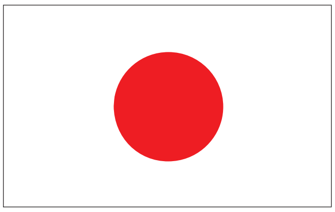
MARKET SNAPSHOT | **BEEF**

# Japan



Japan is the world's third largest economy and one of the largest meat importers globally. In volume terms, although beef is a secondary protein behind seafood, pork and poultry, Japanese consumers appreciate beef's taste, making it worth paying comparatively more for. Per capita consumption of seafood has declined significantly, with pork and chicken increasing over the same time. Beef consumption remains relatively steady.

Challenges and opportunities in Japan for Australian beef include:

- Japan has continuously been a critically important destination for Australian beef and will likely remain so, based on established trade protocols and a mature trade relationship.
- Japan will continue to depend on imports to fulfil its protein requirements.
- While Japanese favour local Kokusan and Wagyu Beef, Australian beef has the highest awareness and frequency of consumption.
- Competition from the US continues to grow, with frequency of consumption increasing.
- Traditional cooking styles that use finely sliced beef still dominate but there is a growing trend towards steaks.

## Population

**126.3** in 2016 **125.0** in 2020

In million

*Source: BMI Research, 2016 estimate & 2020 projection*

## Households earning US$15000+ p.a.

**49.6** in 2016 **52.3** in 2020

In million households

*Source: BMI Research, 2016 estimate & 2020 projection*

## Households earning US$35000+ p.a.

**24.5** in 2016 **33.5** in 2020

In million households

*Source: BMI Research, 2016 estimate & 2020 projection*

## Australian beef exports – volume

- Chilled grass – **12%**
- Chilled grain – **32%**
- Frozen grass – **39%**
- Frozen grain – **17%**

Total 264,325 tonnes swt

*Source: Department of Agriculture and Water Resources (DAWR), CY 2016*

## Australian beef exports – value

- Chilled – **61%**
- Frozen – **39%**

Total A$ 1,773.2 million

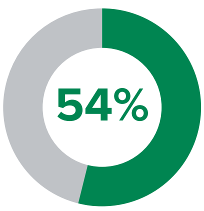
*Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016*

## Proportion of key cuts

- Manufacturing – **37%**
- Briskets – **16%**
- Loins* – **8%**
- Silverside/outside – **6%**
- other – **33%**

*Source: DAWR, CY 2016. * Striploin, tenderloin and cube roll*

## Australia's share of imports

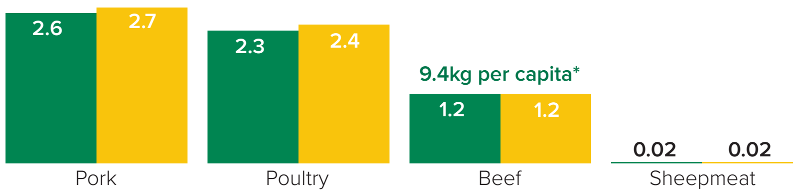



- Australia
- Other Countries

*Source: Ministry of Finance (Japan), MAT December 2015 to November 2016*

## Meat consumption

**48.3kg** per capita* total meat protein**




In million tonnes cwt

*Source: BMI Research, GIRA, 2016 estimate and 2020 projection* ** 2016e per person per year* *** excluding fish/seafood*



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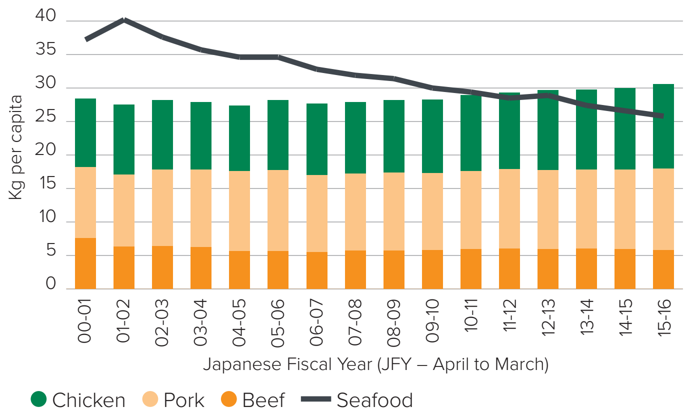
## Consumers

- Japan is the third largest economy in the world, with a net household income averaging US$41,500 *(Source: BMI Research, 2017 forecast).* The country is also one of the largest meat importers in the global protein market.
- Seafood consumption has significantly fallen over the last 15 years, while chicken and pork have gradually grown share of meat proteins consumed. Beef remains relatively stable over the same period.

### Japanese consumption is changing



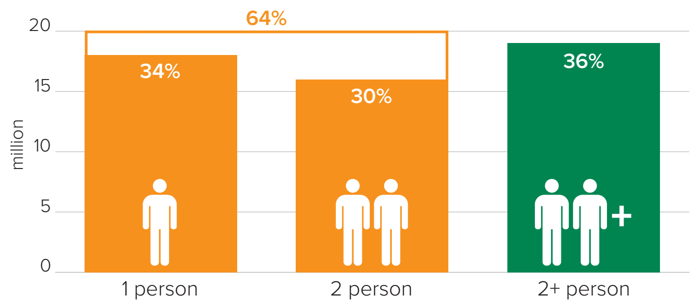

*Source: MAFF, MLA*

| When consumers are purchasing proteins, it is important that meat: | Consumers think beef... |
|---|---|
| | Tastes delicious* |
| | Worth paying more* |
| Can be used in different meals | **But also** |
| Is the most superior | Is comparatively expensive** |
| Is my family's favourite | Is not versatile** |

*Source: MLA Global Consumer Tracker, 2016*
** relative strengths, ** relative weaknesses Protein Image Profiles*

- Japan's aging population and smaller household size are driving the growth of nakashoku – pre-cooked and smaller portion meals for home consumption. Chicken and pork are popular in this segment, however beef meals are also increasing.

### Japan household number by structure




*Source: National Institute of Population and Social Security Research (Japan), 2017 forecast*

*Portioned meal – beef bento box*

## Foodservice

- The Japanese foodservice sector is estimated at over 25 trillion yen[1] (A$ 275 billion) and of Australian beef exported to Japan, MLA estimates 60% is utilised in this sector.

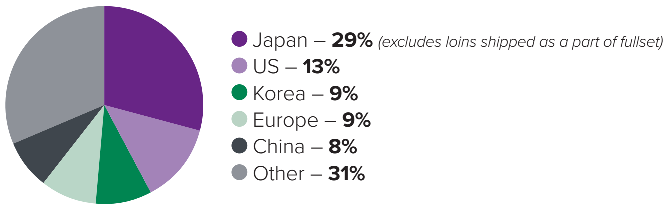
### Major outlets of Australian beef (and key cuts used):

| |
|---|
| Hamburger and gyudon chains (manufacturing and brisket) |
| Family and local restaurants (manufacturing and various cuts) |
| Yakiniku – Japanese/Korean style table top barbecue (skirts, loins, offal) |
| Canteens – schools, hospitals, catering (various cuts) |
| Various independent and franchise hotels/restaurants (loins, hindquarter and other) |

*Source: MLA*

- Consumer appreciation of meat has changed in recent years with the younger generation developing a taste for steaks, aged beef and leaner red meat. In response, meat specialist bistros/steak bars are gaining popularity in Japan. Concurrently, demand for marbled yakiniku cuts and offal remain high.

### Australian beef exports – loin cuts




*Source: DAWR, CY 2016*

*[1] 2014 data, Japan Foodservice Association*

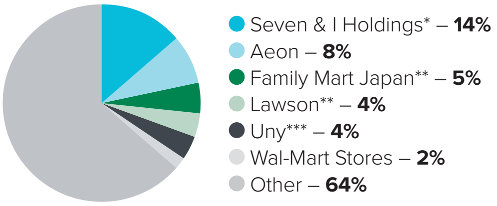
*Gyudon beef rice bowl*

*Japanese style yakiniku BBQ*

## Retail

- While Japan has one of the most sophisticated retail sectors in the world, it is also very fragmented and highly competitive, with the top 5 retailers commanding 35% of grocery retail market share.

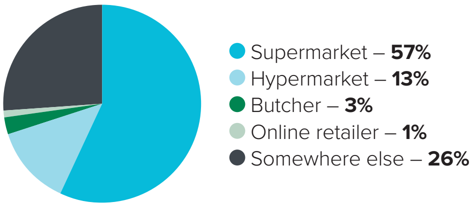
**Grocery retail market share**
Major organised retailers – 2016




*Source: IGD*
** includes Seven-Eleven convenience store*
*** convenience stores*
**** Uny and Family Mart formed Uny Family Mart Holdings in Sept 2016*

- MLA estimates that approximately 40% of Australian beef is distributed via retail, including fresh, value added and cooked products. Supermarkets are the most common outlets for consumers to purchase beef.

**Where do consumers go to buy Australian beef?**




*Source: MLA Global Consumer Tracker, 2016*

**Key retailers by prefecture**

| | |
|---|---|
| Tokyo | Aeon, Ito-Yokado (Seven & I), Life, Summit |
| Chiba | Aeon, Ito-Yokado, Yaoko |
| Saitama | Aeon, Ito-Yokado, Maruetsu |
| Osaka | Aeon, Life, Mandai |
| Hyogo | Aeon, Izumiya |

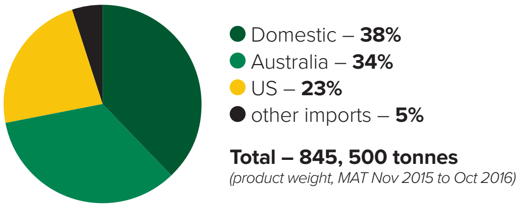
*Source: MLA Global Consumer Tracker, 2016*

- Japanese convenience stores are having an impact on supermarkets, attracting consumers who are seeking convenient meal solutions, with a wide range of pre-cooked, small portioned sozai (delicatessen items) and bento (take away meal) boxes.
- Similar to the foodservice sector, meat preferences of young consumers are driving diversification in the retail sector. Responding to such opportunities, more retailers are selling thick cut steaks and other cuts that can be enjoyed by barbecuing or grilling, in addition to traditional finely sliced beef for stir frying and other Asian style cooking.

## Other suppliers

- Japanese traditional Wagyu beef occupies a unique position with consumers in terms of product (highly marbled), price (considerably higher than imports) and preference (most favoured). In that sense, it is US products (in beef category) and pork (both domestic and imports) that a consumer would consider and compare with Australian products, at the time of meal planning and shopping.

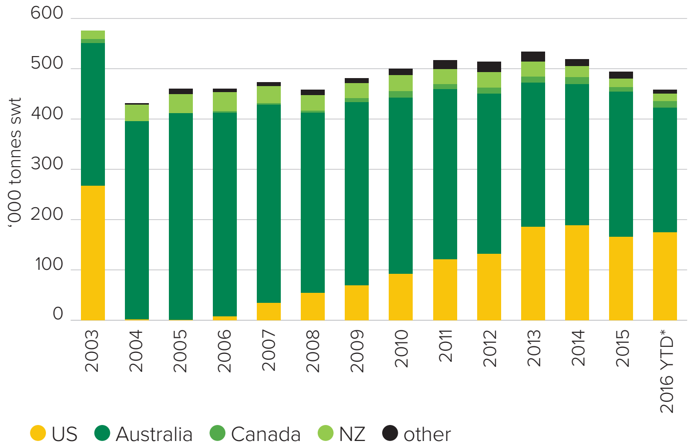
**Japan beef consumption by supplier**




*Source: Agriculture and Livestock Industries Corporation of Japan, Ministry of Finance (Japan), MLA estimate*

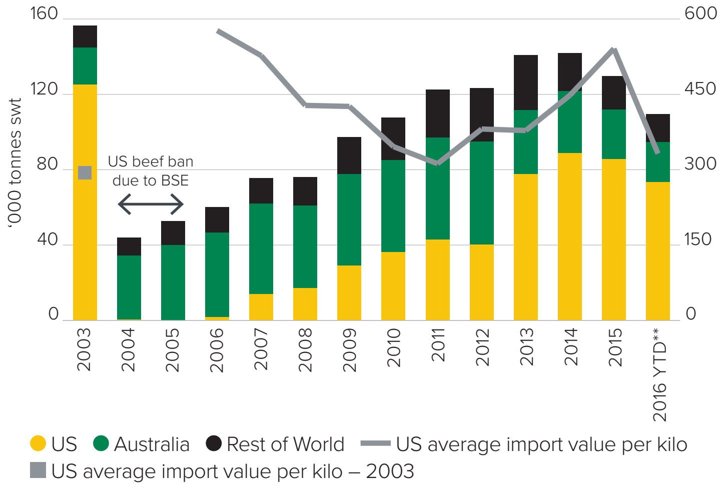
- Besides Australia, the US is the major supplier of imported beef into the market, followed by New Zealand, Mexico and Canada.
- The US recovered some market share in Japan during 2016, on the back of increased production and subsequent price falls.

**Japan beef imports by supplier**




*Source: MOF*
** YTD Jan-Oct*

**Japan frozen brisket* imports**




*Source: MOF, MLA * HS code 020230030 frozen brisket and plate ** YTD Jan-Oct*

- The US is the largest supplier of frozen brisket and plate to Japan, mainly supplying to the gyudon beef rice bowl sector. The average value of other key US cuts such as shoulder and loins have also fallen during 2016.

# Market Access Overview

| Trade agreements | Import tariffs | Competitors | Volume restrictions | Technical access |
|---|---|---|---|---|
| **JAEPA*** Tariff reduction to 23.5% by 2028 (chilled) and 19.5% (frozen) by 2031 | **Current**** = 30.5% for chilled, 27.5% for frozen **1 April 2017** = 29.9% for chilled, 27.2% for frozen | **US** US has no FTA with Japan and is applied 38.5% import tariff for both chilled and frozen beef | **Safeguard** Tariff bounces back to 38.5% if imports from Australia exceed trigger levels*** | No major hurdles |

Best access — Major challenges

*Source: Trade agreements, DFAT, MLA*
** Japan Australia Economic Partnership Agreement*
*** as at February 2017*
**** Trigger level for chilled: 133,300 tonnes swt for Japan Fiscal Year (JFY) 2016 (until March 2017), 135,000 tonnes swt for JFY2017 (April 2017 to March 2018). For frozen: 198,300 tonnes swt and 200,000 tonnes swt, respectively.*

# Australian beef exports to Japan – summary table

**volume – in tonnes swt**

| | | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | change 2016 vs 5-yr av. % | change 2016 vs 5-yr av. in tonnes swt |
|---|---|---|---|---|---|---|---|---|---|
| Total | | **264,325** | **100** | **285,224** | **100** | **303,706** | **100** | **-13** | **-39,381** |
| by storage | Chilled | 116,657 | 44 | 127,633 | 45 | 127,605 | 42 | -9 | -10,948 |
| | Frozen | 147,668 | 56 | 157,592 | 55 | 176,100 | 58 | -16 | -28,432 |
| by meat type | Grassfed | 135,320 | 51 | 145,540 | 51 | 173,251 | 57 | -22 | -37,932 |
| | Grainfed | 129,005 | 49 | 139,685 | 49 | 130,455 | 43 | -1 | -1,449 |
| by storage/ meat type | Chilled grassfed | 31,994 | 12 | 32,617 | 11 | 39,823 | 13 | -20 | -7,829 |
| | Chilled grainfed | 84,663 | 32 | 95,016 | 33 | 87,782 | 29 | -4 | -3,119 |
| | Frozen grassfed | 103,326 | 39 | 112,923 | 40 | 133,428 | 44 | -23 | -30,102 |
| | Frozen grainfed | 44,342 | 17 | 44,669 | 16 | 42,672 | 14 | 4 | 1,670 |

*Source: DAWR*

**value – in A$ 000**

| | | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|---|
| Total | | **1,773,241*** | **100** | **1,886,907** | **100** | **1,627,413** | **100** | **9** | **145,829** |
| by storage | Chilled | 1,088,611* | 61 | 1,092,787 | 58 | 899,117 | 55 | 21 | 189,495 |
| | Frozen | 684,630* | 39 | 794,120 | 42 | 728,296 | 45 | -6 | -43,666 |

*Source: ABS/GTA. 2016* = Moving Annual Total (MAT), November 2015 to October 2016.*

**volume – by major cut (in tonnes swt)**

| | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | 97,500 | 37 | 103,591 | 36 | 105,682 | 35 | -8 | -8,181 |
| Brisket | 42,381 | 16 | 40,367 | 14 | 54,491 | 18 | -22 | -12,110 |
| Silverside/Outside | 16,614 | 6 | 15,118 | 5 | 15,614 | 5 | 6 | 1,000 |
| Blade | 16,271 | 6 | 19,473 | 7 | 18,862 | 6 | -14 | -2,591 |
| Chuck Roll | 14,084 | 5 | 20,014 | 7 | 18,135 | 6 | -22 | -4,051 |
| Topside/Inside | 13,831 | 5 | 12,669 | 4 | 14,717 | 5 | -6 | -885 |
| Striploin | 12,148 | 5 | 12,713 | 4 | 10,505 | 3 | 16 | 1,643 |
| Fullset | 11,074 | 4 | 19,264 | 7 | 16,635 | 5 | -33 | -5,561 |
| other | 40,422 | 15 | 42,015 | 15 | 49,066 | 16 | -18 | -8,644 |
| **Total** | **264,325** | **100** | **285,224** | **100** | **303,706** | **100** | **-13** | **-39,381** |

*Source: DAWR*

**Australian BEEF OFFAL exports to Japan – by major cut (in tonnes swt)**

| | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | % | in tonnes swt |
|---|---|---|---|---|---|---|---|---|
| Tongues | 7,866 | 35 | 9,567 | 34 | 8,822 | 34 | -11 | -956 |
| Skirt | 7,170 | 32 | 8,521 | 31 | 7,813 | 30 | -8 | -643 |
| Intestines | 2,774 | 12 | 3,303 | 12 | 3,411 | 13 | -19 | -637 |
| other | 4,939 | 22 | 6,529 | 23 | 5,717 | 22 | -14 | -778 |
| **Total** | **22,748** | **100** | **27,920** | **100** | **25,762** | **100** | **-12** | **-3,014** |

*Source: DAWR*

**value – in A$ 000**

| | 2016 | % out of total | 2015 | % out of total | 5 year average (2011-2015) | % out of total | % | in A$ 000 |
|---|---|---|---|---|---|---|---|---|
| **Total** | **238,780*** | | **203,627** | | **173,280** | | **38** | **65,500** |

*Source: ABS/GTA. 2016* = Moving Annual Total (MAT), November 2015 to October 2016.*