MARKET SNAPSHOT | **BEEF**

MENA (Middle East & North Africa)

MENA* (Middle East and North Africa) is a large, complex region with varied consumer markets. Consumer confidence and spending are impacted by factors such as oil & gas prices and conflict, but socio-economic trends bode well for premium imported beef demand in a number of countries.

Challenges and opportunities in MENA for Australian beef:

- Beef is a secondary protein after chicken and fish in most MENA diets but per capita consumption is increasing.
- Spending on imported meat is higher across the Middle East compared to North Africa, particularly GCC** countries with a large and growing wealthy consumer base.
- Regional growth drivers of imported beef demand are: increasing disposable income, urbanisation, westernisation, a young population, large expat professional populations and a developing tourism sector.
- Retail is fragmented even in GCC countries but sector development is expected to increase and, with it, chilled red meat sales.
- Markets with developing tourism sectors are seeing growth in imported beef use in high-end foodservice, in both formal and casual dining segments.
- Technical barriers to trade are significant and differ between countries.

**Unless otherwise stated, in this report MENA includes 29 countries: (Middle East) Afghanistan, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Pakistan, Palestinian Auto Zone, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, Yemen; (North Africa) Algeria, Ivory Coast, Gambia, Guinea, Liberia, Libya, Morocco, Nigeria, Senegal, Sudan, Tunisia. **Gulf Cooperation Council countries are highlighted above in blue.*

Population

430.0 in 2016 | **459.8** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, UAE, West Bank And Gaza, Yemen*

Households earning US$15000+ p.a.

16.8 in 2016 | **31.4** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, UAE, Israel, Iraq*

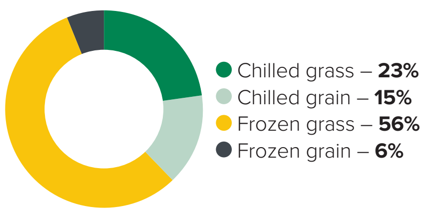
Households earning US$35000+ p.a.

3.8 in 2016 | **7.3** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, UAE, Israel, Iraq*

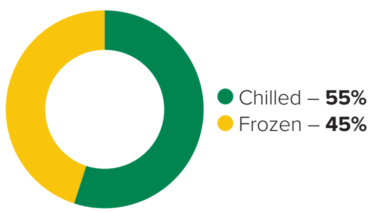
Australian beef exports – volume



Total 30,813 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

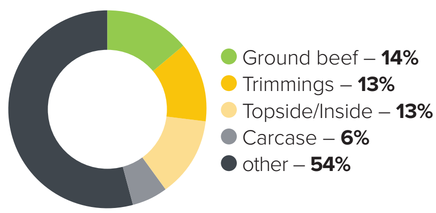
Australian beef exports – value



Total A$ 303.8 million

Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

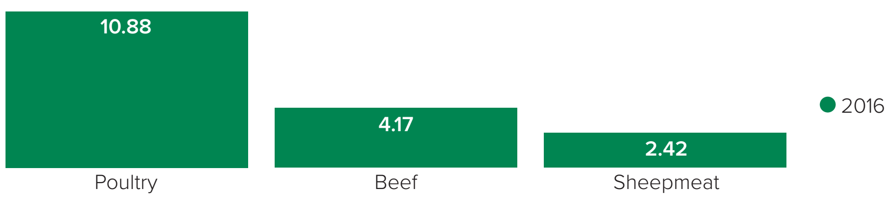


Source: DAWR, CY 2016

Australia's share of imports

Source: GTA, based on MAT volume per country

Meat consumption



In million tonnes cwt

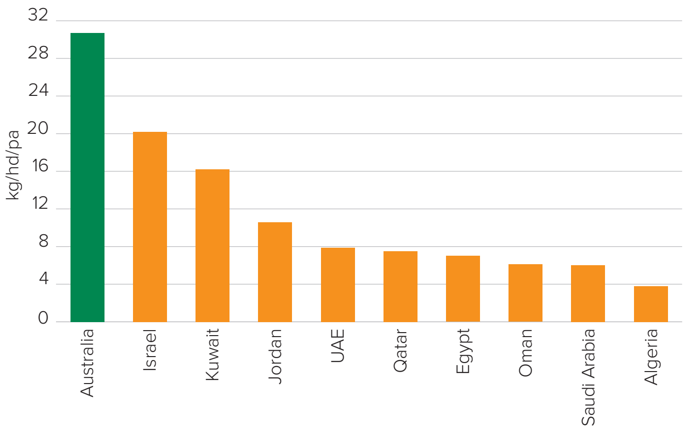
Source: GIRA, 2016 estimate and 2020 projection (20 countries: Morocco, Algeria, Tunisia, Libya, Egypt, Saudi Arabia, United Arab Emirates, Bahrain, Kuwait, Qatar, Oman, Yemen, Jordan, Palestine, Lebanon, Israel, Turkey, Syria, Iraq, Iran.)

FOR FURTHER INFORMATION VISIT US ONLINE AT:
www.mla.com.au or email us at: **marketinfo@mla.com.au**

Consumers

- MENA countries' economic growth is strongly impacted by external factors, such as oil prices and conflict, but increasing urbanisation, growing disposable incomes, westernisation, a young population and large expatriate population are key growth drivers for imported red meat demand.
- Beef is generally a minor protein in MENA diets compared to chicken, though per capita consumption in some countries is higher than others.

Per capita beef consumption, 2015



Source: GIRA, FAO-OECD

- Key importers by volume share are Egypt, Iran, Saudi Arabia, UAE, Algeria and Israel. In these countries, domestic production falls well short of consumption requirements.
- Some countries have a cultural preference for lean meat, whilst among the wealthier populations in the region, a growing preference for less marbling and fat is driven by a growing health awareness.

%	Saudi Arabia	UAE
Bought in the Past Month		
Chicken	80	91
Lamb	76	83
Beef	**69**	**54**
Average Serves Consumed in the Past 7 Days		
Chicken	2.3	1.5
Lamb	2.1	1.4
Beef	**1.7**	**0.8**

Source: MLA Global Consumer Tracker, 2016

- Australian beef has a high profile in the minds of consumers in Oman, UAE and Saudi Arabia

Top-of-mind awareness of Australian beef

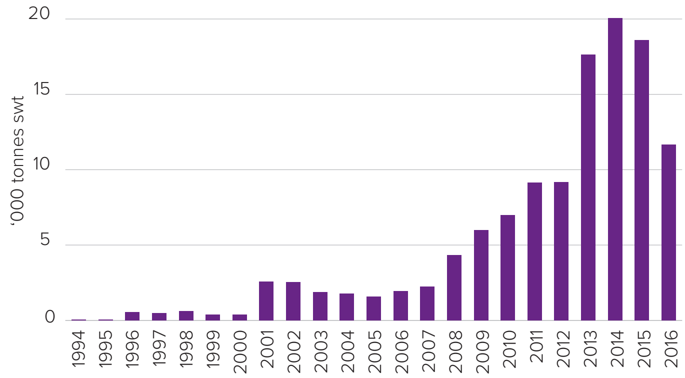
Source: MLA Global Consumer Tracker 2016

- Utilisation of Australian beef varies by country. In UAE, the bulk of Australian product goes into both retail and foodservice, with a smaller proportion going into processing. In Jordan, the bulk goes into processing. In Saudi Arabia, there is currently a more even split between these three channels. However, with the re-entry of Brazil this split will change as Brazilian product will service much of the processing market and retail.

Foodservice

- The bulk of imported Australian frozen beef goes into the foodservice sector, particularly processing for the fast food sector, both domestic and western chains.
- Saudi Arabia and UAE are becoming more important regional meat processing centres, producing burger patties, other minced meat products and deli meats.
- In some markets that are developing their tourism sectors, such as Dubai and Qatar, growth in the high-end, casual dining and QSR foodservice sectors is expected.
- Demand for chilled premium Australian beef products such as branded packaged loin cuts is strong and growing, particularly in areas with a high concentration of 5-star hotels.

Australian chilled beef exports to MENA



Source: DAWR

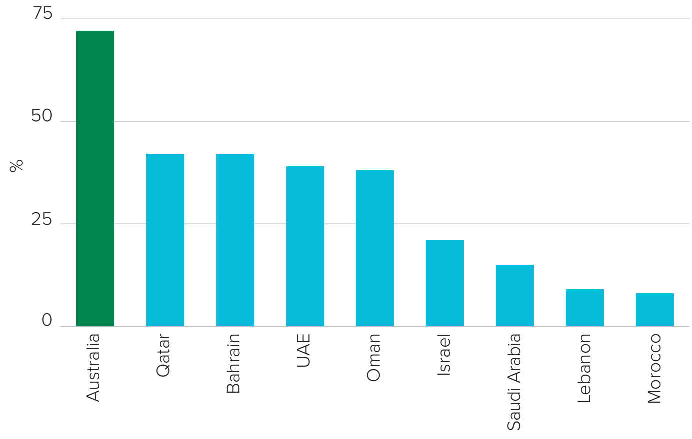
Live exports

- In 2016, Israel and Turkey were Australia's key live feeder and slaughter cattle export destinations in MENA, taking 72,334 and 56,546 head respectively for the past 12 months to December 2016. Kuwait and Qatar took smaller numbers. Our largest MENA markets in 2016 for beef and dairy breeder live cattle were Turkey and Kuwait, taking 5,381 and 2,555 head respectively in 2016 *(Source: DAWR, ABS)*.
- Australia's key competitors in the MENA live cattle market are Brazil, parts of northern Africa and Europe.

Retail

- Apart from the few wealthier GCC markets, (Gulf Cooperation Council: Saudi Arabia, Kuwait, UAE, Qatar, Bahrain & Oman) the MENA region's mass grocery retail sector is largely under-developed and fragmented.

Organised retail as a proportion of total retail, 2017f



Source: IGD

- Saudi Arabia is less developed than Qatar and UAE but represents the largest food retail market in the region and the strongest retail growth opportunity given its combination of growth rates and scale *(Source: BMI Research)*.
- Retail sector growth is usually accompanied by growth in the chilled market for red meat as the market segments, representing a growing opportunity for Australian premium product.
- Zooming in on particular markets, even two neighbouring Gulf States, highlights differences in beef purchase habits largely due to the differing maturity of the market, cultural affiliation with preferred species and cooking habits.
- Consumers in UAE and Saudi Arabia both look for similar on-pack cues that the beef is natural, fresh and from a trusted country of origin. However, in terms of beef purchase decision-making, influencers in the markets differ.

Influences me when buying beef...

Saudi Arabia	UAE
Display/leaflet in store	Celebrity Chef endorsement
Friend/relative word of mouth	TV show/cooking show
Radio show /cooking segment	Food Websites
TV show/cooking show	Friend/relative word of mouth
An advert on TV	An advert on TV

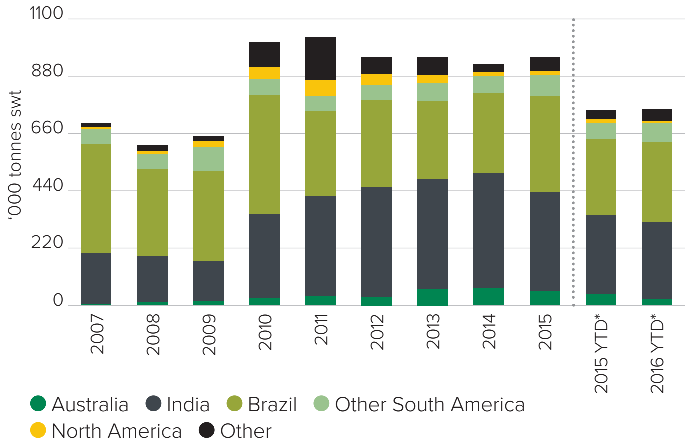
Source: MLA Global Consumer Tracker, 2016

- In the MENA region, when it comes to home-cooked beef dishes, cheaper cuts are used for stewing and slow cooking, grilling of cubes in the form of kebabs and mince is used in burgers, kofta and as a filling for pastries. In Egypt, bovine liver and cuts such as brisket and flank are popular.
- Grilling of prime cuts is gaining in popularity as western influences have started to appear in the repertoires of wealthier consumers. As markets mature, it is important to further educate consumers on which cuts are more suitable for which cooking methods.

Other suppliers

- Beef import demand across the region varies significantly. In some GCC countries like Kuwait, Oman, Qatar and Bahrain, almost all beef consumed is imported product. Whilst well over half the beef consumed in Saudi Arabia, UAE, Israel, Jordan and Egypt is imported, in other countries like Turkey, Tunisia and Morocco, imports account for less than 5% *(Source: GIRA)*.
- By far the bulk of beef imports to the MENA region come from India and Brazil, mostly frozen bone-out, lean cuts of beef/buffalo meat.
- Australia is a key secondary source of beef, along with several other countries:
  – Paraguay, Argentina and Uruguay: where quality beef is benefiting from devalued currencies. The bulk of this product goes to Israel.
  – The EU: which exports mostly to Israel and Algeria.
  – Smaller volumes supplied by the US (mostly to UAE and Kuwait), South Africa (Qatar and UAE) and New Zealand (UAE and Saudi Arabia).

Beef/veal exports to MENA by supplier



Source: DAWR, GTA
**YTD Jan-Sep, (NB: Excludes bovine offal)*

Trade access

- For Australian red meat exports, tariff barriers are generally not onerous but there are significant technical barriers to trade. Those associated with product age and expiry dates have the biggest impact.
- The majority of Australian beef exported to MENA is to GCC countries, which generally have zero tariffs on chilled beef and 5% on frozen and processed beef and offal. Some selected countries (Morocco, Turkey, Israel, Egypt, Jordan) have more severe tariff barriers for some product categories.
- Religious slaughter is an official requirement for import of meat and meat products into most MENA countries.

Key technical barriers to trade:

- There are regional inconsistencies for shelf life expiry dates.
- The GSO (standardisation organisation for GCC) sets GCC standards for shelf life which limits vacuum packed beef to 70 days, 21 days for chilled beef, 9-12 months for frozen meat and 4-9 months for frozen offal. However, UAE, Qatar and Jordan recognise a 90 day limit for vacuum packed meat.
- There are also onerous document legalisation requirements and inconsistent labelling and packaging requirements across the region.
- For Egypt, technical barriers relate to piece size (minimum 2kg), and shelf life with only 29-49 days for chilled vacuum packed beef.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-GCC FTA Under negotiation since 2007. Four rounds of negotiations have been held to-date, the last one in 2009.	**GCC countries generally:** • 5% for frozen meat, carcases/half carcases • 5% for chilled & frozen bovine offal • 0% for chilled meat, carcases/half carcases **Morocco:** • 200% duty on beef, 54% on offal **Turkey:** • 225% duty on beef and offal	• India & Brazil market access same as Australia. • NZ-GCC FTA negotiations concluded in 2009 but FTA yet to be ratified & signed. This would result in 0% tariffs on frozen meat.	Quota restrictions in Tunisia and Palestine are not currently significant impediments	• Numerous technical barriers to trade that vary by country • Key barriers relate to: shelf life, importer labelling, product coding, document legalisation and quality inspections

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

Australian beef exports to MENA – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
Total		**30,813**	**100**	**53,526**	**100**	**49,353**	**100**	**-38**	**-18,540**
by storage	Chilled	11,665	38	18,604	35	14,925	30	-22	-3,259
	Frozen	19,147	62	34,923	65	34,428	70	-44	-15,281
by meat type	Grassfed	24,365	79	43,753	82	41,677	84	-42	-17,312
	Grainfed	6,448	21	9,773	18	7,676	16	-16	-1,228
by storage/ meat type	Chilled grassfed	7,208	23	12,741	24	10,255	21	-30	-3,047
	Chilled grainfed	4,458	14	5,863	11	4,670	9	-5	-212
	Frozen grassfed	17,157	56	31,012	58	31,422	64	-45	-14,265
	Frozen grainfed	1,990	6	3,910	7	3,006	6	-34	-1,016

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total		**303,802***	**100**	**436,868**	**100**	**297,649**	**100**	**2**	**6,152**
by storage	Chilled	167,805*	55	214,682	49	134,714	45	25	33,091
	Frozen	135,997*	45	222,186	51	162,936	55	-17	-26,939

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

Australian beef exports to Saudi Arabia – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	3,235	29	9,311	31	8,969	43	-64	-5,734
Topside/Inside	1,145	10	5,322	18	3,147	15	-64	-2,002
Chuck & Blade	744	7	755	3	357	2	108	386
other	6,147	55	14,241	48	8,372	40	-27	-2,225
Total	**11,271**	**100**	**29,629**	**100**	**20,845**	**100**	**-46**	**-9,574**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	1,999	23	2,626	27	1,585	19	26	414
Topside/Inside	1,638	19	2,001	20	1,875	22	-13	-236
Carcase	759	9	580	6	553	7	37	207
other	4,356	50	4,665	47	4,329	52	1	27
Total	**8,753**	**100**	**9,871**	**100**	**8,341**	**100**	**5**	**411**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	791	31	697	26	629	26	26	163
Topside/Inside	674	26	823	31	791	33	-15	-116
Thick Flank/Knuckle	265	10	200	8	172	7	54	93
other	856	33	924	35	790	33	8	66
Total	**2,587**	**100**	**2,644**	**100**	**2,381**	**100**	**9**	**206**

Source: DAWR