Increasing Asian meat demand creates opportunities and is a major factor in supporting global livestock prices

Global meat consumption continues to increase in overall volume terms – and at higher prices, with most of the growth action in the emerging economies, pulled by their continued economic growth.

Asian meat demand will drive huge further increases in expenditure and meat consumption. There is exciting potential for exporters, who are more used to competing for market share in the high value but more stable markets of the western world.

It is with this background that Gira has increased its Asian market coverage, to probe their meat demand outlook: their production capabilities and their potential for imports. The first Gira Asian Meat Club meeting was in February 2013. The general messages from the meeting are clear: there is a large and growing population, with a growing appetite for meat, but with huge variations in production capability, market segmentation and purchasing power between countries and regions. All of these markets are interesting … but with a range of different opportunities.

Per capita meat consumption: highly diverse, but with strong growth

Current levels of per capita consumption show just how varied the meat consumption base is, reflecting the diverse economic and social history. High consumption in Taiwan, South Korea and Malaysia reflect high disposable income. Growth here is typically slower than the emerging economies in Asia … but the prices are attractive for the supply chain. Japanese meat consumption levels are relatively low – impacted by the popularity of fish, but as these prices rise, so meat should increase share of the protein intake.

Many of the South East Asian countries have low per capita consumption, depressed by low incomes and often a lack of a developed livestock industry. These countries are showing some of the fastest growth in consumption terms, and although from a low base, the impact in terms of global meat demand is significant. Their potential as meat markets is currently in cheap cuts, trimmings and 5th quarter products, as they struggle to compete on price with other markets.

The markets in Asia Minor also suffer low average incomes, religious complications restrict consumption of many products, and supply chains are fragmented or non-existent. These markets hold limited potential in the immediate future, but those with longer term strategies are already looking at the potential for more industrial production within these markets.

Lastly we turn to the all-important China: the destination on every exporter, producer and even equipment providers’ mind. Fast growth in the economy over the last 20 years has been matched by the growth in incomes, the rapid development of a commercial meat industry, and increased import access. All this means rapidly increased meat consumption. However, this is still a country of huge rural urban divide and the potential to continue the fast increase in consumption lies in the far poorer rural areas, which still lag a very long way behind urban populations. Nonetheless, with a new government in 2013 and an announced agenda to increase urban migration and close this gap (not a simple task), the future growth in the market looks encouraging for all concerned.

Figure 1: Total Asian Meat Consumption - Per Capita, 2013f, kg cwe
Pork and poultry are clearly the two main meats consumed in Asian countries. This is due to traditional cultural preference and relative price when compared to beef. Sheepmeat was very limited to regional demand hotspots, but is developing into other niches as the population shifts. There is generally faster growth in poultry consumption than pigmeat due to the relative price, but with occasional hiatus from disease outbreaks – such as the current H7N9 outbreak. It is notable that in China, KFC have 4,200 outlets compared to McDonald’s 2,000, having been far more popular with consumers as a regular item (aside from the recent antibiotic crisis).

Beef consumption levels are much lower than the monogastric species, due to lack of tradition and its relative price. With higher disposable income and uptake of western eating habits Japan and South Korea have the largest per capita consumption of beef in Asia ... but indicate the potential for growth elsewhere, and especially in China. However, Japanese demand was hit hard by the unfolding BSE crisis from 2001. With traditional import origins constrained by BSE risk-management measures, supply of high quality beef has been tight, leading to a very slow recovery in consumption.

The Muslim markets of Malaysia and Indonesia are interesting as pigmeat is largely substituted by chicken in the diet due to its lower price point and wider availability compared to beef. There is very limited traditional consumption of beef throughout South East Asia, due to its historical position as a very low quality product derived from draft animals.

**Production v’s Imports: political encouragement of production, but some realistic reduction of import barriers in China**

China is the largest meat producer in the world, in spite of the backyard traditions of its supply base. This is rapidly changing, with the Government push to modernise and industrialise farm production and processing. At either extreme of the production-scale spectrum, the two systems co-exist for the time being, but the industrialisation trend will continue fast, in spite of some new facilities.
operating at way below capacity. Total Chinese meat production was 73 mio t cwe in 2011, which was 165% of EU production (although population is 266% of the EU’s).

China is becoming a key market for global exporters, originally for 5th Quarter, but increasingly for high quality muscle cuts at globally competitive prices. Although still at well under 5% of Chinese consumption, imports have grown fast – but erratically. Market access is improving, but the Government controls the import channels, both by direct and indirect trade measures, making it difficult for exporters to plan production – or even export strategy - around Chinese demand. The Government flexes the import volumes as an important safety valve for controlling prices in China.

**Figure 2: Total Meat Production by Species and Asian Country (excluding China), 2013f, ’000t cwe**

South Korea, Japan and Malaysia have some of the most modern production in the region, with standards that would be recognised by western producers, although often at smaller scale (apart from poultry). However, these markets are mature, production is mainly stable, and the battle is to maintain market share against cheaper imports rather than market growth.

Elsewhere in Asia, production is continuing to modernise, providing investment opportunities for modern farming systems, genetics and feed. The need to educate producers as well as adjust to different climatic challenges and political systems means that development is erratic and for many too risky, leading to slow gains over the still important backyard sector.

The lack of a formal supply chain in many markets is also a major hurdle for the modern commercial industry, as the processing and supply costs for backyard are low and the lack of chilled chain makes it difficult for higher production standards to be communicated to the consumer.

**Figure 3: Total Meat Imports by Species, 2013 ’000t cwe**
Poultry and pigmeat cuts remain the biggest imports into the region, predominantly from the US, EU, Australia and Brazil, although Asian countries are increasingly looking at opportunities, with a number of FTA’s already signed to facilitate this. For most exporters there is still a learning process to go through in terms of maximising both market access and price for products in the Asian market. Responding to local importer specifications (packaging, trimming, presentation, etc.) is important in gaining repeat trade at the best prices, especially with an increasing number of players competing in the markets.

**Figure 4: Pork Producer Prices for Selected Asian Countries, indexed**
Asian meat market prices are also increasing ... making these markets increasingly attractive. This is illustrated by the index of pork producer prices shown above. Clearly the absolute index values are not comparable: what we wanted to emphasise is the rising price trend. This holds true for other prices (such as import prices) as well as for the other meats. Several markets including the Philippines and Taiwan have shown considerable, consistent growth whilst China with its sporadic disease situation has experienced major fluctuations during its upward trend. These increases highlighted above emphasise the growth in the Asian meat market and the significant opportunities that are arising.

Asia is adjusting to imports, markets are opening, and the need to control meat price inflation in most of these markets is forcing a far more open stance to imports than there has ever been before. Asia is an exciting part of the world, full of opportunity, but increasingly competitive in all aspects. Gira is increasingly active in forecasting future developments and helping clients to benefit from them.

Rupert Claxton: based on insight from the annual Gira Asian Meat Club. rclaxton@girafood.com