

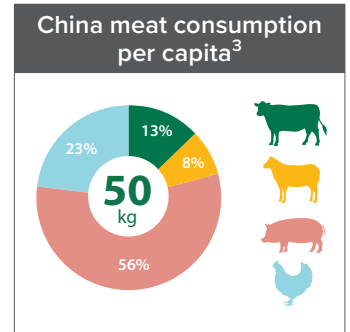
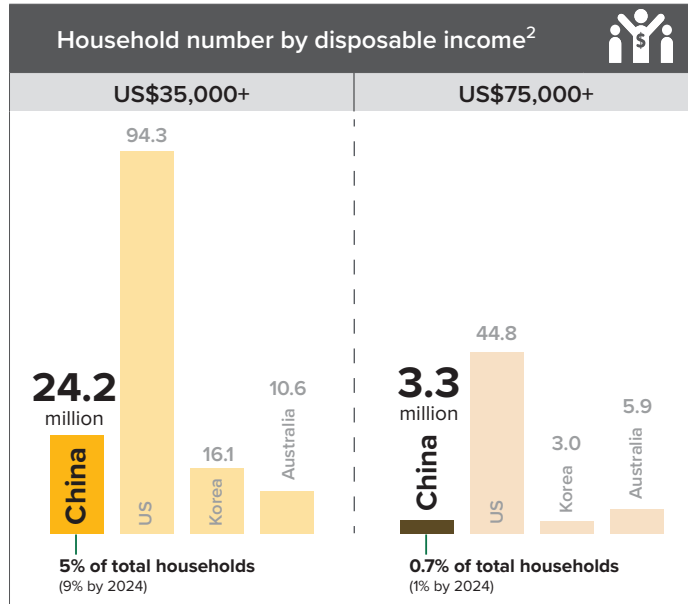
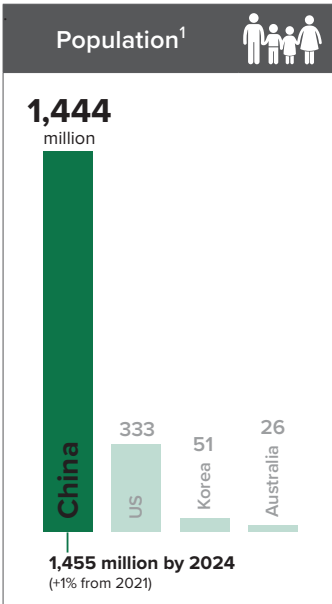


MARKET SNAPSHOT | BEEF & SHEEPMEAT

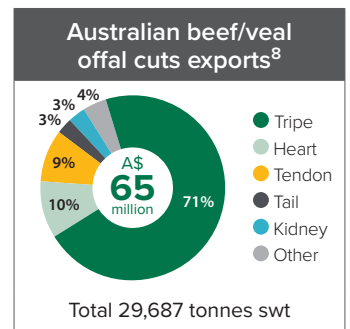
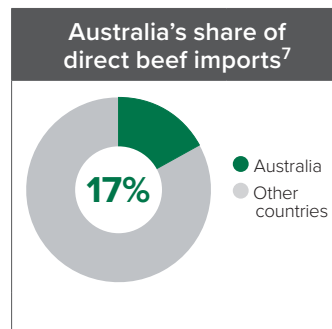
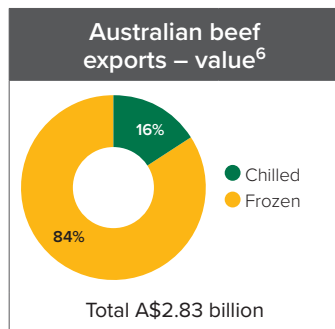
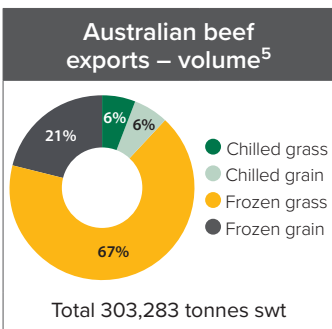
Greater China (China, Hong Kong and Taiwan)

Driven by a significant increase in the number of wealthy households. Focusing on targeted opportunities with a differentiated product will help to build preference in what is a large, complex and competitive market. Taiwan and Hong Kong are smaller by comparison but still important markets for Australian red meat, underpinned by a high proportion of affluent households.

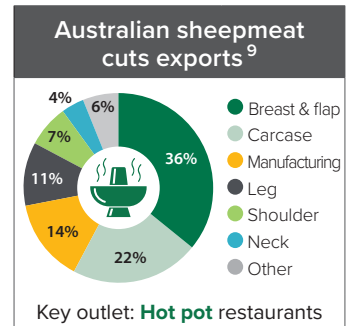
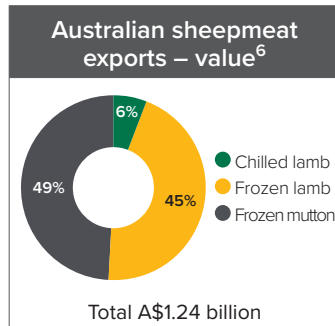
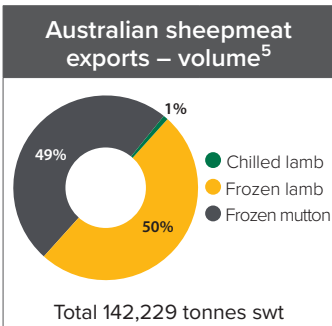
Despite being the most populous country in the world, the proportion of Chinese consumers who can regularly afford to buy high quality imported meat is relatively small in comparison to more developed markets such as the US and Japan. However, continued strong import demand for premium red meat will be



Australian beef exports to China have grown rapidly, increasing 70-fold over the past 10 years, with the country becoming Australia's largest market in 2019.



China has rapidly become Australia's single largest export destination for both lamb and mutton. Total sheepmeat exports have registered an eight-fold increase over the last 10 years.



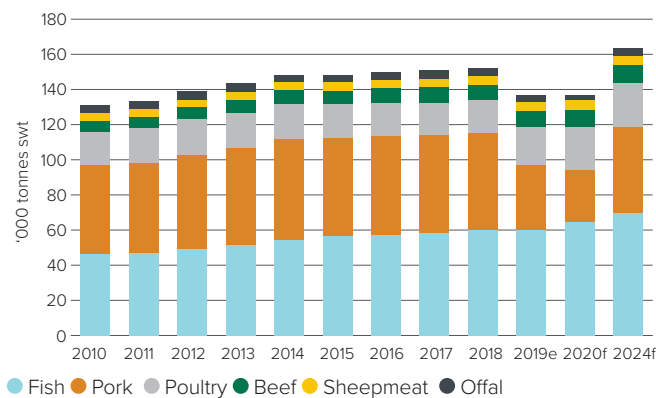
Data source for charts: ¹Fitch Solutions 2021, ²Fitch Solutions 2021 (disposable income = earnings after taxes and social security charges), ³Fitch Solutions, GIRA (China data only per person per year in cwt excluding fish/seafood) 2020 and 2021, ⁴IGD 2021 (It is defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), ⁵DAWE (FY 2019–20), ⁶ABS/IHS Markit (FY 2019–20), ⁷IHS Markit (most recent 12 months due to data availability), ⁸DAWE 2019–20 (China, Hong Kong, Macau and Taiwan combined), ⁹DAWE, IHS Markit 2019–20 (Lamb and mutton combined).

CONSUMERS



- In China, beef comprises a small proportion of dietary protein intake compared to pork, fish and chicken. However, with rising incomes and continued urbanisation, national per capita beef consumption is forecast to increase from 6.4kg in 2018 to 7.0kg in 2024f (Source: GIRA).
- The impact of African Swine Fever (ASF) on higher pork prices in China is likely to result in a permanent increase in consumption of other meat proteins, particularly fish and poultry, but also beef.

China beef consumption in context



Source: GIRA 2019

- Chinese consumers consider beef a superior protein, making it a family favourite due to its high nutritional value and great taste. Barriers to more frequent consumption, apart from price, are driven by perceptions that beef is more difficult to prepare, less fresh and less tender compared to other proteins.

FOODSERVICE



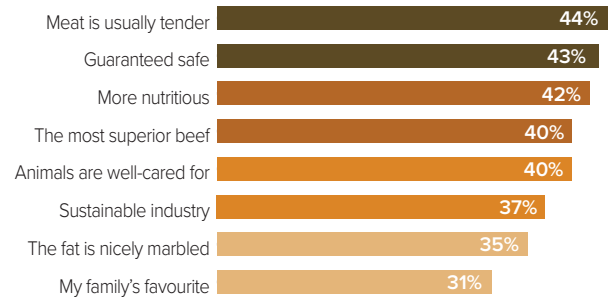
- As a comparatively less familiar but premium protein, estimates are that about two-thirds of the beef in China is consumed outside the home (Source: GIRA), where consumers are increasingly enjoying trying different cuisines that involve beef, such as western-style, Japanese and Korean.
- MLA estimates that in 2019, some 80% of Australian beef in China was sold in foodservice channels, with a proportion going into further processing of items such as hot pot rolls, burgers, meatballs and sausages, and a higher value product going into more premium full-service restaurants.



Growing popularity of western and other Asian cuisines has increased beef consumption.

- Beef and beef offal are used in a variety of slow-cooked, stir fry, soup, dumpling and hot pot dishes. In urban upper middle class households, there is increasing exposure to western-style steaks, sausages, pasta dishes and burgers, both at home and via foodservice.
- A growing number of affluent consumers seek higher quality branded beef products offering higher safety, more consistent quality, more nutritional value and better eating quality. Australia is well-positioned to meet this demand as a widely recognised and well-regarded supplier of premium beef.

Affluent* Chinese consumer perceptions of Australian beef



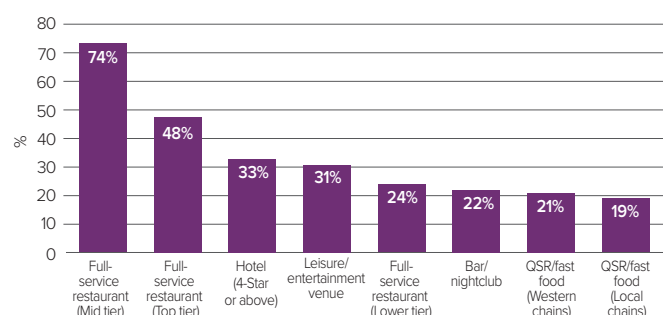
Source: MLA Global Consumer Tracker, 2019. % Agree.

*Consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing cities

- Busy urban consumers are increasingly seeking convenience without having to compromise on quality and freshness, leading to growth in premium food and meal solutions. This trend has been further accelerated as a result of COVID-19 lockdowns.

- Australian beef has a strong, established presence in China's premium western-style foodservice sector, as well as some upscale hot pot restaurant chains, where differentiation based on quality and country of origin is important to diners.
- Developments in the foodservice sector such as the growth in popularity of steakhouse restaurants, Korean and Japanese cuisines are presenting more opportunities for Australian beef – particularly grainfed product.
- Despite the short-term challenges of COVID-19, the foodservice sector is forecast to see long-term growth and premiumisation, driven by expected strong affluent population growth.

Foodservice consumption of beef by affluent* consumers



Source: MLA China Attractive Cities Study, 2016. Consumed beef in the past month at

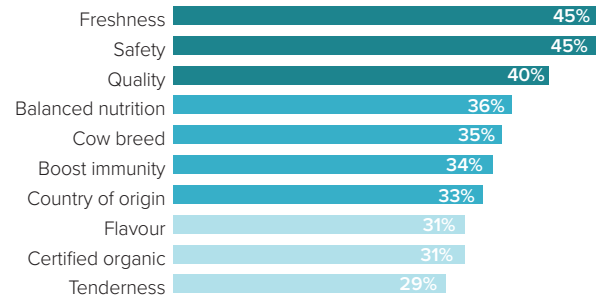
*Consumers living in households earning >RMB80,000 monthly.

Top tier: >RMB300/head. Mid-Tier: RMB51-300/head. Lower Tier: <RMB50/head



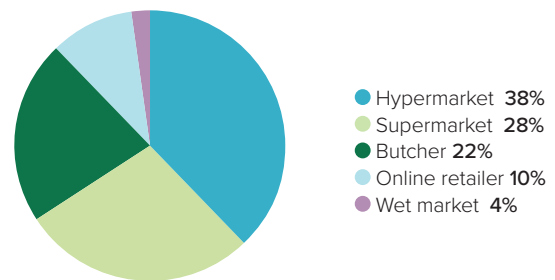
- As the world's largest grocery market by total sales, the share of modern retail in China is forecast to increase from 54% in 2019 to 61.5% in 2024 (Source: IGD). This shift away from traditional channels has been accelerated by the impact of COVID-19, with more consumers turning away from wet markets and using more online retail.
- Retail sales of beef have seen significant growth in 2020 so far due to both higher pork prices encouraging more beef consumption as a result of ASF, as well as a shift from dining-out to at-home consumption due to COVID-19.
- When buying beef for home consumption, Chinese consumers prioritise naturalness, safety and markers of quality such as country of origin. As a result of COVID-19, both safety and nutritional benefits have become even more important. Hence, Australian beef has seen strong demand growth for chilled and grainfed product in big cities, where affluent consumers seek the benefits of premium Australian product.
- Affluent urban consumers are driving growth in branded beef products as a marker of not only the important 'basics' of quality and safety, but as a source of meaning that contributes to their consumption experience via factors such as provenance. Quality beef products are also given as gifts at important celebration or occasions such as Spring Festival.
- China's grocery retail sector is undergoing significant change, with new business models and payment systems being trialled, presenting new opportunities for Australian beef. Retail sales value growth for beef is forecast to be fastest in the e-commerce channel in the coming years, as significant investments are being made in improving refrigeration capacity along the supply chain.

China affluent* consumers' beef purchase considerations



Source: MLA China COVID-19 Consumer Impact Survey, March 2020
 *Average monthly household income RMB28,000. Base: frequent imported beef consumers at home in Shanghai, Beijing, Guangzhou and Chengdu.

Where affluent* Chinese consumers buy Australian beef



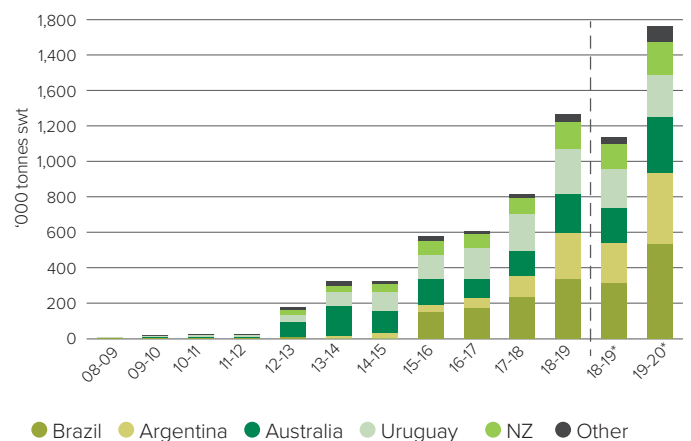
Source: MLA Global Consumer Tracker China, 2019
 *Consumers in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing. Living in households earning >RMB200,000 p.a.

COMPETITIVE LANDSCAPE



- The competitiveness of the China beef market is intensifying as more countries are granted market access. During the 12 months ending May 2020, some eight new supplier countries began exporting beef to China for the first time.
- China has a large beef cattle herd, estimated at 51 million head in 2021f (Source: GIRA). Although domestic beef production is expected to see some growth in coming years, for the foreseeable future there will remain a significant and growing domestic supply gap that will need to be met by imports.
- 2020 has seen the country's largest-ever monthly import volumes of beef through customs, totalling just under 2 million tonnes shipped weight (swt) for the year ending May, up 56% year-on-year. Chilled beef imports, which are mostly supplied by Australia, doubled over this same period to reach an all-time high of 46,673 tonnes in the 12 months to May, indicating growing demand for higher-quality beef (Source: IHS Markit).
- In the chilled beef market, Australia's main competitors are New Zealand and the US. Another nine countries, mainly South American and European, have also recently begun supplying smaller volumes. Australia's key competitors for frozen beef are Brazil, Argentina, Uruguay and New Zealand.

China direct beef imports by supplier



Source: IHS Markit, China Customs. *FYTD Jul-May. Excludes offal.

LIVESTOCK EXPORTS



- Australia exported 15,512 head of live cattle for processing and 150,239 head of breeder cattle to China in the 12 months to June 2020, a combined increase of 36% on the previous 12 months (Source: DAWE).
- Australia is the largest supplier of direct live cattle exports to China, which also imports smaller numbers of mostly dairy breeder cattle from New Zealand, Uruguay and Chile (Source: GIRA).



Market access overview – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA) (entered into force 20 December 2015)	Under ChAFTA 2020: Chilled and frozen beef 4.8% chilled carcasses 8%, frozen carcasses 10% Offal 0-8% 2021: Chilled and frozen beef 3.6%, chilled carcasses 6%, frozen carcasses 7.5% Offal 0-6% 2024: Zero	US: Phase One Economic and Trade Agreement signed 15 January 2020. China agreed to lift most restrictions on US beef products. Tariffs from 2 March 2020 until 1 March 2021*: Meat 37%, carcass – chilled 35%, frozen 40%**. NZ: Zero from 2016 Brazil, Uruguay, Argentina (Most-favoured nation tariff rate): Meat 12%, carcass – chilled 20%, frozen 25%	Safeguard: Most-favoured nation tariffs apply if Australian imports exceed: 179,687 tonnes swt in 2020 185,078 tonnes swt in 2021 Most-favoured nation tariffs: Chilled and frozen beef 12%, chilled carcasses 20%, frozen carcasses 25%	Restrictions on the number of approved plants, chilled plants and restrictions on edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA. NB: China applies a 9% VAT on most items. *As at 24 February, 2020. ** 18 February 2020 China announced a new tariff waiver application system for Chinese companies importing US frozen and chilled beef and by-products, available from 2 March 2020, with de facto tariffs in line with the MFN rate (12% meat, 20% chilled carcass, 25% frozen carcass). Competitors differentiated on market access terms, tariff rates and number of China-approved plants.

Australian beef exports to Greater China – summary table



Volume – in tonnes swt

		2019–20		2018–19		five-year average (2014–15 to 2018–19)		change 2019–20 vs five-year average	
			% of total		% of total		% of total	%	in tonnes swt
Total		336,039		240,986		176,003		91	160,036
Storage	Chilled	47,362	14	28,634	12	17,784	10	166	29,578
	Frozen	288,678	86	212,352	88	158,219	90	82	130,459
Meat type	Grassfed	248,950	74	175,738	73	140,277	80	77	108,673
	Grainfed	87,090	26	65,248	27	35,726	20	144	51,363
Storage/meat type	Chilled grassfed	24,823	7	16,329	7	11,810	7	110	13,013
	Chilled grainfed	22,539	7	12,304	5	5,974	3	277	16,565
	Frozen grassfed	224,127	67	159,409	66	128,466	73	74	95,660
	Frozen grainfed	64,551	19	52,943	22	29,753	17	117	34,798

Source: DAWE

Value – in A\$ 000

		2019–20		2018–19		five-year average (2014–15 to 2018–19)		change 2019–20 vs five-year average	
			% of total		% of total		% of total	%	in A\$ 000
Total		3,187,593		2,086,249		1,354,785		135	1,832,808
Storage	Chilled	595,464	19	377,201	18	223,113	16	167	372,350
	Frozen	2,592,130	81	1,709,048	82	1,131,672	84	129	1,460,458

Source: ABS/IHS Markit

Australian beef exports to China – by major cut (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
Manufacturing	63,219	19	40,111	17	21,747	12	191
Brisket	48,800	15	36,248	15	30,807	18	58
Shin/shank	36,667	11	33,212	14	26,831	15	37
Blade	31,571	9	24,526	10	17,039	10	85
Silverside/outside	26,516	8	20,550	9	13,264	8	100
Chuck roll	22,519	7	11,495	5	7,110	4	217
Thick flank/knuckle	17,758	5	14,051	6	9,323	5	90
Ribs	13,369	4	9,023	4	5,712	3	134
Other	75,620	23	51,770	21	44,170	25	71
Total	336,039		240,986		176,003		91

Source: DAWE

Australian beef offal exports to China – by major cut (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
Tripe	21,194	71	23,263	76	22,444	78	-6
Heart	3,006	10	2,312	8	1,567	5	92
Tendon	2,633	9	3,031	10	3,356	12	-22
Other	2,854	10	1,862	6	1,551	5	84
Total	29,687		30,467		28,918		3

Source: DAWE

Value – in A\$ 000

	2019–20	2018–19	five-year average (2014–15 to 2018–19)	change 2019–20 vs five-year average
Total	149,432	130,544	119,273	25

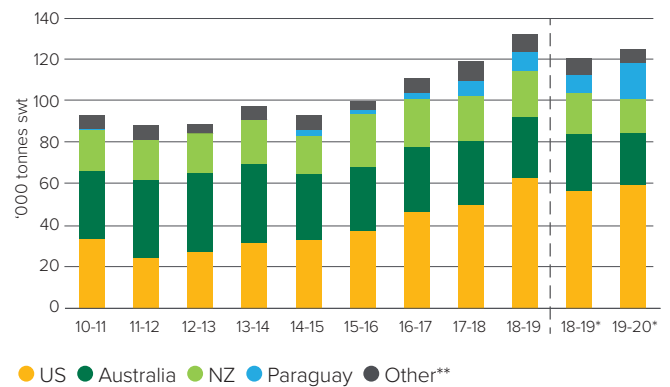
Source: ABS/IHS Markit



SUMMARY

- Taiwan has been a significant export market for Australian beef for over two decades, consistently ranking among the top 10 markets for both grassfed and grainfed.
- Beef consumption has increased in recent years, driven by a large young adult population, increasing numbers of affluent households and openness to cuisines that feature beef such as western-style, Japanese and Korean.
- By regional standards, Taiwanese are big spenders on food and restaurants and have above-average per capita spending levels on beef (Source: Fitch Solutions).
- Reflecting growing demand, Taiwan's total beef imports reached an all-time high of 136,519 tonnes shipped weight (swt) for the year-to-May 2020, up 5% year-on-year.
- Taiwanese consumers appreciate Australian beef, particularly for its safety and consistent quality. MLA estimates that around 22% of Australian beef is sold through retail and 78% through foodservice channels in the market.
- As a wealthy and urbanised population, Taiwan's retail sector is quite mature by global standards, with Australian beef bought mostly from hypermarkets and supermarkets.
- The western-style fine dining segment has grown in recent years, using premium beef cuts such as cube/ribeye roll, striploin and tenderloin. Some consumer segments have developed an appreciation for highly marbled beef such as US prime, Australian Wagyu and Japanese Wagyu, while others seek quality, leaner grassfed beef.
- Taiwan has a small beef herd and while production is forecast to grow, the country will continue to rely on imports to meet over 90% of its beef needs for the foreseeable future.
- Australia's main competitors are the US, New Zealand and Paraguay, which has doubled its exports in the year-to-May 2020 compared to the year prior. Smaller volumes are also supplied by Nicaragua, Canada and Panama. Increasing competition, particularly from the US, has seen Australian volumes edge lower in recent years.
- Taiwan has seen strong growth demand for high-quality chilled beef in recent years. Australia competes mainly with the US and Japan in the high-end grainfed beef market.

Taiwan total beef imports by supplier



Source: IHS Markit *FYTD Jul-May

**Other includes: Nicaragua, Panama, Honduras, Japan, Netherlands and Canada.



Taiwan's famous dish of beef soup noodles.

Market access overview – Taiwan



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	NT* \$10/kg 15% tariff on offal	US, Japan and Canada: access the same as Australia Paraguay, Honduras, Panama, Nicaragua, New Zealand: 0% tariff on beef	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA.

* New Taiwan Dollar

Hong Kong – Beef

SUMMARY



- Hong Kong has been an attractive market for premium Australian beef due to its large tourist visitor numbers and a wealthy population base that can regularly afford premium imported meat products.
- Social unrest since March 2019 has had some impact on discretionary spending domestically and reduced tourist visitor numbers, further compounded by a halt on international tourism due to COVID-19 since February 2020, weighing on demand for beef in all channels. Demand for commodity frozen product has been impacted more than premium chilled product.
- Despite these market disruptions, Hong Kong total beef sales are still forecast to see the strongest growth of all proteins in coming years, averaging 5% year-on-year until 2024f (Source: Fitch Solutions). The increasing popularity of cuisines such as western, Japanese, Korean, and northern Chinese is also growing demand for beef.
- Australian beef enjoys a high profile in the market and is well-regarded by consumers.

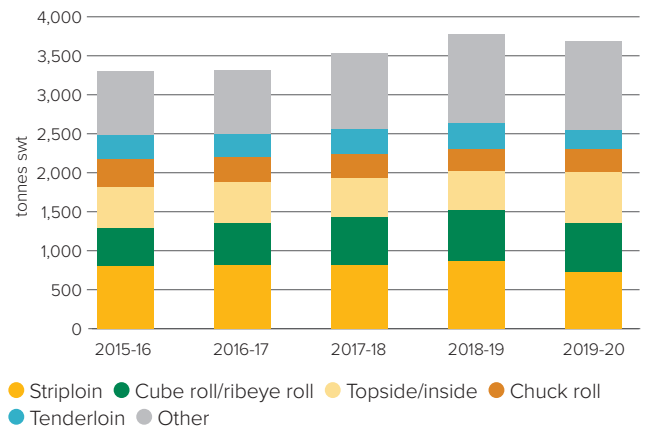
Hong Kong consumer perceptions of Australian beef

✓	Guaranteed safe to eat
✓	Offers suitable cuts to suit my meals
✓	Is easy and convenient to buy
✓	Fresh
✓	Is my/my family's favourite beef
✓	Consistent quality standards

Source: MLA Global Consumer Tracker Hong Kong, 2018

- Hong Kong's grocery retail sector – a vital channel for Australian beef – is highly developed and competitive. MLA estimates around 60% of Australian chilled beef is sold through retail, with demand growth benefiting from increased penetration of food halls and specialist gourmet stores.
- Australian beef is also sold in a wide variety of foodservice channels from mid to high-end full-service restaurants to mid-level fast casual and quick service restaurants. Diners also enjoy special occasion experiences with premium beef at western and Japanese cuisine restaurants, where product provenance is more prominent on-menu.

Australian chilled beef exports to Hong Kong – top five cuts



Source: DAWE

- Premium chilled beef represents the majority of Australia's exports to Hong Kong, with key competitors being the US, Brazil and Japan. Australia exports only small volumes of frozen beef to Hong Kong, with the majority of volumes supplied by Brazil, the US, Canada and the UK. India has also increased its exports of frozen buffalo meat in 2020.



A popular Hong Kong beef stir fry dish with rice flour noodles.

Market access overview – Hong Kong



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
The Australia-Hong Kong Free Trade Agreement (A-HKFTA) (entered into force 17 January 2020)	Zero	Australia has same access as other suppliers	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

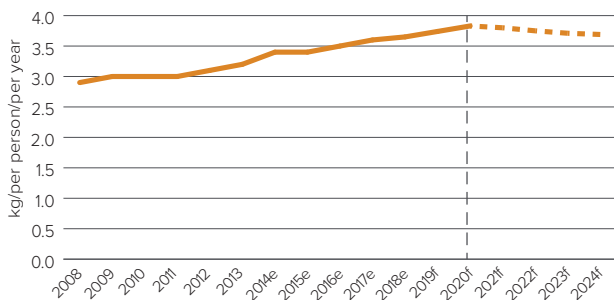
China – Sheepmeat



CONSUMERS

- China has been Australia's single largest sheepmeat export market by volume since 2012, and the second largest by value after the US until 2019, when export value to China overtook the US, driven largely by the protein shortage caused by African Swine Fever (ASF) (Source: IHS Markit).
- Sheepmeat currently accounts for a small proportion of dietary protein in China but has grown gradually over the past decade with rising incomes and urbanisation. Upper middle class consumers have been consuming more sheepmeat due to the pork shortage caused by ASF. As pork production returns to normal levels, per capita sheepmeat consumption is also expected to fall again somewhat by 2024.

China sheepmeat consumption per capita



Source: GIRA. Includes sheep and goatmeat.

- Traditionally, sheepmeat consumption has been higher in the northern areas of the country and during the cooler months.

However, interest in the protein has grown faster in coastal cities, where wealthier consumers seek more protein variety in terms of taste and nutritional benefit.

- Sheepmeat and sheepmeat offal are traditionally used in a variety of stew, soup and particularly hot pot dishes, and are also a popular street food in the form of spiced grilled kebabs.
- In urban upper middle class households, there is increasing exposure to western-style lamb cutlets, meatballs and sausages. However, popular western cooking methods such as roasting are only available to the small proportion of households that have an oven at home.
- Affluent urban consumers appreciate Australian lamb, which offers several advantages considered worth paying more for, such as safety, high quality consistency and higher nutritional value (Source: MLA Global Consumer Tracker China 2019).

Attributes associated with lamb compared to other proteins

Strengths	Weaknesses
✓ Is the most superior meat	✗ Easy and convenient to purchase
✓ The meat is usually tender	✗ Can use in many different meals
✓ I'm willing to pay more for this meat	✗ Easy and convenient to prepare
✓ The animal is well-cared for	✗ Cheaper
✓ Has high nutritional value	✗ My/my family's favourite meat

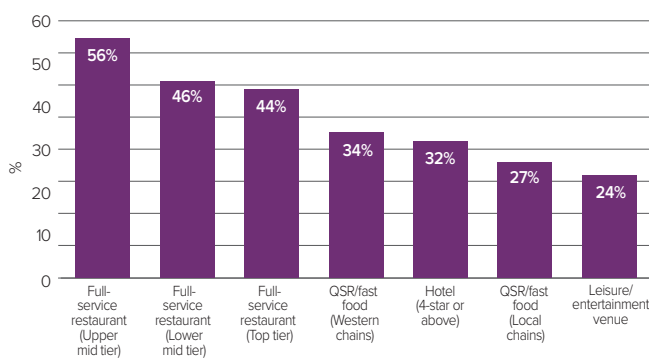
Source: MLA Global Consumer Tracker China, 2019

FOODSERVICE



- As a less familiar but premium protein, it is estimated that about 65% of the sheepmeat consumed in China is done so outside the home (Source: USMEF). Prior to COVID-19, China's foodservice sector sales value of lamb for 2020 was estimated at around US\$13.2 billion (Source: GlobalData).
- The majority of Australian sheepmeat exported to China is sold in foodservice channels in the form of breast and flap, manufacturing, carcass and neck cuts that are processed for use in the sector, particularly in the form of hot pot rolls.

Foodservice consumption of lamb by affluent* consumers



Source: MLA China Attractive Cities Study, 2016. Consumed lamb in the past month at *Consumers of imported meat at least weekly, either at-home or out-of-home. Top tier: >RMB300/head. Upper Mid-Tier: RMB151-300/head. Lower Mid-Tier: RMB51-150/head. Lower Tier: <RMB50/head.

- Imported Australian lamb can be found on menus in high-end western-style restaurants and five-star hotels, as well as some reputable high-end hot pot restaurant chains.
- For affluent consumers, higher-end full-service restaurants are the most popular venues for dining out on lamb, where it features in a wide range of cuisines and dishes, including western-style.
- As urban consumers' disposable incomes grow, demand for dining out and meal-order for home delivery are increasing in larger cities, accelerated by temporary restaurant shutdowns due to COVID-19 in 2020. Increasingly health-conscious, these affluent consumers are less willing to sacrifice quality and nutrition for convenience. This, in turn, is expected to contribute to further growth in demand for higher quality meat, including imported lamb.



Hot pot is a popular way to eat sheepmeat out of home.

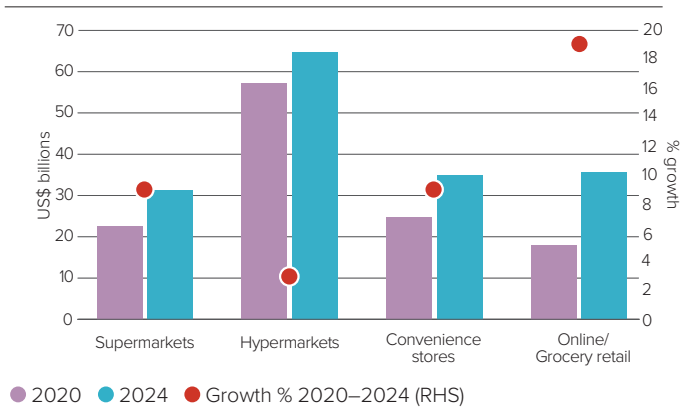
RETAIL



- Of China's 300+ cities, MLA has identified 15 cities where demand for imported Australian sheepmeat will be strongest in the coming years. Sales value growth for lamb is anticipated to be particularly strong in Tianjin, Beijing, Shanghai and Hangzhou cities, where there are large concentrations of affluent consumers who already enjoy lamb frequently.
- Lack of familiarity and knowledge about how to cook lamb are the key barriers to growing lamb sales through retail channels. Among those who do purchase it, most use it in traditional 'slow wet cooking' recipes such as stews, soups as well as hot pot.

- Retail has been a relatively small channel for Australian sheepmeat, but branded lamb product is becoming available in stores in some larger cities and online. This is driven by affluent urban consumers seeking higher quality products offering not only safety and consistent quality, but also unique eating experiences and provenance characteristics.
- Frequent buyers of imported meat typically buy their lamb from modern retail channels. In China, e-retailers are playing an increasingly important role in making lamb more easily available to consumers across the country.

Grocery retail sales by channel



Source: IGD, Growth % = Compound annual growth rate (CAGR) 2020-2024, IGD forecast

Affluent* consumer associations with Australian lamb

✓	Guaranteed safe to eat
✓	Offers suitable cuts to suit my meals
✓	Industry is sustainable
✓	Animals are well-cared for
✓	Consistent quality standards
✓	More nutritious
✓	Usually tender
✓	The most superior lamb

Source: MLA Global Consumer Tracker China, 2019
*Affluent = living in households earning >RMB17,000 per month

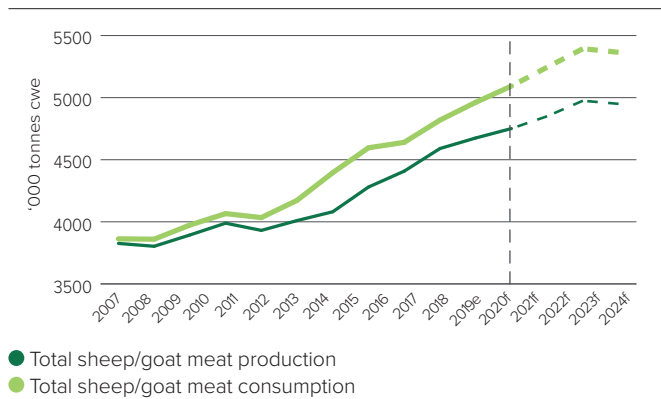
COMPETITIVE LANDSCAPE



- China is the world's largest producer of sheepmeat, with a sheep and goat flock estimated at 315 million head in 2020. However, China is forecast to continue to remain a net importer of sheepmeat over the coming years (Source: GIRA). In 2019, imports were estimated to contribute around 8% of consumption volume (Source: GIRA).
- The strength of import demand in China depends on domestic production cycles, which have tended to be volatile due to the significant impact of small, opportunistic producers on the industry.
- Production and consumption of sheepmeat is forecast to peak around 2021 and then return to more normal levels, as the pig herd recovers from ASF.

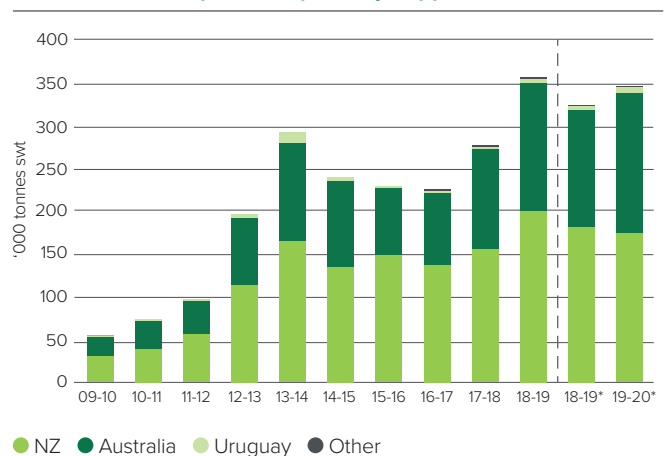
- New Zealand is the lead imported sheepmeat supplier to China, followed by Australia. Smaller volumes are supplied by Uruguay and Chile, with another five countries recently granted access but not exporting significant volumes yet.
- Australia and New Zealand are approved suppliers of chilled sheepmeat, however, New Zealand has an advantage with a greater number of listed plants, including for tripe.

China sheepmeat import demand



Source: GIRA

China direct sheepmeat imports by supplier



Source: IHS Markit
*FYTD Jul-May

- As a premium-priced protein, sheepmeat has generally competed for share of plate with other premium proteins such as beef, seafood, duck, pigeon and goose.

- While New Zealand has been China's largest supplier of sheepmeat imports for over a decade, it has also become increasingly dependent on China. In 2019, the country exported just over 54% of its total sheepmeat exports to China, compared to 36% of Australia's sheepmeat going to China.



Market access overview – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA) (entered into force 20 December 2015)	Under ChAFTA: 2020: Chilled meat and carcasses 5.0–7.7% Frozen meat and carcasses 4.0–7.7% Offal: frozen 4.5%, Chilled 8% 2021: Chilled meat and carcasses 3.3–5.1% Frozen meat and carcasses 2.7–5.1% Offal: frozen 2.3%, chilled 6% 2023: Zero	NZ Import tariffs zero from 2016 Multiple plant listings for chilled sheepmeat and sheep tripe	Zero	Restrictions on the number of approved plants, chilled plants and edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA. Note: China applies a 9% VAT on most items.

Australian sheepmeat exports to Greater China – 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	
								%	in tonnes swt
Total		150,890		136,651		96,156		57	54,734
Storage	Chilled	1,793	1	681	0	684	1	162	1,110
	Frozen	149,096	99	135,970	100	95,472	99	56	53,624
Meat type	Lamb	76,044	50	62,861	46	50,703	53	50	25,341
	Mutton	74,846	50	73,790	54	45,453	47	65	29,393
Storage/meat type	Chilled lamb	1,591	1	680	0	683	1	133	908
	Chilled mutton	203	0	1	0	1	0	2105	202
	Frozen lamb	74,453	49	62,181	46	50,020	52	49	24,434
	Frozen mutton	74,643	49	73,789	54	45,452	47	64	29,191

Source: DAWE

Value – in A\$ 000

		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	
								%	in A\$ 000
Total		1,315,610		945,438		535,659		146	779,951
Meat type	Lamb	671,729	51	465,418	49	292,399	55	130	379,330
	Mutton	643,881	49	480,020	51	243,259	45	165	400,621

Source: ABS/IHS Markit

Australian lamb exports to China – by major cut (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	
							%	in tonnes swt
Breast and flap	35,377	47	32,322	51	29,108	57	22	6,268
Manufacturing	15,734	21	14,729	23	11,665	23	35	4,069
Leg	7,356	10	4,395	7	1,189	2	519	6,167
Other	17,577	23	11,416	18	8,740	17	101	8,837
Total	76,044		62,861		50,703		50	25,341

Source: DAWE

Australian mutton exports to China – by major cut (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	
							%	in tonnes swt
Carcase	28,850	39	34,790	47	15,352	34	88	13,498
Breast and flap	17,802	24	16,854	23	17,549	39	1	253
Manufacturing	9,337	12	6,769	9	5,141	11	82	4,196
Other	18,857	25	15,377	21	7,411	16	154	11,446
Total	74,846		73,790		45,453		65	29,393

Source: DAWE

Taiwan – Sheepmeat

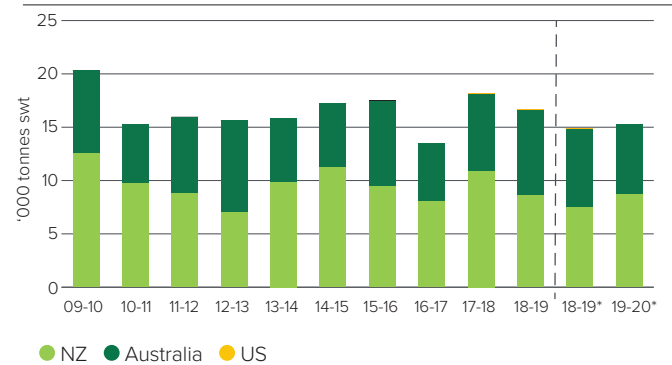
SUMMARY



- Taiwan has been a significant importer of sheepmeat for the past several decades, reaching a total import volume of 17,025 tonnes shipped weight (swt) in the 12 months ending May 2020.
- The vast majority of the market's imports are supplied by New Zealand and then Australia, with a small quantity supplied by the US more recently. Due to the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC), New Zealand product has preferential access over Australia's, with zero tariffs applied.
- While Taiwan sheepmeat consumption is forecast to fall in 2020, mainly driven by the impact of lower supply from New Zealand and Australia, consumption is expected to rebound at 3.3% CAGR growth from 2019–2024f (Source: GIRA).

- The majority of Australia's sheepmeat exports to Taiwan are comprised of frozen lamb and mutton, particularly in the form of manufacturing, breast and flap, and carcass. However, Australian chilled lamb has seen a notable compound annual growth rate of 13% over the past decade, driven particularly by demand for rack and shoulder cuts.
- Slow-cook recipes such as casseroles, soups and hot pot are among the more popular sheepmeat dishes to cook at home. Roasting, grilling and pan-frying of prime cuts is available at high-end western-style restaurants.

Taiwan sheepmeat imports by supplier



Source: IHS Markit. *FYTD Jul-Apr



Slow-cooking with vegetables is a popular way to cook lamb at home across Greater China, including Taiwan.

Hong Kong – Sheepmeat

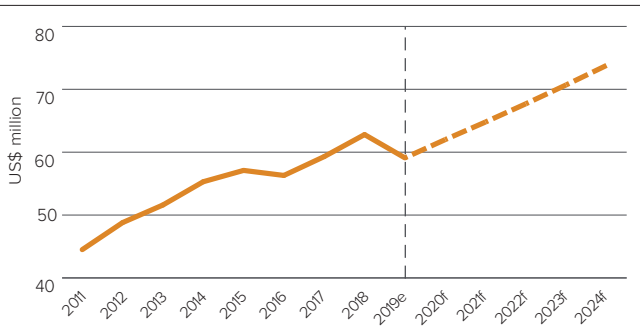
SUMMARY



- Hong Kong has been a significant importer of sheepmeat over the years, though a proportion of the imported frozen product has traditionally been re-exported to other destinations such as China, Vietnam and Macau. In the 12 months ending June 2020, Hong Kong imported 8,569 tonnes swt.
- Sheepmeat is a relatively small part of Hong Kong locals' diets, with per capita consumption in 2020 estimated at 1kg/person/year (Source: GIRA). However, as an important tourism destination, a significant proportion of consumption occurs in the foodservice sector by non-locals. This is a key driver of strong growth in lamb sales forecast for the coming years (Source: Fitch Solutions).

- The majority of the country's imports are supplied by Australia and New Zealand.
- Australian sheepmeat exports to Hong Kong are mostly lamb, with the majority of product frozen manufacturing (rack cap), leg, rack and breast and flap. Chilled lamb exports are mostly rack as well as some leg and shoulder.
- Due to competition from China and tightening supply, Australia's lamb exports are 8% lower year-on-year for the 12 months to June 2020 and 17% lower for mutton, also reflecting weaker domestic and tourist visitor demand in the wake of social unrest and COVID-19.

Hong Kong lamb sales



Source: Fitch Solutions. Household spend, all channels.



Braising is a popular way to cook sheepmeat across Greater China.