

## The Strategic Importance of Asia for Ireland's Agri-food Sector



## Introduction

Agri-food is defined as our indigenous primary agriculture, food and beverage, fisheries and fish processing, forestry and forestry processing sectors.

This report outlines the current landscape and future opportunity for Irish Agri-food exporters to Asia.

As Asian countries advance to become the foremost consumers of global food supply, Ireland is uniquely placed to help satisfy demand for quality, safe and nutritious food.

# Contents

Foreword	2
<i>Michael Creed, TD Minister for Agriculture, Food and the Marine</i>	
<hr/>	
The Future Asian Demand for Food	4
<i>Alan Dukes Chairman, Asia Matters</i>	
<hr/>	
Ireland's Potential Food Export Capacity	6
<i>David Meagher Head of Agribusiness, KPMG in Ireland</i>	
<hr/>	
Snapshot	8
<hr/>	
A Vision for Success	10
<hr/>	
Observations from a Global Agri-food Standpoint	11
<i>Ian Proudfoot Global Head of Agribusiness, KPMG</i>	
<hr/>	
The Role of Bord Bia	12
<i>Tara McCarthy CEO, Bord Bia</i>	
<hr/>	
Co-ordinated Initiatives to Drive Strategic Growth	14
<hr/>	
Insights:	
Dairy Sector Insight	16
Meat Sector Insight	18
Other Agri-food Sectoral Insight	20
<hr/>	
Routes to Asian Markets	22
<hr/>	
Follow-up Points of Contact	26

## Foreword

Michael Creed, TD *Minister for  
Agriculture, Food and the Marine*



I am delighted to avail of this opportunity to underline the importance of Asia for the development of Ireland's Agri-food and fisheries sector, and I would like to acknowledge the work of Asia Matters and KPMG in putting this very useful report together, given Asia's strategic importance for Irish Agri-food exports.

Ireland's Agri-food sector is heavily export-focused. We are a country of over 5 million people that produces enough food to feed 50 million. Therefore the pursuit and development of new markets for Irish Agri-food exports is an ongoing and central component of the strategic development of the Agri-food sector. The Food Wise 2025 Strategy (see p.14), Ireland's national plan for developing the sector, outlines the huge potential for growth in exports to new, emerging and existing markets, particularly in Asia. Of course the decision for the UK to leave the EU has further exacerbated this requirement.

The remarkable success of our food exports in recent years is based heavily on the credibility of our food safety, animal disease control and regulatory systems, and on our efforts to advance and prove our sustainability credentials. The countries in Asia who import our dairy, beef, sheepmeat, pork, horticulture products, whiskey and consumer foods, would not import

one ounce of product if they did not have these assurances.

Since taking office as Minister for Agriculture, Food and the Marine in 2016, I have had the pleasure of visiting China, Japan, South Korea, Singapore and will shortly be visiting Indonesia and Malaysia. During this same period I have also had the honour of meeting with numerous high-level delegations visiting Ireland from Asia. During all of these meetings the major point I always take away is the excellent reputation that the Irish Agri-food sector has gained in this region.

China is a strategically important partner for Irish Agri-food. It is our third-largest trading partner in this sector. I value the mutually beneficial business and trading relationships between our countries and see great opportunities for building on this as China has a growing demand for food and beverages that are safe, nutritious and produced to the highest quality standards. Ireland ticks all these boxes



**‘I believe the very positive trading relationships that Ireland has with Asian countries will play a crucial role in enabling us to attain our ambitious targets’**

and has great natural and business resources in our people and our environment.

I believe the very positive trading relationships that Ireland has with Asian countries will play a crucial role in enabling us to attain our ambitious targets as set out in the Food Wise 2025 strategy, and will enable us to continue the great strides we have seen in this area. Total Agri-food exports globally have increased by over 74% from 2009 to 2017, to €13.6 billion, with the most significant growth taking place in non-EU destinations (+162%), which in turn is driven by growth in exports to Asia (+280%).

I was delighted to recently announce the opening of the Chinese beef market to exports from Ireland. The opening of this key market presents an excellent opportunity for the Irish beef sector, from farmers through to processors, in line with the market development theme of our Food Wise strategy. Opening and developing new markets is also a key part of our response to the uncertainties arising from Brexit.

## The Future Asian Demand for Food

Alan Dukes *Chairman, Asia Matters*



The Agri-food sector is of vital importance to the Irish economy and a core competency focus of Asia Matters. Understanding the future Asian demand for food is vital if Ireland is to succeed in the rapidly evolving Asian markets.

As former Irish Minister for Agriculture, I keenly appreciate the positive impact across all of rural Ireland of the success of Irish food and agribusiness companies.

This is now the Asian century as Asia accounts for 40% of global GDP and 60% of the global population with rapidly growing consumer middle classes who have developed new dietary tastes as a result of their foreign travel experience. Urbanisation is one of the leading causes of the increasing demand for food imports in Asia. The move from rural to urban living has resulted in a decrease in the proportion of the population engaged in subsistence farming and an associated decrease in the proportion of the population that are self-sufficient. This factor, together with the ageing of the rural population, will have major consequences for the agricultural labour force and for production in rural communities. The evolution of dietary patterns due to western

influences has led to a growing demand for less traditional foods such as meat and milk. All of these factors, together with higher purchasing power and increasing exposure to international dietary trends, result in a growing demand for imported food.

Within the dairy sector, Ireland now accounts for 15% of global infant formula supply, is highly successful at the premium end within the Chinese market and is now expanding into key South East Asia markets like Indonesia, Thailand, Vietnam and Malaysia. For the Irish beef sector, the opening of the key Chinese market presents an excellent opportunity for farmers and processors. The EU Japan EPA, due to come into effect in March 2019, will present significant growth potential for Ireland's Agri-food sector.

The Food Wise 2025 Strategy (see p.14) has a subtitle of 'Local Roots, Global Reach', reflecting the importance of gaining a deep



understanding of what consumers, often in distant markets, really want, and communicating those messages back to Irish farmers and food companies.

Equally important is the communication of key messages about what makes Irish food unique to the international market. Asia is a key target area.

In Bord Bia's *Prioritising Markets: Opportunities for Growth*, Asian countries are critical with China, Indonesia and Japan at the forefront. More than a quarter of all the meat produced worldwide is eaten in China and consumption rates are continuing to rise. In Japan, younger consumers are developing a taste for steaks, aged beef and leaner red meat. Indonesia's economy has grown at a steady 5.8% over the last 10 years and is predicted to be in the top seven economies in the world by 2030. The rapidly growing, more urbanised and prosperous middle class (estimated to be

around 30 million people) has driven the market for imported meat, especially beef.

Brexit clearly presents a very significant challenge for Ireland's Agri-food sector. Diversification into new global markets is a key risk mitigation response to the uncertainties arising from Brexit. Ireland has a highly valuable unique selling point in our safe and sustainable food chain supply as exemplified by Origin Green, and the industry integrated agriculture and food research of Teagasc.

With the global Irish dairy champions like Ornuu, Kerry, Glanbia and Carbery to global best-in-class companies like Alltech and Devenish that have evolved from agri-business to agri-technology companies, Ireland is well positioned to achieve the ambitious target of almost doubling agri exports to €19 billion with the creation of 23,000 additional jobs by 2025.

## Ireland's Potential Food Export Capacity

David Meagher *Head of Agribusiness, KPMG in Ireland*



The scene for this report has been set; we know that Asian demand is on the rise, and that Ireland produces quality, safe and nutritious food. But, with regulatory, geographical and sustainability challenges in mind, how best can we marry the two? That is to say, what is Ireland's potential to export food to Asia over the long-term?

The Agri-food sector is one of national importance and pride. It is our largest indigenous Irish industry, uses Irish raw materials and, because it is based throughout the country, adds to the vibrancy of our rural communities. Furthermore, it remains predominantly Irish-owned.

At the same time, Ireland is a small open economy with a unique exposure to the downside associated with Brexit. It makes sense, therefore, to expand the destination markets for our food exports. Fortunately, there is a clear opportunity to help satisfy increased Asian demand for safe, nutritious food.

Hard-won developments such as the Economic Partnership Agreement with Japan, the Chinese beef deal, and Cathay Pacific and Hainan's direct flights between Ireland and China are all testaments to the work done in facilitating this opportunity for the Irish Agri-food sector. However, there are a number of

pitfalls which we must avoid in order to stave off international competition and safeguard this valuable sector for generations to come:

### **We must innovate and drive entrepreneurship**

The Agri-food sector has successfully innovated to produce more food on less land than ever before. This trend must continue. The Irish Government must facilitate continued support for Agri-food research and development so that we maximise the efficiency with which we use our natural resources.

### **We must foster a sustainable industry**

In view of the ever-increasing demand for protein, Ireland must future-proof its Agri-food sector in order for it to remain viable for generations to come. Depleted fish stocks are already a cause of concern.

## 'The opportunity for the Irish Agri-food sector is too great to overlook'

### **We must develop relationships and find a route to the Asian market**

Asian supply chains are founded on trusting relationships, which require an investment of time and adherence to etiquette protocols. Without a profound understanding of our new trading counterparties, the Agri-food sector will not succeed in breaking into the Asian market.

### **We must maintain brand and reputation**

Our 'green' image is a competitive advantage that is unique to the Irish Agri-food sector. The positive impact of Bord Bia's Origin Green programme adds a credibility to this image which translates into value. At the same time, the sector is exposed to food scares and scandals such as melamine-laced milk in China, European horsemeat and numerous outbreaks of campylobacter. The Irish sector will not succeed if we do not continue to invest in consumer trust.

### **We must react to changing consumer trends**

Having historically directed our efforts towards satisfying the British consumer, we must now develop a deeper understanding of the specific tastes and preferences of Asian consumers so as to better cater to their markets.

### **We must collaborate**

We are at our best when we work together. Collaborative approaches to innovation, sustainability, development of Asian alliances, brand protection and a joined up response to the changing demands of Asian consumers are critical to the future success of the sector. The private Agribusiness sector must continue to engage with, and leverage from, Government bodies and vice versa.

In conclusion, the opportunity for the Irish Agri-food sector is too great to overlook. While the journey is not without its challenges and pitfalls, our rich agricultural history and current world class infrastructure puts us in superior standing to capitalise on this export market in a time of global disruption.

### **Key competitive advantages of the Irish Agri-food sector:**

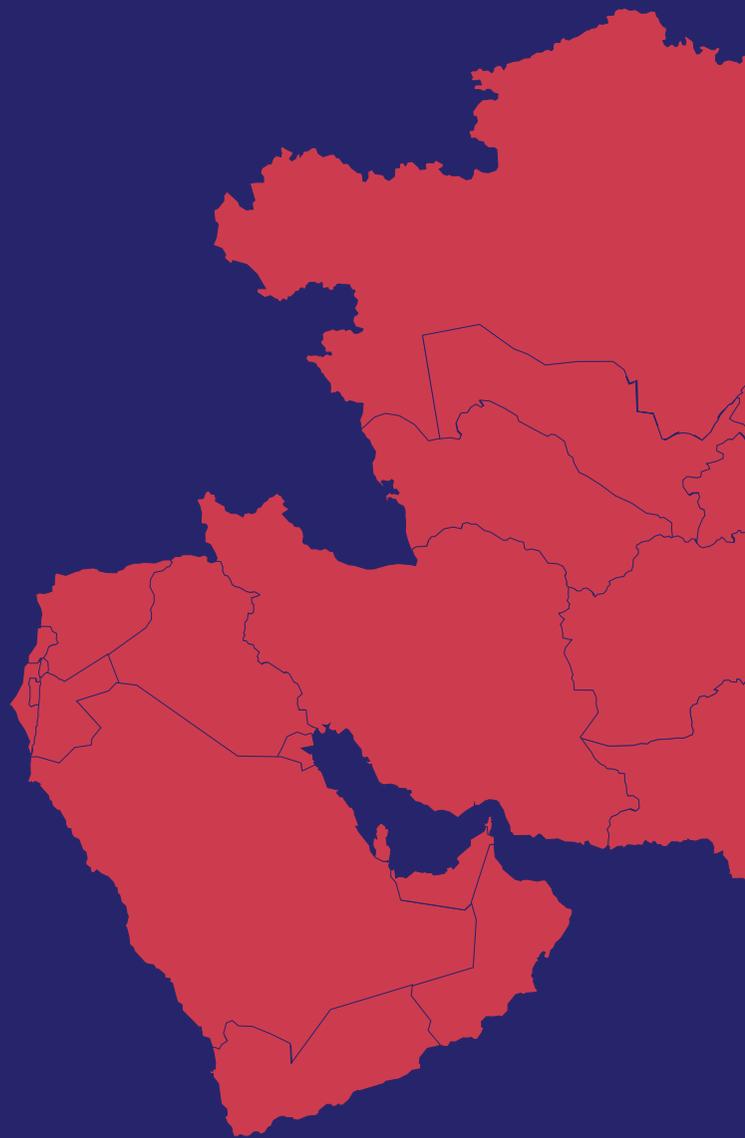
- Wealth and experience of human capital (technical and entrepreneurial skills)
- Temperate climate favouring grass-based livestock
- Lack of dependency on intensive feed systems
- Iconic drinks brands
- Established and credible quality assurance regimes
- EU single market access
- Recent investment in dairy production and processing
- World class dairy research capability
- Irish ability to invest in people and forge relationships

### **Difficulties faced by the Agri-food sector:**

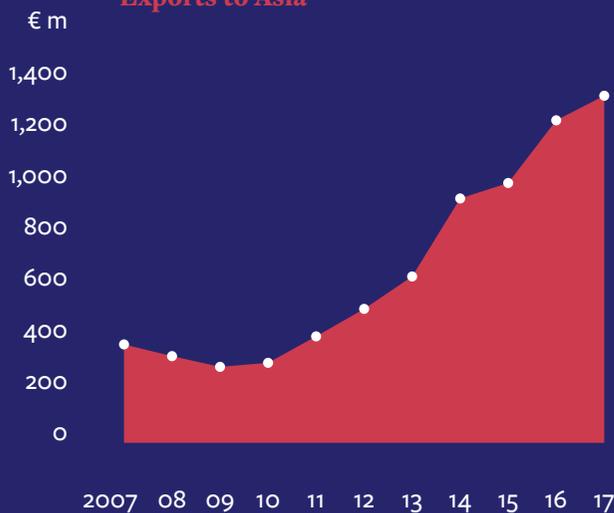
- Depth of key relationships
- Red tape and regulation (both Chinese and Irish/EU)
- Physical distance from Ireland to China
- Lack of land mobility
- Deficient insight into preferences of Asian consumer (including cultural differences and language barriers)
- Lack of scale
- Low meat profitability at a farm level and dependence on direct payments
- Dairy commodity product mix
- Cost competitiveness and exposure to global commodity pricing
- Access to finance

## Snapshot

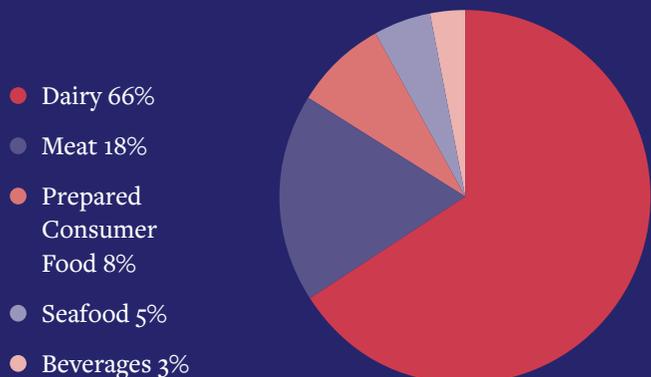
Outlined on the adjacent map are highlights of Ireland's Agri-food exports to Asia in 2017. Indirectly, it also exposes export opportunities which the Agri-food sector would do well to further develop and exploit, such as prepared consumer foods to China and Japan, or dairy to Malaysia and Indonesia.

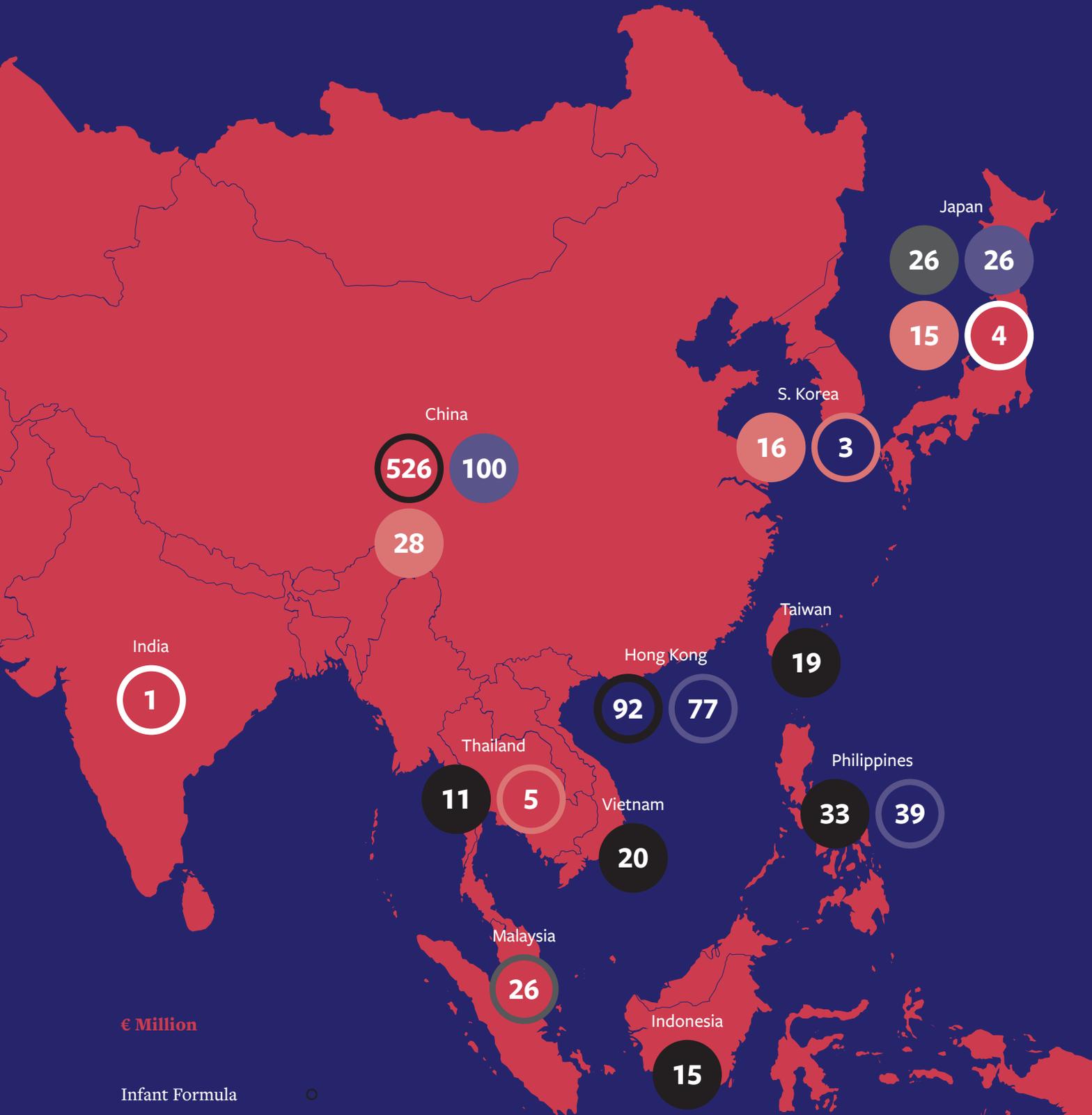


**Irish Food and Drink Exports to Asia**



**Percentage of 10-Year Irish Exports to Asia by Agri-food Category**





€ Million

- Infant Formula ○
- Dairy ●
- Cheese ●
- Milk Powder ○
- Pigmeat ●
- Beef and Beef Offal ○
- Seafood ●
- Prepared Foods ○
- Whiskey and Liquor ○



## A Vision for Success

1. Ireland
2. Agri-food sector: the farmers, fishermen, horticulturalists and food businesses who act as the custodians of our natural resources and environmental riches
3. Delivering quality, safe and nutritious food in a smart (innovative) and green (sustainable) manner
4. Invest time getting to know our Asian counterparties and articulate a unified and consistent industry vision
5. Emergence of Asia as a global superpower
6. Return value to the Irish economy by helping achieve a target of €19 billion in Agri-food exports by 2025

# Observations from a Global Agri-food Standpoint

Ian Proudfoot *Global Head of Agribusiness, KPMG*



Having oversight of KPMG’s global Agribusiness network, Ian Proudfoot is in a unique position to offer observations and insight to Irish Agri-food exports seeking to establish or expand their presence in Asia.

While ultimately the secret to success is investing time, the following are key learnings from his global Agri-food standpoint:

## **The Importance of Trust**

- Consumers in many Asian markets have limited trust over the provenance of the products that they are being sold – if it is not being counterfeited it is not worth buying.
- One of my clearest recollections from my first trip to Shanghai was being taken to see the in-store laboratory in a hypermarket operated by an international retail chain as consumers expected the company to test all the product coming into the store.
- Invest time and do your due diligence on prospective business partners and only finalise a deal when you are comfortable that values and aspirations are aligned. Invest time in finding the right business partner.

## **A Collection of Diverse Markets**

- You would not sell products

in the same way in Britain and Germany – why do it in China, Japan or Indonesia?

- I would always argue when seeking out premium niches for high values for products, ensuring you maintain a range of market opportunities is prudent.

## **Food as a Brand**

- Never overlook the fact that food is increasingly becoming just another branded fashion item; fashions change very quickly and can be influenced.
- Having a carefully designed social media strategy, effectively using social media platforms like WeChat, and engaging with the right key opinion leaders are critical to succeeding in Asian markets.

## **Be Flexible**

- First mover advantage is critical in Asia, and in my experience, Asian entrepreneurs are less risk averse than their Western counterparts.
- Build indigenous networks to

be able to detect policy changes in advance of them happening as rules and regulations can change quickly and valuable markets can vanish overnight.

## **The Role of Technology**

- Events such as Singles Day highlight the dominant role that ecommerce platforms play in Asian retail markets, and demand to get premium placements on market platforms like AliBaba and JD.com is intense.
- People research products and make buying decisions based on information that they can source online, so your brand has to have credibility in domestic markets.
- Exploring how you create country storefronts on these platforms and link with their increasing bricks and mortar assets is critical to securing prime electronic real estate on these sites.

## **Pricing**

- Never, ever forget the importance of price.

## The Role of Bord Bia

Tara McCarthy *CEO, Bord Bia, Irish Food Board*



In a global trading environment where many economies are becoming more protectionist, Asian markets are embracing a positive global trade mind-set.

Evidence of Asia's positive global trade mind-set is clear from China's One Belt, One Road policy as well as positive agreements between the EU and Japan and most recently the EU and South Korea. From Bord Bia's perspective Asia is an increasingly important market for Irish food and drink and this trend looks set to continue for the foreseeable future.

Exports of Irish food and drink to Asia have more than quadrupled over the last seven years to reach €1.3bn. The region accounted for over 10% of exports in 2017, which compares to just over 3% in 2010. China is the largest market for Irish food in Asia. In 2017, it was Ireland's 2nd largest market for dairy and pigmeat. With Ireland's position, secured earlier this year, as the first EU member state approved to export beef, good opportunities for further growth exist as Chinese demand continues to grow across key sectors.

Bord Bia's role is to strategically assist Irish companies in building a strong market understanding of the region and help identify

business development opportunities. Given the vastness of the regions it's important to be able to prioritise our presence and activities. With that in mind Bord Bia, in partnership with the Department of Agriculture, Food and the Marine has completed a market prioritisation programme over the last year. The main objectives of this work have been to examine the potential attractiveness of different markets and determine the potential for Ireland to supply growth opportunities. It came as no surprise that from a dairy and meat perspective eight of the top 15 markets identified lay in Asia. The output of this work will guide Bord Bia's resources and activities in the region over the coming years.

The role of the Department of Agriculture, Food and the Marine (DAFM) is critical in the region both in terms of advancing market access and growing the profile of Ireland as a supplier of safe, secure and sustainable food and drink products at both G2G and B2B level. Since 2015, Ministerial Trade Missions have taken place to



**‘Exports of Irish food and drink to Asia have more than quadrupled over the last seven years to reach €1.3 billion’**

China, Vietnam, Singapore, South Korea and Japan with a mission to Indonesia and Malaysia imminent. In 2017, Bord Bia was successfully awarded the opportunity to promote EU beef and lamb in China and Japan as part of a three-year €3.75m campaign. Off the back of this success it was announced in October 2018 that a further €3.93m has been secured to promote EU beef and pigmeat across South Korea, Philippines and Vietnam until 2021.

2018 has been an exciting time as we have recruited additional Market Specialists in our Singapore and Shanghai offices and are currently in the process of identifying a suitable representative to be placed in Tokyo delivering opportunities in North East Asia. We remain strongly committed to Asia and our strategy, in line with that of our stakeholders, is to work diligently to nourish our relationships with existing partners and high quality prospects in the region with a view to helping deliver sustainable business relationships for our Irish exporters.

## Co-ordinated Initiatives to Drive Strategic Growth

Through its Department of Agriculture, Food and the Marine, and Bord Bia, the Irish Government has a cohesive approach to the growth of the Agri-food sector, reflecting the collective industry vision, in a range of strategic initiatives outlined here.

### **The Food Wise 2025 Strategy**

Food Wise 2025 sets out a 10 year plan for the Agri-food sector. It underlines the sector's unique and special position within the Irish economy, and it illustrates the potential which exists for this sector to grow even further.

The Food Wise 2025 strategy was agreed by a committee of 35 stakeholders from the Agri-food sector. It foresees a sector that acts more strategically and achieves a competitive critical mass in the international marketplace while targeting more quality conscious consumers who will recognise and reward Ireland's food producers for their sustainable production and high quality produce.

### **Origin Green**

Origin Green is Bord Bia's food and drink sustainability programme. This programme enables Ireland's food industry to set and achieve measurable sustainability targets that respect the environment and serve local communities more effectively.

At a farm level, the programme undertakes almost 800 independent sustainability assessments each week. Following each audit, the farmer receives notification of the results in a feedback report on the farm's performance, with reassessments every 18 months. This allows them to make informed decisions on improving the sustainability of their farms while also improving their efficiency and farm viability. Origin Green is a key contributory

factor in the promotion of Ireland's sustainable Agri-food offering.

### **Bord Bia's Prioritising Markets: Opportunities for Growth**

The opportunity to enter new marketplaces is one every ambitious food and drink company must consider at some point. Whilst the UK and European markets remain vitally important for Irish food and drink manufacturers, diversification in the international marketplace has been a strengthening component of our industry over the last decade.

The Prioritising Markets report offers concise overviews of 75 in-depth studies conducted across a range of priority markets by Bord Bia. It represents the most detailed and broad ranging study of the international opportunity ever undertaken on behalf of our food and drink industry.

### **Bord Bia: PERIScope China**

PERIScope is Bord Bia's comprehensive review of food attitudes, shopping and cooking trends amongst a nationally representative sample of adults.

This report is a comprehensive review of purchasing and eating habits amongst a nationally representative sample of adults in the Chinese market. It covers topics such as eating at home, attitudes towards cooking, local food, sustainability, the environment, grocery shopping and health and wellbeing.



## Dairy Sector Insight

**By far the biggest category within Ireland's Agri-food export sector is that of dairy. The temperate Irish climate and grass-based livestock provide for quality and nutritious produce which are well placed to satisfy Asian demand.**

After the abolition of quotas in 2015, the Irish dairy industry has grown significantly with over 7 billion litres of milk produced in Ireland in 2017. As capacity, processing facilities and Irish dairy companies expand, so too do our export capabilities.

The Irish dairy industry is heavily export focused with €4.6 billion worth of Irish dairy products exported to almost 140 countries in 2017. The experience and expertise that we have in exporting to international markets is key to our continued growth into Asia. Over the past 10 years, Irish food and drink exports to Asia have risen from €350 million in 2007 to €1.3 billion in 2017. Of this total figure, dairy is the most significant category with a total of €850 million of exports to Asia last year. The highest proportion of this goes to China where preparations for infant milk formula lead the way.

Asia is a strategic export market for Ireland as populations, incomes and consumption of dairy continues to grow in many Asian markets. Bord Bia's 'Prioritising Markets' (see p.14) report identified Indonesia, Malaysia, Vietnam, Philippines, South Korea, Japan and China as markets that could be targeted by dairy exports.

Growth was recorded in 2017 dairy exports from Ireland to well established markets such as China and the Philippines. The Philippines is becoming an increasingly substantial importer of Irish food and

drink products. Last year represented the largest increase in value of Irish food and drink exports, increasing 89% to €83 million. Rapidly rising demand for dairy imports can be seen in other Asian countries that are not currently importing large volumes from Ireland, such as Indonesia and Malaysia. This represents a significant opportunity for the Irish dairy industry.

Dairy has lower barriers to entry than meat into Asian markets, however tariffs and red tape can still present a challenge for Irish companies exporting dairy based products. For example, to export dairy into Indonesia sellers are required to obtain a dairy import permit from the Indonesia Department of Agriculture, complete plant approval certification via the Directorate General of Livestock Services and have a valid Halal certificate reviewed by the Indonesia Ulema Council.

Ireland's ability to produce high-quality dairy ingredients with world-class food safety standards is a competitive advantage in the Asian market. Other competitors such as New Zealand and the Netherlands also leverage these aspects of their own production systems. Initiatives like Origin Green help to promote our 'natural' image and emphasizes Ireland's grass-based production system and sustainability competency.

Another challenge for Irish dairy exporters in the Asian markets is strong competition from other export countries such as New Zealand. Progress is being made in this area and this is highlighted by recent trade deals such as the EU Japan Economic Partnership Agreement and the EU-Vietnam trade deal. These agreements reduce costs on Irish dairy exports and allow us to be more competitive with other established players in these markets that are not subject to tariffs.

**Over  
7 billion**

litres of milk produced  
in Ireland in 2017

Dairy exports  
in 2017 reached

**€4.6  
billion**

To almost

**140  
countries**

around the globe

Irish food and drink exports  
to Asia in 2007

**€350  
million**

Irish food and drink exports  
to Asia in 2017

**€1.3 billion**



## Ornua’s Asian focus

Sean Ryan *General Manager Ornua Asia*

**Ornua is an Irish Agri-food cooperative, which markets and sells dairy products on behalf of its members: Irish dairy processors and Irish dairy farmers. The cooperative is Ireland’s largest exporter of Irish dairy products.**

Ornua is the driving force of Irish dairy exports and is Ireland’s largest exporter of primary dairy products, exporting to over 110 countries globally. Asia is an exciting strategic growth market, not only for Ornua, owner of the Kerrygold brand, but for the Irish dairy sector generally. Three-fifths of the world’s population live in Asia and its dairy consumer base is expanding via a growing teen and young adult population, and a growing middle class. Irish dairy exports to Asia in 2017 grew 6%, to €850 million, and China is now Ireland’s second largest dairy export market. While the volume growth is primarily driven by demand for milk powders and infant formula, there is growing value in the natural cheese and butter segment, offering significant opportunities for Kerrygold.

Unlike their parent’s generation, Millennials and Generation Z in Asia

have grown up on dairy and whilst many middle-class shoppers are familiar with cheese, it is mostly processed cheese that is sold in the region. This opens up significant opportunities for Kerrygold to grow its consumer offering in the rapidly expanding and sophisticated dairy category. We see a shift in demand to natural cheese, based upon trends in other markets and upon increasing consumer knowledge about the nutritional and taste benefits of natural cheese. Ireland offers consumers a compelling purchase option due to its grass-fed dairy production system, its quality milk and its rigorous food safety standards. Ornua’s focus going forward in Asia is on bringing high quality, safe and nutritious grass-fed, natural cheese and butter to an ever-growing population of eager consumers.

## Milk Powder Case Study

**Irish dairy commodity powder exports increased in 2017 with growth attributed to rising demand from international markets. Asian markets offer ample opportunities for export of Whole Milk Powder, Skimmed Milk Powder (SMP), Whey, Casein and others.**

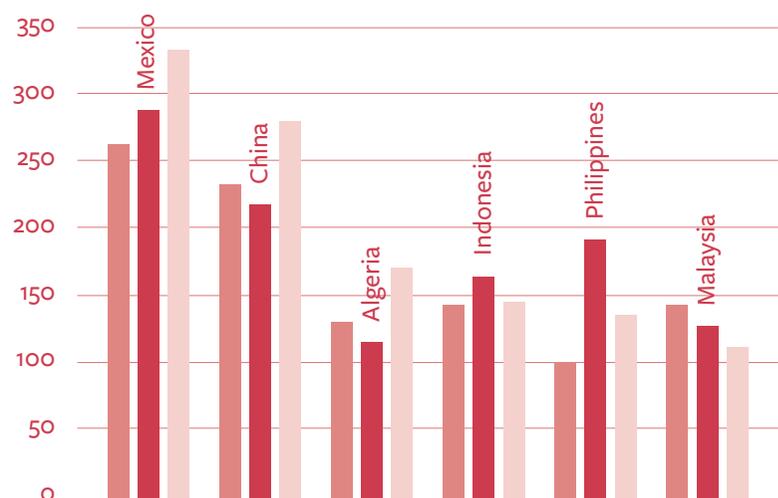
Data from the Food and Agriculture Organisation (FAO) shows that four out of the top six SMP importers in the world are in Asia. This shows the scale of the opportunity that exists for supply of dairy into Asia. Especially when rising populations, demand and disposable income are taken into account.

Positive health effects from dairy are widely advertised and are a key selling point in Asian markets. For example Dutch Lady Milk Industries Bhd, the market leader for drinking milk products in Malaysia

### Top 6 Global SMP Importers Thousand Tonnes – Milk Equivalent

- 2015
- 2016
- 2017

*\* Data is from FAO Dairy Market*



use taglines such as ‘Drink, Move, Be Strong’, ‘Building Strong Families’, ‘The Nutritious Taste Your Kids Will Love!’.

The emphasis on families in the above marketing carries through to

the rise in popularity of growing-up milk powders in many Asian countries. The increase in this product category represents a high-value potential target for Irish dairy ingredients.

## Meat Sector Insight

**Ireland's beef industry is renowned for its natural, grass-fed production system, strong traceability controls and advanced genomics schemes.**

The green, natural image of Ireland along with high food safety, traceability and quality assurance standards means that we have a unique offering for the Asian market. With disposable incomes growing, emerging middle classes expanding and urbanisation increasing in many Asian countries, the potential for Irish meat exports has never been greater.

In 2017, Bord Bia won a contract to promote EU beef and lamb to businesses in China, Japan and Hong Kong. The campaign promotes 'Excellence in Food Safety and Sustainability'. The expertise and skills that Bord Bia have and further develop in this project are of great advantage to beef businesses in the EU and in Ireland.

### Beef

In 2017, Ireland exported over 550,000 tonnes of beef. Of this, only 34,000 tonnes were exported to international markets outside of the UK and Europe. There was some positive features for Ireland-Asia exports as over 55% of international exports were destined for the Philippines and 11% for Hong Kong. Growth was also recorded in export figures to Vietnam, Singapore and Thailand.

Strong competition from Indian buffalo meat and Australian beef can be felt in Asian markets. Chinese domestic production of beef is also growing. However, it is believed that these producers will be unable to keep up with fast growing consumption rates.

Japan is one of the largest meat importers in the world and the recent Japan-EU trade deal offers new opportunities for Irish producers. In 2017 over 40,000 tonnes of Irish beef was sent to Japan with a tariff of 38.5%.

Over the next 15 years this is expected to reduce to 9% in increments. This will make Irish beef exporters significantly more competitive. This offers notable potential for Irish companies to increase supply volumes and profitability as well as the potential to explore other cuts that may not have been commercially viable under the old regime.

The Japan deal also offers substantial opportunities to other areas of the Irish meat industry, particularly for the pigmeat sector.

### Pigmeat

The Irish pigmeat sector is performing well in the export arena with a 16% increase in the value of exports last year. International markets accounted for 25% of pigmeat exports in 2017. Strong growth was seen in exports to Japan and the Philippines, with China staying relatively unchanged.

A priority for the Irish pigmeat sector is reducing dependency on the UK market by expanding market access and growing exports to other international markets.

### Sheepmeat

Sheepmeat exports from Ireland are relatively small in comparison to some other sectors within the meat industry. However, exports are growing, with a 12% increase in value in 2017 versus 2016.

South East Asia holds many possibilities for Irish sheepmeat exporters. Many Asian markets

# 5<sup>th</sup>

Ireland is the fifth largest net beef exporter in the world with exports valued at €2.4 billion in 2017

# €127 million

The value of Irish exports of beef to Asia in 2017 (of which €92m relates to beef offal)

# €146 million

The value of Irish exports of pigmeat to Asia in 2017

# 20 ×

The average Chinese person now consumes 20 times more meat annually than they did 50 years ago

are experiencing a growth in demand for sheepmeat with Hong Kong, Vietnam, Taiwan and Malaysia all looking promising. China has seen a recent rise in demand for lamb, where mutton would have historically been the primary consumption source. This shift can be attributed to rising consumer incomes.



## Chinese Beef Deal

**In 2007, Irish exports to China were approximately €350 million, in 2017 this figure reached almost €1.3 billion. The new beef deal represents an opportunity for Ireland to significantly increase this figure.**

Currently beef consumption per capita in China is relatively low in comparison to other countries. However, consumption is rising fast and over the last 30 years Chinese demand for meat has quadrupled with the country now consuming one quarter of the world's meat supply. This growth is expected to endure as the middle class population

continues to grow and urbanisation persists.

The entry of Irish beef to the Chinese market is not without its challenges as we will need to try and secure a premium for our beef. Chinese consumers do not recognise the advantages of 'grass-fed' as much as consumers in other countries and there is strong competition from other established exporters with cheaper, grain-fed alternatives.

However, Bord Bia's Periscope report last year identified a growing proportion of environmentally conscious consumers with 7 in 10 Chinese adults claiming to be more conscious of environmental issues in their choice of products today, with

a similar proportion stating that their preference is to buy from companies that are aware of the impact of environmental issues. This represents the prospect for Irish beef exporters to market to this growing segment of Chinese consumers.

There are big opportunities for Origin Green and digital marketing here. Irish beef exporters and trade bodies will need to work together to create and communicate the Irish beef story and brand. As one of the most digitally connected countries in the world, China presents the opportunity for the high quality and high value of Irish beef to be communicated through digital channels and social media.

## Other Agri-food Sectoral Insight

**Other Agri-food exports from Ireland to Asia mainly comprise seafood, prepared consumer foods, beverages and Agri-tech animal nutrition products.**

### Seafood

According to the Food and Agriculture Organisation, consumption of seafood is projected to grow by 42 million tonnes per annum over the next 10 years, as the world population is set to reach 8 billion people by 2025.

Irish seafood exports are growing and last year approximately €666 million worth of seafood was sent to over 70 markets around the world. This export value represented a 10% increase on 2016 value. Species exported included pelagic fish, shellfish and white fish with mackerel, herring, horse mackerel, haddock, whiting, mussels, prawns and brown crab amongst the most commonly produced species.

In 2017, Asian seafood exports generated €79 million of revenue representing approximately 12% of total seafood exports. This was a 10% increase on the previous year. Demand for seafood is growing in Asia as it is an important protein source for the expanding middle class. This has been highlighted in China where per capita consumption

of seafood has trebled in over the last 25 years. China and South Korea are significant export markets for Ireland and both saw growth in Irish trade last year. The largest subcategories of seafood exports to China were molluscs (23%), crab (22%) and mackerel (18%). Molluscs were also very important in Irish seafood exports to South Korea at 85%, followed by whiting (10%) and horse mackerel (2%).

### Chocolate confectionery

Chocolate confectionery includes all chocolate based products, including boxed chocolates, moulded chocolate bars, chocolate covered bars, seasonal novelties and local specialities. Premium boxed chocolates are a particular area of growing potential for export. Asian countries with growing demand for luxury products such as Hong Kong and Japan are particular targets for this sector. In 2017 a slight increase in Middle Eastern and North African markets helped to balance a decline in sales to European markets.

Ireland has a number of strong, premium chocolate brands involved in the export market. These companies can leverage the Irish heritage, artisan image and high quality to leverage the brands in a global marketplace.

Irish Seafood exports in 2017

**€666 million**

to over

**70 countries**

worldwide

Global consumption of seafood is projected to grow by

**42 million tonnes**

per annum over the next 10 years

‘Growing middle classes in emerging markets are becoming increasingly sophisticated and are demanding products to fulfil a growing range of functional and life stage needs from health and wellbeing (vitamin and protein enhancement, healthy

ageing), nutraceuticals, sports nutrition, early years child and infant nutrition, convenience foods and in addition food which can be shown to be natural, sustainably produced and meets a range of ‘free from’ requirements.’

—Department of Agriculture, Food & the Marine, Food Wise 2025



## Carbery's Asian Ambitions

Jason Hawkins *CEO*  
*Carbery Group*

**Throughout Carbery's 50 years of existence, we have always looked to grow across new products and in new markets.**

With a strong focus on investments in technology we have broadened our product portfolio across our Dairy, Nutrition and Taste platforms to service the needs of our customers globally. We have evolved from a business focused on servicing the Irish and UK markets to a business



with manufacturing and product development operations in Ireland, UK, Italy, USA, Brazil and Thailand. Our strategy to diversify into new products and markets is even more important in today's world of Brexit and trade war uncertainties. We view Asia as being a particularly important market for us as we move forward. Building on our presence in Thailand we have developed business

relationships and customers right across Asia. We are continuing to invest in our infrastructure, in terms of assets and people, across Asia with a view to significantly grow our regional business along with our partners and customers. Carbery is committed to the Asian marketplace for the long term and as such we will continue our journey from West Cork into the global marketplace.

---

## A Vision for Whiskey

**The Irish Whiskey Association has an ambitious strategy to grow exports to 12 million cases per annum by 2020, and to double them again to 24 million cases by 2030.**

It further aims to grow Irish Whiskey's global market share from 4% to 12% by 2030. Asian countries account for relatively little (circa 1%) of total exports of Irish Whiskey, so the opportunity is evident in the overall context of the industry's future, with reference to the strength of the Scottish whiskey and surging Asian demand for whiskey, particularly in India and China.

Consumer demand for innovative premium products with a strong story has given rise to a new generation of smaller independent distilleries seeking to establish their share of the market's forecast investment and growth. One such Irish indigenous operation is the Tipperary Boutique Distillery which is aiming to increase its Asian exports going forward. Managing Director Jennifer Nickerson notes the difficulty for Agri-food small and medium enterprises in complying with Chinese and Taiwanese importation paperwork and specific labelling requirements by comparison to the USA, Russia or Australia. On the importance

of relationships, she notes: 'At Tipperary Boutique Distillery, we are lucky enough to benefit from an intergenerational family relationship with our Chinese importer, which is of enormous value in the establishment of a trusting relationship. With regard to breaking new ground in other Asian countries, we've found that finding the right importer isn't enough. We've only experienced growth in sales once we've managed to put boots on the ground and tell our story face-to-face.'

In Japan, whiskey is enjoyed with lots of water and ice, and in China with cold green tea.

## Routes to Asian Markets for Irish Food, Beverage and Agri-Business Companies

Martin Murray *Executive Director Asia Matters and Honorary Consul of The Republic of Indonesia in Ireland*



When Irish companies want to access Asian markets, the key challenge always is to strategically build relationships of trust with the right partners.

Finding the right partners can be time consuming and therefore expensive and can delay market growth plans.

Accordingly, with the proviso that you are very clear on what you wish to do in-market within a defined time scale and what specific partner profile you are seeking, Asia Matters would recommend for Irish companies to consider five avenues within which to actively engage in partner search.

### 1. Within Ireland – Irish organisations

Of course the first point of call here would always be Bord Bia given their expertise and increasing market presence in Asia. Equally the international division within the Department of Agriculture, Food and the Marine has considerable knowledge and networks in Asia and is also highly supportive of Irish companies and DAFM can advise you of specific Asian country market access criteria beyond those from Ireland. The Department of Business,

Enterprise and Innovation also have a core team dealing with market access challenges, can advise and feed your concerns into EU Asia trade discussions and agreements. Finally, you should engage with sector experts in consultancy firms with global reach such as KPMG who can liaise with Asian colleagues on the ground in market. The re-opening of the Chinese market to Irish beef exports after 18 years is a significant development. Equally the EU Japan EPA (Economic Partnership Agreement) is of particular importance to Ireland's Agri-food sector. Due to commence in March 2019, the EU Japan EPA will see Japan eliminating duties on more than 90% of EU agricultural exports from day one opening up new market opportunities from cheese to meat to whiskey for Irish companies.

### 2. Within Europe – Asian organisations

In Ireland itself the Asian embassies can be a useful door opener to relevant colleagues

at HQ back home in Asia. Currently Asian embassies in Ireland include China, India, Japan, Korea and Malaysia with the expectation that Indonesia, Thailand and Vietnam will open an embassy in Dublin in the near future though Ireland is currently handled from London similar to The Philippines. As is always the case with government officials, progress depends on getting buy-in from a sufficiently senior official with the right contacts internally. Most embassy staff sincerely wish to help and again here you need to be specific on the ‘ask’ and approach in a timely manner before you plan to visit the market. Equally the ‘who’ is just as important. Clearly the Ambassador is the most important and may directly assist or direct you to a relevant colleagues who handles agriculture, for example the Agricultural attaché for Indonesia who handles Europe is based in Brussels. Despite the goodwill, given limited resources amidst significant time demands including political, cultural and consular relations, Asian embassies may simply be a first step and may link you into sister trade agencies who are very business focused like JETRO for Japan and KOTRA for Korea which are both based in London and can particularly be of value.

### 3. Within Asia – Team Ireland in Asia

Parallel to the significant growth in Asia market trade growth for Ireland is a significant increase in Team Ireland resources on the ground who have good business networks and can open relevant doors. In addition to Bord Bia colleagues, Irish Ambassadors and their teams along with Enterprise Ireland and IDA Ireland across Asia are particularly helpful to Irish executives. The Irish Embassy in Beijing has an Agricultural attaché seconded from the Department of Agriculture, Food and the Marine. You can see a full list of Irish Embassy staff in Asia on [www.dfa.ie](http://www.dfa.ie). In Asia government approval really matters and there is no more important Irish government official on the ground than the Irish Ambassador who is knowledgeable, deeply respected and can be a font of insight, guidance and support. Depending on the country and number of Irish working locally, there may also be non-competitive Irish agri firms already present and an Irish Chamber of Commerce who can assist.

### 4. Within Asia – Asian organisations

Within Asian government ministries, state

agencies and business organisations, there are many relevant senior stakeholders who can help Irish agri-companies. As always, it depends on who is introducing you and how your offering is of value to the local economy. Introduction from the Irish government or peer Asian government colleagues is deeply respected. In talking with ASEAN ministries of agriculture, they have all said that subject to correct introduction and clear value offering, they would be happy to assist. In essence this means that if an Irish company wished to enter a new Asian market with a specific business plan of value added benefit to the local economy in terms of employment and upskilling, the ministry could possibly assist by recommending up to five reputable local partners. Clearly such a screening would save significant time and money in finding the right strategic partner in a key Asian market. Similar opportunities exist in China, Japan and Korea though with certain additional cultural and operational complexity.

### 5. With Ireland and UK – Japanese trading companies

The *sogo shosha* are very large Japanese trading companies with global reach and have been trading internationally in a wide range of goods and services for over 150 years. These companies are embedded across Asia with huge industry networks, have tremendous insight into changing market trends and can collect your product from Ireland and handle all distribution to local delivery into Asian markets. Clearly you pay accordingly for this service but it is certainly a very efficient channel for quality Irish food products to be taken from factory floor and put directly on to the supermarket shelves in Asia. Like all Japanese companies, the *sogo shosha* are obsessed with quality and if you have a global best-in-class product valued by Asian consumers, then this is a relatively quick route to market. Mitsui has an office in Dublin and the other *sogo shosha* all have offices in London: Mitsubishi, Marubeni, Sumitomo and Itochu.

There is a Japanese saying that ‘you buy in your own language, you sell in the customer’s language’. Beyond linguistics there is the need to show the necessary cultural respect from first contact by displaying good business etiquette to begin building the necessary trust in the personal relationships. If you move beyond standard technical and finance criteria, we



ultimately prefer to do business with people we like and continue to do business with people we trust. Win – win partnerships in Asia are perceived in a different time frame. Reliable partners want long term relationships and very often this includes a personal friendship for life. As long as you keep your quality commitment, loyalty is strong. Nevertheless, Irish and Asian cultures at a general level have core differences which Irish people must respect to build bonds of trust and sustainable partnership. The following are key points of business etiquette to be observed.

1. In Asia, government is very powerful and in meetings with government officials, there is a strict hierarchy where attention to the most senior person is vital. As throughout Asia, their sense of honour ‘face’ before others is most important. Regardless of rank, role or age, people are not criticised in front of others. This also applies to corporate meetings. Formality and politeness are essential in all of Asia. Group behaviour is carefully observed to judge harmony/division and clarity re: leadership and real messaging.
2. Irish people often meet Western-educated English speaking Asians. These tend to be middle management and below. Business is dominated by older Asians who perhaps do not speak English or are shy to do so as do not wish to lose face. In meetings look at the most senior person who will sit down first/eat first – hierarchy is similar to meeting military. Do not only look at English speaker interpreter/colleague. Asians are often expert negotiators and always keen to find sustainable ways to make new sales in strategic sectors.
3. Like all of Asia, life is often organised around food and respect for dining etiquette is appreciated, e.g. the most senior eats first, shared food with the tastiest pieces is left for others, use of chopsticks/trying to, filling other person’s glass. Food is shared in group setting – with different use of chopsticks or spoon or both. Anecdotally it is said that Koreans use metal chopsticks as historically royalty used silver chopsticks to detect poison in food, a then favoured way of assassination.

*Note: In Asia never leave chopsticks standing up in rice as only used in funerals, particularly Buddhist.*

4. Important to distinguish communication style and level of formality between business meetings and evening socialising/drinking/ karaoke. It is critical not to mix the two, whereas socialising builds good personal relations, meetings next day are formal and focused.
5. In Muslim democracies like Indonesia and Malaysia, people are very friendly and respect a similar authenticity from Irish people. As with all cultures, a few words of greeting and appreciation in the local language works wonders. Given the languages are almost identical it is possible to use same for both. Here I give the Indonesian version:
  - Selamat Pagi:* Good morning
  - Selamat Siang:* Good afternoon
  - Selamat sore:* Good evening
  - Selamat malam:* Good night
  - Apa kabar?:* How are you?
  - Kabar baik:* I’m good
  - Terima kasih:* Thank you
  - Sama Sama:* You are welcome
  - Saya John dari Irlandia:* I am John from Ireland
 Indonesians are friendly, cheerful and relatively informal so it is fine to use first name. It is a good idea to call every man *Pak* and every woman *Ibu*, e.g. they will call you *Pak John* or *Ibu Mary*.

*Note: Many Indonesians do not carry business cards and prefer to use WhatsApp over email so make sure you are on WhatsApp before you visit and for key people, connect on WhatsApp before end of meeting. (Similar to WeChat for people in China.)*

In summation, Irish companies need to ensure that their value proposition is clear and distinct and of real value in market. Furthermore, Asian partners need to see that you bring more to the table than simply quality products and finance but also knowledge, innovation and a commitment to long term local partnership.

## Follow-up Points of Contact



**The Department of Agriculture, Food and the Marine** is a department of the Government of Ireland. The mission of the department is to lead the sustainable development of a competitive, consumer focused Agri-food sector and to contribute to a vibrant rural economy and society.

## AsiaMatters

**Asia Matters** is Ireland's only Asia think tank, a member driven knowledge and connectivity hub for Asian business and partnership. Chairman Alan Dukes is former Minister for Agriculture.



**KPMG** is a leading professional services firm at the heart of business in Ireland. Our national and international cross functional agribusiness professionals focus on understanding the issues faced by agribusiness companies and developing tailored solutions to meet these challenges.



**Bord Bia** is an Irish state agency with the aim of promoting sales of Irish food and horticulture both abroad and in Ireland itself. It acts as a link between Irish producers and their customers worldwide.

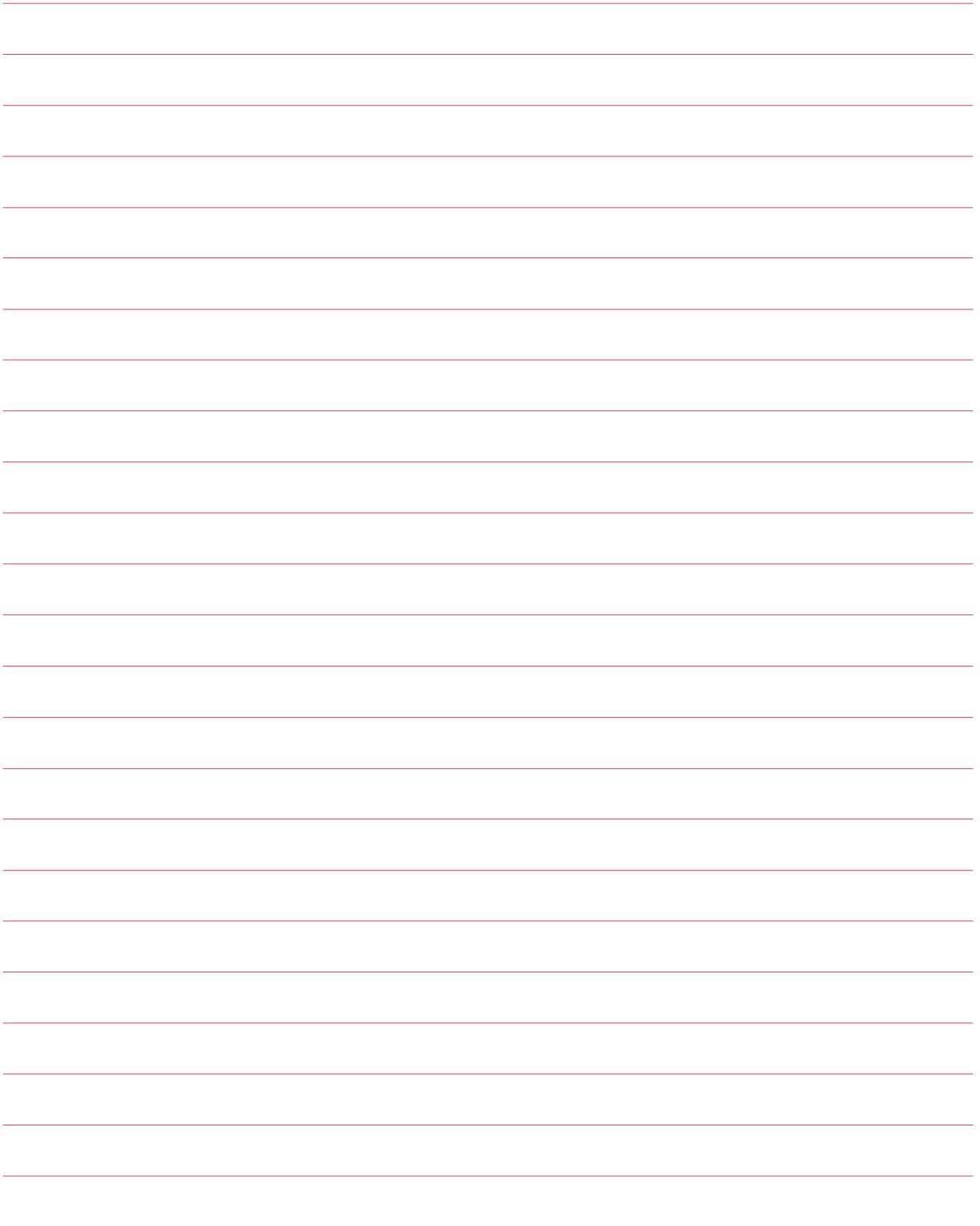


**Teagasc – The Agriculture and Food Development Authority** is the semi-state authority in the Republic of Ireland responsible for research and development, training and advisory services in the Agri-food sector. It provides research, advisory and education in agriculture, horticulture, food and rural development in Ireland.



**Bord Iascaigh Mhara** is the agency of the Irish state with responsibility for developing the Irish marine fishing and aquaculture industries, which it helps by providing technical expertise, business support, funding, training and promoting responsible





## Priorities for Ireland's Agri-food Export Sector to Become Asia-ready

- Consistently deliver world-class biosecurity
- Further develop awareness of 'green' brand in Asian countries
- Innovate with Asian customers
- Develop future Asia-facing, Agri-food leaders
- Prioritise sustainable food production
- Coordinate and collaborate to deliver a joined up approach
- Sign high quality trade agreements with Asian customers
- Articulate a collective industry vision
- Encourage exporters to invest the time and put feet on the ground
- Find ways to widen channels of Irish-Asian connection
- Know your customer

