Greater China

(Mainland China, Taiwan and Hong Kong*)

MARKET SNAPSHOT | BEEF & SHEEPMEAT

MEAT & LIVESTOCK AUSTRALIA

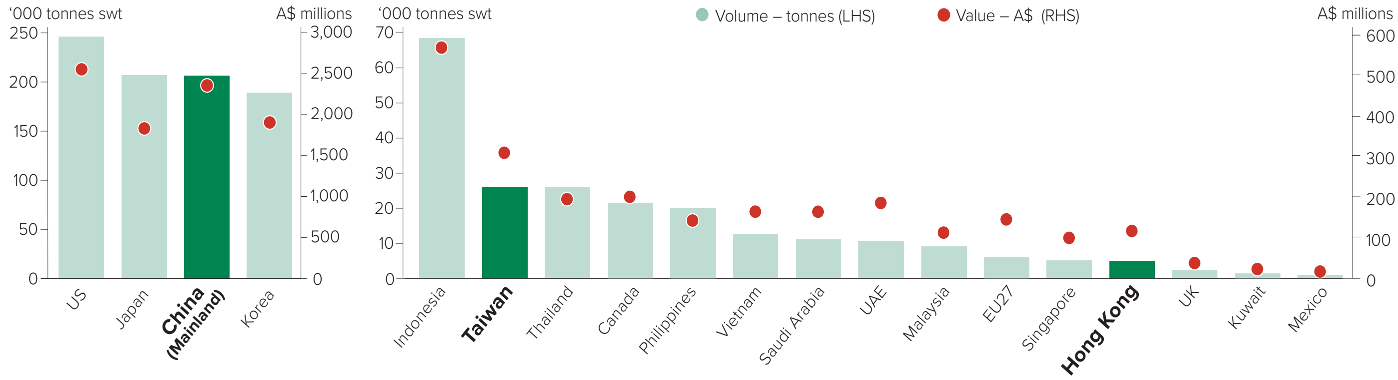
EXPORTS
A top destination of Australian red meat

CONSUMERS
Rising incomes and red meat consumption

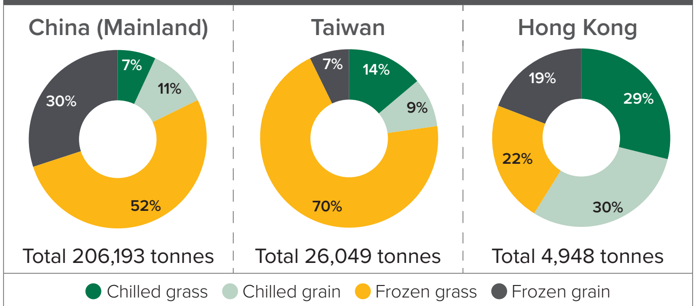
GROWTH
Demand for quality, healthy, convenient meal solutions

For the purposes of this document, the Hong Kong market includes Macao due to the fact that the majority of red meat product in Macao is supplied through Hong Kong. MLA fully recognises that both Macao and Hong Kong are separate Special Administrative Regions of China.

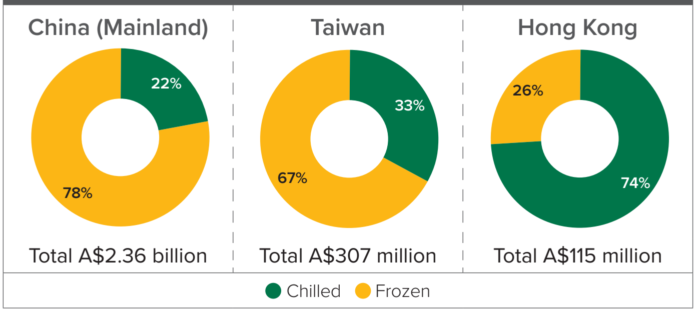
Australian beef exports to Greater China in a global context [1 and 2]



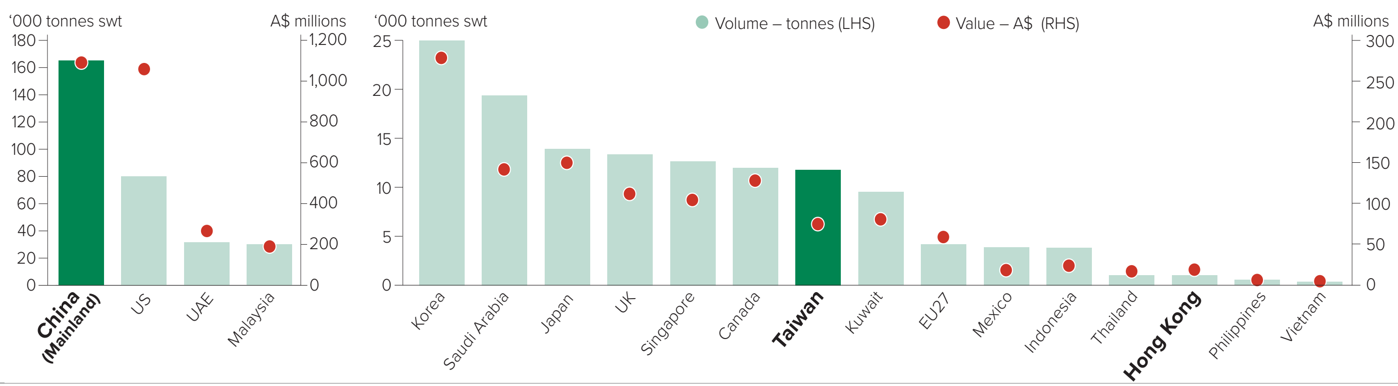
Australian beef exports – volume (swt)[1]



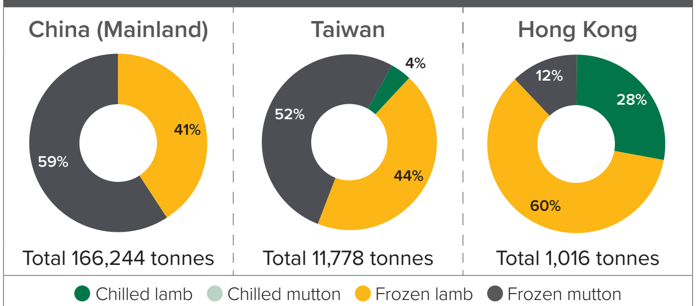
Australian beef exports – value[2]



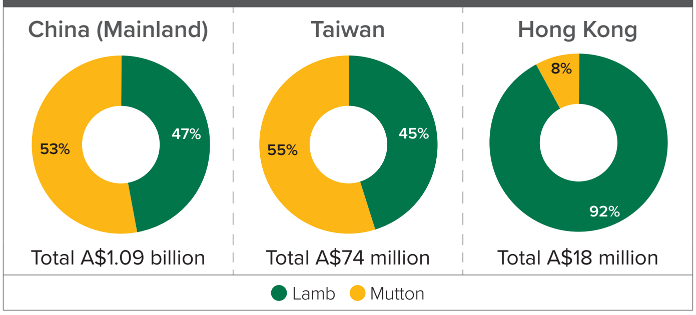
Australian sheepmeat exports to Greater China in a global context [1 and 2]



Australian sheepmeat exports – volume (swt)[1]



Australian sheepmeat exports – value[2]



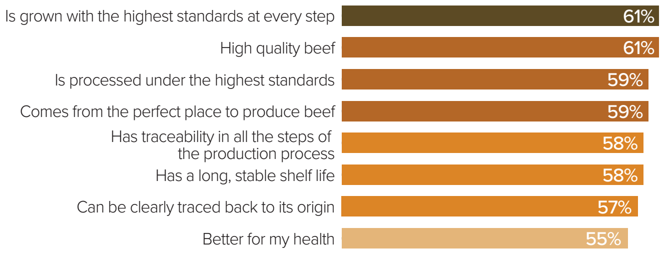
Data source for charts: [1]DAFF (CY2023), [2]S&P Global MI Global Trade Atlas (GTA) (MAT Nov 2023) Note: Macau has been excluded due to it's small volumes

Mainland China – Beef

CONSUMERS

- In China, beef comprises a relatively small proportion of dietary protein compared to fish, pork and poultry. However, several factors including rising incomes, a recent period of pork shortage due to African Swine Fever (ASF) and greater interest in nutrition to boost immunity against COVID-19 have helped increase beef consumption. This momentum is forecast to continue, with national per capita beef consumption set to rise from 6.4kg in 2018 to 8.4kg in 2027f. By virtue of its population, China is the world's second largest beef market after the US, with an estimated total consumption of 11 million tonnes carcase weight equivalent (cwe) of beef in 2023 *(Source: GIRA)*.
- Higher income levels are the key enabler of more frequent premium protein consumption. Consumers with higher incomes enjoy beef, as well as fish and lamb meals more often, while the less affluent consume more pork and poultry, as well as plant-based proteins.
- Chinese consumers consider beef to be a superior protein with high nutritional value and uniquely enjoyable eating qualities, making it a family favourite. Barriers to more frequent consumption, aside from price, are perceptions that beef is more challenging to prepare and cook, and less versatile than other proteins.
- Beef and beef offal feature across a range of traditional slow-cook, soup, stir fry, dumpling and hot pot dishes, historically developed to suit product from spent work or dairy animals. In upper middle-class households, there is increasing exposure to non-local cuisines that utilise a wider range of beef types, cuts and cooking methods, mostly via foodservice but increasingly also at home.

Affluent Chinese consumer perceptions of Australian beef



Source: MLA Global Consumer Tracker China, 2023. % Agree Score. Top 5 Attributes. Consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities

- A growing segment of consumers seek higher quality beef that is trusted to be safe, nutritious and delicious. Australia is considered among the top suppliers of premium beef, with demand increasing for chilled and grainfed products.
- Key Australian beef cuts exported to China include manufacturing, brisket, shin/shank, siverside/outside and blade. China is also a notable export market for some Australian bovine offal cuts, particularly tail, skirt and kidney – with a combined volume of just over 1,800 tonnes shipped weight tonnes (swt) valued at over A$38 million in 2022–23.
- The ready-to-cook segment is seeing strong growth, including semi-prepared, semi-cooked or fully-cooked items and dishes that often feature beef. This trend is evident in retail, where products support at-home meal time-savings and variety but also foodservice, where they offer not only time-savings but also product consistency.

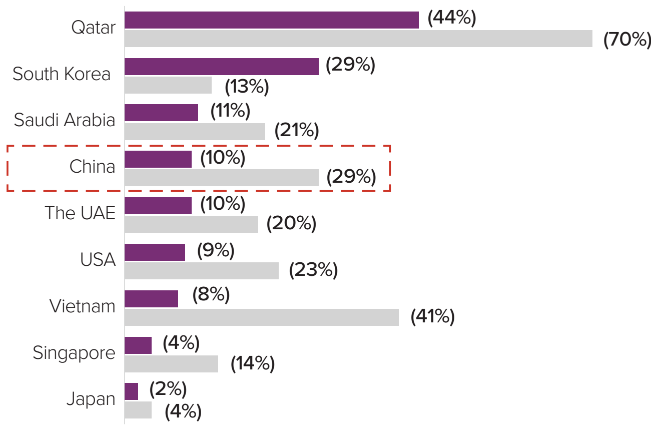
FOODSERVICE

- As a relatively less familiar but superior protein, around two-thirds of beef in China is typically consumed outside the home *(Source: GIRA)*. In addition to local cuisine restaurants, diners are increasingly enjoying a wider variety of beef cuts, cooking methods and flavours via other cuisines, such as western-style steak and grill, pasta and burgers, Korean and South American barbeque, Japanese and Thai.

Growing popularity of western and other Asian cuisines has increased beef consumption in Mainland China

- The majority of Australian beef is sold in foodservice channels, with a proportion going into further processing of items for the sector such as hot pot rolls, burgers, meatballs and sausages. Higher value product, such as grainfed and Wagyu beef, goes into more premium full-service restaurants.
- Australian beef has a strong, established presence in China's premium Western-style foodservice sector and in some upscale hot pot restaurant chains, where differentiation based on quality, safety, naturalness and country of origin is important to diners.

High frequency and spend on out-of-home beef meals in China



● Typical weekly spend on beef meals eaten out >A$50+
● Dine out on beef meals at least 3 times per week

Source: : MLA Global Consumer Tracker 2022. Percentage of consumers in each market who agree with the higher spend and frequency of beef meals eaten out as their typical weekly behaviour

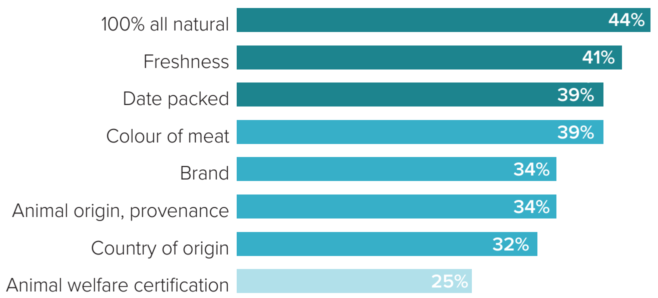
- Accelerated by high density living, good connectivity, the pandemic and a growing desire for convenience, there has been strong growth in take-away and delivery services. This is forecast to continue at a compound annual growth rate (CAGR) of over 8% from 2021–2026, even as dine-in service recovers from ongoing lockdowns *(Source: GlobalData)*.

Mainland China – Beef

Retail

- China's retail sales of beef have grown significantly in recent years, accelerated by African Swine Fever (ASF)-driven higher pork prices and increased at-home consumption during to the pandemic. As a consequence, demand for chilled beef, including from Australia, has been strong. There has also been an expansion of meal kits and value-added products, offering consumers more ease and convenience to prepare quality beef meals at home.

Things affluent beef shoppers look for on-pack



Source: MLA Global Consumer Tracker China, 2023. % Agree Score. The top 6 things looked for (on the pack, on the shelf etc.) when buying beef. Affluent = consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities

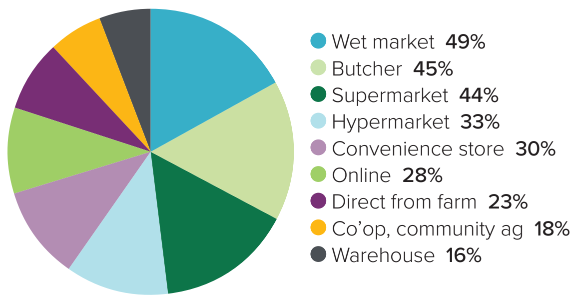
- Affluent urbanites are driving growth in branded beef products that not only offer the important basics of safety and quality, but also deliver more experiential consumption experiences via elements relating to provenance and production methods.

- Affluent consumers will still buy beef from convenient local wet markets on occasion, particularly when preparing traditional beef dishes to be consumed on the same day. The pandemic accelerated the shift away from traditional channels in favour of modern offline and online retail. While traditional channels are still growing in line with the total retail market, modern channels are growing faster, led by online and discount stores *(Source: IGD)*.

- Recent years have seen significant new investments in the cold chain which is improving product handling across the supply chain, including for retail-ready product.

- New opportunities are being presented by the fast-growing 'fresh on-demand' or 'quick commerce' sector, offering delivery of fresh produce including red meat within 30 minutes.

Retail channels for affluent Chinese consumers' beef purchasing

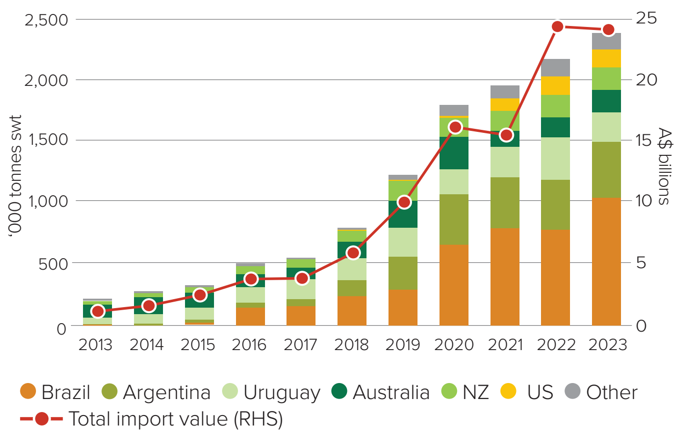


Source: MLA Global Consumer Tracker China, 2023. Purchase beef at least weekly from these channels. Consumers in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities living in households earning >RMB200,000 p.a.

Competitive landscape

- China is the world's top beef importer by volume. Increasing demand is the key factor driving record import volumes to pass through customs in recent years. For the 12 months ending June 2023, China's beef import volume exceeded 2.7 million tonnes swt (up 18% year-on-year), valued at A$25 billion (up 24% year-on-year) *(S&P Global MI Global Trade Atlas (GTA))*.
- Competition in China's beef market is intense with at least 31 countries now granted market access, driven by a government priority to diversify the country's supply.
- China has a large cattle herd of its own of around 101 million head in 2023*f*, *(Source: GIRA)*. The herd is forecast to remain around the 100 million mark out to 2027*f*. While domestic beef production will increase, it will require greater imports to meet forecast consumption demand growth.
- The US has increased its value share of China's total beef imports from 1% in 2019–20 to 10% in 2022–23, benefiting from its preferential establishment listing and market access conditions. The US has sole approval to export HGP-treated beef (within maximum residue limits and excluding beta-agonists) to China.
- Australia is China's largest supplier of chilled beef. However, market access challenges since 2020 have restricted Australian exports, with New Zealand and the US filling some of the gap.

China beef imports by supplier*



*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending September*

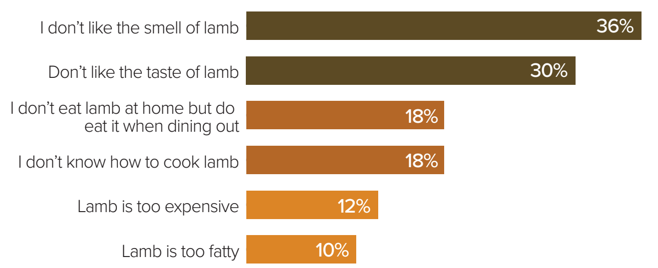
- South American countries dominate China's direct frozen beef import market, particularly Brazil, Argentina and Uruguay, which have benefited from weaker currencies and lower beef prices. However, these suppliers are also relatively exposed to the Chinese market, with 2022–23 combined export value to China and Hong Kong accounting for 67%, 65% and 52% of total beef exports for these countries respectively, compared to 22% for Australia *(Source: S&P Global MI Global Trade Atlas (GTA))*.
- Key bovine offal competitors for Australia are Uruguay, the US and New Zealand.

Mainland China – Sheepmeat

Consumers

- China has consistently been among Australia's top two largest sheepmeat export markets by volume and value since 2013 along with the US.
- While sheepmeat accounts for a small proportion of dietary protein in China, consumption has grown gradually over the past decade with rising incomes and urbanisation. Consumption was further boosted by the protein deficit caused by African Swine Fever from 2018 to 2020, with per capita consumption anticipated to increase from 3.7kg in 2018 to 4.2kg by 2027*f* *(Source: GIRA)*. Having developed a taste for sheepmeat, it is anticipated that consumers will continue to enjoy more of it, even as the pork industry recovers.

Top five barriers to affluent Chinese consumers buying lamb



Source: MLA Global Consumer Tracker China, 2022. % Agree score. Reasons for never buying lamb. Consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities

- Traditionally, sheepmeat consumption has been higher in the northern areas of the country and during the cooler months. However, in recent decades interest in the protein has grown faster in coastal cities, where wealthier consumers seek more protein variety with regard to taste and nutritional benefits.
- Sheepmeat and ovine offal feature in a limited number of traditional home-cooked recipes – mostly stew and soup-based dishes – but are a popular street food in the form of spiced grilled kebabs and in thin-slice form in hot pot. There are opportunities to increase lamb consumption by providing consumers with more knowledge to help them successfully cook lamb at home.

Attributes of lamb compared to other proteins

Strengths	Challenges
✓ The most superior meat	✗ Easy and convenient to purchase
✓ The meat is usually tender	✗ Easy and convenient to prepare
✓ The animal is well-cared for	✗ Can use in many different meals

Source: MLA Global Consumer Tracker China, 2023

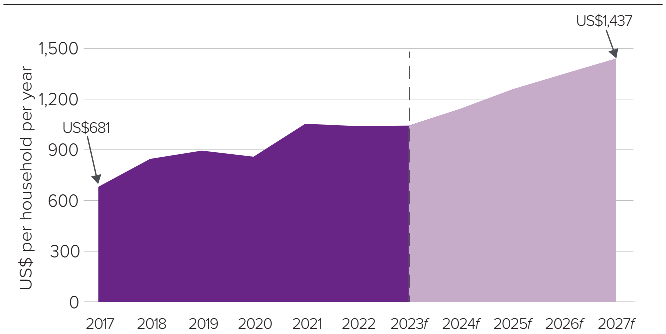
Foodservice

- Around two-thirds of the sheepmeat in China is typically consumed outside the home *(Source: USMEF)*. With the key motivators for eating out being the variety of dishes and cuisines, unique flavours and superior quality, lamb plays an important role in the foodservice sector. China total lamb sales are currently forecast to grow at a CAGR of 5.8% from U$15.3 billion in 2022 to U$18.6 billion by 2027*f* *(Source: Fitch Solutions)*.
- The majority of Australian sheepmeat – both lamb and mutton – exported to China comprises frozen cuts such as breast and flap, manufacturing, carcase and neck, which are further processed in market – a large proportion in the form of thin-sliced rolls for use in hot pot restaurants.

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

- For affluent consumers, higher-end full-service restaurants are popular venues for enjoying lamb, where it features in a range of cuisines and dishes, including Western and Middle Eastern style. Australian lamb can be found on menus in high-end Western-style restaurants and five-star hotels, as well as high-end hot pot establishments. This has driven growing demand for higher value Australian sheepmeat cuts such as rack, backstrap and loin cuts, as well as leg and shoulder.
- China's total sheepmeat import volumes were up 12% in 2022–23 year-on-year as foodservice demand recovered after lockdown was lifted in December 2022.

Mainland China household restaurant and hotel spending*



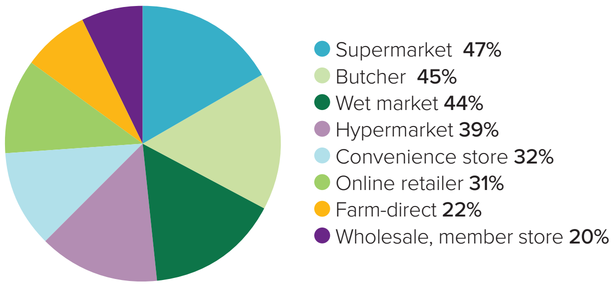
Source: Fitch Solutions. Figures for the national average

Mainland China – Sheepmeat

Retail

- Lack of familiarity and knowledge about how to cook lamb is the main barrier to increasing lamb sales through retail channels. Among those who do purchase it for home consumption, the most common are traditional slow wet cook dishes such as stews and soups.

Where affluent* Chinese consumers usually buy lamb



*Source: MLA Global Consumer Tracker China, 2023. Bought at least weekly in the past six months. *Affluent = living in households earning >RMB200,000 p.a. Consumers in Beijing, Shanghai, Guangzhou, Chengdu and Chongqing cities*

- 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 consumers seeking products that offer not only safety and quality consistency, but also unique eating experiences and attributes linked to provenance. Australian lamb is highly regarded in the market.
- China's grocery retail is highly fragmented and regional. Nationally, retail group Sun Art Group has the biggest market share (7.3%), followed by Wal-Mart Group (5.4%), Yonghui Group (5.2%), Vanguard Group (4.5%) and Wu-Mart Group (3.5%) *(Source: Kantar World Panel 12w to 11 Aug 2023)*.

Affluent* consumer perceptions of Australian lamb

61% say they love **Australian lamb**

- ✓ Can be clearly traced back to its origin
- ✓ Comes from the perfect place to produce lamb
- ✓ Tastes great
- ✓ High quality lamb
- ✓ Has traceability at all steps of production
- ✓ Is grown with the highest standards at every step
- ✓ Is processed under the highest standards
- ✓ Is ethically/ humanely produced

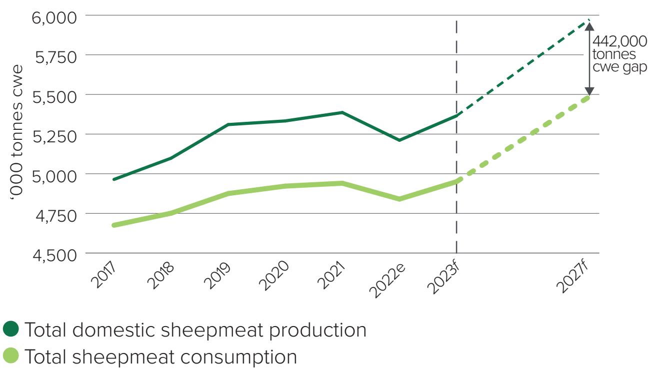
Source: MLA Global Consumer Tracker China, 2023. 1 + 2/10 point scale.
**Affluent = living in households earning >RMB200,000 p.a. in Shanghai, Beijing, Guangzhou, Chengdu and Chongqing cities*

- Rapid growth in household ownership of particular cooking appliances such as air fryers, multi-functional microwave ovens and electric hot pot cookers, accelerated by the boom in home cooking due to the pandemic, is presenting new growth opportunities for Australian product at retail. The wide adoption of new appliances has led to a step-change in urban middle-class households' ability to roast, broil and grill foods such as lamb at home, where ownership of conventional ovens and grills had previously been very limited.
- Growing consumer demand for quality and healthier convenience foods and technological innovations such as self-heating packaged meal products, have also increased consumption of lamb, enabling the normally extended and highly social hot pot restaurant meal experience to become an individual snack.

Competitive landscape

- China is the world's largest producer of sheepmeat, with a sheep and goat flock estimated at around 303 million head in 2023f. However, China is forecast to remain a net importer of sheepmeat over the coming years, with imports forecast to increase at a CAGR of 3.6% from 372,800 tonnes carcase weight in 2022 to 444,800 tonnes by 2027f *(Source: GIRA)*.
- However, import demand, particularly for mutton, can be volatile depending on domestic production cycles. With environmental policies restricting flock sizes and gradual consolidation of larger-scale feeding operations, import demand is expected to become more stable in the future.

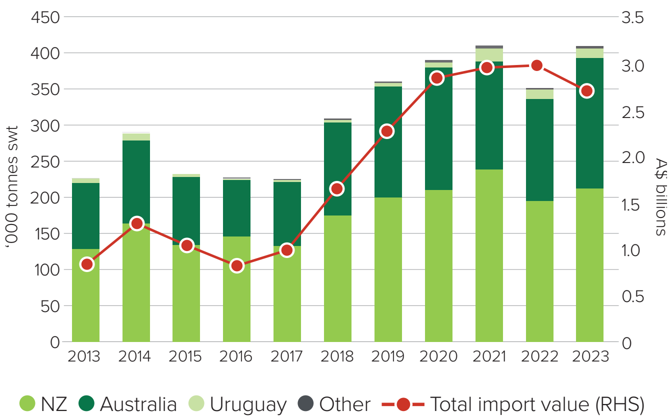
Growing Mainland China sheepmeat import demand



Source: GIRA, figures includes goat meat

- New Zealand is the leading sheepmeat supplier to China, followed by Australia. New Zealand has become increasingly dependent on China which, for the year ending June 2023, accounted for 58% of its sheepmeat exports, compared to 34% for Australia. Smaller volumes are supplied by Uruguay and Chile. Several countries granted market access are not yet exporting significant volumes.
- 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 imports by supplier*



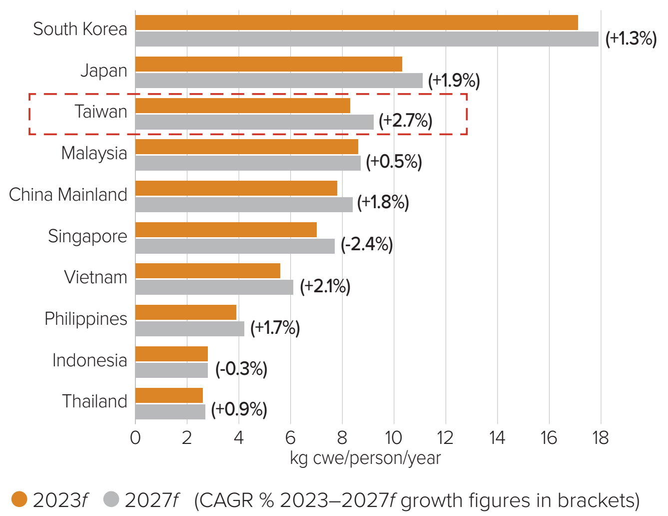
*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending September*

Taiwan – Beef

Consumers

- Taiwan has been a major export market for Australian beef for over 25 years, consistently ranking among the top 10 markets for both grassfed and grainfed exports.
- Taiwan beef consumption growth is forecast to further accelerate in coming years, driven by a large young adult population, increasing numbers of affluent households and enjoyment of cuisines that feature beef – from indigenous local dishes to Chinese, Western-style, Japanese and Korean.

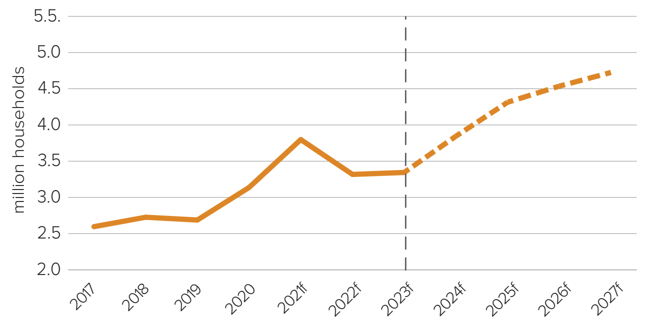
Taiwan has Asia's fastest beef consumption growth outlook



Source: GIRA

- Reflecting this growing demand, Taiwan's total beef imports have trended up for over twenty years. In 2022, beef imports achieved an all-time record of just over 143,000 tonnes swt valued at just over A$2 billion, boosted by foodservice recovery post-pandemic.
- Taiwan has a high urbanisation rate of 80% expected for 2024 and a large number of households with high disposable incomes that is forecast to grow at a CAGR of 9% from 2023 to 2027, enabling strong spending growth on discretionary items such as premium beef *(Source: Fitch Solutions)*.

Taiwan has a large and growing affluent consumer base



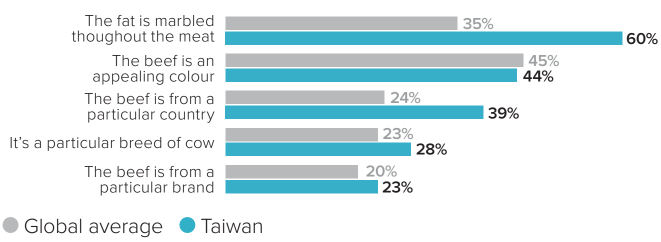
Source: Fitch Solutions. Households earning disposable income USD 35,000+ p.a.

- Taiwan consumers see beef as a protein with superior taste and nutritional benefits, which makes it a family favourite and worth paying a premium for compared to other proteins. However, beef's biggest perceived weaknesses are that it can be high in fat and less versatile compared to pork and chicken *(Source: MLA Global Consumer Tracker Taiwan, 2020)*.
- Taiwan is a notable bovine offal market. Australia exports a similar volume to Taiwan as to China Mainland but a different cut mix, with Taiwan largely taking tripe, tendon and tongues, with Australia's 2022–23 exports valued at just under A$30 million *(Source: S&P Global MI Global Trade Atlas (GTA))*.

Retail

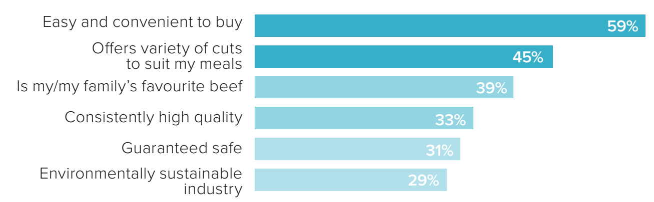
- Taiwan's retail sector is quite mature by global standards, with modern grocery retail outlets comprising around 60% of the sector. Taiwan is unique globally for having the highest concentration of convenience stores, contributing the largest share of retail grocery sales at 24%, followed by supermarkets and online grocery retail *(Source: IGD)*.
- In the coming years, online retail, supermarkets and mini-marts are the channels forecast for strongest grocery sales growth.
- Taiwan's retail market is both large, with total grocery sales valued over A$40 billion, and dynamic, with a number of significant mergers occurring in recent years resulting in increased consolidation. Key players include Uni-President which owns 7-Eleven and now Carrefour, PX Mart which now also owns Auchan Group's RT-Mart, followed by Costco *(Source: IGD)*.
- With mandatory country of origin labelling across all channels, the majority of Taiwan consumers are aware of the origins of the beef they buy. Australian beef is largely purchased from hypermarkets and supermarkets. Taiwan consumers are very familiar with Australian beef, and particularly appreciate its strong safety profile and high quality consistency, as well as the wide range of cuts it supplies. These attributes make it particularly attractive for home consumption in family settings and for consumers who prioritise safe, healthy and natural products.

Top five cues for high quality beef



Source: MLA Global Consumer Tracker Taiwan, 2020. Global average of 11 countries

Taiwan consumer perceptions of Australian beef



Source: MLA Global Consumer Tracker Taiwan, 2020. % Agree score

Taiwan – Beef

Foodservice

- Taiwan has a strong dining out culture by global standards, with a high proportion of socialising occurring in restaurants. The fastest-growing per capita non-essential spending category in the next few years is expected to be restaurants and hotels, averaging 8.6% per year to 2026 *(Source: Fitch Solutions)*.
- Taiwan has developed a unique food culture, with influences from its own indigenous aboriginal culture, various regional Chinese cuisines and Japanese cuisine. Taiwan is now widely considered a regional food trendsetter, with its unique offerings a key attraction for tourists. In 2019 prior to the pandemic, Taiwan was estimated to have received 11.8 million tourist visitors *(Source: Fitch Solutions)*. While Taiwan's Tourism Bureau is aiming to welcome six million visitors in 2023, forecasts indicate numbers will exceed pre-covid levels in 2024.
- MLA estimates that around 74% of Australian beef in Taiwan is utilised in the foodservice sector. A majority of Australia's frozen grassfed beef exports are comprised of shin/shank (particularly special trim), blade, manufacturing (forequarter and trimmings), intercostals and thick flank/knuckle cuts which are mainly used in popular slow wet cooking local dishes. The market has also been taking growing volumes of Australian chilled and frozen beef offal, particularly tripe (honeycomb) and tendon.
- The Western-style fine dining segment has been expanding, particularly with the growth in popular hotel restaurant and steakhouse segments that use premium cuts such as cube roll/rib eye roll, striploin and tenderloin. There is widespread appreciation for highly marbled beef such as US prime, Australian Wagyu and Japanese Wagyu, alongside increased demand for quality, leaner grassfed beef. Australia exports a mix of frozen and chilled volumes of chuck roll, cube roll/rib-eye roll and loin cuts for use in Western-style steak cooking. Notable volumes of Australian hamburger mince also go into the Western-style quick service and casual dining segments.

Reflecting Taiwan's rich food culture, beef is enjoyed in various forms and cuisines

Taiwan's iconic dish, beef soup noodles

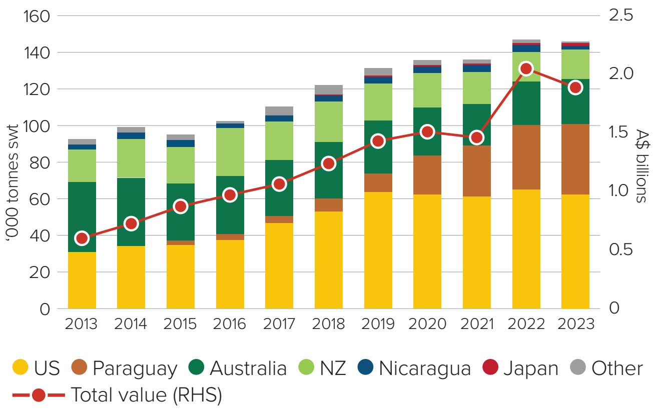
Yakiniku

Steak

Competitive landscape

- Taiwan has a small beef herd, and while production is forecast to grow in the coming years, the market will continue to rely on imports in order to meet around 96% of its beef needs for the foreseeable future.
- Australia's exports of both chilled beef and frozen grainfed beef have been strong to the market, despite a period of high prices due to temporary supply constraints and Japan's re-entry to the market since 2017. Australia's key competitors in the market are the US, Japan, New Zealand and Paraguay.

Taiwan beef imports by supplier*



*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August*

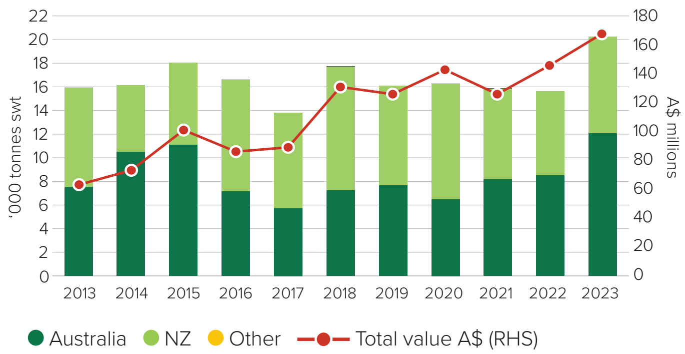
- Compared to Australia, the US supplies a smaller range of cuts, particularly short plate, ribs, shin/shank, intercostals and steak cuts.
- New Zealand benefits from preferential market access to Taiwan, exporting mostly frozen boneless steak and other cuts.
- Paraguay has taken advantage of improved market access and lower-priced product in recent years to rapidly increase its exports. Paraguay's volume share of Taiwan's frozen beef imports increased from 4% in 2016–17 to 34% in 2022–23, becoming Taiwan's largest single frozen beef supplier. Smaller volumes of frozen beef are supplied by Nicaragua and Canada.
- Taiwan import demand for chilled beef (CAGR 7.8%) has grown faster than frozen (CAGR 3.9%) over the past decade. Australia competes in the high-end grainfed beef market, mainly with the US and Japan. Taiwan quickly became one of Japan's top three Wagyu export markets, after gaining market access in 2017. The majority of Japan's beef exports to Taiwan are chilled. Despite rapid growth into the Taiwan market, Japanese Wagyu has not displaced Australian Wagyu – rather, together they have grown the Wagyu segment.
- Australia mostly competes with Paraguay, New Zealand and Nicaragua in Taiwan's bovine offal import market. In 2022–23, Taiwan imported a combined 7,196 tonnes swt valued at A$57 million.

Taiwan – Sheepmeat

Summary

- Taiwan has been a significant importer of sheepmeat for the past several decades. For the 12 months ending June 2023, the market imported just under 19,000 tonnes swt valued at A$162 million. This was an all-time record value and a 13% increase year-on-year.

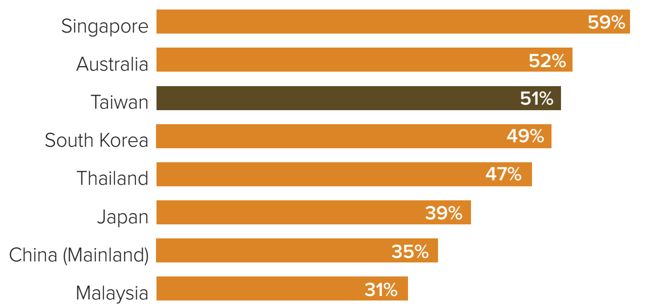
Taiwan sheepmeat imports by supplier



*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August*

- The vast majority of Taiwan's sheepmeat imports are supplied by New Zealand and Australia, with only a small and gradually declining volume produced domestically.
- Sheepmeat is a relatively minor part of dietary protein in Taiwan but consumption is forecast to increase at a modest CAGR of 1.2% from 2023 to 2027*f* *(Source: GIRA)*, driven by younger affluent consumers who enjoy protein variety in taste and nutrition. Affluent Taiwanese report consuming a higher number of weekly meals with lamb than the less affluent *(Source: MLA Global Consumer Tracker, 2020)*. This will drive continued demand for imports in the coming years.
- MLA estimates that around 85% of Australian sheepmeat is consumed in Taiwan's foodservice sector. Australia's frozen lamb exports to Taiwan have grown over the past five years, comprised largely of manufacturing (trimmings), breast and flap, shank and carcase, while frozen mutton is mostly manufacturing (trunk meat) and carcase.
- Taiwanese consumers have high discretionary spending levels by regional standards, with restaurants and hotels spending among the fastest growing non-essential categories.

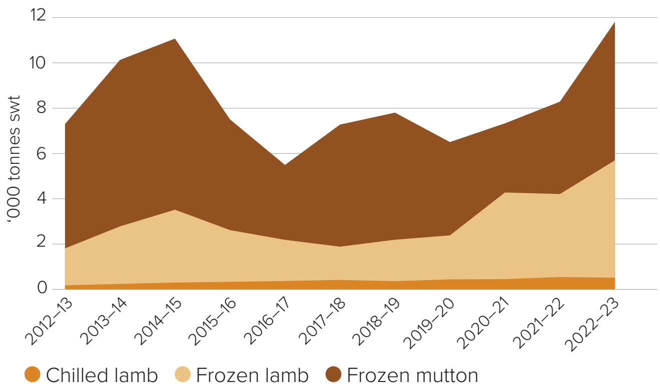
Non-essentials spending proportion of total spending



Source: Fitch Solutions, 2024f

- While still relatively small, demand for Australian chilled lamb has also been growing, with shoulder (neck fillet roast) and rack being the key cuts.

Australian sheepmeat exports to Taiwan



Source: DAFF

- Slow-cook recipes such as casseroles, stir fry, soups and hot pot are relatively popular local cuisine sheepmeat dishes to cook at home or order when dining out. Roasting, grilling and pan-frying of prime cuts is available at high-end western-style restaurants.

Hot pot is a popular way to enjoy sheepmeat in Taiwan

Top three Australian sheepmeat cuts exported to Taiwan

Chilled	Frozen lamb	Frozen mutton
Shoulder	Manufacturing (trimmings)	Manufacturing (trunk meat)
Rack	Breast and flap	Breast and flap
Shank	Shank	Carcase

Source: DAFF, 2022–23

Hong Kong – Beef

Summary

- Beef has not traditionally been a major dietary protein in Hong Kong and Macao. However, a wealthy, younger consumer segment enjoys a variety of cuisines that feature more beef than traditional Hong Kong and Cantonese-style cuisine, which has led to increased consumption.
- Hong Kong has been a comparatively small but high value and growing market for premium Australian beef for over 20 years. In 2022–23, the average unit price of Australian beef exports to Hong Kong (A$22.64/kg) and Macao (A$27.19) was more than double the average to all global markets (A$10.57/kg) *(Source: IS&P Global MI Global Trade Atlas (GTA))*. Consumers have a high regard for Australian beef.

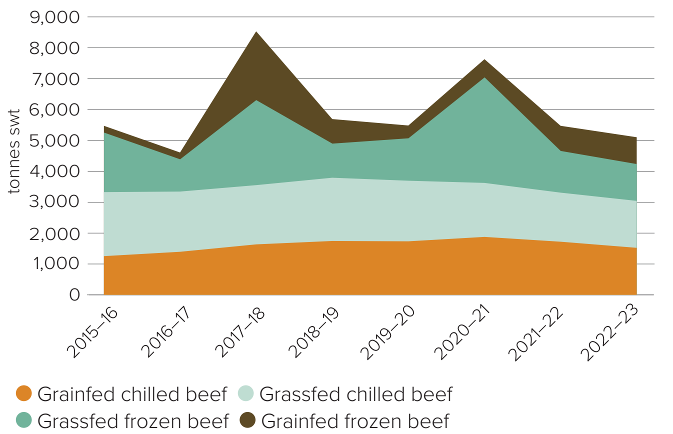
Hong Kong consumer perceptions of Australian beef

✓	Offers cuts variety to suit the meals I make
✓	Guaranteed safe to eat
✓	Consistent quality standards
✓	Is easy and convenient to buy
✓	More nutritious
✓	Offers cuts variety to suit the meals I make

Source: MLA Global Consumer Tracker Hong Kong, 2023

- MLA estimates that around 30% of Australian beef is sold through Hong Kong retail. The market's grocery retail sector is highly developed and competitive, with Australian beef purchased mainly from supermarkets and hypermarkets, but also through food halls and specialist gourmet stores.

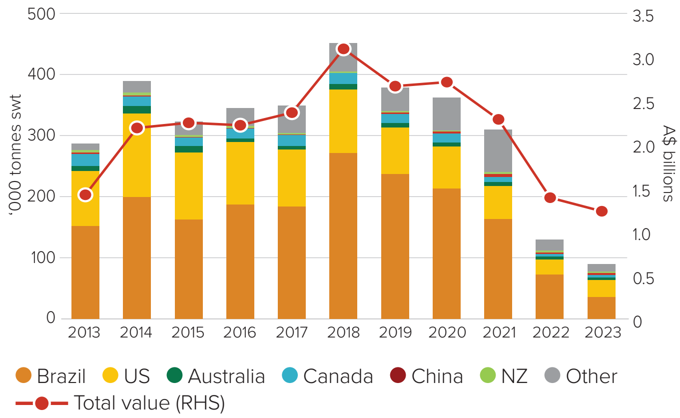
Australian chilled beef exports to Hong Kong and Macao



Source: DAFF. Exports to Hong Kong and Macao combined

- Australian grassfed and grainfed beef products are enjoyed by Hong Kong consumers, with chilled exports growing steadily over the past decade. Growth has been particularly strong for chilled grainfed beef, which increased fourfold in volume over the past decade.
- Australia has been Hong Kong's top chilled beef supplier for over 25 years, with supply also coming from the US, Japan and New Zealand.
- Frozen beef imports are largely utilised in the foodservice sector. Frozen beef imports have declined in recent years due to a combination of reduced tourism due to the pandemic as well as China's crackdown on cross-border trade.
- Hong Kong currently has 78 Michelin star restaurants in 2023 and Macao has 17. Australian beef features in such high-end full-service restaurants, with diners enjoying special occasion experiences at Western and Japanese cuisine restaurants where product provenance is more prominent on the menu.
- A large and growing number of tourist visitors have contributed to beef consumption in the sector – in 2018 pre-pandemic, an estimated 65 million tourists visited Hong Kong and 35.8 million visited Macao *(Source: Fitch Solutions)*.
- Key frozen beef suppliers to Hong Kong are Brazil, the US and India. Brazil and Argentina are Hong Kong's key suppliers of bovine offal, with Australia a relatively small supplier. In 2022–23, Australia exported around A$26 million worth of bovine offal to Hong Kong, mostly tripe. However, Hong Kong's total offal imports were down 23% by volume on the year prior due to tougher restrictions on re-exporting to Mainland China.

Hong Kong beef imports by supplier*



*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending September. Note: This data is Hong Kong only*

- Both Hong Kong and Macao are among Japan's top 10 beef export markets and taking increasing volumes. In 2022–23, a combined 1,550 tonnes swt valued at just under A$100 million was exported to these markets.
- Hong Kong is expected to continue to be a high value market, with total beef consumption forecast to increase from 168,000 tonnes cwe in 2023 to around 182,000 tonnes cwe by 2027 *(Source: GIRA)*.


Popular Hong Kong beef dishes – beef stir fry with rice flour noodles and honeycomb tripe

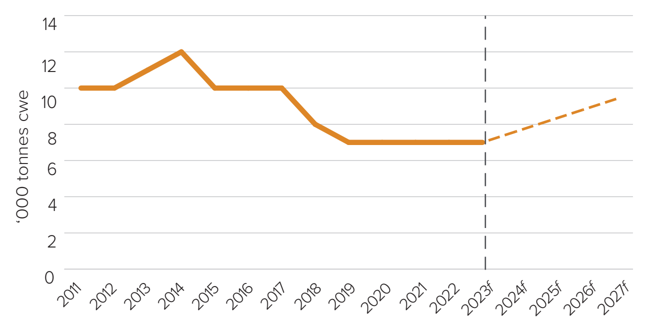
- Hong Kong has historically played an important role as a regional re-export hub for many goods, including frozen meat and is Macao's largest beef supplier. However, as Mainland China grants access to more suppliers, demand for re-exports via Hong Kong have declined.
- Two-thirds of Australia's direct beef exports to Macao are frozen, with the majority of product utilised in the foodservice sector that supports casino-related tourism. The majority of this product is striploin and cube roll/rib-eye roll. In 2022–23, Australia exported just under A$2 million worth of beef to Macau.

Hong Kong – Sheepmeat

Summary

- Hong Kong has been a small but steady and high value market for Australian sheepmeat for over 30 years. Combining all sheepmeat and ovine offal, Australia's exports to the market in 2022–23 were valued at over A$25.6 million.
- A proportion of Hong Kong's frozen sheepmeat and offal imports have historically been re-exported to other destinations such as Mainland China, Vietnam and Macao. In 2022–23, Hong Kong imported a total of around 7,600 tonnes swt of sheepmeat and offal, a 25% fall on the previous year due to a combination of the pandemic, high global sheepmeat prices and tougher restrictions on re-exports.
- Sheepmeat is a very small part of Hong Kong locals' diets and total consumption had been on a gradual long-term decline from 11,000 tonnes cwe in 2010 to 8,000 tonnes cwe in 2020. However, annual consumption is anticipated to grow at a CAGR of 4.6% from around 7,000 tonnes cwe in 2023 to around 9,000 tonnes in 2027 *(Source: GIRA)*. In 2023, some 30% of Hong Kong consumers say they hadn't purchased lamb because they don't like the taste or smell of it. However, while some 20% say they don't know how to cook lamb, 30% enjoy it when dining out *(Source: MLA Global Tracker, 2023)*.

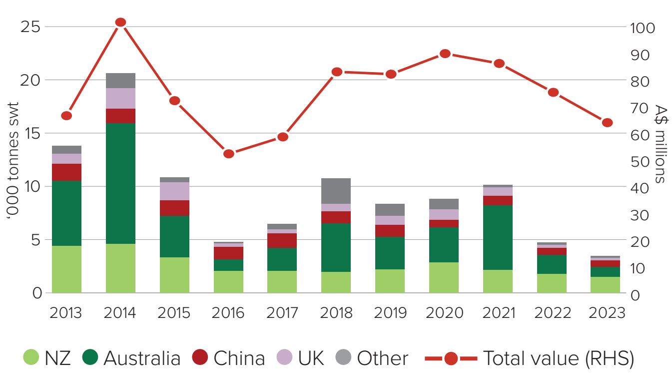
Hong Kong total sheepmeat consumption



Source: GIRA. Includes goat meat

- The majority of Hong Kong's sheepmeat imports are supplied by Australia and New Zealand, with smaller volumes coming from the UK and Ireland. Hong Kong is then Macao's biggest sheepmeat supplier.

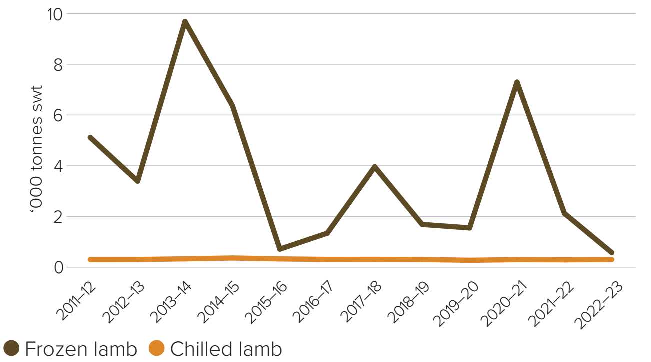
Hong Kong sheepmeat imports by supplier*



*Source: S&P Global MI Global Trade Atlas (GTA). *MAT year ending September. Note: This data is Hong Kong only*

- Australian exports of chilled lamb for consumption in Hong Kong have averaged around 300 tonnes per year for decades, with a high proportion in the form of rack, leg and shoulder cuts, as well as some loin cuts. Volumes of frozen lamb and mutton vary greatly from year to year and depend to some extent on the status of re-exports to China but mostly comprise breast and flap, manufacturing and carcase cuts.

Australian lamb exports to Hong Kong



Source: DAFF

- Consumers who are aware of Australian lamb regard it very highly. When purchasing lamb for home consumption, Hong Kong shoppers mostly buy product from supermarkets, hypermarkets, wet markets and butchers (*Source: MLA Global Consumer Tracker, 2023*).

Braising is a popular way to eat sheepmeat at home, while hot pot is popular when dining out

Soya braised lamb

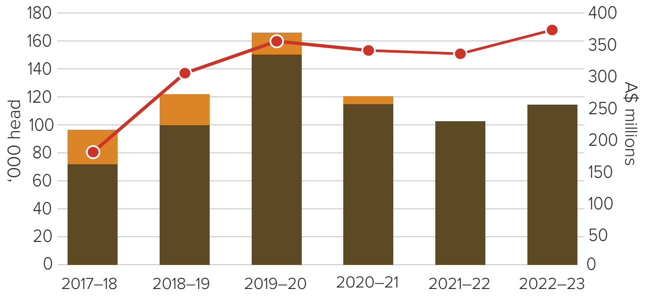
Lamb hotpot

Greater China – Australian Livestock Exports

Cattle

- Australia exported 114,546 head of breeder cattle to China in 2022–23 valued at A$370 million, with the vast majority of these being dairy breeders. This volume was up 12% year-on-year *(Source: DAFF)*.
- Due to export protocols relating to Blue Tongue disease, as well as the strengths of state herds, both dairy and beef breeders are mostly exported out of Victoria and a smaller number out of Western Australia and South Australia.

Australian live cattle exports to Mainland China



Source: DAFF, S&P Global MI Global Trade Atlas (GTA). FOB = free on board

- Australian dairy breeder cattle exports to China grew rapidly after 2008 in the wake of the melamine milk scandal, as the country focused on developing its dairy industry. Australian beef breeder cattle exports picked up from 2015, when several large operators invested in improving their beef herds.
- Australia is one of the largest official suppliers of live cattle to China, with smaller, intermittent numbers of mostly dairy breeder cattle supplied by New Zealand, Uruguay and Chile *(Source: GIRA)*. New Zealand has announced it will cease exporting livestock by sea by end of April, 2023.
- China's total live cattle imports are anticipated to have peaked in 2021 at around 330,000 and are currently forecast to decline at a CAGR of –17% from 2021 to 2026 *(Source: GIRA)*.
- In 2019–20, Australia exported 433 head of live breeder cattle to Taiwan but none in recent years.

Sheep

- Australia has exported live breeder sheep to Mainland China and Taiwan over the years, to improve the genetics of local flocks. These animals are typically air freighted.
- No live sheep have been exported to Taiwan since 2020.

Beef

Market access overview – beef – Mainland China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement **(ChAFTA)** (entered into force 20 December 2015) Regional Comprehensive Economic Partnership **(RCEP)** entered into force 01 January 2022	**Under ChAFTA:** All product categories zero tariffs from 1 Jan 2024	**US:** Phase One Economic and Trade Agreement signed 15 January 2020. China agreed to lift most restrictions on US beef products, including HGP-free status*. Full** tariff rate: Meat 42%, carcase – chilled 45%, frozen 50% **New Zealand:** Zero from 2016 **Brazil, Uruguay, Argentina, Nicaragua (Most-favoured nation (MFN) tariff rate):** Meat 12%, carcase – chilled 20%, frozen 25%	**Safeguard:** MFN tariffs apply if Australian imports exceed: 178,418 metric tonnes in 2024 208,307 metric tonnes in 2025 **Most-favoured nation tariffs:** Chilled and frozen beef 12%, chilled carcases 20%, frozen carcases 25%, offal 12%	Restrictions on the number of approved plants, chilled plants and restrictions on edible offal Several plants suspended from exporting to China

Best access — Major challenges

*Source: Trade agreements, Trade agreements, DFAT, MLA. China applies a 9% VAT on most items. *The US has sole approval to export HGP-treated beef within maximum residue limits (excluding beta-agonists). **18-02-2020 China announced a new tariff waiver application system for Chinese companies importing US frozen and chilled beef and by-products available from 02-03-2020, with de facto tariffs in line with the MFN rate. (12% meat, 20% chilled carcase, 25% frozen carcase)*

Market access overview – beef – Taiwan

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	NT*$10/kg on beef 15% tariff on offal From 1 Jul 2023 to 31 Dec 2023 tariffs on 16 beef items (not offal) will be halved to NT*$5/kg to help with cost of living	**US, Japan and Canada:** Same access 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*

Market access overview – beef – 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. Market access conditions to Macao are similar to Hong Kong, except there is no FTA

Sheepmeat

Market access overview – sheepmeat – Mainland China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement **(ChAFTA)** (entered into force 20 December 2015) Regional Comprehensive Economic Partnership **(RCEP)** entered into force 1 January 2022	Under **ChAFTA**: All product categories zero tariffs from 1 Jan 2023	**New Zealand:** 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

Market access overview – sheepmeat – Taiwan

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	15% (or NT* $11.3/kg whichever is higher)	**New Zealand:** 0% tariff on sheepmeat since 2013	Zero	No major hurdles

Best access — Major challenges

*Source: Trade agreements, DFAT, MLA. * New Taiwan Dollar*

Market access overview – sheepmeat – 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. Market access conditions to Macao are similar to Hong Kong, except there is no FTA