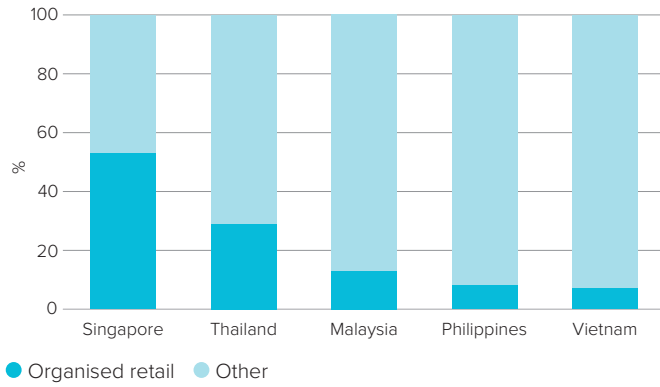
- Young, urban consumers with increasing incomes in SEA tend to have a strong appetite for modern, trendy and international restaurants and menus. Western-style menus including beef steak, Japanese-style hotpot (*shabu-shabu*) and Korean barbecue (*bulgogi*) are among international cuisines that are growing in popularity.
- SEA attracts more than 100 million international tourist visitors annually, generating more than US\$100 billion/year on average (Source: WorldBank, 2015 data). The strong tourism sector is expected to continue to drive demand for beef in the foodservice 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 remains limited to major top-tier cities across the region.

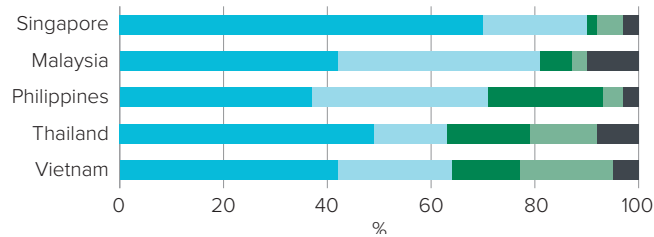
Market share of grocery retail – 2017



Source: IGD. 2017 forecast

- Consumers in SEA purchase beef across retail channels, from wet markets to modern retail outlets. However, supermarket and hypermarket 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 consumer Tracker (2017 – Singapore, Malaysia); (2016 – Philippines, Vietnam, Thailand)

- 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

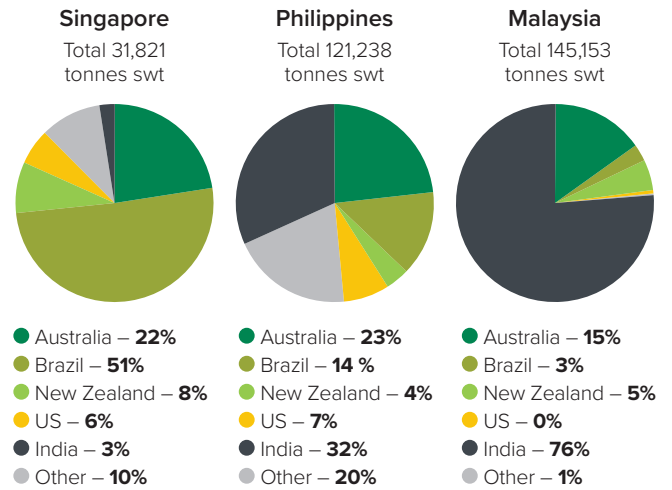
Source: MLA Global Consumer Tracker 2017

Other suppliers



- India is a leading supplier of bovine meat – Indian buffalo meat (IBM) – to the region, particularly to Vietnam, Malaysia and the Philippines. However, the majority of IBM 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 Europe and the US increased strongly in 2017, largely underpinned by increased demand from the Philippines. In 2017 (January-August period), the total volume of beef imports to the Philippines from Europe and the US grew by 87% year-on-year, to 23,101 tonnes swt.
- Despite the small volume, Australia is the largest supplier of chilled beef to SEA, followed by New Zealand.

Beef imports by major supplier in selected markets



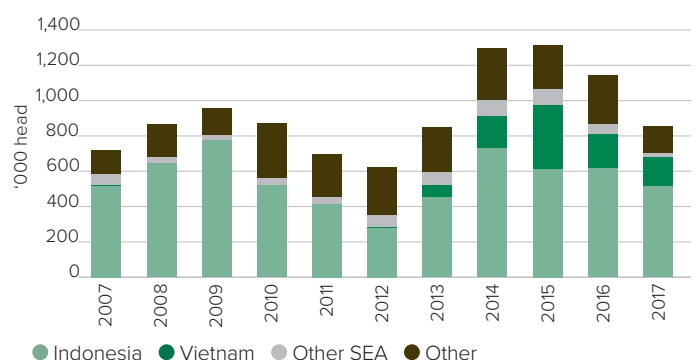
Source: GTA, MAT September 2016 to August 2017.

Live exports



- Vietnam is Australia's second largest destination for live cattle exports, behind Indonesia. In 2017, 165,172 cattle were shipped to the market, down 15% year-on-year. The change in trade reflects the shift of many feedlots transitioning from growth to maintenance placement levels. It was also influenced by a range of other factors, including Australia's tight supply and strong livestock prices along with strong IBM imports.

Australian live cattle exports



Source: ABS/GAT, DAWR. 2007-2014 export volumes are based on ABS, 2015-2017 are based on DAWR. There might be minor differences between the ABS/GTA data above and other reports published by DAWR owing to differences in the data extraction dates and source.





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 Thailand 5.33% within quota, 50% out of quota in 2018. Zero in 2020	India (buffalo meat) India-ASEAN FTA 0% tariff into Malaysia , 5% to the Philippines , 12% to Vietnam . Brazil No FTA	Singapore, Malaysia, the Philippines and Vietnam Zero Thailand Safeguard quantity of 1,463.26 metric tonnes in 2018	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		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		61,521	100	58,203	100	60,824	100	1	697
Storage	Chilled	9,236	15	8,744	15	7,979	13	16	1,257
	Frozen	52,284	85	49,459	85	52,845	87	-1	-561
Meat type	Grassfed	48,989	80	44,929	77	52,494	86	-7	-3,505
	Grainfed	12,532	20	13,274	23	8,330	14	50	4,202
Storage/meat type	Chilled grassfed	6,340	10	5,834	10	5,919	10	7	421
	Chilled grainfed	2,896	5	2,910	5	2,060	3	41	836
	Frozen grassfed	42,649	69	39,095	67	46,575	77	-8	-3,926
	Frozen grainfed	9,636	16	10,364	18	6,270	10	54	3,365

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
			%		%		%	%	in A\$ 000
Total		438,679*	100	382,513	100	345,563	100	27	93,116
Storage	Chilled	142,529*	32	136,819	36	102,992	30	38	39,536
	Frozen	296,150*	68	245,694	64	242,571	70	22	53,579

Source: ABS/GTA, 2017* = Moving Annual Total (MAT), November 2016 to October 2017.

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

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Striploin	1,098	19	978	14	1,183	12	-7	-84
Rump	647	11	498	7	569	6	14	78
Cube roll/rib eye roll	621	11	521	7	597	6	4	24
Other	3,405	59	4,969	71	7,747	77	-56	-4,342
Total	5,772	100	6,967	100	10,096	100	-43	-4,324

Source: DAWR

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

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	4,925	46	4,877	47	6,006	45	-18	-1,081
Brisket	1,091	10	296	3	319	2	242	772
Striploin	890	8	1,048	10	1,047	8	-15	-157
Other	3,725	35	4,170	40	6,092	45	-39	-2,368
Total	10,631	100	10,391	100	13,464	100	-21	-2,833

Source: DAWR

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

	2017		2016		5-year average (2012-2016)		change 2017 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	28,669	86	25,532	87	24,189	85	19	4,480
Ground beef*	2,153	6	1,758	6	869	3	148	1,284
Thick Flank/knuckle	345	1	332	1	370	1	-7	-25
Other	2,100	6	1,808	6	2,941	10	-29	-841
Total	33,267	100	29,431	100	28,369	100	17	4,898

Source: DAWR. * includes hamburger patty and minced beef.



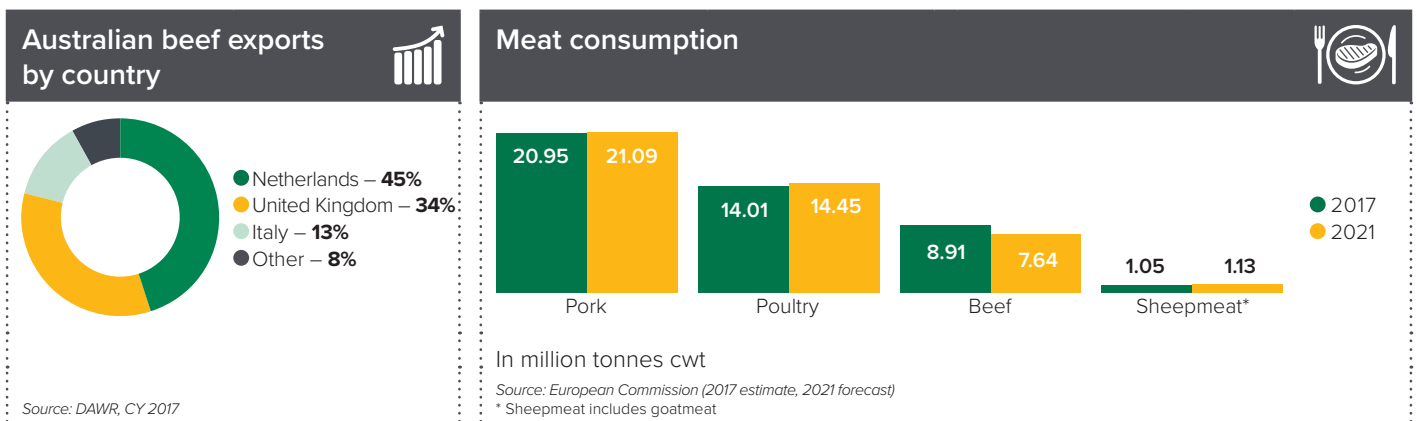
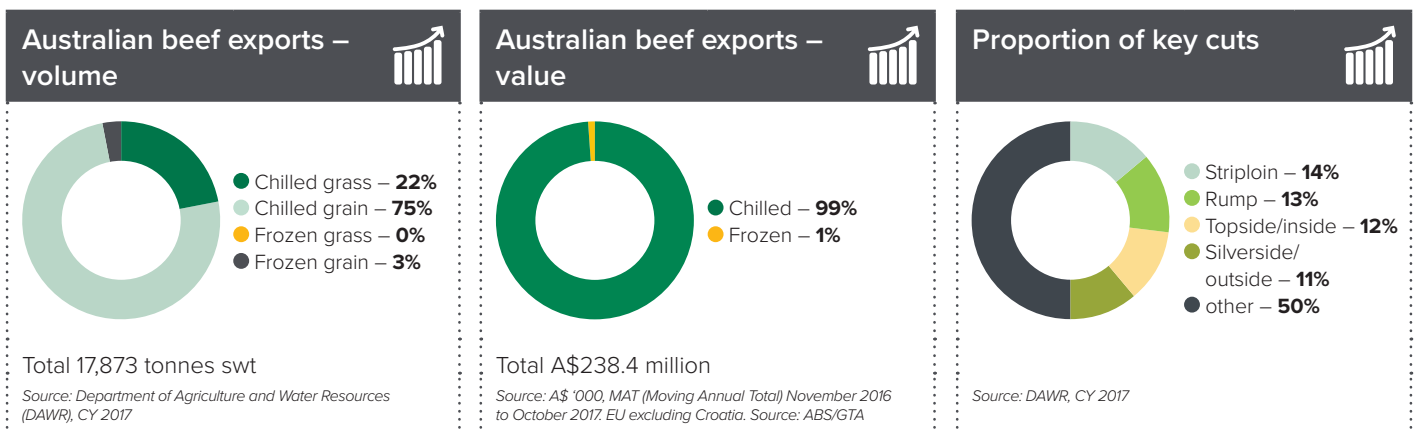
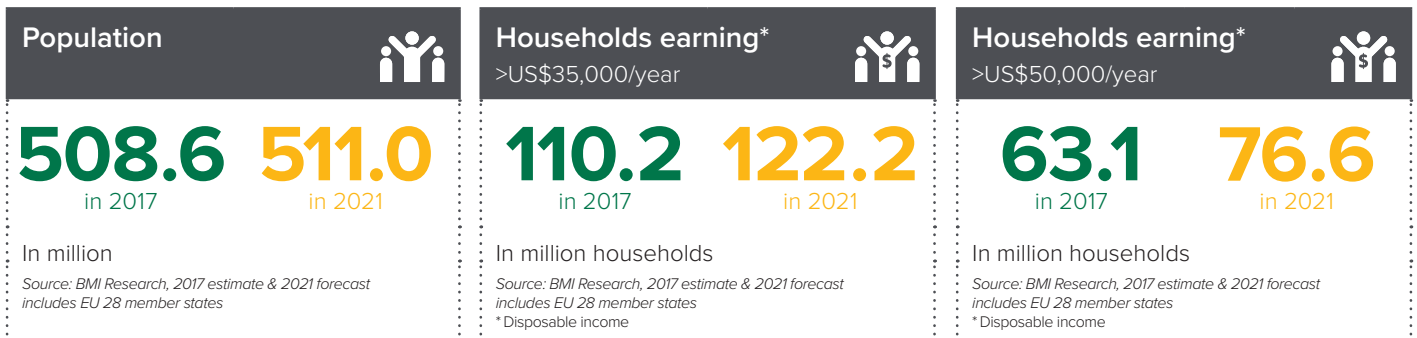
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European Union

The European Union (EU) contains one of the largest pools of wealthy consumers (households earning in excess of US\$50,000/year) in the world. While a lucrative market, the EU's continued protectionist 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 commenced the process of securing a closer bilateral trade partnership and formal Free Trade Agreement (FTA) negotiations are anticipated to begin in early 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 (expected 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.



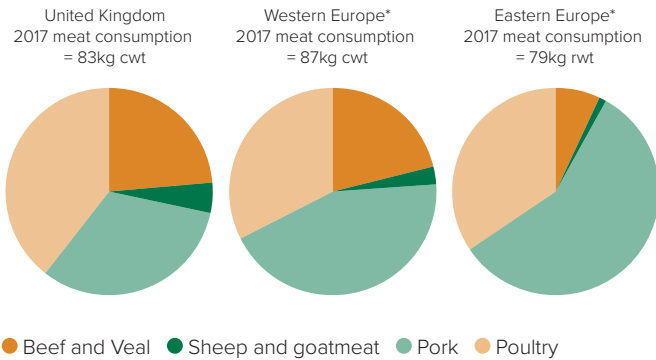
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Consumers



- 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.

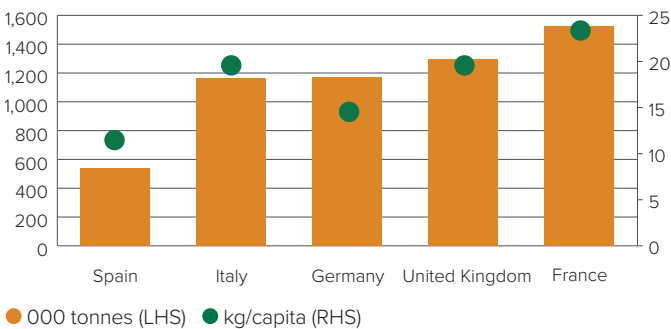
EU per capita meat consumption



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

- Primarily limited to Western Europe, 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 19.3kg in 2016, 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 carcose weight equivalent 2016 estimates.



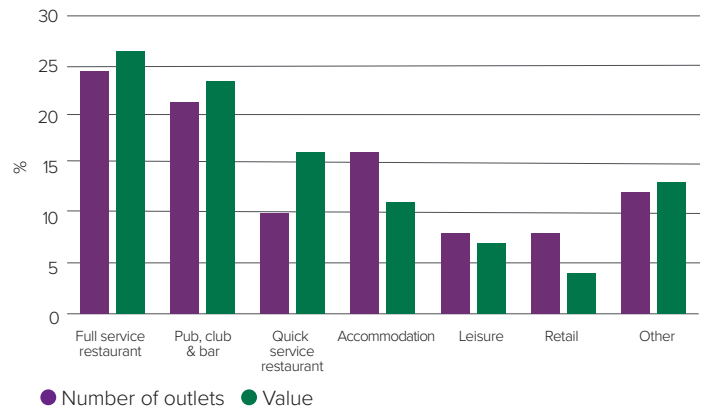
Source: bigstock

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



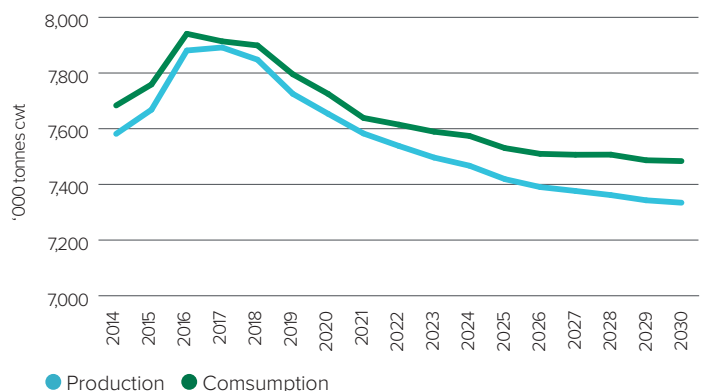
Source: GlobalData. Inclusive of the UK, Spain, Germany, Italy, France and the Netherlands.

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). The UK has maintained its position as a large beef producer within the region, accounting for 11% of EU production in 2016, but behind France (19%) and Germany (14%).
- 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.
- Further ahead, EU beef production will also be influenced by a reduction in funding available through the Common Agriculture Policy.
- 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

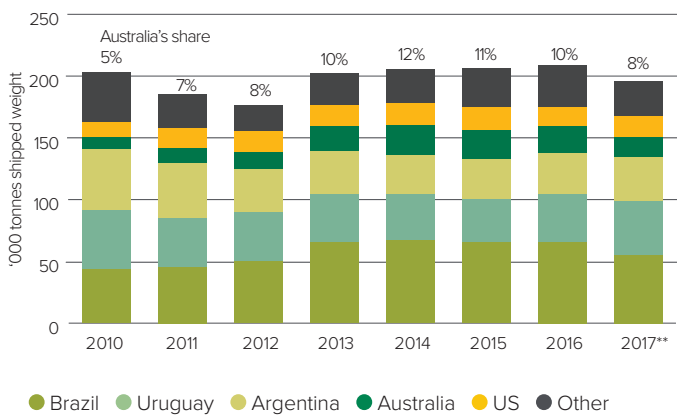




Other suppliers

- 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 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 16% in the 12 months to September 2017 to 55,000 tonnes).
- Imports from Uruguay (which increased 12% to 43,000 tonnes swt), Argentina (which increased 8% to 36,000 tonnes) and the US are of higher quality and comprise mostly chilled product.

Beef imports by supplier*



Source: Global Trade Atlas

* Excludes external trade. **MAT from Oct-2016 to Sep-2017

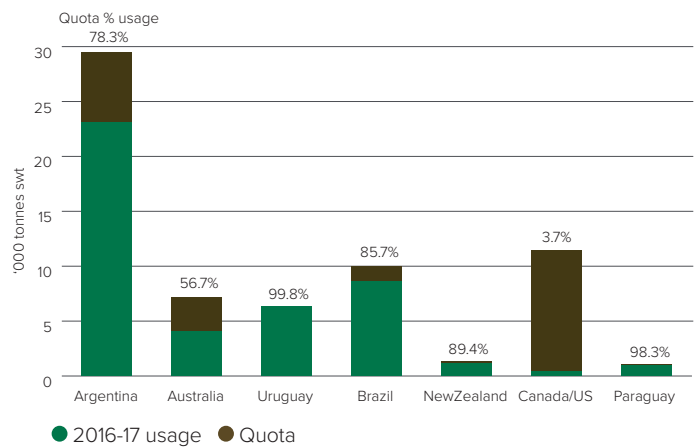
- Under the weight of increasing global supplies, EU import prices eased from most major external suppliers in 2017, particularly Argentina, Uruguay and the US.
- However, import prices from Australia edged higher due to high local cattle prices and tight supplies, compounded by a stronger Australian dollar. Beef import prices from Brazil also increased, as the Real recovered from where it bottomed out in 2016.



Market access

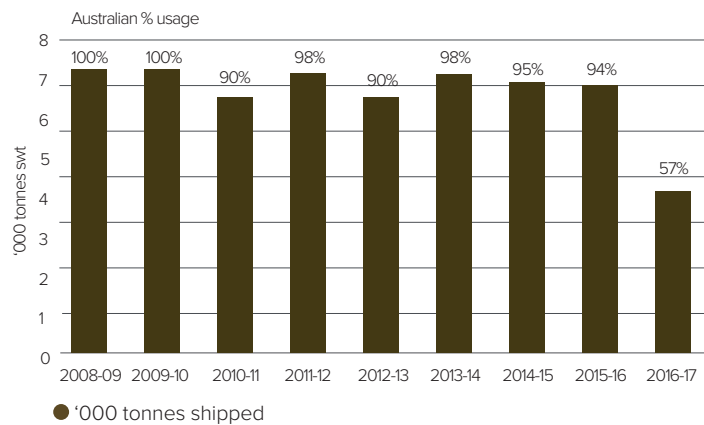
- Australia's current market access – involving low volume import quotas and high out of quota import tariffs – is the greatest limiting factor preventing an increase in exports to the EU.
- Australia predominantly exports beef under two quotas; the High Quality Beef (HQB) Hilton country specific quota (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).
- Access above these quotas is prohibitive for most product, attracting import duties of 12.8% plus up to €3/kg (or about A\$4.60/kg).
- 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 quota and has consistently filled the majority of its annual allocation. An exception was in 2016–17, when tight grassfed cattle supplies and subsequent high prices in Australia hindered the trade.

Hilton quota usage



Source: EU Commission

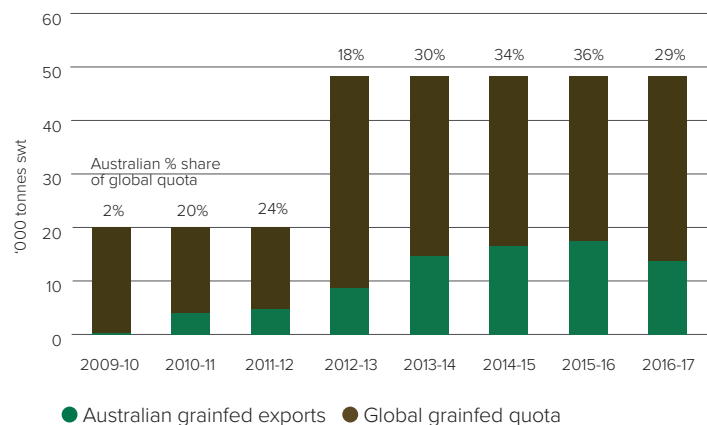
Australian Hilton quota usage



Source: EU Commission

- Australia has often been a high contributor to the HQB global grainfed quota, using 29% of this shared quota in 2016–17. Strong demand for high quality Australian beef has led to the EU now being Australia's fourth largest grainfed beef export market.

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.

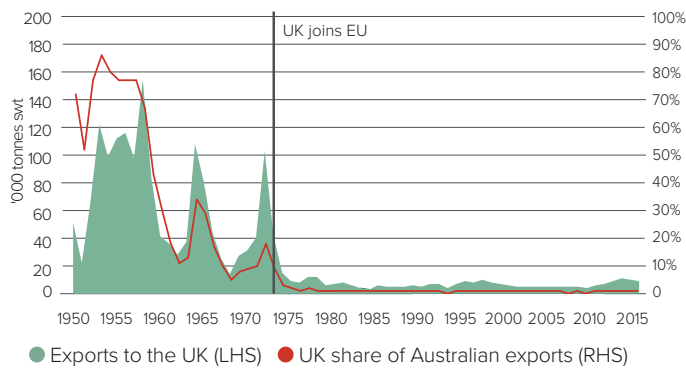


Brexit



- 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.
- 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 it joining the EU, the UK accounted for as much as 34% of Australian beef exports globally.

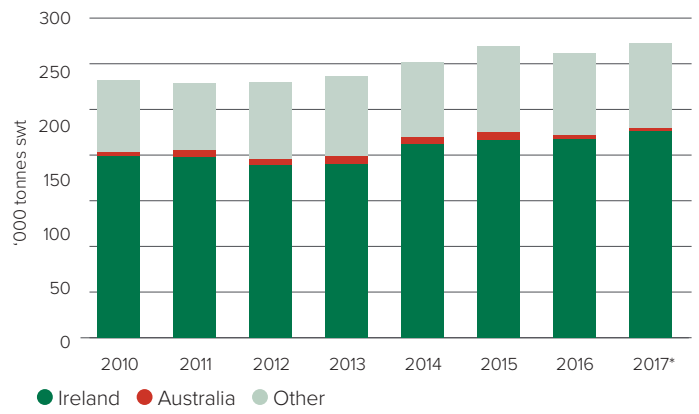
Australian beef exports to the UK



Source: AMB, AMLC, DAWR

- 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 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



Source: Global Trade Atlas
*MAT from Nov-2016 to Oct-2017

- 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
505.9 in 2017 508.2 in 2020	196.7 in 2017 218.9 in 2020	104.9 in 2017 129.0 in 2021
In millions	In million households	In million households
Source: BMI Research, 2017 estimate & 2021 forecast includes EU-28 countries	Source: BMI Research, 2017 estimate & 2021 forecast includes EU 28 member states * Disposable income	Source: BMI Research, 2017 estimate & 2021 forecast includes EU 28 member states * Disposable income



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement anticipated launch early 2018	2017 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	2017 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	No significant trade restrictive non-tariff barriers That said, no HGP 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 will reduce to 45,000 tonnes however, given the change occurs midway through the fiscal year, the 2017-18 quota will likely be between the existing pre- and post-CETA quota.

Australian beef exports to EU – summary table



Volume – in tonnes swt		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av.	
								%	in tonnes swt
Total		17,873	100	20,841	100	20,756	100	-14	-2,883
Storage	Chilled	17,346	97	20,273	97	19,481	94	-11	-2,135
	Frozen	527	3	568	3	1,275	6	-59	-748
Meat type	Grassfed	3,977	22	4,862	23	7,485	36	-47	-3,508
	Grainfed	13,897	78	15,980	77	13,271	64	5	626
Storage/meat type	Chilled grassfed	3,965	22	4,727	23	6,738	32	-41	-2,773
	Chilled grainfed	13,382	75	15,546	75	12,743	61	5	638
	Frozen grassfed	12	0	134	1	747	4	-98	-735
	Frozen grainfed	515	3	433	2	528	3	-2	-13

Source: DAWR

Value – in A\$ 000								%	in A\$ 000
Total		238,372*	100	273,136	100	239,570	100	-1	-1,198
Storage	Chilled	236,997*	99	268,597	98	226,312	94	5	10,685
	Frozen	1,375*	1	4,539	2	13,259	6	-90	-11,883

Source: ABS/GTA, 2017* = Moving Annual Total (MAT), November 2017 to October 2017.

Volume – by major cut (in tonnes swt)								%	in tonnes swt
Striploin	2,543	14	2,957	14	3,016	15	-16	-473	
Rump	2,327	13	2,590	12	2,637	13	-12	-310	
Topside/inside	2,225	12	3,127	15	3,580	17	-38	-1,355	
Silverside/outside	1,918	11	2,469	12	2,450	12	-22	-532	
Cube roll/rib eye roll	1,629	9	1,771	8	1,652	8	-1	-23	
Blade	1,411	8	1,643	8	1,460	7	-3	-49	
Chuck roll	1,355	8	1,633	8	1,491	7	-9	-136	
Thick flank/knuckle	1,098	6	1,453	7	1,461	7	-25	-363	
Tenderloin	995	6	976	5	1,122	5	-11	-126	
Brisket	596	3	399	2	172	1	245	423	
Other	1,776	10	1,823	9	1,715	8	4	61	
Total	17,873	100	20,841	100	20,756	100	-14	-2,883	

Source: DAWR



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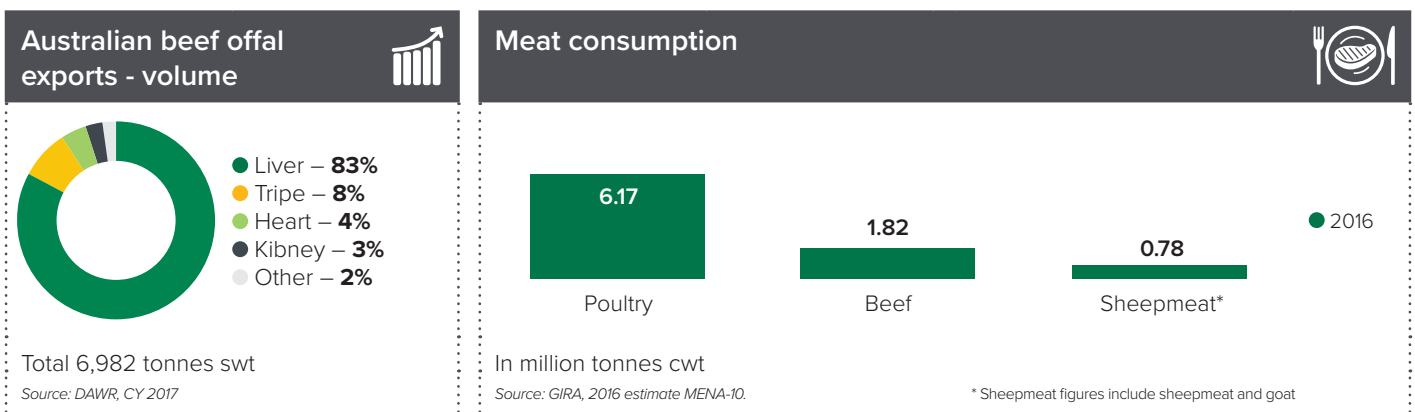
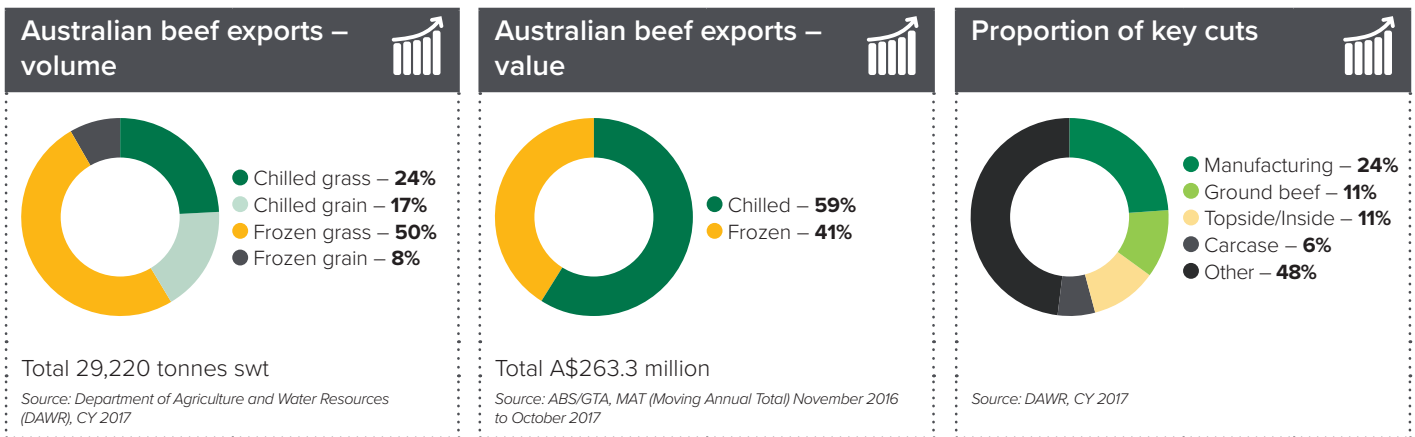
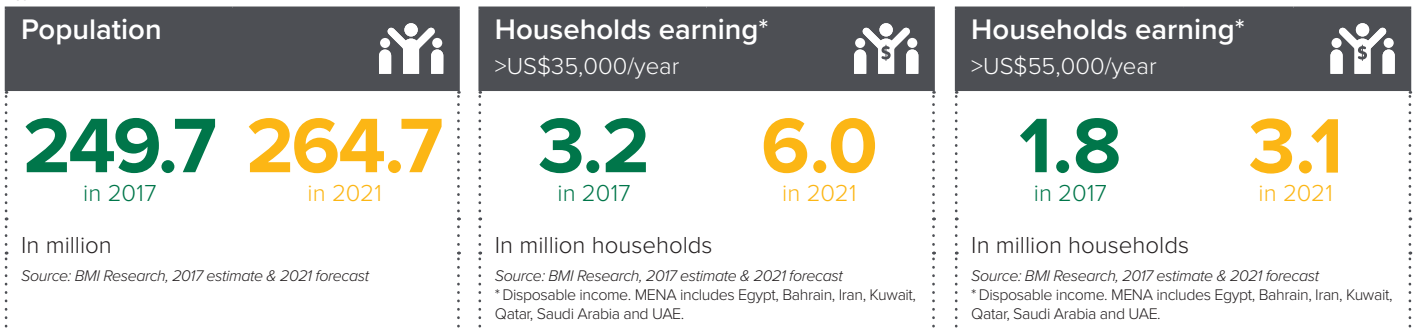
MENA (Middle East & North Africa)

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



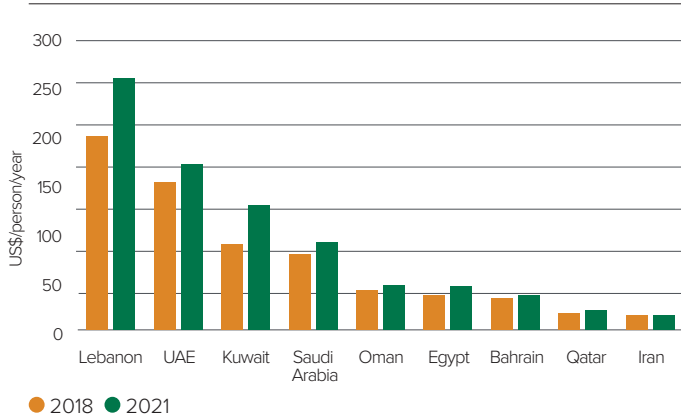
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Consumers



- 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\$)



Source: BMI Research. 2018 and 2021 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 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	Jordan
Tastes delicious	Tastes delicious	My/my family's favourite
Convenient to buy	My/my family's favourite	Tastes delicious
Fresh	Easy to prepare	Fresh
Consistent quality	Highly nutritious	Convenient to buy
Easy to prepare	Can use in different meals	Easy to prepare

What associations do MENA consumers have to beef?

Animal is well-cared for	Can use in different meals	Fresh
Convenient to buy	Industry is sustainable	Can use in different meals
Can use in different meals	Fresh	Tastes delicious
Consistent quality	Consistent quality	Essential part of children's diet
Tastes delicious	Tastes delicious	Animal is well-cared for

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

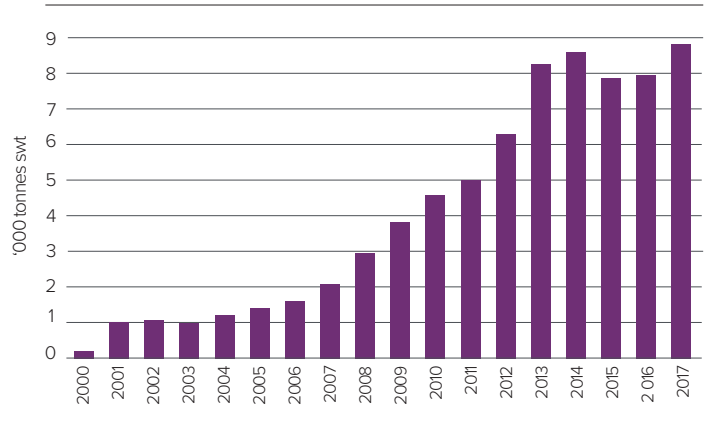
- After domestic beef, Australian beef generally has the second highest awareness in consumers' minds, significantly higher than other suppliers of imported beef. While domestic beef tends to rate strongest on the most important attributes of freshness, nutritious, Halal-certified and safety, Australian 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 is 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 in some of the Gulf countries.

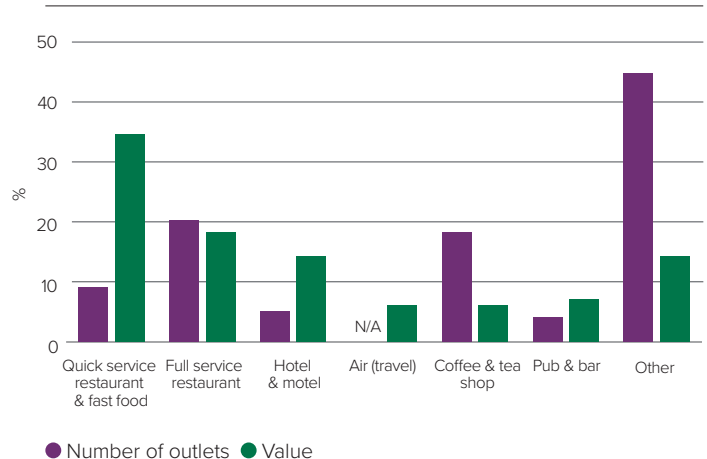
Australian chilled beef exports to UAE, Bahrain, Qatar, Kuwait, Oman (combined)



Source: DAWR

- 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, though both are expected to see equally strong value growth for 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 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 UAE). Religious tourism is the leading driver of the tourism sector in the Kingdom, recording over 18 million tourist arrivals in 2015, which has positive spin-offs for beef usage in the foodservice sector there (Source: MasterCard).

UAE number of outlets and value by key foodservice channel (% out of total) – 2017



Source: GlobalData

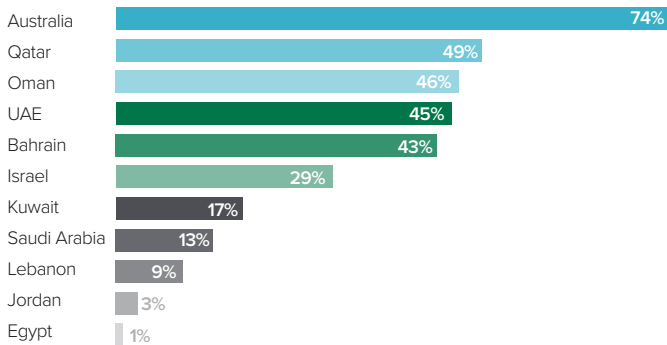


Retail



- 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 as the market segment develops, representing a growing opportunity for Australian premium product.

Consolidated retail as a proportion of total grocery retail



Source: IGD, 2017 estimate. Share of major modernised grocery retail outlets.

- 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 from include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Panda and Danube (KSA).
- 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

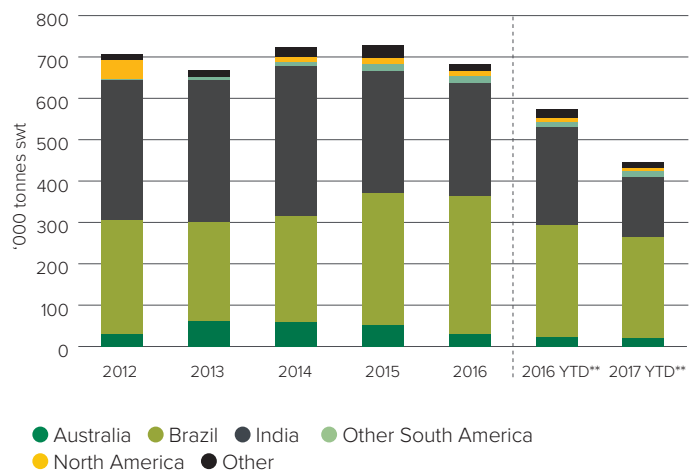
- In the MENA region, cheaper cuts are used for stewing and slow cooking, as well as the grilling of cubes in the form of kebabs. Mince is used in burgers, kofta and as a filling for pastries. In Egypt, bovine liver and cuts such as brisket and flank are popular. Grilling of prime cuts is gaining in 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 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 in the region are Egypt and Iran, followed by Saudi Arabia, UAE, Algeria and Israel (Source: GTA).
- The bulk of beef imports to the MENA region 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 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 UAE, Saudi Arabia and Qatar.
- Smaller volumes are also supplied by the US (mostly to UAE, Kuwait and Qatar), South Africa (UAE, Kuwait and Jordan), New Zealand (UAE, Saudi Arabia and Qatar) and the EU (mostly to Egypt, UAE and Saudi Arabia).

Beef/veal exports to MENA* by supplier



Source: GTA, DAWR.
* MENA-10 **YTD Jan-Sep

Livestock exports



- In 2017, Turkey and Israel were Australia's key live feeder and slaughter cattle export destinations in the region, taking 36,555 and 27,797 head respectively for the 12 months to October. Turkey has seen some growth on the previous year, while Israel was down. Qatar, Kuwait and UAE took smaller numbers (Source: DAWR).
- Australia also exported a small number of beef and dairy breeder live cattle to UAE and Kuwait, 358 and 255 head respectively, in the past 12 months to October 2017 (Source: DAWR).
- In 2016–17, Australia's key competitors in the MENA live cattle market were Brazil, Uruguay, Romania and Portugal (particularly in significant importing countries such as Turkey, Lebanon, Israel and Jordan) and to a smaller extent Ireland, Ukraine and Chile (Source: GTA).





Market access overview

Gulf Cooperation Council (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 GCCAustralia FTA	2017 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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2016 vs 5-yr av.	
								%	in tonnes swt
	Total	29,220	100	30,367	100	46,880	100	-38	-17,660
Storage	Chilled	12,022	41	11,661	38	15,423	33	-22	-3,401
	Frozen	17,197	59	18,706	62	31,457	67	-45	-14,259
Meat type	Grassfed	21,761	74	24,224	80	38,835	83	-44	-17,074
	Grainfed	7,459	26	6,143	20	8,045	17	-7	-587
Storage/meat type	Chilled grassfed	7,012	24	7,207	24	10,497	22	-33	-3,485
	Chilled grainfed	5,010	17	4,454	15	4,927	11	2	84
	Frozen grassfed	14,749	50	17,016	56	28,338	60	-48	-13,589
	Frozen grainfed	2,449	8	1,689	6	3,119	7	-21	-670

Source: DAWR

Value – in A\$ 000		2017		2016		5-year average (2012-2016)		change 2016 vs 5-yr av.	
			%		%		%	%	in A\$ 000
	Total	263,341*	100	274,778	100	309,466	100	-15	-46,125
Storage	Chilled	154,977*	59	157,969	57	151,674	49	2	3,303
	Frozen	108,364*	41	116,809	43	157,792	51	-31	-49,428

Source: ABS/GTA. 2017* = Moving Annual Total (MAT), November 2016 to October 2017

Australian beef exports to Saudi Arabia – by major cut (in tonnes swt)	2017		2016		5-year average (2012-2016)		change 2016 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	2,363	25	3,235	29	8,819	40	-73	-6,456
Other*	1,320	14	2,121	19	1,512	7	-13	-192
Carcase	922	10	458	4	743	3	24	180
Other	5,002	52	5,457	48	10,822	49	-54	-5,821
Total	9,607	100	11,271	100	21,896	100	-56	-12,289

Source: DAWR. *Other includes hamburger/minced (ground) beef, hamburger patty.

Australian beef exports to UAE – by major cut (in tonnes swt)	2017		2016		5-year average (2012-2016)		change 2016 vs 5-yr av.	
		%		%		%	%	in tonnes swt
Manufacturing	2,181	25	1,999	23	1,587	18	37	594
Topside/inside	1,592	18	1,638	19	1,918	22	-17	-326
Tenderloin	586	7	742	8	679	8	-14	-92
Other	4,251	49	4,373	50	4,422	51	-4	-170
Total	8,611	100	8,753	100	8,606	100	0	5

Source: DAWR