

Sheep and Lamb Market

Vietnam Japan Malaysia



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Saskatchewan 

Alberta 

Manitoba 

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Overview

Global Sheep and Lamb Production

Australian and New Zealand sheep farms are typically the largest by global standards, having from two to eight times higher total returns (revenue) from the business, compared to global competitors. The global Agri-benchmark 2018 study indicated that the sheep farms in these two countries have a profitability averaged at 28 per cent, significantly higher than that for European sheep farms.

China has the world's largest flock, with 302 million sheep and goats in 2018¹, followed by India (194 million), Nigeria (122 million), Pakistan (105 million), and Australia (74 million). New Zealand (27 million) ranked 22nd in sheep and goat production. The United Kingdom (UK) holds the largest sheep and goat flock (34 million) and is the largest producer of lamb and mutton in Europe.

Global Sheep and Lamb Market

Higher incomes in China are giving more families chances to buy meat that was once too expensive for them. With a newly acquired taste for lamb, China, the largest producer, consumer and importer of sheep in the world, is changing the dynamics of the global sheep meat market. Chinese demand for cheaper cuts makes it an advantageous market for exporters, because that adds value to the lamb carcass on export. However, a main concern is how long the Chinese demand will continue to increase. China could become more self-sufficient in sheep production and throw the export trade into chaos. Another key influencer in world lamb import markets is the Middle East and North Africa (MENA) region, where demand is also increasing as the tradition of eating sheep meat intensifies. Further growth is expected to take place in MENA, especially the Gulf States, given consumer preferences. The United States will remain an important market for prime lamb, and a further rise in imports could be coming.

Global lamb and sheep meat exports are dominated by Australia and New Zealand (Figure 1). They are at the forefront of meeting the Chinese import demand, giving them somewhat of a competitive edge over other suppliers. Together, they commanded 90 per cent of world sheep meat exports in 2017, with Australia having 48 per cent and New Zealand 41 per cent. Other exports originated mostly from Europe, the UK and Spain in particular.



Figure 1 Top Ten Sheep Meat Trade Flows 2017 (thousand tonnes)

¹ FAOSTAT, 2018.

Global demand is forecast to grow, led by China. Global production and consumption of sheep meat are forecast to grow by slightly more than one per cent per year, which would be a slightly higher rate than historical developments. The growth in trade, led by increased availability of Australian lamb, is expected to be nearer two per cent per year, in line with the historical increase².

Long-term sheep meat forecasts suggest there will be a tight supply situation for the key exporting countries. While Australia has experienced rapid growth in lamb exports in recent years, New Zealand has seen less long-term growth, due to high competition from its dairying and forestry sectors². However, there could be a switch of supply for New Zealand lamb if it chooses to divert production from the EU to the increased demand and potentially higher prices from China over the next five years. This, in turn, might free up the market in the EU, somewhat boosting supply and prices there.

Several uncertainties are expected to influence the global trading of sheep meat in the future, including changes in international trade agreements, the outlook for the global economy and exchange rates. Changes in consumer trends to another meat in the future are also challenges facing sheep meat exports.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a major trading bloc comprising 11 countries, representing 495 million people and a combined Gross Domestic Product (GDP) of \$13.5 trillion. This agreement, along with the Canada-United States-Mexico Agreement (CUSMA) and Comprehensive Economic and Trade Agreement (CETA), makes Canada the only G7 nation with free trade access to the Americas, Europe and Asia-Pacific region. As a result, these trade agreements generate significant economic benefits for all Canadian provinces and territories, including access to Japan (the world's third-largest economy), as well as fast-growing markets such as Malaysia and Vietnam³.

Tariffs on sheep meat exports to all CPTPP markets were eliminated upon entry into force of the CPTPP, with the exception of Mexico as their tariffs will be eliminated within eight years⁴.

Although Canada did not export lamb or sheep (live and processed) meat to CPTPP countries between 2016 and 2019, this market may present potential future trade opportunities.

Canadian Lamb and Sheep Production

The sheep and lamb industry in Canada is relatively small compared to other livestock industries (e.g., cattle and chicken). There are approximately 9,390 sheep farms in Canada⁵, with 70 per cent of these farms located in Ontario, Quebec and Alberta⁶. These farms produced 842,000 sheep and lambs in 2019, up two per cent from the previous year. Farm cash receipts for sheep and lambs were \$186 million in 2018, representing 0.3 per cent of total national farm receipts⁷.

² Agriculture and Horticulture Development Board (AHDB), 2019.

³ Government of Canada.

⁴ [CPTPP Outcomes: Goods Market Access](#). Department of Foreign Affairs and Trade. January 2019.

⁵ 2016 Census of Agriculture.

⁶ AAFC. Canada's red meat and livestock industry at a glance, 2019.

⁷ Statistics Canada.

About 230,000 goats on 5,627 farms in Canada were reported in the 2016 Census of Agriculture, a growth of two per cent within the last five years. In Canada, the goat industry can be segmented into three distinct sectors: chevon (meat), dairy (milk) and fibre (mohair and cashmere)⁸.

According to Agriculture and Agri-food Canada, Canadian lamb and mutton production has decreased six per cent since 2013, on lower slaughter numbers. Federally and provincially inspected slaughter was 534,000 head in 2017, putting lamb and mutton production at an estimated 15,900 tonnes⁹.

Table 1 Number of Lambs & Sheep on Canadian Farms as of January 1 (Thousand Head)

	2015	2016	2017	2018	2019
Canada	824	815	814	825	842
Ontario	241	242	240	242	255
Quebec	202	198	198	195	187
Alberta	146	141	138	139	138
Manitoba	63	69	81	93	105
Saskatchewan	96	90	85	86	85

Source: Statistics Canada.

Table 2 Number of Lambs & Sheep on Canadian Farms as of July 1 (Thousand Head)

	2015	2016	2017	2018	2019
Canada	1,054	1,052	1,049	1,065	-
Ontario	318	321	318	323	-
Quebec	240	237	236	231	-
Alberta	197	195	194	197	-
Manitoba	83	90	98	109	-
Saskatchewan	116	110	108	112	-

Source: Statistics Canada.

Canadian Lamb and Sheep Exports

Exports of Canadian lamb and mutton have been relatively consistent over the last three years. Total exports were \$2.3 million in 2019, up seven per cent from \$2.2 million in 2018. In 2019, the top Canadian provinces exporting lamb and sheep were Ontario, valued at slightly under \$1 million, Quebec at \$891,394 and Alberta at \$411,731.

Table 3 Canadian Lamb and Sheep Exports to the World (Live and processed)

Canadian Dollars	2016	2017	2018	2019	%19/18
Canada	2,508,883	2,175,001	2,139,117	2,300,173	107
Ontario	1,647,250	489,650	413,737	988,675	239
Quebec	424,812	1,164,040	1,406,866	891,394	63
Alberta	400,737	451,876	315,715	411,731	130

Source: Catsnet

⁸ AAFC. Canada's red meat and livestock industry at a glance. 2019.

⁹ Canadian Lamb Slaughter, Imports and Export Update. Jason Wood

Canadian Lamb and Sheep Imports

As production declines, import volumes have been increasing. Lamb and mutton imports were 22,500 tonnes in 2017, up 21 per cent from 2016 and 28 per cent above the five-year average. New Zealand and Australia remain the top two countries that we import from, but we are starting to see increased imports from Ireland and the United States. In 2017, Australia and New Zealand accounted for 95 per cent of Canadian lamb and mutton imports, down from 99 per cent in 2015. During the same period, imports from Ireland increased from 50 tonnes to 913 tonnes, accounting for four per cent of imports in 2017. Imports from the United States increased from 143 tonnes in 2015 to 202 tonnes in 2017, accounting for one per cent of imports.

Domestic Market

Canada's domestic market demand for lamb has been increasing in both the food service and grocery sectors. According to research completed and published in April 2018 by the Alberta government, more lamb is being imported because there is less Canadian product coming to market. While slaughter rates in federally inspected plants in Western Canada are up nearly 13 per cent in 2018, they are down in Eastern Canada, as well as in provincial plants in both the East and the West. Demand for lamb is also increasing from newcomers to Canada and promotion of the health benefits of lamb as a protein source.

Currently, Canada's immigration rate is the highest in 85 years with 62 per cent of recent immigrants originating from Asia, including the Middle East. Many of these countries typically consume a higher quantity of lamb than seen in Canada. For example, lamb consumption in Pakistan is over two kilograms (kg) per year and Iran is over three kg per year. Changing demographics are affecting the products demanded in our marketplace, which has resulted in an increasing demand for lamb and mutton.

Vietnam

Market Structure

Buying fresh meat from a wet market is a regular practise in Vietnam. It saves on cold storage costs, but raises hygiene and safety concerns. Over 80 per cent of Vietnamese people buy fresh meat. Many are not in the habit of buying processed food from retailers. However, this habit is gradually changing and will encourage further processing of meat products.

In 2018, Vietnam announced new guidelines for chilled meat. The new standards detail the requirements for raw materials and technical provisions at all stages of production, storage and distribution for chilled meat. The standards also provide guidelines distinguishing between fresh and chilled meat. Differentiating the two will promote healthy competition among meat producers, while providing consumers with safe meat products. Overall transparency will be approved across the meat processing industry and provide a legal framework for companies producing and trading meat products.

Chilled meat products are popular in developed countries, such as Europe and North America. Vietnam authorities hope chilled meat will become popular among the domestic meat industry and local consumers. Following national standards for chilled meat is expected to shift small-scale production to industrial-type models and help meet export criteria.

Experts believe state authorities and businesses will have to collaborate in order to familiarize Vietnamese consumers about chilled meat, and focus the same marketing efforts to create breakthroughs in the domestic meat processing industry¹⁰.

Lamb and Sheep Production in Vietnam

Sheep and goat farming is concentrated in Ninh Thuan, Binh Thuan, Phu Yen and Dak Lak in the central region, and Tra Vinh, Tay Ninh and Dong Thap in the south region in Vietnam.

Sheep and goats can live in tough climates with strong heat and dryness. However, climate change and droughts have restricted grazing and grassland. Insufficient grazing, compounded with little attention of breeds, has resulted in unstable animal production and quality in the country. When droughts occur, many sheep are likely to die¹³.

The Vietnamese government plans to consolidate the industry and create larger farms to ensure stable supply and pricing, while providing farmers with insurance for their flocks. To protect sheep from draught, animal health officials are trying to find alternative food sources and provide better shelters for sheep. In addition, the Vietnamese government are assisting farmers with importing resilient goat and sheep breeds.

The Ninh Thuan province, the country's largest animal producer in Vietnam, has plans to increase livestock production. This province is also ranked the largest sheep producer and eighth largest goat producer, with over 160,000 sheep and 137,900 goats. To expand the industry, the province of Ninh Thuan plans to provide soft loans to farmers to plant grass fields and invest in clean water provision for animals. Local authorities have also helped rice farmers switch to grass production for animals in areas that lack irrigation water. The province has also developed co-operatives to create stronger links between key stakeholders (farmers, companies, scientists and local authorities) to advance animal rearing, breeding and disease control. The co-operatives have brought in

¹⁰ Vietnam Economic News.

supporting policies, better farming practices, improved breeds, and meat and by-product processing facilities, which are needed to grow their sheep and goat industry. Their targets are 456,000 sheep and 240,000 goats by 2020¹¹.

Lamb and Sheep Consumption in Vietnam

Vietnam is one of the fastest emerging economies in the world. Vietnam’s food processing industry has been growing rapidly and continues to receive foreign direct investments. The industry is expected to become more standardized and competitive with local businesses¹².

Coupled with a growing population, urbanization, increasing incomes and western influence, the country has seen meat consumption rising significantly. In 2018, meat consumption in Vietnam grew four per cent in volume, reaching 4.1 billion kg (Figure 2). This meat market is forecast to grow another 20 per cent in five years.

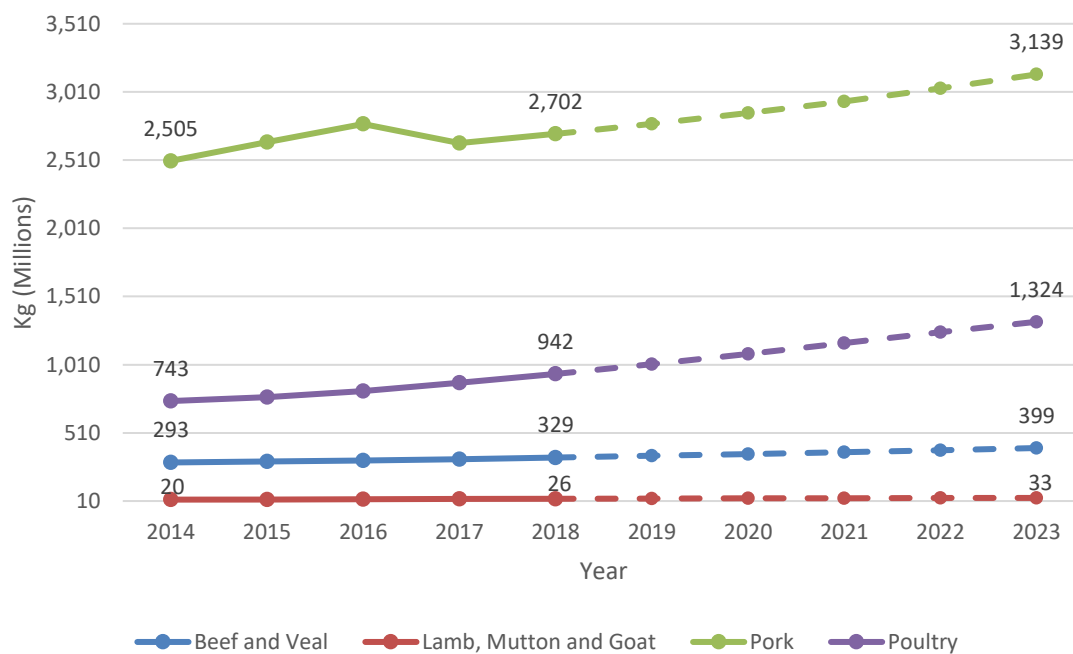


Figure 2 Vietnam Meat Consumption in Retail and Food Service (Source: EuroMonitor)

The largest meat sectors in Vietnam are pork, poultry and beef, and these sectors continue to grow. Pork, chicken and beef are produced locally and imported, resulting in an abundance of meat products. These meats are main sources of protein in Vietnamese cuisine and are expected to stay stable at a high level over the forecast period.

In 2018, 2.7 billion kg of pork were purchased in packaged and unpackaged formats. From 2019 to 2023, pork purchases in packaged and unpackaged formats are expected to grow at a compound annual growth rate (CAGR) of three per cent, reaching 3.1 billion kg by 2023.

Poultry experienced the most growth in 2018, mainly driven by abundant supply, stable demand and affordable pricing. In 2018, 942 million kg of poultry were purchased in packaged and

¹¹ Vietnam News.

¹² United States Department of Agriculture.

unpacked formats. From 2019 to 2023, poultry purchases in packaged and unpacked formats are expected to grow a CAGR of seven per cent, reaching 1.3 billion kg by 2023. Imported poultry helps meet consumer demand and contributes to the affordability.

Beef and veal are used in many traditional daily meals, as well as on special occasions. In 2018, 329 million kg of beef and veal were purchased in packaged and unpacked formats. From 2019 to 2023, beef and veal purchases in packaged and unpacked formats are expected to grow a CAGR of four per cent, reaching 399 million kg by 2023.

Lamb, mutton and goat has a much smaller market share, compared to pork, poultry and beef. In 2018, 26 million kg of lamb, mutton and goat were purchased packaged and unpacked. From 2019 to 2023, lamb, mutton and goat purchases are expected to grow four per cent, reaching 33 million kg by 2023.

The most popular of type of lamb purchased in Vietnam is freshly packaged lamb meat. Frozen and chilled lamb are growing categories in Vietnam.

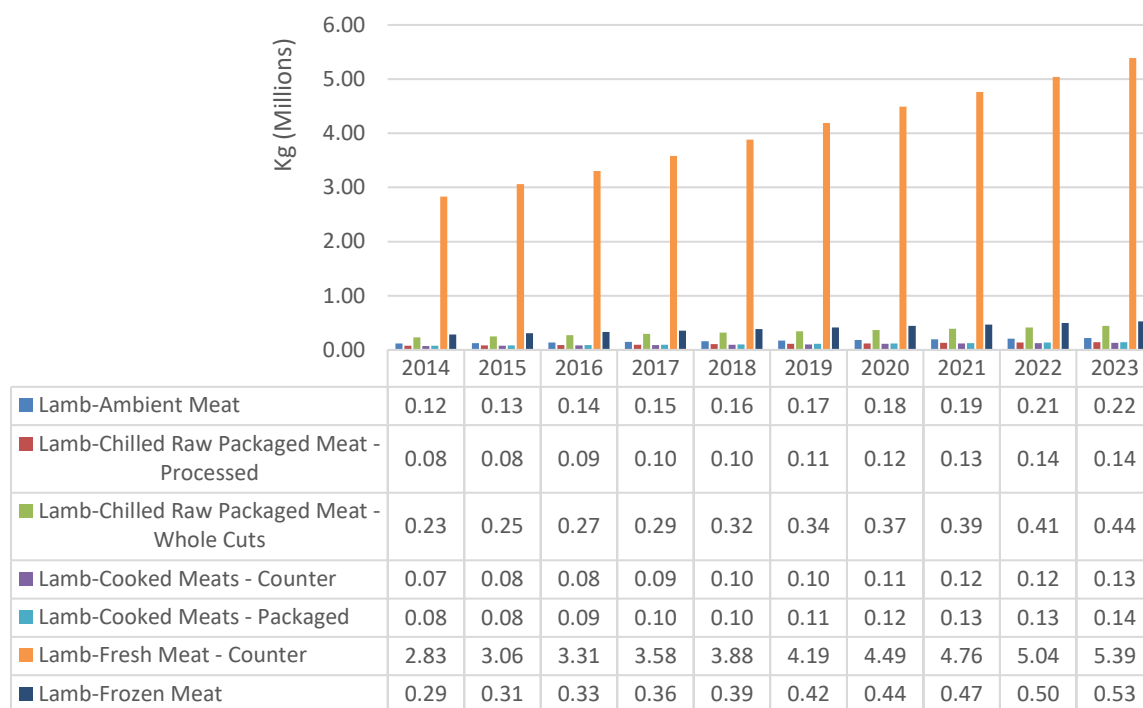


Figure 3 Lamb Retail Consumption in Vietnam by Package and Storage Type (Source: GlobalData)

Processed Meat and Seafood in Retailers

Shelf-stable processed meat and seafood is the most popular format in Vietnam. Retailers and distribution networks covering traditional and modern outlets offer a wide range of shelf-stable processed meat and seafood. Shelf-stable meat is stored more easily than frozen or chilled products, as they require freezers and refrigerators for storage.

Western influences have boosted the growth of chilled processed meat and seafood, as more consumers are purchasing imported sausage, ham and smoked meat. However, chilled processed meat and seafood are still emerging formats.

Vietnam is a fast developing country and open to trying various types of cuisines. However, manufacturers and retailers are behind food establishments in terms of processed meat and seafood offerings. Most manufacturers and retailers sell generic meat and bland sauces. Over the forecast period, consumers are expected to look for a wider range of flavours in their processed meat and seafood packages, pushing manufacturers and retailers to take strides toward innovative offerings.

Competitors in Vietnam

The increasing number of players in the Vietnamese meat market is creating intense competition between international and domestic producers. The price of imported meat is becoming more comparable to that of locally-produced meat. Many international producers continue to reduce production costs through access to inexpensive feed and economies of scale, whereas local producers, mostly small-scale farms in Vietnam, are struggling to improve their productivity¹³. Many local food processors and consumers are aware of quality differences between imported and locally-produced meat. They also want to be perceived as achieving international status by consuming imported products. However, they will still sacrifice quality and status for lower prices.

Key Importers

New Zealand and Australia are Vietnam’s top partner countries for importing lamb and sheep meat. Coastal Lamb and Highford group are well-known New Zealand companies that export to Vietnam. Great Eastern Abattoir is a well-known Australian company that exports lamb and sheep meat to Vietnam. It is also important to note, Hong Kong is a growing importer of lamb and sheep meat and has been re-exporting lamb and sheep meat to Vietnam (source: [MLA](#))

Table 4 Top Lamb and Sheep Imports to Vietnam (\$Million USD)

	2015	2016	2017	Δ%
World	\$15.1	\$4.4	\$5.2	11.0%
New Zealand	\$4.2	\$1.1	\$1.4	14.3%
Australia	\$11.0	\$3.3	\$3.7	9.7%

Source: Global Trade Tracker. Data unavailable for 2018.

The Canadian domestic market for lamb and sheep meat is small and niche. As the international market for lamb and sheep meat is gaining traction, there are opportunities for Canadian lamb and sheep meat exports to Vietnam under the CPTPP. Currently, there are no records of Canadian sheep and lamb meat exports to Vietnam.

End User

No data on lamb and sheep brands in Vietnam.

¹³ IPSOS.

Supply Chain Dynamics

With Vietnam's shortage of domestic supply, increase in demand and interest to import meat, there are opportunities for Canadian exporters to invest in Vietnam's meat sector.

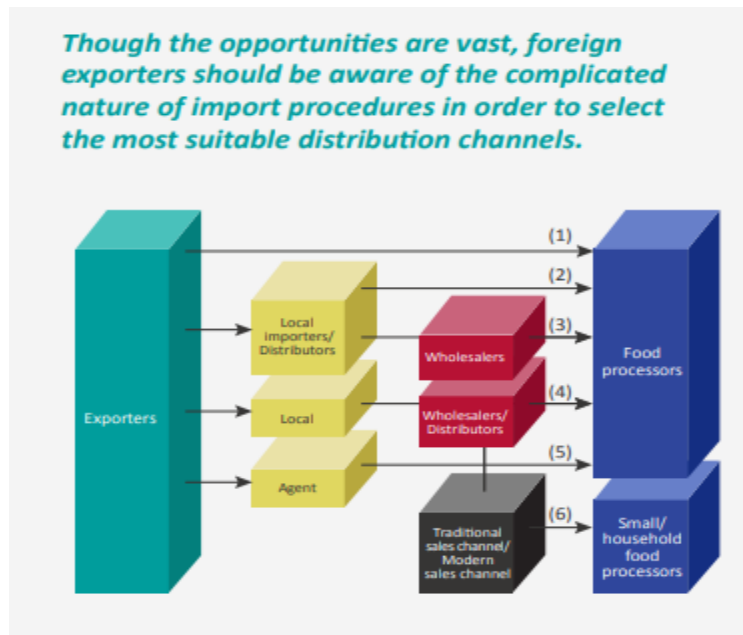


Figure 4 General Meat Distribution Channel in Vietnam (Source: IPSOS)

As shown in Figure 4, the distribution channels of (1), (2), and (6) are the most common in Vietnam, where many meat importers are also processors. International exporters usually prefer to collaborate with local importers for several reasons:

- Imports of meat can only be undertaken by Vietnamese companies that are certified traders.
- Local importers play a major role in promotion and distribution. Typically, local importers have their own sales agents and distributors that are in direct contact with supermarkets, wholesalers, and small grocery stores.

Consumer Trends

Many Asian consumers are looking for convenient valued-added formats. Pre-marinated and seasoned formats provide consumers with an easy way to explore new flavours, while snacking formats will appeal to health-conscious consumers.

According to Mintel, convenience claims are on the rise in the Asia-Pacific region, with 38 per cent of convenience-related claims being used on new product launches. The most common claims included "ease-of-use," "microwaveable," and "convenient packaging" in 2018.

Snackable formats are gaining wider traction in the packaged meat, poultry and fish category. Manufacturers have been launching portable, bite-sized or mini formats to target busy consumers who are seeking portion-controlled products that are still filling.

Halal meat products will grow in popularity due to the growing Muslim population in the Asia-Pacific region. Countries with high Muslim populations include Malaysia, Indonesia, the Philippines and India.

Meat companies will explore growth opportunities through the online market place. E-commerce has expanded into developing countries, such as India, Indonesia and Malaysia. A number of meat producers are collaborating with e-commerce websites to sell meat products online¹⁴.

Across the South East Asia region, countries vary in terms of wealth, religion and economic systems. Awareness about lamb and sheep meat also varies by country. In Malaysia and Singapore, sheep meat is a common protein, but when compared to other proteins (beef, poultry and fish) sheep is not as popular.

Depending on the country, sheep meat and goat meat are not clearly differentiated. Similarly, there is little distinction between lamb and mutton in Malaysia, whereas, in Singapore, Thailand and Indonesia, sheep and lamb are an established protein category.

In South East Asia, sheep and lamb is a niche market and consumption varies by region. The highest sheep meat consumption is in Malaysia and Indonesia, while consumption is lowest in Vietnam and the Philippines. Despite lower consumption, sheep and lamb consumption is expected to grow over the forecast period, primarily driven by the Muslim population, new exposure from eating out, and a growing young population who are keen on trying new food products.

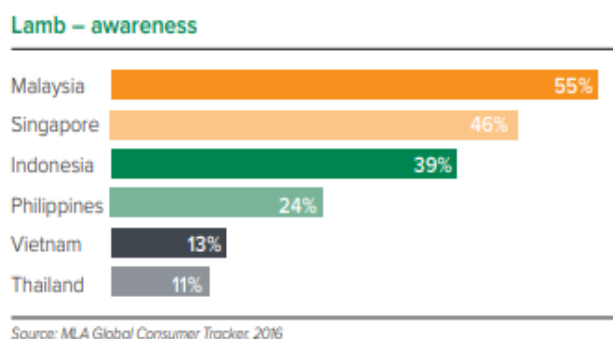


Figure 5 Consumer Awareness of Sheep and Lamb in South East Asia

Vietnamese consumers recognize the healthy and nutritious benefits of sheep and goat products. Lamb is primarily consumed in Ho Chi Minh City and Đồng Nai, Bình Dương, Bà Rịa-Vũng Tàu, Ninh Bình, Hải Dương and Nam Định provinces¹⁵.

Market Access Barriers and Challenges

Canada's CPTPP tariff rate for exporting lamb and sheep to Vietnam is zero. Meat exports to Vietnam must be approved by Vietnam authorities. Vietnam has specific maximum residue level requirements. Meat products are subject to testing upon arrival. Vietnam also has specific packaging, labeling and documentation requirements. For more information on Vietnam meat export requirements, please view the following links – [export requirements](#), [tariff schedule](#) – or contact [Market Access Secretariat](#).

¹⁴ GlobalData.

¹⁵ Vietnam News.

CPTPP Implications

Australia and New Zealand have been the main suppliers for sheep meat to countries in the Trans-Pacific Partnership. The CPTPP created new opportunities for Canadian lamb and sheep exports to Vietnam. With the combination of lower tariffs, non-tariff market access, and one set of rules for trade, the Trans-Pacific Partnership (TPP) adds a significant advantage for Canadian companies over the United States (US) and Europe Union (EU) competitors¹⁶. It opens the door for Canada to increase lamb and sheep the production to fulfil the growing demand for meat in Vietnam. There are also opportunities for Canadian companies to partner with Australian and New Zealand companies as a gateway to exporting lamb and sheep to this new market.

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Japan

Market Structure

Japan is an island nation with a traditional diet of fish and seafood. Although consuming meat was historically deemed undesirable for health, Japanese consumers, particularly younger generations, now lean towards the notion that high protein intake is key to good health, with meat being an excellent protein source. Japanese people are increasingly consuming meat, and this trend is expected to continue over the forecast period from 2017 to 2021¹⁷.

The Japanese meat sector is expected to grow from US\$24.5 billion in 2018 to US\$27.9 billion by 2023, at a CAGR of 1.2 per cent (Figure 6). In volume terms, the sector is expected to grow from 1,331.9 million kg in 2018 to 1,355.7 million kg by 2023, registering a CAGR of 0.4 per cent.

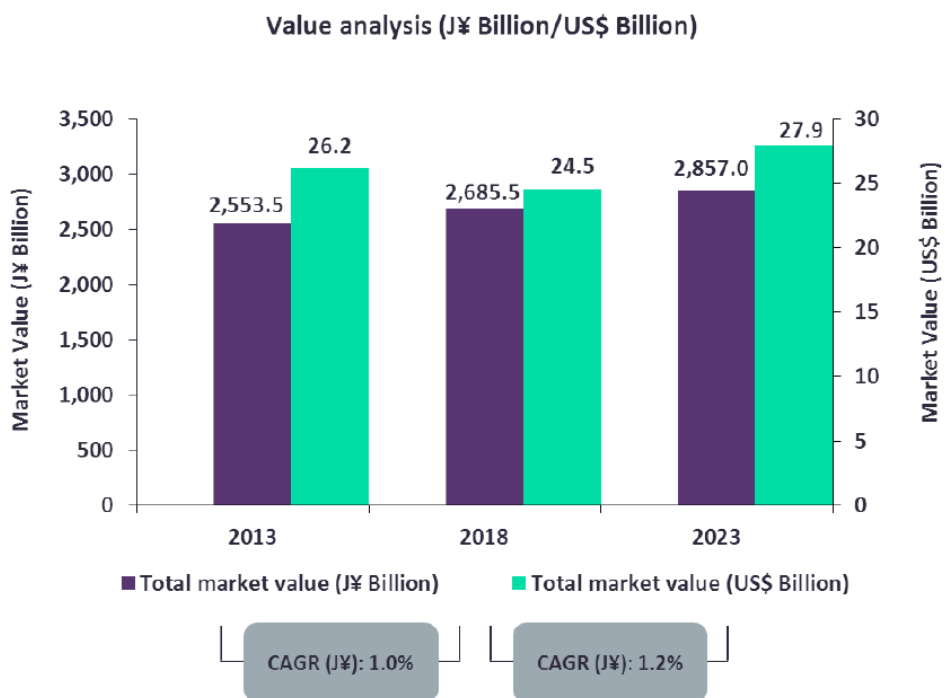


Figure 6 Market Size and Growth Analysis of Japan Meat Sector by Value, 2013-2023 (Source: GlobalData)

As shown in Figure 7, fresh meat (counter) was the largest category, with value sales of J¥1,480.4 billion (US\$13.5 billion) in 2018, followed by chilled raw packaged meat. Frozen meat is forecast to register the fastest value growth at a CAGR of 1.4 per cent from 2018 to 2023, followed by chilled raw packaged meat-whole cuts (1.31 per cent) and fresh meat (counter) (1.29 per cent). Fresh meat (counter) was also the leading category in volume terms with sales of 874.9 million kg in 2018.

¹⁷ Agriculture and Agri-Food Canada.

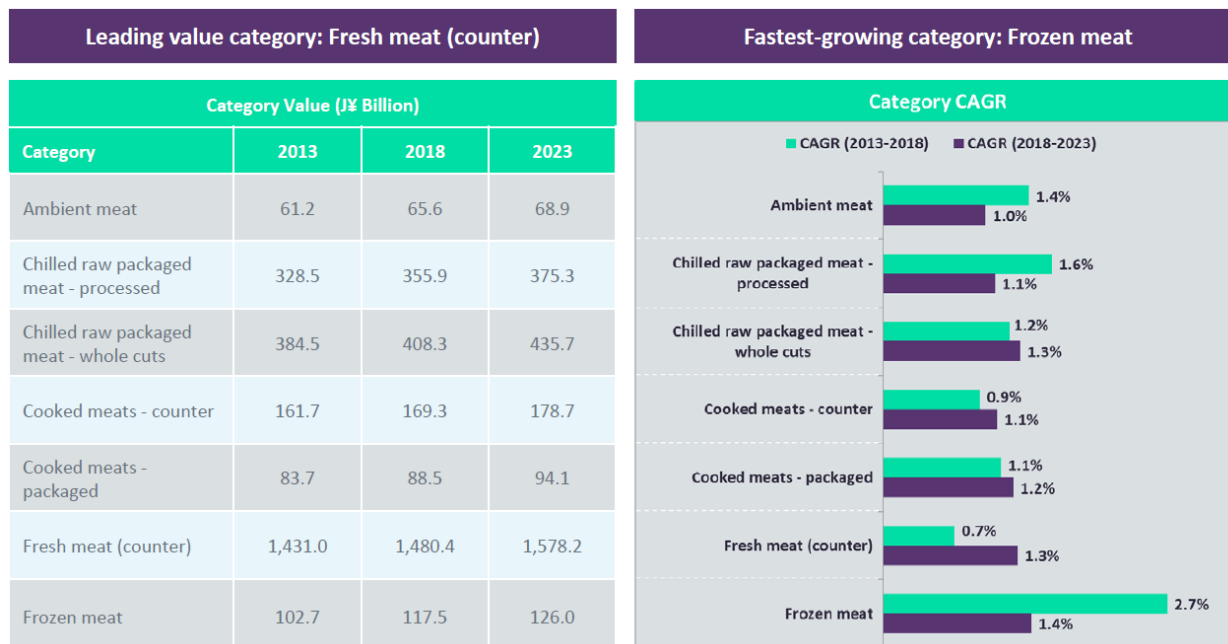


Figure 7 Cross Category Comparison -Value and Growth Rate (Source: GlobalData)

As shown in Table 5, pork (chilled raw packaged meat-whole cuts) was the largest segment with volume sales of 77.4 million kg in 2018, followed by beef (76.5 million kilogram) and chicken (32.7 million kilogram). Lamb accounted for only a marginal proportion of the total volume sales of meat in 2018 (0.92 million kilogram), but is forecast to grow at a CAGR of 0.3 per cent during 2018 to 2023. Chilled chicken is forecast to remain the fastest-growing segment at a CAGR of 1.8 per cent from 2018 to 2023.

Table 5 Chilled Raw Packaged Meat in Japan by Segment (Million Kilogram), 2013–2023 (Source: GlobalData)

Segment	2013	2018	2023	CAGR (2013–2018)	CAGR (2018–2023)
Beef (chilled raw packaged meat - whole cuts)	76.6	76.5	77.6	0.0%	0.3%
Chicken (chilled raw packaged meat - whole cuts)	30.5	32.7	34.2	1.4%	0.9%
Lamb (chilled raw packaged meat - whole cuts)	0.86	0.92	0.93	1.3%	0.3%
Pork (chilled raw packaged meat - whole cuts)	73.1	77.4	79.3	1.2%	0.5%
Others (chilled raw packaged meat - whole cuts)	5.1	5.5	5.6	1.4%	0.3%
Overall	186.2	193.1	197.6	0.7%	0.5%

Lamb and Sheep Production in Japan

Currently, there are no official statistics highlighting Japan’s current sheep and lamb production. The Japanese Ministry of Agriculture, Forestry and Fisheries discontinued collecting data on sheep production in 1998. However, the Hokkaido Government has provided some production figures on sheep and lamb. Hokkaido is the second largest main island of Japan. As a major area of livestock production, it is the largest production and consumption region of sheep and lamb in Japan. The major breed of sheep for meat production in Hokkaido is called Suffolk. According to the Hokkaido

production data, supplies of domestic sheep and lamb is very limited in Japan. Sheep and lamb products available in Japan are predominantly imported from Australia and New Zealand, due to lower prices.

According to a 2009 Hokkaido report, Japan's annual demand for sheep meat was about 20,000 tonnes, and self-sufficiency rate was less than one per cent. Given the small size of domestic production in Japan, the number of plants that process sheep is small and most are located in or close to the production area.

Table 6 Hokkaido Sheep Production

	National		Hokkaido		Hokkaido's Share (Number of Sheep)
	Number of Farms	Number of Sheep	Number of Farms	Number of Sheep	
2014	882	17,201	203	10,651	61.9%
2015	924	17,438	193	10,142	58.2%
2016	965	17,515	210	11,141	63.6%
2017	918	17,821	200	11,529	64.7%

Source: Hokkaido Government

Lamb and Sheep Consumption in Japan

In Japan, lamb and sheep meat are currently considered as a niche product, compared to the more commonly consumed pork, poultry and seafood, which accounts for one quarter of all protein consumed. However, there has been an increasing trend of sheep and lamb meat consumption. Expenditure outside of home, especially for younger generations, has been growing. More and more restaurants have introduced sheep and lamb dishes as a way to showcase innovation and offering dishes that consumers may not cook often at home. Lamb, mutton and goat meat have shown an increase of one per cent in CAGR in retail sales over the period of 2012 to 2017, as shown in Table 7.

Table 7 Expenditure per Capita (\$USD) on Meat in Retail Sales, 2012 – 2017

	2012	2013	2014	2015	2016	2017	CAGR
Total	\$271.3	\$280.9	\$286.4	\$292.2	\$296.5	\$297.4	2%
Pork	\$114.8	\$121.1	\$124.6	\$129.2	\$131.6	\$134.1	3%
Beef and veal	\$95.1	\$96.7	\$96.6	\$93.3	\$92.7	\$88.6	-1%
Poultry	\$59.1	\$60.6	\$62.6	\$67.2	\$69.5	\$72.1	4%
Lamb/mutton/goat	\$1.3	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	1%
Other meat	\$1.1	\$1.2	\$1.2	\$1.2	\$1.3	\$1.3	3%

Source: Euromonitor International, 2018.

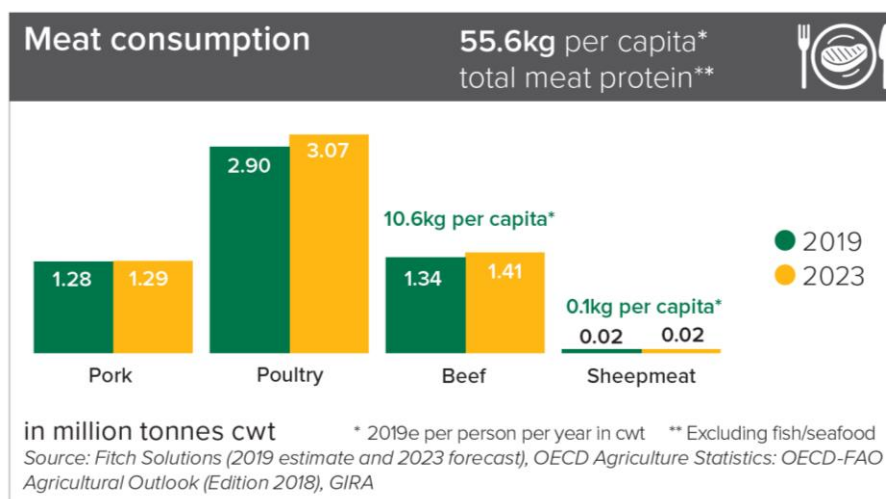


Figure 8 Meat Consumptions (in Carcass Weight) in Japan (Source: Meat and Livestock Australia)

Canada Lamb and Sheep Meat Exports to Japan

There are no records of Canada and Manitoba sheep and lamb meat exports to Japan, as they are not eligible commodities for trade.

Competitors in Japan

Key Importers

Japan was ranked the world's second-largest meat importer (US\$9.1 billion) in 2016, after China (US\$10.3 billion), and was ranked first as of November 2017 (US\$9.2 billion)¹⁸. Over 99 per cent of the lamb consumed in Japan is imported. In recent years, Japan has increased its imports of lamb and sheep meat, with top importers being Australia and New Zealand (Table 6).

Table 8 Top Lamb & Sheep Importers to Japan

Partner Countries	2016	2017	2018	Δ%
World	\$174,111,664	\$215,703,372	\$256,555,595	19%
Australia	\$117,174,570	\$130,870,651	\$155,757,017	19%
New Zealand	\$55,618,179	\$80,047,708	\$96,421,751	20%
Iceland	\$1,181,794	\$2,180,566	\$2,213,248	1%
France	-	\$2,530,169	\$2,147,615	-15%
United States	-	-	\$15,964	N/A
Hungary	\$137,121	\$74,278	-	-

Source: Global Trade Tracker

According to Meat and Livestock Australia, Japan has been a stable and consistent buyer of Australian sheep meat. It is the Australia's largest chilled lamb customer within Asia. Australians are exploring opportunities to expand the presence of their sheep meat in Japan, beyond its popular grilled sliced lamb (Genghis Khan) market. Competition from New Zealand remains strong, particularly in the retail channel. Japan has also reopened its export market to the United States sheep, lamb and goat meat products, as of July 2018, after a 14-year importation ban due to bovine spongiform encephalopathy in the United States. Sheep and lamb meat exports from the United States are expected to increase gradually over time. In June 2019, Japan has also agreed to lift the

¹⁸ Agriculture and Agri-Food Canada.

19 year embargo (imposed in 2001 due to outbreaks of foot-and-mouth disease and bovine spongiform encephalopathy) on Irish sheep meat import, on the condition that Ireland improves the traceability of Irish sheep meat.

End Users

ItoHam, Nipponham and Nichirei are the top three brands in the Japanese meat sector. Itoham Foods is Japan's second largest meat-based, manufactured and processed foods company, headquartered in Nishinomiya, Japan. The brand offers packaged and chilled raw meat, packaged cooked meats, and fresh meat (counter). Nipponham is a food-processing conglomerate, headquartered in Osaka, Japan. Its main business is meat packing and other food processing. The brand offers products in the fresh meat (counter) category. Nichirei Corporation is one of Japan's top producers of frozen foods and a leader in cold storage warehousing, headquartered in Tokyo.



Figure 9 Top Meat Brands in Japan and Their Market Share

Supply Chain Dynamics

The Japanese sheep industry remains very small* and hence sheep demand in Japan has been, and will continue to be, filled by imports. Australia is the dominant imported sheep meat supplier to Japan, but it is facing strong competition from New Zealand, which has the same access conditions. The US gained sheep meat access to Japan in late 2018, but commercial volumes have been limited to date.



Source: IHS Markit, *FYTD comparison (July to May)

* Last production data recorded in Japan was 2009, at 184 tonnes cwt.

Hypermarkets and supermarkets are the leading distribution channel in the Japanese meat sector. Hypermarkets include all sales through retailers with a floor area over 2,500 square meters that carry full lines of both grocery and general merchandise (e.g., Walmart). Supermarkets include all sales through retailers with a floor area between 300 square metres and 2,500 square metres that offer a wide, departmentalized range of groceries, and may carry some general merchandise lines (e.g., Sainsbury's and Kroger). Overall, meat sales through hypermarkets and supermarkets in Japan accounted for a value share of 63.5 per cent in 2018, followed by food and drinks specialists and

convenience stores with shares of 29.1 per cent and six per cent respectively. In the frozen meat sector, hypermarkets and supermarkets accounted for the leading share of 74.3 per cent in 2018.

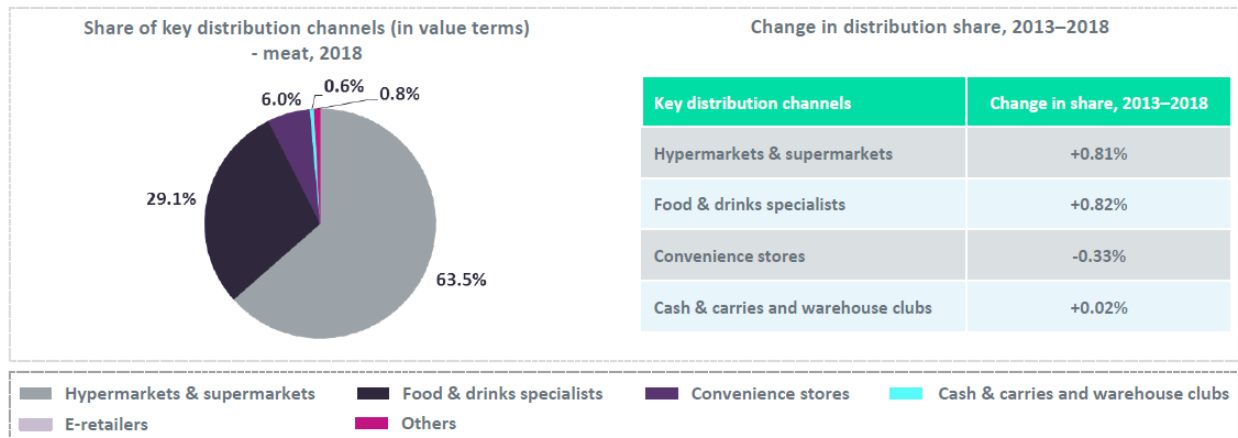


Figure 10 Distribution channel share analysis: Meat Sector in Japan (Source: GlobalData)

Consumer Trends

Overall, Japanese consumers have a positive perception and an increasing awareness of sheep and lamb meat. As shown in Figure 11, they associate these meats with high nutritional value, low in fat and somewhat on a pricier side. When at the shelf, consumers look for markers of guaranteed safety, freshness and value¹⁹. Lack of familiarity and knowledge of how to cook sheep and lamb are major reasons for not purchasing sheep and lamb in the retail channel. Demonstrating how sheep and lamb meats can be incorporated into Japanese meals and culture may in turn increase overall product appeal.

What attributes are important for Japanese consumers (all proteins)?	What associations do consumers have to lamb?
My/my family's favourite	Tastes delicious
Easy to prepare	Low in fat
Can be used in different meals	High nutritional value
Easy to purchase	Meat is tender
Animal is well-cared for	I pay more for this meat

Source: MLA Global Consumer Tracker Japan, 2017

Figure 11 Attributes Important for All Proteins and Lamb Associations in Japan

Price is one of the top priorities for Japanese consumers when it comes to buying meat products. Other major factors include quality, health and food safety. Safety of agriculture products has become a major concern for Japanese consumers since the Fukushima Daiichi nuclear disaster in 2011. The ability to effectively communicate and tailor the product messaging holds a strong appeal to the supply chain, as well as consumers. For example, information pertaining to the traceability

¹⁹ MLA Global Consumer Tracker Japan, 2017.

and welfare of the animals is being appreciated and is considered a key assurance on standards of meats that have been produced and processed in the supply chain, providing consumer confidence in food safety.

A factor that came to be equally important as food safety when it comes to buying meat is expiration date. Japanese consumers care about the freshness and timeliness of accessing meat products. For exporters, reviews and innovations on product packaging (e.g., chilled vacuum packing) and logistics are crucial to keeping products as fresh as possible²⁰.

When it comes to taste preference in meats, Japanese consumers often prefer higher fat content in meat for its flavour and tenderness. For example, meats such as the Wagyu beef with more fat or marbling are popular amongst Japanese consumers, and are often associated with a higher demand and price.

Despite facing a shrinking and aging population in Japan, the Japanese meat production industry is projected to grow in sales due to the Westernization of the typical Japanese diet and with the younger generation being more open to trying out new and international foods. It is anticipated that a shortage in the fish and seafood supply in Japan and resulting higher prices for these products will influence Japanese consumers to substitute more meat for fish²¹.

Market Access Barriers and Challenges

Currently, Canada produces less than 50 per cent of the lamb consumed in the country, leaning towards domestic market options for Canadian lamb, which likely limit exports. Another current barrier to international export is the limited number of federally inspected plants for sheep and lamb, which is the mandatory process for any meat product destined for sale in Japan.

However, the sheep industry in Canada is expanding due to increasing demand. In Manitoba, sheep and lamb production is increasing due to a vertically integrated, national company named North American Lamb Company Ltd. (NALC) that produces lambs in Manitoba, and finishes and harvests them in Alberta. Integrated Foods from New Zealand is a partner in the NALC and have extensive experience in sheep production and marketing. In general, meat trade is prohibited, unless the exporting country's meat production system has been assessed and import conditions have been negotiated between the importing and exporting countries. The reasons for prohibition are twofold:

- animal health concerns (i.e., to prevent spread of animal diseases)
- human health concerns (i.e., to prevent spread of human pathogens and meet general hygiene standards)

Currently, Canadian sheep and lamb meat, as well as natural casings derived from sheep and goats, are not eligible for export to Japan, with transmissible spongiform encephalopathies (TSE) being one of the animal health concerns.

CPTPP Implications

Japan is the world's largest net importer of food and Canada's third largest market for agri-food and seafood products, with exports totaling \$4.2 billion (the average from 2015 to 2017). Overall, for the meat sector, the CPTPP will create significant opportunities to increase Canada's market share in products like beef, pork, grains and oil seeds, and functional foods and nutraceuticals. For

²⁰ AHDB.

²¹ AAFC.

example, with regard to pork products, which are subject to tariffs of up to 20 per cent and the gate price system, Japan will eliminate its tariffs on Canadian imports within 10 years. On beef, the tariffs of 38.5 per cent on fresh/chilled and frozen beef, as well as tariffs of up to 50 per cent on certain offal, will be reduced to nine per cent within 15 years. There is currently no mention of sheep and lamb meat import tariffs, or volume and technical access issues in Japan²².

Canadian Trade Commissioners services in Japan indicate there are no records of Canadian beef and lamb meat export to the Asian country.

Key Contact Organizations

Ministry of Agriculture, Forestry and Fisheries, www.maff.go.jp/eindex.html. Address: 1-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8950. Phone: 03-3502-8111 (representative)

Ministry of Economy, Trade and Industry, www.meti.go.jp/english. Address: 1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901. Phone: +81-(0)3-3501-1511

Japan Meat Traders Association. Address: No. 2 Watanabe Bldg. 6F, 1-7-3 Higashi-Azabu, Minato-ku, Tokyo 106-0044. Phone: 03-3588-1665

Japan Livestock Traders Association, www.jlta.or.jp/. Address: Osakaya Bldg. 6F, 3-1-9 Mita, Minato-ku, Tokyo 108-0073. Phone: 03-3454-1435

Japan Sheep Casing Importers Association, www.jnsca.or.jp/. Address: Yoshinoya Bldg. 4F, 1-32-6 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-0031. Phone: 03-3493-6301

Agriculture & Livestock Industries Corporation, <http://alic.lin.go.jp/>. Address: Azabudai Bldg., 2-2-1 Azabudai, Minato-ku, Tokyo 106-8635. Phone: 03-3582-3381

Trade Commissioner Service – Japan, www.tradecommissioner.gc.ca/japan-japon/index.aspx?lang=eng

Agriculture and Agri-Food team - Embassy in Japan, TOKYOFOOD@international.gc.ca

Trade Policy and Negotiations – Asia Division (TCA), Global Affairs Canada. Address: 125 Sussex Drive, Ottawa, Ontario K1A 0G2. Email: CPTPP-PTPGP.consultations@international.gc.ca

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²² CPTPP, Government of Canada.

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Malaysia

Market Structure

Malaysia is one of the most developed markets in Southeast Asia and the country is politically and economically stable. Malaysia's economy is mainly driven by services (55 per cent), manufacturing (37 per cent) and agriculture (eight per cent). About half of the country's population falls in the middle to upper income group of consumers, with a national per capita income of \$9,629 USD in 2017 (according to the World Bank)²³.

Malaysia has a large and growing food retail market, supplied by local and imported products. According to Retails Group Malaysia, the retail sector's total sales is projected to grow to US\$26 billion in 2018, compared to the two per cent growth seen in 2017. Going forward, Malaysian consumers are projected to enjoy a stronger economic growth with the election of a new government and the abolishment of good and services tax (GST) on June 1, 2018. GST significantly reduced consumers' spending power when it was first introduced in April 2015.

Malaysia's hotel, restaurant and institutional (HRI) industry is one of the fastest growing sectors in the country's economy. This sector is largely driven by robust tourism and consumer spending. In 2017, Malaysian imports of consumer oriented agricultural products (from all sources) reached US\$6.5 billion, an increase of 18 per cent from five years ago²⁴. The rapid expansion of the HRI industry throughout the country is expected to support steady growth in demand for imported high quality food and beverage products for the next several years.

Consumer Food Preferences

As the Malaysian lifestyle shifts from rural to urban, the diet and activity levels of Malaysians have changed accordingly. More people are living in urban areas and working longer hours. Eating habits have shifted to the convenience of prepared and processed meals. With increased disposable incomes, Malaysians are also able to purchase refrigerators, freezers and microwaves in order to help maximize the usage of these new convenient meal items.

Lunch and dinner meals consist mainly of rice, with two or three meat or fish and vegetable dishes prepared according to the styles and traditions of various ethnic communities. Malays and Indians prepare their dishes with hot spices, while Chinese prefer to stir-fry. Religious affiliation affects food consumption in Malaysia. Muslims do not eat pork, and only eat meat products that have been certified halal, and many Buddhists and Hindus do not eat beef. Thus, halal chicken meat is popular among all consumers, and Malaysia has among the world's highest per capita consumption of chicken, with 52 kg per person, per year (Figure 12).

²³ GAIN Report: Exporter Guide, Malaysia, 2018

²⁴ GAIN Report. Food Service-Hotel restaurant Institutional, Annual 2018



Figure 12 2017 Meat Protein Consumption per Capita in Malaysia ²⁵

With rising affluence and educational levels, consumers' shopping and eating lifestyles have changed drastically over the years. Malaysians, especially in urban and cosmopolitan areas, prefer to shop in modern retail outlets, which offer one-stop shopping. However, traditional stores such as provision and grocery shops, which are conveniently located in residential areas and workplaces, are still popular.

Malaysians are adventurous in their eating habits. Eating out is common and inexpensive. Open air, street-stall food is popular. Fine dining restaurants and foodservice outlets incorporating international cuisines are found in Klang Valley and other major cities, where spending power and population concentration are higher. Most consumers frequent these types of restaurants to dine in style and comfort, and to experience the best and most sophisticated culinary standards in the country.

Halal Requirement and Certification²⁶

With a Muslim population of 65 per cent, the demand for halal foods by Malaysian consumers has increased over the years. The expectation of a halal standard in food products has extended from meat and meat products to non-meat based products, including snacks, confectionery, dairy and bakery. Almost all food and ingredients destined for the food service sector must be certified halal. Halal is fast becoming recognized as a new benchmark for quality, hygiene and safety.

Food products and ingredients that have halal certificates have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for halal certificates for non-meat based food products and ingredients. All beef and poultry products must be certified halal, and products must originate from slaughterhouses that have been inspected and approved by the Malaysian veterinary and religious authorities.

Since 2006, the Halal Development Corporation (HDC), a Malaysia government agency, has coordinated development of the halal industry by establishing standards and advising companies on their Halal strategies. All meat and meat products exported to Malaysia must be halal certified and recognized by the Department of Islamic Development Malaysia (JAKIM). Certification bodies

²⁵ Department of Agriculture, Malaysia, 2018.

²⁶ GAIN Report. Food Service-Hotel restaurant Institutional, Annual 2018.

recognized by JAKIM are listed in Appendix A, including the Halal Montreal Certification Authority for Canada. The Islamic Food and Nutrition Council of America, a US-based accreditation agency, can also accredit for JAKIM and has offices in Mississauga and Vancouver.

Lamb and Sheep Production in Malaysia

According to Department of Veterinary Services (DVS)²⁷, sheep are raised in the Kedah, Kelantan, Terengganu and Negeri Sembilan, and primarily kept for the production of mutton. Malaysia's indigenous breed of sheep is Malin (Malaysian Indigenous). However, exotic breeds (e.g., Dorset Horn, Wiltshire Horn, Pulled Dorset, Suffolk, Romney, and Dorper) have been imported for crossbreeding purposes. Between 2006 and 2010, 7,489 heads of Damara hair sheep were brought into Malaysia by DVS and distributed throughout Malaysia using the Farmers Transformation Program or TRUST Scheme.

Around 2013, a large-scale sheep production program was implemented by the East Coast Economic Region Development Council (ECERDC) in the agropolitan areas of the states of Kelantan, Terengganu and Pahang under the Poverty Eradication Program. In 2009, the Pekan Agropolitan Sheep Project was launched in Pahang with the disbursement of Dorper sheep. The first batch of 3,000 head at Runchang and followed by 4,800 head in 2011 at Batu 8, Mukim Lepar.

Latest production figures for the livestock subsector²⁸ show 308.3 million chickens, which was higher than any other livestock in 2017. Duck (10.4 million) and swine (1.6 million) followed this. Sheep and goat recorded low production figures of 137,872 and 431,258 respectively.

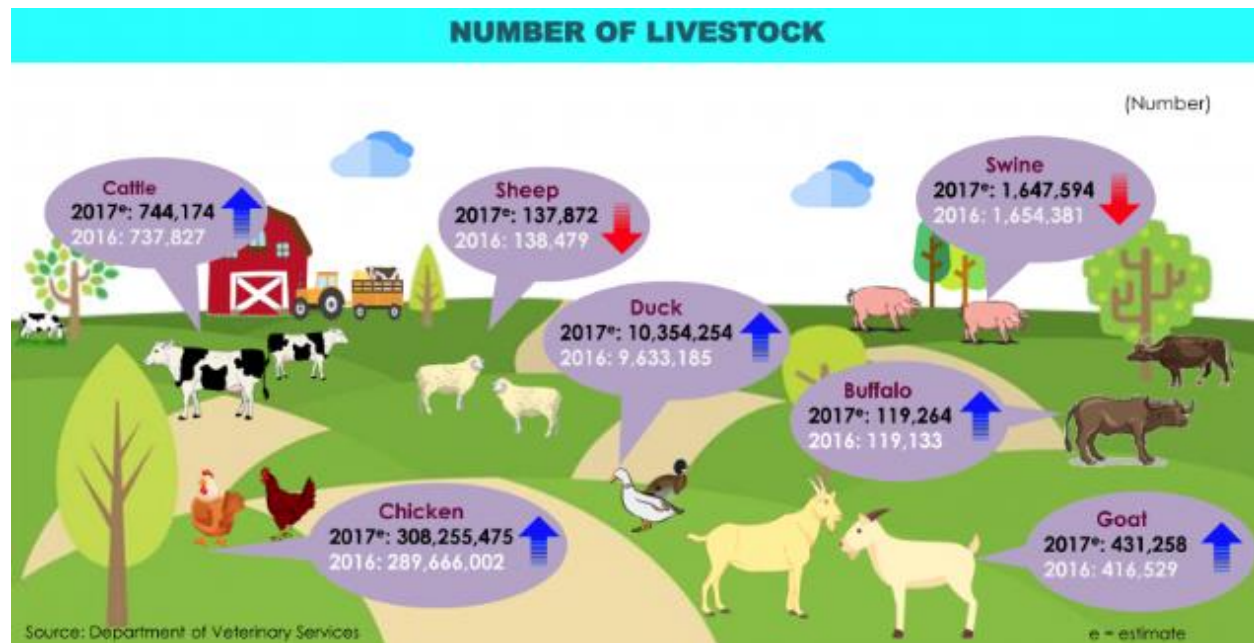


Figure 13 Production of Livestock in Malaysia in 2016 and 2017 ²⁸.

The Department of Statistics, Malaysia also provides a self-sufficiency ratio (SSR) of main agricultural commodities (Figure 14). The SSR of chicken and duck eggs (113.5 per cent) was the highest, followed by poultry meat (98.2 per cent) and pork (92.1 per cent) while mutton, including

²⁷ DVS. Malaysian Livestock Breeding Policy. 2013

²⁸ Department of Statistics, Malaysia. Selected Agricultural Indicators, Malaysia, 2018

both sheep and goat meat, recorded the lowest SSR of 10.7 per cent. This indicates that sheep and goat production in Malaysia is low as compared to other meats.



Figure 14 Self Sufficiency Ratio (SSR) of Selected Agricultural Commodities, Malaysia, 2017

Lamb and Sheep Consumption in Malaysia

Goat meat refers²⁹ to the meat of the domestic goat (*Capra aegagrus hircus*). It is often called Chevon when it is from adults of five to eighteen months of age, and Cabrito, when it is from young animals. In Malaysia, the word mutton is often used to describe both goat and lamb meat, although technically the term refers only to sheep meat. As such, statistics on goat and sheep meat are often lumped together under the heading of mutton.

Although consumed far less than chicken, fish, seafood and beef, sheep and goat meat are relatively popular in Malaysian diets, compared to many other Asian markets (Figure 15). Lamb, in particular, is perceived as a superior meat among many consumers, for which they're willing to pay a premium³⁰.

²⁹ Bisant Kaur. Consumer preference for goat meat in Malaysia: Market opportunities and potential. Journal of Agribusiness Marketing. Vol.3 (2010).

³⁰ Meat and Livestock Australia, Global Consumer Tracker Malaysia, 2018.

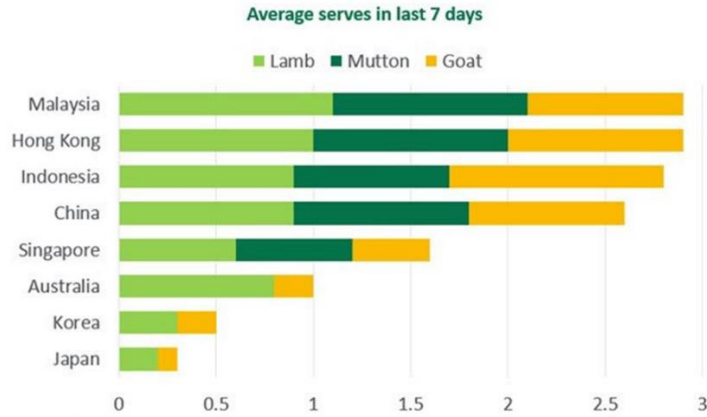


Figure 15 Lamb/Sheep/Mutton Servings in Selected Countries ³⁰

According to OECD Agriculture Statistics³¹, sheep meat consumption in Malaysia was 1.1 kg per capita in 2018 (Figure 16), slightly lower than the 2017 level of 1.3 kg per capita (Figure 12), but higher than the 2010 level of 0.76 kg per capita.

The country's top five economic cities, including Kuala Lumpur, Penang, Johor Bahru, Kuching and Malacca, have a high proportion of wealthy households and present growth opportunities for high value sheep and goat meat products. The expansion of contemporary, western-style restaurants, tourism and an expatriate population are key growth drivers for sheep and goat meat consumption.

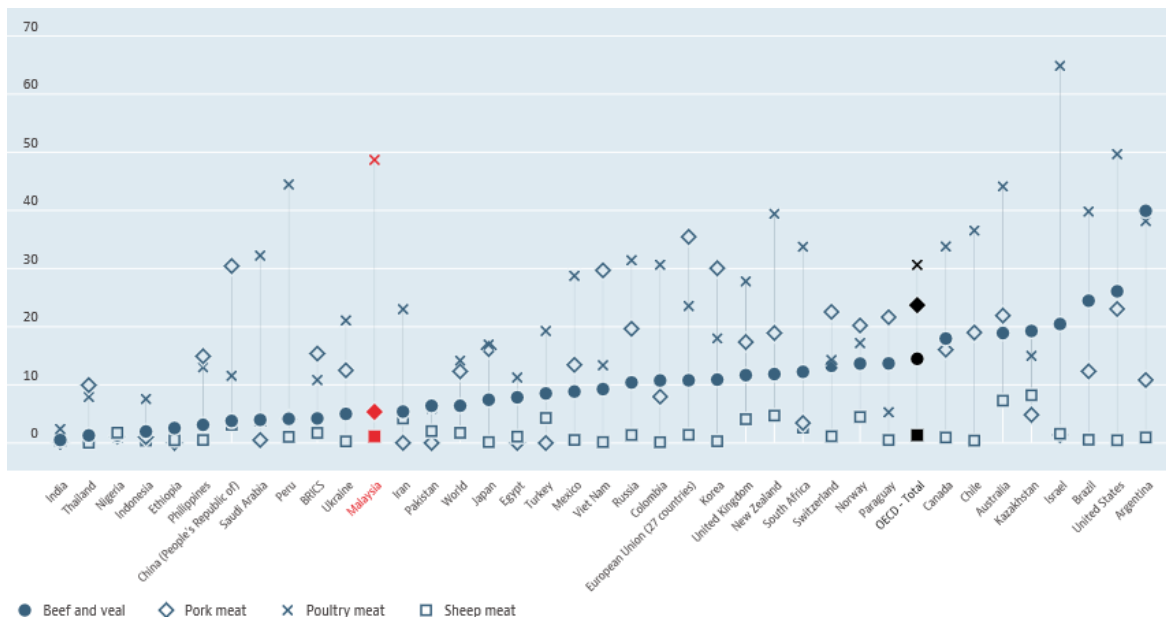


Figure 16 2018 Meat Consumption (kg/capita) in OECD Countries

Sheep and goat meat is used across retail and foodservice channels. Although these sectors remain fragmented and dominated by traditional formats, Kuala Lumpur and other major cities have relatively developed networks and infrastructure. Consumers purchase sheep and goat meat through a mix of retail formats, from supermarkets and hypermarkets to butchers and wet markets. It is served across a wide range of foodservice formats, from western-style restaurants to ethnic

³¹ OECD Agriculture Statistics: OECD-FAO Agricultural Outlook (Edition 2019).

cuisine. Lamb is more popular in high-end foodservice, while sheep and goat meat are common in low-to-middle end segments.

While consumers' lack of knowledge on how to cook sheep and goat meat remains a challenge for retail, foodservice presents opportunities to grow and to encourage consumers to try the product. A substantial portion of Malaysian consumers surveyed by MLA's Global Consumer Tracker, claim they do not buy and cook lamb and goat meat at home, but they do eat them when dining out, and that trying the meat at a restaurant would encourage them to purchase in future.

Canadian Lamb and Sheep Export to Malaysia

Canada has not exported lamb and sheep meat to Malaysia, as they are not eligible commodities for trade. In order to receive approval, Canadian abattoirs must receive approval and certification by the Malaysian Department of Veterinary Services. The exporter and importer are then responsible for obtaining an import permit from the Malaysian authorities.

Competitors in Malaysia

Malaysia is Australia's second largest mutton market and primary live goat destination, a market worth AUS\$310 million in 2017-18. Malaysia's sheep meat consumption volume is at approximately 43,000 tonnes carcass weight equivalent in 2018, and is forecast to grow four per cent by 2022³². Many Malaysia consumers perceive Australian lamb as a family favourite, the most important attribute when selecting between proteins. New Zealand is Malaysia's largest supplier of mutton carcasses.

Table 9 2018 Malaysian Lamb/Sheep Imports by Country ³³

Country	Quantity of Imports (kg)	Percentage of Total Imports
Australia	510,130,354	70.00%
New Zealand	207,289,831	28.44%
India	2,984,456	0.41%
China	2,540,893	0.35%
Vietnam	1,789,650	0.25%
Italy	1,160,568	0.16%
Mongolia	727,771	0.10%
Hong Kong	539,992	0.07%
Canada	485,327	0.07%
Argentina	448,704	0.06%
United States	364,054	0.05%
Uruguay	233,295	0.03%
Japan	57,396	0.01%

Key Importers

Lembiru Livestock is a Malaysian-based livestock importing company. The company directly imports and facilitates the importation of livestock from Australia and New Zealand into Malaysia, which are then sold through approved and audited importers, feedlots and abattoirs. Lembiru imports livestock and supplies Malaysian customers who want to purchase livestock in smaller volumes, and do not wish to become importers in their own right. For Malaysians who have their own import licenses and wish to carry out the importing process themselves, Lembiru utilizes the services from its Australia team to put together a consignment and see it through from start to

³² The Malaysian market. Meat & Livestock Australia. November 7, 2018.

³³ Global Trade Tracker.

finish³⁴. Lembiru operates a regular importation service of Australian sheep into Malaysia by air, including breeds of Merino, Damara, and Dorper cross rams and wethers.

Supreme Consolidated Resources³⁵ is a Fast Moving Consumer Goods (FMCG) company that is engaged in the import, trading and distribution of frozen, chilled, dairy and dry food products. The company offers frozen foods, including frozen beef, buffalo meat, lamb and mutton.

Other importers include Saudi Cold Storage SDN BHD and Fatric SDN BHD.

End Users

CP Fresh Mart is engaged in processing and distribution of poultry and cold storage products. The company also offers specialty products, such as beef and lamb items. CP Fresh is involved in operation of retail stores for the sale of its products, and is headquartered in Kuching, Malaysia.

Supply Chain Dynamics

Malaysia depends heavily on sheep meat imports due to low domestic supply capacity, and imports make up about 93 per cent of total Malaysian sheep meat consumption. Total import flow increased by 17 per cent over the last five years, to more than 36,000 tonnes in 2018. More than 60 per cent of the imports are frozen, bone-in cuts. This category of imports has been steadily increasing over the past five years, from 14,906 tonnes in 2014 to 22,158 tonnes in 2018. Malaysia has been importing less carcasses and more bone-in cuts since 2014. The share of carcasses and half-carcasses dropped from 24.2 per cent in 2014 to 18 per cent in 2018.

Table 10 Malaysia Sheep and Lamb Meat Import by Category (metric tonnes) ³⁶

HS Code	Category	2014	2015	2016	2017	2018
020410	fresh or chilled lamb carcasses and half-carcasses	95	88	86	54	150
020421	fresh or chilled sheep carcasses and half-carcasses (excl. lambs)	70	1	204	243	75
020422	fresh or chilled cuts of sheep, with bone in (excl. carcasses and half-carcasses)	3,215	2,733	2,505	3,435	3,174
020423	fresh or chilled boneless cuts of sheep	295	624	464	112	281
020430	frozen lamb carcasses and half-carcasses	1,020	1,300	1,186	1,338	1,412
020441	frozen sheep carcasses and half-carcasses (excl. lambs)	7,410	8,156	6,990	8,617	6,436
020442	frozen cuts of sheep, with bone in (excl. carcasses and half-carcasses)	14,906	17,993	18,846	21,763	22,158
020443	frozen boneless cuts of sheep	3,856	2,947	3,084	2,781	2,416
	Total	30,868	33,841	33,365	38,344	36,102

Australia and New Zealand have been the two largest suppliers, covering more than 98 per cent of the sheep meat imports to Malaysia (Figure 17). Australia's share over the last five years averaged at 71 per cent, and New Zealand's at 27 per cent. Malaysia has bilateral free trade agreements with both suppliers.

³⁴ [For Meat Lembiru Malaysia](#). Lembiru Livestock SDN BHD, 2017.

³⁵ [Supreme Consolidated Resources BHD](#). GlobalData. 2019.

³⁶ World Trade Atlas.

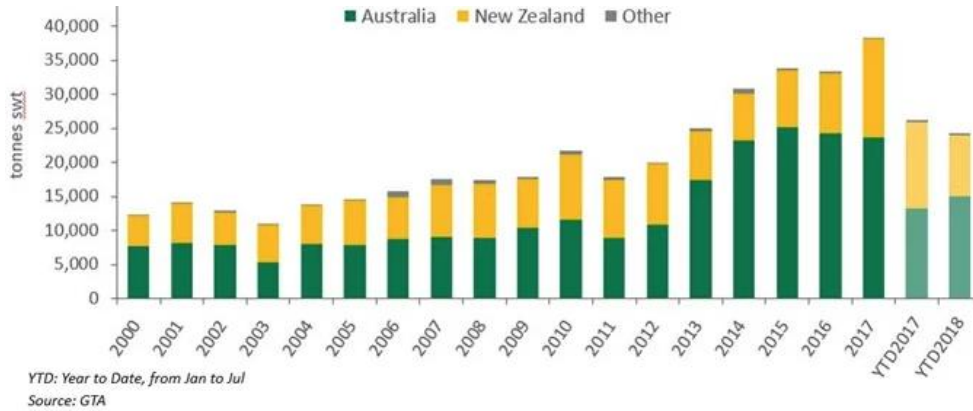


Figure 17 Malaysia Sheep Meat Imports ³⁷

Twenty companies from Australia and New Zealand were authorized to export sheep meat to Malaysia. The leading exporters were JBS Australia, Thomas Foods International, Fletcher International Exports, and Western Australian Meat Marketing International Co-operative (WAMMCO). All these exporters are halal certified by authorized Islamic bodies in Australia, which is one of the key business requirements to export unprocessed sheep meat to Malaysia. Among meat distributors, about 92 businesses in Malaysia are expected to work with international suppliers since they have issued DUNS³⁸ numbers, and 54 of them identified meat wholesale as their primary activity. The rest were represented by less specialized businesses, such as local markets, services and others. Of the 54 businesses, 20 were located in or around Kuala Lumpur.

Sheep and goat meat retail distribution is carried out through hypermarkets and supermarkets (70.3 per cent), followed by local butchers (23.3 per cent) and convenience stores (4.6 per cent).

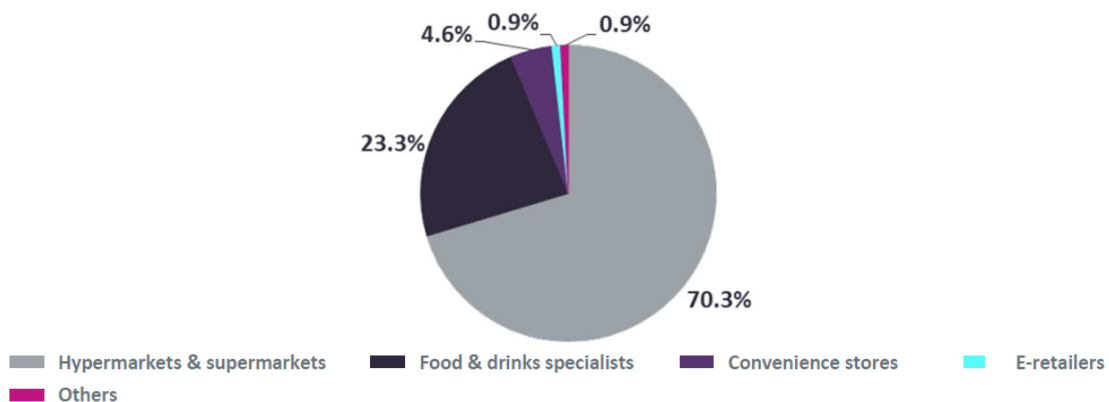


Figure 18 Share of Key Distribution Channels for Sheep and Goat Meat by Sales Value, 2018 ³⁹

Consumer Trends

Malaysia is a multiethnic nation, spanning Peninsular Malaysia and the island of Borneo. Malaysia's population in mid-2019 is estimated at 32.6 million, an increase from 32.4 million in 2018. The annual population growth rate has decreased to 0.6 per cent in 2019, as compared to 1.1 per cent in

³⁷ Meat and Livestock Australia, 2019

³⁸ DUNS (or D-U-N-S) stands for Data Universal Numbering System. It is used to maintain up-to-date and timely information on more than 330 million global businesses. DUNS Number, a unique nine-digit identifier for businesses, enables identification of relationships between corporate entities.

³⁹ GlobalData.

mid-2018. The decline is attributed to decreasing fertility rates and lower net international migration. The Malaysian population consists of people of different races and religions. The largest group of Malaysians consist of three main races, namely the Malays, Chinese and Indians. The Malays account for 65 per cent of the population, with Islam as the official religion. Slightly more than 23 per cent of Malaysians are Chinese, who may be Buddhist or Christian. Indians form seven per cent of the population, and they are largely Hindus. There is also a sizeable expatriate population, and Malaysia is a popular tourist destination for Asia, the Middle East and Europe⁴⁰.

With its small size and a growing population, the population density is increasing and is becoming urban. Most of the growth has been occurring in the main cities of Kelang, Petaling Jaya, and Shah Alam, as well as all cities on the outskirts of Malaysia's capital Kuala Lumpur, and areas that are experiencing rapid industrialization.

Market Access Barriers and Challenges

Malaysia's ease of trading across borders remains highly ranked in international comparisons. However, it is not a totally free and open market. Malaysia's import barriers are aimed at protecting the domestic market and strategic sectors, as well as maintaining cultural and religious norms.

Technical barriers, such as halal certification for the importation of meat and poultry, are regulated through licensing and sanitary controls. All imported beef, lamb, and poultry products must originate from facilities that have been approved by Malaysian authorities as halal, or acceptable for consumption by Muslims⁴¹.

In 2011, Malaysia implemented food product standard MS1500:2009. This sets out general guidelines on halal food production, preparation and storage, which many exporters consider much stricter than the multilaterally agreed Codex Alimentarius halal standard. This new standard requires slaughtering plants to maintain dedicated halal facilities and ensure segregated transportation for halal and non-halal products. Malaysia also requires audits of all establishments that seek to export meat and poultry products to Malaysia⁴¹.

Malaysia is not party to the WTO Government Procurement Agreement, and as a result, foreign companies do not have the same opportunity as some local companies to compete for contracts. In most cases, foreign companies are required to take on a local partner before their bids will be considered.

In domestic tenders, preferences are provided to Bumiputeras (Malay) suppliers over other domestic suppliers. Procurement often goes through intermediaries rather than being conducted directly by the government. The procurement can also be negotiated rather than tendered. Generally, international tenders are only invited where domestic goods and services are not available⁴¹.

Currently, Canada does not have access to Malaysia for sheep and lamb meat. In the event that there is interest to export, a formal request from the client to the Market Access Secretariat (MAS), Agriculture and Agri-Food Canada (AAFC) would be required to pursue market access for these products. Following this request, a questionnaire would be answered. With this information, Canada's Federal Market Access Team (FMAT), comprised of the Canadian Food Inspection Agency

⁴⁰ Department of Statistics, Malaysia

⁴¹ [Doing Business in Malaysia](#). The International Trade Administration. May 9, 2019.

(CFIA), AAFC and Global Affairs Canada, would prioritize the request with a view to placing it on our market access work plan.

Malaysian consumers know little about how to cook sheep or lamb properly, which remains a significant challenge for the retail sector. However, this presents a great opportunity for growth in its food service industry, as consumers are able to try sheep and lamb meat at a restaurant, which encourages future purchases for home consumption⁴². The following table from Meat and Livestock Australia (MLA) outlines this behavior, compared to the global average.

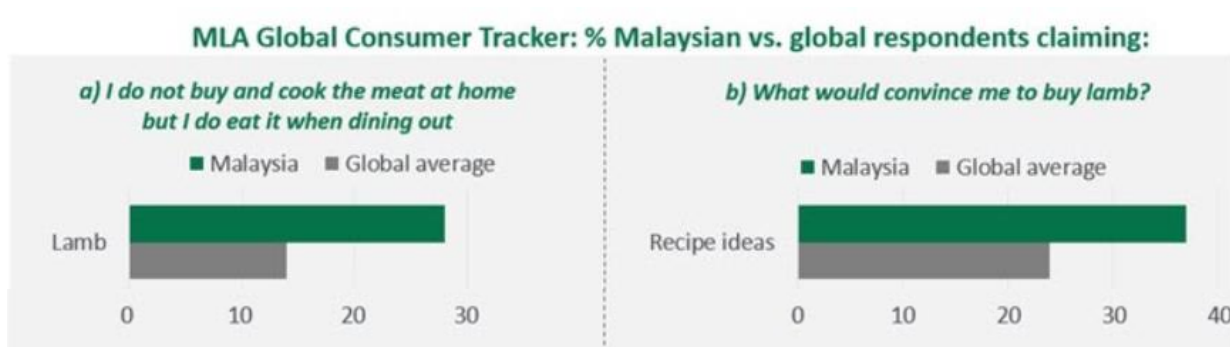


Figure 19 Malaysian Consumer Survey

CPTPP Implications

Malaysia has not ratified the CPTPP as of the writing of this report (February 2020). They have expressed repeated concerns about the implications and potential impact of the agreement and have called for a review of the agreement’s impact on Malaysia. They have reservations on issues such as dispute solution mechanisms between governments and investors, intellectual property rights, and government procurement⁴³. The Prime Minister of Malaysia has hinted to the notion that this agreement will adversely affect the Bumiputeras (Malay) and heighten racial tensions in the country, once the economy is opened up.

Key Contact Organizations

Ministry of Agriculture & Agro-Based Industry

Level 1, Wisma Tani, No. 28, Persiaran Perdana, Precinct 4
 Federal Government Administrative Center, 62624 Putrajaya
 Tel.: 03-8870 1375 / 1378
 Fax: 03-8888 6906
 Email: pro@moa.gov.my

Department of Veterinary Services (DVS)

Wisma Tani, Block Podium, Lot 4G1, Precinct 4
 Federal Government Administrative Center, 62624 Putrajaya
 Tel.: 603-8870 2000
 Fax: 603-8888 6021
 Email: pro@dvs.gov.my

⁴² [The Malaysian Market](#). Meat & Livestock Australia. November 7, 2018.

⁴³ Yean, Tham Siew. [Why is Malaysia Slow to Ratify the CPTPP?](#) ISEAS Yusof Ishak Institute. January 28, 2019.

Department of Standards Malaysia (Standards Malaysia)

Century Square, Level 1 & 2,
Block 2300, Jalan Usahawan,
63000 Cyberjaya,
Selangor Darul Ehsan, Malaysia
Tel: +60 (3) 8318 0002
Fax: +60 (3) 8319 3131
Email: central@jsm.gov.my

Division of Biosecurity Management and SPS Quarantine and Import/Export Section

Level 5, Block Podium 1A, Lot 4G1, Precinct 4
Federal Government Administrative Centre, 62630 Putrajaya
Tel.: 603-8870 2000 / 03-8870 2012, 2010, 2011, 2069, 2070
Email: skie@dvs.gov.my

Halal Malaysia Official Portal

Bahagian Pengurusan Halal, Jabatan Kemajuan Islam Malaysia, Aras 6 & 7, Block D, Kompleks Islam Putrajaya, No. 3 Jalan Tun Abdul Razak, Presint 3, 62100 Putrajaya, Malaysia
Tel: 03-8892-5000
Fax: 03-8892-5005
Email: pr_halal@islam.gov.my

Malaysia Halal Certification Bodies

The Malaysian Department of Islamic Development (JAKIM) provides a listing of Halal certification bodies recognized by JAKIM globally, available at:
www.halal.gov.my/ckfinder/userfiles/files/cb/CB%20List%20LATEST%20.pdf

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Contact us

www.manitoba.ca/agriculture/

1-844-769-6224

<mailto:industryintelligence@gov.mb.ca>

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