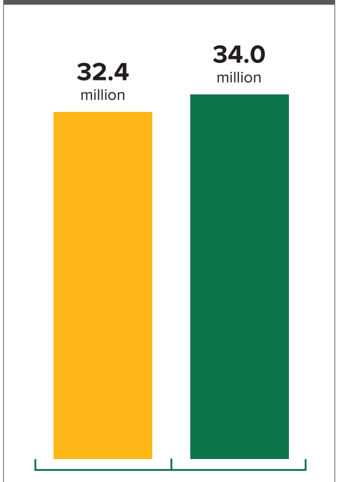
MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF & SHEEPMEAT

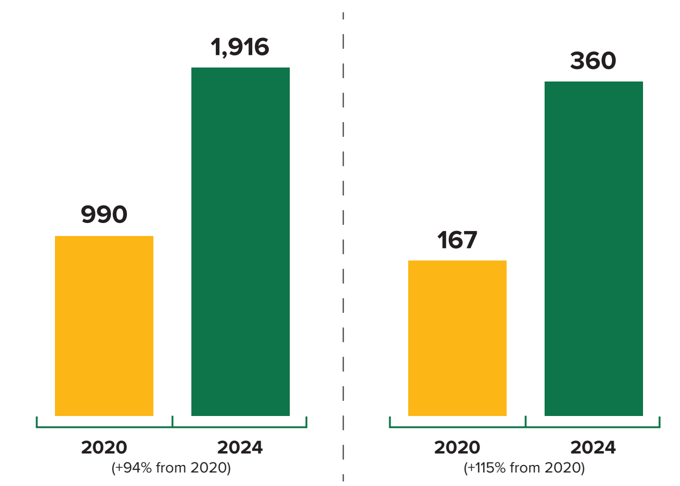
Malaysia

Malaysia is Australia's third largest export market for mutton and total sheepmeat. Continued expansion of the nation's already well-established retail, foodservice and tourism sectors, combined with a large pool of young, wealthy consumers who are avid restaurant diners makes Malaysia Australia's second most attractive market in South-East Asia after Singapore.

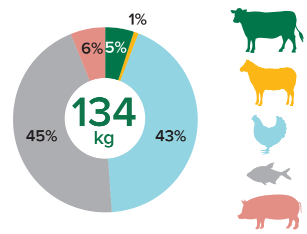
Population[1]



Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

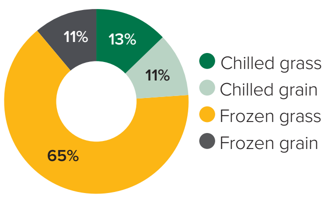


Grocery spend[4]

A$ 1,245 per person

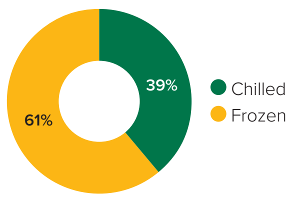
Australian beef exports

Australian beef exports – volume[5]



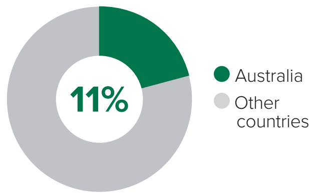
Total 9,666 tonnes swt

Australian beef exports – value[6]

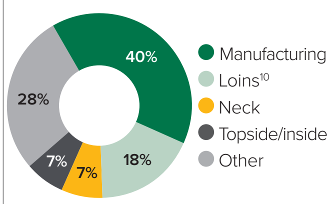


Total A$89.0 million

Australia's share of beef imports[7]

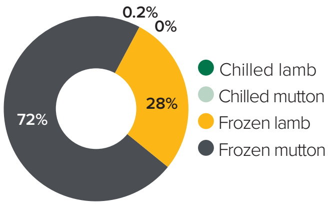


Australian beef export by cut[8]



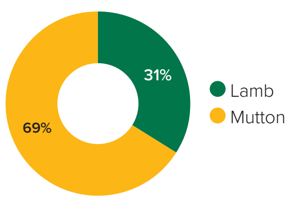
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



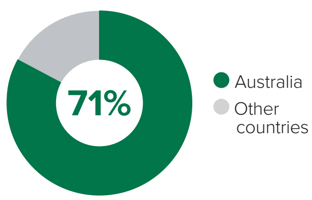
Total 23,568 tonnes swt

Australian sheepmeat exports – value[6]

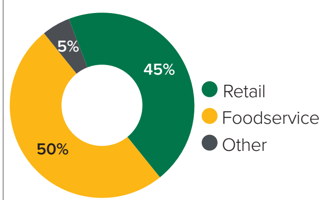


Total A$186.8 million

Australia's share of sheepmeat imports[7]



Key distribution channels of Australian sheepmeat[9]



Data source for charts: [1,2] Fitch Solutions, [3] GIRA 2020, [4] IGD 2019 (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAWE (FY 2019–20), [6] ABS/IHS Markit (FY 2019–20), [7] IHS Markit (FY 2019–20), [8] DAWE (FY 2019–20), [9] MLA market intelligence, [10] Loins include striploin, cube roll/rib eye roll, tenderloin and loin.

Beef

CONSUMERS

- Malaysia has the second highest consumer purchasing power in the South-East Asian region after Singapore, with average household spending per capita being approximately US$20,000, compared to the regional average of US$11,500 *(Source: Fitch Solutions).*
- Beef plays an important role in the Malaysian diet, especially among Muslim consumers who account for more than 60% of the population.
- Despite the dominance of chicken and fish, Malaysia has comparatively high per capita beef consumption of about 7kg per person a year, compared to the region's average of 5.4kg *(Source: GIRA).*
- Beef is seen as a superior meat with great taste, but generally does not have as distinctive a profile in Malaysia as it does in neighbouring countries. Chicken and fish tend to have stronger positive associations.
- Australian beef is the favourite meat for many Malaysian families, especially among those with middle to high-income. Some 45% say it is their family's favourite, compared to 37% favouring local beef. Australian beef is also believed to offer the highest quality steak, with 40% of affluent Malaysians (annual income of A$25,000 or above) indicating that Australian beef would be the first choice for their next beef purchase *(Source: MLA Global Consumer Tracker Malaysia, 2019).*
- For religious reasons, Halal is an important element in beef purchasing in Malaysia. Beef consumption typically spikes during the festive seasons, particularly around the months of *Ramadan* and *Hari Raya Aidilfitri*. *Ramadan* dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing for beef demand changes every year.

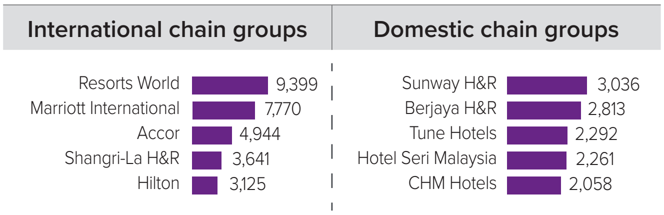
Important attributes when Malaysian consumers select between meat proteins	Malaysian consumers' associations with beef
Freshness	The most superior meat
My/my family's favourite meat	Willing to pay a bit more for this meat
Delicious taste	The animal is well-cared for
Easy and convenient to prepare	Consistent quality standards
Willing to pay a bit more for this meat	Delicious taste

Source: MLA Global Consumer Tracker Malaysia, 2020

FOODSERVICE

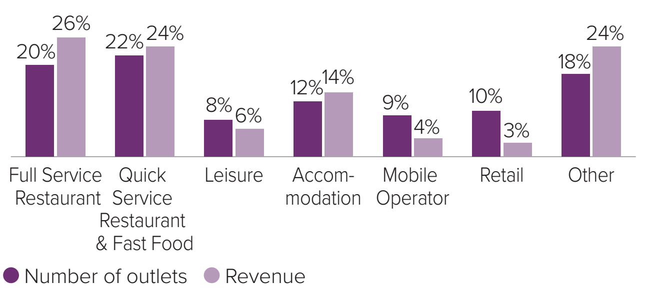
- Malaysia has a relatively established foodservice sector, with one of the fastest growth rates in the region, driven by changing consumer lifestyles, growing tourism and continued urbanisation.
- Klang Valley, which comprises Malaysia's capital city of Kuala Lumpur and its adjoining cities and towns in the state of Selangor, is a highly cosmopolitan region with a large population of more than 7.5 million people and a large number of expatriates. The region has a vibrant foodservice sector, offering a wide variety of choices from affordable local to luxury international cuisines. Klang Valley is also home to approximately 200 shopping malls of substantial size. Shopping malls are typically popular destinations for food, drinks and social interactions in Malaysia. The region is seeing a growing number of contemporary, culture-themed restaurants including Asian, European, American and Middle Eastern styles.
- Local is the favourite cuisine, followed by Chinese. Japanese, Korean and Western cuisines are gaining popularity, mostly driven by young and affluent consumers.
- Malaysia has the second highest number of international tourists in South-East Asia after Thailand, welcoming approximately 25.8 million international tourists in 2019 *(Source: WorldBank).* Strong tourism offers further growth opportunities in other popular tourist destinations such as Penang and Malacca, in addition to the Klang Valley.
- Australian beef exported to Malaysia is typically used in higher-end hotels and restaurants.

Malaysia hotel chains by number of rooms



Source: Horwath HLT, Asia Pacific Hotels & Chains Report 2018

Malaysia foodservice sector by proportion of outlet and value shares

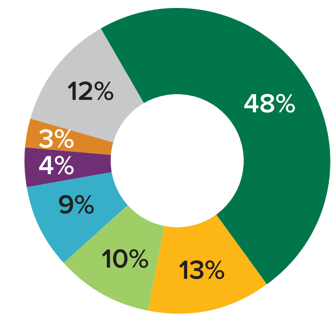


Source: GlobalData, 2020 estimate

RETAIL

- Malaysia's retail sector is fragmented, with organised retailers accounting for about 33% of the market. Despite a relatively high urbanisation rate of 77%, traditional channels or wet markets are still dominant.
- The majority of Malaysian consumers frequent wet markets for local beef and modern retail outlets such as supermarkets or hypermarkets for imported beef, including Australian.
- Besides Halal, freshness is a very important factor influencing Malaysian consumers' beef purchasing decisions as it is thought to affect the taste of the dish. For instance, the fresher the beef is, the sweeter the taste it can deliver once cooked[1].

Which supermarkets do Malaysians usually purchase beef from?



Source: MLA Global Consumer Tracker Malaysia, 2019

- The Klang Valley region has a growing number of premium grocery retail stores, capturing increasing demand for high quality, imported food products from affluent local and expatriate consumers. Jaya Grocer and Ben's Independent Grocer are among popular upmarket retail brands.
- Albeit still a small segment, more Malaysian consumers are looking for organic beef, underpinned by the growing importance of health and strong consumer associations with its health benefits *(Source: MLA Global Consumer Tracker Malaysia, 2019).*

Top five factors influencing Malaysian consumers' beef purchasing decisions*

1	Halal certification
2	100% natural
3	Quality grading or guarantee
4	Use/sell by date
5	Organic

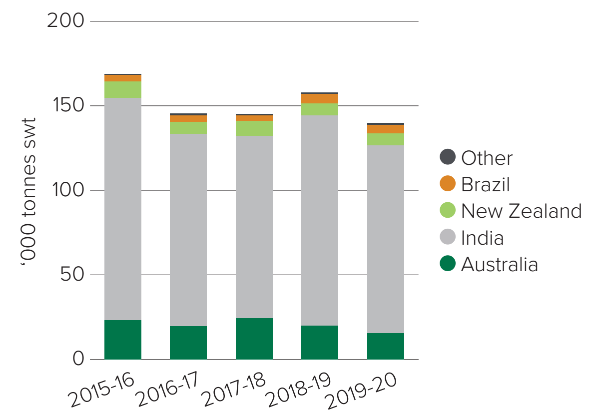
Source: MLA Global Consumer Tracker Malaysia, 2017
**when they are selecting beef at a retail outlet*

[1] *International Food and Agribusiness Management Review, Exploring the Factors Influencing Consumers' Choice of Retail Store When Purchasing Fresh Meat in Malaysia, 2013.*

COMPETITIVE LANDSCAPE

- Malaysia imports 80% of its beef, of which Indian buffalo meat accounts for almost 80%. Indian buffalo meat is generally sold through wet markets and widely used by small food manufacturers and lower-tier restaurants.
- Australia is the second largest beef supplier to Malaysia, with a market share of approximately 12%. Australia is also the biggest supplier of chilled beef, accounting for almost 90% of the country's chilled beef imports. Most Australian imports are utilised in modern retail and mid- to upper-tier foodservice sectors.
- New Zealand is the third largest beef supplier to Malaysia, but exports have been in decline in recent years due to supply constraints.
- Brazil accounts for about 4% of total imports, but Malaysia's demand for Brazilian beef has increased significantly in recent years, at 16% per year on average.
- Total beef demand has fallen so far in the 2020 year-to-June period, as a result of COVID-19 disruptions in foodservice and on logistics.
- Malaysia maintains strict Halal requirements for food products. Meat intended to be imported to Malaysia must be Halal and meat plants must be inspected and approved by the Malaysian Department of Islamic Development (JAKIM). The approval period for the establishment is valid for one year. However, the validation period may be extended for an additional two years subject to the outcome of the mandatory 'Annual Performance Evaluation' *(Source: Malaysia Department of Veterinary Services).*

Malaysia beef imports by major supplier



Source: IHS Markit , Australian Fiscal Year

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)** Malaysia-Australia Free Trade Agreement **(MAFTA)** Trans-Pacific Partnership **(CP-TPP)**	Under AANZFTA and MAFTA: 0% for all product lines	**India:** 0% **New Zealand:** Same conditions as Australia **Brazil:** 0%	Zero	Maintains import regulations in accordance with Halal requirements

Best access — Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Malaysia – summary table

Volume – in tonnes swt

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**9,666**		**10,096**		**10,991**		**-12**	**-1,325**
Storage	Chilled	2,353	24	2,198	22	2,079	19	13	274
	Frozen	7,313	76	7,898	78	8,912	81	-18	-1,598
Meat type	Grassfed	7,574	78	8,462	84	9,247	84	-18	-1,674
	Grainfed	2,092	22	1,634	16	1,743	16	20	349
Storage/meat type	Chilled grassfed	1,286	13	1,533	15	1,456	13	-12	-170
	Chilled grainfed	1,066	11	664	7	623	6	71	443
	Frozen grassfed	6,287	65	6,928	69	7,792	71	-19	-1,504
	Frozen grainfed	1,026	11	970	10	1,120	10	-8	-94

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
	Total	**89,006**		**81,950**		**78,370**		**14**	**10,635**
Storage	Chilled	34,691	39	31,826	39	28,014	36	24	6,678
	Frozen	54,314	61	50,124	61	50,357	64	8	3,957

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	3,871	40	4,229	42	4,940	45	-22	-1,069
Striploin	957	10	890	9	997	9	-4	-40
Neck	690	7	503	5	1,112	10	-38	-422
Topside/Inside	665	7	648	6	548	5	21	117
Blade	560	6	585	6	573	5	-2	-13
Other	2,922	30	3,240	32	2,821	26	4	101
Total	**9,666**		**10,096**		**10,991**		**-12**	**-1,325**

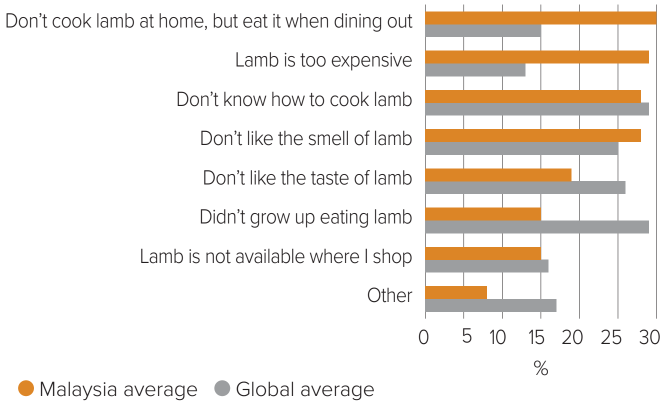
Source: DAWE

Sheepmeat

CONSUMERS

- Despite modest per capita consumption levels, the frequency of sheepmeat consumption is relatively high in Malaysian diets. About one-third of consumers say they have bought lamb in the last month, well above Asia's average of 19% *(Source: MLA Global Consumer Tracker).*
- As Malaysia is a multicultural nation, its cuisine is influenced by many different cultures including Malay, Chinese, Arabic, Indian, Javanese and European. Sheepmeat is not only popular among the Muslim community but also enjoyed by other ethnic groups.
- Sheepmeat is often consumed as a special treat and for special occasions, especially during religious festivals. Demand for sheepmeat in Malaysia typically spikes during the Muslim festive seasons, particularly around the months of *Ramadan* and *Hari Raya Aidilfitri.*
- Malaysian consumers tend to be more familiar with sheepmeat than those in neighbouring countries. In addition to superiority, some Malaysians think sheepmeat, or lamb in particular, is nutritious and versatile.
- However, 'don't know how to cook it' remains a key barrier for Malaysian consumers to eating sheepmeat at home. Some 30% of consumers say they don't buy and prepare lamb at home but do eat it when dining out, compared to the global average of 15% *(Source: MLA Global Consumer Tracker).*
- Malaysian consumers, especially male millennials, are interested in sheepmeat. In particular, they are interested in cooking more meals with sheepmeat and learning how to cook more exciting sheepmeat dishes *(Source: MLA Attractive Cities Study Kuala Lumpur, 2018).* Some consumers say they would try to buy and cook lamb if they are inspired by recipe ideas, cooking tips or good experiences at a restaurant.

Reasons Malaysian consumers don't buy lamb

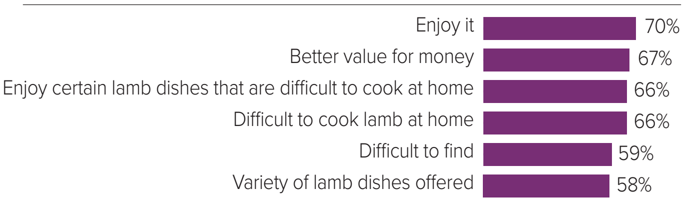


Source: MLA Global Consumer Tracker Malaysia, 2019

FOODSERVICE

- Driven by consumer preferences for enjoying sheepmeat out of home and growing interests in eating out, foodservice remains a strategic channel to grow sheepmeat consumption in Malaysia.

What motivates affluent Malaysian consumers to eat sheepmeat* when they dine out?



Source: MLA ASEAN Attractive Cities Study Kuala Lumpur, 2018
**including goatmeat; Affluent consumers are those who have annual disposable income of US$23,000 or above*

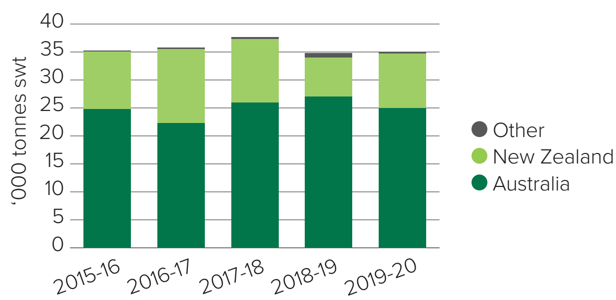
RETAIL

- Malaysian consumers buy sheepmeat from multiple retail outlets including both modern and traditional. Supermarkets and hypermarkets remain the most common places of purchase of imported sheepmeat products.
- Roast, grill, stew, panfry and BBQ are the most popular ways of cooking lamb at home. Malaysian consumers tend to use more pre-prepared ingredients when cooking sheepmeat dishes compared to neighbouring countries *(Source: MLA ASEAN Attractive Cities Study Kuala Lumpur, 2018).*
- The *True Aussie Lamb* brand has strong consumer awareness and associations in Malaysia, with 'high quality/premium' being the first attributes that come to consumers' minds.

COMPETITIVE LANDSCAPE

- Approximately 90% of some 40,000 tonnes of sheepmeat consumed in Malaysia comes from imports *(Source: GIRA).*
- Australia is a leading supplier with a market share of around 70%, followed by New Zealand. Imports from Australia remain steady, while volumes from New Zealand have fallen in the last two years due to supply constraints. However, imports from New Zealand surged again in the first half of 2020, up 60% to 8,700 tonnes shipped weight (swt), despite heavy COVID-19 impacts on the foodservice sector.

Malaysia sheepmeat imports



Source: IHS Markit, Australian Fiscal Year

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Best access — Major challenges

Source: Trade agreements, DFAT

Australian sheepmeat exports to Malaysia – summary table

Volume – in tonnes swt

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**23,568**		**25,845**		**24,285**		**-3**	**-717**
Storage	Chilled	49	0	91	0	99	0	-51	-50
	Frozen	23,520	100	25,754	100	24,186	100	-3	-667
Meat type	Lamb	6,675	28	8,011	31	8,640	36	-23	-1,964
	Mutton	16,893	72	17,834	69	15,645	64	8	1,248
Storage/ meat type	Chilled lamb	49	0	91	0	99	0	-51	-50
	Chilled mutton	-	0	0.1	0	0.05	0	-100	0
	Frozen lamb	6,627	28	7,920	31	8,541	35	-22	-1,914
	Frozen mutton	16,893	72	17,834	69	15,645	64	8	1,248

Source: DAWE, figures are rounded

Value – in A$ 000

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	%	in A$ 000
	Total	**186,757**		**172,484**		**142,222**		**31**	**44,535**
Storage	Lamb	58,655	31	61,237	36	55,964	39	5	2,691
	Mutton	128,101	69	111,248	64	86,258	61	49	41,844

Source: ABS/IHS Markit, figures are rounded

Volume - by major cut (in tonnes swt)

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	%	in tonnes swt
Lamb	Shoulder	4,430	66	5,434	68	6,065	70	-27	-1,636
	Leg	636	10	765	10	633	7	0	3
	Shank	509	8	375	5	428	5	19	82
	Other	1,101	16	1,437	18	1,514	18	-27	-413
	Total	**6,675**		**8,011**		**8,640**		**-23**	**-1,964**
Mutton	Carcase	8,371	50	10,123	57	8,750	56	-4	-379
	Shoulder	3,478	21	3,152	18	2,672	17	30	806
	Leg	2,092	12	2,318	13	1,579	10	32	513
	Other	2,952	17	2,241	13	2,644	17	12	309
	Total	**16,893**		**17,834**		**15,645**		**8**	**1,248**

Source: DAWE