MEAT & LIVESTOCK AUSTRALIA

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.

Population

23.6 in 2017

23.9 in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast

Households earning* >US$35,000/year

2.8 in 2017

3.8 in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income

Households earning* >US$50,000/year

1.2 in 2017

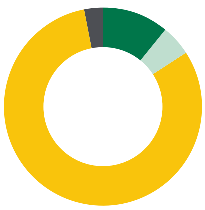
1.8 in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income

Australian beef exports – volume

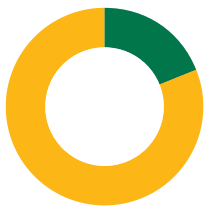


- Chilled grass – **11%**
- Chilled grain – **5%**
- Frozen grass – **81%**
- Frozen grain – **3%**

Total 31,110 tonnes swt

Source: DAWR, CY2017

Australian beef exports – value



- Chilled – **19%**
- Frozen – **81%**

Total A$246.0 million

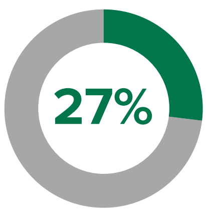
Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017

Proportion of key cuts

- Shin/shank – **40%**
- Blade – **18%**
- Intercostals – **12%**
- Thick flank/knuckle – **7%**
- Other – **23%**

Source: DAWR, CY 2017

Australia's share of imports

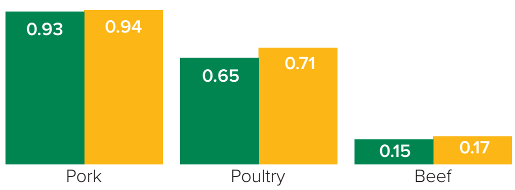


- Australia
- Other countries

Source: GTA, MAT November 2016 to October 2017

Meat consumption

76.9kg per capita* total meat protein**



- 2017
- 2021

In million tonnes cwt

Source: BMI Research (2017 estimate, 2021 forecast) Council of Agriculture Executive Yuan R.O.C.

* 2016 per person per year. ** Excluding fish/seafood

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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.

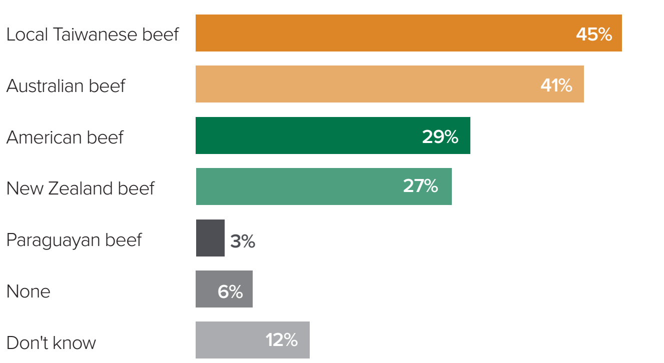
Attributes important for all proteins and beef associations

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

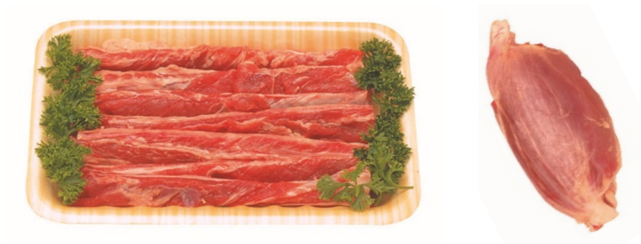
- Taiwan's population is quite wealthy by regional standards, with 933,000 households earning more than US$50,000/year disposable income, which is forecast to almost double to 1.8 million by 2021. This growing middle-high income consumer group offers premium opportunities for Australian beef *(Source: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

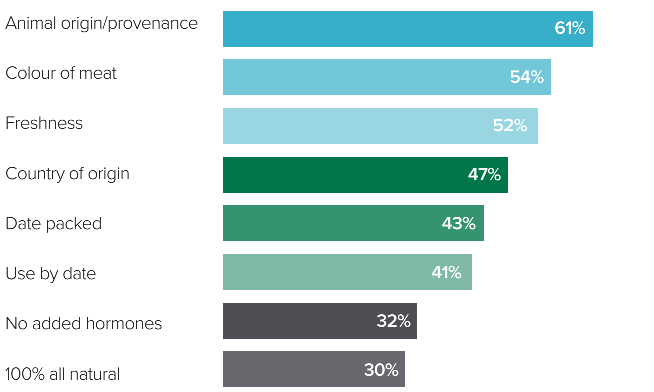
Source: iStock

- 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-grainfed 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 hypermarkets or supermarkets.

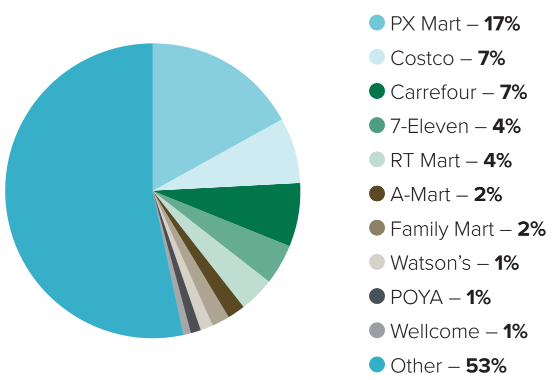
Top things Taiwanese consumers look for on-pack when purchasing beef



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

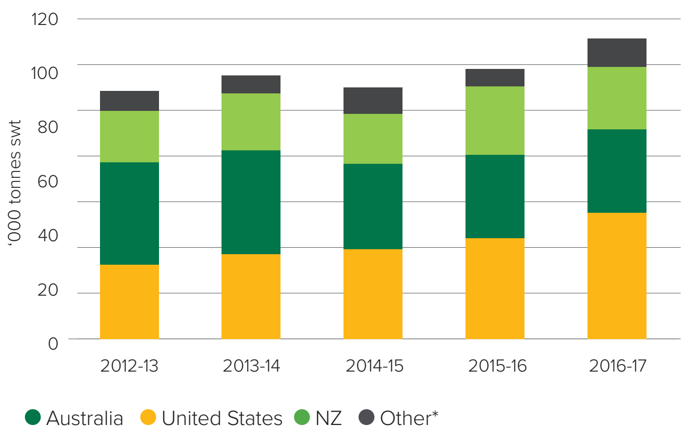


Source: Kantar WorldPanel, 18 June 2017, 52 rolling weeks.

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	• 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	% 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	**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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	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)		%	in A$ 000
Total	**24,529***		**19,114**		**14,263**		**72**	**10,266**

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