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The **China** market represents a real opportunity for Australian livestock producers, writes James Wagstaff

MUCH has been written and said about **China's** growing appetite for Australian red meat.

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The explosion of beef shipments from 5000 tonnes in 2011 to 160,000 tonnes (valued at \$1.4 **billion**) last year is a story in itself. Throw in a sheepmeat market worth \$850 **million** and last week's free-trade agreement between the two nations and the foundations only get stronger.

But who exactly are the **Chinese** consumers, why are they zeroing in on Australian product, where are they sourcing it from and how do they go about buying it?

Meat and Livestock Australia South-East Asia and **China** regional manager Andrew Simpson has all the answers.

THE WHO THE 300 **million Chinese** workers moving into the "middle class" — with an annual income of about \$US20,000 — are "the target, the opportunity" for the Australian red-meat industry: "**China** at its heart is a peasant culture, steeped in deep agriculture tradition, but it is a culture that is rapidly urbanising," Mr Simpson said.

"By 2030, we expect to see nearly 70 per cent (of **China's** 1.4 **billion** population) living in cities — that is a **billion** people. Perhaps in our lifetime we will never see the same human migration that we have seen in **China** over the past two decades. And for people that have such deep agricultural roots, who are used to living from the foods that they've either created or eaten from the land, they are now living in an environment where the environment will dictate how they will live and how they will eat." Mr Simpson said 160 **million** people in **China** now lived in one or two-person households and there was "growing empowerment" in regards to income and "as the determinant of where fashionable foods can be bought".

THE WHERE THE "supermarketisation" — or the "rapid build of retail" — of **China** has been phenomenal in recent years, Mr Simpson said.

The nation had evolved greatly from a "traditional market based around highly-fragmented, small retail sectors, ultimately in wet market" to the point where government enforcement, urbanisation and "ultimately the need to better control things like quality, hygiene etc" had significantly changed things.

"We've effectively put a roof over the wet markets, even with better refrigeration, better lighting and packaging, and consumers can still link back to their cultural heritage by picking up product, looking, scratching, sniffing, but it's done in retail conditions." Forty-seven per cent of food in **China** is now traded this way and "we have now seen a big number of those supermarkets saying they want legitimate supply from external sources, ie Australia".

The rapid expansion of food service has also increased demand for red meat, an example being the Yum! chain of stores, including Pizza Hut, which has grown to 6500 stores nationwide.

"Think of Pizza Hut toppings, that takes beef, that takes lamb from Australia ... (and) this year they introduced beef steaks from Australia," Mr Simpson said.

THE HOW MORE than 10 per cent of all **Chinese** retail sales — including red meat — are now conducted online.

This trend started in 2003-04 with residents reluctant to leave their home for fear they would catch avian flu.

"For a country with such cultural links to feeling and seeing and wanting to **buy** fresh food, to see the speed at which social media is growing is something we have to adjust into. The social media revolution in **China** is quite phenomenal." Since September last year MLA has run monthly red-meat online promotions to "loyal foodies looking for beef, lamb and goat". Already they have compiled a database of 220,000 active followers.

THE WHY UNTIL the 1980s, Mr Simpson explains, **China** was considered an isolated state. Now 69 per cent of **Chinese** consumers acknowledge "they have some cultural interlink with another culture, another food source" which is "good news for us in Australia because they are accepting it doesn't just have to be from local product".

Mr Simpson said given food scares that have rocked **China** in recent years — "the melamine issue in **dairy**, floating carcasses down the rivers in Shanghai and substitution" — food safety was paramount to its residents.

"I think this is a real opportunity for us to shine and show our strength, particularly in areas like country-of-origin labelling, particularly in areas of provenance," he said.

"**China** has a cap on where they will seek value but ultimately they will pay for product if they know it can be trusted and it's from a direct source."

THE FUTURE DESPITE the recent growth in exports, Australia supplies less than 3 per cent of **China's** beef requirements and less than 5 per cent for lamb.

What this means is another "95 per cent is coming from somewhere else", including the illegal grey trade.

"The key issue for us as marketers and ultimately the trade is to ensure that we are muscled in to the best and highest-paid element of that 3 or 5 per cent," Mr Simpson said.

In addition, he said there were 750 five-star hotels across **China** and "there are going to be another 100 by next year". "Each of those hotels need legitimate supply. They can't go and advocate on their menus 'American beef', they can't say 'Brazilian beef' because it is not allowed. But they can with Australian," Mr Simpson said. "I think we are on the right road to feeding the dragon."

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