

## Meats

September 11, 2012

## TRENDS OF IMPORTED BEEF

The domestic demand for beef remains stagnant because of the economic slump and the issue with cesium in relation to Fukushima Power Plant Incident. In addition to that, since the production cost for both Oceania and the US shot up, this caused price appeal to weaken and led the imported beef market to hang low.

The imported volume of beef from January to June of this year was similar as the previous year at 240,000 tons. Of this number, frozen beef for restaurants and processed raw materials rose 3.1% to 140,000 tons, but chilled meat used mainly for table meat remained low with a 3.9% drop to 100,000 tons, representing this year's trend for domestic demand.

By the cut of meat, "sirloin" fell 1.0% drop to 17,000 tons year on year, "shoulder, arm, thigh" was 75,000 tons (5.4% drop), and "others" including minced meat was 61,000 tons (3.1% drop). While some parts fell short from the previous year, "boned rib" made a significant growth of 8.4% to 87,000 tons.

While sirloin and shoulder meat with a relatively high import price dropped, boned rib meat is capturing the attention not only of beef bowl chains, but also of ready-made meals and boxed lunch makers with its low price.

As for import of rib bone meat, supply for "short plate" became tight since the number of cattle dropped due to the drought in the US and because major packers stopped importing. As a result, demand for rib bone meat from other countries is increasing as an alternative. While import from US only rose 5.3% year on year, Australia rose 8.1%, Canada rose 10.9%, Mexico rose 12.9% and New Zealand made an intensive growth of 30.3%.

The tough situation of imported beef market is estimated to continue for the rest of the year. While the economy remains unclear, beef consumers are moving towards cheaper products. Since the price of imported beef is rising despite its price appealing features, it is difficult for the markets to make a large discount. For this reason, Japanese importers have to make a careful move to buy US and other imported beef in general.

On the other hand, frozen beef is estimated to grow because of the high demands for beef bowl and Hamburg steak from restaurant chains. For the latter half of this year, the import volume of processed raw materials such as rib and minced meat is estimated to exceed the number of the previous year. Countries importing beef are suffering from the rising price of

beef triggered by the high price of grains caused by the drought and increase in demand from emerging nations. The same could be said for beef coming from both Oceania and Northern America. Under these circumstances, movements to ease import regulations for North American beef is steadily advancing, and we hope that this would spark the dropping beef market including domestic beef.



### Trends of beef sales at supermarkets

According to a research conducted by Shokuhin Sangyo Shimbunsha (Food Industry Newspaper), the sale of meat at supermarkets for the first half of 2012 did not make a substantive leap due to the anxiety of the consumers for their future, bad weather, and influence of 3.11. Since more consumers have an economical mindset, they are purchasing cheaper meat, causing a drop in the price for the meat market as a whole. According to a research conducted by the Newspaper in July to supermarkets in Japan, while expensive Japanese beef struggled in both value and volume, the volume of imports increased. Ready-to-eat meals that contained meat made steady growth because of its convenience.

Sun Bel'x, a supermarket that has 28 stores in the Tokyo area gave us the following comment to the Newspaper. "For the first half of this year, sales for beef was a year on year 100% in value, but the situation is quite tough. The distribution ratio is 60% domestic and 40% imported. As for the imports, sirloin meat from the US is doing well. Steak that is cut into thick pieces like mangos with bite size cuts on the surface (300~400g/piece) is popular. On weekends, some stores sell 10 cases. Pork sold well last year and we are able to maintain this. We are mainly selling Canadian and domestic pork. The sales ratio is Canadian 37% (Sunterra, barley fed) and Canadian pork is popular for its great taste."

When asked about the movement of North American beef, they answered, "The deregulation for the cow's age for North American beef is currently being discussed. If the regulation could be eased, we want to rethink about the sales ratio after considering the

price and taste. We want to focus on 24-25 month old cows with a grade that is close to prime."