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.

Population

51.0 in 2017 | **51.7** in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast

Households earning* >US$35,000/year

13.3 in 2017 | **17.7** in 2021

In million households

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

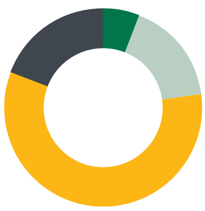
Households earning* >US$50,000/year

6.5 in 2017 | **11.7** in 2021

In million households

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

Australian beef exports – volume



- Chilled grass – **6%**
- Chilled grain – **17%**
- Frozen grass – **58%**
- Frozen grain – **19%**

Total 148,552 tonnes swt

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

Australian beef exports – value

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

Total A$1,180.4 million

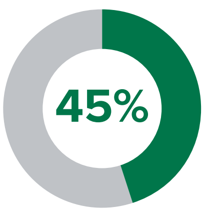
Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017

Proportion of key cuts

- Chuck roll – **21%**
- Blade – **14%**
- Manufacturing – **13%**
- Brisket – **12%**
- Other – **40%**

Source: DAWR, CY 2017

Australia's share of imports

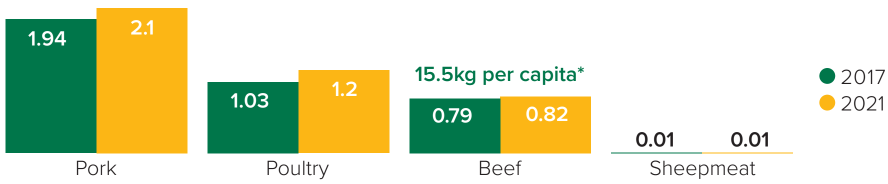


- Australia
- Other countries

Source: GTA, MAT (Moving Annual Total) December 2016 to November 2017, volume based

Meat consumption

73.9kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA, 2017 estimate & 2021 projection

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

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 quaility	I pay more for this meat
Guaranteed safety	Healthy diet for children
Environmentally sustainable	My/my family's favourite
Healthy diet for childern	High nutritional value

Source: MLA Global Consumer Tracker Korea, 2017

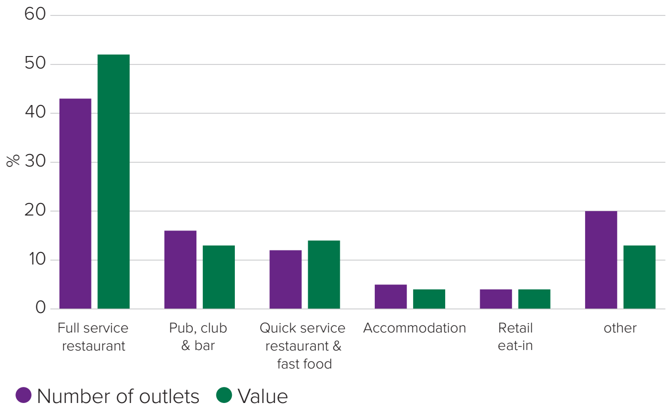
- Pork is the most consumed meat in Korea, but chicken consumption is forecast to grow fastest, backed by its affordable price and versatility for pre-prepared meals.
- Country of origin is very important to Korean beef buyers, as the country relies on imports for about 60% of its beef requirements *(Source: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

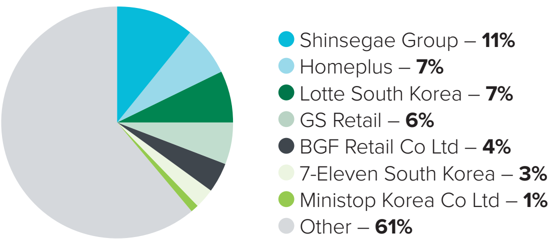
Source: MLA.

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

Retail

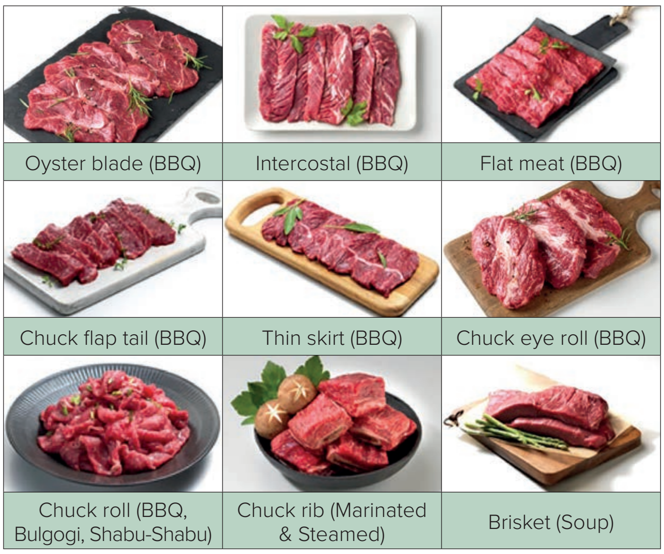
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. On-pack information about country of origin, along with environmental and 'naturalness' credentials are highly important considerations at the point of purchase for beef in Korea *(Source: MLA Global Consumer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

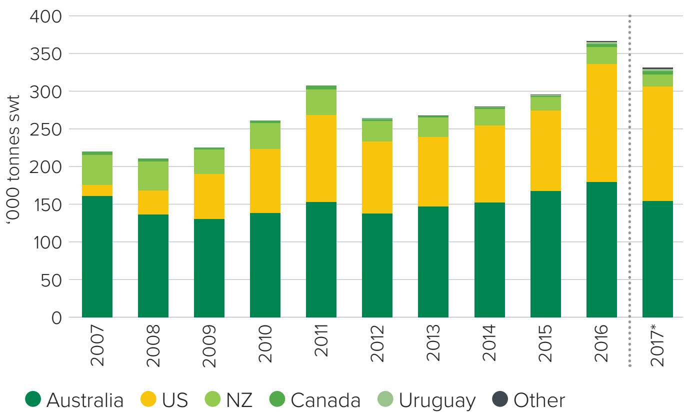


Source: MLA

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.

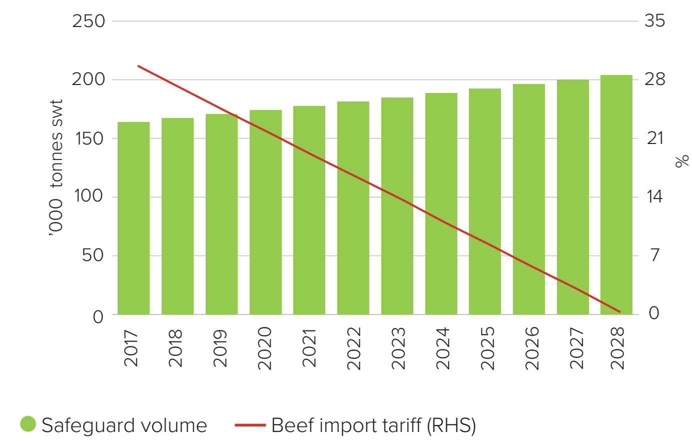
Korea beef imports by supplier



*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	% 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	**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

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

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

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

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