

North America

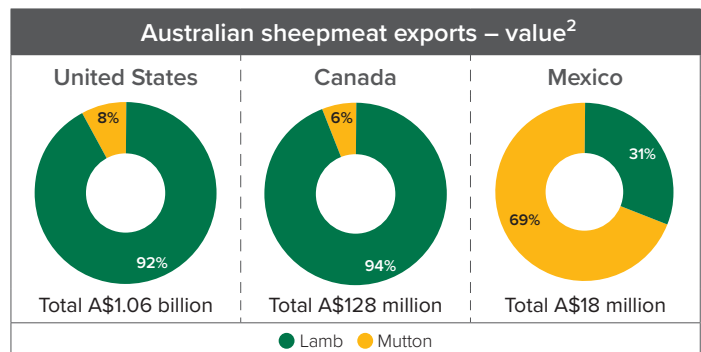
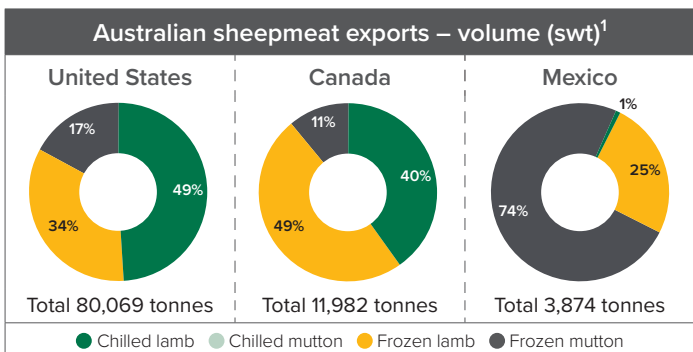
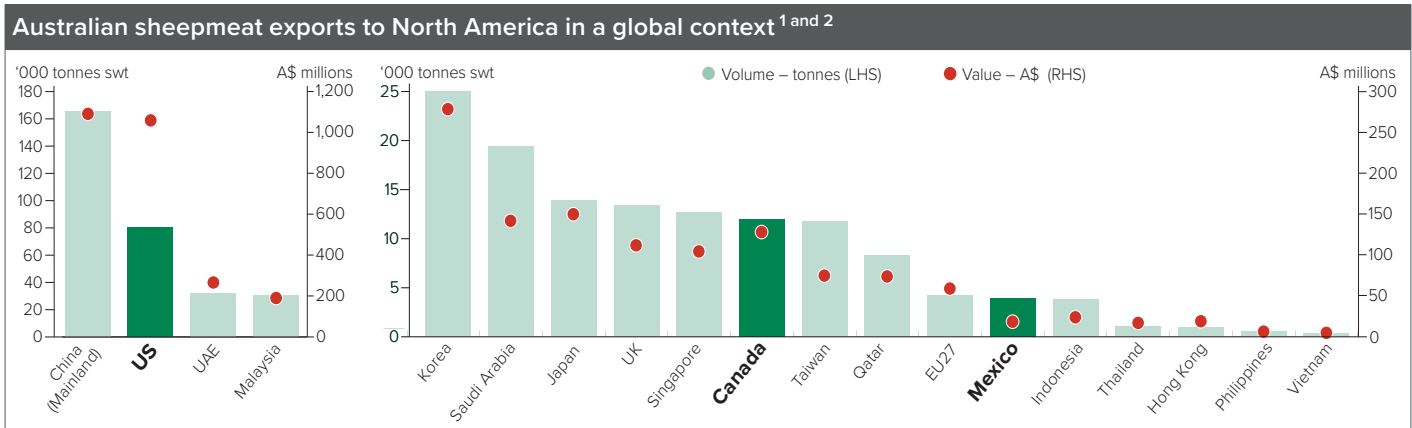
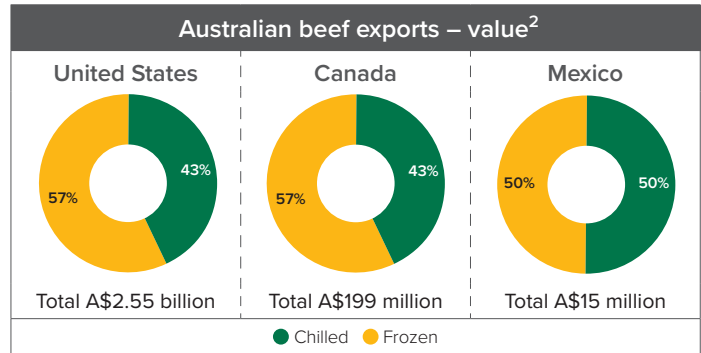
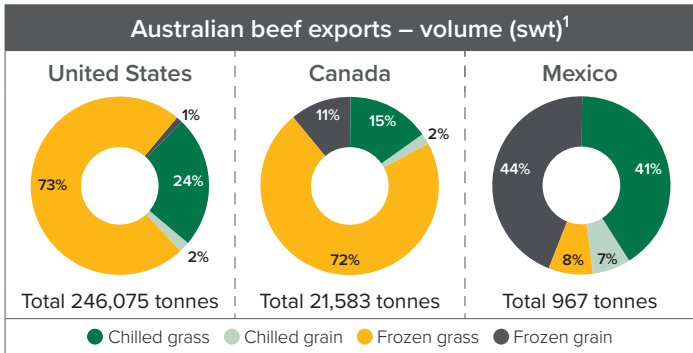
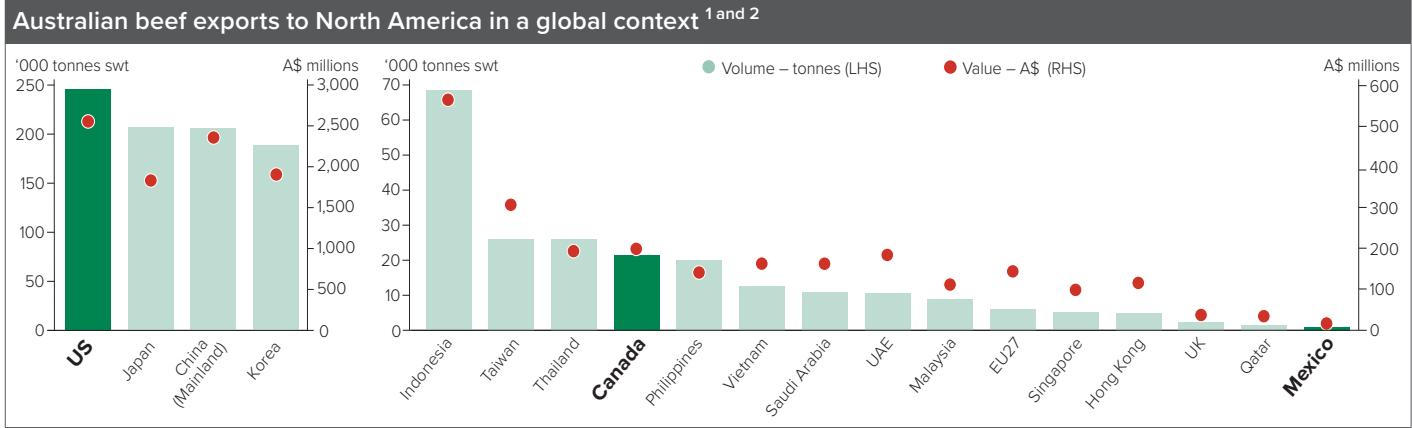
(United States, Canada and Mexico)

MARKET SNAPSHOT | BEEF & SHEEPMEAT

EXPORTS
Large and critical market for all Australian red meat products

CONSUMERS
Largest pool of affluent consumers, high consumption of red meat

GROWTH
Red meat that delivers both sustainability and affordability



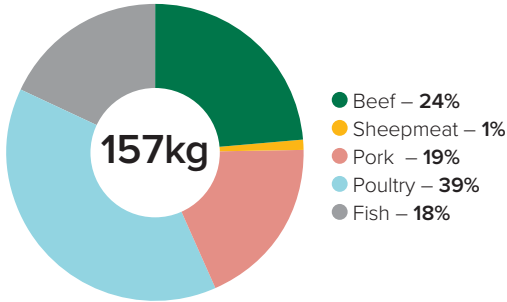
Data source for charts: ¹DAFF (CY2023), ²S&P Global MI Global Trade Atlas (GTA) (MAT Nov 2023)



CONSUMERS

- The US is one of the largest global consumers of animal protein, with stable levels of meat consumption. Going forward, the growth opportunity within the beef category will be to increase value through premium products like chilled grassfed beef, rather than growing the volume of more conventional beef.

Meat consumption per capita



Source: Source: GIRA, kg carcass weight equivalent (cwe) per year, 2024f

- Although 'buy local' further cemented as a trend during COVID-19, the majority of US consumers would still consider buying imported beef and are aware of grassfed beef (88%) (Source: Voice of Shopper 2022).
- 62% of US shoppers are focused on choosing 'better for me/my family', nutritious and healthy meat/poultry. Although this is still a strong consideration and the primary driver of purchase, this has decreased since last year as sustainability related factors continue to grow. Now just over one third of US shoppers are seeking 'better for the farmer, planet or animal' options (Source: Power of Meat 2023).

- There is high interest (64%) in Australian grassfed beef, with US shoppers rating the Aussie offering as highly versatile, being a good source of energy, good flavour/taste, known country of origin and being high in quality. Sustainability has promising associations among US shoppers but there are opportunities to further share our sustainability story and efforts to raise awareness among consumers (Source: Voice of Shopper 2022).
- Grassfed beef is perceived by US consumers as healthy, natural and better for the animal, aligning well with current and emerging US consumer needs. While Australian grassfed beef is perceived to provide higher quality beef than most other imported products, continued communication of our strong value proposition remains critical (Source: MLA Global Consumer Tracker 2023).

Factors linked to protein volume and premiumness

Top three factors in justifying volume of protein purchase

- Is my/my family's favourite meat
- Is the most superior meat
- The industry is environmentally sustainable

Top three factors in justifying premiumness of protein

- Is the most superior meat
- Is my/my family's favourite meat
- Tastes delicious

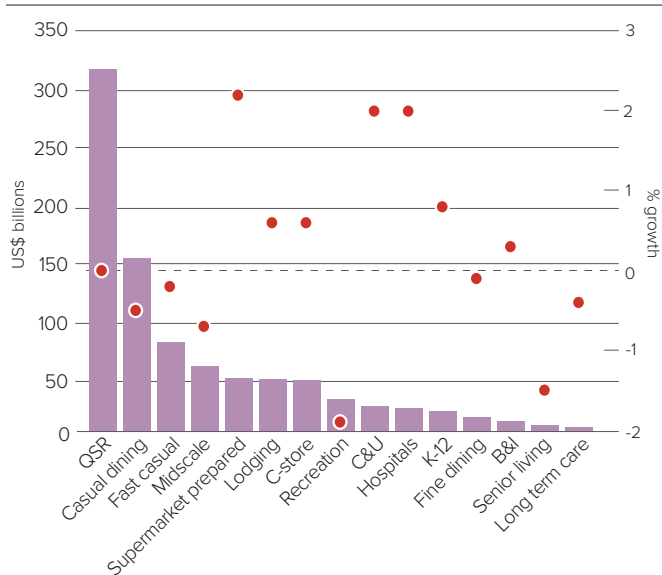
Source: MLA Global Consumer Tracker, 2023

FOODSERVICE



- While the restaurant industry is forecast to reach US\$889.7 billion in 2024, most of the growth can be attributed to inflation. Rising food costs, rising labour costs and inflation coupled with labour and supply chain challenges are the key concerns of restaurant operators (Source: Datassential).

Consumer spend and growth by segment



Source: Datassential 2024 Foodservice Forecast

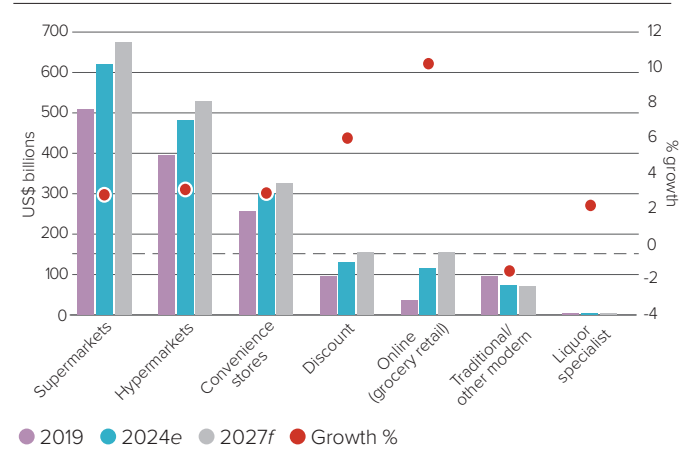
- Most restaurant segments are estimated to have rebounded to 2019 levels, particularly quick service restaurants and fast casual. However, midscale restaurants, the business and industry segment, and lodging segment have yet to fully recover (Source: Datassential).
- The US has the largest pool of affluent consumers globally and household restaurant and hotel spending is expected to grow at a CAGR of 5% between 2024 to 2027 (Source: Fitch Solutions).
- The US has a diverse foodservice sector with the biggest steakhouse sector in the world (Source: GlobalData) and the third largest fine dining sector in the world (by value). The US is ranked third after France and Japan with 13 three-star Michelin restaurants (Source: Michelin Guide). It's estimated that around 65% of Australian beef exported to the US goes into the foodservice sector (Source: MLA Estimates 2023).
- Manufacturing beef used for burgers and other processed beef products makes up a large proportion of Australian beef sold into the foodservice sector in the US, while chilled grassfed beef is largely destined for retail.

RETAIL



- While grassfed beef only accounts for around 2% of total beef sales through the US retail channel, sales have grown by 5.8% compared to five years ago, only slowing recently from inflationary pressures. The value of the category has managed to hold its own, growing by 1.2% compared to two years ago despite a 10.8% volume decline in the same period (Source: Circana 52 weeks to June 2023). Ground grassfed beef is now more commonly seen in store, and demand for higher value chilled grassfed beef continues to increase. Some of the most popular cuts include tenderloin, striploin and ribeye.
- The gap between grassfed beef awareness (88%) and consumer perception of retail availability (68%) is shrinking with perceived availability up 8% in 2022 compared to 2018. In this same time period, awareness of Australian product and availability has had a more substantial increase. Some 49% of respondents are aware of Australian beef compared to 36% in 2018, while those that indicate their store carries Australian beef have increased from 9% to 23% (Source: Voice of the Shopper 2022).
- The lack of requirement for 'country of origin' labelling at point of purchase is a challenge for Australian product in differentiating against competitors in the meat case. There are competing interests between suppliers, retailers, and consumers. Retailers prefer supply flexibility within their private label product offer and believe in 'local' callouts in their meat case. In contrast, research indicates US consumers consider Australia as aspirational and able to deliver ethical production claims on their grassfed beef purchases.
- Supermarkets are the main purchase channel for Australian grassfed beef, followed by independent and regional butchers, online retailers and warehouse club stores, reflecting the retail environment in the US.

Grocery retail sales by channel



Source: IGD, Growth % = Compound annual growth rate (CAGR) 2024e-2027f

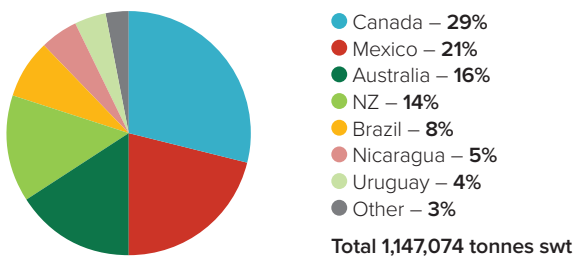
- While online grocery growth has stabilised after rapid adoption during COVID-19, online meat shopping continues to grow, with 65% of meat shoppers claiming to purchase meat online at least once a month, over-indexing for Gen Z and Millennials (Source: Power of Meat 2023).
- Online shoppers tend to be more focused on health and sustainability. Having this information easily accessible through product descriptions or nutritional information, as well as an attractive product image will maximize appeal for these shoppers (Source: Power of Meat 2023).

COMPETITIVE LANDSCAPE



- The main competitors in the US market are US domestic beef and imported beef from Canada and Mexico.

US beef imports by market share – year ending September 2023

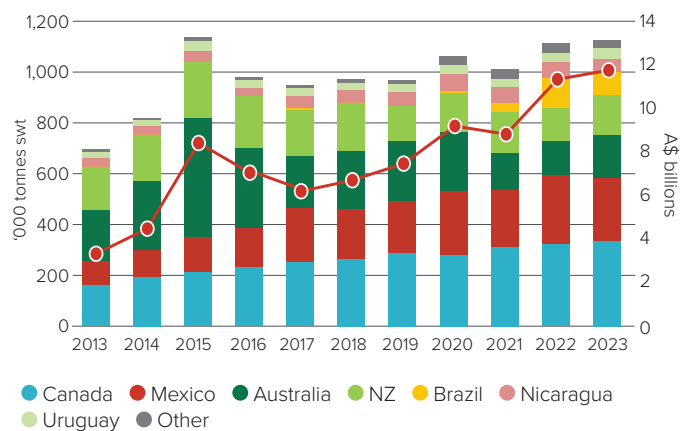


Source: S&P Global MI Global Trade Atlas (GTA), Data to September 2023

- As most of the Australian beef entering the market is grassfed beef, the key competitors are New Zealand, and increasingly, the growing mobilisation of local US grassfed beef production. Other smaller suppliers include Brazil, Uruguay and Nicaragua, which have access to smaller quotas.
- US imports of Australian grassfed beef are growing faster than imports of beef from our largest competitor, New Zealand. In addition, 99% of New Zealand imports to the US are manufacturing beef, whereas 26% of Australian imports are chilled cuts. In recent years, US imports from South American countries have continued to grow in volume, although they are still coming from a smaller base.

- Australia maintains its preferred access status to the US, only behind United States-Mexico-Canada Agreement (USMCA) partners (Canada and Mexico – with no quota restrictions). New Zealand has an annual quota of 213,402 tonnes shipped weight (swt), with an out-of-quota tariff of 26.4% (within quota 4.4¢/kg).

US beef imports by major supplier



Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August



United States – Sheepmeat

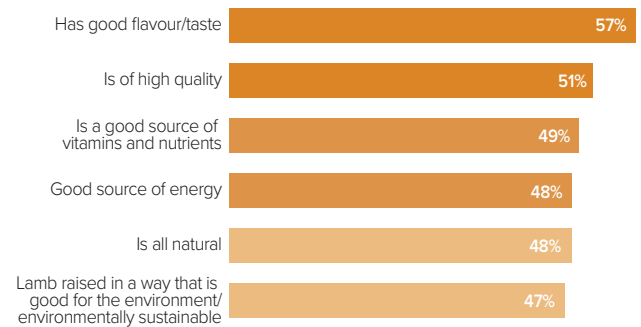


CONSUMERS

- Lamb remains a niche and unfamiliar protein for around 40% of US consumers, challenged by concerns around taste, familiarity and limited knowledge on how to prepare it. However, US consumers are progressively increasing their willingness to try lamb, particularly the millennial generation (Source: *MLA Global Tracker 2022*).
- Lamb is traditionally regarded as a seasonal food for specific holidays with large retail sales spikes during Easter and Christmas.
- The pandemic drove consumers to try a greater variety of proteins and, as such, there has been a huge increase in home consumption of lamb with 74% of US shoppers (versus only 43% in 2018). Within these home eating occasions, not only has special occasions meals risen to 52% (vs 34% in 2018) but those wanting to elevate an everyday meal has almost doubled (51% in 2022 vs 23% in 2018). There has also been an increase in those using lamb as part of their every day meal rotation (40% in 2022 vs 31% in 2018) (Source: *Voice of Shopper 2022*).
- With limited knowledge of lamb, Americans are much more likely to consider source of protein, 'naturalness', sustainability and ease of preparation ahead of 'country of origin' when purchasing lamb (Source: *Voice of Shopper 2022*).
- Consumers who purchase lamb frequently are generally premium shoppers, spend more in store and prefer healthier, home cooked items. They also use the online channel more to purchase a greater variety of cuts (Source: *Midan Marketing*).

- The most popular lamb cuts are leg and loin, accounting for just over 45% volume share. Interestingly, rack (ribeye), which has become popular in recent years, now sits around 15% volume share but almost 30% value market share (Source: *Circana, 52 weeks to June 2023*).
- The Top four opportunities to encourage trial of lamb are by offering tips on preparation or how to cook, a better price, trying a free sample and recipe ideas (Source: *MLA Global Consumer Tracker 2021*).

Aussie lamb – Top six attributes rated 'excellent'



Source: *Voice of Shopper 2022*

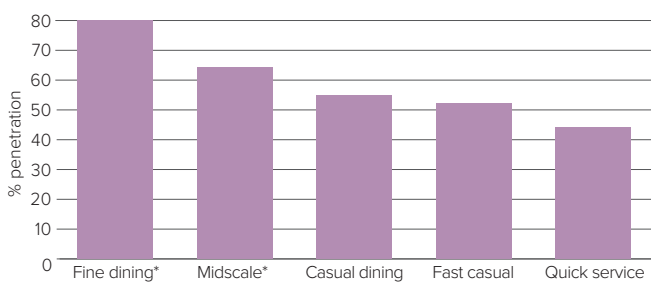
FOODSERVICE



- Lamb penetration on US restaurant menus was steadily growing before 2019 but the pandemic forced operators to remove lamb from menus in order to streamline menus (Source: *GlobalData*). It is estimated the overall penetration for lamb is approximately 20%, featuring most often in fine dining restaurants, indicating room to expand and grow into other restaurant segments as well as into other cuisine menus (Source: *Menu Matters 2022*).

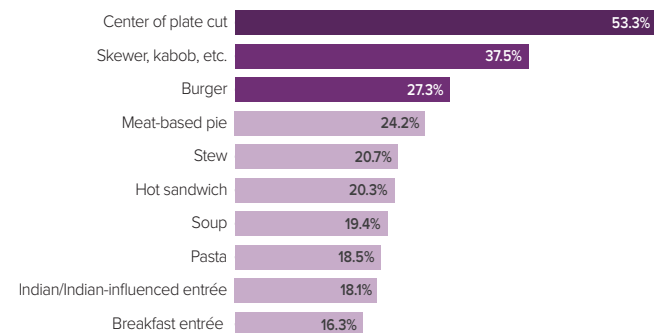
- Historically, protein oriented operators (e.g. steakhouses) and Indian restaurants have driven lamb menu penetration but there is an opportunity for Australian lamb to bring more diversity and unique flavour to menus, while delivering premium perceptions among diners for operators (Source: *Menu Matters 2022*).

Lamb menu penetration by channel



Source: *Menu Matters 2022*, * denotes small sample size

Top lamb menu items



Source: *Menu Matters 2022*

- The top reasons foodservice operators choose Australian lamb is due to ease of sourcing and affordability. Lamb imports from other country of origin suppliers fall behind in quality and taste. There are opportunities to improve the perceptions of Australian lamb and create a stronger position (Source: *Menu Matters 2022*).
- Nearly one third of food service operators are using lamb to target changing patron demographics. This shift in demographics means a more culturally diverse population are paving the way to demonstrate lamb's versatility through alternative cuts and more casual applications featuring lamb.

Lamb popularity increases



Lamb menu placement has largely been driven by international cuisines and upscale traditional American fare. The growing popularity of casual ethnic cuisines (particularly Middle Eastern, Mediterranean and North African) are likely to be a key tool in driving lamb usage over the next few years. Lamb has also gained ground through more familiar and approachable applications such as burgers and flatbreads, although this 'swapping' technique is currently underleveraged in foodservice (Source: *Datassential, Menu Matters*).



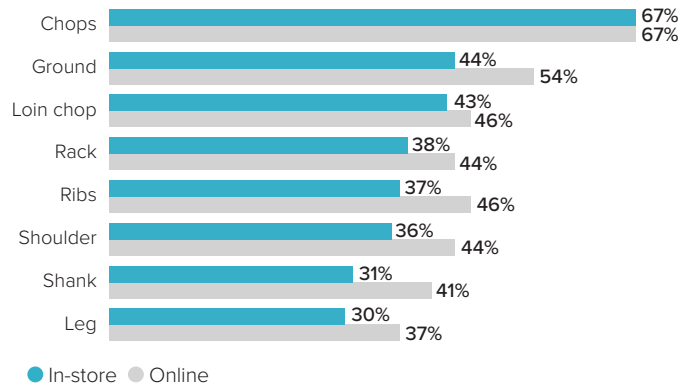
RETAIL



- While supermarkets are still the main purchase channel for Australian lamb, sales are also highly skewed to online retailers and club store warehouses.
- 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.
- Opportunity for continued lamb sales looks promising, with some of the increase stemming from the need for variety, increased 'cook at home' time, and renewed consumer interest in lamb (Source: Midan Marketing).

- Online shoppers tend to be more engaged with lamb, with 42% shopping several times per week compared to 30% of in-store shoppers. These shoppers serve lamb more often for all occasions but particularly special occasions which represent 59% of occasions where lamb is served (+4% higher than in store shoppers). They also purchase a greater variety of different lamb cuts beyond chops. In order to engage these shoppers more, use of advertising, online reviews, reward programs and mobile phone apps tend to be what these shoppers are more receptive to (Source: Voice of Shopper 2022).

Cut of lamb purchased in-store vs online



Source: Voice of Shopper 2022



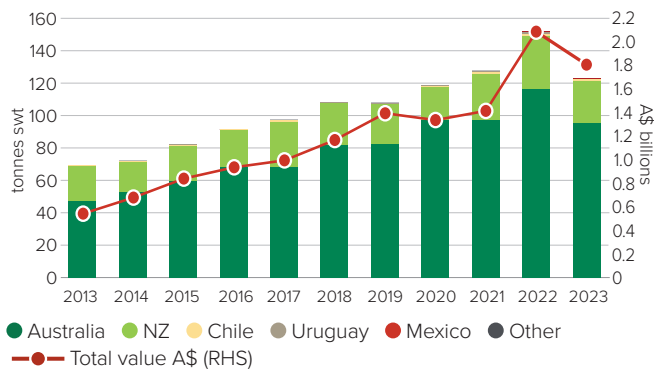
COMPETITIVE LANDSCAPE



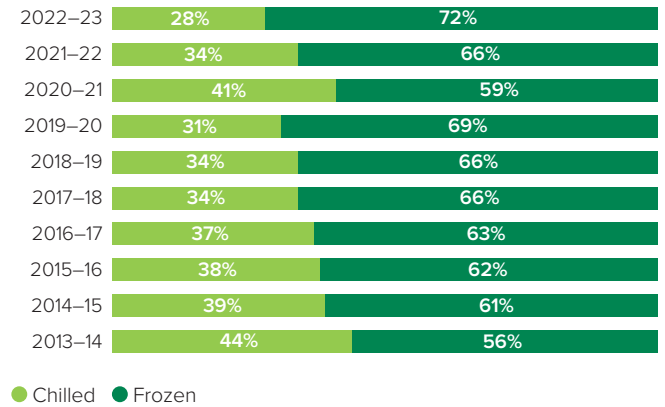
- Imports make a significant contribution to the lamb and mutton supply in the US. Imports typically account for approximately 70% of total sheepmeat consumed in the US (Source: GIRA).

Percentage of all imported chilled and frozen sheepmeat volume to the US

US sheepmeat imports by supplier*



Source: S&P Global MI Global Trade Atlas (GTA). *MAT year ending August



Source: S&P Global MI Global Trade Atlas (GTA)

- Australia is the major supplier of lamb to the US with around 80% market share, growing at a CAGR of 10% between 2019 to 2022. The second largest supplier is New Zealand which accounts for around 20% of lamb imports (Source: S&P Global MI Global Trade Atlas (GTA)).



CONSUMERS



- Beef consumption in Canada at 24.3kg per capita, is well above The Organisation for Economic Co-operation and Development (OECD) average of 14.3kg per capita (Source: GIRA 2024f, OECD). Although second to chicken in protein consumption, beef has strong associations as being superior, easy and convenient to purchase/prepare, a family favourite and versatile, compared to other proteins (Source: MLA Global Consumer Tracker 2022).
- Around 60% of Canadian consumers are aware of the ‘country of origin’ of the beef they purchase, with 43% purchasing imported beef at least monthly or more frequently. However, out of the 30% of consumers that are aware of Australian grassfed beef, only 12% would consider it as their first choice when purchasing beef. This means there are opportunities to continue

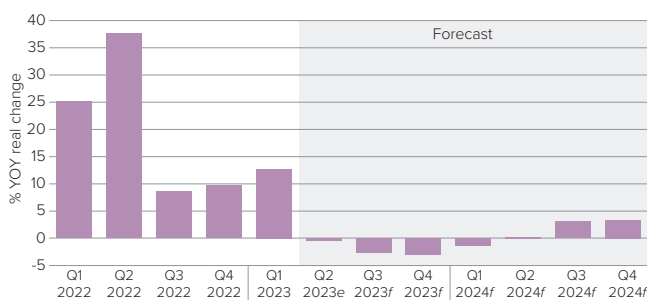
- building preference of Australian product among consumers in Canada (Source: MLA Global Consumer Tracker 2022).
- Canadian beef buyers tend to be more price conscious compared to global beef buyers, however freshness (colour of meat) and naturalness (grassfed, no added hormones or antibiotics) are also important to them when considering which beef to purchase (Source: Global Consumer Tracker 2022).
- Although Australian beef is considered highly trustworthy (after local and New Zealand beef), consumers don’t have strong associations when comparing Australian grassfed beef against those from other countries. Around one third of consumers are unsure of the defining qualities of Australian grassfed beef, so there are continued opportunities in leveraging Australian beef’s strengths to differentiate from competitors (Source: MLA Global Consumer Tracker 2022).

FOODSERVICE & RETAIL



- Limited-service restaurants (including fast casual and quick service) accounts for almost 50% of foodservice sales while full-service (including casual dining, fine dining, and midscale dining) account for just over 40% (Source: Statistics Canada).

Canada commercial foodservice sales forecast



Source: Restaurants Canada and Statistics Canada, 2022

- Foodservice sales are forecast to grow to \$92.2 billion in 2024 (+4.5% vs 2023) from a relatively flat 2023 but labour shortages and menu inflation present ongoing challenges (Source: Restaurants Canada).
- Beef is the most valuable meat category for commercial foodservice operators (such as restaurants, cafés, hotels and leisure venues etc) (Source: GlobalData).
- The majority of imported Australian grassfed beef is manufacturing grade and is used in quick service restaurants.
- Supermarkets, which are the primary place of purchase for Australian beef, represent over 40% of grocery market retail sales (Source: IGD). Retail presence of Australian beef has grown since 2019 due to COVID-19, as some beef that was typically destined for the foodservice channel was redirected for retail sale.

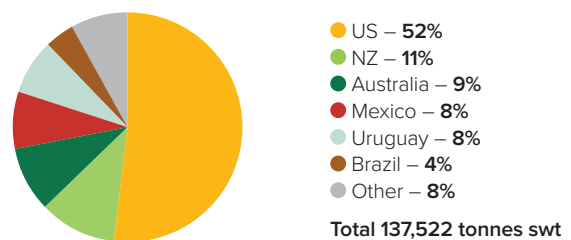
COMPETITIVE LANDSCAPE



- The Comprehensive and Progressive Agreement for TransPacific Partnership (CPTPP) is a free trade agreement (FTA) between Australia and 11 other countries, including Canada and Mexico, signed in 2018.
- Under the trade agreement, Australia has favourable market access into Canada with a good trading environment and no tariff since 2023.
- While most Australian beef exports to Canada are grassfed and follow a similar trend to the US, the last few years have seen a shift in grainfed beef dynamics. Albeit from a small base, chilled grainfed volumes have grown at a CAGR of 39% between 2019–2022 (Source: DAFF).
- While 2022 saw monthly averages of around 3 tonnes of chilled grassfed exports to Mexico, July to September of 2023 saw increased average monthly volumes of approximately 63 tonnes being exported (Source: DAFF).

- The main competitors are US beef and product from New Zealand. Australia is a modest supplier of beef to Canada.

Canada beef imports by market share – year ending September 2023



Source: S&P Global MI Global Trade Atlas (GTA), Data to MAT September 2023

CONSUMERS



- While total beef consumption in Mexico is lower compared to US and Canada, it is forecast to experience some growth at a CAGR of 1.5% for 2022–2027, reaching 199,400 tonnes cwe in 2024 (Source: GIRA). Despite inflationary headwinds, demand is projected to rise, as the Mexican peso strengthens, and the middle class grows. With the almost fully recovered hospitality and restaurant sector, consumers will still demand beef and drive increased consumption through these channels (Source: USDA).
- Beef is the second largest animal protein in Mexico, in terms of value, following poultry (Source: Fitch Solutions). Young, wealthy consumers are driving beef consumption growth in Mexico.
- Higher income households, earning over US\$75,000 disposable income per year, are expected to grow 23% between 2024 to 2027. This translates to a growing pool of households able to afford premium Australian products. Among these consumers, there is a growing demand for products with a point of difference backed by a provenance story, which Australian product is well positioned to provide (Source: Fitch Solutions).

FOODSERVICE & RETAIL



- It is estimated that restaurant and hotel spending in Mexico will grow 4.6% in 2024, however this is expected to pick up strong CAGR of 10.3% for 2024–2027 (Source: Fitch Solutions). Longer term, the growing working age population and urbanisation will continue to lift demand for foodservice (Source: GlobalData).
- Full-service and quick service restaurants dominate the foodservice channel. 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).
- Around half of Millennials look for new foods or flavours to try all or most of the time, while a similar proportion say they love trying new experiences (Source: Mintel). This is especially evident in the foodservice space, where more than half of Mexican consumers would feel inspired to try something new at either a quick service restaurant or fine dining restaurant (Source: GlobalData).
- Top steakhouses are dominated by USDA-graded prime steaks, as grainfed product is preferred over grassfed. However, there is strong potential for Australian grassfed beef to enter the market, underpinned by growing focus on health and well-being.
- Uniquely in this market, the most common cut used in foodservice is arrachera, or hanger steak, normally marinated in spices.
- Total grocery retail sales in Mexico is expected to reach AU\$369 billion in 2024 at a forecasted CAGR of 5% between 2024 and 2027 (Source: IGD).
- The main channel for beef in Mexico are local butcher shops, with more than 50% of market share. The main products are steak (chuck and round) and ground beef, representing 59% of purchases. Retail stores have surpassed wet markets as the next largest channel, with 19% and 16% market share, respectively (Source: USDA).



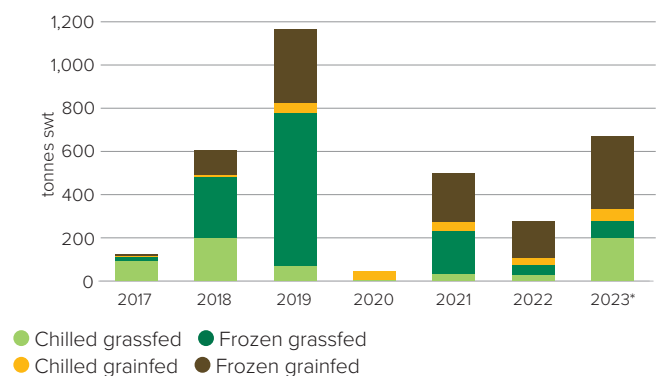
Local Mexican butcher shop located in a market

COMPETITIVE LANDSCAPE



- Mexico is a member of the CPTPP (The Comprehensive and Progressive Agreement for Trans-Pacific Partnership).
- There is still restricted market access and a mixed trading environment.
- Main competitors are the US, Japan and Canada. Australia is a very small part of the beef market and competing at the top end.
- Frozen grassfed beef typically makes up the bulk of Australia's exports to Mexico. Over the past few years there has been growth in both frozen and chilled grainfed volumes, albeit from a small base (CAGR 17% from FY20 to FY23) (Source: DAFF).
- While 2022 saw monthly averages of around 3 tonnes of chilled grassfed exports to Mexico, July to September of 2023 saw increased average monthly volumes of approximately 63 tonnes being exported (Source: DAFF).

Australian beef exports to the Mexico



Source: DAFF *2023 is year to date September 2023, is not a full year



US – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	0% under AUSFTA	<p>Canada and Mexico: USMCA, no quota</p> <p>New Zealand: 213,402 tonne quota, with an in-quota tariff of 4.4¢/kg</p> <p>Nicaragua, Honduras and Costa Rica: CAFTADR with US, shares the same 65,005 tonnes with other countries, in quota 4.4¢/kg, 26.4% out of quota tariff</p> <p>Uruguay and Argentina: no FTA, quota of 20,000 tonnes each, tariff 4.4¢/kg in quota and 26.4% out of quota</p> <p>Brazil: no FTA, shares the same 65,005 tonnes with other eligible countries, in quota 4.4¢/kg, 26.4% out of quota tariff</p>	No volume restrictions under AUSFTA	<i>E. coli</i> and salmonella sampling programs, label approvals and port mark compliance Refer to DAFF MICOR for current requirements

Best access  Major challenges

Source: Trade agreements DFAT, MLA



Canada – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	No volume restrictions from 1 January 2023	<p>US and Mexico: USMCA, no quota</p> <p>New Zealand: 0% import tariff from 1 January 2023 under CPTPP (previous quota of 29,600 tonnes is not applicable as out of quota tariff is now 0%)</p> <p>Uruguay: Supplies under 11,809 tonnes other eligible country quota, 0% in quota tariff, 26.5% out of quota tariff</p>	No volume restrictions from 1 January 2023	<i>E. coli</i> and salmonella sampling programs, label approvals and port mark compliance or refer to DAFF MICOR Meat for current Canadian import requirements

Best access  Major challenges

Source: Trade agreements DFAT, MLA



Mexico – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Under CPTPP, 6% in 2024. Will be 0% from 1 January 2027	<p>US and Canada: USMCA, no quota</p> <p>New Zealand: Under CPTPP, no quota and tariff 14%</p>	No volume restrictions from 1 January 2023	Labelling, restriction on ports of entry, health certificates extra information required compared with other markets Refer to DAFF MICOR for current requirements



US – Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	0% under AUSFTA	NZ, Uruguay and Chile: has a tariff of US 0.7¢/kg for lamb and US 2.8¢/kg for mutton	No volume restrictions under AUSFTA	Point of entry inspection, label approvals and port mark compliance

Best access  Major challenges

Source: Trade agreements, DFAT, MLA