MARKET SNAPSHOT | **BEEF**

North America

The United States is the largest consumer of beef globally and ranks 5th in terms of the most beef per capita consumed in the world behind Hong Kong, Argentina, Uruguay and Brazil *(Source: BMI Research).*

Challenges and opportunities in the US for Australian Beef include:

- Beef sales are forecast to rise in 2017 buoyed by slightly lower beef prices. Comparably cheaper poultry continues to outpace red meat consumption growth and additional competition from plant-based, alternative proteins is expected to challenge the red meat industry as consumers search for what they perceive to be healthier options.
- Grassfed has a relatively high profile in the US, with the majority of beef buyers seeing it as better for their health. *(Source: MLA Global Tracker, 2016).*
- Animal welfare continues to be an important issue for US consumers as well as quality and 'naturally' raised animals.
- Demand for Australian beef has decreased as a consequence of recently increased US beef production and tighter Australian beef supplies. Beef imports to the US from NAFTA partner countries are likely to rise as a result of the appreciated value of the U.S. dollar against the Canadian dollar and the Mexican peso.

Population

324.1 in 2016 **333.6** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$15000+ p.a.

113.6 in 2016 **118.7** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

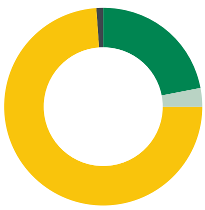
Households earning US$35000+ p.a.

75.0 in 2016 **83.5** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

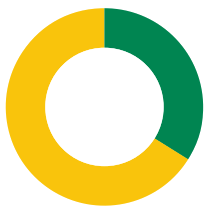
Australian beef exports – volume



Total 242,013 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR)

Australian beef exports – value



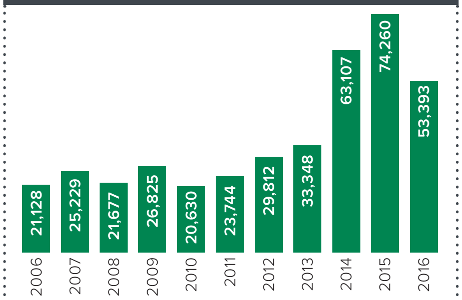
Total A$ 1,858 million

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

Proportion of key cuts

Source: DAWR, CY 2016

Chilled grassfed beef exports to the US

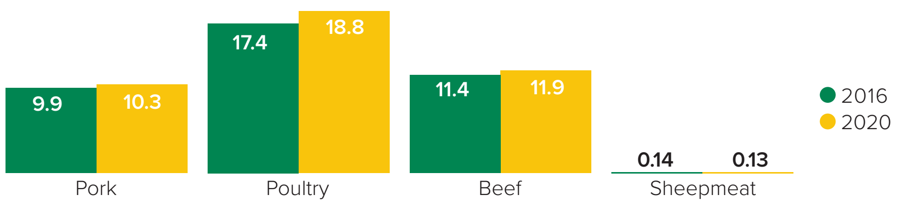


In tonnes swt

Source: DAWR

Meat consumption

119.9kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, OECD

** 2016e per person per year ** excluding fish/seafood*

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Consumers

- Beef is a popular protein choice in the US with consumption at 35.5 kg per capita in 2016 *(Source: BMI Research estimates)*. A slight increase is expected in 2017 at 35.6kg per capita as a result of improved domestic production and slightly lower beef prices.
- A global study performed by MLA in 2016 reveals the majority of US consumers are aware of grassfed beef and would consider buying imported grassfed beef with price and availability being a key motivator.
- 69% of US consumers surveyed claim to have previously bought grassfed beef.
- Purchasers of grassfed beef in the US are interested in quality and 'naturally' raised beef. Concern for animal welfare is also a major factor considered when purchasing beef.
- Australia is well placed to meet the demands for quality and animal welfare with our best-in-class food safety, traceability protocols and unique eating quality grading system, Meat Standards Australia (MSA).

Awareness of types of beef

Source: MLA Global Consumer Tracker, 2016

- Consumers of grassfed beef are more than likely to have a higher income of over US$90k p.a and aged between 25-49 years.

What attributes are important for US consumers? (All proteins)

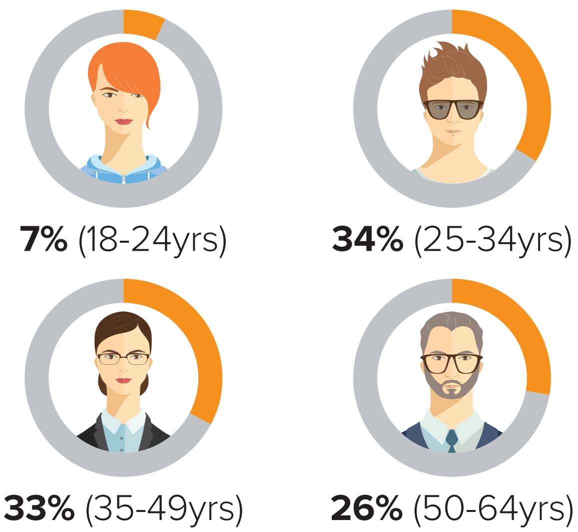
Family's favourite
Most superior
Guaranteed safe to eat
Part of healthy diet for kids
Consistent quality standards

Advantages of grassfed beef as perceived by US consumers (top 5)

Better quality	**59%**
Naturally raised	**59%**
Better for my health	**56%**
Raised on open pastures	**53%**
Raised in a manner that treats animals more humanely	**49%**

Source: MLA Global Consumer Tracker, 2016

Consumers who have trialled Australian Grassfed beef by age group

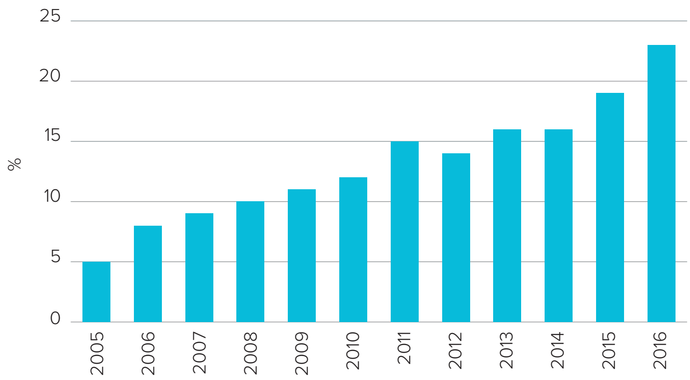


Source: MLA Global Consumer Tracker, 2016

Retail

- Australian grassfed retail segment in the US is relatively small, however demand for higher value cuts is increasing. Popular cuts include tenderloins and striploin.
- The chilled beef sector is gradually taking a greater volume share of Australian grassfed beef exported to the US.

% of total Australian beef exports to the US that are chilled grassfed



Source: DAWR

- When buying beef, shoppers look primarily for markers of freshness and all-natural ingredients.

Top things to look for when buying beef

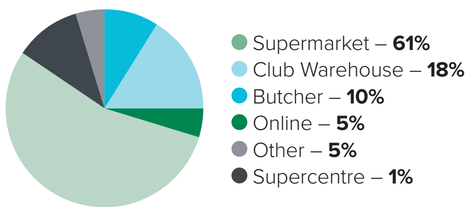
Colour of meat	**55%**
Date packed	**46%**
Freshness	**45%**
All natural/100% Natural	**44%**
Price per pack and Use by date	**34%**
Fat content	**30%**

Source: MLA Global Consumer Tracker, 2016

- Millennials seek both animal welfare and health cues from beef packaging, while colour of meat matters less. Word of mouth and food blogs are more influential on purchase while seeing it in-store is far less important.

Millennial definition – The generation that follows Generation X, with birth years ranging from the early 1980s to the early 1990s.

Where do consumers go to buy Australian beef



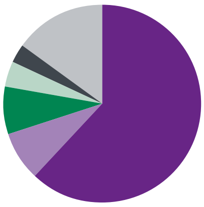
Source: MLA Global Consumer Tracker, 2016

Foodservice

- Manufacturing beef for burgers, and other processed beef products makes up a large portion of Australian beef sold into the foodservice sector in the US.

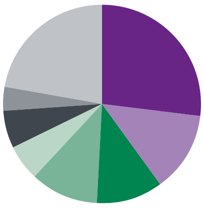
Australian beef exports to the US – 2016

Total beef



- Manufacturing – **62%**
- Thin Flank – **8%**
- Topside/Inside – **8%**
- Silverside/Outside – **4%**
- Fullset – **3%**
- Other – **15%**

Chilled grassfed beef

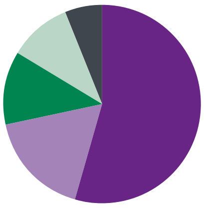


- Topside/Inside – **27%**
- Thin Flank – **13%**
- Fullset – **11%**
- Silverside/Outside – **11%**
- Rump – **6%**
- Brisket – **6%**
- Blade – **4%**
- Other – **22%**

Source: Department of Agriculture and Water Resources
Note: Manufacturing beef includes Trimmings, FQTR, HQTR, solid packed beef. Fullset is a set of primals that commonly consists of 12 or 13 cuts. Cuts included are determined by the customer.

- Casual dining and quick-service chains offer the largest proportion of beef meals in the US.

Beef meals on menus



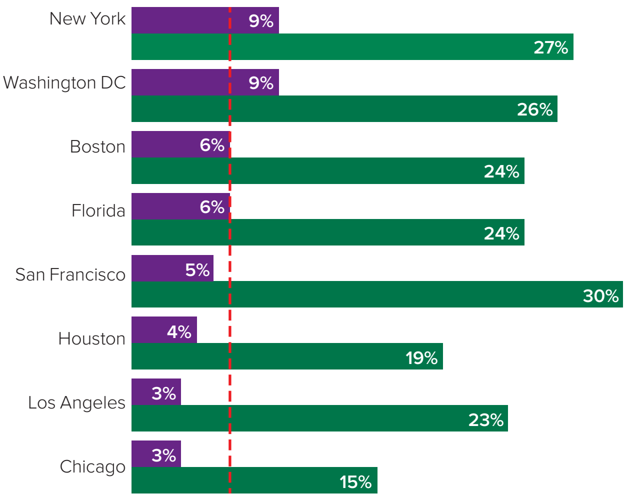
- Casual dining – **54%**
- Quick service – **17%**
- Midscale – **12%**
- Fast casual – **10%**
- Fine Dining – **6%**

Source: Technomic's 2015 Center of the Plate: Beef and Pork Report
Note: Main meal items

Grassfed Beef Awareness and Consumption

- Out of the 8 cities surveyed, consumption levels of grassfed beef varied. Although awareness of grassfed beef is high in Los Angeles, consumption remains low. In New York & Washington DC consumption is above the national average of 6%.

Australian Grassfed Beef Awareness and Consumption

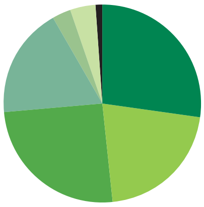


Source: MLA Global Consumer Tracker, 2016
Base – Bought beef in past month or ever buy beef

Other suppliers

- The main competitors for Australian beef in the US market are the US itself, Canada, Mexico and New Zealand. Smaller suppliers include Uruguay and Nicaragua with access to lower quotas.

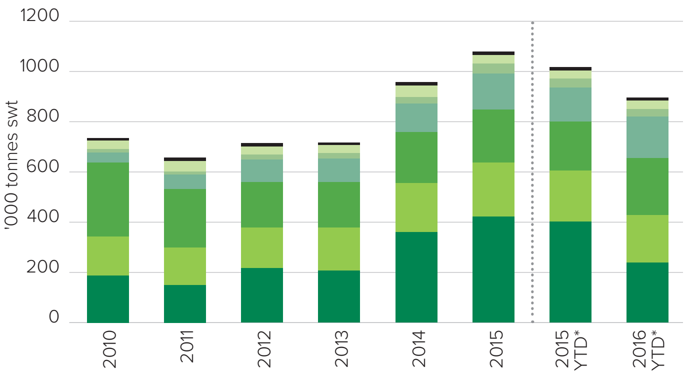
US Beef imports by market share – 2016*



- Australia – **27%**
- NZ – **21%**
- Canada – **25%**
- Mexico – **18%**
- Uruguay – **3%**
- Nicaragua – **4%**
- Other – **1%**

*Source: GTA * 2016 YTD Jan-Nov*

US Beef Imports by major supplier



*Source: GTA * 2016 YTD Jan-Nov*

- In 2016 the USA granted access for fresh and frozen Brazilian beef, following the determination that Brazil's animal health and food safety protocols are equivalent to US standards.
- The countries that will be impacted are those currently supplying under the 64,805 tonne 'Other Countries' quota, including Nicaragua and Ireland, although Nicaragua does have the potential to access additional amounts under the Central American Free Trade Agreement.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States FTA (AUSFTA, EIF* 2005)	2017: Australia to US – 0% (17.60% above quota) To Canada – 0% (26.5% above quota) To Mexico – 20-25%	Canada and Mexico – their exports to the US are not quota restricted under the NAFTA** NZ – No FTA, has country specific quota*** Brazil – No FTA, 'other countries' quota****	2017 quota: Australia to US – 423,214 tonnes swt To Canada – 35,000 tonnes swt	E. coli sampling program and testing at point of entry; salmonella sampling program; label approvals and port mark compliance.

Best access — Major challenges

Source: Trade agreements DFAT, MLA
** Entry into force. ** North America Free Trade Agreement. *** NZ quota = 213,402 tonnes swt. **** Other countries quota = 64,805 tonnes swt. Out-of-quota tariff is 26.4%*

Australian beef exports to US – 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	**242,013**	**100**	**415,951**	**100**	**283,695**	**100**	**-15**	**-41,682**
by storage	Chilled	61,364	25	87,121	21	51,231	18.1	20	10,133
	Frozen	180,649	75	328,830	79	232,464	81.9	-22	-51,815
by meat type	Grassfed	232,242	96	400,740	96	275,844	97.2	-16	-43,601
	Grainfed	9,770	4	15,211	4	7,851	2.8	24	1,919
by storage/ meat type	Chilled grassfed	53,393	22	74,260	18	44,854	15.8	19	8,539
	Chilled grainfed	7,971	3	12,861	3	6,376	2.2	25	1,594
	Frozen grassfed	178,850	74	326,480	78	230,990	81.4	-23	-52,140
	Frozen grainfed	1,799	1	2,351	1	1,475	0.5	22	325

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	**1,858,420***	**100**	**3,075,891**	**100**	**1,656,752**	**100**	**12**	**201,668**
by storage	Chilled	626,311*	34	886,834	29	425,550	26	47	200,762
	Frozen	1,232,108*	66	2,189,057	71	1,231,202	74	0	906

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

Australian beef exports to US – 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	150,679	62	273,768	66	191,197	67	-21	-40,518
Thin Flank	19,861	8	25,685	6	22,674	8	-12	-2,814
Topside/Inside	18,431	8	28,261	7	19,107	7	-4	-676
Silverside/Outside	10,728	4	20,493	5	12,759	4	-16	-2,031
Fullset	6,979	3	-	0	2	0	359,430	6,977
other	35,335	15	67,745	16	37,955	13	-7	-2,621
Total	**242,013**	**100**	**415,951**	**100**	**283,695**	**100**	**-15**	**-41,682**

Source: DAWR

Australian beef exports to Canada – 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	14,247	74	31,092	73	17,432	73	-18	-3,184
Silverside/Outside	1,698	9	4,190	10	2,834	12	-40	-1,136
Cube Roll/Rib Eye Roll	667	3	1,060	2	559	2	19	108
other	2,704	14	6,234	15	3,026	13	-11	-323
Total	**19,316**	**100**	**42,575**	**100**	**23,851**	**100**	**-19**	**-4,535**

Source: DAWR

Australian beef exports to Mexico – 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
Thin Flank	96	100	659	95	603	98	-84	-506
Manufacturing	0	0	27	4	6	1	-100	-6
other	0	0	7	1	4	1	-100	-4
Total	**96**	**100**	**692**	**100**	**612**	**100**	**-84**	**-516**

Source: DAWR