MARKET SNAPSHOT | BEEF & SHEEPMEAT

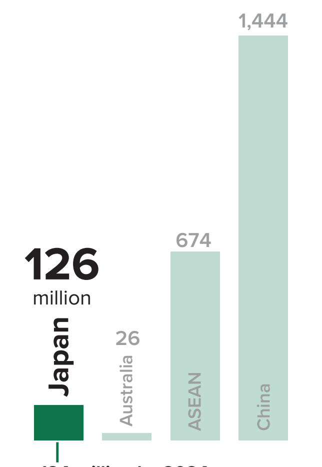
MEAT & LIVESTOCK AUSTRALIA

Japan

Japan is geographically a small country, with less than one tenth of the population in China. Yet the market has a high number of comparatively affluent households and sophisticated supply chain infrastructure. A balanced diet based on variety, quality and good flavour is highly important for Japanese consumers, and coupled with the country's low food sufficiency rate, Japan is a major importer of various food products from global suppliers, including beef.

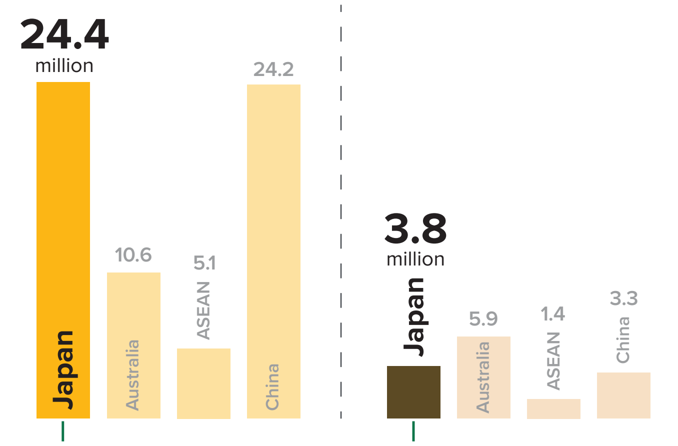
While the country's economic growth is subdued compared with many neighbouring markets in Asia, Japanese consumers have a strong interest in healthy living, and will continue to demand high volumes of quality imported proteins, such as Australian red meat.

Population[1]



124 million by 2024
(-1% from 2021)

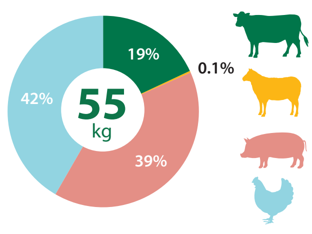
Household number by disposable income[2]



44% of total households
(52% by 2021)

7% of total households
(9% by 2021)

Meat consumption per capita[3]

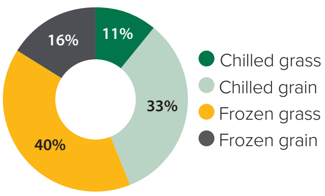


Grocery spend[4]

A$ **5,851**
per person/year

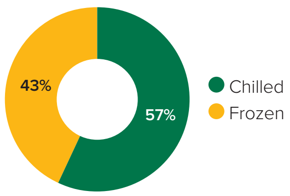
Japan is one of the largest export destinations for Australian beef, alongside the US and China. It is also the largest market for grainfed beef, taking close to half of total grainfed exports.

Australian beef exports – volume[5]



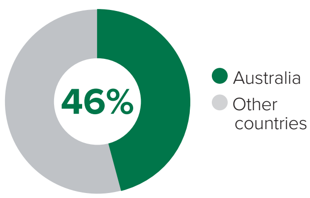
Total 284,023 tonnes swt

Australian beef exports – value[6]



Total A$2.42 billion

Australia's share of beef imports[7]



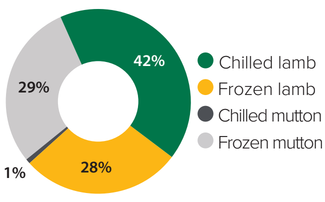
Australian beef offal exports[6]

A$283 million

Key outlet:
Yakiniku
(table-top BBQ)

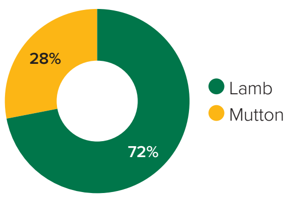
Japan is a consistent buyer of Australian sheepmeat and is the largest chilled lamb customer in Asia. In 2019–20, total sheepmeat fell 3% on year-ago levels, largely due to a decrease in supply.

Australian sheepmeat exports – volume[5]



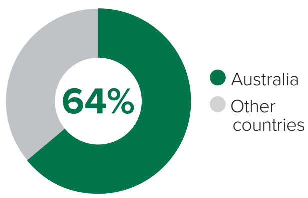
Total 13,793 tonnes swt

Australian sheepmeat exports – value[6]



Total A$164 million

Australia's share of sheepmeat imports[7]



Major outlet of Australian sheepmeat[8]

Genghis Khan
(Sheepmeat BBQ)

in Hokkaido
(Northern island of Japan)

Data source for charts: [1]Fitch Solutions 2021, ASEAN = Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, [2]Fitch Solutions 2021 (disposable income = earnings after taxes and social security charges), ASEAN = Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, [3]Fitch Solutions, GIRA (per person per year in cwt excluding fish/seafood) 2020 and 2021, [4]IGD 2021 (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), [5]DAWE (FY 2019–20), [6]ABS/IHS Markit (FY 2019–20), [7]IHS Markit (most recent 12 months due to data availability), [8]MLA

Beef

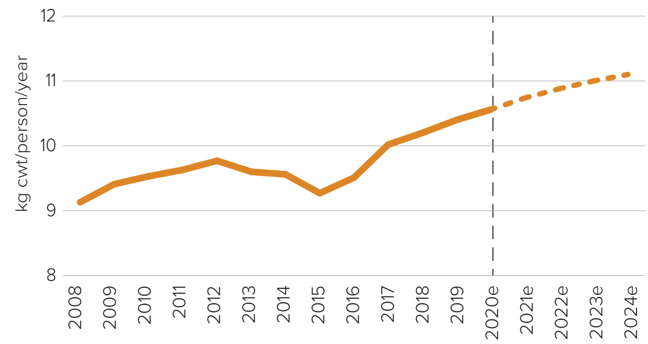
CONSUMERS

- Japanese consumers appreciate balance and variety in their diet, and often seek food that delivers both enjoyment and health benefits. With more than one quarter of the population (28%) over 65 years old, Japanese consumers have a strong interest in staying healthy, active and alert.
- Beef is considered to be the most premium protein with good taste, underpinned by a strong emotional connection and a unique flavour experience. Japanese consumers highly regard marbled Japanese Wagyu beef as the most prestigious beef for special occasions, while *akami* (leaner meat) such as Australian beef is more suited to a variety of western and Japanese-style everyday meals.

Austrlaian beef is seen as “my/my family’s favourite beef” by consumers.

- The outbreak of COVID-19 impacted many aspects of consumers’ lives in Japan. That said, a survey conducted in May 2020 by MLA revealed that the majority of consumers have not changed their consumption patterns across protein and non-protein food groups. Beef consumption saw a slight increase among those who said they increased their consumption of different foods.
- Sustainability is a developing concept in Japan. Japanese interest in sustainability is currently more focused around saving resources, recycling and reducing waste, rather than actively buying products that support ethical/sustainable causes *(source: GlobalData, online research)*. Coincidentally, leading Japanese businesses are already promoting their sustainability commitment as a part of Corporate Social Responsibility programs, particularly in the lead-up to the anticipated Tokyo 2020 Olympics (to be held in 2021).
- Despite flat population growth, beef consumption is projected to increase in Japan due to growing consumption per capita. Australia has opportunities to enhance this growth into the future by continuously reinforcing the goodness of beef through consumer marketing and leveraging Australia’s reputation as a safe, natural and trusted supplier.

Beef consumption per capita



Source: Fitch Solutions. Note: Drop in consumption in 2004 was due to US BSE outbreak (December 2003) and subsequent market disruption.

FOODSERVICE

- Japan’s restaurant sector is one of the most developed in the world in size and sophistication, with a diverse range of global cuisines and price points being available to consumers. Consumers appreciate highly marbled Japanese Wagyu beef for high-end dining, while leaner/less marbled Australian beef is used across the foodservice sector.
- Australia is a dominant supplier of beef to hamburger chains and casual dining restaurants in Japan. While the 2020 pandemic impacted all foodservice businesses, some operators in this segment weathered the challenge comparatively well, supported by their take-out/delivery capability.

Estimated value of Japanese foodservice sector

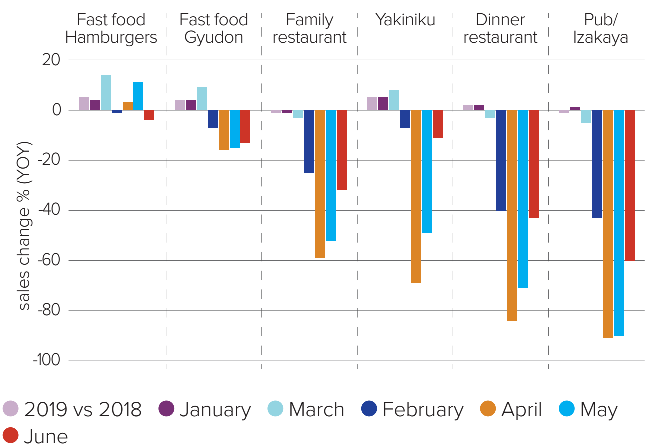
US$ **309.6** billion

Greater than total GDP of Israel (US$302.9 billion), Egypt (US$298 billion) or Finland (US$262 billion)

Source: Fitch Solutions 2020

- Mid-range eateries and hotels are also the major users of Australian beef, however, their demand was severely reduced due to social-distancing rules, shortened business hours and loss of tourists/business functions. The speed of recovery will be particularly slow for operators whose business largely catered for international tourists.

Japan foodservice performance – 2020

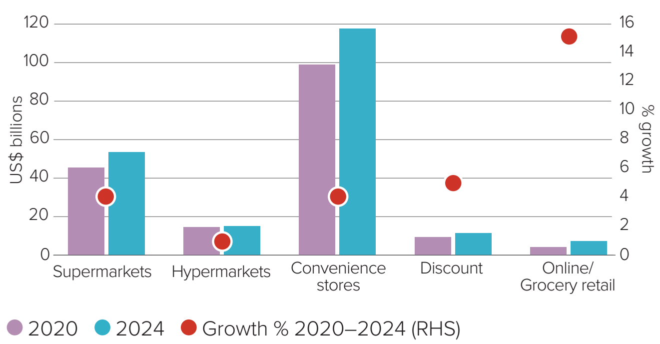


Source: Japan Foodservice Association, Family restaurant = Western style venues.

RETAIL

- The Japanese retail food market is highly sophisticated, but also very fragmented, with over 60% of the grocery market occupied by many regional and/or second-tier businesses.
- Supermarkets are the most common place for Japanese consumers to purchase both fresh and cooked food items, including imported beef. Sales of livestock products surged during 2020 on the back of COVID-19, with increased interest in quick, easy and 'something different' meal solutions among housebound consumers. Demand for frozen food, assorted packs of meat and cut vegetables, and long-life retort food (such as curry and stews) has also been brisk according to trade sources.

Grocery retail sales by channel



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

- Convenience stores largely focus on processed and delicatessen products, with Australian beef often used for bento lunch box and frozen/long-life items.
- Take up of online grocery shopping increased as a result of the pandemic and is anticipated to grow further, albeit off a low base. Many Japanese consumers, particularly older generations, still prefer to seek out the 'value of the day' (price, freshness, seasonality and variety) in-store.
- Variety, convenience and maintaining a healthy lifestyle are highly important for Japanese consumers. Despite increased competition from US beef, Australian beef is well-positioned to take advantage of this space in the imported beef market, supported by perceived advantages in quality and safety of 'brand Australia' True Aussie *(Source: MLA Global Consumer Tracker 2018)* and commercial brand promotions.

TRUE AUSSIE BEEF オーストラリア産牛肉

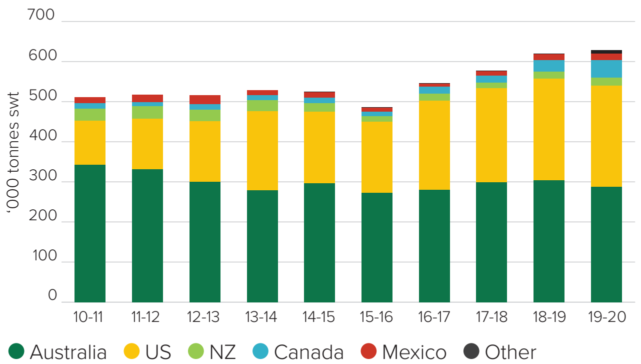
Key attributes consumers look for on a beef pack:	Key associations consumers have with the 'True Aussie' logo:
	"This beef is..."
Safety	✓ Safe to eat
Freshness	✓ Guaranteed/certified
Value	✓ High quality/premium
Origin	✓ Delicious

Source: MLA Global Consumer Tracker Japan 2018.

COMPETITIVE LANDSCAPE

- Beef consumption in the Japanese fiscal year 2019 (April 2019 to March 2020) was the highest since 2000, buoyed by increased imports and shifting preferences for meat over fish/seafood among consumers.
- Japanese beef production has been relatively stable at around 330,000 tonnes (boneless cut equivalent) per year, with half of production being Wagyu. Sales of high value Wagyu beef have been subdued during 2020, as consumers tighten their budgets under the uncertainties of COVID-19.
- Australia and the US are the main suppliers of imported beef into Japan. Almost 65% of imports from the US are brisket/shortplate cuts (largely supplied to *Gyudon* rice bowl users), and another 25% are chilled shoulder/rounds for other foodservice and supermarket trade. The US is also a major supplier of beef offal (tongue in particular) to Japan's *yakiniku* restaurants.

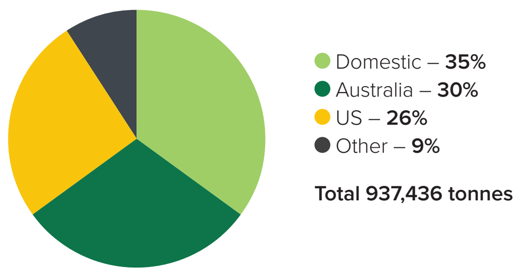
Japan beef imports by supplier



Source: IHS Markit, Australian Fiscal Year.

- Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (commonly called TPP-11 or CPTPP), the import tariff on beef from member countries, including Australia, will be reduced to 9% by 2033, from the current 25.8%. The tariff on US beef is matched with the CPTPP rate, under the US-Japan Trade Agreement.
- Albeit off a small base, Canada, New Zealand and Mexico have increased their shipments to Japan significantly since beginning of the CPTPP. Other competitors include Uruguay and Argentina but their collective volumes to date remain limited.
- Japan exports a very small quantity of premium beef (4,106 tonnes swt in Japanese fiscal year 2019), with the majority being highly marbled Wagyu beef. Their main markets are North Asia, South-East Asia and the US, which take almost 90% of total shipments. Australia imported 52 tonnes swt of Japanese beef during the same period.

Japanese beef consumption by supplier



Source: ALIC, IHS Markit, MLA estimate, Product weight, JFY 19-20.

Market access overview – beef

Trade agreements	Import tariffs*	Competitors**	Volume restrictions	Technical access
Comprehensive and Progressive Agreement for Trans Pacific Partnership **(CPTPP)** Japan-Australia Economic Partnership agreement **(JAEPA)**	**Under CPTPP:** Until **31 March 2021** – 25.8% for chilled, and frozen beef From **1 April 2021** – 25% 9% in 2033 under CPTPP	**US** The US-Japan Trade Agreement – tariff is matched with CPTPP **Canada, NZ, Mexico** Same condition as Australia under CPTPP	**Safeguard** Tariff bounces back to 38.5% (30% after 1 April 2021) if imports exceed trigger level*	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

* Visit DFAT Free Trade Agreement Portal (https://ftaportal.dfat.gov.au) for detailed tariff schedule under JAEPA and CPTPP, safeguard, prepared meat, offal and live animals.
** Beef sourced from specified states in Brazil is allowed to be imported into Japan, however, there has been no commercial shipments recorded in imports data in 2019 and 2020 (data as of May 2020). India does not have access due to animal health concerns.

Australian beef exports to Japan – 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	**284,023**		**302,756**		**292,164**		**-3**	**-8,141**
Storage	Chilled	124,186	44	126,647	42	124,065	42	0	122
	Frozen	159,837	56	176,110	58	168,099	58	-5	-8,262
Meat type	Grassfed	145,263	51	155,351	51	150,903	52	-4	-5,640
	Grainfed	138,760	49	147,405	49	141,260	48	-2	-2,500
Storage/meat type	Chilled grassfed	30,583	11	31,908	11	32,202	11	-5	-1,619
	Chilled grainfed	93,603	33	94,738	31	91,863	31	2	1,740
	Frozen grassfed	114,680	40	123,443	41	118,702	41	-3	-4,022
	Frozen grainfed	45,157	16	52,667	17	49,397	17	-9	-4,241

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
	Total	**2,424,374**		**2,304,418**		**2,000,390**		**21**	**423,984**
Storage	Chilled	1,374,109	57	1,316,308	57	1,140,512	57	20	233,596
	Frozen	1,050,265	43	988,109	43	859,877	43	22	190,388

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	115,295	41	118,643	39	110,660	38	4	4,635
Brisket	33,676	12	38,293	13	42,652	15	-21	-8,977
Silverside/outside	20,311	7	20,178	7	18,150	6	12	2,162
Blade	16,906	6	17,857	6	17,717	6	-5	-811
Topside/inside	16,246	6	17,395	6	15,190	5	7	1,056
Chuck roll	15,547	5	15,935	5	16,795	6	-7	-1,248
Striploin	12,704	4	14,285	5	13,090	4	-3	-387
Thick flank/knuckle	7,741	3	8,061	3	7,245	2	7	496
Other	45,596	16	52,109	17	50,665	17	-10	-5,068
Total	**284,023**		**302,756**		**292,164**		**-3**	**-8,141**

Source: DAWE

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Tongues	8,759	35	8,792	35	8,620	34	2	139
Skirt	8,744	35	8,663	34	8,134	32	7	610
Tripe	2,574	10	2,925	12	2,663	11	-3	-89
Other	5,061	20	4,830	19	5,721	23	-12	-660
Total	**25,138**		**25,210**		**25,138**		**0**	**0**

Source: DAWE

Value – in A$ 000

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total	**282,874**		**226,479**		**210,916**		**34**	**71,957**

Source: ABS/IHS Markit

Sheepmeat

CONSUMERS

- Sheepmeat has a minor but relatively established presence in Japan, in comparison to other niche proteins such as goatmeat and game meat. Lamb resonates with the market's tradition of seeking a variety of foods that deliver enjoyment, but also nutritional balance in the diet.
- Consumers appreciate lamb's eating quality, but also think it is hard to buy and not as versatile as other proteins *(Source: MLA Global Consumer Tracker Japan, 2019)*. Current per capita sheepmeat consumption is extremely low, indicating scope for future growth.
- Making lamb more accessible in an everyday environment remains a priority in a market where people place great emphasis on convenience, variety and a healthy diet.

Attributes important for all proteins and lamb associations

What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have to lamb?
My/my family's favourite	Tastes delicious
Easy to prepare	Low in fat
Healthy diet for growing children	High nutritional value
Easy to purchase	Meat is tender
Can be used in many different meals	My/my family's favourite

Source: MLA Global Consumer Tracker Japan, 2019.

FOODSERVICE

- *Genghis Khan* (sheepmeat barbecue on a table-top grill) restaurants have been a significant driver of Australian sheepmeat demand in Japan. They are particularly popular in Hokkaido (the north island of Japan), however have been hard-hit by the pandemic and subsequent decline in tourists.
- While the COVID-19 impact has been felt across all foodservice operators, some businesses weathered it better, due to their focus on local customers. Lamb menus started to appear in casual to mid-range chain outlets, including Chinese style lamb hot pot, grilled lamb skewers and *yakiniku* lamb.
- Lamb does not have the price competitiveness of pork or chicken, but is appealing for restaurants that seek a point of difference and higher value dishes. With the pandemic reinforcing Japanese consumers' interests in health and immunity through diet, there are opportunities for Australian lamb to leverage its positive perceptions in the foodservice sector.

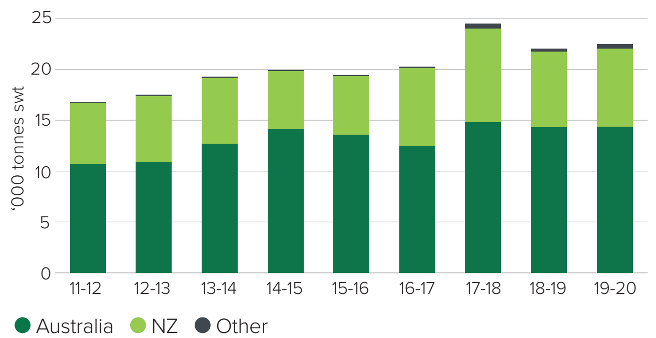
RETAIL

- Lack of familiarity and knowledge of how to cook lamb are major reasons for Japanese shoppers not purchasing lamb in the retail channel *(Source: MLA Global Consumer Tracker Japan, 2019)*. New Zealand has a competitive presence in the sector with its smaller-sized bone-in (lamb cutlet) products, while Australia offers a greater range of products including shoulder, neck fillet and steak cuts.
- Hokkaido remains the largest region in terms of sales volume, however, retailers in Kanto (East Japan) and Kansai (West Japan) are gradually increasing their shelf space for lamb. The demand has been assisted by home-bound consumers (due to the pandemic) who became "tired of the same chicken and pork repertoire" *(MLA trade intelligence)* and reached out for alternative proteins including lamb.
- Country of origin labelling is mandatory at Japanese retail level, and provides opportunities to promote Australia as a safe, trusted and quality supplier of sheepmeat via 'brand Australia' (True Aussie) and commercial brand promotions.

COMPETITIVE LANDSCAPE

- The Japanese sheepmeat industry remains very small* and hence sheepmeat demand in Japan has been, and will continue to be, filled by imports.

Sheepmeat imports by supplier

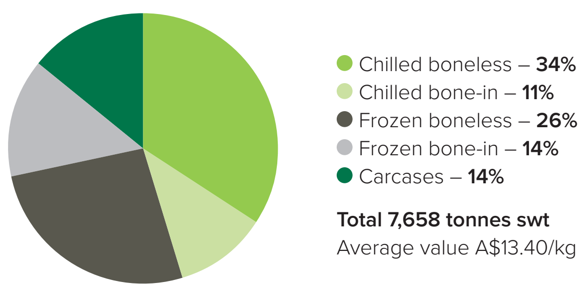


Source: IHS Markit, Australian Fiscal Year.

** Last production data recorded in Japan was 2009, at 184 tonnes cwt.*

- Australia is the dominant imported sheepmeat supplier to Japan, but is facing ongoing competition from New Zealand, which has the same access conditions. Other suppliers include Iceland, France, Argentina and the US, but collective volumes have been limited.

Sheepmeat imports from New Zealand



Source: IHS Markit, FY19-20.

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership Agreement **(JAEPA)** Comprehensive and Progressive Agreement for Trans-Pacific Partnership **(CPTPP)**	NIL (for all countries)	**New Zealand** (same access conditions as Australia)	Zero	No major hurdles

Best access ← → Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to Japan – 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		**13,793**		**14,210**		**13,742**		**0**	**50**
Storage	Chilled	5,890	43	6,107	43	5,623	41	5	268
	Frozen	7,902	57	8,104	57	8,120	59	-3	-217
Meat type	Lamb	9,643	70	9,367	66	9,090	66	6	554
	Mutton	4,149	30	4,843	34	4,653	34	-11	-503
Storage/meat type	Chilled lamb	5,815	42	6,028	42	5,562	40	5	254
	Chilled mutton	75	1	79	1	61	0	23	14
	Frozen lamb	3,828	28	3,339	24	3,528	26	9	300
	Frozen mutton	4,075	30	4,764	34	4,592	33	-11	-517

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total		**164,320**		**142,806**		**124,096**		**32**	**40,225**
Meat type	Lamb	118,252	72	101,123	71	88,043	71	34	30,209
	Mutton	46,069	28	41,684	29	36,053	29	28	10,016

Source: ABS/IHS Markit

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Shoulder	5,898	61	6,041	64	5,464	60	8	433
Manufacturing	1,806	19	1,283	14	1,724	19	5	82
Leg	667	7	702	7	654	7	2	13
Rack	585	6	652	7	667	7	-12	-82
Carcase	255	3	270	3	225	2	13	30
Other	432	4	419	4	355	4	22	77
Total	**9,643**		**9,367**		**9,090**		**6**	**554**

Source: DAWE