

United Nations Conference on Trade and Development

National Workshop on

Fostering Integration of the Mongolia Downstream Value Chain of Meat into Regional Value Chains

29 January 2021, Ulaanbaatar, Mongolia

Market Analysis of Key Export Markets

By

R. Perez, UNCTAD, and M. Boldbaatar, MICC

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Market Analysis of Key Export Markets

**“Integrating Landlocked Commodity Dependent Developing Countries into
Regional and Global Value Chains: Mongolia – Meat Market”**

January 2021

Table of Contents

1. Analysis of 5 destination markets

- ❑ China
- ❑ Russia
- ❑ Japan
- ❑ Vietnam
- ❑ Kazakhstan

2. Meeting international standards for meat exports – Market Entry Guide

- ❑ China
- ❑ Russia
- ❑ Japan
- ❑ Vietnam
- ❑ Kazakhstan

3. Overcoming the challenges to access Chinese markets

- ❑ Exporting companies
- ❑ Quotas
- ❑ Conclusions and recommendations

4. Conclusions and recommendations

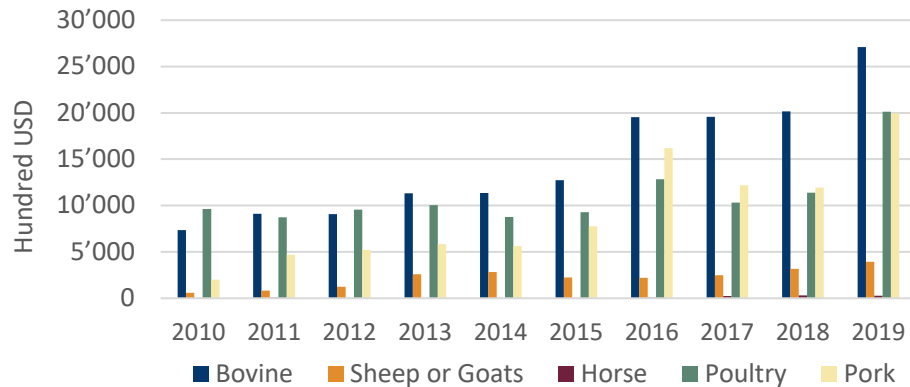
- ❑ Institutional recommendations
- ❑ Commercial recommendations

1. Analysis of 5 destination markets - China

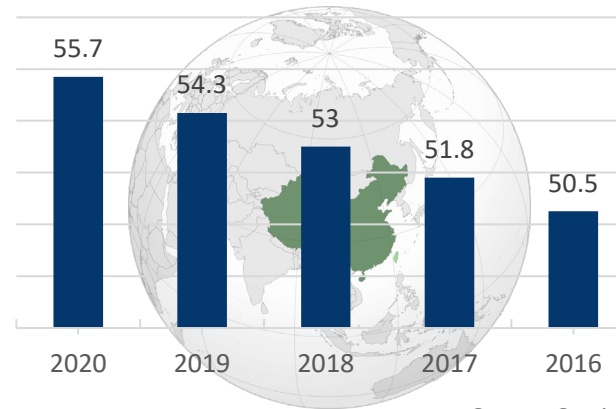
Key statistics

- China is the world's **most populous country** with just under 1.4 billion residents.
- The population of China consumed **more than 75 million tonnes** of meat in 2018
- The OECD further predicts meat consumption per capita will **increase by 8%**.
- Beef was the highest valued imported meat kind, amounting to **nearly USD 8 billion**.

Graph 1. Total Meat Import, by Value, between 2010 and 2019

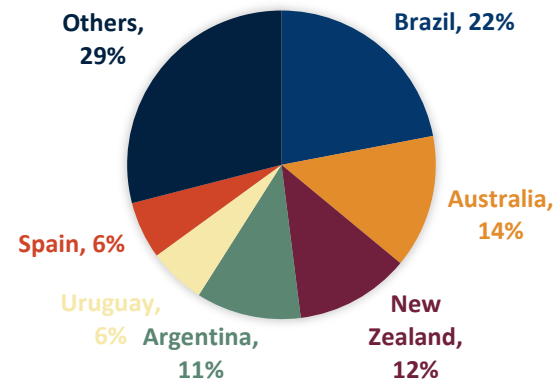


Graph 2. Per capita consumption of meat products in China from 2016-2020 (in kg)



Source: Statista

Graph 3. Total Meat Suppliers in China in 2019



The global meat consumption increased by 2% a year and almost **half** of which came from China

1. Analysis of 5 destination markets - China

Key statistics

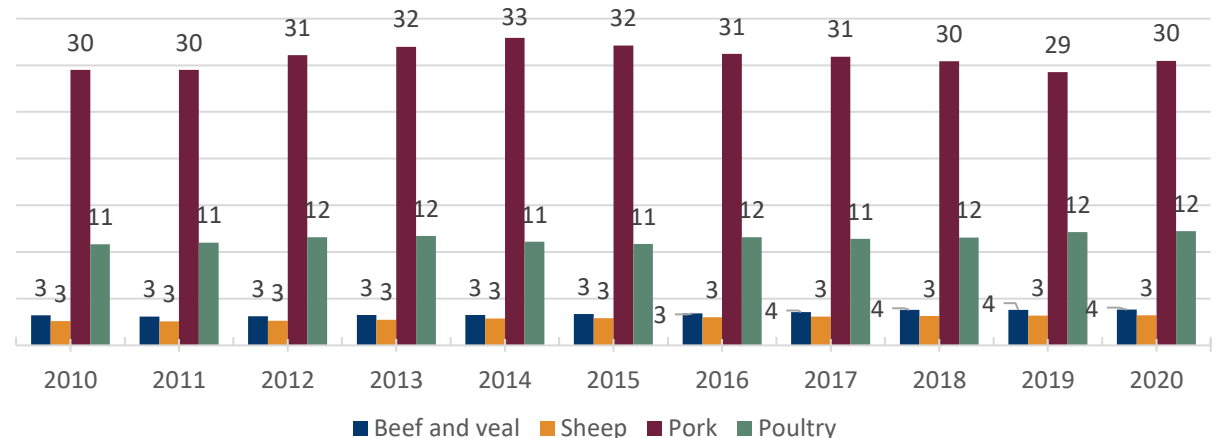
- The World Bank states that total meat consumption in China has **quadrupled** during the last three decades.
- With the recent outbreak of the Covid-19 virus, China's meat imports in the first four months of 2020 **rose 82%** year-on-year to 3.03 million tonnes.
- Due to environmental issues associated with domestic meat production China's demand **for imported meat is predicted to be strong** in the future.

Consumer preferences

- China's meat of **choice is pork**, however, because of the African swine flu outbreak, the total meat imports of bovine, sheep and goat meats increased at an average annual rate of 60% and 24% respectively in 2019.
- Chinese consumers **prefer beef** and **sheep meat** due to the diversified nutritional profile.



Graph 4. China Per Capita Meat Consumption /in kg/ between 2010 and 2019



1. Analysis of 5 destination markets - Russia

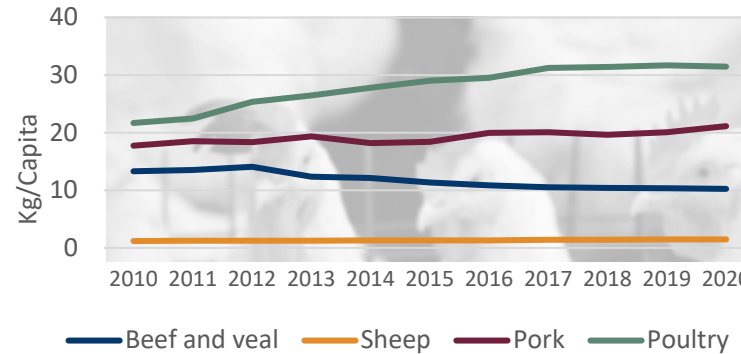
General

- After China, Russia is **the second-largest importer** of Mongolian meat products according to Mongolian customs.
- On average, Russia **imports USD 5.38 million annually** in horse meat from Mongolia, representing 1.6% of Russia's total meat imports.
- Russia has the largest population in Europe and its **citizens consume 28% more meat per capita** than Chinese peers. Russians also will consume 6% more meat per capita by 2028 according to the OECD.

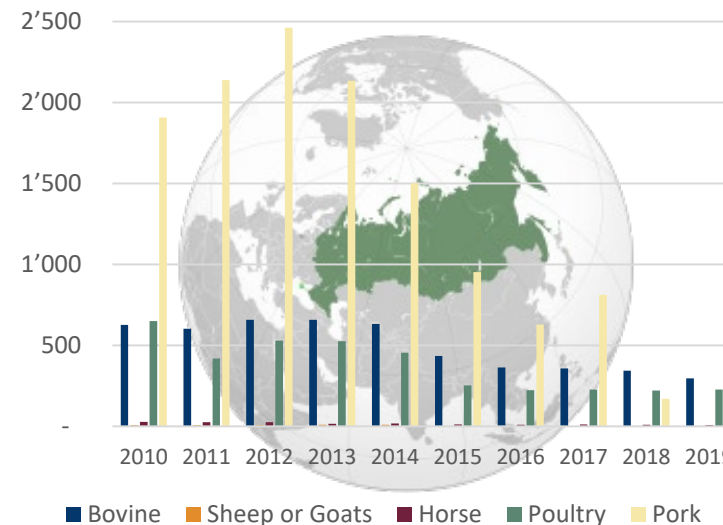
Key statistics

- Russians also will **consume 6% more meat per capita** by 2028 according to the OECD.
- Poultry amounted to **45% of the total meat production** in Russia in 2019, however, the poultry market is not growing anymore due to overproduction. On the other hand, pork and beef have been showing growth as a result of new facilities and export opportunities.

Graph 5. Russia Per Capita Meat Consumption, by Type, between 2010 and 2020



Graph 6. Total Meat Import /in tonnes/ between 2010 and 2019



1. Analysis of 5 destination markets - Japan

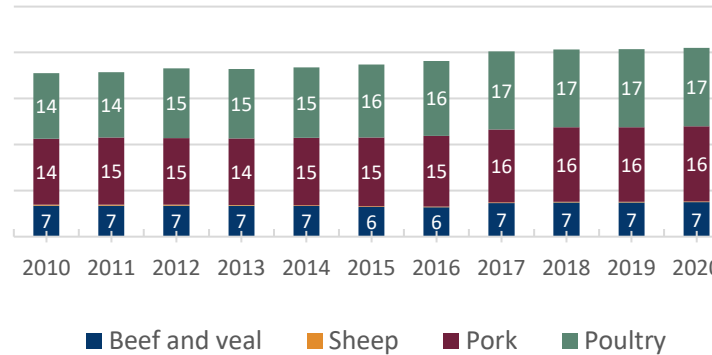
General

- In 2018, Japan was **one of three** countries to import horse meat from Mongolia and was the second-largest importer of Mongolian sheep and goat meat by value (USD 2.4 million).
- The biggest suppliers of meat in Japan were the **United States of America, Australia** and **Canada**, making up over 60% of total imports.

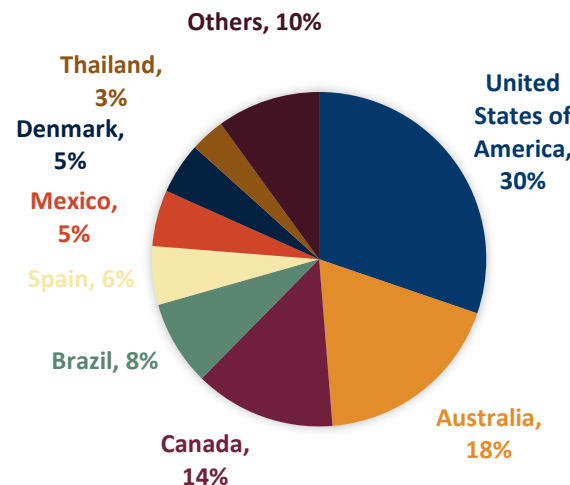
Consumer preferences

- Japan has been experiencing **dramatic shifts** in the dietary preferences of its citizens, due to rising incomes, an increasing number of supermarkets, convenience stores or fast-food chains and trade liberalization, which **resulted a decline in rice and fish** consumption.
- In the last 4 decades, the total amount of beef and pork consumed within the city **increased by 160%** and **90%** respectively.

Graph 7. Japan Per Capita Meat Consumption /in kg/ between 2010 and 2019



Graph 8. Total Meat Suppliers in Japan /2019/



Key statistics

- Overall, in 2019, Japan imported a total of 2.3 million tonnes of meat, worth over **USD 10.9 billion**, through sea and air cargo.
- Japan's total pork imports (HS code 0203) amounted to USD 4.6 billion in 2019, followed by frozen bovine imports /USD 3.5 billion/ and poultry /USD 1.3 billion/

Although, Japan's population will decline by 4% through 2028, meat consumption per capita will grow by a surprising 5% and increase meat demand by **288 thousand tonnes**.

1. Analysis of 5 destination markets - Vietnam

Key statistics

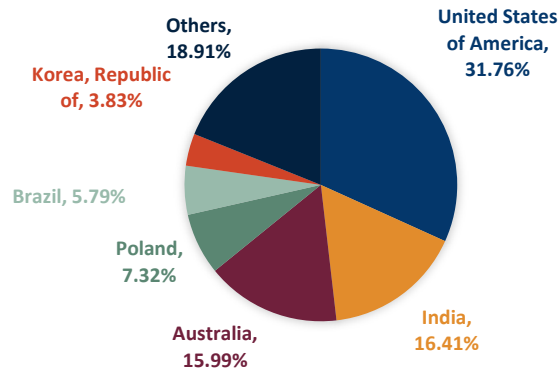
- The Vietnamese economy **grew by 7.1%** in 2018, making it the tenth fastest-growing economy in the world /The World Bank/
- Total imports from Mongolia have also **grown by 161%** since 2014 as Vietnam's economy has grown, so has the demand for meat from its population of 96 million.
- Between 2000 and 2018, Vietnamese meat consumption **grew by 180% to 52.49 Kg/person**. Meat consumption will grow by a further 14% or 776 thousand tonnes by 2028. Growth in meat consumption will outpace population growth of 8% during this same horizon.
- Vietnam's poultry import amounted to USD 186 million, accounting for over **49% of total imports**.
- The value of bovine import reached USD 244 million, having increased at an **average annual rate of 29%**.



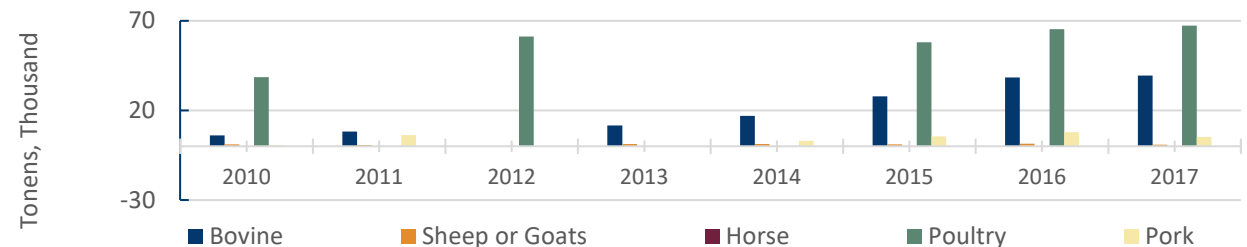
Consumer preferences

- Most consumers in Vietnam **prefer to buy fresh meat** from the traditional wet markets rather than processed or frozen meat from supermarkets.
- The common belief of **imported products having higher quality** and better standards of food safety among consumers in Vietnam, exhibits high demand for meat import.

Graph 9. Total Meat Suppliers in Vietnam /2019/



Graph 10. Total Meat Import, by Quantity, between 2010 and 2017



1. Analysis of 5 destination markets - Kazakhstan

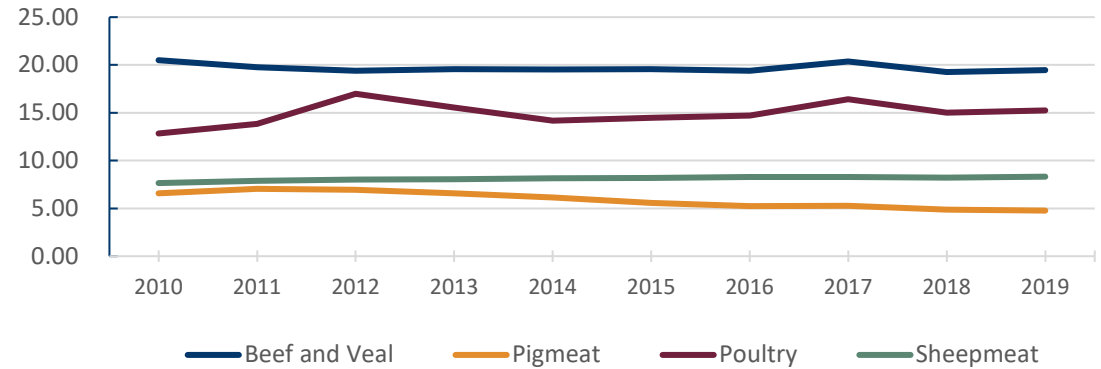


2019, Kazakhstan's total meat consumption was 1.1 million tonnes while the total meat production was only 0.9 million tonnes.

General

- The consumption of pork meat is low, **only an average of 6 kg eaten per year per person**. Consumers in Kazakhstan also enjoy mutton meat, consuming around 8.1 kg per person annually.
- The United States of America remains the top meat exporter to Kazakhstan, total export being USD 128 million worth of meat and meat offal in 2019, which is **47% of Kazakhstan's total meat imports**. Kazakhstan mainly imports horse meat from Mongolia (USD 580 thousand in 2019).
- The largest meat suppliers are the United States of America, Belarus and Russian Federation, **accounted for over 80% of total imports**.
- Pork **does not feature too heavily** in the country due to religious reasons.

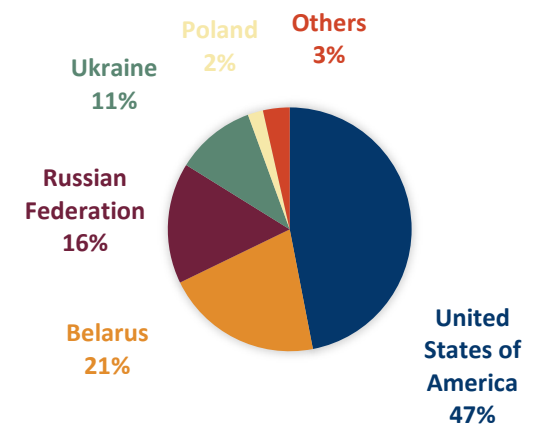
Graph 12. Kazakhstan Per Capita Meat Consumption /in kg/ between 2010 and 2019



Key statistics

- Similar to Mongolia, Kazakhstan is a land of meat consumers. In 2019, a total meat **consumption per capita was 47 kg** while the world meat consumption was 34 kg per capita.
- Beef is the most favourite choice of meat, being **consumed an average of 20 kg per person**; followed by poultry at around 15kg per person between 2010 and 2019.

Graph 13. Total Meat Suppliers in Kazakhstan /2019/



2. Market Entry Guide - China

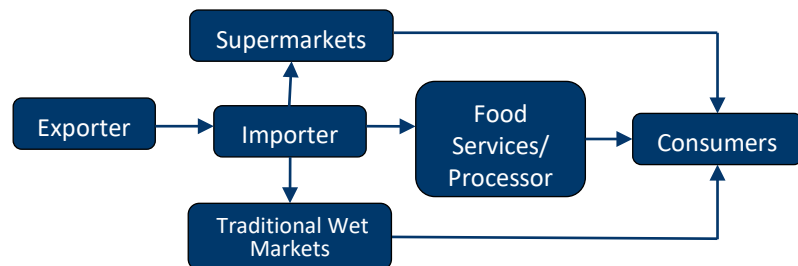
General

- The majority of their exports enter through the east and north-east parts of China, which are Shanghai, Guangzhou, and Tianjin, and in the case of Mongolia's meat exports, **through Inner Mongolia.**



- Domestically, the distribution of fresh meat is **divided into 3 channels**: retail channels (51%), food service (28%) and institutional channels (21%).

Graph 14. The distribution network in China



The main retail channel for meat is the traditional **wet markets** that differentiate themselves from other retailers with their cheaper prices and are built close to major residential areas

Challenges

- Markets are usually under **heavy inspection** by Chinese authorities due to sanitary issues and under their hazards analysis and critical control points (HACCP), they often result in the suspension of trade of meat products from these venues.

Strategy

- In order to get the most suitable strategy to enter the market, exporters can utilize steady intermediary wholesalers, agents, brokers, and professional logistical support service providers in China.
- For Mongolian meat exporters, some of **the established Chinese importers** include Two even Xin HSBC Trade, Erlan city Xiang Hong Trade, Erlan Minghaoweioye Economic and Trade, and Beijing Hongye Hong Food Trade.

Figure 1. List of relevant buyers, importers, and distributors

Company Name	Type	Website
Dalian Kowa Foods Co	Import/Distribution	http://www.kowafoods.com.cn/
Dalian Zhenxin Canned Food	Import/Distribution	http://www.cansi.net/
Henan Star Animal ByProducts	Import/Distribution	http://www.henanstar.com/

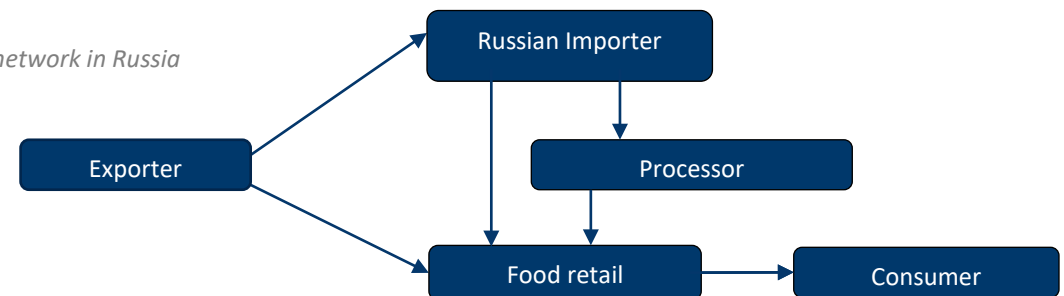
2. Market Entry Guide - Russia

General

- Despite Russia's accession to the WTO in 2012, Russian agency control over imported food remains complex and bureaucratic.
- Food importers' offices and warehouses are **mostly located in the port-cities** of St. Petersburg and Vladivostok or Moscow, the capital, and the main centre of consumption.
- Food-processing facilities are located in most Russian regions; however, larger factories are located in the **Central/Southern and Ural parts of Russia near urban areas**.
- Most of the inter-regional delivery across Russia is **done by truck**. The railroad is used occasionally for long-distance deliveries.



Graph 15. The distribution network in Russia



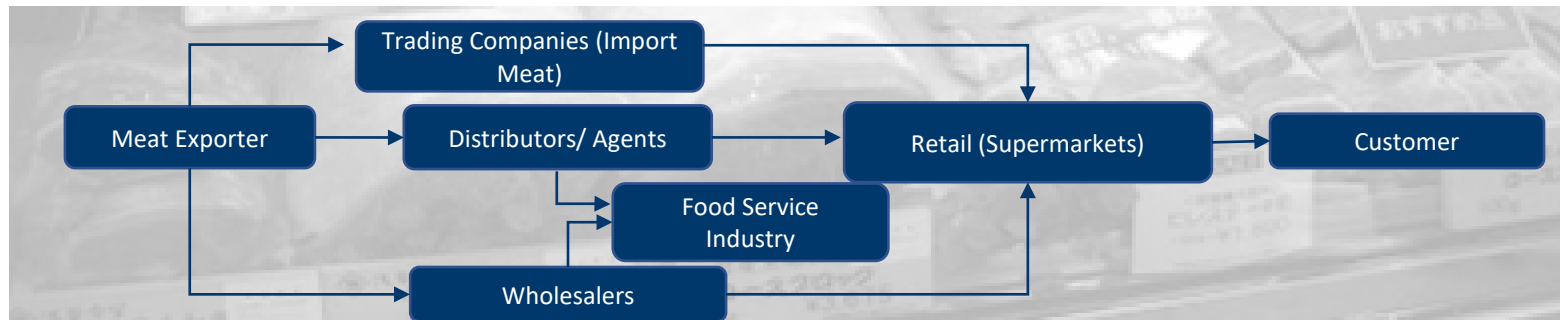
The eastern and western parts of Russia are **6,000 miles apart** and therefore, they often operate as independent markets with separate channels of supply and distribution.

- It is highlighted the Russian **fast-growing market** but criticized the legal environment and exporting procedure.
- Further information could be found in on **“Exporter Guide Russian Federation 2019”** and **“Retail Foods Moscow”**.

2. Market Entry Guide - Japan



Graph 16. The distribution network in Japan



Strategy

- In order to enter the Japanese meat market, exporters **must either establish an office** in Japan or **partner with an intermediary**.
- Choosing the right partner to work with is a crucial part of entering the Japanese meat market.
- Exporters should target cities with supermarkets since meat products are mostly sold to customers **through retail**.
- Partnering with trading companies is better for reaching customers; whereas, partnering with distributors/agents or wholesalers is better for selling to the foodservice industry.

General

- Knowing the correct way to contact and interact with potential partners is important. There are certain cultural and business etiquettes to consider when doing business with Japanese trade partners which will **ensure better odds of success** and avoid any confusion.
- It is generally recommended that exporters connect with potential partners in person, at **food exhibitions** like FoodEx for example, rather than through “cold calling”.



2. Market Entry Guide - Vietnam

General

- Imports of meat can only officially be undertaken by a Vietnamese company that is **approved as a trader** in meat and poultry products.
- Most importers are primarily located in **Hanoi** and **Hồ Chí Minh City** and focus on the north and south regions of Vietnam.
- Hồ Chí Minh City is the **most attractive location** for imported meat products, especially for Mongolian meat exporters due to the great number of modern retail stores and a large foreign population.
- Knowing **the correct way to contact** and interact with potential business partners is important.
- In terms of logistics and transportation, the most widely used are **road freight** and **shipping**. Shipping is an important route for goods entering Vietnam as there are 320 ports throughout the country.

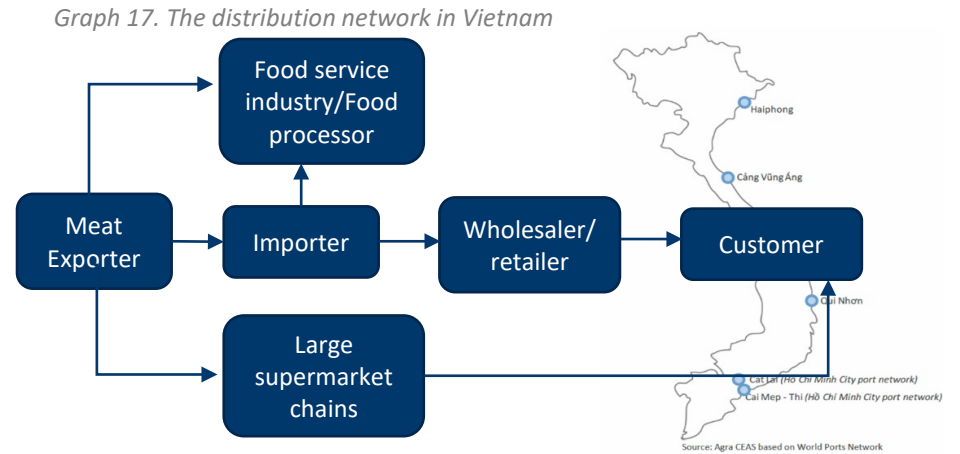


Figure 2. List of relevant buyers, importers, and distributors

Company name	Importing products	Website
Asia Shine Distribution	Olive oil, Biscuits, Processed meat	www.asia-shine.com.vn
Classic Fine Foods	Meat, Dairy, Pasta, Jams	www.classicfinefoods.com
Food Source International	Meat, Dairy products	www.foodsource.com.vn
Fresh Food	Meat, fruit	www.freshfoods.vn
Good Food	Meat, Dairy products	www.goodfood.com.vn
High Food	Meat, alcohol, dairy, fruit	www.hifood.com.vn
Huytuan	Meat	www.huytuanfood.com.vn
La Maison	Meat	www.lamaison.com.vn
Ngoc Cuong	Meat	www.thucphamtuoisong.biz.vn

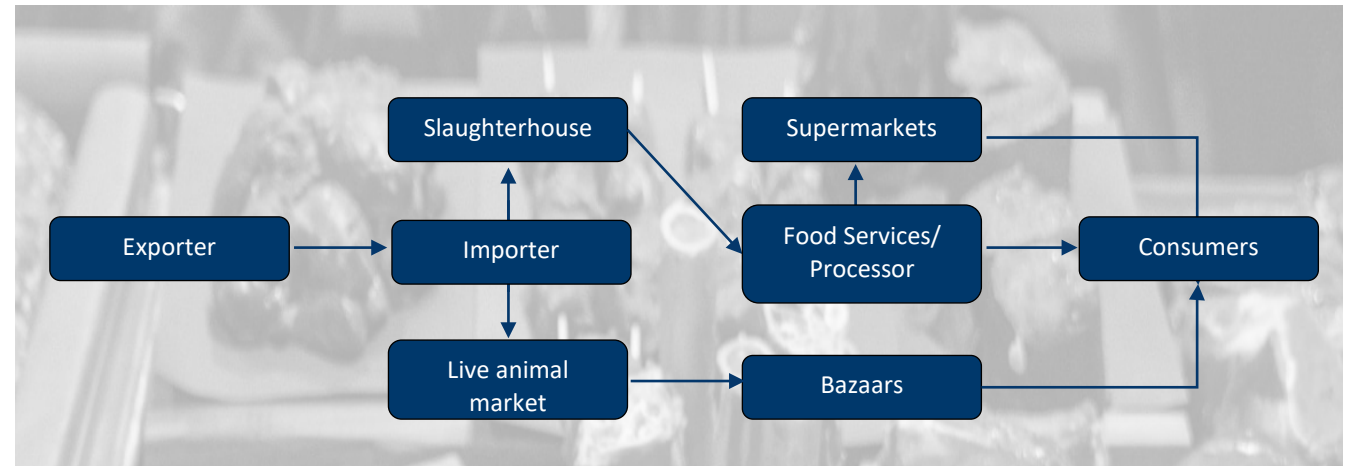
2. Market Entry Guide - Kazakhstan

General

- An exporter should **check all import documents** closely and ensure they do not violate the laws of Kazakhstan or Kazakhstani product-specific regulations /EAEU policies and WTO accession/ before establishing export channel to Kazakhstan.
- Since Mongolia does not have a border with Kazakhstan, the exporting meat must have to be shipped through **either Russia or China**. Road and rail connections between Russia and Kazakhstan are fairly good.



Graph 18. The distribution network in Kazakhstan



- Coming into effect from July 2019, the Mongolian government made an agreement on the establishment of the **Mongolia-China-Russia Economic Corridor**. This is significant for Kazakhstan and Mongolian relations as it allows easier passageway for Mongolian exports into Kazakhstan.
- When entering the Kazakhstan meat market, exporters need to be aware of import, **health**, and **sanitary regulations** along with **necessary logistics** and **transportation**.
- Additionally, choosing the right importer based on the strengths of the **importer's distribution network** and your **product** is crucial regardless of whichever end consumer is targeted.

3. Overcoming the challenges to access Chinese markets – Current Performance

General

- China is the largest meat importer of Mongolian meat. According to Mongolian Meat Association, approximately **90-95%** of meat export of recent years was to China.
- According to the Mongolian Meat Association, a total of **94,500 tonnes** of meat export quotas have been given to Mongolian meat producers to export horse, beef, mutton and goat meat to China. Of these, **54,500 tonnes** have been provided under the general trade category and additional **40,000 tonnes** under the tolling arrangement.
- These 40,000 export quotas have been given to six specific provinces that have been affected by summer drought and harsh winter which resulted in lower livestock output.

Export quota under general trade category		Export quota under tolling arrangement	
		Provinces:	
		Gobi-Altai	
		Bayankhongor	
		Omnogobi	
		Dundgobi	
		Arkhangai	
		Ovorkhangai	
Total quota:	54,500 tonnes	Total quota:	40,000 tonnes
Grand total: 94,500 tonnes			

3. Overcoming the challenges to access Chinese markets – Challenges & Opportunities

Challenges

Ban on unprocessed meat export: According to the Mongolian Meat Association, only **5 to 6 companies** (names unknown) in China hold importing license to directly import meat/meat products from Mongolia. Most of the meat/meat products are heat processed, making it unable to enter the retail market.

COVID-19 pandemic: Despite holding significant export quotas, due to the extraordinary health and safety challenges emerging out of the COVID-19 pandemic, meat processing companies in Mongolia have reported **disruptions in their operations**, starting from as early as January 2020.

Weak competitive advantage: Although many meat processing companies are making effort to export **value added meat products** such as sausages and canned meat products, Mongolian producers are far away from being able to compete with foreign producers. Because of this shortcoming, importers often refuse to buy meat products since their local producers excel at making these products with innovative design and taste suited to their customer.

Laboratories for Microbiological Testing: According to export representative at Darkhan Meat Foods LLC (a meat processing/exporting company in Darkhan, Mongolia), the biggest bottleneck preventing from developing export activities is because of the **weak local microbiological testing system**.

Opportunities

Eco-meat label: There is an opportunity for Mongolian meat processing companies to earn great standing in the global meat market through the “eco-meat” label. Most livestock in Mongolia are **grass-fed, non-commercially raised, and grazes freely on the pastureland** with none to minimal chemical interference. And only the healthy and strong animals survive Mongolia’s harsh and long winter. It can be seen that it is a matter of good marketing and trade deals to make value-added meat export in the future.

Halal-meat label: The USD 415 billion halal-food industry heavily relies on meat imported from non-Muslim majority countries, like Mongolia. Mongolia is **highly capable of increasing halal meat export** to countries such as Iran, United Arab Emirates and Kuwait. In order for meat to be deemed halal, the butcher who slaughters animals must be Muslim. Mongolia is predominantly Buddhist, but 100,000 mostly-Muslim Kazakhs account for around 3 percent of its population.

3. Overcoming the challenges to access Chinese markets – Stages of Export Development

									
Mongolian meat processing company	Inspection Authority of Mongolia	Ministry of Food and Agriculture	Ministry of Foreign Affairs	General Administration of Customs of the People's Republic of China	Embassy of Mongolia in Beijing, China	Ministry of Foreign Affairs	Inspection Authority of Mongolia	Mongolian meat processing company	Chinese meat importing company
Submission of export proposal (online)	Preliminary inspection of the proposal	Preliminary inspection of the proposal	Dispatch proposal through diplomatic post office	Inspection and approval (or rejection) decision	Receipt of decision, translation into Mongolia	Inspection of decision	Grants meat exporting license to the company	Meat/meat export to China (field inspection takes place regularly)	Receipt of meat/meat products

- A Mongolian meat processing company wishing to export meat/meat products to China first needs to submit an official export proposal.
- The proposal takes place online. Then a preliminary inspection takes place by the Inspection Authority of Mongolia as well as Ministry of Food and Agriculture and then taken to the Ministry of Foreign Affairs.
- The Ministry of Foreign Affairs dispatches the proposal through the diplomatic post office, to the General Administration of Customs of the People's Republic of China.
- The customs office thoroughly inspects the proposal and approves or rejects the proposal. If needed, the customs office asks for clarification or additional information at this stage.
- The decision made by the customs office is then brought to the Embassy of Mongolia in China, which is translated into Mongolian and then delivered back to the Ministry of Foreign Affairs.
- The Inspection Authority of Mongolia makes the grants the final approval and provides the export license to the company. Upon export permit, the customs office conducts physical field inspection.

4. Conclusions and recommendations – Institutional

Structuring and unifying the meat production sector

For Mongolia to establish a successful export sector, as well as maintaining a steady flow of supply, policies that regulate and protect its stakeholders must be established.

Quality improvement through health inspections and treatment

It is important to collaborate with official health organisation and promote scheduled check-ups by professional veterinarians

Creating and applying a market information system

With relevant trade statistics and an overview of the international meat market, the educated exporter will have more success in exporting their meat more efficiently.



Investigating transportation, logistical and packaging solutions

Mongolia's transportation and logistics sector is inefficient, costly due to the geographical position. Therefore, it is essential develop a collaboration with construction companies to renew or build new roads for more efficient transportation.

Increasing the quality of meat rather than the quantity

Difficulty in limiting herd numbers arises from a mix of cultural and economic factors that emphasize quantity over quality.


Develop feed and fodder farms

The absence of affordable animal feed poses significant challenges to herders during the non-grazing season.

Develop alternative livestock products value chains

It is vital to coordinate development programs for farmers and herders on diversifying and expanding their production of livestock products and provide adequate instructions on forming business partnerships and developing marketing chains.

4. Conclusions and recommendations – Commercial



Promoting Mongolia's meat and meat products at trade shows and events sector

Organizing adequate and extensive trade shows and festivals domestically can attract new international and domestic business partnerships

Distributing exported meat and meat products through strategic local partners

Concerning the traditional market, Mongolian meat producers may set up their own shops and butcheries in the targeted markets to sell the exported meat.

Exploring alternative distribution models at destination markets

Concerning the traditional market, Mongolian meat producers may set up their own shops and butcheries in the targeted markets to sell the exported meat.