



# Red Meat Market Report

# Australia



## Retail and Foodservice 2011

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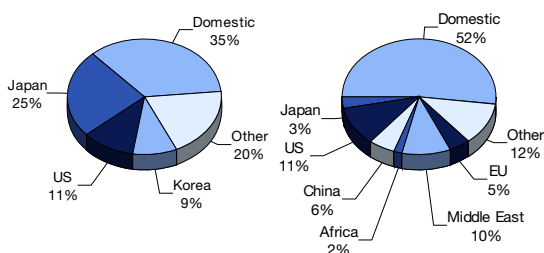
## Abstract

- The Australian market is the largest and most stable market of Australian beef<sup>1</sup> and lamb, though it was impacted by weaker consumer confidence and spending on meat in 2010-11.
- MLA's preliminary estimates of consumer expenditure on red meat during 2010-11 suggests that Australian spending on beef fell 5% year-on-year, to \$6.7billion – following a 3% decline in utilisation and 2% fall in retail prices.
- Australian expenditure on lamb also eased 2%, as the 9% jump in retail prices partly offset the 10% fall in utilisation.

## Market overview

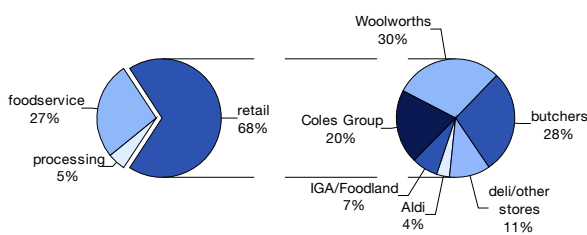
- Australia continues to be the largest and most stable market for Australian beef and sheepmeat, taking 35% of beef, 52% of lamb and 10% of mutton production during 2010-11 (figure 1).

**Figure 1**  
Australia's market share for beef and lamb 2010-11



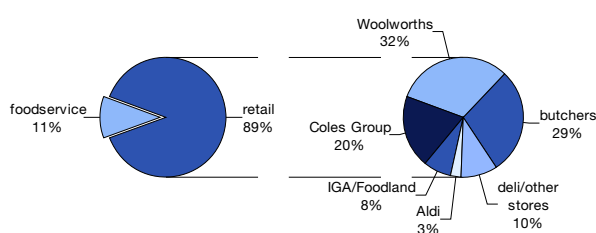
Source: ABS, DAFF, MLA

**Figure 2**  
Domestic beef segment shares 2010-11



Source: Roy Morgan/MLA estimates

**Figure 3**  
Domestic lamb segment shares 2010-11



Source: Roy Morgan/MLA estimates

- Australian beef utilisation during 2010-11 decreased 3% compared with the previous year, to about 742,232 tonnes cwt, following robust demand from overseas markets, particularly Asia, Russia and the Middle East.
- Retail beef prices decreased 2% over the same period, with consumer expenditure on beef estimated to have generated \$6.7 billion, down 5% year-on-year.
- Although Australian consumer demand for lamb remained resilient, a 9% jump in retail prices during 2010-11 and intense competition from export markets impacted consumption.

- Australian lamb utilisation is estimated to have decreased 10% to about 203,530 tonnes cwt, while expenditure on lamb during 2010-11 was estimated to have eased 2%, to \$2.2 billion.

- The majority of beef utilisation in Australia takes place through retail. Channel shares of major Australian retailers did not change significantly during 2010-11. Woolworths remained the largest retailer of beef, followed by butchers and Coles (figure 2).

- Shares of beef sold through IGA/Foodland decreased two percentage points during 2010-11, while Aldi's share stayed firm. Beef sales through Costco have not been noticeable on a national scale, although the two newly opened stores (Sydney and Canberra) are expected to result in an increased share this year.

- Australian lamb utilisation is also more prominent via retail. Woolworths, independent butchers and Coles are the three major retailers of lamb (figure 3).

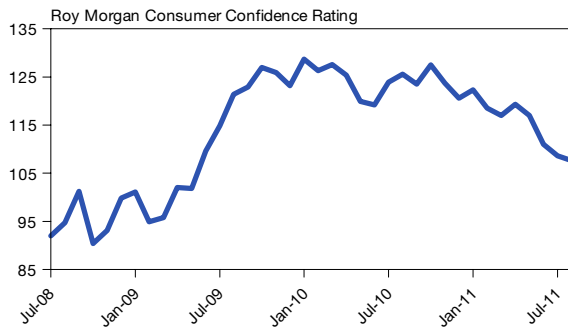
- Almost all mutton production remaining in Australia was used in further processing.

<sup>1</sup> Throughout this paper, beef includes veal unless otherwise stated.

## Consumer sentiment

- Australian consumer confidence suffered from the cost of living pressures and domestic and global economic uncertainty through 2010-11 – with the Roy Morgan Consumer Confidence Index falling from 127.5 in October 2010 to 111 by June 2011, the lowest since June 2009 (figure 4).

**Figure 4**  
Australian Consumer Confidence Rating



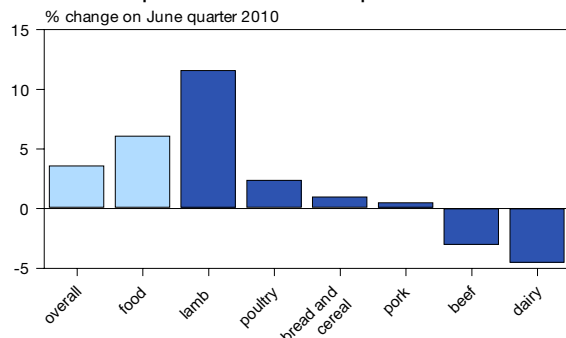
Source: Roy Morgan

- Attributed partly to soft consumer sentiment, ABS turnover data during 2010-11 (which totalled \$245 billion) revealed sluggish sales of consumer goods. Returns on food retailing (up 3%) and cafés, restaurants and takeaway foodservice (up 5%) remained positive, totalling \$106 billion and \$35 billion, respectively.
- Of the total Australian food retailing trade, sales from supermarkets and grocery stores accounted for 83% (\$88 billion), up 3% year-on-year. Liquor sales increased 6% on 12 months ago (\$10 billion), while turnover from other specialised food retailing eased 1% (to \$8 billion).
- Sales at Australian cafés, restaurants and catering services reported a 7% growth, to \$18 billion, alongside a 3% increase in sales at takeaway services, to \$14 billion. Despite the positive growth, monthly ABS data showed a noticeable slowdown in Australia’s foodservice sales over the first half of 2011.
- Despite the recent slowdown, Australia’s economic outlook remains upbeat, especially when compared to other advanced economies.

## Retail

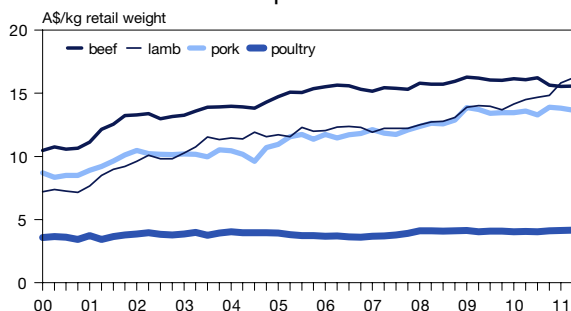
- Australia’s latest Consumer Price Index (CPI) for June quarter 2011 increased 3.6% compared with the previous year, partly attributed to the 6.1% rise in food prices.

**Figure 5**  
Consumer price index June quarter 2011



Source: ABS

**Figure 6**  
Australian retail meat prices



Source: ABS

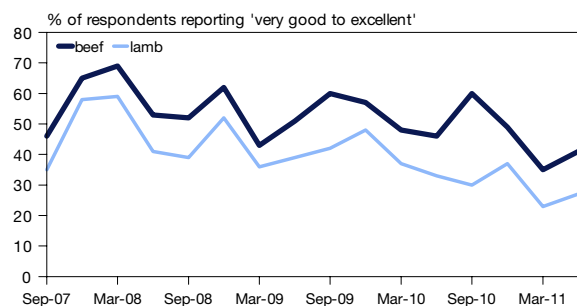
Food prices were partly influenced by the price of fruit and vegetables (up 35%). Meat price rises slowed during the June quarter 2011, with the exception of lamb (figure 5).

- National retail lamb prices increased 12% from the June quarter last year, to average \$16.19/kg. Lamb has become the most expensive meat protein in Australia, having overtaken beef in the March quarter 2011 (figure 6).
- The rise in retail lamb prices continued to be influenced by the tight lamb supply, as MLA’s National Livestock Reporting Service reported an 11% year-on-year fall in weekly eastern state lamb throughput and a 14% year-on-year jump in national average trade lamb saleyard prices over the June quarter 2011.

■ Retail beef prices during the June quarter 2011 edged up 0.2% compared with the previous quarter, while still averaging 3.1% below the same period last year, at \$15.58/kg.

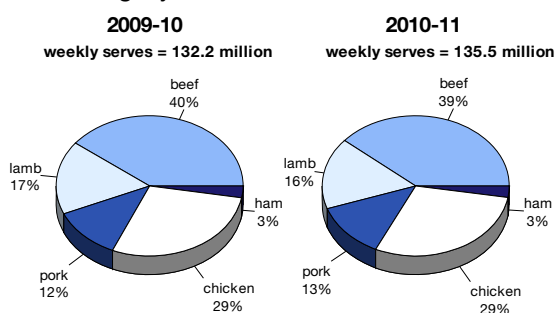
- The fall in retail beef prices was due to several factors, including the price competition among major retailers, but was in contrast to the 11% year-on-year jump in national average trade steer saleyard prices during the June quarter 2011.

**Figure 7**  
Australian butcher sales performance



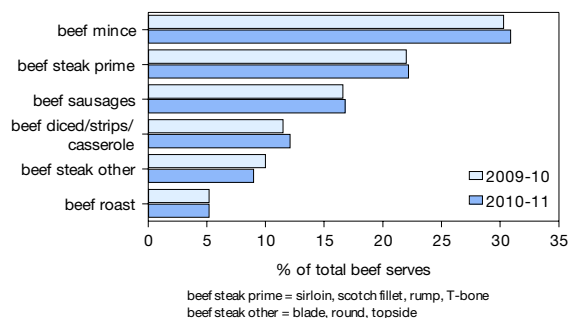
Source: Millward Brown

**Figure 8**  
Meat category share at retail



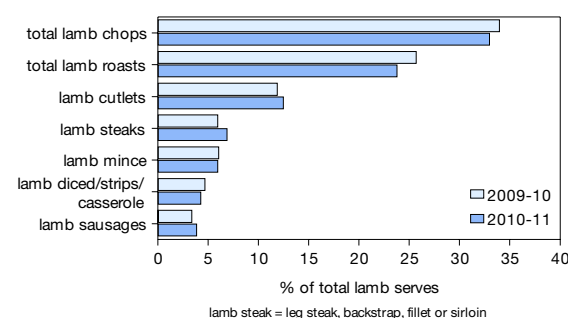
Source: Millward Brown

**Figure 9**  
Beef cut trends at retail



Source: Roy Morgan

**Figure 10**  
Lamb cut trends at retail



Source: Roy Morgan

- Retail pork and chicken prices over the June quarter increased marginally year-on-year, up 0.5% to \$13.66/kg and 2.4% to \$4.15/kg, respectively.

- The majority of Australian butcher businesses were steady during 2010-11, with 84% of respondents reportedly 'doing ok or thriving' compared with 86% 12 months earlier.

- Weekly butcher sales performance of beef and lamb has softened since the second half of 2008, affected by the Global Financial Crisis. Reduced consumer sentiment during this period saw consumers tightened spending, switching to alternative meat cuts (MLA's butcher survey conducted by Millward Brown's National Field Service – figure 7).

- Competitive beef prices offered by major supermarkets since early this year have further influenced butcher beef sales. Sluggish consumer sentiment over the June quarter 2011 also resulted in subdued spending at retail and foodservice.

- Relatively high lamb prices at retail, due to very tight supply, also suppressed butcher sales performance over the past 12 months.

- Australia's weekly servings of fresh meat during 2010-11 increased 3% compared with the previous year, to average 135.5 million serves. The growth was attributed to increased purchases of all fresh meat, with the exception of lamb (figure 8).

- National weekly lamb purchases decreased by one percentage point, to 21.9 million serves, representing 16% of total fresh meat sold during 2010-11, with sharp falls towards the end of 2010-11, due mainly to tight supply and surging retail prices.

- Servings of other meats stayed firm during 2010-11. Weekly beef and veal purchases were steady (52.1 million serves), on average accounting for a prominent 39% share of total fresh meat. Pork (17.3 million serves) and chicken (39.3 million serves) purchases edged up over the 12 months to June 2011, to represent 13% and 29%, respectively.

- Weekly servings of popular beef cuts by Australian households did not change significantly during 2010-11. There was, however, a small rise in 'beef mince' and 'beef diced/strips/casserole', but a similar small fall in 'beef steak other', as consumers traded down to cheaper cuts (figure 9).

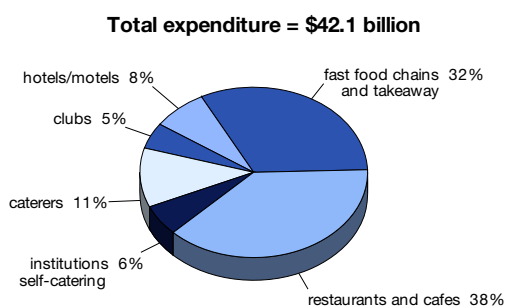
- Beef mince continued to be the most popular item, representing 31% (15.2 million serves/week) of all beef purchased.

- Beef steak prime and sausages ranked the second and third most purchased cuts, registering 11 million and 8.3 million serves/week, respectively.
- Lamb chops (7.3 million serves/week) and roasts (5.2 million serves/week) continued to be the most popular lamb cuts purchased each week (figure 10).
- Interestingly, there were small shifts in servings of the various lamb cuts, as the dearer ‘cutlets’ and ‘steak’ cuts rose, while purchases of cheaper ‘chops’, ‘roasts’ and ‘diced/strips/casserole’ all fell.

## Foodservice

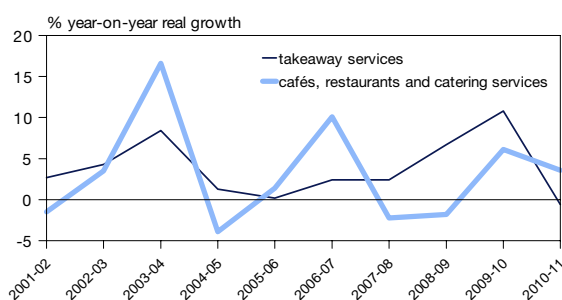
- The Australian foodservice market was estimated to have grown 8.4% to generate \$42.1 billion during 2010 (Penfold Research based on ABS data). However, prospects for 2011 are less optimistic, with signs that the market slowed significantly during the first half of 2011 (figure 11).

**Figure 11**  
Foodservice market 2010



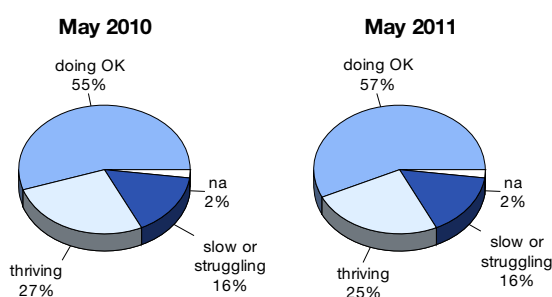
Source: ABS/Penfold Research

**Figure 12**  
Australian cafe, restaurants and takeaway foodservice



Source: ABS

**Figure 13**  
State of commercial foodservice sector



Source: Penfold Research

- The market has decelerated, but remains in a low positive state of growth where consumers are cautious and looking for value much more than in 2010.

- With financial conservatism already evident, and consumers worried about further global financial shocks, households are likely to maintain tighter foodservice expenditure over the rest of 2011.

- The Australian foodservice market has been volatile in the past decade. Although real growth in takeaway services fell to -0.6% during 2010-11 (from 11% during 2009-10), the segment is expected to improve over the rest of 2011, as consumers pull back from higher priced restaurants in an effort to stretch their budget (figure 12).

- Market conditions, behaviour and results are reminiscent (although not as severe) of those during the 2008-09 economic downturn. To return to normal growth conditions the economy needs to improve and consumer worries about the global financial system and external shocks need to dissipate.

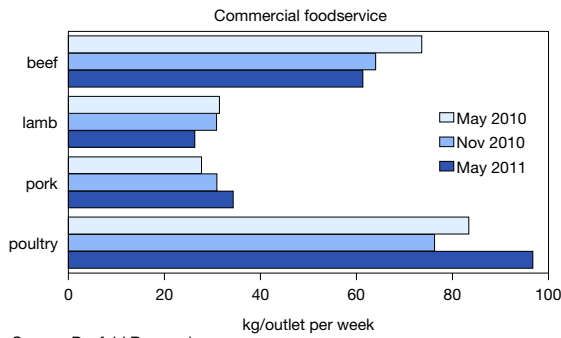
- Results from the latest Penfold Research’s tracking study on the Australian foodservice indicated that foodservice businesses have weakened since May 2009 – when the economy was in the depth of the GFC (figure 13).

- Most outlets described themselves as ‘doing OK’ indicating that the majority of foodservice outlets are in a stable state. Yet, some suffered less healthy conditions that contributed to slower sales.

- There are distinct differences between outlet types and regions with some outlets doing much better than others. Fast food chains, hotels/motels and pubs/clubs outperformed over the past year, while independent fast food and restaurants experienced slowed growth.

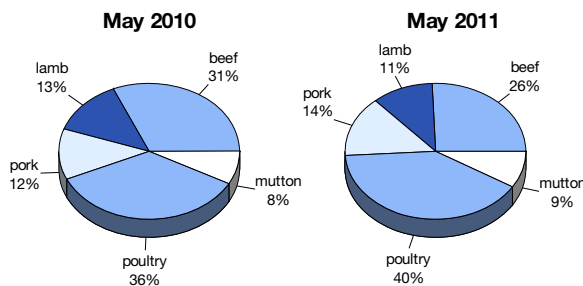
- The foodservice sector in Melbourne continued to be the most buoyant foodservice market on the eastern seaboard. Brisbane/Gold Coast businesses improved slightly in the May 2011 tracking, while Sydney’s were subdued after showing improvements in recent surveys.

**Figure 14**  
Average weekly meat and poultry usage



Source: Penfold Research

**Figure 15**  
Share of meat usage in commercial foodservice outlets - by volume

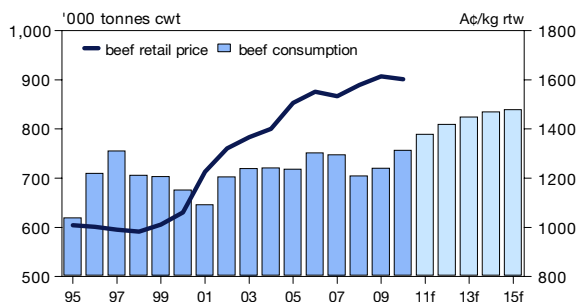


Source: Penfold Research

- In May 2011, the Australian foodservice sector was estimated to have utilised 231.1kg of meat/outlet per week, up 5% compared with the same time last year.
- The result showed an improvement, boosted by higher volumes of relatively cheap poultry, but relatively low volumes. The growth in meat utilisation slowed and consumers have reverted to lower priced meats and cuts, including pork and poultry (figure 14).
- Poultry continued to be the most served meat in the Australian foodservice sector (86.5kg/outlet per week), followed by beef (64.8kg/outlet per week), lamb (26.8kg/outlet per week) and pork (34kg/outlet per week) – (figure 15).
- Of all major channels, fast food chains performed best in the May 2011 survey, with utilisation increasing to average 769.6kg of meat/outlet per week. The independent fast food segment was impacted most by the weaker market conditions, consuming only 120.6kg/outlet per week.
- The contrast between the prosperity of fast food chains versus the declines of independents indicates the broad trend occurring across the industry. Large operators outperformed because of the advantages of scale.

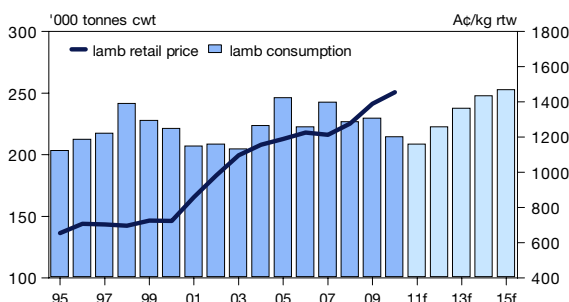
- A snapshot of the three metropolitan areas reveals Melbourne outlets consume 10% less meat than the national average. Brisbane/Gold Coast outlets are characterised by higher beef consumption at relatively lower prices, and lower chicken consumption. Sydney has larger than average outlets that pay higher prices for red meat.

**Figure 16**  
Australian beef consumption and retail price



Source: ABS, ABARES, DAFF and MLA forecasts

**Figure 17**  
Australian lamb consumption and retail price



Source: ABS, ABARES, DAFF and MLA forecasts

## Outlook

- Australian beef utilisation is forecast to increase 4.4% in 2011, to about 790,000 tonnes cwt, facilitated by the 4.4% growth anticipated in production<sup>2</sup>. Taking the firm Australian demand into consideration, along with rising beef production through to 2015, Australian beef utilisation is expected to increase 11% between 2010 and 2015, to around 840,000 tonnes cwt. This would imply a small rise of 2% beef consumption per capita, to 34.6kg/head (figure 16).
- Following an anticipated 0.4% decrease in domestic lamb production in 2011 and strong underlying overseas demand growth, domestic lamb utilisation is forecast to decrease 3% in 2011. Australian lamb consumption is forecast to rise 9% between 2010 and 2015, to around 253,000 tonnes cwt<sup>3</sup> (figure 17).

<sup>2</sup> See MLA's Australian beef industry projections 2011 mid-year update, August 2011.

<sup>3</sup> See MLA's Australian sheep industry projections 2011 mid-year update, August 2011.

Table 1  
Domestic demand indicators

	Unit	Source	2010-11 fiscal year	2009-10 fiscal year	% change year
<b>Demand watch - Beef</b>					
usage <sup>1</sup>	000 tonnes carcass weight	MLA estimate	742.23	767.14	-3.2%
expenditure <sup>2</sup>	A\$ million retail	MLA estimate	6,663	7,031	-5.2%
demand index	index (base 1998= 100)	MLA estimate	92	102	-9.8%
retail price	\$/kg retail weight	ABS/ABARE	15.75	16.08	-2.1%
wholesale price (180-200 FS2)	¢/kg carcass weight	MLA's NLRS	403	360	11.9%
saleyard price (domestic steer 180-220 cwt C3)	¢/kg carcass weight	MLA's NLRS	374	329	13.7%
<b>Retail</b>					
beef and veal serves (purchased weekly)	million	Roy Morgan	52.05	51.87	0.4%
% of total fresh meat serves	%	Roy Morgan	38%	39%	-2.0%
<b>Demand watch - Sheepmeat</b>					
usage <sup>1</sup>	000 tonnes carcass weight	MLA estimate			
lamb			203.53	225.71	-9.8%
mutton			11.64	21.37	-45.6%
expenditure <sup>2</sup>	A\$ million retail	MLA estimate			
lamb			2,191	2,225	-1.5%
mutton			78	131	-40.6%
demand index lamb	index (base 1997-98= 100)	MLA estimate	123	130	-5.4%
retail price	\$/kg retail weight	ABS/ABARE			
lamb			15.38	14.08	9.2%
mutton			9.55	8.75	9.1%
wholesale price lamb (18-20kg FS3)	¢/kg carcass weight	MLA's NLRS	688	577	19.2%
saleyard price	¢/kg carcass weight	MLA's NLRS			
lamb (18-22 kg)			550	466	18.0%
mutton			414	322	28.6%
<b>Retail</b>					
Lamb serves (purchased weekly)	million	Roy Morgan	21.88	22.01	-0.6%
% of total fresh meat serves	%	Roy Morgan	16%	17%	-3.0%
<b>Competitor meats</b>					
retail price	\$/kg retail weight	ABS/ABARE			
pork			13.67	13.49	1.3%
chicken			4.11	4.06	1.2%
wholesale price pork (DF pork 45-60kg)	¢/kg carcass weight	MLA's NLRS	415	474	-12.4%
<b>Retail</b>					
Pork serves (purchased weekly)	million	Roy Morgan	17.29	15.96	8.3%
% of total fresh meat serves	%	Roy Morgan	13%	12%	5.8%
Chicken serves (purchased weekly)	million	Roy Morgan	39.34	37.65	4.5%
% of total fresh meat serves	%	Roy Morgan	29%	29%	1.8%

## Notes:

1 - The formula used by MLA to estimate consumption is: production - carcass weight exports (including processed exports) + carcass weight imports +/- the change in stocks.

2 - The estimate of domestic expenditure on each red meat has been calculated by multiplying estimated volume consumed (estimated retail weight) in Australia by its average retail price. Countering this, to some extent, would be lower valued manufacturing product into processing and the fast food sector, the price of which is also not considered. Any error in ABS records of production or DAFF estimates of exports can have a disproportionate impact on consumption estimates, especially for beef as only around one third of beef produced is consumed locally. Production figures from ABS can be revised at any time which may affect the overall estimate.

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