MARKET SNAPSHOT | SHEEPMEAT

South East Asia (including Indonesia)

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

Challenges and opportunities in SEA for Australian sheepmeat include:

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

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

Population

647.5 in 2017 | **674.1** in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast, total of 10 countries

Households earning* >US$35,000/year

3.9 in 2017 | **7.0** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast, total of 7 countries – Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

* Disposable income

Households earning* >US$50,000/year

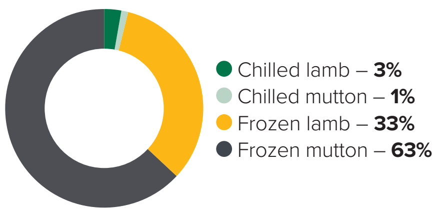
2.3 in 2017 | **3.8** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast, total of 7 countries – Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

* Disposable income

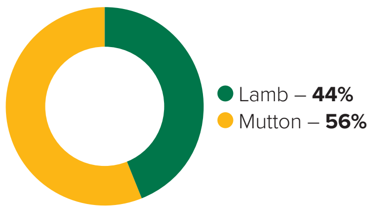
Australian sheepmeat exports – volume



Total 39,316 tonnes swt

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

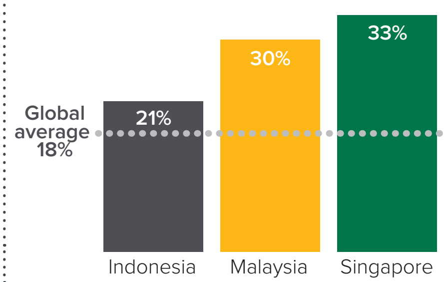
Australian sheepmeat exports – value



Total A$271.8 million

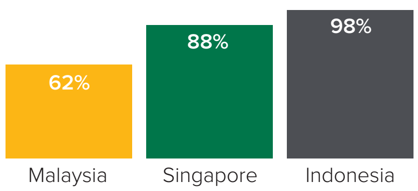
Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017

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



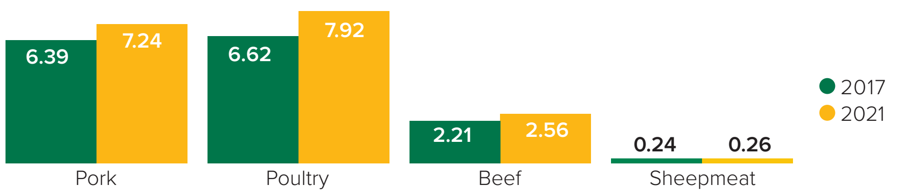
Source: MLA Global Consumer Tracker SEA, 2017

Australia's share of imports



Source: GTA, based on MAT volume of Malaysia, Singapore and Indonesia

Meat consumption



In million tonnes cwt

Source: BMI Research, 2017 estimate and 2021 forecast, total of 5 countries – Indonesia, Malaysia, Philippines, Thailand and Vietnam

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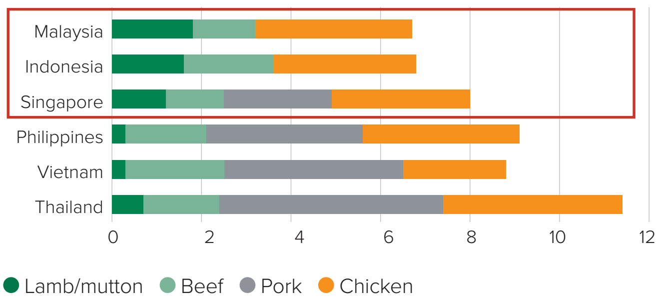
Consumers

- SEA is home to more than 600 million people from a variety of ethnic, cultural, religious and economic backgrounds. This diversity is reflected in the broad range of lifestyles, dietary habits, and consumption behaviours.
- Sheepmeat is consumed more frequently in Malaysia, Indonesia and Singapore than in other SEA countries. Although per capita sheepmeat consumption is low compared to other meat proteins, it is expected to increase across the region.

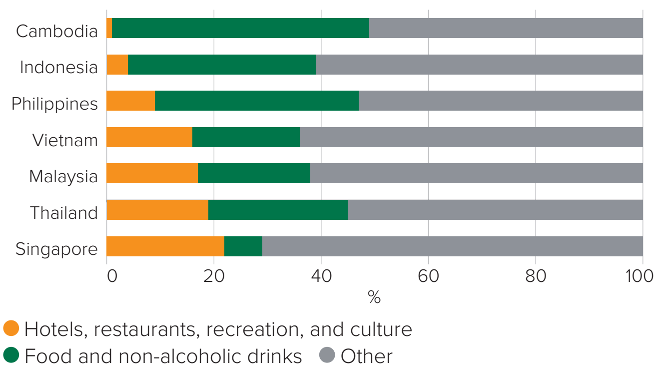
Average serves in the last seven days



Source: MLA Global Consumer Tracker SEA, 2017 (Malaysia, Singapore); 2016 (Philippines, Thailand and Vietnam)

- Lack of familiarity and knowledge in cooking, high price point and housing structure – which is usually a small house or apartment across urban cities – remain major barriers to sheepmeat consumption at home, as consumers are afraid of failure in cooking and strong smells permeating throughout the house. Therefore, SEA consumers tend to enjoy lamb and mutton dishes outside their house, mostly at foodservice venues.
- Singapore has one of the world's wealthiest consumer bases – its its gross domestic product (GDP) per capita is almost forty times higher than that of Cambodia. High incomes have allowed Singaporeans to extend household spending beyond essential items to non-essential items – such as at hotels and restaurants – while households in lower-income countries tend to spend more on essential items, including food and beverage products.

Proportion of household spending by major category – 2017

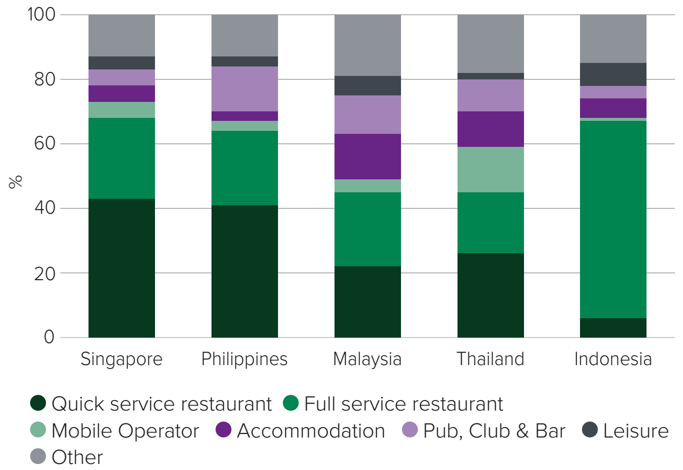


Source: BMI Research, 2017 estimate

Foodservice

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

Value share by major foodservice channel – 2017*



Source: GlobalData, 2017 estimate
* 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 urbanites.

Top hotel chains by foodservice sales – 2016

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

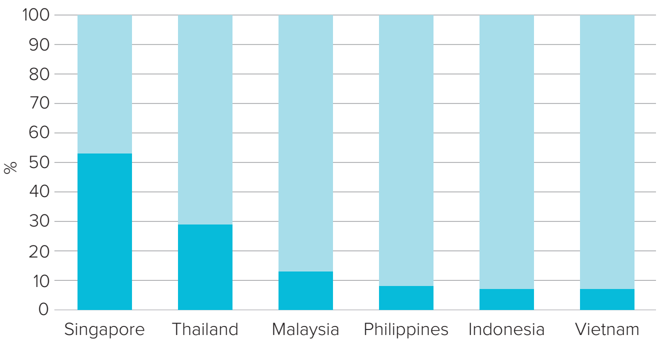
Source: GlobalData

- 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 sheepmeat products 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 limited to major top-tier cities.

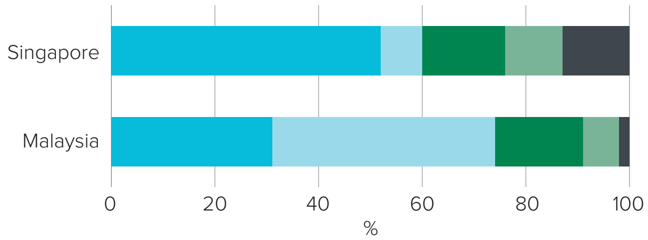
Market share of grocery retail – 2017



Source: IGD, 2017 forecast

- Australian lamb is often purchased across multiple distribution channels in Singapore and Malaysia – the top two export markets of Australian sheepmeat in the region – however, supermarkets and hypermarkets remain the most common places.

Where do consumers go and buy Australian lamb?



Source: MLA Global Consumer Tracker SEA, 2017

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

Top five important themes motivating lamb purchase

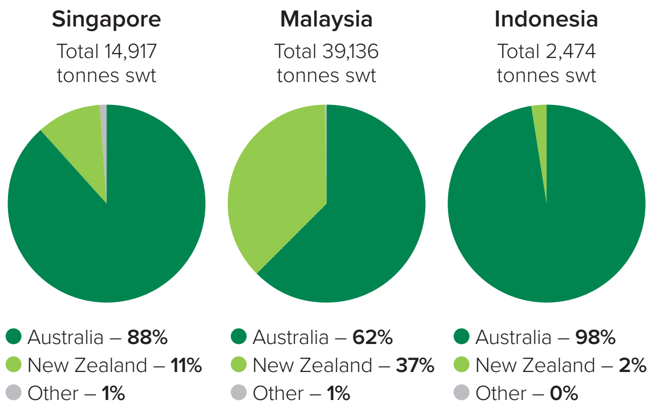
Malaysia	Indonesia	Singapore
Halal	Halal	Natural
Safety	Freshness	Safety
Natural	Natural	Freshness
Freshness	Safety	Value
Value	Value	Nutritional

Source: MLA Global Consumer Tracker SEA, 2017

Other suppliers

- Australia has long been the leading supplier of sheepmeat in SEA. Overall, it maintains a market share of about 70%; however, its competitive position is slightly different across markets.
- Despite a smaller market share, New Zealand's sheepmeat exports to SEA are growing at a rapid rate. From January to October 2017, shipments to SEA totalled 14,634 tonnes swt, up 54% year-on-year, of which Malaysia made up 86% (or 12,577 tonnes swt) and remained New Zealand's sixth largest sheepmeat export market.

Sheepmeat imports by major supplier in selected markets



Source: GTA. Singapore & Malaysia: MAT September 2016 to August 2017, Indonesia: MAT August 2016 to July 2017.

New Zealand's sheepmeat exports to SEA

*Source: GTA. * YTD Jan-Oct*

Modern retail counter in Malaysia (Maxvalue)

Market access overview

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

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

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

Australian sheepmeat exports to SEA – summary table

Volume – in tonnes swt

		2017	% 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	**39,316**	**100**	**41,262**	**100**	**35,906**	**100**	**9**	**3,409**
Storage	Chilled	1,632	4	1,583	4	1,409	4	16	222
	Frozen	37,684	96	39,679	96	34,497	96	9	3,187
Meat type	Lamb	14,243	36	15,336	37	13,175	37	8	1,069
	Mutton	25,073	64	25,926	63	22,732	63	10	2,341
Storage/ meat type	Chilled lamb	1,239	3	1,222	3	1,104	3	12	135
	Chilled mutton	392	1	361	1	305	1	28	87
	Frozen lamb	13,004	33	14,113	34	12,071	34	8	933
	Frozen mutton	24,680	63	25,566	62	22,426	62	10	2,254

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	**271,832***	**100**	**228,443**	**100**	**192,133**	**100**	**41**	**79,699**
Meat type	Lamb	120,297*	44	101,612	44	88,089	46	37	32,208
	Mutton	151,535*	56	126,831	56	104,044	54	46	47,491

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

Australian sheepmeat exports to Singapore – 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
Lamb	Leg	846	35	730	34	633	33	34	213
	Carcase	436	18	357	17	316	17	38	120
	Shoulder	265	11	319	15	245	13	8	20
	Other	867	36	735	34	698	37	24	168
Total	**Total**	**2,414**	**100**	**2,141**	**100**	**1,892**	**100**	**28**	**522**
Mutton	Carcase	4,926	53	5,057	54	4,244	52	16	682
	Leg	2,640	29	2,879	31	2,509	31	5	131
	Manufacturing	1,122	12	1,102	12	1,008	12	11	114
	Other	525	6	295	3	327	4	61	199
Total	**Total**	**9,214**	**100**	**9,333**	**100**	**8,089**	**100**	**14**	**1,125**

Source: DAWR

Australian sheepmeat exports to Malaysia – 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
Lamb	Shoulder	5,802	70	7,332	75	5,194	70	12	608
	Carcase	786	10	883	9	892	12	-12	-106
	Leg	546	7	445	5	481	6	14	65
	Other	1,111	13	1,081	11	893	12	24	218
Total	**Total**	**8,246**	**100**	**9,741**	**100**	**7,460**	**100**	**11**	**785**
Mutton	Carcase	7,782	55	8,138	54	6,675	53	17	1,106
	Shoulder	2,679	19	2,470	17	1,922	15	39	756
	Manufacturing	1,643	12	2,743	18	2,659	21	-38	-1,016
	Other	1,999	14	1,583	11	1,250	10	60	749
	Total	**14,102**	**100**	**14,933**	**100**	**12,506**	**100**	**13**	**1,595**

Source: DAWR