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.

Population

127.5 in 2017

126.1 in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast

Households earning* >US$35,000/year

25.7 in 2017

32.6 in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income

Households earning* >US$50,000/year

12.6 in 2017

17.7 in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income

Australian beef exports – volume

Total 292,364 tonnes swt

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

Australian beef exports – value

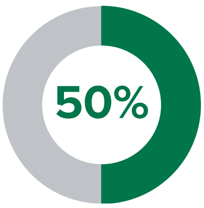
Total A$2,011.7 million

Source: ABS/GTA, MAT (Moving Annual Total) November 2015 to October 2017

Proportion of key cuts

Source: DAWR, CY 2017. * Striploin, tenderloin and cube roll

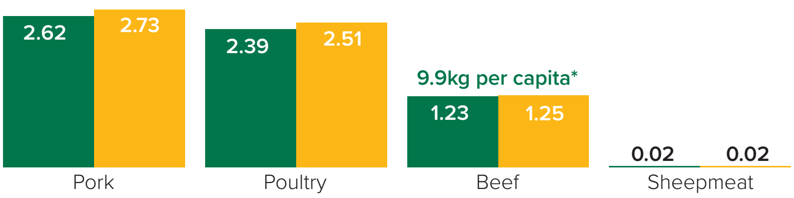
Australia's share of imports



Source: GTA, MAT December 2016 to November 2017

Meat consumption

48.3kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA, 2017 estimate and 2021 forecast

* 2017e per person per year in cwt ** Excluding fish/seafood

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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.

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

Demographic comparison – Japan, China and the US

	Japan	China	US
Households with disposable income US$50,000+ (in million)	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 forcast

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

Source: MLA

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

Hamburg and steak dish (image courtesy of Sawayaka restaurant)

- Full service restaurants are a clear leader in 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

Retail

- More than a quarter of Japanese consumers are over 65 years old, and almost 60% of all families are either one or two person households *(Source: BMI, 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)*.

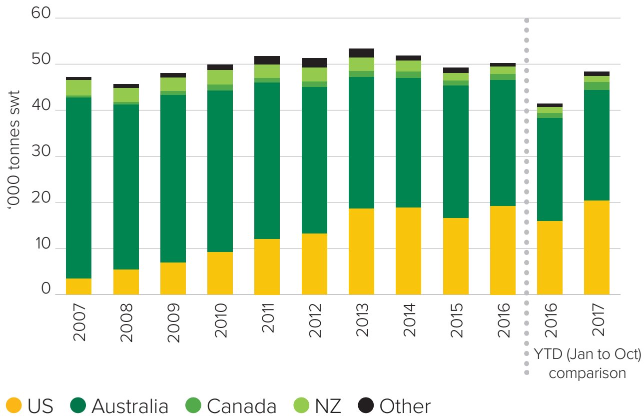
Key attributes consumers look for on a beef pack:	Key associations consumers have with the 'True Aussie' logo:
	"This beef is..."
● safety	✓ safe to eat
● freshness	✓ guaranteed/certified
● value	✓ high quality/premium
● origin	✓ delicious

- 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

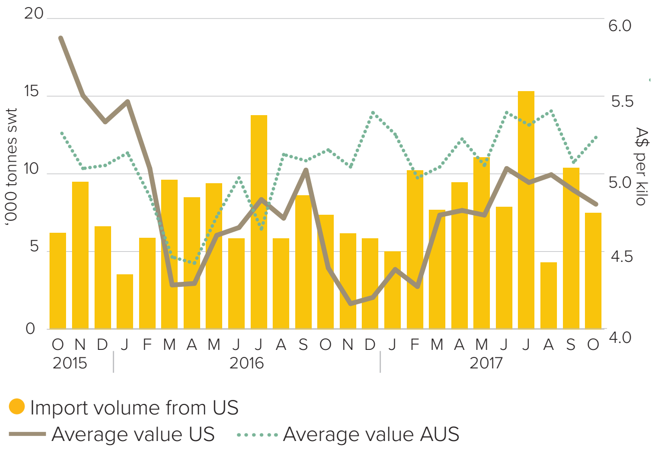
- Australia is the dominant imported beef supplier to Japan, but is facing strong and increasing competition from the US. Imports from the US surged in 2017, supported by the rise in US domestic production and subsequent decline in prices. As a result, the tariff increasing safeguard mechanism was triggered 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 tarrif 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

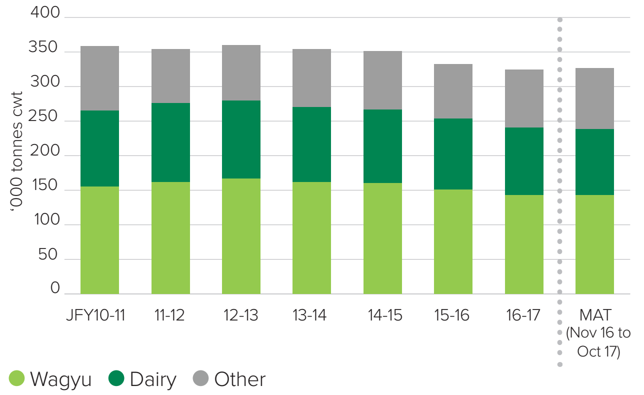
US frozen brisket imports into Japan



Source: GTA

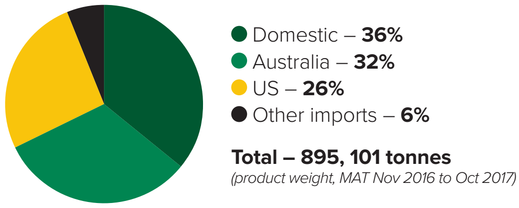
- In terms of Japanese domestic production, 326,394 tonnes cwt of beef was produced during November 2016 to October 2017, down 6% in comparison to the five-calender year average (346,398 tonnes cwt) . Key influencing factors for the decline include Japan's ageing farming population, high calf prices, 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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av. %	change 2017 vs 5-yr av. 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

		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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.*