Japan

MARKET SNAPSHOT | BEEF & SHEEPMEAT

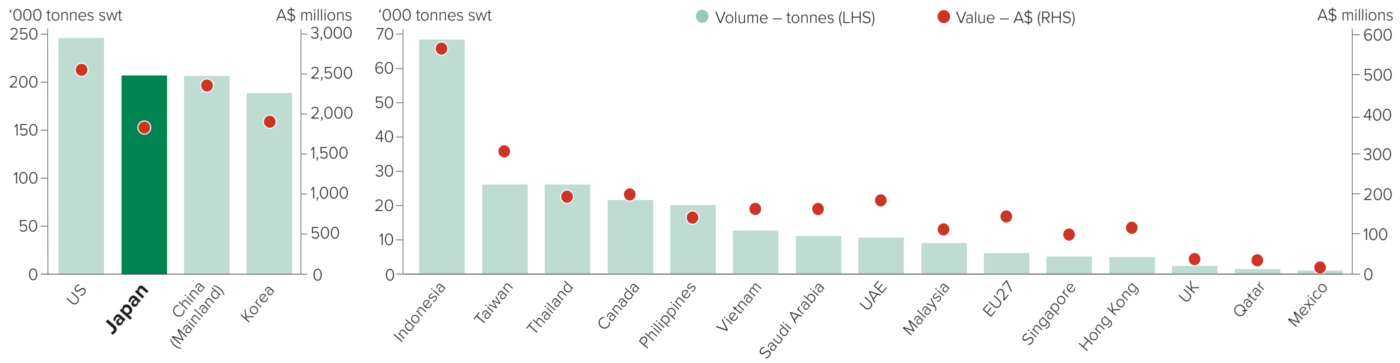
MEAT & LIVESTOCK AUSTRALIA

EXPORTS
Large and established export destination, particularly for grainfed beef

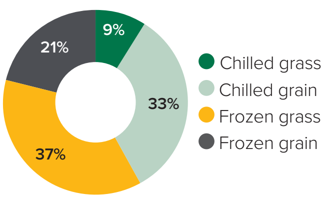
CONSUMERS
Large pool of mid-income consumers, established trust in Australian red meat

GROWTH
Red meat with good taste that supports health and well-being

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

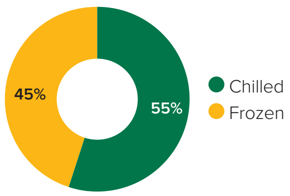


Australian beef exports – volume[1]



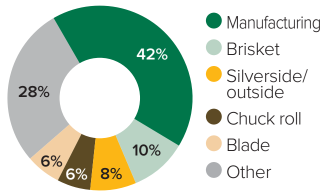
Total 206,803 tonnes swt

Australian beef exports – value[2]

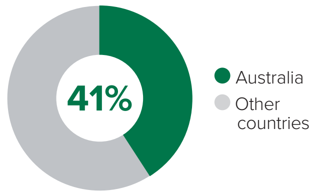


Total A$1.83 billion

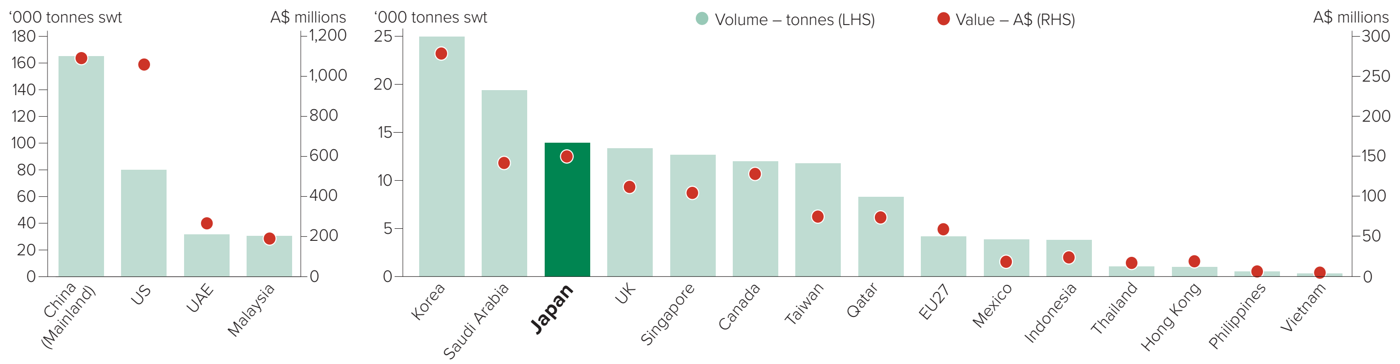
Australian beef exports by cut[1]



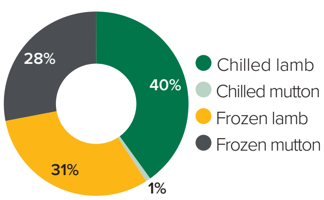
Australia's volume share of beef imports[2]



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

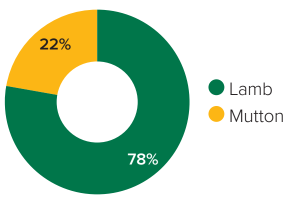


Australian sheepmeat exports – volume[1]



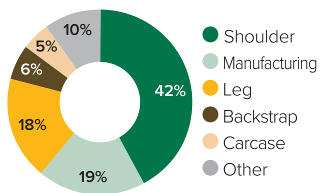
Total 13,905 tonnes swt

Australian sheepmeat exports – value[2]

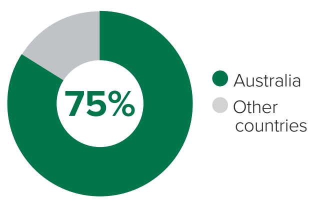


Total A$150 million

Australian sheepmeat exports by cut[1]



Australia's volume share of sheepmeat imports[2]



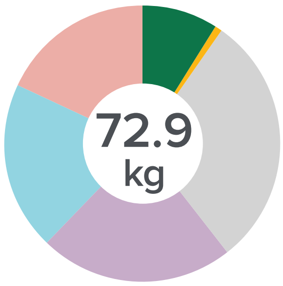
Data source for charts: [1]DAFF (CY2023), [2]S&P Global MI Global Trade Atlas (GTA) (MAT Nov 2023)

Beef

CONSUMERS

- Japanese consumers appreciate balance and variety in their diet, and often seek food that delivers both enjoyment and health benefits. With almost one third of the population (30%) over 65 years of age, Japanese consumers have a strong interest in staying healthy, active and alert *(Source: Fitch Solutions)*.

Protein consumption per capita



Source: MAFF (Ministry of Agriculture, Forestry and Fisheries of Japan). Annual consumption volume per person in KG product weight, Japanese fiscal year (JFY) April 2022 to March 2023.

- Beef is considered to be the most premium protein, underpinned by a strong emotional connection and a uniquely enjoyable 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.
- The outbreak of COVID-19, global inflation since 2022, and depreciation of Japanese Yen has impacted many aspects of consumers' lives in Japan. A study conducted in 2023 by MLA revealed that 27% of surveyed consumers said they would only buy imported red meat if there was a deal or promotion. Coincidentally, 26% said they have not changed their purchasing patterns or volumes of imported red meat, indicating the ongoing need for quality proteins despite the challenging economic circumstances *(Source: MLA Global Consumer Tracker Japan 2023)*.
- Sustainability is a developing concept in Japan. Japanese consumers' interest in sustainability is currently more focused on saving resources, recycling and reducing waste, rather than actively buying products that support ethical or sustainable causes *(Source: GlobalData, online research)*. However, 'use of added hormones or antibiotics in animals', 'animal welfare', and 'animal cruelty' are the top three sustainability issues that consumers regard as important for the red meat industry to action *(Source: MLA Global Consumer Tracker Japan 2023)*.
- Japan remains the third largest importer of beef globally and ranks fourth in terms of the global grocery market size at US$392 billion (Australia ranks 17th) *(Source: Fitch Solutions, IGD)*. These market factors, and established trust from consumers provide Australia with ongoing opportunities to enhance Japan's beef demand into the future by continuously reinforcing the goodness of beef, and leveraging Australia's reputation as a safe, natural and trusted supplier.

Top five trust attributes associated with Australian beef

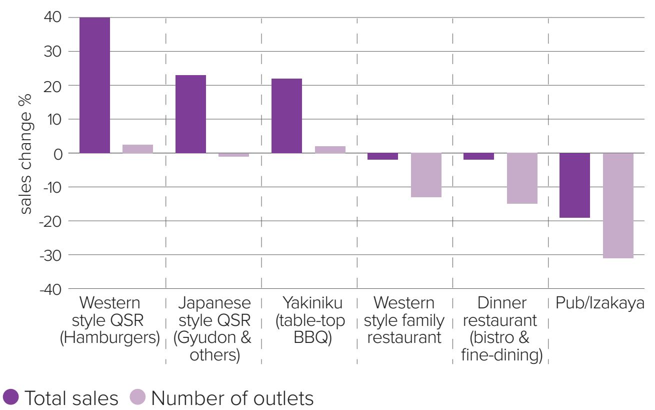
1	Great taste
2	Consistent quality standards
3	High quality beef
4	Better for my health
5	Processed to the highest standards

Source: MLA Global Consumer Tracker Japan, 2021

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 available to consumers. It is also the key channel for beef, which accounts for approximately 60% of total beef consumed in the market *(Source: MLA estimate, 2023)*. Consumers appreciate highly marbled Japanese Wagyu beef for high-end dining, while leaner/less marbled Australian beef is enjoyed across the foodservice sector.
- Australia is a major supplier of beef to hamburger chains and casual dining restaurants in Japan. Mid-range eateries and hotels are also key users of Australian beef. Products such as premium grassfed, highly marbled or breed-specific Australian beef are also seen at restaurants with differentiated concepts. MLA estimates that about the half of Australian beef exported to the market is utilised in the foodservice sector.
- Post COVID-19, many office workers continued to prefer to 'work-from-home' and not actively participate in after-work drinks/dinners. This has posed significant challenges for many restaurants, particularly those in business districts, with many shortening opening hours and closing at an earlier time.
- Additionally, operators have been facing multiple issues including rising input costs and labour shortages, combined with the market's fundamental challenges – a declining population and consumers whose spending habits are deeply aligned with the country's deflationary economy that has lasted for many years. Some businesses are implementing differentiated strategies for growth, including a revised pricing model driven by store location, stronger focus on breakfast menu/operations, and increased offerings for 'solo' (single) diners.

Japan foodservice sales performance – % change 2019–2023



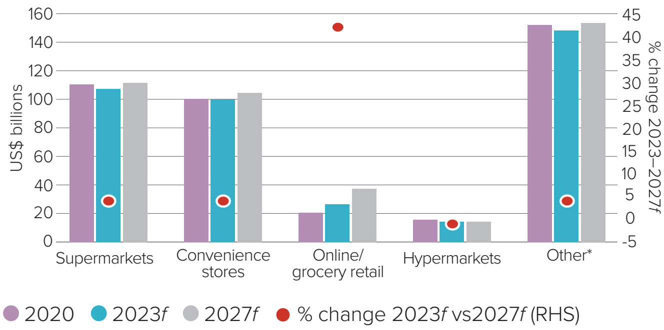
Source: Japan Foodservice Association, comparison of July 2019 sales vs July 2023. QSR = Quick service restuarants

Beef

RETAIL

- The Japanese retail food market is highly sophisticated, but also very fragmented, with almost 60% of the grocery market occupied by many regional and/or second-tier players *(Source: IGD)*.
- Supermarkets are the most common place for Japanese consumers to purchase both fresh and cooked food items, including imported beef. Supermarket sales have remained relatively steady in 2023, with rising food prices offsetting softened consumer spend due to the rising cost of living.
- Convenience stores account for more than half of Japan's grocery retail market, with ready-to-eat meals (bento/lunch box) and delicatessen products making up about one-third of the channel's total sales. Besides bento boxes, Australian beef is often used for frozen/long-life food items and snacks such as beef jerky.
- Take-up of online grocery shopping increased as a result of the pandemic and is anticipated to grow further, albeit from a low base. Many Japanese consumers, however, particularly older generations, still prefer to seek out the 'value offer of the day' (price, freshness, seasonality and variety) in-store.
- Variety, convenience and maintaining a healthy lifestyle are very important for Japanese consumers. Despite increased competition from US beef, Australian beef is well-positioned to take advantage of this growth opportunity in the imported beef market, supported by perceived advantages in quality, health attributes and sustainability *(Source: MLA Global Consumer Tracker 2023)*.

Grocery retail sales by channel forecast



*Source: IGD. *Other includes traditional channel and other modern retail*

Japanese consumers' key associations with Australian beef

✓ Is easy and convenient to purchase

✓ Consistent quality standards

✓ Is my/my family's favourite beef

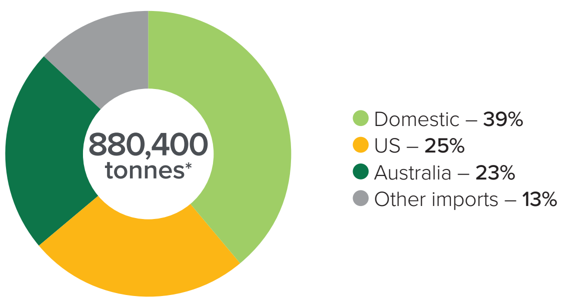
✓ The industry is environmentally sustainable

Source: MLA Global Consumer Tracker Japan, 2023

COMPETITIVE LANDSCAPE

- Beef consumption in the Japanese fiscal year 2022–2023 (April 2022 to March 2023) was 880,400 tonnes (product weight), down 1% from the previous year, with a decline in imports (down 3% year-on-year) partially offset by an increase in domestic production (up 4%). Beef from Wagyu breed cattle makes up about half of Japanese production *(Source: Agriculture & Livestock Industries Corporation of Japan (ALIC))*.

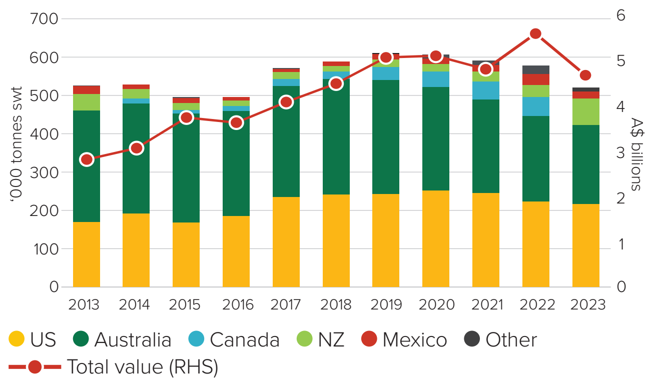
Japan beef consumption by supplier



*Source: ALIC, S&P Global MI Global Trade Atlas (GTA), MLA estimate, based on product weight, JFY 2022–23. *boneless cuts equivalent*

- Australia and the US are the main suppliers of imported beef into Japan. Approximately 70% of imports from the US are brisket/shortplate cuts (largely supplied to Gyudon rice bowl users), and another 20% are shoulder/round cuts for other foodservice and supermarket trade. The US is also a major supplier of beef offal (tongue in particular) to Japan's yakiniku restaurants *(Source: S&P Global MI Global Trade Atlas (GTA))*.
- In 2023, US beef production has declined from year-ago levels, and is expected to continue its downward trends in 2024.
- Australia has two effective trade agreements for beef with Japan – the Japan-Australia Economic Partnership Agreement (JAEPA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The import tariff on beef for CPTPP member countries, including Australia, will be reduced to 9% by 2033, from the current 23.3% (22.5% from 1 April 2024) – with the CPTPP tariff being more favourable for Australian beef than JAEPA. The tariff on US beef is matched with the CPTPP rate, under the US-Japan Trade Agreement.
- Canada, New Zealand and Mexico have increased their shipments to Japan since the commencement of the CPTPP, albeit from a low base. Other competitors such as Uruguay and Argentina have also supplied small volumes to date *(Source: S&P Global MI Global Trade Atlas (GTA))*.
- Japan exports a very small quantity of premium beef (7,780 tonnes swt in Japanese fiscal year 2022–2023), 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 94 tonnes swt of Japanese beef during the same period *(Source: S&P Global MI Global Trade Atlas (GTA))*.

Japan beef imports by major supplier*



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

Sheepmeat

CONSUMERS

- Sheepmeat has a minor but relatively established presence in Japan, in comparison to other niche proteins such as goatmeat and game meats. Lamb resonates with the market's tradition of seeking a variety of foods that deliver enjoyment, but also nutritional balance in the diet.
- Japanese consumers have positive associations with lamb being tasty and having high nutritional value. However, many also feel they are unfamiliar with lamb and unsure about how to cook it *(Source: MLA Global Consumer Tracker Japan, 2022)*. Current per capita sheepmeat consumption is extremely low, indicating scope for potential future growth.

Attributes important for all proteins and lamb associations

What attributes are important for Japanese consumers (all proteins) when they are paying 'a bit more' ?	What associations do consumers have with lamb?
Tastes delicious	Low in fat
Guaranteed safe to eat	High nutritional value
Consistent quality standards	Tastes delicious
High nutritional value	Meat is tender
The animal is well-cared for	Freshness

Source: MLA Global Consumer Tracker Japan, 2022, 2023

FOODSERVICE

- Foodservice is the main channel for sheepmeat in Japan. In particular, *Genghis Khan* (sheepmeat barbecue on a table-top grill) restaurants have been a significant driver of Australian sheepmeat demand in Japan.
- 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. Lamb is increasingly seen on menus in various foodservice outlets, including *Shabu Shabu* and Chinese style skewers, steakhouses, meat bistros as well as international cuisine such as Greek and modern Australian venues.

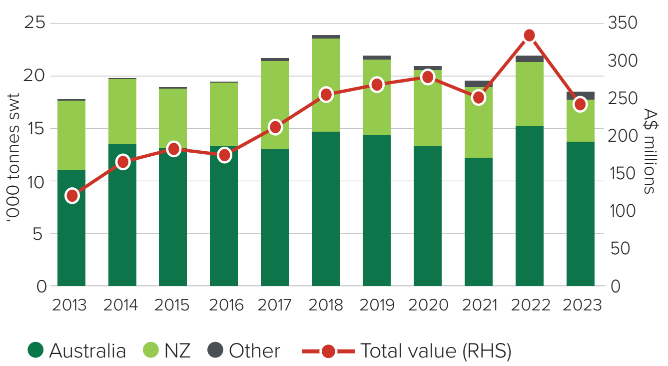
RETAIL

- Hokkaido remains the largest lamb region in terms of sales volume. However, retailers in Kanto (East Japan) and Kansai (West Japan) are gradually increasing their shelf space for lamb. Besides growing consumer interest, stable supply from Australia in 2023 has also helped retailers promote lamb.
- 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.
- The COVID-19 pandemic delivered a positive effect on lamb at retail as more consumers sought 'something different' to cook at home. It also created a wave of interest in camping where lamb was seen as an interesting and new barbecue option. However, increasing 'cost of living' pressures and weak Yen have led to a more challenging sales environment for higher value proteins such as lamb.
- Country of origin labelling is mandatory at Japanese retail, and communicating Australian lamb as a tasty, healthy meal option that is 'a little bit different' remains a priority in a market where people place great emphasis on quality, variety and a healthy diet.

COMPETITIVE LANDSCAPE

- The Japanese sheepmeat industry remains very small, with the latest production data recorded in Japanese fiscal year 2020–21 of 148 tonnes cwt *(Source: Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF))* .

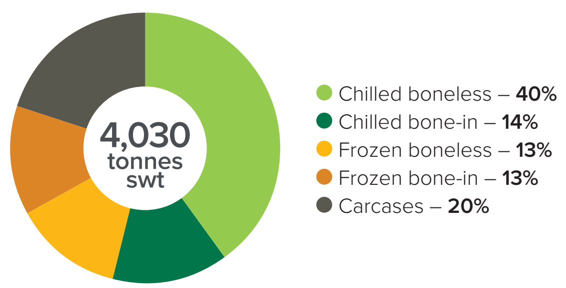
Japan sheepmeat imports by supplier*



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

- Australia is the dominant imported sheepmeat supplier to Japan but is facing continued competition from New Zealand, which enjoys the same access conditions. Other, smaller volume suppliers include Iceland, France, Spain, Argentina and the US.

Japan sheepmeat imports from New Zealand*



*Source: Trade statistics of Japan, *MAT year ending September*

Beef

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:** 23.3% for chilled and frozen beef From **1 April 2024** – 22.5% 9% on **1 April 2033**	**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 30% if imports exceed trigger level*	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
**Visit DFAT Free Trade Agreement Portal (ftaportal.dfat.gov.au) for detailed tariff schedule under JAEPA and CPTPP, safeguard, prepared meat, offal and live animals.*

Sheepmeat

Market access overview – sheepmeat

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

Best access — Major challenges

Source: Trade agreements, DFAT, MLA