

MARKET SNAPSHOTS



Beef & Sheep



August 2019



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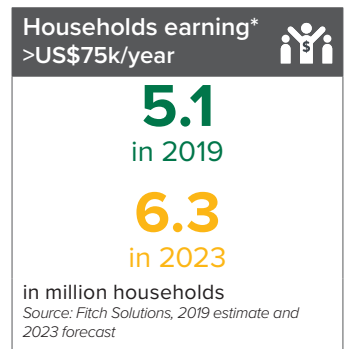
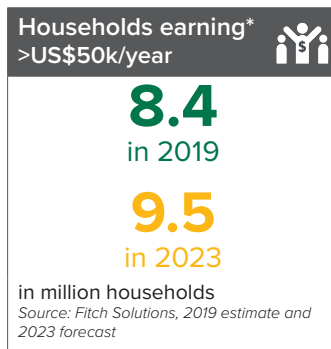
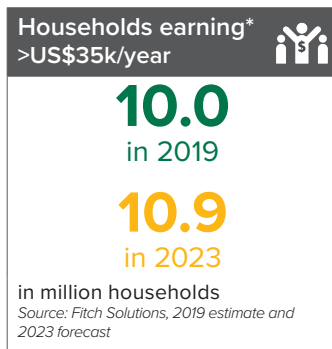
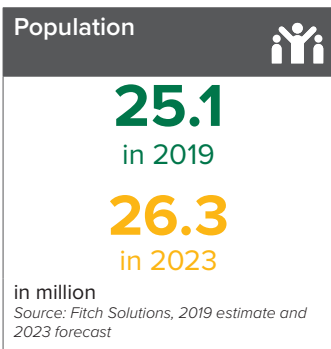
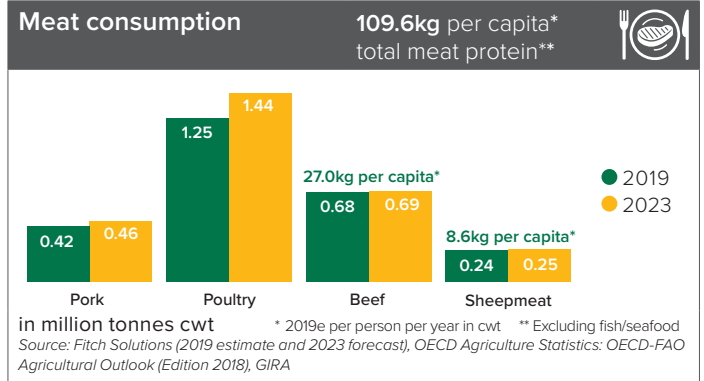


MARKET SNAPSHOT | BEEF & SHEEPMEAT



Australia

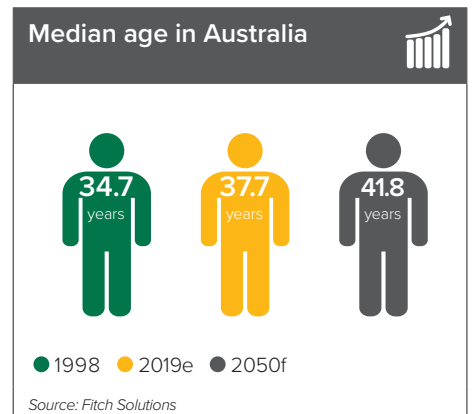
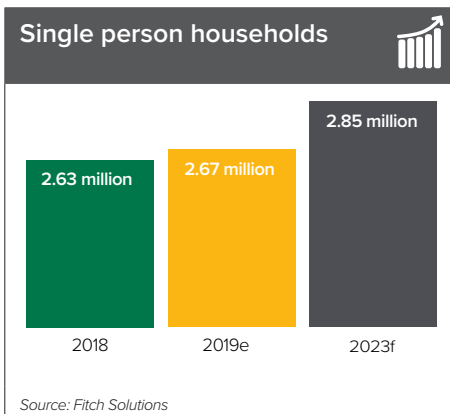
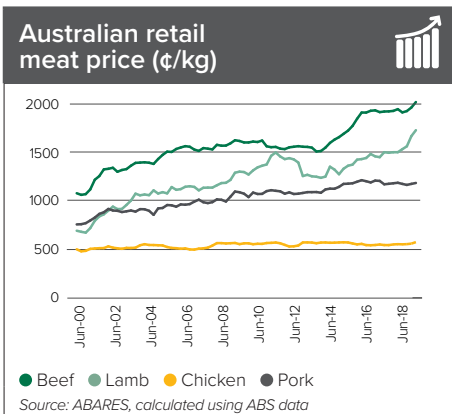
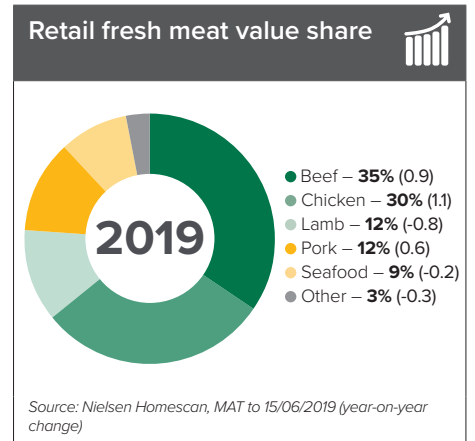
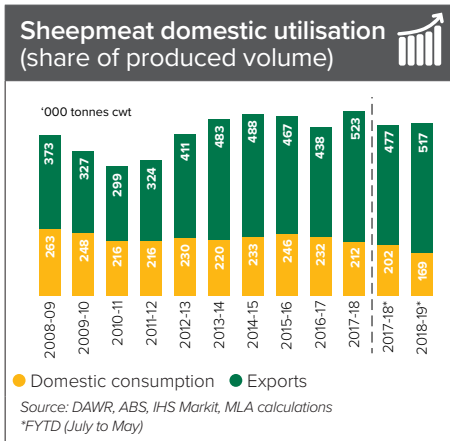
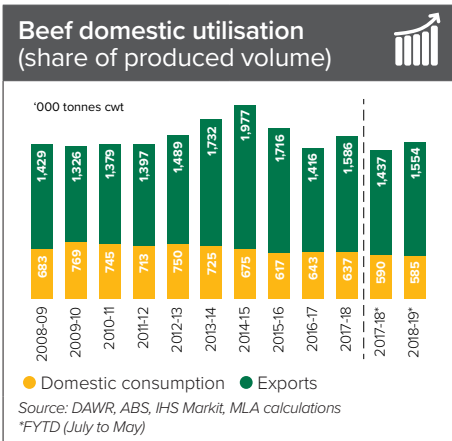
The domestic market is the largest destination for Australian red meat; however, a changing demography and competitive pressures from other proteins remain strong. Targeted messaging on provenance, quality, environmental credentials and animal welfare – along with food integrity and transparency – provide opportunities to enhance consumer preferences for red meat and grow community trust.



*Disposable income: earnings after taxes and social security charges.

Australian domestic market is the largest destination for Australian beef, consistently consuming almost 30% of total beef production volume.

Australia is also the largest market for Australian sheepmeat, consuming about 35% of total production. Lamb occupies 95% of domestic distribution, while the majority of mutton produced is exported to overseas markets.








CONSUMERS



- Australian consumer demand for beef is impacted by many factors such as demographic shifts, income growth and changes in people's attitudes and beliefs towards food from family, friends and the media.
- Overall awareness of beef is high among Australians. Beef is the biggest animal protein type ranked by value and has also grown on year-ago levels. (Source: *MLA Global Consumer Tracker Australia, 2018, Nielsen Homescan*).

Protein image profiles

	 Beef	 Lamb	 Chicken	 Pork	 Seafood
Easy everyday	✓		✓		
Goodness	✓				✓
A little bit special		✓			✓

Source: *MLA Global Tracker Australia, 2018*
 * Tick = Area of strength vs other proteins

- Beef's strengths are around its perception of being a 'trusted quality' product. It's also perceived as 'suitable for everyday meals' when compared to other proteins such as lamb, seafood and pork, but is behind chicken on this measure (Source: *MLA Global Consumer Tracker Australia, 2018*).
- There's an opportunity to increase beef's appeal by reinforcing quick, easy and convenient ways that it can be prepared for everyday healthy meals, especially when it comes to boosting consumers' confidence in preparing beef (Source: *MLA Global Consumer Tracker Australia, 2018*).

- When consumers are shopping for beef, the key information they look for on the pack relates to freshness, and then price, followed by elements such as 'naturalness' and quality grading or guarantee (Source: *MLA Global Consumer Tracker Australia, 2018*).

What things do consumers look for on pack/on shelf when buying beef?

- | | |
|------------------|--------------------------------|
| ✓ Price per kg | ✓ Price per pack |
| ✓ All natural | ✓ Quality grading or guarantee |
| ✓ Colour of meat | |

Source: *MLA Global Consumer Tracker Australia, 2018*

Australia's increasingly diverse population

High levels of immigration are driving Australia's population growth and also leading to an increasingly diverse population. The most recent Australian Bureau of Statistics Census showed almost 30% of Australia's residents are now born overseas. From the top 10 countries with people migrating to Australia, five are Asian countries and only three are European. This is leading to foodservice and retailer operators looking at adjusting in-store/menu space that better targets these changing demographics.

FOODSERVICE



- Beef is the third largest fresh meat protein consumed through foodservice in value terms and has been growing steadily year-on-year (Source: *RIRDC/Fresh Agenda, Global Data*).
- The foodservice sector is a key channel for beef and sources approximately 28% of domestic beef and veal supply (Source: *RIRDC/Fresh Agenda*).
- The foodservice landscape is large and competitive, with around 87,000 places to eat out. It's highly fragmented, with many individual companies having a small market share.
- Australians spend 40% of food expenditure on 'eating out' and this percentage is growing. Many factors contribute to the choice to eat out or not – mostly occasion-based. Having children in the household indicates a higher level of convenient solutions like takeaways or delivery, which has contributed to the rise of quick service restaurants, supermarket meals-to-go and food delivery.
- Within foodservice, beef has a 12% value share in restaurants and pubs/bars in 2016. However beef's share is under threat from lower cost proteins such as chicken and pork.

Food delivery apps having an impact

Food delivery apps have been a contributor to the growth in the foodservice sector and are establishing partnerships with the major quick service restaurants. This is driving two key trends – some restaurants are changing to cater to this delivery channel (specific menus and store format), while others are focusing on ensuring customers continue to come in for seated meals by offering unique dining experiences.

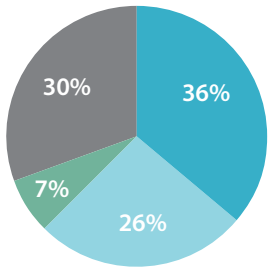




- Total fresh meat is the largest supermarket category (excluding liquor & tobacco) and plays a key role in driving store traffic and store loyalty (Source: Nielsen Homescan).
- Beef had the highest share of retail sales of any meat in the last 12 months, with around a 34% share of fresh meat sales (by value) (Source: Nielsen Homescan).
- Beef is a critical product for retailers, with the average grocery basket typically worth \$35, it jumps to around \$90 when the basket includes beef (Source: Nielsen Homescan).

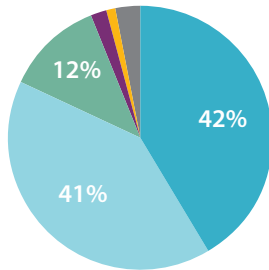
Grocery retail market shares and main supermarket of purchase – beef

Grocery retail market shares



- Woolworths/Safeway – 36%
- Coles – 26%
- Aldi – 7%
- Other – 30%

Main supermarket of purchase – beef



- Woolworths/Safeway – 42%
- Coles – 41%
- Aldi – 12%
- IGA – 2%
- Costco – 1%
- Other – 3%

Source: IGD 2019

Source: MLA's Global Tracker 2018

- Retailers are responding to changing consumer needs and continue to seek category differentiation in the pursuit of sustainable growth and profitability. An example of this is the growth in premium products across the retail market. In red meat we are seeing more premium cuts and healthier options experiencing growth ahead of the total category. This has been balanced with retailers introducing more affordable value offerings with fixed priced packaging at smaller transactional price points. (Source: Nielsen).
- The Australian grocery market is highly concentrated by global standards, with the two big retailers making up more than 60% of the market. Coles, Woolworths and IGA all have a broad and significant national footprint, with Aldi currently catching up through expansion into the western states and increasing store numbers on the east coast.
- 83% of fresh meat is sold in supermarkets, predominantly Woolworths and Coles with butchers making up the other 17%.

Place of fresh meat purchase by average customer spend and market share

	Value share	\$ per trip
Aus	100%	18.84
Aus supermarkets	83%	17.33
Aus non supermarkets	17%	32.53

Source: Nielsen Homescan 12 months to to April 2019

- **Woolworths:** Grocery sales are worth \$47 billion in 2019 and are forecast to grow at 3.5% annually to 2023 (Source: IGD).
- **Coles:** Grocery sales are worth \$35 billion in 2019 and their growth rate is forecast to be 1.9% annually to 2023 (Source: IGD).
- **IGA (Metcash):** Grocery sales are steady at \$13 billion with a low annual growth rate of 0.3% expected out to 2023. (Source: IGD).
- **Aldi:** Rapid expansion has continued, with the chain forecast to operate 757 stores nationwide by 2023. It experienced the largest growth out of the four major supermarkets with a 12% increase in sales year-on-year (Source: IGD).
- **Costco:** Sales are expected to continue to grow by 9%. Costco plans to continue opening more new stores, increasing from its current 11 stores to 14 by 2023 (Source: IGD).
- There's a growing food box meal kit trend in Australia (such as Hello Fresh and Marley Spoon). These generally include portioned ingredients and simple recipes that allow consumers to quickly create their meal. They have now achieved 3.2% penetration of Australian households (Source: Nielsen).

The changing face of retail

The retail sector in Australia is expected to undergo some significant change in the near future, with the rapid increase in Woolworths and Coles sales through their online channels, Amazon Marketplace's launch and anticipated entry of new retailer Kaufland (operated by the world's fourth largest retailer, Germany's Schwarz Group). Emerging health trends and local sourcing are also two growing trends which are becoming more important to consumers.





Sheepmeat

CONSUMERS



- Lamb remains one of Australia's favourite proteins and has a unique role in the national diet of Australians, being one of the largest per capita consumers of lamb in the world (Source: OECD).
- As awareness of lamb is high among Australians, the main opportunity sits with increasing frequency of purchase and demonstrating the value of lamb so people are happy to pay more, and thus keep consuming lamb. (Source: MLA Global Consumer Tracker Australia, 2018).
- Consumers perceive lamb as 'special' relative to other proteins and are often choosing lamb as it 'tastes delicious'. However, there is an opportunity to focus on lamb's versatility and recipes that are easy to prepare (Source: MLA Global Consumer Tracker Australia, 2018).

- When consumers are shopping for lamb, the key information they look for on-pack relates to freshness (meat colour and use-by date) and then price (Source: MLA Global Consumer Tracker Australia, 2018).

What things do consumers look for on pack/on shelf when buying sheepmeat?

- ✓ All natural
- ✓ Price per kg
- ✓ Price per pack
- ✓ Colour of meat
- ✓ Quality grading or guarantee

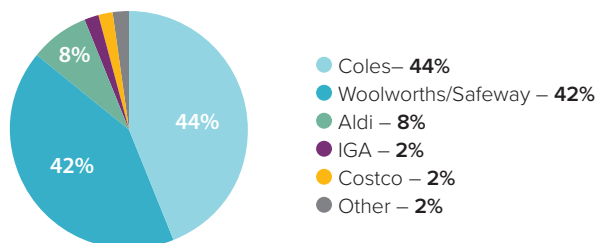
Source: MLA Global Consumer Tracker Australia, 2018

RETAIL



- In retail, lamb has a similar market share to pork, with around 12% share of fresh meat sales (by value) in the last 12 months, behind beef and chicken (Source: Nielsen Homescan).
- Lamb buyers are premium buyers to retailers with the average grocery basket value typically worth \$35, it jumps to around \$100 when the basket includes lamb (Source: Nielsen Homescan 12 months to to April 2019).
- More than 85% of lamb is purchased via Coles and Woolworths, but other supermarkets (e.g. Costco) are growing both share and absolute sales (source: Nielsen Homescan 12 months to to April 2019).
- Australia's consumption of lamb has come under pressure in the last year, as volatile supply and strong international demand combined to drive domestic prices into record territory.

Main supermarket of purchase – lamb



Source: MLA's Global Tracker 2018

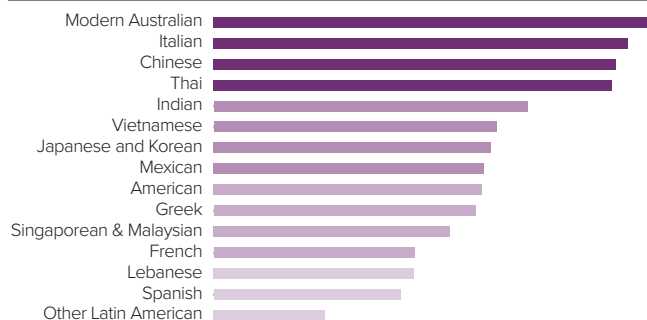
- However, despite the high price, consumers continue to choose lamb and have increased their purchase volume per shopping trip, trading down with value cuts in retail.

FOODSERVICE



- Within foodservice, lamb is strong in the dining-out segment, which currently accounts for 60% of the foodservice lamb volume, with an opportunity to expand in the takeaway channel (Source: RIRDC/Fresh Agenda).
- A key trend for lamb has been the emergence of fast casual outlets that have forced up expectations of consumers. This trend has created a race among traditional quick service restaurants operators to 'premiumise' their brands and offering – including the removal of additives and introduction of natural ingredients (Source: GlobalData).
- Cuisines/food concepts are very diverse in Australia and lamb is regarded as a good protein source to fit most cuisines.
- There are also opportunities in new concepts – presenting lamb in non-traditional ways beyond roasts and premium grilling cuts – such as protein bowls, burritos and salads.

Cuisines/food concepts – popularity

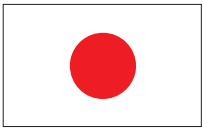


Source: Eating Out in Australia 2017

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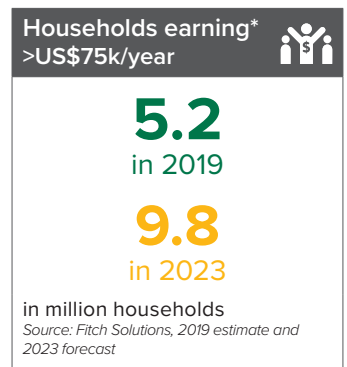
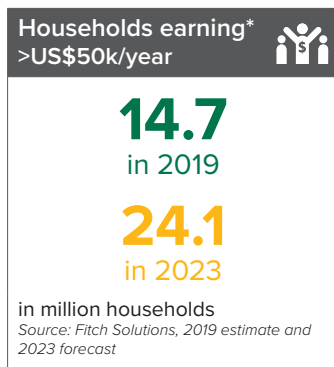
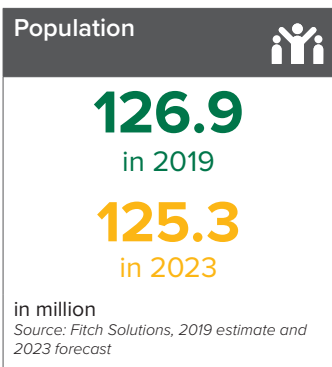
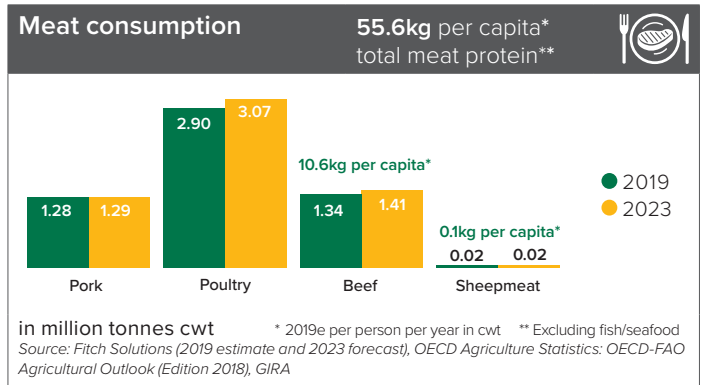


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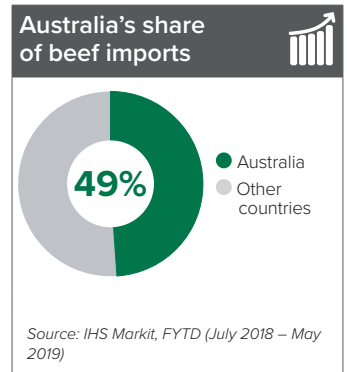
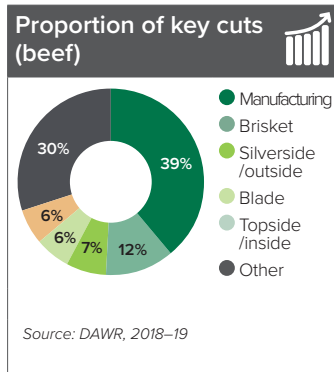
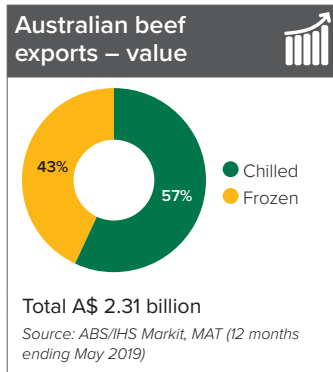
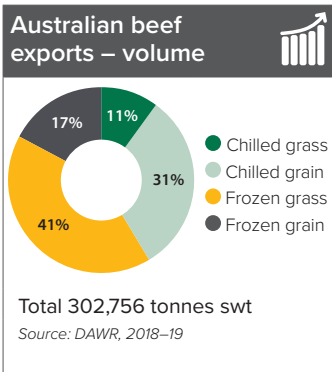
Japan

Globally, Japan has the second highest number of households earning disposable income over US\$35,000/year after the US, with a highly sophisticated supply chain infrastructure. While the country's population and economic growth are subdued compared with many neighbouring markets in Asia, its affluent and urbanised consumers will continue to demand high volumes of quality imported proteins, such as Australian red meat.

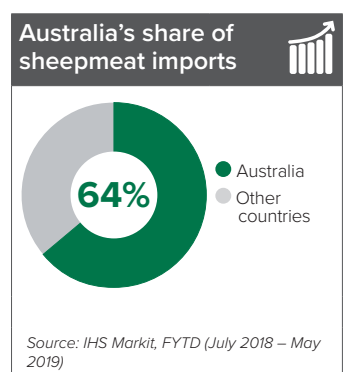
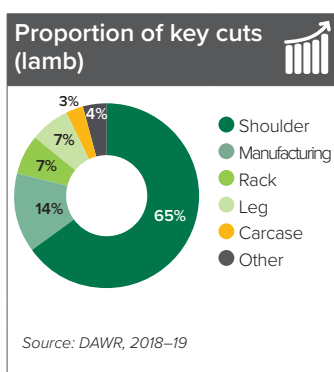
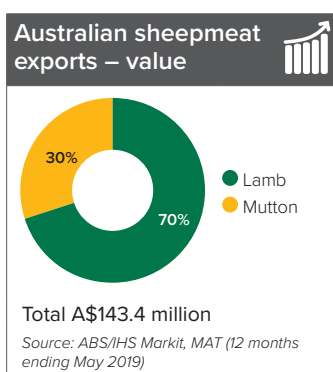
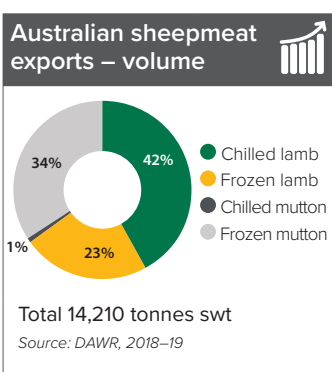


*Disposable income: earnings after taxes and social security charges.

Japan is the largest export destination for Australian beef for more than two decades, in both volume and value. It is also the largest market for grainfed beef, taking half of total grainfed exports.



Japan is a consistent buyer of Australian sheepmeat and is the largest chilled lamb customer within Asia. 2018-19 exports fell 4% on year ago levels – due to a decrease in supply.



CONSUMERS



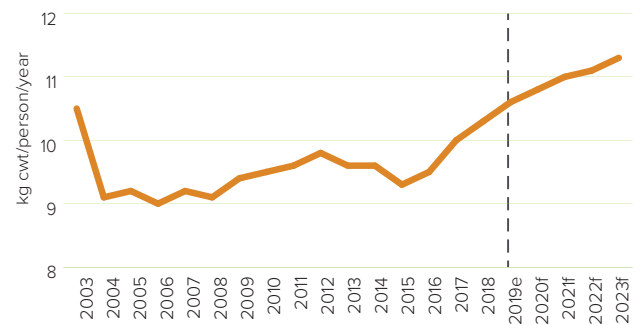
- Japanese consumers consider beef the most premium protein and associate it with good taste and being a family favourite. While beef lags behind pork for versatility and convenience, it is an indispensable part of the Japanese diet, underpinned by a strong emotional connection and a unique flavour experience.
- Beef continues to be used in traditional Japanese recipes, but consumers are also inspired by international beef menus, both western and Asian. Western-style steaks – as opposed to thinly cut *yakiniku* (table-top Japanese-style barbecue) pieces – have become one of the common items on the table, thanks to the ongoing *akami* (leaner meat) and barbecue popularity.



Barbecue with western-style steaks.

- Japanese consumers tend to opt for a diversity of proteins, although some seafood has gradually been replaced with chicken and pork, due to a shift in diet as well as the high price of seafood. Total beef consumption is expected to grow at a slow pace in coming years, with the flat to declining population being compensated by increasing per capita consumption.

Beef consumption per capita



Source: Fitch Solutions. Note: Drop in consumption in 2004 was due to US BSE outbreak (December 2003) and subsequent market disruption.

- Australia has opportunities to enhance per capita consumption into the future by continuously reinforcing the goodness of beef through consumer marketing and leveraging Australia's reputation as a safe, natural and trusted supplier.

FOODSERVICE



- Japan's restaurant sector is one of the most developed in the world in size and sophistication, with a diverse range of global cuisine and price points being available to consumers. It is estimated to be worth over US\$2.81 billion, including cooked *nakashoku* (ready-to-eat dishes) food sales by retail outlets (Source: Japan Foodservice Association, 2017 data). The foodservice sector is a core distribution channel for Australian beef, accounting for an estimated 70% of Australian beef to Japan.
- Consumers appreciate highly marbled Japanese Wagyu beef for special occasions and high-end dining, while leaner/less marbled Australian beef is used across the foodservice sector. The younger generation is a driving force of the *akami* trend, with a recent survey indicating their preference for meat with less fat (Source: MLA Global Consumer Tracker Japan, 2017). Interest in high protein diets among middle-aged consumers is also a positive development for Australian beef.
- *Nakashoku* product sales are largely driven by supermarkets, convenience stores and takeaway specialists, while some casual to mid-range foodservice outlets are also offering take-out options. Overcoming the price barrier and making beef more appealing to this segment will open up more opportunities for Australian beef, on the back of the country's ageing population and increasing numbers of single/two person households for whom the convenience of this category of food is most appealing.

Japanese foodservice sector – key categories and suppliers

Sector	Major beef dish	Key suppliers
Western-style fast food	Hamburger	Australia
Japanese-style fast food	<i>Gyudon</i> rice bowl	Australia, US
Family and chain restaurants	Hamburg steak*	Australia, US
Steak houses	Steaks	Australia, US
<i>Yakiniku</i> outlets	Thinly cut beef and offal	Australia, US, Japan
High-end restaurants	Various	Australia, US, Japan
<i>Nakashoku</i>	Roast beef, grilled beef	Australia, US

Source: MLA

* Flat meatball steak



Japanese-style *yakiniku* barbecue.



- The Japanese retail food market is highly sophisticated, but also very fragmented, with almost 70% of the grocery market occupied by many strong regional players. The estimated value of the grocery retail market in Japan is US\$462 billion, including online and convenience stores (Source: IGD, 2019 data).
- Knowing where food comes from is highly important for Japanese consumers, as the country heavily relies on imports. With its mandatory 'country of origin' (COO) labelling regulation, the Japanese retail sector is where consumers have a direct interface with global suppliers, and hence a critically important space for Australia to showcase quality underpinned by product integrity.
- More than a quarter of Japanese consumers are over 65 years old, and almost 60% of all families in Japan are either one or two person households (Source: Fitch Solutions, 2019 estimate). This demography emphasises the need for variety, convenience and maintaining a healthy lifestyle.

- Australian beef is well-positioned to take advantage of this space, supported by perceived advantages in quality and safety of 'brand Australia' True Aussie (Source: MLA Global Consumer Tracker 2018) and commercial brand promotions.



Key attributes consumers look for on a beef pack:

- Safety
- Freshness
- Value
- Origin

Key associations consumers have with the 'True Aussie' logo:

"This beef is..."

- Safe to eat
- Guaranteed/certified
- High quality/premium
- Delicious

Source: MLA Global Consumer Tracker Japan 2018

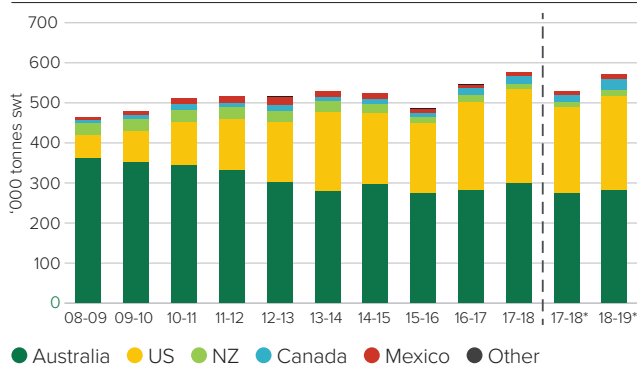
OTHER SUPPLIERS



- Buoyed by *akami* popularity and favourable supply conditions from both the US and Australia, beef imports into Japan during Japan Fiscal Year 2018-19 (April 2018 to March 2019) reached 624,879 tonnes shipped weight (swt), the highest volume since 2001 with a record value of A\$4.9 billion.
- Australia is the dominant imported beef supplier to Japan, but is facing strong competition from the US. Almost 65% of imports from the US are brisket/shortplate cuts (largely supplied to *Gyudon* rice bowl users), and another 25% are chilled shoulder/rounds for other foodservice and supermarket trade. The US is also a major supplier of beef offal (tongue in particular) to Japan's *yakiniku* restaurants.

- Japanese beef production has seen a small recovery during Japan Fiscal Year 2018-19. Demand from the foodservice sector has largely supported this improvement, while Japan's ageing farming population and high calf prices continue to challenge the industry.
- Japan exports a very small quantity of premium beef (3,801 tonnes swt in JFY 2018-19), with the majority being highly marbled Wagyu beef. Albeit off a small volume, trade has been building up in recent years, with their main markets being North Asia, South-East Asia and the US. Australia imported 28 tonnes swt of Japanese beef during the same period.

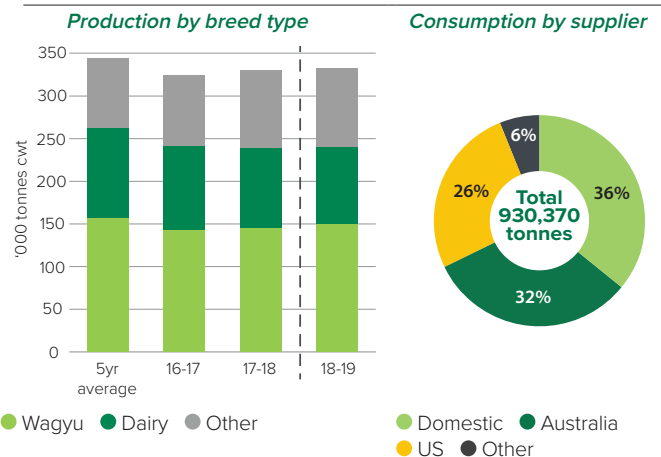
Japan beef imports by supplier



Source: IHS Markit, Australian Fiscal Year. * YTD comparison (July to May)

- The US is currently negotiating a bi-lateral trade agreement with Japan, while Australia has the Japan-Australia Economic Partnership Agreement (EPA) as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (commonly called TPP-11* or CPTPP).
- CPTPP provided further tariff reduction to Australia as well as increased competition. Albeit off a small base, Canada, New Zealand and Mexico have increased their shipments to Japan significantly since the agreement entered into force in December 2018. Other competitors include Argentina and Uruguay but their collective volumes to date remain limited.

Japanese beef production by breed type and consumption



Source: Agriculture and Livestock Industries Corporation of Japan (ALIC), product weight JFY = Japan Fiscal Year (April to March)

Source: ALIC, IHS Markit, MLA estimate Product weight, JFY18-19

* Member countries are Australia, Japan, Canada, New Zealand, Singapore, Mexico, Chile, Peru, Malaysia, Vietnam, and Brunei.



Market access overview – beef

Trade agreements	Import tariffs*	Competitors**	Volume restrictions	Technical access
<p>Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP)</p> <p>Japan-Australia Economic Partnership agreement (JAEPA)</p>	<p>Under CPTPP: Until 31 March 2020 - 26.6% for chilled, and frozen beef</p> <p>From 1 April 2020 - 25.8% for chilled, and frozen beef</p>	<p>US The US has no FTA/EPA with Japan and a 38.5% tariff is applied</p> <p>Canada, NZ, Mexico Same condition as Australia under CPTPP</p>	<p>Safeguard Tariff bounces back to 38.5% if Australian imports exceed trigger level*</p>	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Visit DFAT Free Trade Agreement Portal (<https://ftaportal.dfat.gov.au>) for detailed tariff schedule under JAEPA and CPTPP, safeguard, prepared meat, offal and live animals.
**Beef sourced from specified states in Brazil is allowed to be imported into Japan, however there has been no commercial shipments recorded in imports data this year (imports data as of May 2019). India does not have access due to animal health concerns.

Australian beef exports to Japan – summary table



Volume – in tonnes swt		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	
								%	in tonnes swt
Total		302,756		307,339		282,607		7	20,150
Storage	Chilled	126,647	42	123,726	40	121,437	43	4	5,210
	Frozen	176,110	58	183,612	60	161,169	57	9	14,940
Meat type	Grassfed	155,351	51	159,512	52	150,753	53	3	4,598
	Grainfed	147,405	49	147,826	48	131,853	47	12	15,552
Storage/meat type	Chilled grassfed	31,908	11	31,463	10	34,085	12	-6	-2,177
	Chilled grainfed	94,738	31	92,263	30	87,352	31	8	7,387
	Frozen grassfed	123,443	41	128,049	42	116,668	41	6	6,775
	Frozen grainfed	52,667	17	55,563	18	44,501	16	18	8,166

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000								%	in A\$ 000
Total		2,312,608		2,116,327		1,827,335		27	485,273
Storage	Chilled	1,311,858	57	1,160,773	55	1,034,611	57	27	277,247
	Frozen	1,000,750	43	955,593	45	792,724	43	26	208,026

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Volume – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	%	in tonnes swt
Manufacturing	118,643	39	120,719	39	107,621	37	10	11,022
Brisket	38,293	13	43,059	14	44,279	15	-14	-5,987
Silverside/outside	20,178	7	20,701	7	17,047	6	18	3,131
Blade	17,857	6	16,968	6	17,657	6	1	200
Topside/inside	17,395	6	16,804	5	14,469	5	20	2,926
Chuck roll	15,935	5	16,788	5	16,829	6	-5	-894
Striploin	14,285	5	14,218	5	12,127	4	18	2,158
Thin flank	8,817	3	7,996	3	6,609	2	33	2,208
Other	51,352	17	50,086	16	50,914	18	1	438
Total	302,756		307,339		287,553		5	15,204

Source: DAWR

Australian beef offal exports to Japan – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	%	in tonnes swt
Tongues	8,792	35	8,079	33	8,718	35	1	74
Skirt	8,663	34	8,303	34	7,808	31	11	854
Intestines	2,172	9	2,733	11	3,028	12	-28	-855
Other	5,583	22	5,157	21	5,611	22	0	-28
Total	25,210		24,272		25,165		0	45

Source: DAWR

Value – in A\$ 000

	2018–19	2017–18	5-year average (2013–14 to 2017–18)	%	in A\$ 000
Total	227,255	208,640	199,020	14	28,235

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)



Sheepmeat

CONSUMERS



- Sheepmeat has a minor but relatively established presence in Japan, in comparison to other niche proteins such as goatmeat and game meat. Lamb resonates with the market's tradition of seeking a variety of foods that deliver enjoyment, but also nutritional balance in the diet.
- Consumers appreciate lamb's eating quality, but also think lamb is hard to buy and not as versatile as other proteins (Source: MLA Global Consumer Tracker Japan, 2018). Current per capita sheepmeat consumption is extremely low, indicating scope for future growth.
- Making lamb more accessible in an everyday environment remains a priority in a market where people place great emphasis on convenience, underpinned by the country's ageing population and increasing number of single/two person households.

Attributes important for all proteins and lamb associations

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
Consistent quality standards	High nutritional value
Easy to purchase	Meat is tender
Meat is tender	My/my family's favourite

Source: MLA Global Consumer Tracker Japan, 2018

FOODSERVICE



- Australian lamb consumption to date has been largely led by *Genghis Khan* (sheepmeat barbecue on a table-top grill) outlets. They are particularly popular in Hokkaido (the north island of Japan) among locals and visiting tourists. New *Genghis Khan* venues have opened in major cities as well, largely focused on young consumers.
- Coincidentally, the number of mid to high-end restaurants serving lamb as a point of difference has been increasing, as

grilled meat and global flavours are becoming a mainstream dining choice among Japan's sophisticated urban professionals.

- Lamb is regarded as healthy and topical among young social media followers, with some restaurants offering both *Genghis Khan* and *shabu-shabu* hot-pot style, or serving chilled lamb to promote its high quality.

RETAIL



- Lack of familiarity and knowledge of how to cook lamb are major reasons for Japanese shoppers not purchasing lamb in the retail channel (Source: MLA Global Consumer Tracker Japan, 2018). While major retailers in Tokyo are gradually increasing their shelf space for lamb, New Zealand has a competitive presence in the sector with its smaller-sized bone-in (lamb cutlet) products. Along with cutlets, Japanese-style lamb recipes and marinated products using Japanese flavours are

perceived as more 'accessible' than western-style dishes and are popular among shoppers.

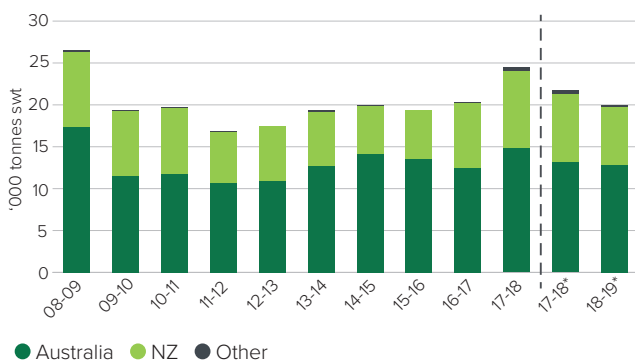
- When at the shelf, consumers look for markers of guaranteed safety, freshness, and value (Source: MLA Global Consumer Tracker Japan, 2018). Country of origin labelling is mandatory at Japanese retail level, and provides opportunities to promote Australia as a safe, trusted and quality supplier of sheepmeat via 'brand Australia' (True Aussie) and commercial brand promotions.

OTHER SUPPLIERS



- The Japanese sheepmeat industry remains very small* and hence sheepmeat demand in Japan has been, and will continue to be, filled by imports.

Sheepmeat imports by supplier

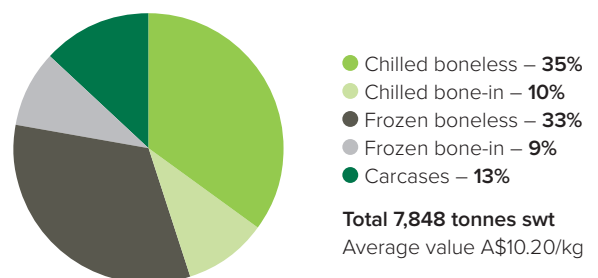


Source: IHS Markit, *FYTD comparison (July to May)

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

- Australia is the dominant imported sheepmeat supplier to Japan, but is facing strong competition from New Zealand, which has the same access conditions. The US gained sheepmeat access to Japan in late 2018, but commercial volumes have been limited to date.

Sheepmeat imports from New Zealand



Total 7,848 tonnes swt
Average value A\$10.20/kg

Source: IHS Markit, MAT (June 2018 to May 2019)





Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Japan-Australia Economic Partnership Agreement (JAEPA) Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	NIL (for all countries)	New Zealand (same access conditions as Australia)	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to Japan – summary table



Volume – in tonnes swt		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	
								%	in tonnes swt
Total		14,210		14,828		13,630		4	580
Storage	Chilled	6,107	43	5,564	38	5,538	41	10	569
	Frozen	8,104	57	9,265	62	8,093	59	0	11
Meat type	Lamb	9,367	66	9,550	64	9,018	66	4	349
	Mutton	4,843	34	5,278	36	4,612	34	5	231
Storage/meat type	Chilled lamb	6,028	42	5,512	37	5,473	40	10	555
	Chilled mutton	79	1	52	0	65	0	21	14
	Frozen lamb	3,339	24	4,039	27	3,546	26	-6	-206
	Frozen mutton	4,764	34	5,226	35	4,547	33	5	217

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		143,367		141,884		116,402		23	26,965
Meat type	Lamb	100,663	70	97,979	69	82,924	71	21	17,739
	Mutton	42,704	30	43,905	31	33,478	29	28	9,226

Source: ABS/IHS Markit

Australian lamb exports to Japan – by major cut (in tonnes swt)

								%	in tonnes swt
Shoulder	6,041	64	6,168	65	5,225	58	16	816	
Manufacturing	1,283	14	1,599	17	1,958	22	-34	-675	
Leg	702	7	554	6	636	7	10	66	
Rack	652	7	610	6	677	8	-4	-25	
Carcase	270	3	249	3	205	2	31	64	
Other	419	4	371	4	317	4	32	102	
Total	9,367		9,550		9,018		4	349	

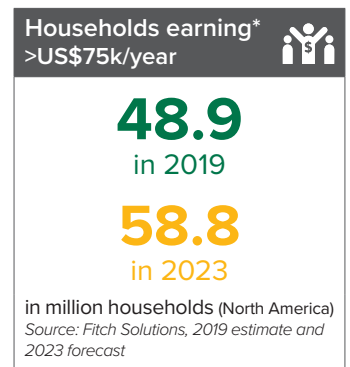
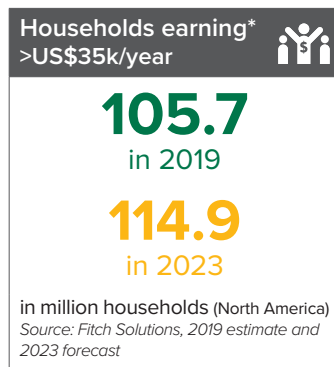
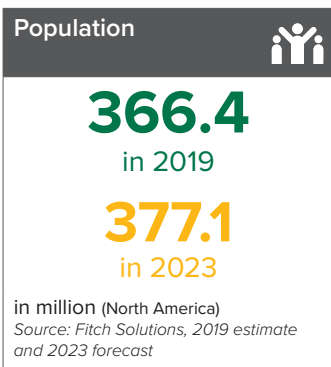
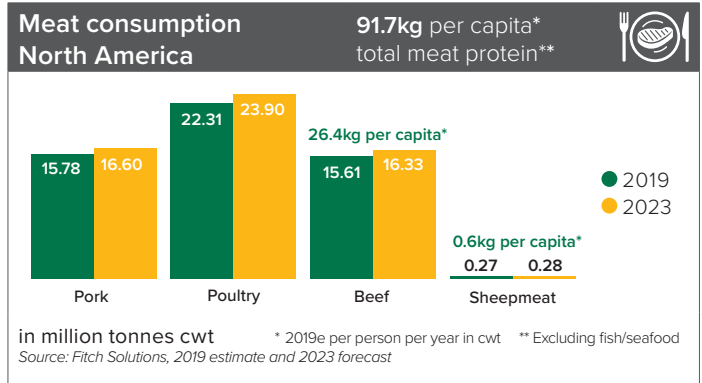
Source: DAWR



MARKET SNAPSHOT | BEEF & SHEEPMEAT

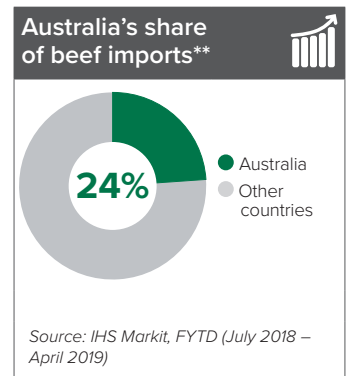
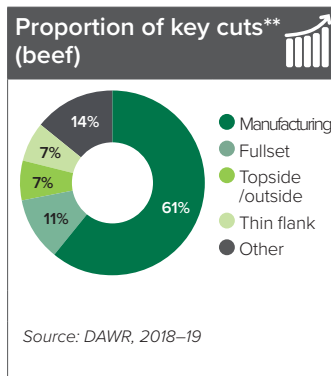
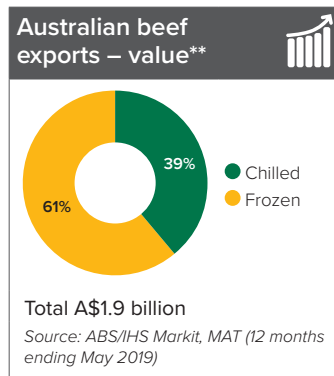
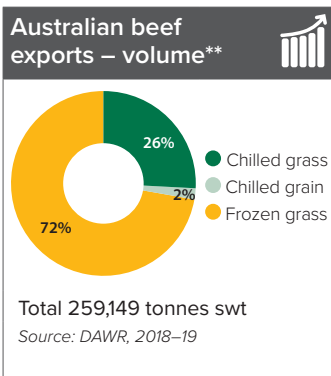
North America (United States, Canada and Mexico)

Globally, the United States (US) has the highest number of households earning disposable income over US\$35,000/year. This affluent consumer base, combined with large and increasing meat consumption, means the country has become extremely attractive and influential in the global protein trade landscape. Opportunities exist for Australian red meat to enhance its profile in the US, on the back of growing demand from consumers for products that are more natural, healthy and better for the environment and the welfare of animals.



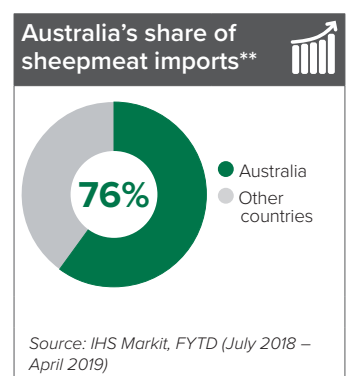
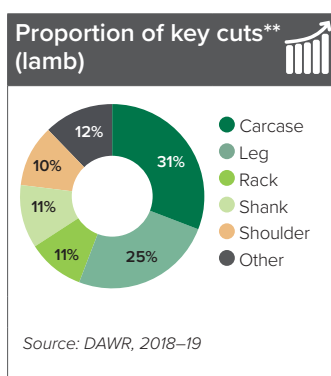
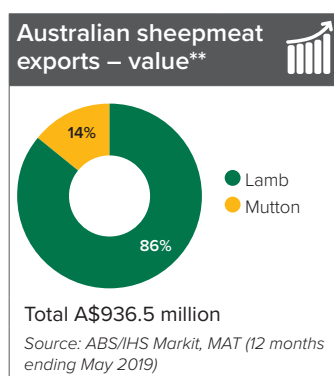
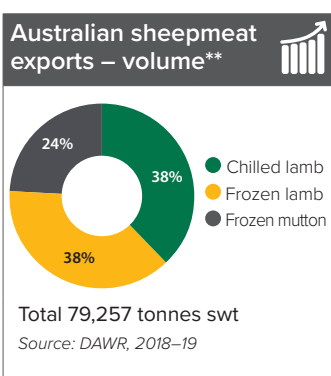
*Disposable income: earnings after taxes and social security charges.

The US is Australia's 2nd largest export market for beef in both volume and value. Traditionally a manufacturing beef market, the country is also the largest export destination for chilled grassfed beef.



**US data only.

The US is the largest export customer for Australian lamb, growing almost 60% in volume during the last decade. It is also the highest value destination for Australian sheepmeat, superseding China.



**US data only.



CONSUMERS

- The US is one of the largest global consumers of animal protein, with the level of meat consumption near maturity. Going forward, the category's growth will be more from value instead of volume.
- Beef consumption has increased since 2015, in-line with higher US beef production and a return to a more favourable price point for US consumers, alongside a significantly improved economy. However, the strongest growth has been realised in the 'better for me' category which includes grassfed beef and beef with no added hormones or antibiotics.
- The majority of US consumers would consider buying imported beef and are aware of grassfed beef.

Awareness of different types of beef – top 4 in US



Source: MLA Global Consumer Tracker US, 2018

- Two-thirds of US shoppers are looking for 'better for me' options at the meat case and tie production claims to both their own health and animal welfare.

- While conventional beef sales were relatively flat in 2018 (2.5% growth), grassfed beef saw the strongest sales growth in the meat case at over 12% and products with no-antibiotics and no-added hormone claims had increases of 3% and 5%, respectively.
- Purchasers of grassfed beef are more interested in quality and 'naturally raised', with concerns for animal welfare and environmental sustainability also being major factors considered when purchasing beef.
- Australia is well positioned to meet the demands for quality and animal welfare with superior food safety, traceability protocols and a unique quality grading system (Source: MLA Global Tracker, 2018; Voice of Consumers 2018, Menu Matters 2018, USDA).

Top 3 reasons to buy grassfed beef

- Better quality beef
- Natural
- Better for my health

Top 3 perceptions of Australian grassfed beef

- Consistent quality
- Higher quality than beef from other countries
- Better taste than beef from other countries

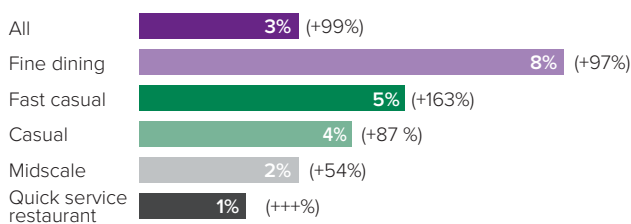
Source: Voice of consumer 2018

FOODSERVICE



- Total foodservice growth is stable, especially for full service restaurants. However, retail foodservice has seen strong expansion.
- Manufacturing beef for burgers and other processed beef products make up a large proportion of Australian beef sold into the foodservice sector in the US, while chilled grassfed beef is largely destined for full service restaurants and retail.
- Grassfed beef is most common in fast-casual and fine dining restaurants however, growth is solid across all segments, tripling within the last 10 years. In fact, US industry researcher, Datassential predicts grassfed beef will grow by 27.9% over the next four years to achieve 4.9% penetration across foodservice operations overall.

Penetration by restaurant segment – Grassfed beef



(Bracket percentage) = 4 year % change 2017 vs. 2013

Source: Dataessential, beef and lamb menu analysis, 2018

- Wagyu is another fast growing product in foodservice, with a high conversion rate from "tried" to "liked", especially in fine dining (Source: Datassential, beef and lamb menu analysis 2018).



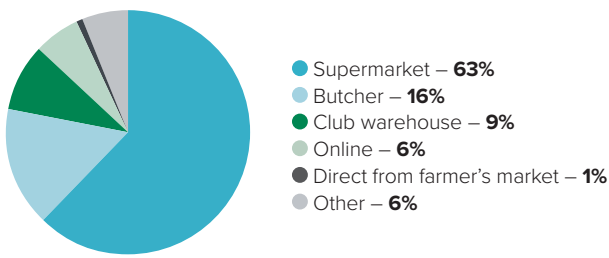
RETAIL



- Although grassfed beef in US retail is a relatively small offering, it has seen some of the strongest growth in the meat case with predictions indicating no slow down in demand for the coming year. While ground grassfed beef is now quite common, demand for higher value chilled grassfed beef is increasing. Some of the most popular cuts include tenderloin, striploin and rib eye.
- Limited 'country of origin' labelling at point of purchase is challenging for Australian product to be differentiated in the sector with retailers preferring 'local' callouts in their meat case. On the contrary, research indicates US consumers consider Australia as aspirational and able to deliver ethical production claims on their grassfed beef purchases.

- Reflecting the retail environment in the US, supermarkets are the main purchase channel for Australian grassfed beef followed by independent and regional butchers, online retailers like Amazon, and warehouse club stores such as Costco. Interestingly, Trader Joe's and Whole Foods shoppers are more likely to know the origins of their grassfed beef compared with the average supermarket shopper, representing an opportunity for Australian beef to increase origin awareness and preference.
- Australian grassfed beef is perceived to provide higher quality steak than other imported products, with Costco and Whole Foods the most trusted sources for high-quality steak (Source: *MLA Global Tracker, 2018, Voice of consumers 2018, Grassfed Shop-a-long research, 2018*).

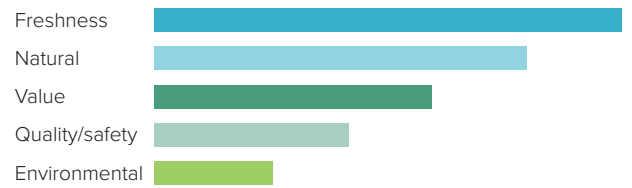
Where do shoppers buy Australian beef



Source: MLA Global Tracker US, 2018

Motivation to choose and eat beef – top 5

Important themes ranked by relative importance



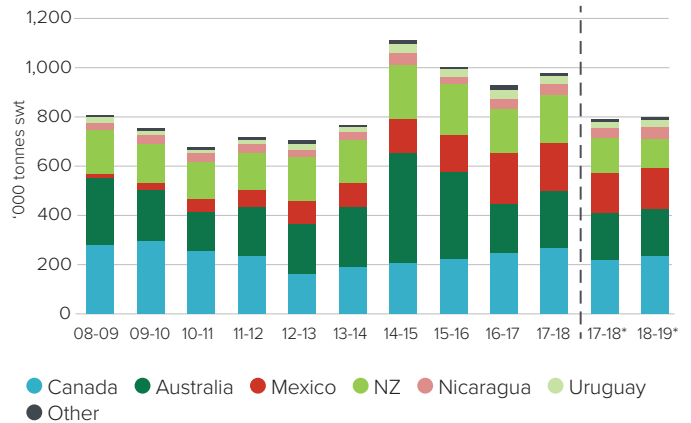
Source: MLA Global Consumer Tracker US, 2018

OTHER SUPPLIERS



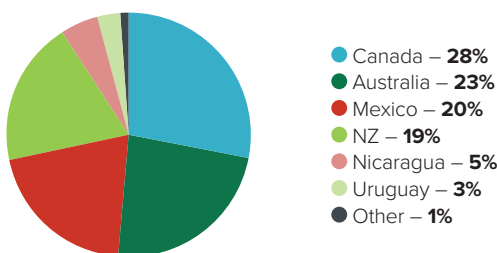
- The main competitors in the US market are US domestic beef, Canada, Mexico and New Zealand. As the vast majority of Australian beef into the market is grassfed, the key competitors are New Zealand, and increasingly the growing mobilisation of local US grassfed beef production. Other smaller suppliers include Uruguay and Nicaragua which have access to smaller quotas.
- Australia maintains its preferred access status to the US, only behind North American Free Trade Agreement (NAFTA) partners (Canada and Mexico – with no quota restrictions). New Zealand has a quota of 213,402 tonnes swt with an out-of-quota tariff of 26.4% (within quota 4.4c/kg)
- Australia is one of the largest importers of grassfed beef, and is growing faster than its largest competitor, New Zealand.
- In June 2017, the US Department of Agriculture (USDA) announced the immediate suspension of fresh beef imports from Brazil, as shipments failed food safety tests. The decision will remain in place until satisfactory corrective actions are taken.

US beef imports by major supplier



Source: IHS Markit. *FYTD (July to April)

US beef imports by market share – 2018



Source: IHS Markit



Canada – Beef

CONSUMERS



- Most Canadian consumers already buy imported beef. The growing majority of grassfed beef buyers are aware of the 'country of origin' (68%), and most would consider buying imported beef (82%) (Source: MLA Global Tracker 2017).
- Compared to global consumers, Canadian beef buyers are more concerned about 'naturalness', price and no added hormones.
- When purchasing beef, 'naturalness' is something buyers look for and grassfed is seen as an authentic differentiator. However, the appeal of grassfed beef has plateaued at the same time that newer descriptors have become more prevalent like organic, hormone-free, non-GMO and antibiotic-free. It appears consumers are not fully aware of the differences between these types of beef.

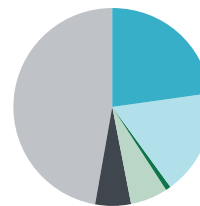
FOODSERVICE & RETAIL



- Full service restaurant and quick service restaurant channels continue to lead the Canadian foodservice sector, generating more than 60% of total revenue.
- Beef is the most valuable meat category in commercial foodservice operators (such as restaurants, cafés, hotels and leisure venues etc.), and is forecast to represent a 37% value share of total animal protein in this channel in 2021 (Source: GlobalData – Canada, The future of foodservice to 2021).
- The majority of imported Australian grassfed beef is 'manufacturing' grade and is used in quick service restaurants.
- At the retail level, Australian beef is mainly purchased from supermarkets, and as the retail sector is quite fragmented in Canada, each city has a different leader in claimed total beef sales (Source: MLA Global Tracker Canada, 2017).

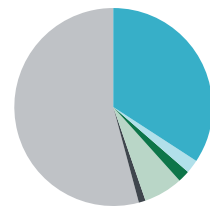
Main supermarkets for purchasing beef

TORONTO



- Loblaws – 23%
- Metro – 17%
- WholeFoods – 1%
- Longos – 6%
- Sobeys – 6%
- Other – 47%

VANCOUVER



- Safeway Canada – 33%
- Fairway – 2%
- Buy Low – 2%
- IGA – 6%
- Urban Fair – 1%
- Other – 52%

Source: MLA Global Tracker Canada, 2017

Mexico – Beef

CONSUMERS



- Mexican consumers are expected to consume approximately 1.86 million tonnes cwe of beef in 2018 and demand is projected to rise, as the Mexican peso strengthens and the middle class grows (Source: United States Department of Agriculture – USDA).
- Beef is the second largest animal protein in Mexico, in terms of value, with a higher growth rate than chicken and pork.
- Young, wealthy consumers are driving beef consumption growth in Mexico. Younger consumers with more money to spend are fuelling the demand for high quality food and more formal dining experiences.
- The number of households with a higher income (over US\$75,000/year) is expected to register notable growth by 2021. In addition, hotel and restaurant expenditure is also set to increase, creating new opportunities for high value products such as Australian beef and lamb.

FOODSERVICE & RETAIL



- Animal protein continues to grow at around 5% annually in the foodservice channel with the growing working-age population and urbanisation lifting demand for more convenience among foodservice customers.
- Full service and quick service restaurants dominate the channel, holding around a 70% share of sales. Full service restaurants are set to be the main beneficiary of Mexico's positive economic scenario, with rising disposable incomes allowing families to trade up from quick service restaurants and become more receptive to higher value imported beef (Source: GlobalData – Mexico, The future of foodservice to 2021).
- Top steakhouses are dominated by USDA graded prime steaks, as grainfed product is more preferred than grassfed. However, there is high potential for Australian grassfed to enter the market.
- Uniquely in this market, the most common cut used in foodservice is arrachera, or hanger steak, normally marinated in spices.
- In the retail sector, hypermarkets are the most prevalent outlet type in the country. Retailers will increasingly target the upper-middle class segment in the coming years, through premium formats that offer popular imported produce (Source: Fitch Solutions).



US – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	Zero within quota (10.65% above quota)	Canada and Mexico North American Free Trade Agreement, no quota; New Zealand 213,402 tonnes quota, with an in-quota tariff of US\$4.4c/kg	Australian beef quota: 428,214 tonnes swt	E. coli and Salmonella sampling programs, label approvals and port mark compliance

Best access Major challenges

Source: Trade agreements DFAT, MLA

Australian beef exports to North America – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		259,149		255,809		330,953		-22	-71,803
Storage	Chilled	66,911	26	64,863	25	68,740	21	-3	-1,829
	Frozen	192,238	74	190,946	75	262,213	79	-27	-69,974
Meat type	Grassfed	252,762	98	248,426	97	319,948	97	-21	-67,186
	Grainfed	6,388	2	7,383	3	11,005	3	-42	-4,617
Storage/meat type	Chilled grassfed	62,461	24	59,275	23	60,648	18	3	1,814
	Chilled grainfed	4,450	2	5,588	2	8,092	2	-45	-3,642
	Frozen grassfed	190,300	73	189,152	74	259,300	78	-27	-69,000
	Frozen grainfed	1,938	1	1,795	1	2,913	1	-33	-975

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
Total		2,030,416		1,839,816		2,210,666		-8	-180,250
Storage	Chilled	758,434	37	672,175	37	651,784	29	16	106,650
	Frozen	1,271,982	63	1,167,642	63	1,558,882	71	-18	-286,900

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to US – by major cut

Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Manufacturing		146,735	61	148,358	63	199,053	66	-26	-52,318
Fullset		27,349	11	24,125	10	13,128	4	108	14,221
Thin flank		16,727	7	14,284	6	20,575	7	-19	-3,848
Topside/inside		15,750	7	17,294	7	21,431	7	-27	-5,681
Silverside/outside		6,597	3	8,028	3	13,342	4	-51	-6,745
Other		26,457	11	22,745	10	35,641	12	-26	-9,185
Total		239,614		234,833		303,170		-21	-63,556

Source: DAWR

Australian beef exports to Canada – by major cut

Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Manufacturing		12,306	66	14,489	70	20,110	74	-39	7,803
Cube roll/rib eye roll		1,531	8	1,621	8	966	4	59	565
Striploin		1,471	8	985	5	4,390	16	-67	2,920
Other		3,239	17	3,511	17	1,873	7	73	1,366
Total		18,547		20,607		27,339		-32	8,791

Source: DAWR Note: Import tariff on Australian beef is 0% within quota (35,000 tonnes swt) and 176% for over quota. Canada is a member of the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP).

Australian beef exports to Mexico – by major cut

Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Thin flank		955	97	366	99	433	98	120	522
Other		33	3	4	1	10	2	223	23
Total		988		370		444		123	545

Source: DAWR Note: Australia shares 200,000 tonnes swt quota with other non-NAFTA countries. Import tariff within quota is 0% (over quota is 16% for chilled and 20% for frozen beef). Mexico is a member of the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP).



United States – Sheepmeat



CONSUMERS

- Lamb remains a niche and unfamiliar protein to almost 40% of US consumers, driven by the lack of familiarity, taste concerns and limited knowledge on how to prepare it, however, US consumers are progressively increasing their willingness to try lamb, particularly the millennial generation.
- Lamb has been regarded as a seasonal food for specific holidays and often eaten out-of-home. The majority of consumers who eat lamb when dining out are more likely to try cooking lamb at home, if it is available locally.
- Without any real knowledge of lamb, Americans are much more likely to consider 'naturalness', safety and freshness ahead of 'country of origin' when purchasing lamb.
- Consumers who purchase chilled lamb are generally premium shoppers, spend more in store and prefer healthier, home-cooked items. Lamb chops and roasts are the most frequently purchased cuts (Source: Nielsen behaviour analysis; Voice of Consumer 2018).
- Lamb consumption patterns vary across the eight cities surveyed by MLA's global consumer research, with San Francisco, Florida, New York City and Los Angeles having above average consumption.

Top five factors influencing lamb purchases and top five barriers to purchasing lamb

Important factors influencing lamb purchase – top 5	Reasons don't buy lamb – top 5
Price	Don't know how to cook lamb
Colour of meat	Too expensive
All natural	It is not available where I shop
USDA grade or a rating from another independent grading system	Not familiar with lamb enough to buy
Natural ingredients	I like the taste but other family members don't

Source: Voice of consumer 2018

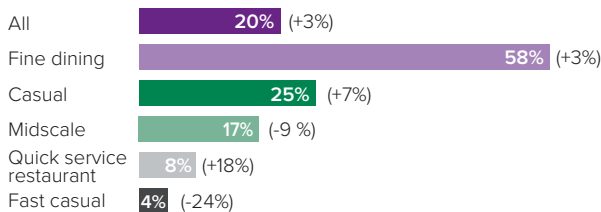
- Australia has started to close the gap and has increased consumer awareness and frequency of consumption compared to both American and New Zealand lamb.

FOODSERVICE



- Lamb growth has been somewhat mixed across foodservice operations but strong gains were made in fine dining, which in the long term could drive the foodservice industry toward greater lamb menu placement and, in turn, consumer adoption.
- The US foodservice industry itself, is experiencing flux, with a decline in the number of full service restaurants as well as upheaval in fast casual restaurants, which will present challenges as lamb is poised to grow.
- Driven by changing demographics and the shift in demand for more convenient and affordable lamb options such as lamb burgers, meatballs and kebabs, is becoming more common on US menus.
- It is estimated that 60% of total Australian lamb imports are consumed in the foodservice channel.
- The penetration of lamb on US restaurant menus has grown steadily over the last decade underpinned by growth in casual and quick service restaurants. (Source: Datassential menu monitor, 2019).

Quick service restaurants (QSR) are increasing appearance of lamb on menus



(Bracket percentage) = 4 year % change 2017 vs. 2013

Source: Dataessential, beef and lamb menu analysis, 2018

- Another interesting growth area is the non-commercial long-term care segment, which saw 14% penetration of lamb in the area in 2018; reflecting an older, more affluent demographic's demand for natural, healthy and interesting protein options (Source: Datassential menu monitor, 2018).

Lamb popularity increases

Interest in international cuisines and upscaling traditional American fare, has been driving lamb menu placement recently. Ethnic cuisines are likely to be a key tool in driving lamb usage and those ethnic cuisines poised to grow over the next few years are heavier users of lamb – mostly Middle Eastern and North African.

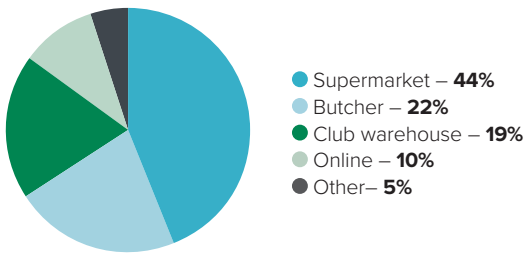
Lamb has also gained some ground with consumers through more familiar and approachable applications such as burgers and flatbreads, although the versatility of lamb is underleveraged currently in foodservice. Continuing to place lamb in comfortable and familiar applications could facilitate experimentation among consumers and make it a more relevant protein for a broader array of operators. (Source: Datassential, Menu Matters beef and lamb 2018).





- At retail, while supermarkets are still the main purchase channel for Australian lamb, sales are also highly skewed to online retailers and club store warehouses.

Where do shoppers buy Australian lamb



Source: MLA Global Tracker US, 2018

- Stores such as Costco attract a younger, more affluent consumer, who seeks more ethnically diverse cuisine and more exciting 'non-traditional' flavours, with lamb recognised as a viable option.
- Although there are significant barriers to purchasing meat online, it is a growth area and Australian lamb is well placed in this space (with 10% purchased online vs. only 5% of local lamb).
- More than 40% of Americans bought a meal kit in 2018, mostly from grocery stores. Compared to 25% in 2016, meal kit shoppers have grown by 60% over two years, skewing to younger families, higher income and multi-cultural shoppers.

- Meal kit shoppers are younger and often think 'one-meal-at-a-time', inspired by online and social media searches rather than eating the same things repeatedly. This means meal kits should reflect the same levels of fun adventurous food in their choice of ingredients and cuisines as well as frequent flavour rotation. This avenue offers an easier entry point for consumers wanting to trial unfamiliar products such as lamb (Source: Power of Meat 2019).

What things do consumers look for on lamb retail packs?

✓	100% All natural
✓	Quality grading or guarantee
✓	Colour of the meat
✓	Safety certification
✓	No added hormones
✓	Grassfed
✓	Use by date/sell by date

Source: MLA Global Consumer Tracker US, 2018

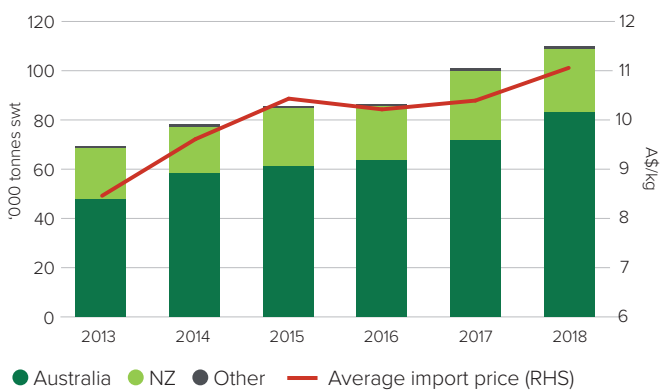
- In general, American lamb buyers are willing to pay more for better quality meat and are more adventurous in their (meat) purchasing habits.

OTHER SUPPLIERS



- Imports make a significant contribution to the lamb and mutton supply in the US. In 2018, imports accounted for approximately 70% of total sheepmeat consumed in the US. (Source: IHS Markit, calculated based on OECD-FAO consumption and total sheepmeat imports).

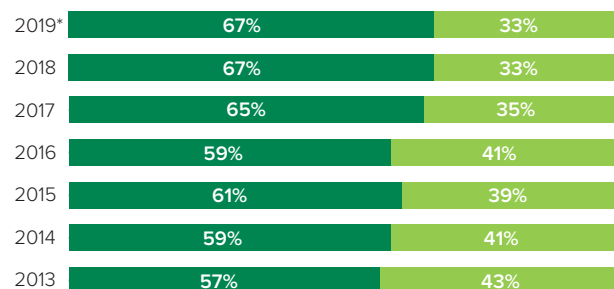
Sheepmeat imports into US by major supplier



Source: IHS Markit

- Australia is the major supplier of lamb in the US (75% imported), and the fastest growing importer (74% growth over five years). The second largest supplier is New Zealand, accounting for 23% of total imports with 23% growth over five years. (Source: IHS Markit)

% of imported chilled and frozen sheepmeat volume to the US



Source: IHS Markit. *YTD (January to May)



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	Nil	NZ has a tariff of US 0.7c/kg for lamb and US 2.8c/kg for mutton	Zero	Point of entry inspection, label approvals and port mark compliance

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian sheepmeat exports to US – summary table

Volume – in tonnes swt

		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		79,258		83,857		74,982		6	4,276
Storage	Chilled	29,636	37	31,638	38	30,245	40	-2	-609
	Frozen	49,622	63	52,220	62	44,737	60	11	4,885
Meat type	Lamb	59,954	76	67,902	81	59,097	79	1	857
	Mutton	19,304	24	15,956	19	15,885	21	22	3,419
Storage/meat type	Chilled lamb	29,636	37	31,636	38	30,243	40	-2	-606
	Chilled mutton	0	0	1	0	2	0	-100	-2
	Frozen lamb	30,317	38	36,265	43	28,854	38	5	1,463
	Frozen mutton	19,304	24	15,954	19	15,883	21	22	3,421

Source: DAWR

Value – in A\$ 000

		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
Total		936,495		749,689		648,031		45	288,464
Meat type	Lamb	802,765	86	649,547	87	563,029	87	43	239,736
	Mutton	133,730	14	100,141	13	85,002	13	57	48,728

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian lamb exports to US – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	%	in tonnes swt
Carcase	18,578	31	17,579	30	15,256	30	22	3,322	
Leg	15,259	25	15,754	27	14,814	29	3	445	
Shank	6,480	11	5,861	10	4,772	9	36	1,708	
Rack	6,335	11	5,445	9	4,737	9	34	1,597	
Shoulder	6,242	10	6,569	11	5,376	11	16	865	
Other	7,060	12	6,911	12	6,037	12	17	1,023	
Total	59,954		58,118		50,992		18	8,961	

Source: DAWR

Australian sheepmeat exports to Canada

Volume – in tonnes swt

		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		9,556		9,829		8,021		19	1,535
Storage/meat type	Chilled lamb	3,834	40	3,798	39	3,825	48	0	9
	Chilled mutton	0	0	1	0	1	0	-100	-1
	Frozen lamb	4,437	46	5,046	51	3,338	42	33	1,099
	Frozen mutton	1,285	13	984	10	857	11	50	428

Source: DAWR

Australian sheepmeat exports to Mexico

Volume – in tonnes swt

		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		3,104		2,505		3,706		-16	-602
Storage/meat type	Chilled lamb	0	0	1	0	1	0	-100	-1
	Chilled mutton	0	0	0	0	0	0	0	0
	Frozen lamb	836	27	939	37	941	25	-11	-105
	Frozen mutton	2,268	73	1,565	62	2,764	75	-18	-496

Source: DAWR

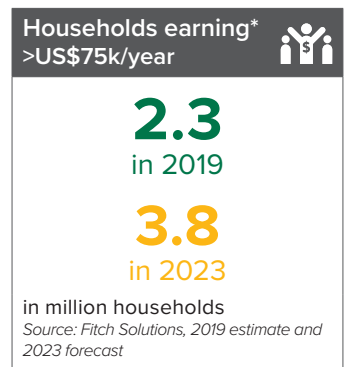
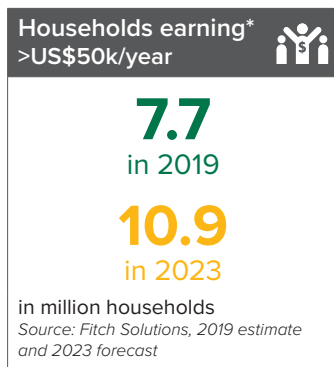
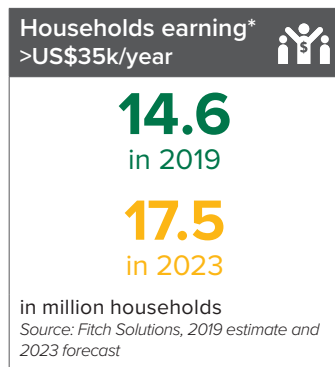
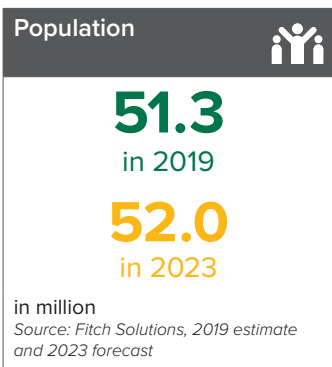
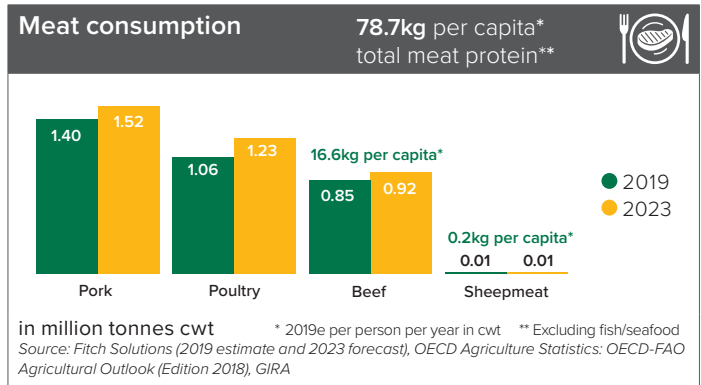


MARKET SNAPSHOT | BEEF & SHEEPMEAT



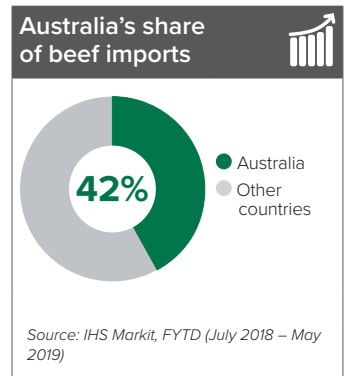
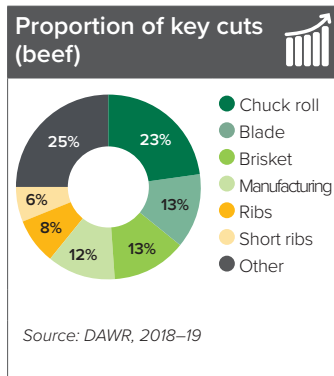
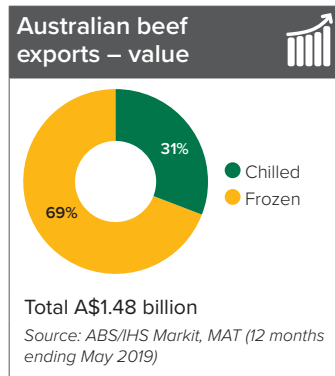
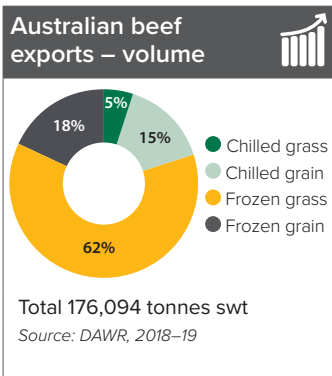
Korea

Korean consumers love meat and are the highest per capita consumers across Asia. Korea is also one of the most affluent markets in the region, with half of total households earning a disposable income over US\$35,000/year. Meat consumption is forecast to grow further, highlighting an ongoing need for quality imports. Australian red meat is well-known and most favoured among imports, backed by Korean consumers' strong awareness of country of origin and preference for quality product.

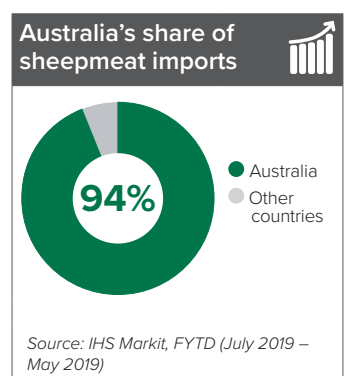
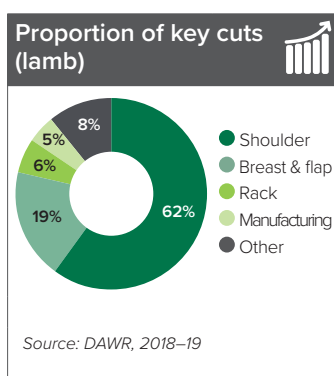
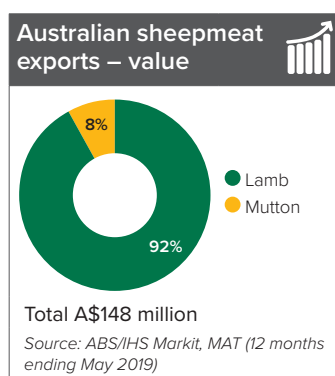
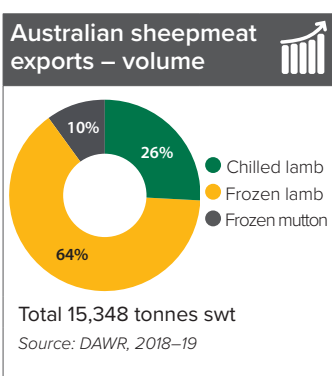


*Disposable income: earnings after taxes and social security charges.

Korea has long been one of the top ranking export destinations for Australian beef, and is now the 4th largest market after China. It is also the second largest export customer of Australian chilled grainfed beef.



Australian sheepmeat exports to Korea recorded growth in 2018-19 for the 10th consecutive year, growing almost six times larger in volume compared to a decade ago. Korea is the second largest Australian lamb customer in Asia.



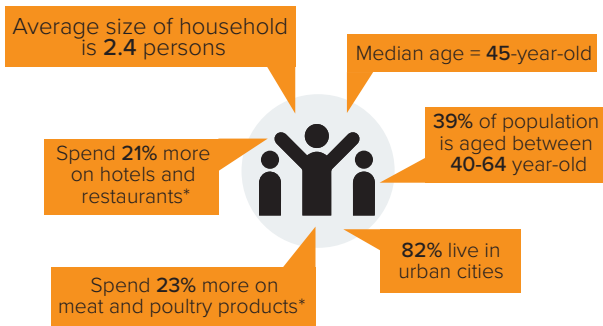
CONSUMERS



- Among imported beef, Australian beef is the most favoured by Korean consumers (Source: *MLA Global Consumer Tracker Korea, 2018*), while highly marbled domestic *Hanwoo* is generally regarded as the most superior. Beef in general is considered a premium protein, and the market's per capita beef consumption is the highest in Asia (Source: *Fitch Solutions*)*.
- Pork is the most consumed meat in Korea, but chicken consumption is forecast to grow fastest, backed by its affordable price and versatility for pre-prepared meals.
- Country of origin is very important to Korean beef buyers, as the country relies on imports for about 64% of its beef requirements (Source: *Fitch Solutions*).

* 2019 data and 2023 forecast, total of beef, excludes Australia, New Zealand (NZ) and Hong Kong.

What will the Korean consumer market look like in 2023?



Source: *Fitch Solutions*, based on various 2023 forecast data. * comparison between 2018 and 2023 forecast data

- Australian and US beef have similar levels of awareness among consumers, with Australian beef perceived as being safer and of superior quality. US beef appeals mainly for its 'lower price', 'convenience to purchase' and 'cuts suited for everyday cooking' (Source: *MLA Global Consumer Tracker Korea, 2018*). Further building on consumer confidence and trade loyalty to Australian beef will remain crucial for maintaining Australia's position in the market.

Attributes important for all proteins and beef associations

What attributes are important for Korean consumers (all proteins)?	What associations do consumers have to beef?
--	--

Most superior meat	Tastes delicious
My/my family's favourite	I pay more for this meat
Consistent quality	Healthy diet for children
Taste delicious	My/my family's favourite
Healthy diet for children	High nutritional value

Source: *MLA Global Consumer Tracker Korea, 2018*

FOODSERVICE



- Australian beef is consumed across the whole foodservice sector, with products ranging from frozen manufacturing beef to highly marbled Australian Wagyu loin cuts. In the traditional Korean barbecue sector, highly marbled domestic beef is the most popular, followed by US beef, then Australian grainfed products.

Korean foodservice sector – key users of Australian beef

Category	Major brands	Major cuts used
Fast food	Hamburger (Lotteria, Burger King, McDonald's)	Manufacturing beef
Casual eatery	Brisket soup (Shinsun Seolongtang, Hanchon SLT), Shabu shabu (Chasundang), various small BBQ outlets	Chuck roll, briskets, ribs, skirts, tail, oyster blade (BBQ style), offal
Mid-end	Steak (Outback Steakhouse), family restaurant (TGI Fridays, VIPs, Mad for Garlic), various BBQ chains	Chuck roll, loins, bone-in rib eye, various fore/hind cuts, offal
High-end	Five-star hotels, independent restaurants, celebrity chef venues	Loins
Canteen and catering*	LG ourhome, Samsung Wellstory, CJ Freshway	Brisket, chuck roll, clod

Source: *MLA*

* Largely supplying to institutions (schools, hospitals) and businesses.

- Korean consumers enjoy eating out, and traditional Korean flavours remain popular across generations. Approximately half of all foodservice outlets serve Korean-style dishes (Source: *Food News Sep 2017 by MIFAFF Korea*). Localised flavours infused into western fast foods are commonly seen, such as *bulgogi* burgers and pizzas (Australian beef burger with local *bulgogi*-style sauce).
- While full service restaurants are the largest channel and value leader in the market, it is also highly competitive and fragmented with a high proportion of small independent operators.
- Quick and cheap eateries are prevalent and frequently visited by office workers, families and students.



Chilli brisket soup



- Korean shoppers place a greater emphasis on where beef comes from compared to the global average. On-pack information about country of origin, along with environmental and 'naturalness' credentials, are highly important considerations at the point of purchase (Source: *MLA Global Consumer Tracker Korea, 2018*).
- It is estimated that approximately 50% of Australian beef is distributed via retail, including fresh, value-added and cooked products (Source: *Trade research, MLA*). Hypermarkets and supermarkets are key channels for Australian (and other imported) beef, while domestic *Hanwoo* has a particularly strong presence in department stores.

- The Korean retail sector is highly sophisticated and modernised, but also fragmented with a high number of second tier and regional chains. This drives strong price competition, with consumer and trade loyalty being crucial to maintaining market position.
- The US-owned retailer Costco remains focused on US products in their chilled beef section, other major retailers including E-Mart, E-Mart Traders, Lotte Mart and Homeplus continue to respond to demand for Australian beef from Korean consumers.

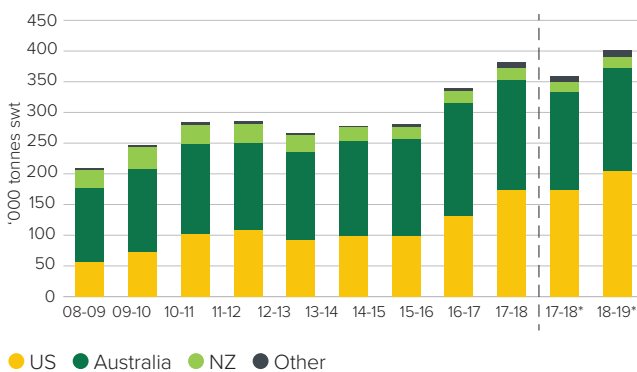
OTHER SUPPLIERS



- Subdued local *Hanwoo* beef production, increased US product availability and easing prices of US beef resulted in a continuing rise in US beef imports into Korea. Total import volumes from January to May 2019 (latest available data) reached 202,494 tonnes shipped weight (swt), up 13% year-on-year and the highest on record for the period. Imports from Australia and New Zealand during the same period increased 9% and 0.04% respectively, but imports from the US registered the highest rise for the period (up 17%, or 14,160 tonnes swt year-on-year).
- Under Korea-Australia Free Trade Agreement (KAFTA), in 2019 the tariff for Australian beef exports to Korea has been reduced to 24%, a 5.4 percentage point difference from the US (18.6%). This year the safeguard tariff for Australian beef has also been reduced – from 40% to 30% – bringing Australia in line with the US.
- The US has a significantly larger safeguard triggering volume* under its trade agreement. It has not been triggered since the agreement came into effect in 2012 in comparison to Australia that has triggered the restrictive mechanism every year since the signing of the KAFTA.
- Brazil and India do not have access to the market due to Korea's stringent animal health and food safety requirements. In early May 2019, Holland and Denmark were granted access into Korea – however both are yet to make any shipments into the market.
- In terms of Korean domestic beef production, growth is likely to remain limited in coming years, largely due to producer uncertainty over future cattle prices, an ageing farmer population and rising costs.

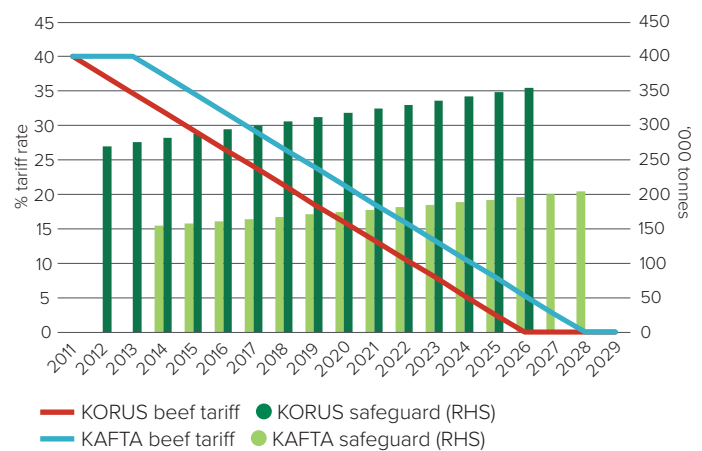
*312,000 tonnes swt for 2019

Korea beef imports by supplier



Source: IHS Markit. *YTD (July to May)

KAFTA and KORUS beef tariff schedules



Source: Austrade and USDA FAS

Home Meal Replacement: HMR

HMR in Korea includes:

- **RTE**: Ready to Eat (i.e. delicatessen and take away type products) – sandwiches, luncheon box, rolled seaweed rice.
- **RTH**: Ready to Heat (packaged meal prepared for microwave or pot heating) – pouch/'retort' food
- **RTC**: Ready to Cook (meal preparation ingredients with recipe/cooking instructions) – Soup, pot stew, meat items.
- **RTP**: referred to as 'Ready to Prepared' in Korea, (cleaned up ingredients and portioned) – prepared vegetable, salads.

Among HMR products Australian beef is used in soup, *Jjigae* (pot stew) and porridge dishes. In 2018, the Korean HMR market was worth A\$3.64 billion (estimate), increasing 21% yearly since 2010 (Source: *CJ Jeiljedang*). The segment has seen substantial growth over the past two years with further opportunities emerging for Australia,



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (KAFTA)	2019 – 24.0% 2020 – 21.3% 0% in 2028 Under KAFTA	US 2019 – 18.6% 2020 – 16% 0% in 2026 under KORUSFTA*	Safeguard Tariff bounces back to 30% when Australian imports exceed trigger level**	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Korea-US Free Trade Agreement

** Trigger volume is 170,673 tonnes swt in 2019

Australian beef exports to Korea – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		176,094		156,213		161,953		9	14,141
Storage	Chilled	35,432	20	35,426	23	34,746	21%	2	686
	Frozen	140,662	80	120,787	77	127,207	79%	11	13,455
Meat type	Grassfed	118,846	67	98,434	63	118,271	73%	0	575
	Grainfed	57,249	33	57,778	37	43,682	27%	31	13,567
Storage/meat type	Chilled grassfed	9,219	5	9,767	6	12,252	8%	-25	-3,033
	Chilled grainfed	26,213	15	25,659	16	22,494	14%	17	3,719
	Frozen grassfed	109,627	62	88,667	57	106,019	65%	3	3,608
	Frozen grainfed	31,036	18	32,120	21	21,188	13%	46	9,848

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
Total		1,481,720		1,176,163		1,137,620		30	344,101
Storage	Chilled	459,081	31	399,909	34	364,357	32%	26	94,725
	Frozen	1,022,639	69	776,254	66	773,263	68%	32	249,376

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Volume – by major cut (in tonnes swt)

Major cut	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Chuck roll	40,056	23	33,271	21	38,247	24%	5	1,809
Blade	23,551	13	21,297	14	24,891	15%	-5	-1,340
Brisket	22,598	13	20,093	13	17,034	11%	33	5,564
Manufacturing	21,149	12	17,053	11	19,785	12%	7	1,364
Ribs	13,447	8	13,317	9	11,953	7%	12	1,494
Silverside/outside	12,700	7	9,249	6	9,666	6%	31	3,034
Short ribs	10,634	6	10,688	7	11,724	7%	-9	-1,089
Thick flank/knuckle	7,252	4	5,851	4	4,301	3%	69	2,951
Other	24,707	14	25,395	16	23,204	14%	6	1,504
Total	176,094		156,213		160,805		10	15,290

Source: DAWR

Australian beef offal exports to Korea – by major cut (in tonnes swt)

Major cut	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Intestines	7,596	26	6,271	24	3,986	16%	91	3,609
Skirt	5,435	19	4,806	19	5,714	22%	-5	-278
Cheek meat	5,395	19	4,987	19	5,585	22%	-3	-190
Other	10,704	37	9,691	38	10,404	40%	3	300
Total	29,130		25,754		25,690		13	3,441

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
	%		%		%		%	%	in A\$ 000
Total		140,563		130,359		112,844		25	27,720

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)



Sheepmeat

CONSUMERS



- Lamb is not a frequently consumed protein in Korea, and lacks the 'easy everyday' attributes that more common proteins (such as pork) are known for. Rather, consumers associate lamb with taste, nutritional benefits and quality.

- Taste is not a barrier to purchasing lamb in Korea; however, some consumers have concerns about lamb's smell and are hesitant to cook it at home. Considering Koreans are one of the largest per capita consumers of meat in Asia, inspiring consumers' curiosity to try lamb and improving familiarity will create growth opportunities.

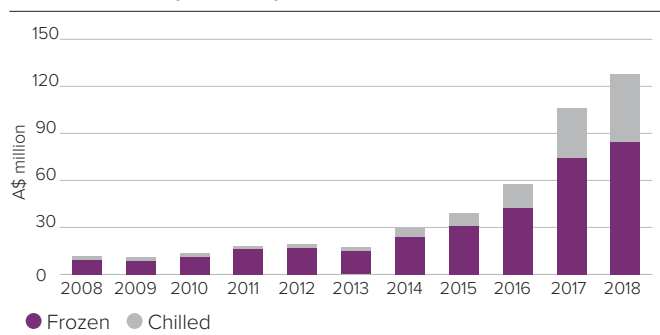
FOODSERVICE



- Australian sheepmeat exports to Korea have seen significant value growth over the past five years, averaging 46% year-on-year growth (in value) since 2014-15. This growth in demand has been largely driven by the growing popularity of Chinese-influenced lamb barbecue/skewer restaurants. However with the increased interest in sheepmeat, *Genghis Khan*-style (Japanese table-top sheepmeat barbecue style cooking) restaurants are also growing in number, and more local chefs are beginning to experiment with various lamb cuts including whole leg barbecue and bone-in rib cuts

- In recent years, *Huguo and Mara* soup (Chinese-style hotpot and soup) restaurants have seen a rise in popularity among young Koreans. This cuisine leverages trimming from lamb shoulder cuts.
- While full service restaurants are the largest channel and value leader in the market, it is also highly competitive and fragmented, with a high proportion of small and independent operators.

Australian sheepmeat exports - value



Source: IHS Markit



Lamb – Genghis Khan Korean-style

RETAIL



- Lamb is not commonly available across major supermarkets in Korea, with consumers not yet readily thinking of lamb as an everyday protein option. When it is purchased, it is often either an impulse buy or for a specific meal (Source: *MLA Global Consumer Tracker Korea, 2017*). However, lamb is regarded as delicious and for having strengths in animal welfare and sustainability.
- Consumer interest in lamb is reportedly increasing, particularly after having enjoyed the protein at a restaurant. However, many outlets are focused on fast selling, low priced protein products,

on the back of the fragmented and highly competitive retail environment, which works against comparatively expensive lamb.

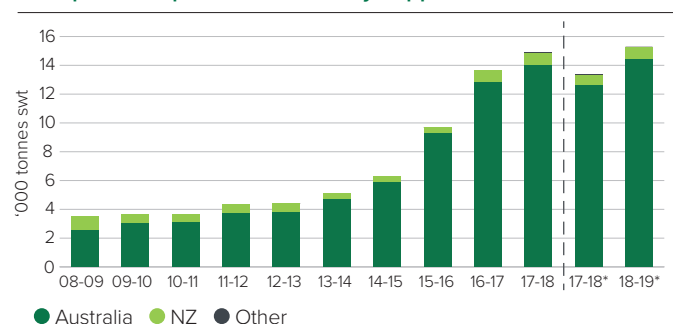
- The presence and sales of lamb on online platforms have been increasing, with a growing number of consumers willing to try lamb at home. Major online only vendors such as Market Kurly and Coupang already have a diversified range of lamb available for purchase.

OTHER SUPPLIERS



- As the scale of the local lamb industry is limited, sheepmeat consumption in Korea is predominantly supported by imports. This means that any increase in sheepmeat demand in Korea will provide opportunities for a rise in imports.
- The Korean imported sheepmeat market has increased significantly over the past 10 years (from a very low base), with Australia mostly taking advantage of the growth, representing 94% of total imports in 2018–19 (YTD July 2018 to May 2019).
- New Zealand, which has also taken advantage of the rise in imports, remains the key competitor for Australia but its market share remains small. The majority of New Zealand products into Korea are bone-in frozen cuts.

Sheepmeat imports into Korea by supplier



Source: IHS Markit. *FYTD (July to May)





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Korea-Australia Free Trade Agreement (KAFTA)	2019 – 9.0% 2020 – 6.7% 0% in 2023 under KAFTA	NZ 2019 – 11.2% 2020 – 9% 0% in 2024 under NZ-Korea FTA*	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA
* New Zealand-Korea Free Trade Agreement



Australian sheepmeat exports to Korea – summary table

Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		15,347		14,495		9,854		56	5,493
Storage	Chilled	4,034	26	3,205	22	1,598	16	152	2,436
	Frozen	11,313	74	11,289	78	8,256	84	37	3,057
Meat type	Lamb	13,759	90	12,614	87	8,345	85	65	5,414
	Mutton	1,588	10	1,880	13	1,510	15	5	79
Storage/meat type	Chilled lamb	4,032	26	3,205	22	1,596	16	153	2,436
	Chilled mutton	2	0	0	0	3	0	-32	-1
	Frozen lamb	9,727	63	9,409	65	6,749	68	44	2,978
	Frozen mutton	1,587	10	1,880	13	1,507	15	5	79

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		148,028		127,779		72,016		106	76,012
Meat type	Lamb	136,670	92	113,790	89	62,882	87	117	73,788
	Mutton	11,358	8	13,989	11	9,135	13	24	2,224

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian lamb exports to Korea – by major cut (in tonnes swt)

							%	in tonnes swt
Shoulder	8,459	61	6,815	54	4,369	52	94	4,090
Breast and flap	2,599	19	3,029	24	1,886	23	38	713
Rack	848	6	1,256	10	569	7	49	279
Manufacturing	752	5	596	5	747	9	1	5
Intercostals	439	3	423	3	278	3	58	160
Other	662	5	496	4	495	6	34	167
Total	13,759		12,614		8,345		65	5,414

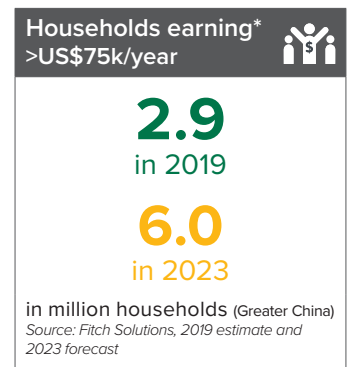
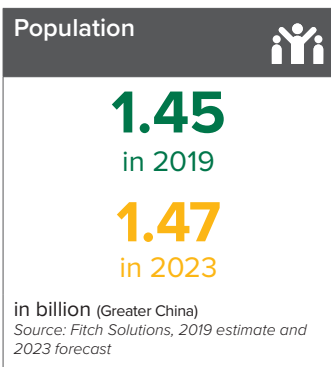
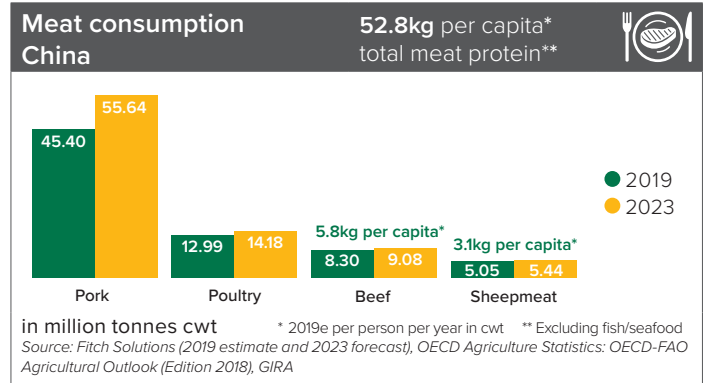
Source: DAWR



MARKET SNAPSHOT | BEEF & SHEEPMEAT

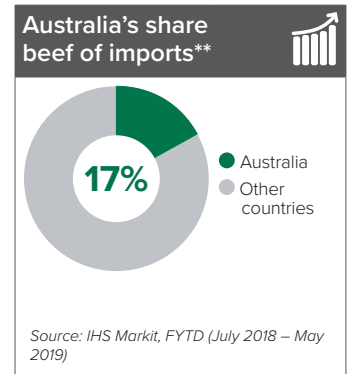
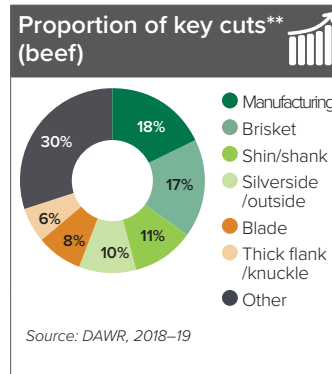
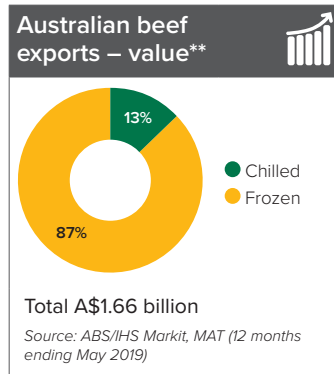
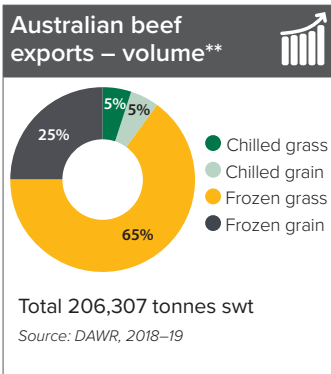
Greater China (China, Hong Kong and Taiwan)

Despite being the most populous country in the world, the proportion of Chinese consumers who can regularly afford to buy high quality imported meat is relatively small in comparison to more developed markets such as the US or Japan. However, demand for premium imported beef is forecast to grow strongly, fuelled by a significant increase in the number of wealthy households. Focusing on targeted opportunities with a differentiated product will help to build preference in what is a large, complex and very competitive market.



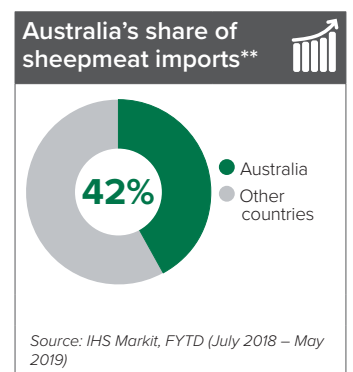
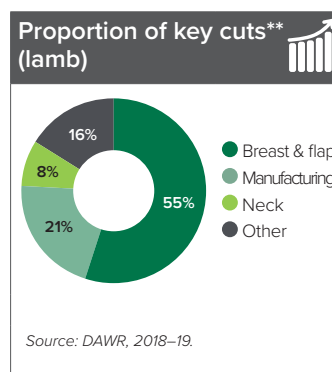
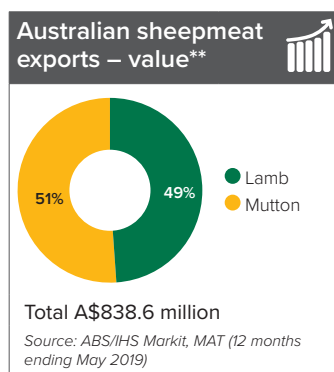
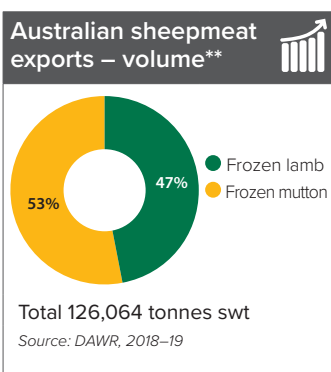
*Disposable income: earnings after taxes and social security charges.

Australian beef exports to China have experienced rapid growth, increasing 60-fold over the past 10 years. The country is now the 3rd largest destination for Australian beef.



** China data only

China has quickly become Australia's largest export destination for sheepmeat, registering more than 500% increase in the last 10 years. It is also by far the largest and most important customer of Australian mutton.



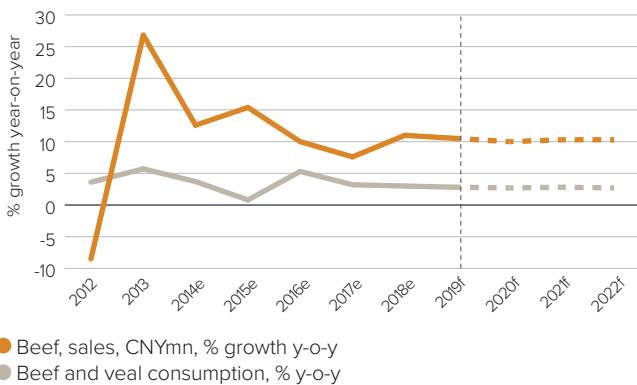
** China data only

CONSUMERS



- In China, beef comprises a small proportion of dietary protein compared to pork, fish and chicken. However, with rising incomes and continued urbanisation, per capita beef consumption is forecast to increase from 6.7kg in 2017e to 8.1kg in 2027f (Source: GIRA).
- In addition to growth in beef consumption volume, the China market will also see growth in consumption value, as more consumers can afford to seek higher quality product.

China beef sales value growth even stronger than volume growth

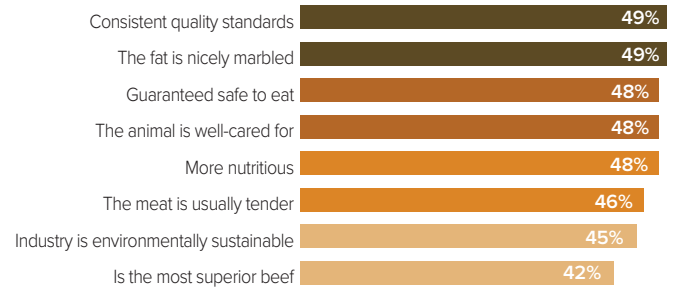


Source: Fitch Solutions

- Chinese consumers consider beef a superior protein that is a family favourite, with high nutritional value and great taste. Barriers to more frequent consumption, apart from price, are driven by perceptions that beef is considered more difficult to prepare, less fresh and less tender compared to other proteins.

- Beef and beef offal are used in a variety of slow-cooked, stir fry, soup, dumpling and hot pot dishes. In urban upper middle class households, there is increasing exposure to western-style steaks, sausages, pasta dishes and burgers, particularly via foodservice but also at home.
- There's a growing number of affluent consumers demanding higher quality branded beef products that offer higher safety, more consistent quality, more nutritional value and better taste. Australia is well-positioned to meet this demand as a widely-recognised and well-regarded supplier of premium beef.

Affluent* Chinese consumer perceptions of Australian beef



Source: MLA Global Consumer Tracker, 2018. % Agree.

*Consumers living in households earning >RMB200,000 p.a. in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing cities

- Busy urban consumers are also increasingly seeking convenience without having to compromise on quality and freshness, leading to growth in premium convenience food solutions.

FOODSERVICE



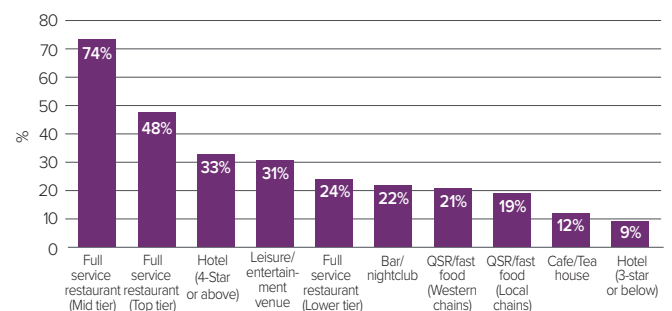
- As a comparatively less familiar but premium protein, estimates are that about half the beef in China is consumed outside the home (Source: GIRA), where consumers enjoy trying different cuisines.
- MLA estimates that around two-thirds of Australian beef goes into further processing items such as hot pot rolls, burgers, meatballs and sausages, much of it going into the foodservice sector.



Growing popularity of other Asian cuisines has increased beef consumption.

- Australian beef has a strong, established presence in China's premium western-style foodservice sector, as well as some upscale hot pot restaurant chains, where differentiation based on quality and country of origin is important to diners.
- Developments in the foodservice sector such as the growth in popularity of steakhouse restaurants, Korean and Japanese cuisine and home delivery services are presenting more opportunities for Australian beef.

Foodservice consumption of beef by affluent* consumers



Source: MLA China Attractive Cities Study, 2016. Consumed beef in the past month at.

*Consumers living in households earning >RMB80,000 monthly.

Top tier: >RMB300/head. Mid-Tier: RMB51-300/head. Lower Tier: <RMB50/head

RETAIL



- China is home to the world's largest grocery market by total sales – valued at A\$2,068 billion in 2020f – and is also among the most regionalised and fragmented (Source: IGD).
- Of China's 300+ cities, MLA estimates that in the 15 cities where imported beef demand is strongest, the combined retail value of all beef sales will be around A\$29.3 billion in 2020f (Source: MLA China Attractive Cities Study).
- In the context of beef purchasing for home consumption, consumers prioritise naturalness, safety and markers of quality such as country of origin.

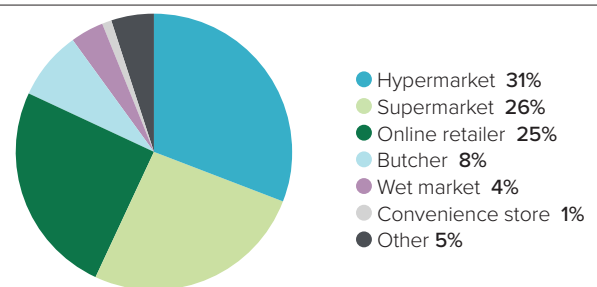
Chinese consumers' top 10 beef choice motivators

✓	100% All natural
✓	Safety certification
✓	Quality grading or guarantee
✓	Nutritional information
✓	Organic
✓	No added hormones
✓	Colour of the meat
✓	Country of origin
✓	Antibiotic-free
✓	Non-genetically modified

Source: MLA Global Consumer Tracker China, 2018

- As China has mandatory country-of-origin labelling, consumers are aware of where their beef comes from, particularly when purchased from modern retail channels.
- Affluent urban consumers are driving growth in branded beef products as a marker of not only the important 'basics' of quality and safety, but as a source of meaning that contributes to their consumption experience via factors such as provenance. Quality beef products are also given as gifts at important celebration occasions such as Spring Festival.
- China's grocery retail sector is undergoing significant change, with new business models and payment systems being trialled, presenting new opportunities for Australian beef. Retail sales value growth for beef is forecast to be fastest in the e-commerce channel in the coming years, as significant investments are being made in improving refrigeration capacity along the supply chain.

Where Chinese consumers buy Australian beef



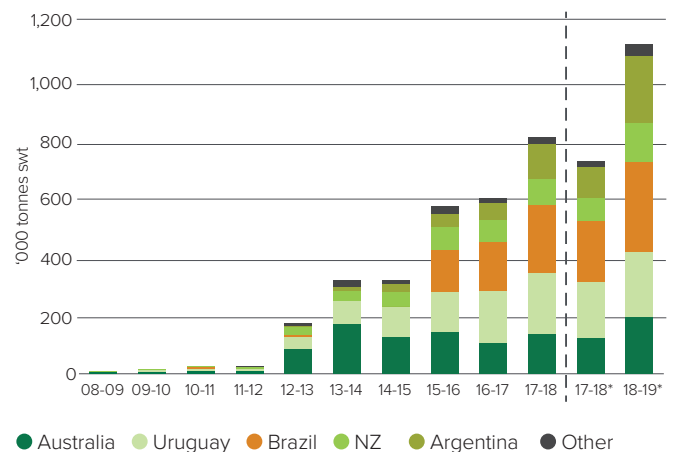
Source: MLA Global Consumer Tracker China, 2018
Consumers in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing.

OTHER SUPPLIERS



- The China beef market is very competitive and is intensifying as more countries are granted market access. In 2018, some eight new supplier countries began exporting beef to China for the first time.
- China has a large beef cattle herd estimated at 54 million head in 2018 (Source: GIRA). Although domestic beef production is expected to continue to grow over the coming years, there will remain a significant and growing domestic supply gap that will need to be met by imports.
- 2018 saw China's largest ever import volume of beef, with 1.04 million tonnes swt going through customs – this was up 50% on 2017 for volume. As an indication of growing demand for higher quality beef, import volumes were up 54% for July 2018 to May 2019 compared to the previous year and value up 70% (Source: IHS Markit).
- Australia's key competitors for frozen beef are Brazil, Uruguay, Argentina and New Zealand.
- In the chilled beef market, Australia's main competitors currently are New Zealand and the US. Several other countries (mainly European) have begun supplying small, intermittent chilled volumes since 2018.

China direct beef imports by supplier



Source: IHS Markit, China Customs. *FYTD Jul-May

LIVESTOCK EXPORTS



- Despite high prices and the complexity of the live feeder/ slaughter cattle protocol signed between Australia and China in 2015, Australia exported 24,064 live cattle for processing and 99,384 beef breeders to China in the 12 months to May 2019, a combined increase of 33% on the previous 12 months (Source: DAWR, ABS).
- China also has a live feeder/slaughter cattle protocol agreement with Uruguay and imports mostly breeder cattle from New Zealand, Uruguay and Chile (Source: IHS Markit).



Market access overview – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA)	2020 Chilled and frozen beef 4.8% Chilled carcasses 8% Frozen carcasses 10% 2024 Zero	Brazil, Uruguay, Argentina, Canada and US Meat – 12% Carcass – chilled 20%, frozen 25% NZ Zero from 2016	Safeguard Additional customs duty will apply if Australian imports exceed 174,454 tonnes swt in 2019 and 179,687 tonnes swt in 2020	Restrictions on the number of approved plants, chilled plants and restrictions on edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA
 NB: China applies a 13% VAT on most items (muscle cuts, offal) and 17% on processed

Australian beef exports to Greater China – summary table



Volume – in tonnes swt	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average		
		% out of total		% out of total		% out of total	%	in tonnes swt	
Total	240,986		172,770		168,978		43	72,008	
Storage	Chilled	28,634	12	16,363	9	14,035	8	104	14,599
	Frozen	212,352	88	156,408	91	154,943	92	37	57,409
Meat type	Grassfed	175,738	73	132,999	77	141,238	84	24	34,500
	Grainfed	65,248	27	39,772	23	27,740	16	135	37,508
Storage/meat type	Chilled grassfed	16,329	7	9,801	6	10,117	6	61	6,212
	Chilled grainfed	12,304	5	6,562	4	3,918	2	214	8,386
	Frozen grassfed	159,409	66	123,197	71	131,121	78	22	28,288
	Frozen grainfed	52,943	22	33,210	19	23,822	14	122	29,121

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average		
		%		%		%	%	in A\$ 000	
Total	1,987,938		1,353,205		1,156,836		72	831,102	
Storage	Chilled	359,119	18	219,132	16	168,210	15	113	190,909
	Frozen	1,628,819	82	1,134,074	84	988,626	85	65	640,193

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to China - by major cut (in tonnes swt)

Australian beef exports to China - by major cut (in tonnes swt)	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Total	206,306		133,382		128,745		60	77,561
Manufacturing	37,416	18	24,756	19	13,050	10	187	24,365
Brisket	35,020	17	29,122	22	28,427	22	23	6,594
Shin/shank	23,214	11	13,546	10	16,341	13	42	6,873
Silverside/outside	19,949	10	12,738	10	11,687	9	71	8,262
Blade	17,434	8	10,239	8	9,085	7	92	8,349
Thick flank/knuckle	11,914	6	6,356	5	7,094	6	68	4,820
Chuck roll	9,833	5	4,905	4	3,930	3	150	5,903
Ribs	8,875	4	5,618	4	4,474	3	98	4,401
Other	42,652	21	26,103	20	34,658	27	23	7,994

Source: DAWR

Australian beef offal exports to China – by major cut (in tonnes swt)

Australian beef offal exports to China – by major cut (in tonnes swt)	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Total	4,308		2,272		4,053		6	255
Tendon	2,309	54	807	36	1,645	41	40	664
Heart	946	22	884	39	1,516	37	-38	-570
Kidney	371	9	362	16	555	14	-33	-184
Other	682	16	219	10	337	8	103	345

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in A\$ 000
Total	48,643		35,970		26,922		81	21,721

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

SUMMARY



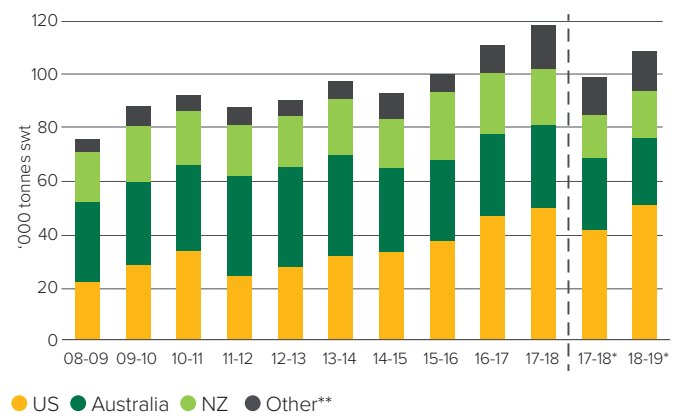
- Taiwan has been a significant and consistent market for Australian beef over the past two decades.
- Beef consumption has increased in recent years, driven by a large young adult population with growing disposable incomes and more openness to western-style foods. Total beef imports reached an all-time high of 129,906 tonnes shipped weight (swt) for the year to May 2019.
- Taiwan consumers appreciate Australian beef, particularly for its safety and quality consistency.
- MLA estimates that around 70% of Australian beef goes into the market's foodservice sector, with shin/shank and intercostal cuts used in slow wet-cooking for local style dishes and thin-sliced product used in hot pot and shabu-shabu style recipes.

- The western-style fine dining segment has grown in recent years, using premium beef cuts such as cube roll/rib eye roll, striploin and tenderloin. Some consumer segments have developed a preference for highly marbled beef such as US prime, Australian Wagyu and Japanese Wagyu, while others seek quality, leaner grassfed beef.
- As a wealthy and urbanised population, Taiwan's retail sector is quite mature by global standards, with Australian beef bought mostly from hypermarkets and supermarkets.
- Australia's main competitor in the market is the US, followed by New Zealand.



Taiwan's famous dish of beef soup noodles.

Taiwan total beef imports by supplier



Source: IHS Markit *FYTD Jul-Apr

**Other includes: Paraguay, Nicaragua, Panama, Honduras, Costa Rica and Canada.

Market access overview – Taiwan



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	NT* \$10/kg 15% tariff on offal	US, Japan and Canada access the same as Australia Paraguay, El Salvador, Honduras, Panama, Guatemala, Nicaragua, New Zealand and Singapore 0% tariff on beef	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA.

* New Taiwan Dollar

Hong Kong – Beef

SUMMARY



- Hong Kong is an attractive market for premium Australian beef due to its large tourist visitor numbers plus a wealthy population that is open to western-style foods and can regularly afford premium imported meat products.
- Hong Kong beef sales are forecast to see the strongest growth of all meat proteins in coming years – over 6.5% year-on-year until 2023f (Source: Fitch Solutions). Increasing popularity of cuisines such as western, Japanese, Korean, and northern Chinese is also growing demand for beef.
- Australian beef enjoys a high profile in the market and is well-regarded by consumers.

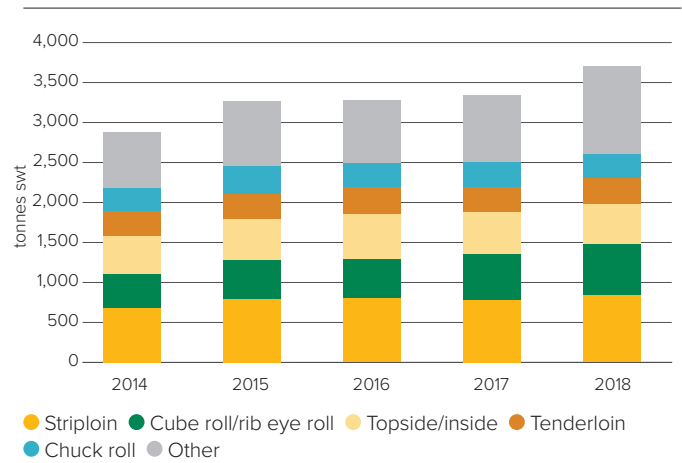
Hong Kong consumer perceptions of Australian beef

✓	Guaranteed safe to eat
✓	Offers variety of cuts to suit meals I make
✓	Is easy and convenient to buy
✓	Nutritional information
✓	Fresh
✓	Is my/my family's favourite beef
✓	Consistent quality standards

Source: MLA Global Consumer Tracker Hong Kong, 2018

- Australian beef is sold in a wide variety of foodservice channels from mid to high-end full service restaurants to mid-level fast casual and quick service restaurants. Diners also enjoy special occasion experiences with premium beef at western and Japanese cuisine restaurants, where product provenance is more prominent on-menu.
- Hong Kong's grocery retail sector – a vital channel for Australian beef – is highly developed and competitive. MLA estimates around 75% of Australian chilled beef is sold through retail, with demand growth benefiting from increased presence of food halls and gourmet/specialist stores.
- Key competitors for Australia at the premium end of the market are the US, Brazil, New Zealand and Japan.

Australian chilled beef exports to Hong Kong, top 5 cuts



Source: DAWR



A popular Hong Kong beef stir fry dish with rice flour noodles.

Market access overview – Hong Kong



Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
A-HKFTA signed March, 2019. Locks in zero tariff rate. Yet to be ratified and EIF.	N/A	Australia has same access as other suppliers	Zero	No major hurdles

Best access Major challenges

Source: Trade agreements, DFAT, MLA

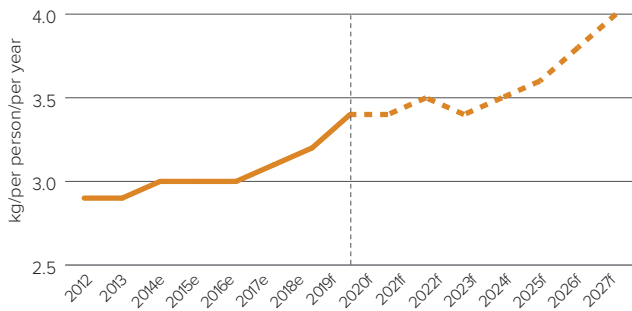
China – Sheepmeat



CONSUMERS

- China has been Australia's single largest sheepmeat export market by volume since 2012, and the second largest by value after the US (Source: DAWR).
- Sheepmeat currently accounts for only a very small proportion of dietary protein in China. However, with rising incomes and continued urbanisation, per capita sheepmeat consumption is forecast to increase significantly over the next decade.

China sheepmeat consumption per capita



Source: GIRA. Includes sheep and goat meat.

- Traditionally, sheepmeat consumption has been higher in the northern areas of the country and during the cooler months. However, interest in consuming sheepmeat has grown faster in coastal cities, where wealthier consumers seek more variety in their proteins from a taste and nutritional benefit perspective.

- Sheepmeat and sheepmeat offal are traditionally used in a variety of stew, soup and particularly hot pot dishes, and is also a popular street food in the form of spiced grilled kebabs.
- In urban upper-middle class households, there's increasing exposure to western-style lamb cutlets, meatballs and sausages. However, popular western cooking methods such as roasting are only available to the very small proportion of households that have an oven at home.
- Affluent urban consumers appreciate Australian lamb, which offers several advantages considered worth paying more for, such as safety, quality consistency and higher nutritional value (Source: MLA Global Consumer Tracker, China 2018).

Attributes associated with lamb compared to other proteins

Strengths	Weaknesses
✓ Is the most superior meat	✗ Easy and convenient to purchase
✓ The meat is usually tender	✗ Can use in many different meals
✓ Animal is well-cared for	✗ Easy and convenient to prepare
✓ I pay more for this meat	✗ Cheaper
✓ Has high nutritional value	✗ My/my family's favourite meat

Source: MLA Global Consumer Tracker China, 2018

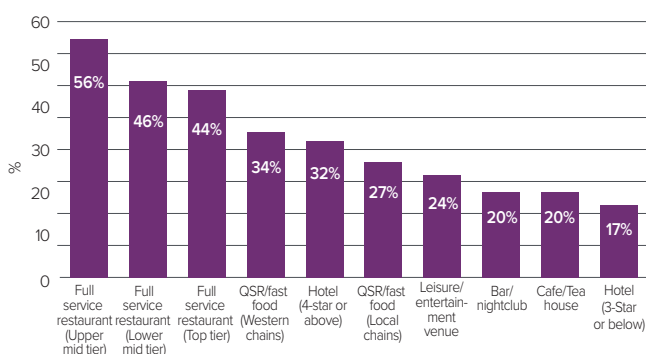
FOODSERVICE



- As a less familiar but premium protein, it's estimated that about 65% of the sheepmeat consumed in China is done so outside the home (Source: USMEF).
- China's foodservice sector sales value of lamb is estimated at around US\$12.5 billion in 2019 (Source: GlobalData).
- A significant proportion of Australian sheepmeat in the form of breast and flap, manufacturing, carcase and neck cuts goes into processing for the foodservice sector, particularly in the form of hot pot rolls.
- Higher-end full service restaurants are the most popular venues for dining out on lamb among affluent consumers.

- Imported Australian lamb can be found on menus in high-end western-style restaurants and five-star hotels, as well as some reputable high-end hot pot restaurant chains.
- As urban consumers' disposable incomes grow, demand for dining out and meal-order for home delivery are increasing in larger cities. Increasingly health-conscious, these affluent consumers are less willing to sacrifice quality and nutrition for convenience. This, in turn, is expected to contribute to further growth in demand for higher quality meat, including imported lamb.

Foodservice consumption of lamb by affluent* consumers



Source: MLA China Attractive Cities Study, 2016. Consumed lamb in the past month at.
 *Consumers of imported meat at least weekly, either at-home or out-of-home.
 Top tier: >RMB300/head. Upper Mid-Tier: RMB151-300/head. Lower Mid-Tier: RMB51-150/head. Lower Tier: <RMB50/head.



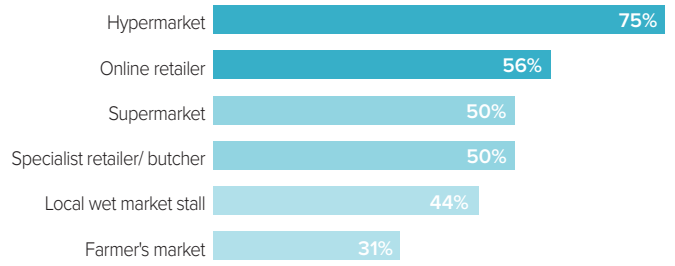
Hot pot is a popular way to eat sheepmeat.



- Of China's 300+ cities, MLA has identified 15 cities where demand for imported Australian sheepmeat will be strongest in the coming years. The lamb sales value in these cities combined is forecast to be around A\$5.4 billion in 2020 (Source: MLA China Attractive Cities Study). Sales value growth for lamb is forecast to be particularly strong in Tianjin, Beijing, Shanghai and Hangzhou cities, where there are large concentrations of affluent consumers who enjoy lamb.
- Lack of familiarity and knowledge about how to cook lamb are the key barriers to lamb at retail level. Among those who do purchase it, most use it in traditional 'slow wet cooking' recipes such as stews and hot pot.

- Retail has been a relatively small channel for Australian sheepmeat but branded lamb product is becoming available in stores in some larger cities and online. This is driven by affluent urban consumers seeking higher quality product offering not only safety and quality consistency, but also unique eating experiences and provenance characteristics.
- Frequent buyers of imported meat typically buy their lamb from modern retail channels. In China, e-retailers play an important role in making lamb more easily available to consumers.

Where affluent* urban consumers shop for lamb



Source: MLA China Attractive Cities Study, 2016
*Affluent = living in households earning >RMB80,000 per month

Chinese consumers' choice motivators for lamb

✓	100% / All natural
✓	Safety certification
✓	Quality grading or guarantee
✓	Nutritional information
✓	Organic
✓	No added hormones
✓	Country of origin
✓	Animal origin/provenance

Source: MLA Global Consumer Tracker China, 2018

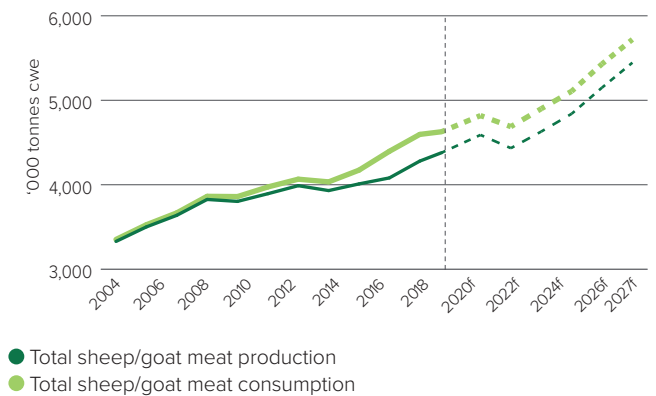
OTHER SUPPLIERS



- China is the world's largest producer of sheepmeat, with a sheep and goat flock estimated at 303 million head in 2018. Despite this, China is forecast to continue to remain a net importer of sheepmeat over the coming years.
- In 2018, imports were estimated to contribute around 6% of consumption volume (Source: GIRA).
- The strength of import demand in China depends heavily on domestic production cycles, which are quite volatile due to the significant impact of small opportunistic producers on the industry.

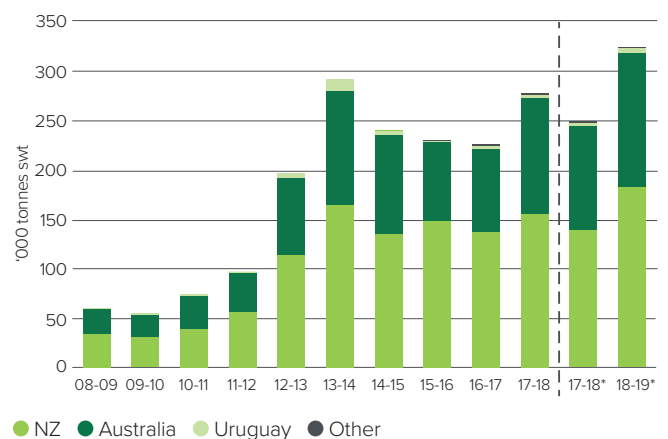
- New Zealand is the lead imported sheepmeat supplier to China, followed closely by Australia. Smaller volumes are supplied by Uruguay, Mongolia and Chile.
- Australia and New Zealand are approved suppliers of chilled sheepmeat, though New Zealand has the advantage with a greater number of listed plants, including for tripe.

China sheepmeat import demand



Source: GIRA

China direct sheepmeat imports by supplier



Source: IHS Markit
*FYTD Jul-May



Market access overview – China

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
China-Australia Free Trade Agreement (ChAFTA)	Under ChAFTA: 2019 and 2020: Chilled meat and carcasses 6.7-10.2% Frozen meat and carcasses 4.0-7.7% 2023: Zero	NZ Import tariffs zero from 2016 Multiple plant listings for chilled sheepmeat and sheep tripe	Zero	Restrictions on the number of approved plants, chilled plants and edible offal

Best access Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to Greater China – summary table



Volume – in tonnes swt		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	
								%	in tonnes swt
Total		136,651		111,161		94,238		45	42,413
Storage	Chilled	681	0	733	0	661	1	3	20
	Frozen	135,970	100	110,428	99	93,578	99	45	42,392
Meat type	Lamb	62,861	46	58,403	53	48,923	52	28	13,938
	Mutton	73,790	54	52,758	47	45,316	48	63	28,474
Storage/meat type	Chilled lamb	680	0	733	1	660	1	3	20
	Chilled mutton	1	0	0	0	1	0	105	1
	Frozen lamb	62,181	46	57,670	52	48,262	51	29	13,919
	Frozen mutton	73,789	54	52,758	47	45,315	48	63	28,474

Source: DAWR

Value – in A\$ 000

								%	in A\$ 000
Total		921,193		652,893		457,682		101	463,511
Meat type	Lamb	449,752	49	341,435	52	254,455	56	77	195,296
	Mutton	471,441	51	311,458	48	203,227	44	132	268,215

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian lamb exports to China – by major cut (in tonnes swt)

						%	in tonnes swt	
Breast and flap	31,991	55	32,170	62	25,843	62	24	6,148
Manufacturing	12,177	21	11,463	22	7,912	19	54	4,266
Neck	4,874	8	5,181	10	3,795	9	28	1,079
Other	9,643	16	3,441	7	4,038	10	139	5,605
Total	58,686		52,255		41,587		41	17,098

Source: DAWR

Australian mutton exports to China – by major cut (in tonnes swt)

						%	in tonnes swt	
Carcase	33,908	50	20,237	45	13,112	35	159	20,796
Breast and flap	14,828	22	16,883	38	16,349	44	-9	-1,522
Manufacturing	4,164	6	3,773	8	1,705	5	144	2,459
Other	14,478	21	3,697	8	6,359	17	128	8,119
Total	67,378		44,590		37,526		80	29,852

Source: DAWR

Taiwan – Sheepmeat

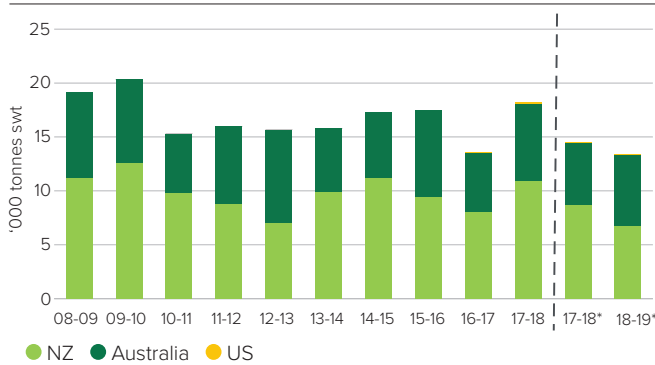
SUMMARY



- Taiwan has been a significant importer of sheepmeat for the past several decades, reaching a total import volume of 16,371 tonnes shipped weight (swt) in the 12 months ending May 2019.
- The vast majority of the market's imports are supplied by New Zealand and then Australia, with a small quantity supplied by the US more recently. Due to the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC), New Zealand product has preferential access over Australian, with zero tariffs applied.

- The majority of Australia's sheepmeat exports to Taiwan are comprised of frozen lamb and mutton, particularly in the form of manufacturing, breast and flap and carcase.
- Australian exports of chilled lamb, though small in quantity, have grown over the years, particularly both shoulder and rack cuts.
- Slow-cooked recipes such as casseroles, soups and hot pot are among the more popular sheepmeat recipes. However, roasting, grilling and pan-frying of prime cuts are available at high-end western-style restaurants.

Taiwan sheepmeat imports by supplier



Source: IHS Markit. *FYTD Jul-Apr



Slow-cooking with vegetables is a popular way to cook lamb at home across Greater China, including Taiwan.

Hong Kong – Sheepmeat

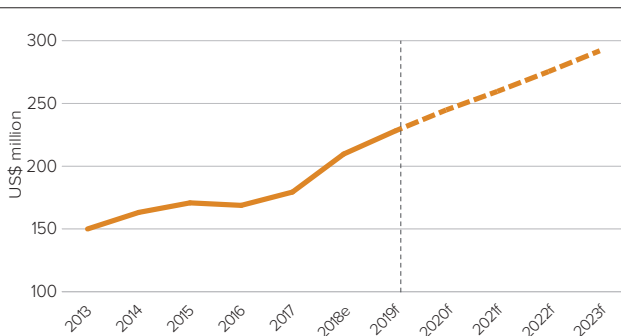
SUMMARY



- Hong Kong has been a significant importer of sheepmeat over the years. However, a significant proportion of the imported frozen product has traditionally been re-exported to other destinations such as China, Vietnam and Macau.
- Sheepmeat is a relatively small part of Hong Kong locals' diets, with per capita consumption in 2018 estimated at 1.1kg/year (Source: GIRA). However, as an important tourism destination, a significant proportion of consumption occurs in the foodservice sector by non-locals. This is a key driver of strong growth in lamb sales forecast for the coming years – estimated at 8.8% year-on-year in 2020f (Source: Fitch Solutions).

- The majority of the country's imports are supplied by Australia and New Zealand.
- Australian exports of chilled lamb, though small in quantity, have grown over the years, with rack cuts dominating, followed by leg and shoulder cuts.

Hong Kong lamb sales



Source: Fitch Solutions. Household spend, all channels.



Braising is among the most popular ways to cook sheepmeat at home.

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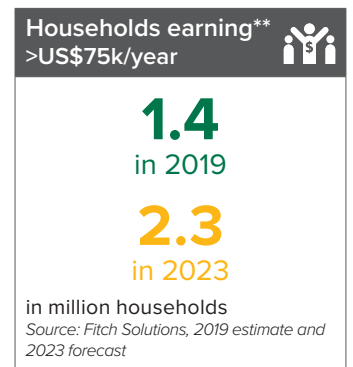
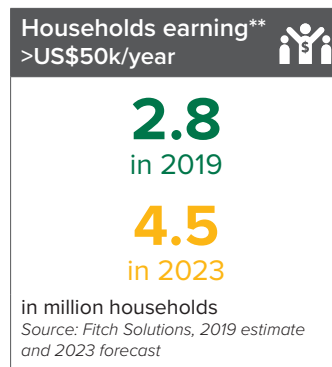
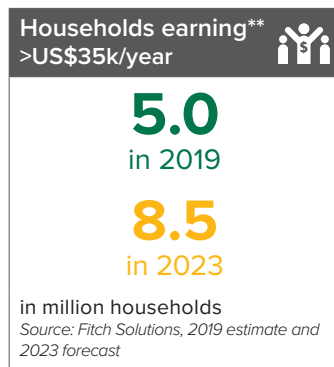
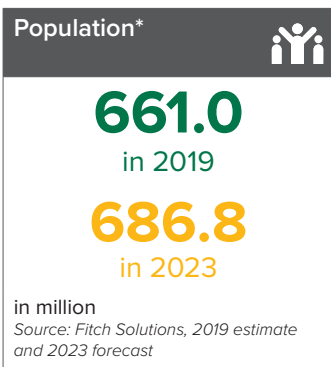
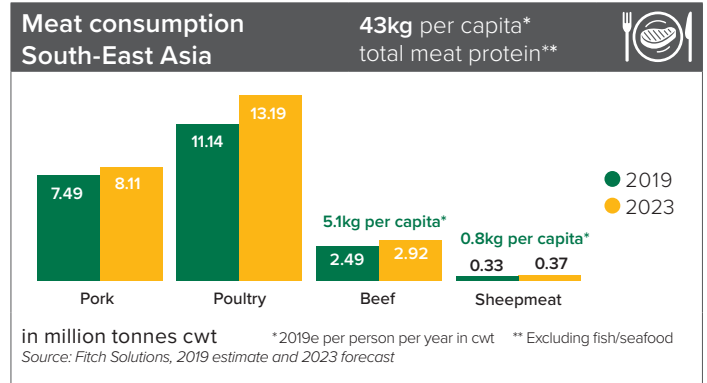


MARKET SNAPSHOT | BEEF & SHEEPMEAT

South-East Asia*

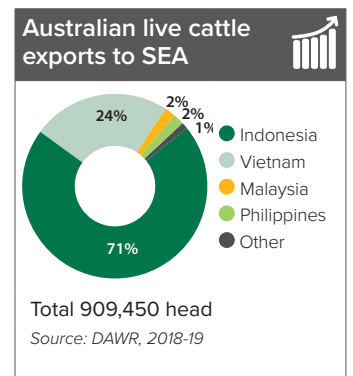
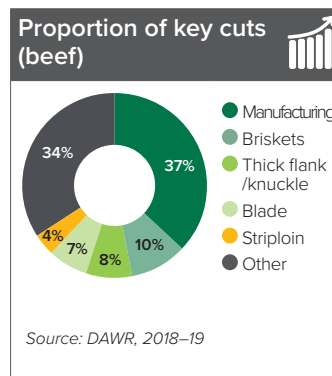
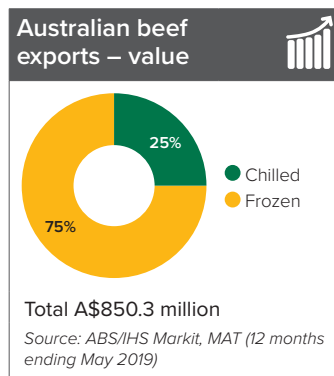
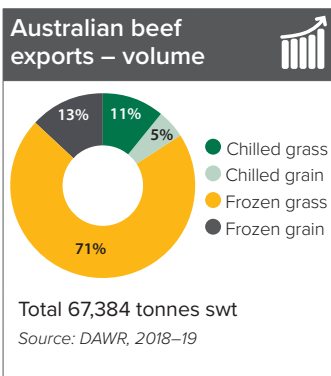
Improving household incomes and changing consumer tastes in the region are driving a rapid rise in red meat consumption. The variance in market maturity and consumption habits requires a highly targeted approach to identify and develop opportunities for Australian red meat.

* In this report, South East Asia (SEA) includes the following countries – Indonesia, Singapore, Malaysia, Thailand, the Philippines, and Vietnam, as well as Brunei, Cambodia, Laos and Myanmar.

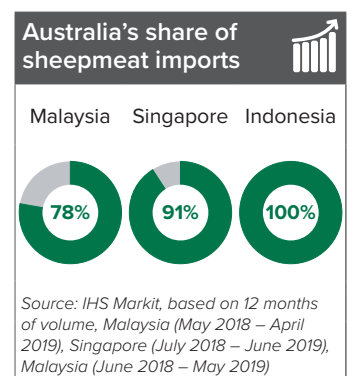
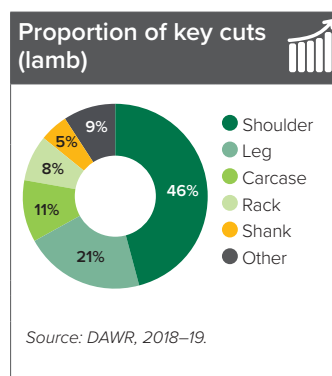
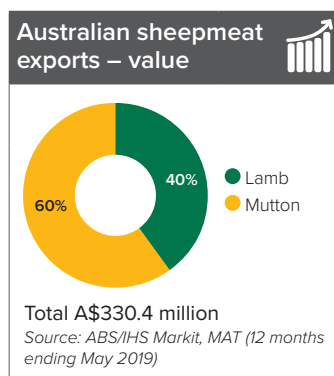
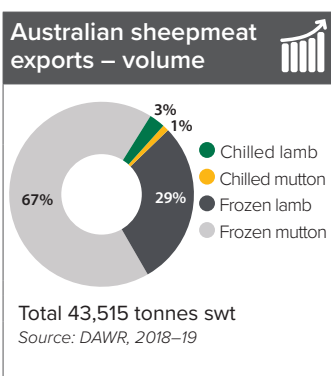


*includes Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
**Disposable income: earnings after taxes and social security charges – includes Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Within the region, Indonesia and the Philippines are high volume markets for Australian beef, followed by fast-growing Vietnam. Singapore and Thailand take smaller volumes of high value products.



Malaysia and Singapore are key markets for Australia, ranking the 3rd and 4th largest amongst global mutton exports, respectively. Exports to other SEA countries are growing, although demand has been volatile.

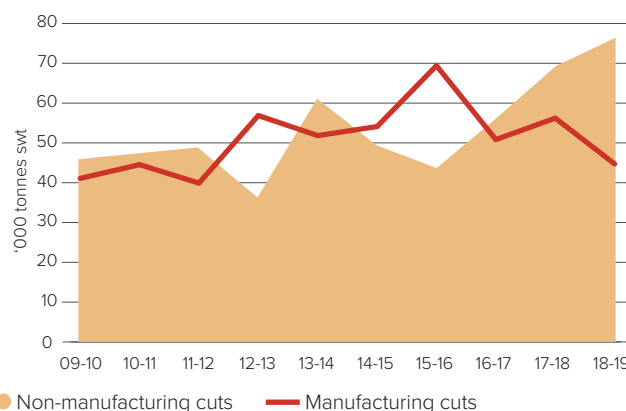


CONSUMERS



- Beef comprises a small proportion in the daily diets of SEA consumers compared to fish, chicken and pork. However, it's forecast to be the second fastest growing meat category in the region after chicken, with consumption volume estimated to increase 16% from 2018 to 2022 (Source: GIRA). This strong growth is driven by rising incomes, an expanding affluent consumer class and continued urbanisation.
- SEA consumers associate beef with superiority and good taste, which typically drive consumers to pay a premium for it. Consumers also have positive perceptions of imported meat products with 'premium quality' and 'better taste' being commonly perceived benefits.
- Beef is mostly utilised in local traditional cuisines; however, there's a growing trend to try new, international beef dishes at home. Japanese beef *gyudon*, *shabu-shabu*, Korean *bulgogi* and western-style steak are among popular international beef recipes being adopted by many urban SEA consumers. Beef is also often used as a special family treat.

Australian beef exports to SEA – non-manufacturing vs. manufacturing cuts



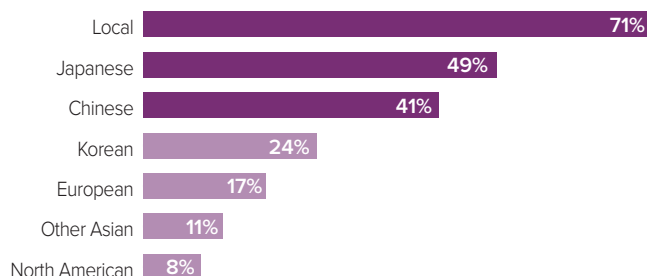
Source: DAWR

FOODSERVICE



- SEA has a vibrant foodservice sector with a wide range of food and price options. Although the market remains fragmented and dominated by local mid-range restaurants, the modern higher-end segment – a major foodservice channel of Australian beef in the region – has been expanding.
- New restaurant concepts and menus have been introduced by local and international foodservice operators to capture the rising number of young affluent foodies in urban cities. Continued modernisation and premiumisation in the foodservice sector is creating growth opportunities for Australian beef.
- Key motivations for SEA consumers to dine out on beef are the taste of beef and variety in beef dishes, especially those that are difficult to cook at home. Young urban consumers, in particular, show strong interest in trying out new food trends and cuisines from different cultures (Source: MLA ASEAN Attractive Cities Study). Enjoyment, variety and experience are key themes that Australian beef can leverage in developing value propositions targeting the young aspirational consumer segment.
- Demand for beef products of good quality and variety – in terms of cuts, grassfed, grainfed, marble score, breed – is expected to increase, supported by a number of factors including the growing popularity of Japanese, Korean, and western cuisines, increased consumer sophistication, competition and diversification led by operators within the higher end foodservice segment.

Which cuisines do SEA consumers prefer when dining out?



Source: MLA ASEAN Attractive Cities Study

RETAIL



- The SEA retail sector shares similar trends to foodservice. Apart from Singapore, SEA has a relatively fragmented retail market with traditional channels making up approximately 85% of market share (Source: IGD). However, modern retail is developing rapidly as major retailers seek to expand their store network and formats to keep up with evolving consumer needs.
- Australian (boxed) beef has high penetration in modern retail, especially in high-end supermarkets. Within this channel, Australian beef mainly competes with the US, New Zealand and Argentina, and with Japan on Wagyu.
- In SEA, Australian beef is one of the most commonly consumed products after domestic (except in Singapore, where Australian beef is predominantly consumed), a result of its strong market presence and perceived advantages including high quality, good taste and higher hygiene standards (Source: MLA ASEAN Attractive Cities Study).

Top 5 attributes SEA consumers look for on-pack when making beef purchases

Singapore	Malaysia	Indonesia	Thailand	Vietnam*
Safety	Halal	Halal	Safety	Origin
Freshness	Safety	Freshness	Natural	Quality
Natural	Freshness	Safety	Freshness	Use-by-date
Value	Natural	Natural	Value	Freshness
Origin	Value	Value	Origin	Price

Source: MLA Global Tracker (Singapore, Malaysia, Indonesia, Thailand); MLA ASEAN Attractive Cities Study (Vietnam), 2018

* Based on top attributes consumers look for on-pack when purchasing meat

- The region is seeing an increase in the number of gourmet grocer outlets across major cities, which target emerging affluent local and expatriate consumers. This trend creates further opportunity to grow premium beef products.

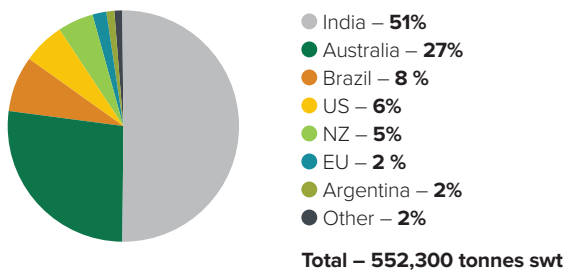


OTHER SUPPLIERS

- Beef imports to SEA grew significantly in 2018 – 13% year-on-year – underpinned by strong demand growth in Indonesia, Vietnam, Philippines and Thailand.
- India is a dominant supplier of buffalo meat to SEA markets except Singapore and Thailand. It's mostly utilised in low-end traditional retail and foodservice channels including wet markets and small restaurants, and by small to medium-sized food manufacturers. It's also sold in modern retail, in Malaysia and Indonesia in particular, in frozen or thawed form at relatively competitive prices.
- Imports from Brazil increased 28% year-on-year in 2018, underpinned by strong demand from the Philippines and Malaysia.
- Singapore and Thailand saw a surge of Argentinian beef imports in 2018. Albeit off a small base, shipments to Singapore increased 4 times compared to 2017, and shipments to Thailand grew 29% year-on-year.
- Australia accounts for about a quarter of the SEA's imported beef market. It's also the largest supplier of chilled beef to the region with a market share of over 80%, followed by New Zealand (8%), US (5%), and Japan (2%).

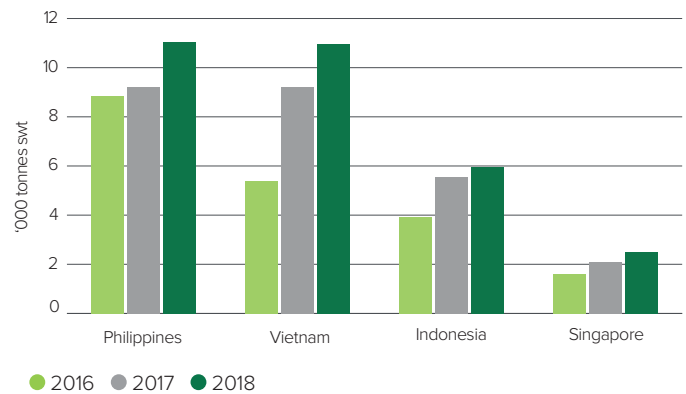
- Strong growth of US beef imports pose a potential threat to Australia's share in the SEA market as the US is also positioned as a high quality brand, targeting high-end retail, foodservice channels and affluent consumer segments.
- Australia has a strong trade and economic relationship with the SEA region. Free trade and economic partnership agreements, including the newly signed Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) with Indonesia, will continue to underpin Australia's competitive position across the SEA markets.

SEA* beef imports by major supplier – 2018



Source: IHS Markit, Agromonitor, calendar year
 *SEA-6 includes Singapore, Malaysia, Indonesia, Philippines, Thailand and Vietnam

US beef imports by key SEA markets



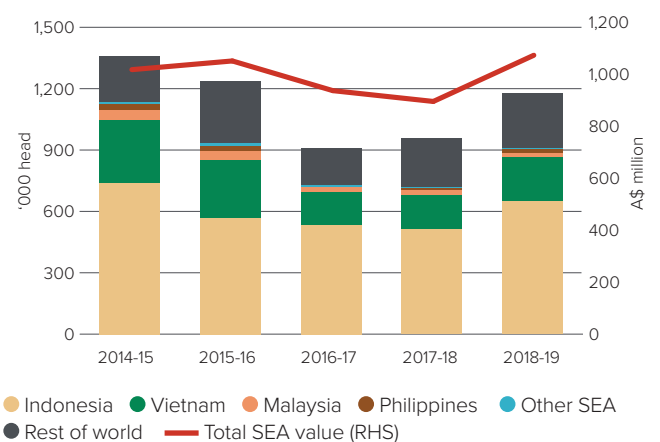
Source: IHS Markit, Agromonitor

LIVESTOCK EXPORTS



- SEA is the largest market for Australian live cattle exports with a combined volume share of 77%, of which Indonesia makes up almost two thirds by volume, and Vietnam accounts for about 23%.
- Australian cattle have played an important role in meeting SEA's rising demand for beef and SEA consumers' strong preference for freshly slaughtered meat. It's estimated to have supplied approximately 20% of the total beef consumed in Indonesia and Vietnam.
- Australian cattle exports to SEA increased in 2018–19 at a moderate rate of 3% year-on-year. Strong growth occurred in Indonesia and the Philippines at 6% and 43% year-on-year respectively, while demand from Vietnam remained stable.
- As part of the Indonesian government's efforts to increase self-sufficiency, it imposed a '5:1' policy on live cattle trade since October 2016, requiring importers to import one breeder for every five feeder cattle. The government is looking to diversify its live cattle supply, considering US and Mexico as potential suppliers.

Australian live cattle exports



Source: DAWR, ABS/IHS Markit
 *2018-19 value MAT (12 months ending May 2019)



Market access overview – Indonesia

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN*- Australia-NZ Free Trade Agreement (AANZFTA) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) Signed in March 2019	Boxed beef – 5% for chilled and frozen boneless** and frozen bone-in***; 0% for all other lines Live cattle – 5% (0% for purebred breeding cattle)***	India (buffalo meat): India-ASEAN FTA. 5% tariff	Volumes managed by the Indonesian government's import permit system	Highly regulated market, with complex import conditions and regulations. The government controls type of meat and offal products that can be imported into the country

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* Association of Southeast Asian Nations. Members include Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, Brunei, Myanmar, Laos and Cambodia.

** Under AANZFTA: tariffs for chilled & frozen boneless beef exports will be removed on 1 January 2020.

*** IA-CEPA on enter into force: tariffs for frozen bone-in beef exports will be reduced to 2.5% and removed by 2023; 0% tariff for male cattle exports within quota (575,000 head) and 2.5% out of quota, and 0% for female cattle exports with no quota.

Australian beef exports to Indonesia – summary table



Volume – in tonnes swt	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		% out of total		% out of total		% out of total	%	in tonnes swt
Total	54,417		58,213		50,096		9	4,321
Storage	Chilled	4,502 8	4,188 7	3,741 7	20	761		
	Frozen	49,915 92	54,025 93	46,355 93	8	3,560		
Meat type	Grassfed	53,324 98	56,852 98	49,288 98	8	4,036		
	Grainfed	1,093 2	1,361 2	808 2	35	285		
Storage/meat type	Chilled grassfed	4,042 7	3,391 6	3,276 7	23	767		
	Chilled grainfed	460 1	798 1	466 1	-1	-6		
	Frozen grassfed	49,282 91	53,461 92	46,013 92	7	3,269		
	Frozen grainfed	633 1	564 1	342 1	85	291		

Source: DAWR

Value – in A\$ 000

	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in A\$ 000
Total	332,142		324,995		287,361		16	44,781
Storage	Chilled	49,140 15	48,842 15	41,722 15	18	7,418		
	Frozen	283,002 85	276,153 85	245,639 85	15	37,363		

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Volume – by major cut (in tonnes swt)

	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Manufacturing	13,674	25	18,865	32	24,128	47	-43	-10,454
Brisket	7,678	14	5,575	10	3,120	6	146	4,559
Thick flank/knuckle	7,536	14	8,630	15	4,718	9	60	2,818
Other	25,529	47	25,143	43	19,754	38	29	5,776
Total	54,417		58,213		51,720		5	2,698

Source: DAWR

Australian beef offal exports to Indonesia (in tonnes swt)

	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in tonnes swt
Manufacturing	11,286	33	9,945	36	5,214	31	116	6,073
Heart	5,461	16	3,974	14	3,112	18	75	2,349
Liver	4,640	14	2,654	10	2,003	12	132	2,638
Other	12,813	37	11,239	40	6,585	39	95	6,228
Total	34,201		27,812		16,913		102	17,288

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Value – in A\$ 000

	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in A\$ 000
Total	102,453		77,090		40,350		154	62,103

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian live cattle exports to Indonesia

	2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
		%		%		%	%	in A\$ 000
Volume – in head	603,769		510,937		595,008		1	8,761
Value – in A\$ 000	675,129		573,551		571,131		18	103,998

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)



Market access overview –SEA*

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Malaysia-Australia FTA (MAFTA) Thailand-Australia FTA (TAFTA) Singapore-Australia FTA (SAFTA)	Singapore, Malaysia, the Philippines and Vietnam Zero Thailand 2.67% within quota, 50% out of quota in 2019 Zero in 2020	India (buffalo meat) India-ASEAN FTA 0% tariff into Malaysia; 6% to the Philippines 12% to Vietnam; (15% for frozen carcasses), eliminated by 2022 Brazil No FTA	Singapore, Malaysia, the Philippines and Vietnam Zero Thailand Safeguard quantity of 1,536.43 metric tonnes in 2019.	Singapore, the Philippines, Vietnam and Thailand No major hurdles Malaysia Maintains import regulations in accordance with Halal

Best access Major challenges

Source: Trade agreements, DFAT, MLA *excluding Indonesia

Australian beef exports to SEA* – summary table



Volume – in tonnes swt		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	
								%	in tonnes swt
Total		67,384		68,176		61,598		9	5,786
Storage	Chilled	10,811	16	9,653	14	8,837	14	22	1,974
	Frozen	56,573	84	58,523	86	52,761	86	7	3,812
Meat type	Grassfed	54,826	81	56,058	82	51,624	84	6	3,202
	Grainfed	12,558	19	12,118	18	9,974	16	26	2,584
Storage/meat type	Chilled grassfed	7,187	11	6,711	10	6,347	10	13	840
	Chilled grainfed	3,624	5	2,943	4	2,490	4	46	1,134
	Frozen grassfed	47,639	71	49,347	72	45,278	74	5	2,361
	Frozen grainfed	8,934	13	9,176	13	7,484	12	19	1,451

Source: DAWR. *SEA includes Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

Value – in A\$ 000

								%	in A\$ 000
Total		518,141		475,974		474,001		9	44,140
Storage	Chilled	166,800	32	145,060	30	123,981	26	35	42,819
	Frozen	351,340	68	330,914	70	350,020	74	0	1,320

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to Singapore – volume (in tonnes swt)

								%	in tonnes swt
Total		6,344		5,660		7,901		-20	-1,557
Storage	Chilled	4,265	67	3,859	68	3,601	46	18	664
	Frozen	2,079	33	1,801	32	4,301	54	-52	-2,222
Value – in A\$ 000	Total	\$91,459		\$80,862		\$81,196		13	\$10,263

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to Malaysia – volume (in tonnes swt)

								%	in tonnes swt
Total		10,096		11,274		11,905		15	-1,810
Storage	Chilled	2,198	22	2,082	18	2,035	17	8	163
	Frozen	7,898	78	9,192	82	9,870	83	-20	-1,972
Value – in A\$ 000	Total	\$83,554		\$79,761		\$76,168		10	\$7,386

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to Philippines – volume (in tonnes swt)

								%	in tonnes swt
Total		31,786		36,612		30,801		3	985
Storage	Chilled	793	2	838	2	815	3	-3	-22
	Frozen	30,993	98	35,775	98	29,985	97	3	1,007
Value – in A\$ 000	Total	\$172,391		\$177,791		\$140,400		23	\$31,991

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to Vietnam – volume (in tonnes swt)

								%	in tonnes swt
Total		11,503		7,337		4,551		153	6,952
Storage	Chilled	1,220	11	914	12	708	16	72	512
	Frozen	10,283	89	6,422	88	3,843	84	168	6,440
Value – in A\$ 000	Total	\$88,908		\$58,900		\$35,350		152	\$53,558

Source: DAWR, ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)



Sheepmeat

CONSUMERS



- Per capita sheepmeat consumption is low compared to other meat proteins and varies between SEA markets. While it's a less popular meat in the Thai and Vietnamese diet, sheepmeat is widely featured in Malaysian and Indonesian cuisine.
- Sheepmeat consumption typically spikes during the Islamic festive seasons in Malaysia, Indonesia, Singapore and Brunei, particularly around the months of Ramadan and Idul Fitri.
- Despite being a less frequently consumed meat, lamb is associated with superiority, an attribute driving consumers to pay a premium when making meat purchases (Source: MLA Global Tracker).

- A lack of familiarity and cooking knowledge remain major barriers to growing sheepmeat consumption. However, many young aspirational and affluent SEA consumers show a strong interest in learning how to cook exciting dishes with sheepmeat, as well as trying it at restaurants when they dine out.

What would convince consumers to buy lamb?

Indonesia	Malaysia	Thailand
Trying it at a restaurant	Recipe ideas	Trying a free sample
Trying a free sample	Trying it at a restaurant	Trying it at a restaurant
Tips on preparation	Tips on preparation	Recipe ideas

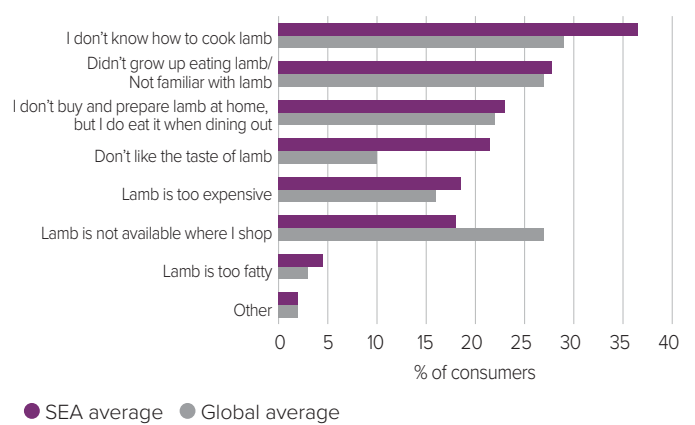
Source: MLA Global Consumer Tracker Indonesia, Malaysia and Thailand, 2018

FOODSERVICE



- Foodservice continues to be a strategic channel for sheepmeat in SEA as the majority of consumers lack confidence in cooking lamb at home, finding it more beneficial to enjoy the meat in foodservice venues (Source: MLA ASEAN Attractive Cities Study).
- Sheepmeat is served in a wide variety of restaurants, ranging from low to high end and from local to international. However, Australian sheepmeat is mostly utilised in high-end restaurants, while local products cater to the lower end of the segment.
- Increasing disposable incomes and evolving needs and aspirations of a rising generation of consumers in SEA, the so-called Millennials and Gen Z, as well as continued development of the SEA foodservice sector, are expected to continue to drive growth in demand for high quality sheepmeat products.

% of consumers surveyed who have never purchased lamb



Source: MLA Global Consumer Tracker

RETAIL



- Australian lamb has strong penetration across modern retail chains in the region, with New Zealand a key competitor.
- Increasing consumer awareness and confidence in sheepmeat cooking will be one of the key drivers to grow sales.

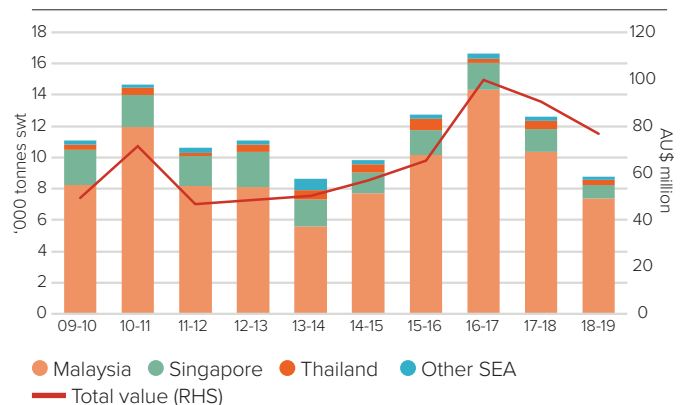
- Providing convenient cuts with recipe recommendations, as well as information about nutritional benefits of sheepmeat in retail stores, remain a priority for players.

OTHER SUPPLIERS



- Australia has long been the leading supplier of sheepmeat in SEA. It maintains a market share of about 70%, followed by New Zealand, whose shipments have declined recently due to supply constraints and strong demand from China.

NZ sheepmeat exports to major SEA markets



Source: IHS Markit.





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)* Conclusion of negotiations	0% Except Indonesia, Cambodia, Laos and Myanmar**	NZ same access conditions as Australia	Zero	Indonesia, Malaysia and Brunei maintain import regulations in accordance with Halal requirements

Best access Major challenges

Source: Trade agreements, DFAT, MLA. * Indonesia: IA-CEPA, on entry into force, tariff cut to 2.5% (from 5%) and eliminated after five years. ** Indonesia: 5% for chilled bone-in and all frozen products; Cambodia: 15% (except a 35% tariff on frozen boneless products); Myanmar: 5%; Laos: 10%. Tariff will be 0% in Myanmar and Cambodia in 2020, and in Laos in 2021.

Australian sheepmeat exports to SEA* – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		43,515		41,078		40,411		8	3,104
Storage	Chilled	1,772	4	1,705	4	1,555	4	14	218
	Frozen	41,742	96	39,373	96	38,856	96	7	2,886
Meat type	Lamb	14,155	33	13,817	34	14,295	35	-1	-140
	Mutton	29,360	67	27,261	66	26,116	65	12	3,244
Storage/ meat type	Chilled lamb	1,392	3	1,332	3	1,205	3	16	187
	Chilled mutton	380	1	373	1	350	1	9	30
	Frozen lamb	12,762	29	12,485	30	13,090	32	-3	-328
	Frozen mutton	28,980	67	26,888	65	25,766	64	12	3,214

Source: DAWR. *Includes ASEAN-10: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Value – in A\$ 000

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
Total		330,375		277,317		227,415		45	102,960
Meat type	Lamb	131,773	40	107,686	39	95,961	42	37	35,811
	Mutton	198,602	60	169,631	61	131,454	58	51	67,149

Source: ABS/IHS Markit, 2018–19 = MAT (12 months ending May 2019)

Australian sheepmeat exports to Singapore – by major cut (in tonnes swt)

Australian sheepmeat exports to Singapore – by major cut (in tonnes swt)		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Lamb	Leg	749	33	775	34	727	34	3	22
	Carcase	523	23	452	20	358	17	46	165
	Shoulder	284	12	259	12	269	13	5	15
	Other	740	32	762	34	789	37	-6	-49
Total		2,297		2,249		2,144		7	153
Mutton	Carcase	4,964	54	3,638	42	4,565	51	9	399
	Leg	2,751	30	3,209	37	2,857	32	-4	-105
	Manufacturing	802	9	1,382	16	1,151	13	-30	-349
	Other	669	7	431	5	423	5	58	246
Total		9,186		8,661		8,996		2	190

Source: DAWR

Australian sheepmeat exports to Malaysia – by major cut (in tonnes swt)

Australian sheepmeat exports to Malaysia – by major cut (in tonnes swt)		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Lamb	Shoulder	5,434	68	5,044	66	5,973	71	-9	-540
	Carcase	890	11	834	11	897	11	-1	-6
	Leg	765	10	810	11	572	7	34	193
	Other	922	12	972	13	955	11	-4	-34
Total		8,011		7,660		8,397		-5	-387
Mutton	Carcase	10,123	57	9,358	55	8,156	55	24	1,967
	Shoulder	3,152	18	3,042	18	2,491	17	27	661
	Leg	2,318	13	2,311	14	1,322	9	75	996
	Other	2,241	13	2,217	13	2,830	19	-21	-590
Total		17,834		16,927		14,800		21	3,034

Source: DAWR

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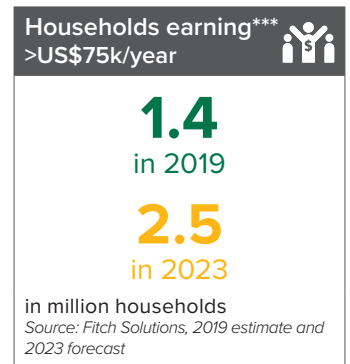
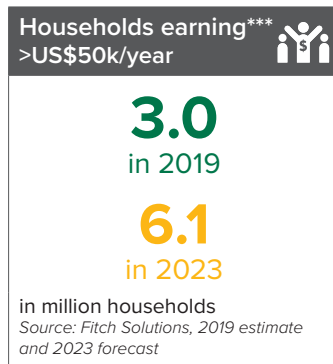
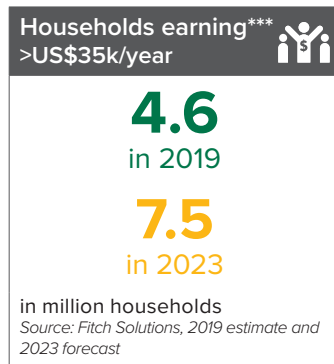
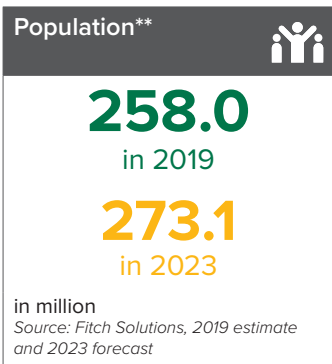
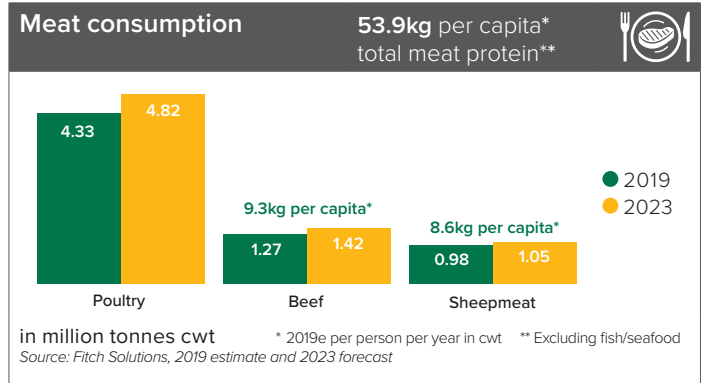
MARKET SNAPSHOT | BEEF & SHEEPMEAT



MENA (Middle East & North Africa)

MENA* is a large, complex region with many varied consumer markets. Red meat demand in the region can be heavily impacted by factors such as oil price, political instability and conflict. However, some positive socio-economic trends – including a strong increase in the number of households earning disposable income over US\$35,000/year and young, urbanised populations – provide numerous opportunities for premium imported red meat.

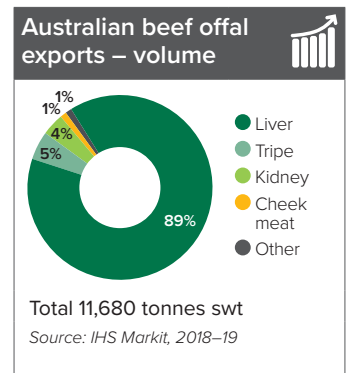
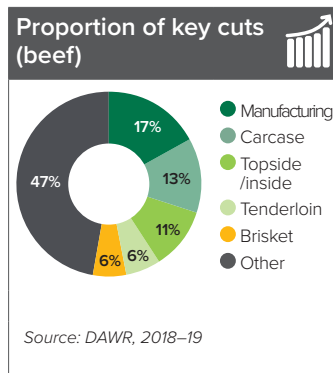
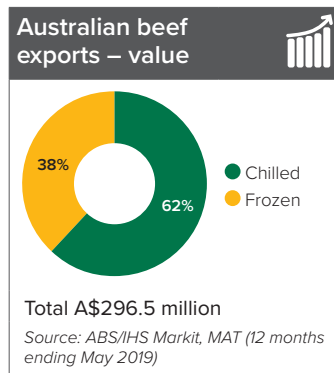
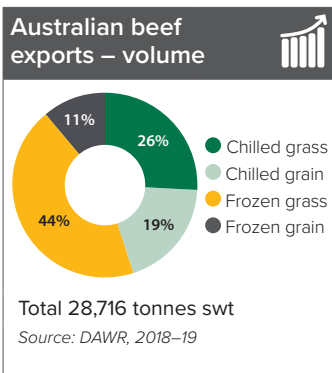
* Unless otherwise stated in this snapshot, MENA includes 10 countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE).



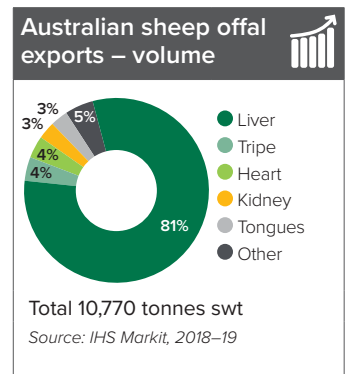
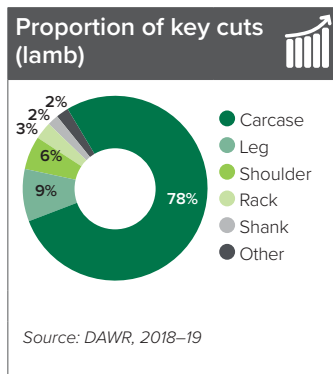
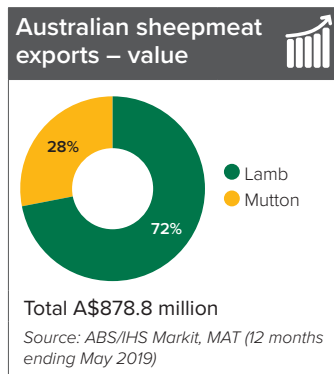
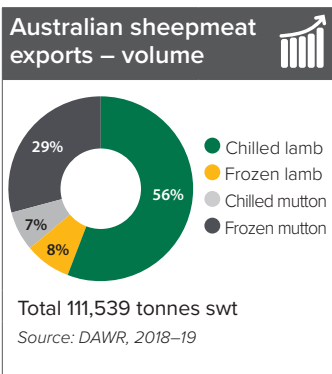
** MENA-10

*** Disposable income: earnings after taxes and social security charge – includes Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and UAE

MENA's importance for Australian beef exports has been growing, but volumes to the markets fluctuate by year. Saudi Arabia and the United Arab Emirates (UAE) are the major customers within the region.



MENA has been a critically important market for Australian sheepmeat – accounting for almost a quarter of exports in 2018-19. The UAE is Australia's third largest sheepmeat destination.

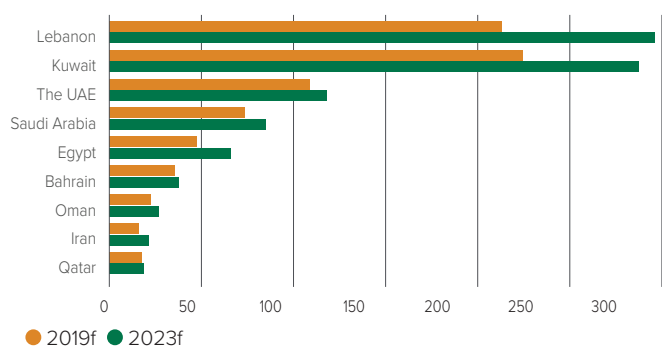


CONSUMERS



- In most MENA diets, beef is generally a secondary protein after chicken and fish, mainly due to the lower grade, ex-dairy industry beef product traditionally available locally. As such, beef has been known as a versatile but somewhat generic protein.
- MENA consumers have traditionally preferred leaner meat. However, consumption and spending on beef is forecast to increase across almost all MENA markets in the next several years as more affluent consumers come to appreciate the benefits of premium quality beef.
- Growing demand is driven by several factors, including increasing disposable incomes, ongoing urbanisation and westernisation, sizable wealthy expat populations and growth in the number of international tourist visitors.

Beef sales per capita (US\$/person/year)



Source: Fitch Solutions. Based on annual household spending on beef for domestic consumption, all channels.

- After domestic beef, Australian beef generally has among the highest consumer awareness compared to other suppliers. While domestic product tends to rate highest on important attributes such as freshness, Halal-certified and safety, Australian beef is seen as offering advantages in other areas such as consistency of high quality standards, good taste, a variety of cuts to suit different cooking styles and high animal welfare standards.
- Across the region, cheaper beef cuts are used for stewing and slow cooking, as well as grilling of cubes in the form of kebabs. Mince is used in burgers, kofta/meatballs and as a filling for pastries.
- Grilling of prime cuts is gaining popularity, as western influences have started to appear in the meal repertoires of wealthier consumers.



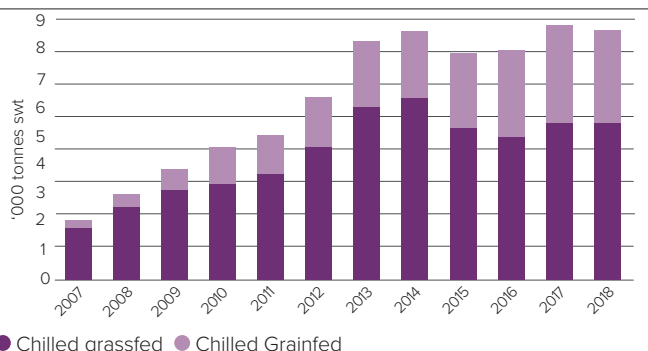
Grilled beef kebabs, a popular regional beef dish

FOODSERVICE



- A significant proportion of Australian frozen grassfed beef exports to MENA is in the form of trimmings, hamburger patties and ground beef, which are used in the foodservice sector in both local and western-style chains.
- Dining out is an important part of social and business life in the region, where other leisure options are often more limited.
- As the western-style foodservice sector matures, quick service restaurants are being complemented by more casual style restaurants where consumers demand a higher quality beef product.
- Affluent locals enjoy a mix of cuisines when eating out, from local and other Middle Eastern cuisines, to Japanese, Chinese and western-style cuisines such as European and North American.

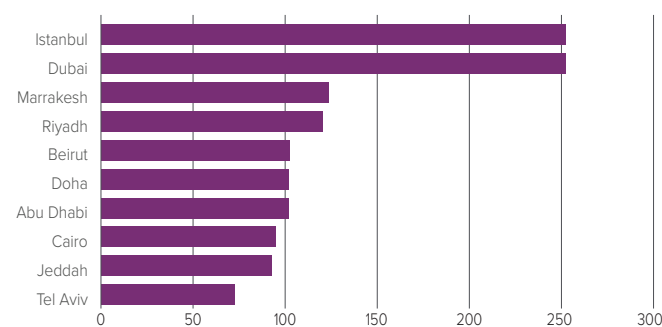
Australian chilled beef exports to the UAE, Bahrain, Qatar, Kuwait and Oman (combined)



Source: DAWR

- Australian exports of chilled and grainfed beef products, including loin cuts, have seen significant growth over the past decade, particularly to some of the Gulf countries with higher concentrations of western-style fine dining restaurants associated with five-star hotels and international tourism.

Number of 4 and 5-star hotels in the city (2020f)



Source: MLA MENA Attractive Cities Study, 2018

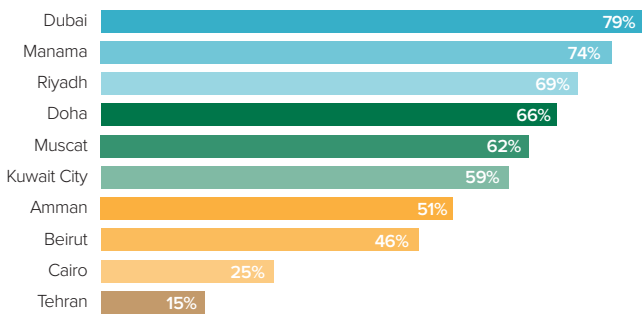
- Dubai's hosting of the World Expo in 2020 and Qatar's hosting of the 2022 FIFA World Cup are expected to be drivers of further growth in demand for quality beef products in both the fine dining and fast casual sectors in the coming years.
- Home delivery food services have seen rapid growth, driven by young, affluent populations with high mobile broadband-connected smartphone penetration rates. In Dubai and Kuwait City, just over a third of consumers order meals for home delivery at least weekly, and around a quarter in Riyadh and Doha do so (Source: MLA MENA Attractive Cities Study, 2018).

RETAIL



- The level of development of the retail sector varies significantly across the region and is generally higher in some of the wealthier Gulf markets. However, the sector is seeing significant development across the region with increasing urbanisation.
- Retail modernisation is typically accompanied by growth in the chilled market for red meat, representing a growing opportunity for premium Australian, branded and packaged beef product.

Penetration of hyper/supermarkets selected cities, 2020f



Source: MLA MENA Attractive Cities Study, 2018

- Key retailers in the region where consumers purchase Australian beef include Carrefour and Lulu (across the region), Spinneys and Choithrams (United Arab Emirates), Panda and Danube (Saudi Arabia).

- In many MENA countries, country of origin labelling is not mandatory. However, at high-end retail level, most meat products are labelled as wealthier consumers want to know where their meat comes from.
- With comparatively few market access restrictions in the region, consumers are usually presented with product from a large number of countries on retail shelves.

Top 5 beef choice motivators

	UAE	Saudi Arabia	Jordan
1	100% all natural	100% all natural	Meat colour
2	Halal certification	Quality grading	No blood in pack
3	Quality grading	Halal certification	Halal certification
4	Animal welfare credentials	Safety certification	Country of origin
5	Safety certification	Animal origin	Date packed

Source: MLA Global Tracker UAE, Saudi Arabia and Jordan, 2017

- The majority of beef used in home-cooking in the region is still commodity product. Beef steak will remain more a 'special occasion' rather than an 'everyday' product for most consumers for the foreseeable future. However, many MENA consumers are learning about the benefits of premium beef and consumers who've had the opportunity to try premium Australian beef in the past year are particularly appreciative of its good taste, healthiness and high quality (Source: MLA MENA Attractive Cities Study, 2018).

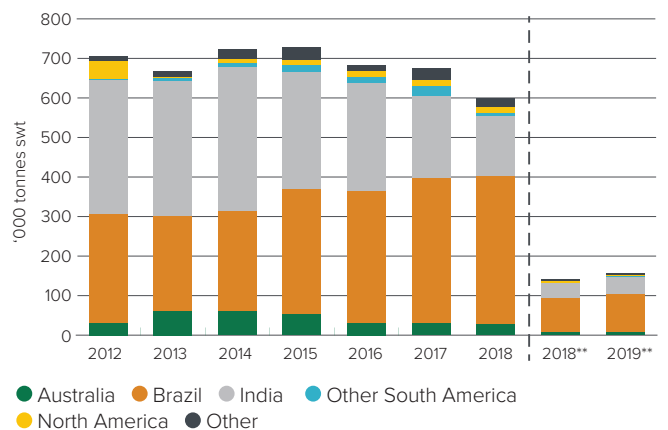
OTHER SUPPLIERS



- Beef import demand across the MENA region varies significantly, depending on domestic production and consumption habits. Overall, the main beef importers by volume are Egypt and Iran, followed by Saudi Arabia and the UAE (Source: IHS Markit).
- In some Gulf countries like the UAE, Kuwait, Oman, Qatar and Bahrain, almost all beef consumed is imported. In Saudi Arabia, Jordan, Egypt, Israel and Iran, generally over half of beef consumed is imported, with the rest coming from both live imports and local production, primarily from the domestic dairy industry (Source: GIRA).
- The bulk of the region's beef imports come from Brazil and India, comprising mostly frozen bone-out and lean cuts of beef/buffalo meat.
- Australia is a key secondary source of beef by volume and a key supplier in the premium segment, along with some South American countries including Paraguay, Argentina and Uruguay, where quality beef has benefited from devalued currencies in the key markets of the UAE, Saudi Arabia and Qatar.

- Smaller volumes are supplied by the US (mostly to the UAE and Kuwait), South Africa (Kuwait, the UAE and Jordan), New Zealand (the UAE, Saudi Arabia and Oman) and the European Union (to Saudi Arabia, the UAE and Lebanon).

Beef/veal exports to MENA* by supplier



Source: DAWR, IHS Markit. *MENA-10 countries **YTD Jan-Mar

LIVESTOCK EXPORTS



- Israel has been Australia's key live feeder and slaughter cattle export destination in the region, taking 82,903 in the 12 months to May 2019. Turkey takes significant numbers periodically. Qatar, Kuwait and the UAE took smaller numbers (Source: DAWR). In this same period, Australia also exported 1,744 breeder cattle to the UAE (Source: DAWR).

- In 2018, Australia's key competitors in the MENA live cattle market were Uruguay, Brazil, Ukraine and Romania (particularly in significant importing countries such as Turkey, Egypt, Israel, Lebanon and Jordan) and to a lesser extent Ireland and the US (Source: IHS Markit).



Market access overview

GCC member countries: Kuwait, Oman, UAE, Qatar, Saudi Arabia, Bahrain

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement however Australia is negotiating a GCC-Australia FTA	2019 and 2020: 0% for chilled meat and carcasses 5% for frozen meat and carcasses, chilled and frozen bovine offal	India and Brazil Same as Australia NZ FTA negotiation was concluded but yet to be ratified.	Zero	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Non-GCC countries:

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement	Australia to: Morocco: 200% duty on beef Turkey: 225% duty on beef Iran: tariff rates vary depending on demand/supply situation Israel: 50% tariff on chilled offal Jordan: 10% tariff on boneless meat	India and Brazil Same as Australia NZ FTA negotiation was concluded but yet to be ratified	Quota restrictions in Tunisia and Palestine only	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Best access Major challenges

Source: Trade agreements, MLA

Australian beef exports to MENA* – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
	Total	28,716		28,197		43,039		-33	-14,324
Storage	Chilled	12,957	45	12,508	44	15,519	36	-17	-2,562
	Frozen	15,758	55	15,689	56	27,520	64	-43	-11,762
Meat type	Grassfed	19,949	69	20,247	72	34,604	80	-42	-14,655
	Grainfed	8,767	31	7,949	28	8,435	20	4	332
Storage/meat type	Chilled grassfed	7,407	26	7,462	26	10,354	24	-28	-2,947
	Chilled grainfed	5,550	19	5,045	18	5,165	12	7	385
	Frozen grassfed	12,542	44	12,785	45	24,250	56	-48	-11,708
	Frozen grainfed	3,216	11	2,904	10	3,270	8	-2	-53

Source: DAWR. *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the UAE.

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
	Total	296,513		263,159		323,564		-8	-27,051
Storage	Chilled	182,465	62	159,986	61	167,161	52	9	15,304
	Frozen	114,048	38	103,172	39	156,403	48	-27	-42,355

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian beef exports to Saudi Arabia – by major cut (in tonnes swt)							change 2018–19 vs 5-year average	
							%	in tonnes swt
Carcase	2,435	22	685	8	700		248	1,734
Manufacturing	1,646	15	1,808	21	7,090	35	-77	-5,444
Brisket	1,054	10	770	9	500	2	111	554
Chuck & blade	820	7	761	9	699	3	17	121
Other	5,020	46	4,407	52	11,349	56	-56	-6,329
Total	10,975		8,431		20,338		-46	-9,363

Source: DAWR

Australian beef exports to the UAE – by major cut (in tonnes swt)							change 2018–19 vs 5-year average	
							%	in tonnes swt
Manufacturing	2,080	24	2,670	29	1,863	21	12	217
Topside/inside	1,430	17	1,469	16	1,849	21	-23	-419
Carcase	690	8	705	8	679	8	2	11
Other	4,322	51	4,226	47	4,534	51	-5	-212
Total	8,522		9,071		8,924		-5	-402

Source: DAWR



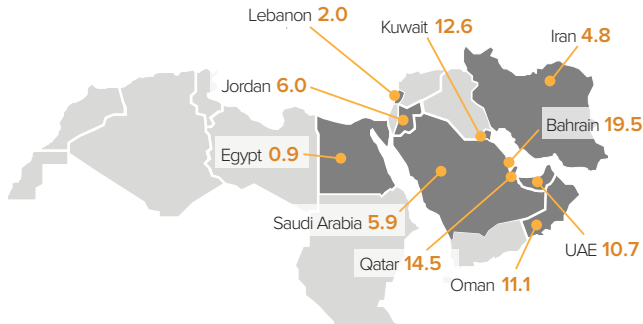
Sheepmeat

CONSUMERS



- Sheepmeat is an important protein in the MENA region, associated with important religious and family celebrations. While per capita consumption of sheepmeat is generally low compared to chicken and fish, consumption varies depending on domestic production and affordability.

MENA-10 countries, per capita sheepmeat consumption*



Source: GIRA. 2018 forecast figures. *kg cwe/head/year.

- There are significant markets in MENA for both mutton and lamb. While mutton has a lower price point than lamb, it's favoured in some sectors of some markets due to taste preference and cooking styles, for example in Oman, Saudi Arabia and Kuwait. Frozen mutton also goes into the lower tier catering sector in countries with significant numbers of migrant workers.
- While the majority of the sheepmeat market in MENA is commodity product in carcase form, premium lamb consumption and import demand are forecast to continue increasing in a number of markets, particularly Gulf countries, driven by trends like increasing disposable incomes, ongoing urbanisation and westernisation, young populations and large groups of wealthy expats.

- Compared to other proteins, lamb is considered a superior protein that is tender, delicious and nutritious. Its comparative high cost and perceived fattiness, however, are barriers to more frequent consumption.



Slow-cooked lamb shanks, a popular lamb dish in the region

- Australia has been a key sheepmeat supplier to MENA markets for over 50 years, building a strong, positive reputation. It's well-placed to meet the growing demand for higher value product. Consumers who have tried premium Australian lamb particularly appreciate its consistently high quality, good taste and healthiness.

FOODSERVICE



- Dining out is an important part of social and business life in the region, where other entertainment and leisure activity options are sometimes more limited. Along with some of the world's highest disposable income-earning consumers, affluent locals, particularly in the Gulf countries, more frequently enjoy premium dining experiences.

Affluent* local consumers' premium dining

% Agree	Dubai	Doha	Riyadh	Kuwait City
"I enjoy indulging in more expensive food when I dine out"	81%	64%	73%	71%
"I dine out at least weekly at top tier** restaurants"	31%	42%	38%	49%

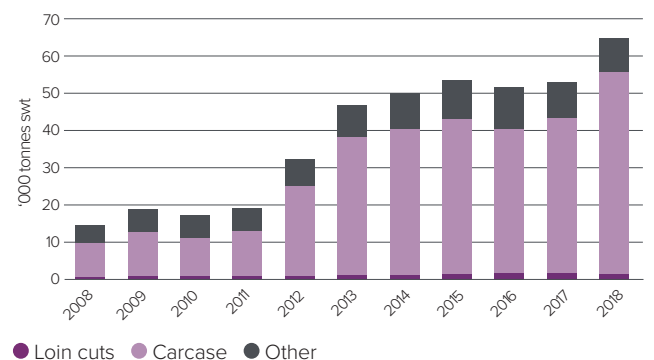
Source: MLA MENA Attractive Cities Study, 2018

* Affluent: living in households earning annual incomes over: Dubai (A\$114,000), Riyadh (A\$78,000), Doha (A\$138,000), Kuwait City (A\$138,000).
**A\$110/head equivalent.

- While lamb is among the proteins of choice when dining at top tier restaurants, there are opportunities to further develop premium lamb offers in these establishments.

- In some markets, particularly those with fast-growing tourism sectors such as Dubai, Saudi Arabia and Qatar, demand for Australian high value chilled lamb cuts in the high-end foodservice sector is growing.

Australian chilled lamb exports to MENA*



Source: DAWR. *MENA-10 countries, Loin cuts includes: Bone-in loin, boneless loin, loin, rack, shortloin.

- The bulk of Australian frozen mutton exports, which are mainly carcase, leg and manufacturing, are mostly used in the lower-tier catering sector. This sector has grown along with infrastructure development in some Gulf countries and hence may see some contraction after the 2020 World Expo in Dubai and the FIFA World Cup in Doha in 2022.



RETAIL



- The modern retail sector is seeing significant development across the region, presenting growing opportunities for Australian premium, branded, packaged lamb products.
- In most MENA countries, the majority of Australian packaged lamb is purchased from hypermarkets and supermarkets, while a significant proportion of unpackaged product is sold through butchers. E-retail remains a small channel but has positive growth potential in the coming years for fresh produce, including meat.

Top 5 lamb choice motivators

UAE	Saudi Arabia	Jordan
100% all natural	100% all natural	Meat colour
Halal certification	Halal certification	Halal certification
Animal welfare credentials	Animal origin	No blood in pack
Quality grading	Animal welfare credentials	Country of origin
Safety certification	Quality grading	Antibiotic-free

Source: MLA Global Tracker, UAE, Saudi Arabia and Jordan, 2017

- Key retailers in the region where consumers purchase Australian sheepmeat include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Al Meera (Qatar), Sultan Centre (Kuwait), Panda, Al Othaim and Danube (Saudi Arabia).
- Regional home-cooking of sheepmeat dishes tends to involve slow-cook methods (roasting or stewing), followed by grilling or broiling. Pan-frying is less common but growing in popularity as a cooking method for prime cuts, particularly in some of the Gulf countries.



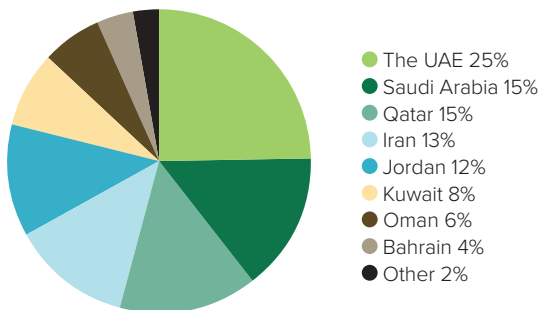
Syrian-spiced lamb chops, as promoted on MLA's MENA website www.lambandbeef.com.au

OTHER SUPPLIERS



- In 2018, the region's combined volume of boxed sheepmeat imports going through customs was over 186,000 tonnes shipped weight (swt), with the UAE taking the largest share.

MENA* boxed sheepmeat importers by volume share, 2018

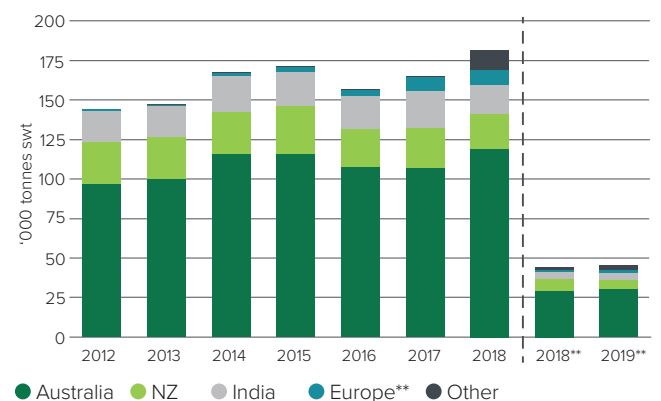


Source: DAWR, IHS Markit *MENA = includes 20 countries

- Regional sheepmeat import demand is forecast to see continued growth in almost all markets in coming years as consumption demand grows at the same time that domestic production constraints mean limited domestic production expansion due to urbanisation, desertification and conflict (Source: GIRA).
- Australia is the region's leading supplier but faces competition from New Zealand, India and increasingly some European countries.

- New Zealand exports significant volumes of both chilled and frozen lamb, particularly forequarter, mostly to Saudi Arabia and Jordan, and smaller volumes of mutton carcase to Oman.
- India supplies chilled and frozen mutton carcase and forequarter mostly to the UAE, with smaller volumes to Saudi Arabia, Qatar and Kuwait. In recent years, some European countries such as Romania, Georgia and Spain have become more significant suppliers, particularly to Jordan but also to the UAE, Oman and Kuwait.
- In 2018, Iran imported significant quantities of sheepmeat from Australia as well as from Russia and Georgia, followed by Armenia, Kazakhstan and Mongolia.

Sheepmeat exports to MENA* by supplier



Source: Source: DAWR, IHS Markit *MENA-10 Countries **Europe includes EU-27 and UK ***YTD Jan-Mar

LIVESTOCK EXPORTS



- In the 12 months to May 2019, the MENA region continued to be Australia's top destination for live sheep exports, with just over 1 million head exported (Source: DAWR, ABS). Key destinations were Qatar, Kuwait, Jordan and Turkey, followed by Israel, Oman and the UAE.

- Australia's key competitors in the live sheep market are Somalia, Sudan, India, Jordan and Romania, with other emerging nations such as Georgia, Spain, Hungary, France and Portugal (Source: IHS Markit).
- Live sheep imports to MENA countries tend to be seasonal, depending on the timing of religious celebrations.



Market access overview

Gulf Cooperation Council (GCC) member countries: Kuwait, Oman, the UAE, Qatar, Saudi Arabia, Bahrain

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement yet but Australia is negotiating one	0% for chilled meat and carcasses, 5% for frozen 2.5% for chilled ovine offal, 5% for frozen	NZ* and India Same as Australia	Zero	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, quality inspections and phytosanitary standards

Non-GCC countries:

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement	Australia to: Morocco and Turkey: (30%) Iran: (variable depending on demand/supply situation) Jordan: (boneless chilled/frozen 12.5%)	NZ* and India Same as Australia	Quota restrictions in Tunisia and Palestine	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, quality inspections and phytosanitary standards

Best access Major challenges

Source: MLA. *NZ-GCC FTA negotiation was concluded but yet to be ratified.

Australian sheepmeat exports to MENA* – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		111,539		113,213		110,430		1	1,108
Storage	Chilled	70,606	63	68,725	61	58,208	53	21	12,399
	Frozen	40,932	37	44,488	39	52,223	47	-22	-11,290
Meat type	Lamb	71,830	64	71,284	63	64,661	59	11	7,169
	Mutton	39,709	36	41,929	37	45,769	41	-13	-6,060
Storage/meat type	Chilled lamb	62,953	56	62,319	55	53,916	49	17	9,037
	Chilled mutton	7,653	7	6,406	6	4,292	4	78	3,362
	Frozen lamb	8,877	8	8,965	8	10,745	10	-17	-1,868
	Frozen mutton	32,056	29	35,523	31	41,478	38	-23	-9,422

Source: DAWR. *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the UAE.

Value – in A\$ 000		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in A\$ 000
Total		878,812		785,375		666,100		32	212,712
Meat type	Lamb	633,240	72	543,678	69	444,461	67	42	188,779
	Mutton	245,572	28	241,697	31	221,639	33	11	23,934

Source: ABS/IHS Markit, 2018–19 = MAT (12 months ending May 2019)

Australian lamb exports to the UAE – by major cut (in tonnes swt)		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Carcase		13,614	67	12,713	62	12,079	63	13	1,535
Leg		3,271	16	3,773	18	3,318	17	-1	-47
Other		3,517	17	3,928	19	3,896	20	-10	-379
Total		20,402		20,415		19,293		6	1,109

Australian lamb exports to Qatar – by major cut (in tonnes swt)		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Carcase		20,369	97	16,065	97	13,023	95	56	7,346
Leg		170	1	174	1	274	2	-38	-104
Other		468	2	275	2	381	3	23	87
Total		21,008		16,515		13,679		54	7,329

Australian lamb exports to Jordan – by major cut (in tonnes swt)		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			%		%		%	%	in tonnes swt
Carcase		5,782	67	8,748	73	8,719	68	-34	-2,937
Shoulder		2,106	24	2,314	19	1,867	15	13	239
Other		749	9	996	8	2,282	18	-67	-1,533
Total		8,637		12,058		12,867		-33	-4,230

Source: DAWR

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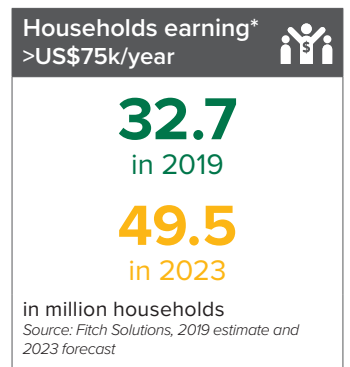
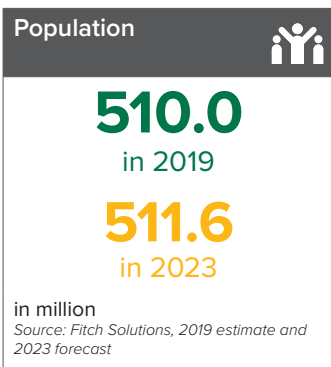
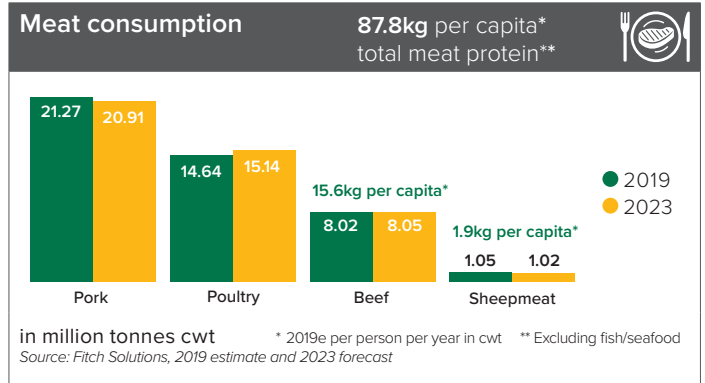


MARKET SNAPSHOT | BEEF & SHEEPMEAT



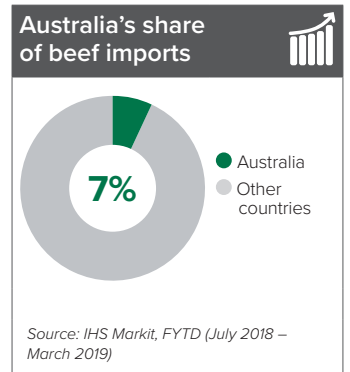
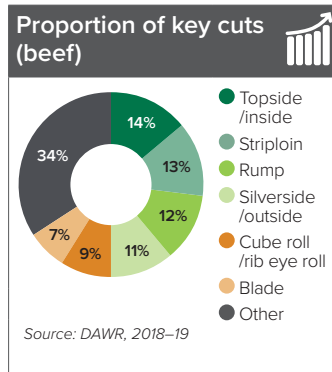
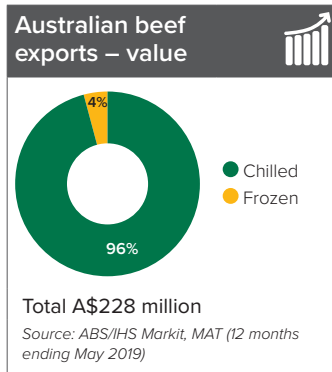
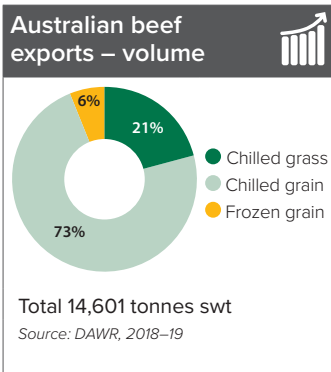
European Union

As a region of 28 countries, the European Union (EU) contains the largest pool of households earning over US\$35,000/year in the world; however, its stance towards agricultural imports has restricted Australia's ability to grow trade with the region. Ongoing FTA negotiations with the EU seek to resolve this imbalance, while Brexit presents a longer term opportunity to grow trade with Australia's largest red meat market in the 28-member union.

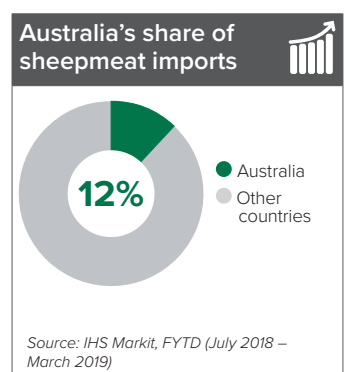
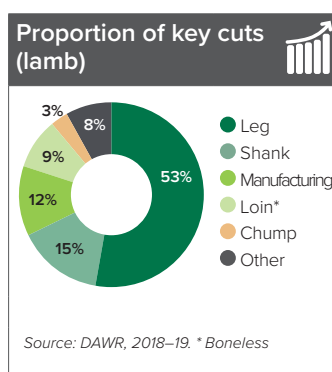
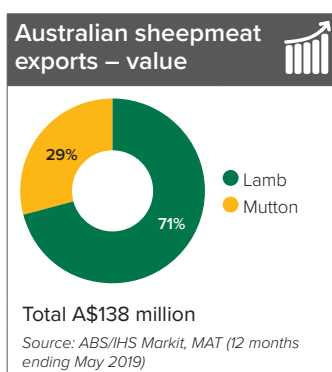
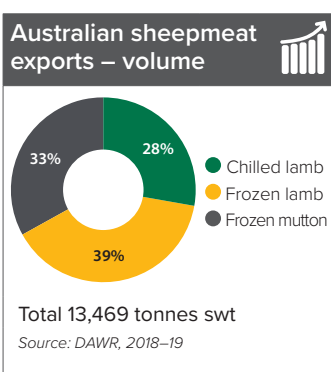


*Disposable income: earnings after taxes and social security charge – EU 28 member states

The EU is a small but high value market for Australian beef, especially grainfed exports, however trade remains sensitive to evolving market access conditions.



The UK took 61% of Australian sheepmeat exports to the EU in 2018-19, the largest European destination for Australian lamb and mutton.

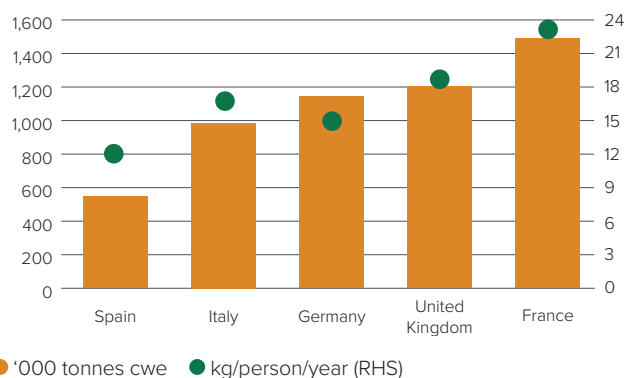


CONSUMERS



- The European Union (EU) is a large per capita consumer of beef by global standards, but consumption levels range between countries, driven by varying degrees of economic development and beef's role within the traditional cuisine. France, the United Kingdom (UK), Germany and Italy are the region's largest consumers.
- EU beef consumption has been in long-term decline – the result of reduced local production and restricted imports, an ageing population, changing lifestyles and consumer concerns regarding animal welfare and sustainability.
- Although limited in volume, Australia predominantly exports high-value loin and other primal cuts to the EU, typically destined for foodservice. However, with restrictive access and volume in the market, consumer awareness of Australian beef remains low.
- The UK is Australia's largest market in the region but consumption remains dominated by British and Irish beef, which are perceived as fresher and more convenient to purchase. British beef also appeals to loyal UK consumers, with some supermarkets shifting to 100% local sourcing and branding, particularly following the 2013 horsemeat scandal.
- In the UK, beef is perceived as being superior, great tasting and a family favourite compared to other proteins, but falls behind chicken in terms of convenience and health perceptions.

EU beef consumption



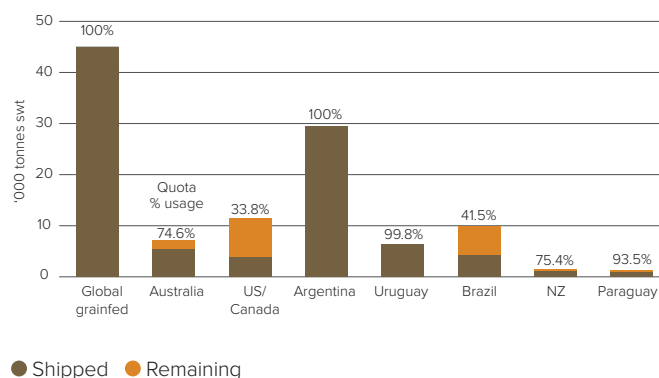
Source: Fitch Connect 2018 estimate

MARKET ACCESS



- Punitive market access, involving low volume import quotas and high out of quota import tariffs, is Australia's greatest limiting factor to increasing exports to the EU.
- Australia's current beef access within the EU is in stark contrast to the majority of other export markets, which have progressed in liberalising trade. Transformation of these EU import arrangements will be a necessary component of ongoing free trade agreement (FTA) negotiations.
- Australia has predominantly exported beef under two quotas:
 - High Quality Beef (HQB) 'Hilton' country specific quota (7,150 tonnes with 20% in-quota tariff)
 - HQB grainfed quota (45,000 tonnes with 0% in-quota tariff shared on first-come first-served basis with US, Uruguay, New Zealand and Argentina).
- Australia has been a strong contributor to the HQB global grainfed quota, using an estimated 25% of this shared quota in 2018–19. However, the US has finalised negotiations with the EU to have exclusive access to 18,500 tonnes swt of the quota (but increasing to 35,000 tonnes swt over seven years). Remaining users will compete over the residual quota but the timing of changes is yet to be confirmed.
- Brexit poses uncertainty to Australia's existing access to the EU and UK but also presents long term opportunity (see Brexit section for more details).

EU beef quota usage – 2018-19



Source: EU Commission. Global grainfed is a shared quota while others are country specific Hilton quotas.

OTHER SUPPLIERS



- The EU's large dairy industry has meant the domestic dairy-based beef production has continued to account for a large share of consumption, estimated at 96% in 2018.
- After an increase from 2013–2018 due to a restructuring of the dairy sector, EU beef production is expected to continue its long-term decline out to 2030, with the market to increasingly rely on imported product to meet consumption requirements.
- The EU requires all imported beef to be strictly HGP-free, which restricts the majority of US and Canadian, and some Australian product.
- Operating off a much lower cost base, South American suppliers can pay additional tariff duties and trade outside their restrictive country-specific Hilton quotas, allowing them to account for the bulk of imports.
- Mercosur – made up of Argentina, Brazil, Uruguay and Paraguay – concluded FTA negotiations with the EU in June 2019, in which the bloc was granted 99,000 tonnes carcass weight equivalent (cwe) of beef access. However, the deal still needs to be ratified by both sides' parliaments and the distribution mechanism and transition timeline is yet to be determined.
- After the conclusion of the EU-Canada Comprehensive Economic and Trade Agreement, Canada carved out a 45,838 tonne cwe beef quota – a significant improvement from previous access – but little trade has materialised.



Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement negotiations commenced in July 2018	2019 7,150 tonnes country specific HQB quota: 20% in-quota tariff; above quota tariff 12.8% + €3/kg Access to 45,000 tonnes* global grainfed quota: 0% in-quota tariff; above quota tariff 12.8% + €3/kg	Argentina, Brazil and US/Canada have larger allocations than Australia under the Hilton quota Ongoing pressure on global grainfed quota – with quarterly allocation being filled within weeks	2019 7,150 tonnes under country specific High Quality Beef quota Shared access to 45,000 tonnes* global grainfed quota Access (via EU importer held licences) to shared frozen beef quota and frozen beef for processing quota, which at times source Australian product	HGP free compliance adds costs to doing business with the EU All beef supplied to market must be EUCAS accredited

Best access Major challenges

Source: Trade agreements, DFAT, MLA

* The EU and US have recently come to an agreement, which subsequently received the accession of other substantial suppliers of the quota (Uruguay, Argentina and Australia) to 'ring-fence' a portion of the HQB global grainfed quota for exclusive access by the US. This will see the US receive an initial allocation of 18,500, increasing to 35,000 tonnes over seven years, with the remainder available to other suppliers. However, the timing of these changes is yet to be confirmed.

Australian beef exports to EU – summary table



Volume – in tonnes swt		2018–19		2017–18		5-year average (2013–14 to 2017–18)		change 2018–19 vs 5-year average	
			% out of total		% out of total		% out of total	%	in tonnes swt
Total		14,601		17,729		21,207		-31	-6,606
Storage	Chilled	13,743	94	17,029	96	20,327	96	-32	-6,584
	Frozen	858	6	700	4	880	4	-2	-22
Meat type	Grassfed	3,160	22	4,795	27	6,148	29	-49	-2,989
	Grainfed	11,441	78	12,933	73	15,058	71	-24	-3,617
Storage/meat type	Chilled grassfed	3,112	21	4,783	27	5,779	27	-46	-2,667
	Chilled grainfed	10,631	73	12,246	69	14,548	69	-27	-3,917
	Frozen grassfed	48	0	12	0	370	2	-87	-321
	Frozen grainfed	810	6	688	4	510	2	59	300

Source: DAWR

Value – in A\$ 000									
			%		%		%	%	in A\$ 000
Total		228,220		249,218		266,107		-14	-37,888
Storage	Chilled	219,099	96	245,017	98	256,444	96	-15	-37,345
	Frozen	9,121	4	4,201	2	9,663	4	-6	-542

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Volume – by major cut (in tonnes swt)								
		%		%		%	%	in tonnes swt
Topside/inside	2,052	14	2,290	13	3,319	16	-38	-1,268
Striploin	1,926	13	2,617	15	3,030	14	-36	-1,104
Rump	1,784	12	2,354	13	2,696	13	-34	-912
Silverside/outside	1,536	11	1,767	10	2,445	12	-37	-909
Cube roll/rib eye roll	1,284	9	1,658	9	1,771	8	-27	-487
Blade	1,023	7	1,357	8	1,629	8	-37	-606
Chuck roll	963	7	1,314	7	1,603	8	-40	-640
Thick flank/knuckle	840	6	1,009	6	1,454	7	-42	-614
Tenderloin	798	5	1,033	6	1,116	5	-28	-317
Brisket	489	3	510	3	321	2	52	168
Other	1,905	13	1,818	10	1,823	9	5	82
Total	14,601		17,729		21,207		-31	-6,606

Source: DAWR



Sheepmeat

CONSUMERS

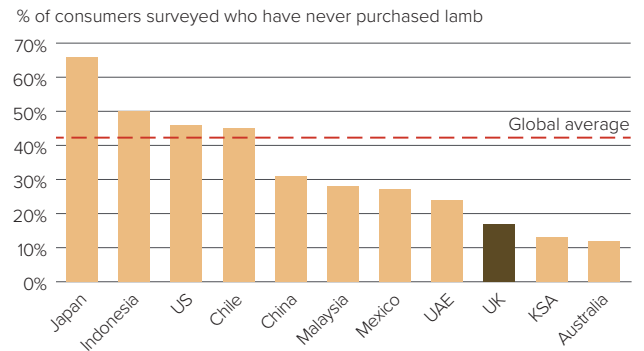


- The role and prevalence of sheepmeat consumption varies significantly between EU members. In the UK, Ireland and Greece, consumption is traditionally linked to the seasonal production cycle, while in other countries, demand is tied to culturally significant occasions such as Easter.
- Sheepmeat plays a minor role in consumer diets. Consumption is primarily concentrated in Western Europe, particularly the UK, France and Spain, but Romania and Greece are also significant producers and consumers.
- Similar to other developed markets, social factors – such as health concerns, animal welfare and environmental issues – remain a challenge for increasing sheepmeat consumption in the EU.
- Australia predominantly exports lamb legs to the EU, which are directed into foodservice channels. New Zealand lamb has a larger footprint in retail due to greater preferential access.
- The UK is Australia's largest market in the EU, however, local and New Zealand lamb are the predominant suppliers, perceived as being more convenient to purchase and familiar among consumers. Australian lamb is perceived as having

strong food safety credentials – likely tied to a history of no major animal disease outbreaks – but is perceived as less fresh compared to locally sourced product.

- Unlike other markets, the UK has a high penetration of consumers who have tried lamb due to its cultural and historical presence.

UK consumers have a high familiarity with lamb



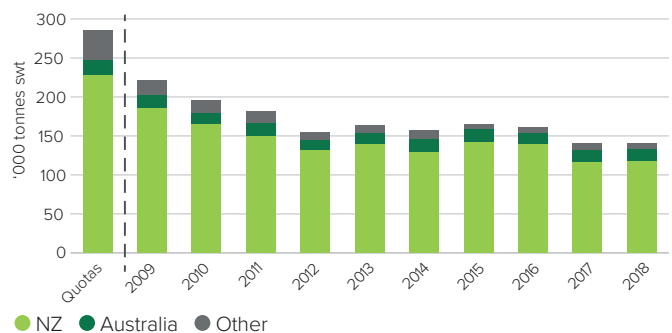
Source: MLA Global Consumer Tracker, 2018

MARKET ACCESS



- Australia has a 19,186 tonne (carcase weight equivalent combined sheepmeat/goatmeat) country-specific import quota into the EU with 0% in-quota duty. However, out of quota imports from Australia incur prohibitive import duties of 12.8%, plus up to an additional €3.1/kg.
- Australian sheepmeat is currently disadvantaged compared to New Zealand, which has a 228,254 tonnes quota – more than 11 times larger than Australia's. New Zealand's quota has not been fully utilised in recent years.
- The EU is negotiating FTA's with Australia and New Zealand in parallel. Transformation of the EU's restrictive import quotas will be a necessary component of ongoing negotiations.

EU sheepmeat quotas and imports



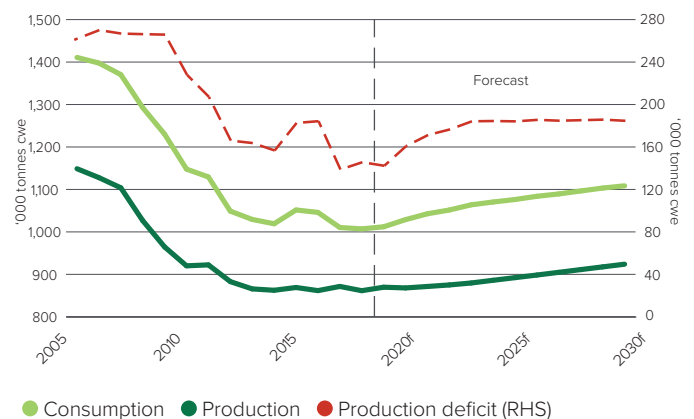
Source: EU Commission, IHS Markit

OTHER SUPPLIERS



- After declining 25% over the ten years to 2014, EU sheepmeat production has since stabilised and is forecast to increase only modestly, if at all, over the next decade.
- The UK is the powerhouse of EU sheepmeat production, accounting for one third of supply, followed by Spain and France.
- Imports have accounted for 20% of EU sheepmeat consumption over the last decade, and Australia and New Zealand have remained the only significant external suppliers.
- New Zealand's preferential trading has allowed it to capture the majority of import market share. New Zealand also produces a lighter carcase than Australia, resulting in cut sizes more in line with local product, providing an advantage into the imported UK leg roast market.
- However, imports from New Zealand over the last five years have been stretched by supply constraints (New Zealand land is increasingly being reallocated to the dairy sector) and China emerging as a major buyer of imported New Zealand sheepmeat.

EU sheepmeat production and consumption



Source: EU agricultural outlook for markets and income, 2018-2030 (figures include goatmeat)





Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement negotiations commenced in July 2018	2019 In quota – 0% Above quota – 12.8% + 90.2~311.8 euro/100kg	NZ Has a quota of 228,254 tonnes	Access remains limited to 19,186 tonnes country-specific quota (carcase weight equivalent, calendar year basis)	No trade restrictive non-tariff barriers currently operational

Best access Major challenges

Source: Trade agreements, DFAT, MLA



Australian sheepmeat exports to EU – summary table

Volume – in tonnes swt	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average		
							%	in tonnes swt	
Total	13,469		16,960		16,847		-20	-3,377	
Storage	Chilled	3,736	28	3,998	24	5,354	32	-30	-1,618
	Frozen	9,734	72	12,961	76	11,493	68	-15	-1,759
Meat type	Lamb	9,072	67	11,006	65	11,782	70	-23	-2,710
	Mutton	4,398	33	5,954	35	5,065	30	-13	-667
Storage/meat type	Chilled lamb	3,734	28	3,998	24	5,354	32	-30	-1,620
	Chilled mutton	1	0	0	0	0	0	1503	1
	Frozen lamb	5,338	40	7,008	41	6,428	38	-17	-1,090
	Frozen mutton	4,396	33	5,953	35	5,065	30	-13	-669

Source: DAWR

Value – in A\$ 000

Value – in A\$ 000	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average		
							%	in A\$ 000	
Total	137,940		175,754		147,041		-6	-9,102	
Meat type	Lamb	97,815	71	118,855	68	107,210	73	-9	-9,395
	Mutton	40,124	29	56,899	32	39,831	27	1	293

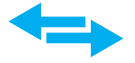
Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

Australian lamb exports to EU – by major cut (in tonnes swt)

Australian lamb exports to EU – by major cut (in tonnes swt)	2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average	
							%	in tonnes swt
Leg	7,085	53	5,545	50	6,715	57	6	370
Shank	1,970	15	2,544	23	2,398	20	-18	-429
Manufacturing	1,572	12	670	6	1,042	9	51	529
Boneless loin	1,292	10	861	8	361	3	258	931
Chump	430	3	698	6	785	7	-45	-355
Other	1,121	8	688	6	480	4	134	641
Total	13,469		11,006		11,782		14	1,688

Source: DAWR

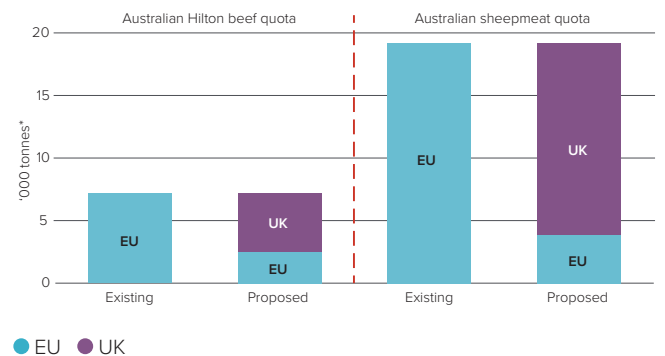
BREXIT



- Brexit presents opportunities and challenges for Australian red meat. Despite the UK's decision in the June 2016 referendum to leave the EU, the timing, final Brexit construct and future trading relationship between the UK, EU and rest of the world remains in flux.
- Both the UK and Australian governments have indicated a willingness to engage in free trade agreement (FTA) negotiations if and when Brexit is finally realised. The UK presents a compelling value proposition, given it's Australia's largest existing red meat market in the EU and is host to a large pool of wealthy consumers already familiar with red meat.
- However, upon the UK's departure from the single customs union (and likely before an FTA will be concluded with the EU or UK) the EU and UK have proposed splitting country-specific tariff rate quotas between the two markets based on prior trade data. This proposal would see Australia's HQB Hilton beef quota split 65% and 35% between the UK and remaining EU respectively, and the sheepmeat quota split 80% and 20%.
- Further quantitative restrictions between both markets presents an erosion of Australia's access and would have negative implications for Australian exports, as it would reduce the industry's ability to target the most attractive opportunities across both markets and respond to changing market conditions.
- Depending on the Brexit outcome (deal or no deal), there is potential for severe disruption to red meat trade flows between the UK, EU and third party countries. For instance, the UK was Ireland's largest beef market, importing 210,000 tonnes shipped weight (swt) in 2018, which, in the case of a no-deal Brexit, would be competing with beef from other exporters via the UK's new import regime. In addition, the UK exported 79,000 tonnes swt of mostly shoulder and loin sheepmeat cuts to the rest of the EU (and imported 15,000 tonnes swt of mostly leg cuts) – if that two-way trade is disrupted, a greater amount of sheepmeat may remain in the UK or be diverted to non-EU markets.

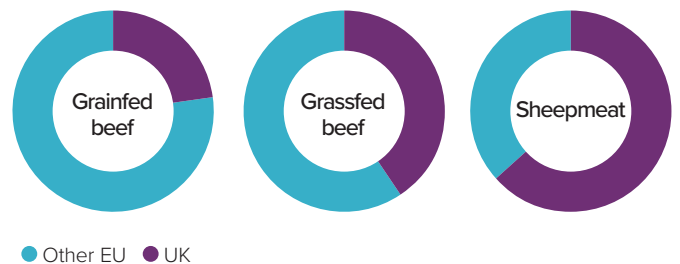
- Many scenarios may yet play out and impact future trade dynamics within and outside the EU. Most pressing, the UK Parliament is yet to decide upon and gain consensus for the form of Brexit desired. For now, the UK and EU have delayed the deadline to 31 October 2019, unless a withdrawal agreement is ratified by UK Members of Parliament before this date.

Australian quota splits upon the UK leaving the EU



*beef quota is measure in tonnes shipped weight and sheepmeat quota in tonnes carcass weight equivalent

Australian red meat exports to the EU and UK



Source: : DAWR (2018)
Note, exports are per port of entry. However, once in the EU customs union product can move freely and may be consumed outside the country of entry. For instance, survey research by GIRA found that 10-40% of non-EU imported beef in the UK was re-exported to other EU member states.

UK figures

Population	Households earning* >US\$35k/year	Households earning* >US\$50k/year	Households earning* >US\$75k/year
<p>67.0 in 2019</p> <p>68.4 in 2023</p> <p>in million</p> <p>Source: Fitch Solutions, 2019 estimate and 2023 forecast</p>	<p>23.6 in 2019</p> <p>25.9 in 2023</p> <p>in million households</p> <p>Source: Fitch Solutions, 2019 estimate and 2023 forecast</p>	<p>17.7 in 2019</p> <p>21.7 in 2023</p> <p>in million households</p> <p>Source: Fitch Solutions, 2019 estimate and 2023 forecast</p>	<p>9.0 in 2019</p> <p>13.3 in 2023</p> <p>in million households</p> <p>Source: Fitch Solutions, 2019 estimate and 2023 forecast</p>

*Disposable income.