MEAT & LIVESTOCK AUSTRALIA

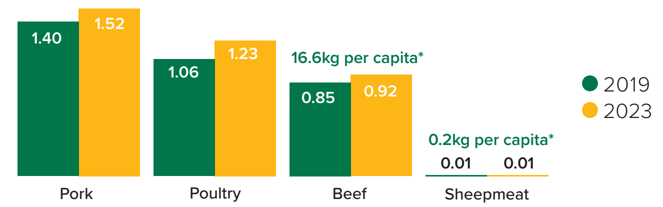
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Korea

Korean consumers love meat and are the highest per capita consumers across Asia. Korea is also one of the most affluent markets in the region, with half of total households earning a disposable income over US$35,000/year. Meat consumption is forecast to grow further, highlighting an ongoing need for quality imports. Australian red meat is well-known and most favoured among imports, backed by Korean consumers' strong awareness of country of origin and preference for quality product.

Meat consumption

78.7kg per capita*
total meat protein**



in million tonnes cwt * 2019e per person per year in cwt ** Excluding fish/seafood

Source: Fitch Solutions (2019 estimate and 2023 forecast), OECD Agriculture Statistics: OECD-FAO Agricultural Outlook (Edition 2018), GIRA

Population

51.3
in 2019

52.0
in 2023

in million

Source: Fitch Solutions, 2019 estimate and 2023 forecast

Households earning* >US$35k/year

14.6
in 2019

17.5
in 2023

in million households

Source: Fitch Solutions, 2019 estimate and 2023 forecast

Households earning* >US$50k/year

7.7
in 2019

10.9
in 2023

in million households

Source: Fitch Solutions, 2019 estimate and 2023 forecast

Households earning* >US$75k/year

2.3
in 2019

3.8
in 2023

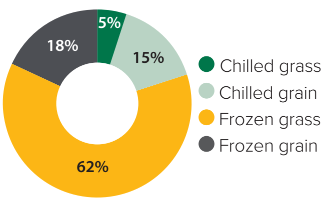
in million households

Source: Fitch Solutions, 2019 estimate and 2023 forecast

*Disposable income: earnings after taxes and social security charges.

Korea has long been one of the top ranking export destinations for Australian beef, and is now the 4th largest market after China. It is also the second largest export customer of Australian chilled grainfed beef.

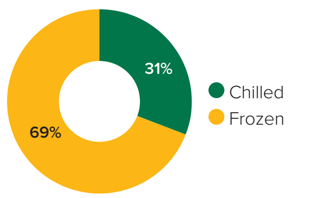
Australian beef exports – volume



Total 176,094 tonnes swt

Source: DAWR, 2018–19

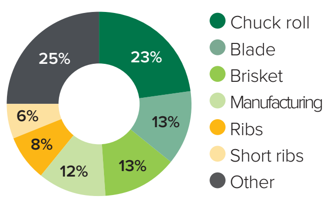
Australian beef exports – value



Total A$1.48 billion

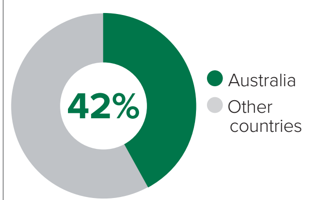
Source: ABS/IHS Markit, MAT (12 months ending May 2019)

Proportion of key cuts (beef)



Source: DAWR, 2018–19

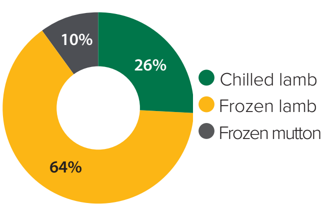
Australia's share of beef imports



Source: IHS Markit, FYTD (July 2018 – May 2019)

Australian sheepmeat exports to Korea recorded growth in 2018-19 for the 10th consecutive year, growing almost six times larger in volume compared to a decade ago. Korea is the second largest Australian lamb customer in Asia.

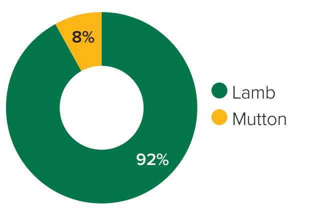
Australian sheepmeat exports – volume



Total 15,348 tonnes swt

Source: DAWR, 2018–19

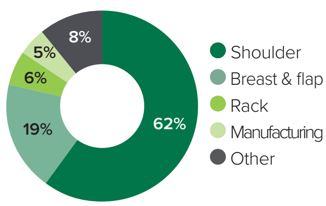
Australian sheepmeat exports – value



Total A$148 million

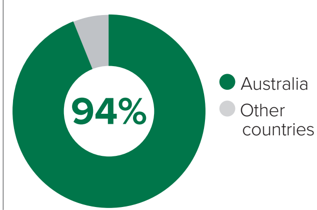
Source: ABS/IHS Markit, MAT (12 months ending May 2019)

Proportion of key cuts (lamb)



Source: DAWR, 2018–19

Australia's share of sheepmeat imports



Source: IHS Markit, FYTD (July 2019 – May 2019)

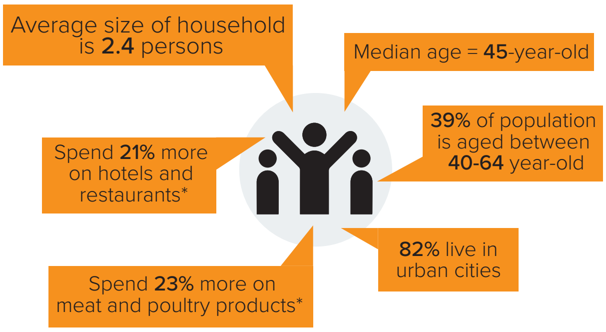
Beef

CONSUMERS

- Among imported beef, Australian beef is the most favoured by Korean consumers *(Source: MLA Global Consumer Tracker Korea, 2018)*, 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: Fitch Solutions)**.
- 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 64% of its beef requirements *(Source: Fitch Solutions)*.

** 2019 data and 2023 forecast, total of beef, excludes Australia, New Zealand (NZ) and Hong Kong.*

What will the Korean consumer market look like in 2023?



*Source: Fitch Solutions, based on various 2023 forecast data. * comparison between 2018 and 2023 forecast data*

- Australian and US beef have similar levels of awareness among consumers, with Australian beef perceived as being safer and of superior quality. US beef appeals mainly for its 'lower price', 'convenience to purchase' and 'cuts suited for everyday cooking' *(Source: MLA Global Consumer Tracker Korea, 2018)*. Further building on consumer confidence and trade loyalty to Australian beef will remain crucial for maintaining Australia's position in the market.

Attributes important for all proteins and beef associations

What attributes are important for Korean consumers (all proteins)?	What associations do consumers have to beef?
Most superior meat	Tastes delicious
My/my family's favourite	I pay more for this meat
Consistent quality	Healthy diet for children
Taste delicious	My/my family's favourite
Healthy diet for children	High nutritional value

Source: MLA Global Consumer Tracker Korea, 2018

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 foodservice sector – 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.*

- 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 and pizzas (Australian beef burger with local *bulgogi-style* sauce).
- 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.
- Quick and cheap eateries are prevalent and frequently visited by office workers, families and students.

Chilli brisket soup

RETAIL

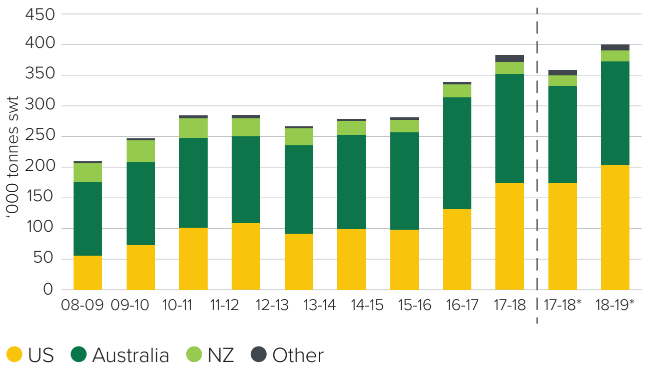
- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. On-pack information about country of origin, along with environmental and 'naturalness' credentials, are highly important considerations at the point of purchase *(Source: MLA Global Consumer Tracker Korea, 2018)*.
- 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 channels 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.
- The US-owned retailer Costco remains focused on US products in their chilled beef section, other major retailers including E-Mart, E-Mart Traders, Lotte Mart and Homeplus continue to respond to demand for Australian beef from Korean consumers.

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. Total import volumes from January to May 2019 (latest available data) reached 202,494 tonnes shipped weight (swt), up 13% year-on-year and the highest on record for the period. Imports from Australia and New Zealand during the same period increased 9% and 0.04% respectively, but imports from the US registered the highest rise for the period (up 17%, or 14,160 tonnes swt year-on-year).
- Under Korea-Australia Free Trade Agreement (KAFTA), in 2019 the tariff for Australian beef exports to Korea has been reduced to 24%, a 5.4 percentage point difference from the US (18.6%). This year the safeguard tariff for Australian beef has also been reduced – from 40% to 30% – bringing Australia in line with the US.
- The US has a significantly larger safeguard triggering volume* under its trade agreement. It has not been triggered since the agreement came into effect in 2012 in comparison to Australia that has triggered the restrictive mechanism every year since the signing of the KAFTA.
- Brazil and India do not have access to the market due to Korea's stringent animal health and food safety requirements. In early May 2019, Holland and Denmark were granted access into Korea – however both are yet to make any shipments into the market.
- In terms of Korean domestic beef production, growth is likely to remain limited in coming years, largely due to producer uncertainty over future cattle prices, an ageing farmer population and rising costs.

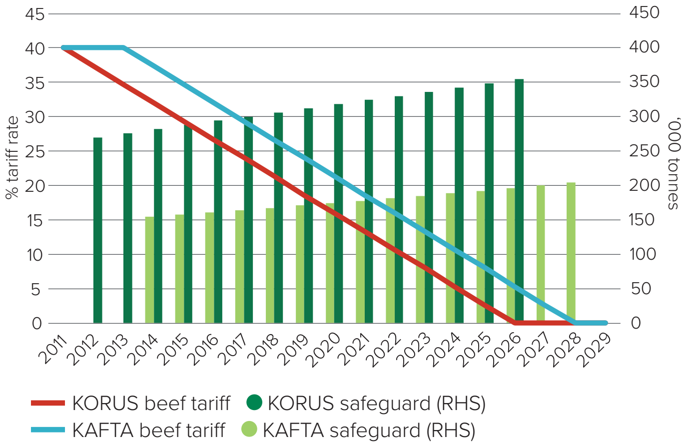
**312,000 tonnes swt for 2019*

Korea beef imports by supplier



*Source: IHS Markit. *YTD (July to May)*

KAFTA and KORUS beef tariff schedules



Source: Austrade and USDA FAS

Home Meal Replacement: HMR

HMR in Korea includes:

- **RTE**; Ready to Eat (i.e. delicatessen and take away type products) – sandwiches, luncheon box, rolled seaweed rice.
- **RTH**: Ready to Heat (packaged meal prepared for microwave or pot heating) – pouch/'retort' food
- **RTC**: Ready to Cook (meal preparation ingredients with recipe/cooking instructions) – Soup, pot stew, meat items.
- **RTP** : referred to as 'Ready to Prepared' in Korea, (cleaned up ingredients and portioned) – prepared vegetable, salads.

Among HMR products Australian beef is used in soup, *Jjigae* (pot stew) and porridge dishes. In 2018, the Korean HMR market was worth A$3.64 billion (estimate), increasing 21% yearly since 2010 *(Source: CJ Jeiljedang)*. The segment has seen substantial growth over the past two years with further opportunities emerging for Australia,

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2019 – 24.0%** **2020 – 21.3%** 0% in 2028 Under **KAFTA**	**US** **2019 – 18.6%** **2020 – 16%** 0% in 2026 under **KORUSFTA***	**Safeguard** Tariff bounces back to 30% 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 170,673 tonnes swt in 2019*

Australian beef exports to Korea – summary table

Volume – in tonnes swt

		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average %	change 2018–19 vs 5-year average in tonnes swt
Total		**176,094**		**156,213**		**161,953**		**9**	**14,141**
Storage	Chilled	35,432	20	35,426	23	34,746	21%	2	686
	Frozen	140,662	80	120,787	77	127,207	79%	11	13,455
Meat type	Grassfed	118,846	67	98,434	63	118,271	73%	0	575
	Grainfed	57,249	33	57,778	37	43,682	27%	31	13,567
Storage/meat type	Chilled grassfed	9,219	5	9,767	6	12,252	8%	-25	-3,033
	Chilled grainfed	26,213	15	25,659	16	22,494	14%	17	3,719
	Frozen grassfed	109,627	62	88,667	57	106,019	65%	3	3,608
	Frozen grainfed	31,036	18	32,120	21	21,188	13%	46	9,848

Source: DAWR

Value – in A$ 000

		2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in A$ 000
Total		**1,481,720**		**1,176,163**		**1,137,620**		**30**	**344,101**
Storage	Chilled	459,081	31	399,909	34	364,357	32%	26	94,725
	Frozen	1,022,639	69	776,254	66	773,263	68%	32	249,376

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Volume – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Chuck roll	40,056	23	33,271	21	38,247	24%	5	1,809
Blade	23,551	13	21,297	14	24,891	15%	-5	-1,340
Brisket	22,598	13	20,093	13	17,034	11%	33	5,564
Manufacturing	21,149	12	17,053	11	19,785	12%	7	1,364
Ribs	13,447	8	13,317	9	11,953	7%	12	1,494
Silverside/outside	12,700	7	9,249	6	9,666	6%	31	3,034
Short ribs	10,634	6	10,688	7	11,724	7%	-9	-1,089
Thick flank/knuckle	7,252	4	5,851	4	4,301	3%	69	2,951
Other	24,707	14	25,395	16	23,204	14%	6	1,504
Total	**176,094**		**156,213**		**160,805**		**10**	**15,290**

Source: DAWR

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

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Intestines	7,596	26	6,271	24	3,986	16%	91	3,609
Skirt	5,435	19	4,806	19	5,714	22%	-5	-278
Cheek meat	5,395	19	4,987	19	5,585	22%	-3	-190
Other	10,704	37	9,691	38	10,404	40%	3	300
Total	**29,130**		**25,754**		**25,690**		**13**	**3,441**

Source: DAWR

Value – in A$ 000

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in A$ 000
Total	**140,563**		**130,359**		**112,844**		**25**	**27,720**

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Sheepmeat

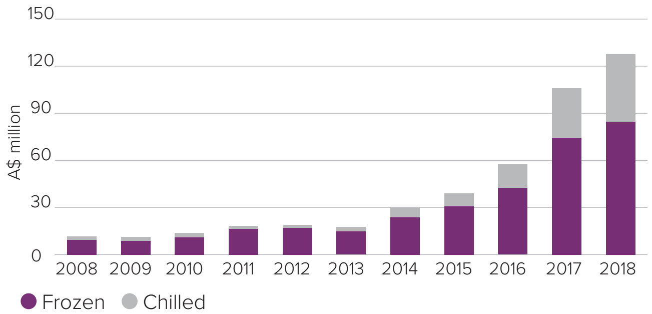
CONSUMERS

- Lamb is not a frequently consumed protein in Korea, and lacks the 'easy everyday' attributes that more common proteins (such as pork) are known for. Rather, consumers associate lamb with taste, nutritional benefits and quality.
- Taste is not a barrier to purchasing lamb in Korea; however, some consumers have concerns about lamb's smell and are hesitant to cook it at home. Considering Koreans are one of the largest per capita consumers of meat in Asia, inspiring consumers' curiosity to try lamb and improving familiarity will create growth opportunities.

FOODSERVICE

- Australian sheepmeat exports to Korea have seen significant value growth over the past five years, averaging 46% year-on-year growth (in value) since 2014-15. This growth in demand has been largely driven by the growing popularity of Chinese-influenced lamb barbecue/skewer restaurants. However with the increased interest in sheepmeat, *Genghis Khan*-style (Japanese table-top sheepmeat barbecue style cooking) restaurants are also growing in number, and more local chefs are beginning to experiment with various lamb cuts including whole leg barbecue and bone-in rib cuts

Australian sheepmeat exports - value



Source: IHS Markit

- In recent years, *Huguo and Mara* soup (Chinese-style hotpot and soup) restaurants have seen a rise in popularity among young Koreans. This cuisine leverages trimming from lamb shoulder cuts.
- 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 and independent operators.

Lamb – Genghis Khan Korean-style

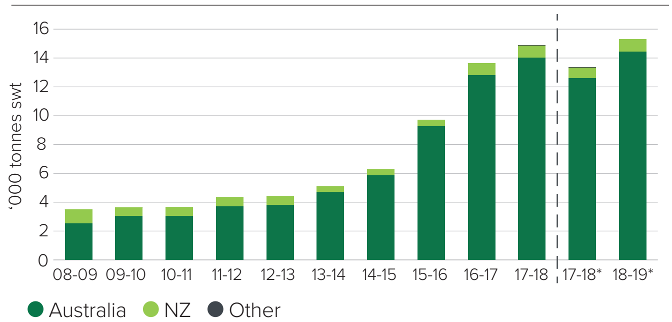
RETAIL

- Lamb is not commonly available across major supermarkets in Korea, with consumers not yet readily thinking of lamb as an everyday protein option. When it is purchased, it is often either an impulse buy or for a specific meal *(Source: MLA Global Consumer Tracker Korea, 2017)*. However, lamb is regarded as delicious and for having strengths in animal welfare and sustainability.
- Consumer interest in lamb is reportedly increasing, particularly after having enjoyed the protein at a restaurant. However, many outlets are focused on fast selling, low priced protein products, on the back of the fragmented and highly competitive retail environment, which works against comparatively expensive lamb.
- The presence and sales of lamb on online platforms have been increasing, with a growing number of consumers willing to try lamb at home. Major online only vendors such as Market Kurly and Coupang already have a diversified range of lamb available for purchase.

OTHER SUPPLIERS

- As the scale of the local lamb industry is limited, sheepmeat consumption in Korea is predominantly supported by imports. This means that any increase in sheepmeat demand in Korea will provide opportunities for a rise in imports.
- The Korean imported sheepmeat market has increased significantly over the past 10 years (from a very low base), with Australia mostly taking advantage of the growth, representing 94% of total imports in 2018–19 (YTD July 2018 to May 2019).
- New Zealand, which has also taken advantage of the rise in imports, remains the key competitor for Australia but its market share remains small. The majority of New Zealand products into Korea are bone-in frozen cuts.

Sheepmeat imports into Korea by supplier



*Source: IHS Markit. *FYTD (July to May)*

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (**KAFTA**)	**2019 – 9.0%** **2020 – 6.7%** 0% in 2023 under **KAFTA**	**NZ** **2019 – 11.2%** **2020 – 9%** 0% in 2024 under **NZ-Korea FTA***	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** New Zealand-Korea Free Trade Agreement*

Australian sheepmeat exports to Korea – summary table

Volume – in tonnes swt

		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average %	change 2018–19 vs 5-year average in tonnes swt
	Total	**15,347**		**14,495**		**9,854**		**56**	**5,493**
Storage	Chilled	4,034	26	3,205	22	1,598	16	152	2,436
	Frozen	11,313	74	11,289	78	8,256	84	37	3,057
Meat type	Lamb	13,759	90	12,614	87	8,345	85	65	5,414
	Mutton	1,588	10	1,880	13	1,510	15	5	79
Storage/meat type	Chilled lamb	4,032	26	3,205	22	1,596	16	153	2,436
	Chilled mutton	2	0	0	0	3	0	-32	-1
	Frozen lamb	9,727	63	9,409	65	6,749	68	44	2,978
	Frozen mutton	1,587	10	1,880	13	1,507	15	5	79

Source: DAWR

Value – in A$ 000

		2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in A$ 000
	Total	**148,028**		**127,779**		**72,016**		**106**	**76,012**
Meat type	Lamb	136,670	92	113,790	89	62,882	87	117	73,788
	Mutton	11,358	8	13,989	11	9,135	13	24	2,224

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

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

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Shoulder	8,459	61	6,815	54	4,369	52	94	4,090
Breast and flap	2,599	19	3,029	24	1,886	23	38	713
Rack	848	6	1,256	10	569	7	49	279
Manufacturing	752	5	596	5	747	9	1	5
Intercostals	439	3	423	3	278	3	58	160
Other	662	5	496	4	495	6	34	167
Total	**13,759**		**12,614**		**8,345**		**65**	**5,414**

Source: DAWR