MARKET SNAPSHOT | SHEEPMEAT

MENA (Middle East & North Africa)

MENA* is a large, complex region with many varied consumer markets. Consumer confidence, product demand and overall spending are heavily impacted by factors such as the oil price, regional political instability and conflict, but broader socio-economic trends provide numerous opportunities for premium imported sheepmeat demand across the region.

Challenges and opportunities in MENA for Australian sheepmeat include:

- Sheepmeat is an important protein in the region, associated with important religious and family celebrations and gift-giving. Australia has been a key sheepmeat supplier to MENA markets for many decades and has built a strong, positive reputation.
- Premium lamb consumption and import demand are forecast to continue increasing in a number of markets, particularly Gulf Cooperation Council* (GCC) countries, driven by trends like increasing disposable incomes, ongoing urbanisation and westernisation and large wealthy expat populations. Australia is well-placed to meet the growing demand in this higher value segment of the sheepmeat market.
- Imported frozen mutton goes mostly into the large, but price-sensitive, lower tier foodservice sector in a number of countries.
- Although the retail sector remains under-developed and fragmented, even in GCC countries, development in the sector is expected to increase, and with it, potential growth in chilled lamb sales.
- Some markets, particularly those with developing tourism sectors, are seeing a growing role for premium lamb cuts in the menus of high-end foodservice operators.
- Technical barriers to trade are significant in the region and differ between countries. Removing these barriers is a priority for Australia to improve trade, competitiveness and the ease of doing business in the region.

* Unless otherwise stated, in this snapshot MENA includes 10 countries: The Gulf Cooperation Council (GCC) 6: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Plus: Egypt, Iran, Jordan and Lebanon.

Population

249.7 in 2017 **264.7** in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast

Households earning* >US$35,000/year

3.2 in 2017 **6.0** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income. MENA includes Egypt, Bahrain, Iran, Kuwait, Qatar, Saudi Arabia and UAE.

Households earning* >US$50,000/year

1.8 in 2017 **3.1** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

* Disposable income. MENA includes Egypt, Bahrain, Iran, Kuwait, Qatar, Saudi Arabia and UAE.

Australian sheepmeat exports – volume

- Chilled lamb – **50%**
- Chilled mutton – **6%**
- Frozen lamb – **9%**
- Frozen mutton – **35%**

Total 106,691 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2017

Australian sheepmeat exports – value

- Lamb – **65%**
- Mutton – **35%**

Total A$728.2 million

Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017

Proportion of key cuts

- Carcase – **68%**
- Leg – **16%**
- Shoulder – **5%**
- Rack – **3%**
- Other – **8%**

Source: DAWR, CY 2017

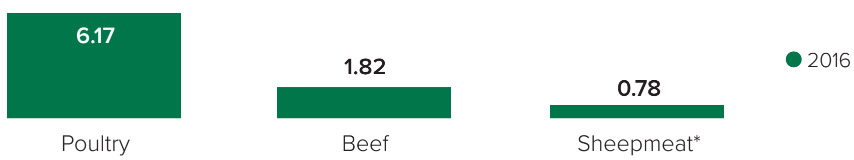
Australian sheep offal exports - volume

- Liver – **82%**
- Kidney – **5%**
- Heart – **4%**
- Tripe – **3%**
- Other – **6%**

Total 10,110 tonnes swt

Source: DAWR, CY 2017

Meat consumption



In million tonnes cwt

Source: GIRA, 2016 estimate MENA-10.

* Sheepmeat figures include sheepmeat and goatmeat

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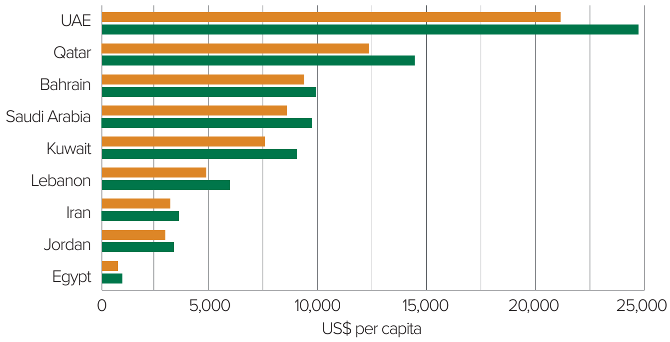
Consumers

- Sheepmeat is an important part of consumers' diets in a number of countries in the region, although per capita consumption and spending on sheepmeat varies depending on domestic production and affordability.
- Within the MENA region there are a number of trends driving growth in demand for imported sheepmeat, such as increasing urbanisation and westernisation, growing disposable incomes, a rising youth population and a large number of wealthy expatriates.

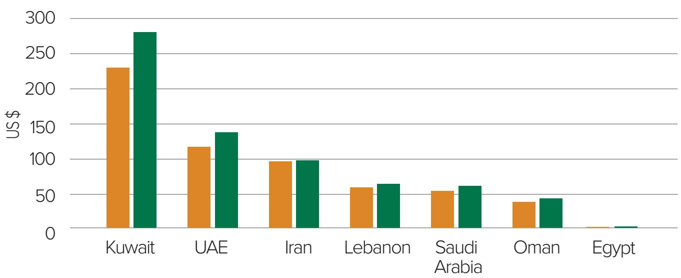
Consumer spending per capita (US$)



Source: BMI Research. 2018 and 2021 forecast figures based on UN Classification Of Individual Consumption By Purpose.

- Understanding the differing levels of wealth and size of wealthy population across the region assists with identifying priority markets for premium Australian sheepmeat.
- There are significant markets for both mutton and lamb. Although mutton has a lower price point than lamb, it is favoured in some sectors of some markets such as Oman and, to some extent, also Saudi Arabia and Kuwait, due to taste preference and cooking styles.

Lamb sales per capita (US$)



Source: BMI Research. Spend on lamb per person per year. 2018 and 2021 forecast figures.

- Sheepmeat is the most loved protein among many Gulf consumers and plays an important role in celebrating religious and family events and for gift-giving. That said, actual protein consumption tends to be dominated in volume and frequency by chicken due to its price advantage and perceived versatility.
- Depending on consumption habits and the size of the domestic industry, demand for sheepmeat imports varies, with greatest import demand coming from Saudi Arabia and UAE, followed by Jordan and Qatar.
- Australian sheepmeat has had a presence in the region's markets for more than 50 years and has a strong, positive reputation, based initially on live shipments and progressing through chilled and frozen carcase and cuts. Over the past 10 years, Australian exports to the region have evolved from being chiefly a frozen mutton market to being more of a chilled lamb market, and now to premium branded lamb cuts in some markets.

Attributes important for all proteins and lamb associations

What attributes are important for MENA consumers (all proteins)?

UAE	Saudi Arabia	Jordan
Tastes delicious	Tastes delicious	My/my family's favourite
Convenient to buy	My family's favourite	Tastes delicious
Fresh	Easy to prepare	Fresh
Consistent quality	High nutritional value	Convenient to buy
Easy to prepare	Can use in different meals	Easy to prepare
What associations do MENA consumers have to lamb?		
Tastes delicious	Guaranteed safe	Fresh
Animal is well-cared for	Animal is well-cared for	Tastes delicious
My/my family's favourite	Tastes delicious	Guaranteed safe
Fresh	Meat is tender	Meat is tender
Will pay more for it	Consistent quality	Essential part of children's diet

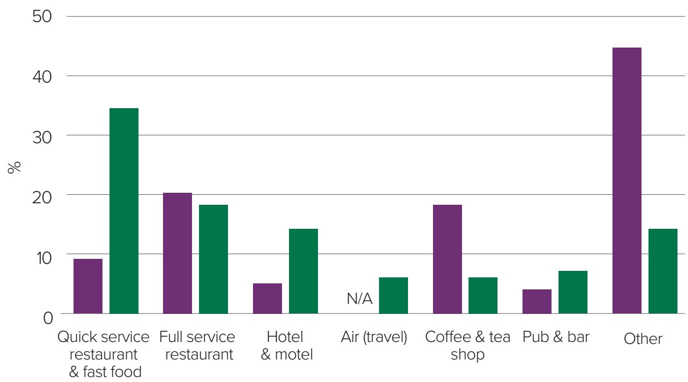
Source: MLA Global Consumer Tracker UAE, Saudi Arabia and Jordan, 2017

- In 2016–17, the MENA region was Australia's largest destination for sheepmeat exports, the highest volume markets within the region being the UAE, Saudi Arabia and Qatar. Jordan, Kuwait, Bahrain and Oman are also among Australia's top 20 markets for sheepmeat by volume and value.
- The role of Australian sheepmeat varies somewhat by country. In UAE, Australian product is destined for both retail and foodservice, while in Oman and Saudi Arabia, a significant proportion (especially frozen mutton) goes into foodservice, particularly low-end catering. In Qatar and Bahrain, carcases go into butchers, where they are further cut up for sale to shoppers.

Foodservice

- In some markets, particularly 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 expected to continue to grow.
- The bulk of Australian frozen mutton imports, which are chiefly carcase, leg and manufacturing, is used in the lower-tier catering sector, which has also grown along with infrastructure development in some GCC countries.

UAE number of outlets and value by key foodservice channel (% out of total) – 2017

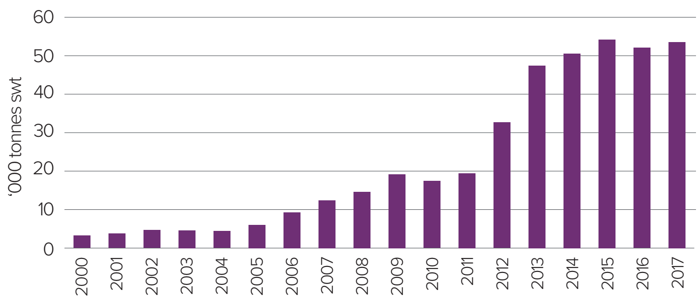


Source: GlobalData

- In the UAE, the foodservice channel is led by quick service restaurant outlets, the largest channel for lamb sales by both volume and value. Value growth in this channel has been driven by the expatriate population and younger Emirati who seek fast but quality dining options, with the concept of 'fast casual dining' becoming particularly popular *(Source: GlobalData)*.

- In Saudi Arabia it is also in quick service restaurants where lamb is expected to see its strongest value and volume growth, gaining ground on beef to become the second most popular meat in the segment. In the Kingdom's full service restaurants, lamb is forecast to perform best among meat proteins, with volumes expected to grow annually at 7.5% until 2021 *(Source: GlobalData)*.
- Dubai's hosting of the World Expo in 2020 and Qatar's hosting of the 2022 World Cup is expected to drive growth in the foodservice channel in these markets, with many new hotels planned for construction.

Australian chilled lamb exports to MENA*

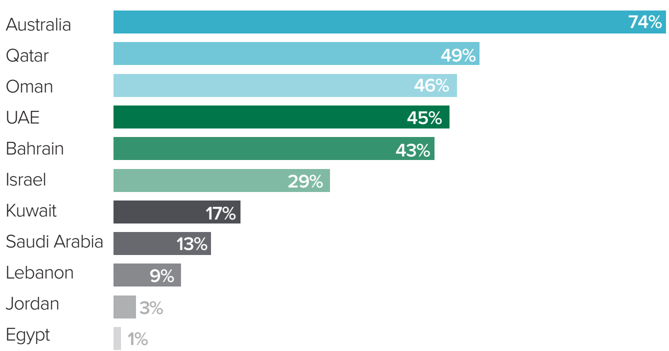


*Source: DAWR. *MENA-10.*

Retail

- In most MENA countries, the majority of Australian lamb is purchased from hypermarkets, followed by supermarkets, where Australia has a strong presence.
- The modern retail channel is seeing significant development across the region, which has typically been accompanied by growth in the chilled market for red meat, representing a growing opportunity for Australian premium product.
- At the same time, the MENA region's mass grocery retail segment remains quite under-developed and fragmented (apart from the few wealthier Gulf markets). Even in more developed markets like the UAE and Saudi Arabia, butchers, wet markets and *bakalas* (small corner stores) are still quite prominent.

Consolidated retail as a proportion of total grocery retail



Source: IGD. 2017 estimate. Share of major modernised grocery retail outlets.

- Key retailers in the region where consumers purchase Australian sheepmeat from include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Panda and Danube (KSA).
- Even in countries where country of origin labelling is not mandatory, at high-end retail most meat products are clearly labelled as wealthier shoppers appreciate knowing where their meat comes from, among other product attributes.
- In the MENA region, home-cooking of sheepmeat dishes like stews and slow cooking, grilling of cubes for kebabs and using mince as a filling for pastries and kofta are all popular practices. Grilling of prime cuts is also becoming more popular in the region, particularly in some of the GCC countries.

Top five most important lamb claims on pack or at shelf

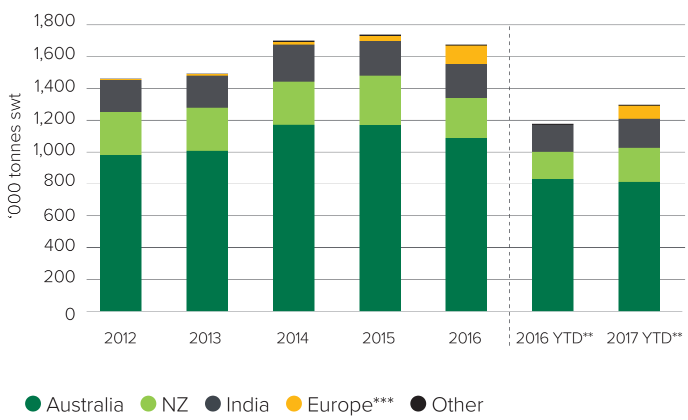
UAE	Saudi Arabia	Jordan
100% all natural	100% all natural	Meat colour
Halal certification	Halal certification	Halal certification
Animal welfare credentials	Animal origin	No blood in pack
Quality grading	Animal welfare credentials	Country of origin
Safety certification	Quality grading	Antibiotic-free

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

Other suppliers

- Sheepmeat import demand in MENA is forecast to continue to grow as urbanisation, desertification and conflict negatively impact domestic sheep rearing, making it difficult for many countries to be self-sufficient.
- Australia is the region's leading supplier of sheepmeat and live sheep, 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. In recent years, some European countries such as Romania, Georgia and Portugal have become more significant suppliers of both live sheep and chilled lamb carcase, particularly to Jordan and Algeria but also lamb cuts to UAE, Oman and Kuwait. India supplies chilled and frozen mutton carcase to UAE, Saudi Arabia, Qatar and Kuwait.

Sheepmeat exports to MENA* by supplier



Source: DAWR, GTA
*MENA-10 ** year-to-date Jan-Sep ***Europe includes EU27 and UK

Live exports

- In the 12 months to September 2017, the MENA region was the top destination for Australia's live sheep exports, accounting for almost 93% (1.63 million head) of Australia's total live sheep exports *(Source: DAWR, ABS)*.
- During this period, Australia's key live sheep export markets in MENA were Kuwait and Qatar, each taking 33% and 28% of Australia's live sheep to the region. Other significant markets for Australian live sheep include UAE, Oman, Jordan and Israel.
- Australia's key competitors in the live export market are India, Somalia and Sudan, with some European nations now also emerging, namely Romania, Georgia, Spain and Portugal.
- 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, 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 carcases, 5% for frozen 2.5% for chilled ovine offal, 5% for frozen	New Zealand and India have the same access conditions 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
N/A	Australia to: Morocco and Turkey (30%), Iran (variable depending on demand/ supply situation) Jordan (boneless chilled/ frozen 12.5%)	New Zealand and India have the same access conditions 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: Trade agreements, MOF, MLA

Australian sheepmeat exports to MENA – summary table

Volume – in tonnes swt

		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2017 vs 5-yr av. %	change 2017 vs 5-yr av. in tonnes swt
	Total	**106,691**	**100**	**107,286**	**100**	**106,833**	**100**	**0**	**-142**
Storage	Chilled	59,542	56	59,250	55	51,829	49	15	7,713
	Frozen	47,149	44	48,036	45	55,003	51	-14	-7,854
Meat type	Lamb	62,694	59	61,107	57	60,121	56	4	2,572
	Mutton	43,997	41	46,179	43	46,711	44	-6	-2,714
Storage/meat type	Chilled lamb	53,512	50	52,053	49	47,358	44	13	6,154
	Chilled mutton	6,030	6	7,197	7	4,471	4	35	1,559
	Frozen lamb	9,182	9	9,054	8	12,763	12	-28	-3,582
	Frozen mutton	37,967	36	38,982	36	42,240	40	-10	-4,273

Value – in A$ 000

		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in A$ 000
	Total	**728,166***	**100**	**629,790**	**100**	**569,024**	**100**	**28**	**159,142**
Meat type	Lamb	473,156*	65	421,464	67	372,700	65	27	100,456
	Mutton	255,010*	35	208,326	33	196,324	35	30	58,686

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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in tonnes swt
Carcase	12,501	62	12,877	62	10,772	62	16	1,728
Leg	3,558	18	3,651	17	2,929	17	21	629
Other	3,994	20	4,376	21	3,569	21	12	425
	20,052	**100**	**20,904**	**100**	**17,269**	**100**	**16**	**2,783**

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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in tonnes swt
Carcase	14,528	96	15,240	96	9,683	93	50	4,845
Leg	226	2	278	2	292	3	-22	-65
Other	318	2	386	2	400	4	-20	-82
	15,073	**100**	**15,904**	**100**	**10,375**	**100**	**45**	**4,698**

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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in tonnes swt
Carcase	7,335	71	8,487	69	8,467	63	-13	-1,132
Shoulder	2,016	19	1,534	13	1,731	13	16	285
Other	1,021	10	2,235	18	3,222	24	-68	-2,202
	10,372	**100**	**12,256**	**100**	**13,420**	**100**	**-23**	**-3,048**

Source: DAWR

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