



MARKET SNAPSHOT | BEEF & SHEEPMEAT



TRADE

A-EU FTA discussions to continue



CONSUMERS

Large pool of affluent consumers

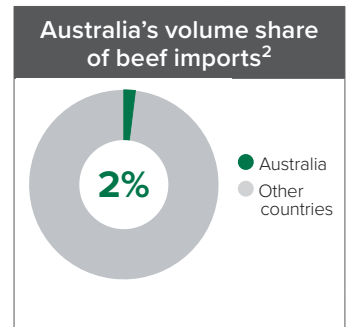
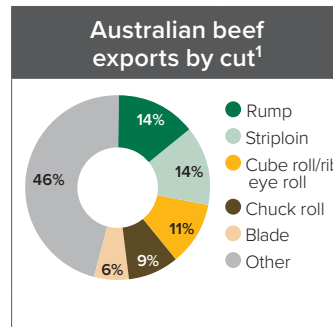
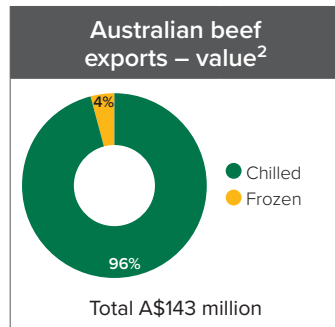
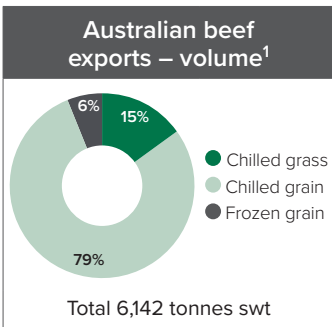
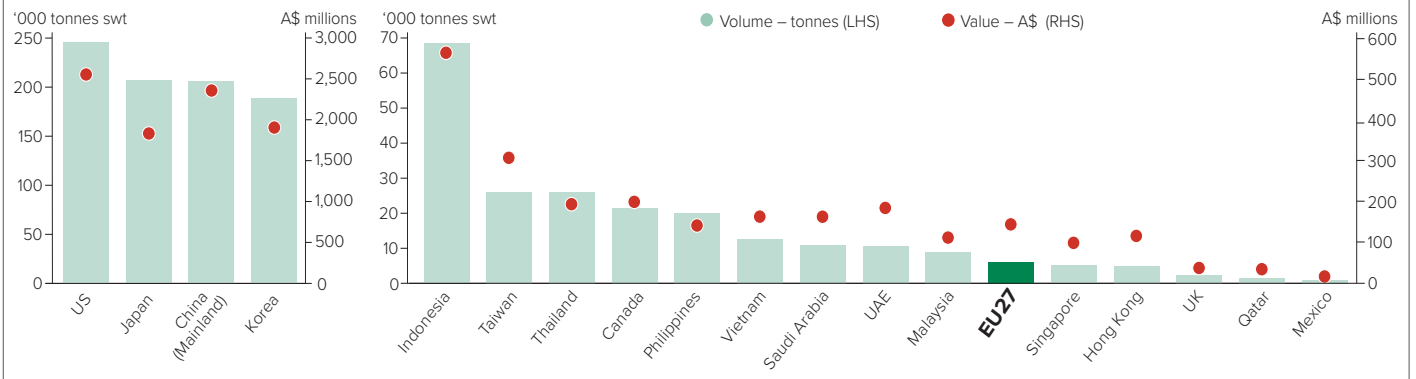


GROWTH

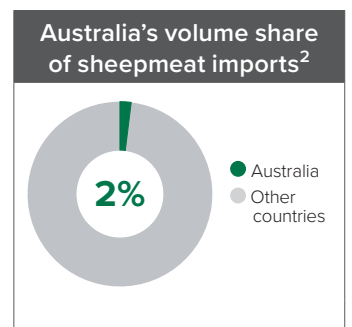
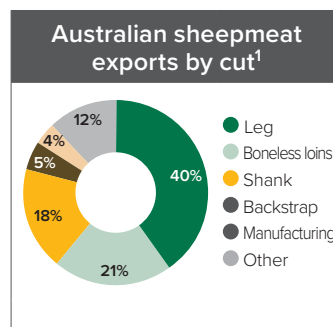
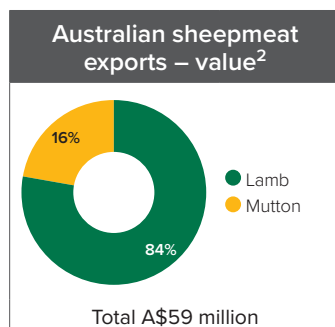
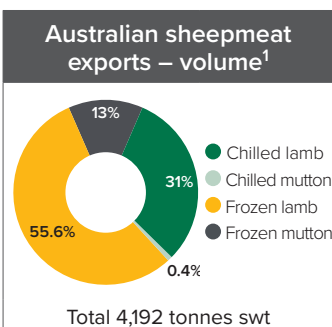
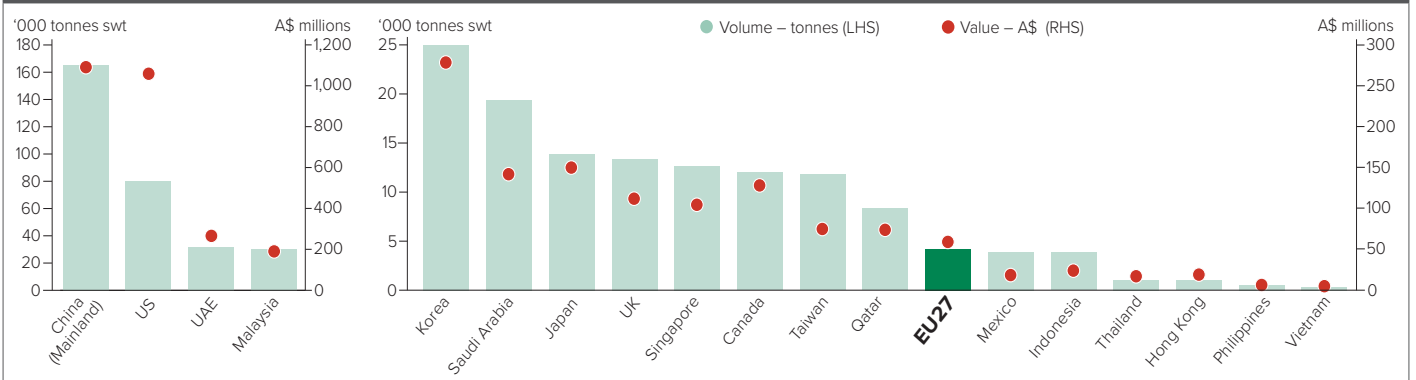
Demand for healthy and environmentally sustainable food

* EU27 – Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden

Australian beef exports to the EU in a global context^{1 and 2}



Australian sheepmeat exports to the EU in a global context^{1 and 2}



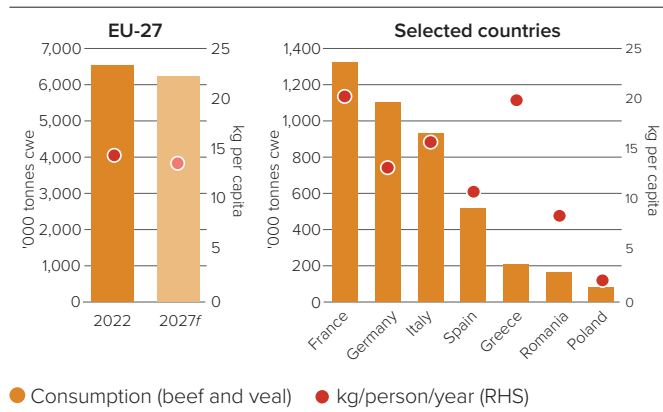
Data source for charts: ¹DAFF (CY2023), ²S&P Global MI Global Trade Atlas (GTA) (MAT Nov 2023)

CONSUMERS



- Beef consumption per capita is high by international standards in the European Union. However, rates of consumption differ between member states; France and Germany are among the world's highest per-capita consumers, while Poland only consumes 2kg per person each year.

EU beef and veal consumption



Source: Fitch Solutions 2024f

- Per capita consumption has been on a long-term decline over the past decade, falling at a compound annual growth rate (CAGR) of 0.3% from 2011 to 2021, picking up pace to decline at a forecast CAGR of 1.1% between 2022 to 2027. Total beef consumption volume will decline at a slightly slower pace due to some population and tourism growth (Source: GIRA).
- The relative affluence of EU citizens, alongside stringent import requirements, means that EU beef imports are considerably more valuable than the global average. Exports tend to consist of loin cuts, and chilled beef makes up a considerably larger percentage of imports than the global average.
- Consumers are increasingly paying more attention to the production process, with a greater emphasis on local, organic, and quality. Dietary adjustments, health and environmental considerations and convenience are key drivers that will influence the demand for meat moving forward.
- The EU is the main player in the global market for veal, accounting for almost 90% of world consumption which is concentrated in Spain, France, Italy and Germany, averaging around 1kg per capita in 2019. However, consumption has trended down due to weakening appeal among younger consumers (Source: GIRA).

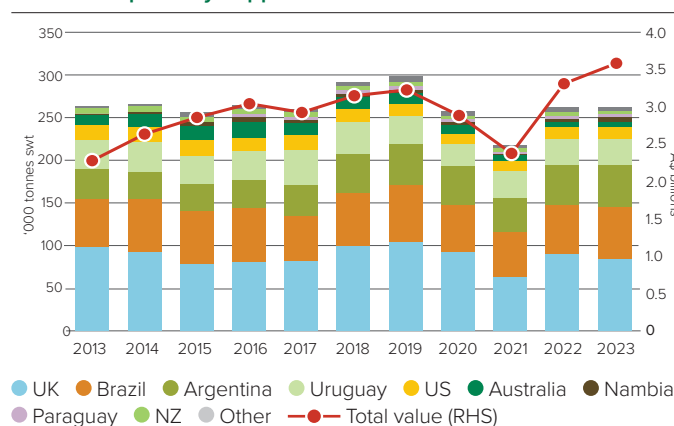
COMPETITIVE LANDSCAPE



- The EU is a significant producer of beef, but most production is derived from dairy-based herds and consumed domestically. After an increase from 2013–2019 due to a restructuring of the dairy sector, EU beef production is expected to decline out to 2030. Nevertheless, in 2023 the EU is estimated to have produced 6.7 million tonnes cwe of beef (Source: GIRA) – just over three times that of Australia. In 2023 it is estimated that France accounted for 20% of EU production, followed by Germany (15%), then Italy and Spain both at 11%.
- In 2023, it is expected that domestic beef production will account for 95% of total EU beef consumption, with imported beef making up the remainder. Imported beef volumes are expected to slowly rise, a result of the gradual increase of import quotas and free trade agreements with various partners. As EU beef production declines, imported beef volumes will gradually account for a larger proportion of total consumption with import volumes forecast to increase at a CAGR of 0.6% from 2021 to reach around 377,000 tonnes cwe by 2027 (Source: GIRA).
- The UK is the largest supplier of beef to the EU, in 2022–23 supplying 90,378 tonnes shipped weight (swt), 34% of the total and the most of any supplier to the region. Under the EU-UK Trade and Cooperation Agreement product can be traded between the EU and the UK duty-free and quota-free.
- After the conclusion of the EU-Canada Comprehensive Economic and Trade Agreement (CETA), which entered into force provisionally in 2017, Canada has attained access for 50,000 tonnes cwe of beef to the EU (Source: Government of Canada), but little trade has since yet materialised. Similarly, the United States gained access to a reserved portion of the HQB grainfed quota in 2020, reserving 18,500 tonnes over seven years), but this has not yet led to a substantial increase in exports of US beef.

- As the EU requires all imported beef to be strictly hormone growth promotant-free (HGP-free), most US and Canadian beef is ineligible for export. In Australia, product bound for the EU must be European Union Cattle Accreditation Scheme (EUCAS) accredited to ensure that Australian beef meets the EU's requirement for HGP-free beef.
- The South American trade bloc Mercosur – consisting of Argentina, Brazil, Uruguay and Paraguay – concluded free trade agreement negotiations with the EU in June 2019, with an outcome that substantially increases beef access for the bloc. However, the agreement has met strong criticism in the EU particularly around environmental-related concerns, and is yet to be ratified. Political hurdles remain that may continue to delay ratification.
- New Zealand (NZ) signed a free trade agreement with the EU in July 2023, which would lower the in-tariff quota on NZ beef from 20% to 7.5% and raises the quota to 10,000 tonnes cwe per annum seven years after entry into force. This agreement has yet to be ratified, and is not expected to come into force until the first half of 2024 at the earliest.

EU beef imports by supplier*



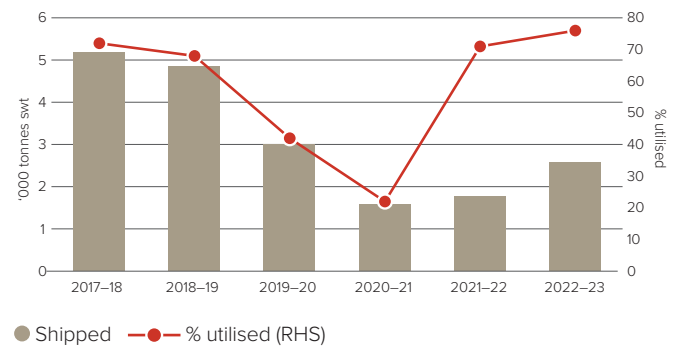
Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August



MARKET ACCESS

- Australia's current access to the EU beef market is in stark contrast to the majority of other export markets, which have largely liberalised trade. Transformation of punitive EU market access (low volume import quotas and high out of quota import tariffs) will be an important component of ongoing Australia-EU free trade agreement negotiations.
- Upon the conclusion of the Brexit transition period at the end of 2020, Australia's existing high-quality beef (HQB) Hilton beef quota was split between the EU and UK. Of the existing 7,150 tonnes available within the quota, 3,761 tonnes were allocated to the UK and 3,389 tonnes to the EU, with the 20% in-quota tariff maintained for both markets.
- Australia has predominantly exported beef to the EU under two quotas:
 - High Quality Beef (HQB) 'Hilton' country specific quota: 3,389 tonnes with 20% in-quota tariff.
 - Global HQB grainfed quota: in 2023–24, a 16,000 tonne quota for the year will be allocated on a first-come, first-served basis, shared between Uruguay, New Zealand, Argentina and Australia.
- An agreement reached between the United States and the EU to reserve a portion of the HQB grainfed quota will reduce the size of the global quota volume to 10,000 tonnes from 2026.
- Within the EU, the majority of Australian beef is typically discharged in the Netherlands. However, this does not necessarily denote the point of consumption, as importing countries often serve as central distribution points for the beef to be transported to neighbouring countries.

Australian EU beef High Quality Beef Hilton utilisation



Source: DAFF





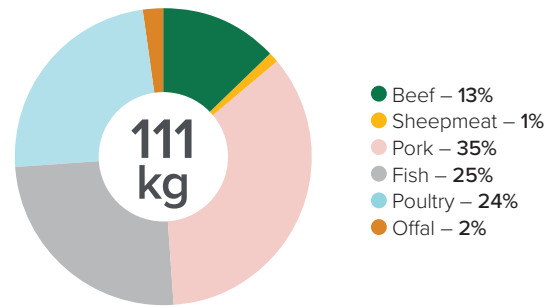
Sheepmeat

CONSUMERS



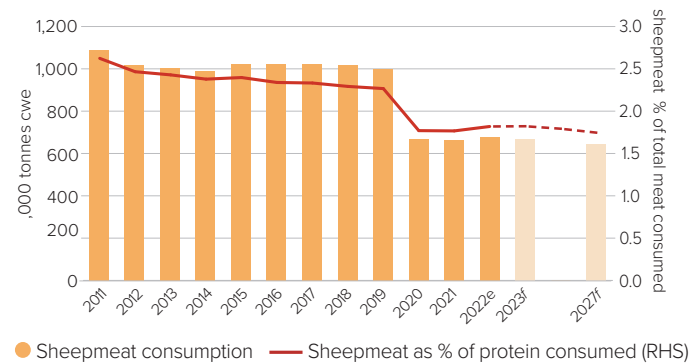
- The role and prevalence of sheepmeat consumption varies significantly between EU members. For instance, in Greece, consumption is traditionally linked to the seasonal production cycle, while in other countries demand is tied to culturally significant occasions such as Easter. There has been a slight decline in consumption since 2000, but sheepmeat demand in the EU is generally inelastic, with demand fluctuating in line with particular religious celebrations such as Easter. Sheepmeat consumption is forecast to be 1.4kg per capita by 2027, slightly down on the 1.5kg estimated in 2022 (Source: GIRA).
- Sheepmeat plays a minor role in European consumer diets. Consumption is primarily concentrated in Western Europe, particularly France and Spain, but Romania and Greece are also significant producers and consumers. However, similar to other developed markets, social factors such as health concerns, animal welfare and environmental issues remain a challenge for increasing sheepmeat consumption in the EU.
- Australia predominantly exports lamb legs to the EU, which are directed into foodservice channels. New Zealand lamb has a larger footprint in retail due to more advantageous trade access.
- Australian lamb is perceived as having strong food safety credentials – likely tied to a history of no major animal disease outbreaks – but is perceived as less fresh compared to locally sourced product.

EU average per capita consumption by protein



Source: GIRA, 2023f figures. kg cwe per person per year

EU sheepmeat consumption



Source: GIRA

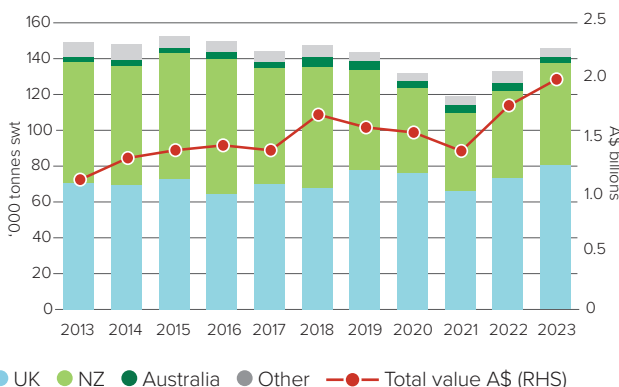
COMPETITIVE LANDSCAPE



- After declining 25% over the 10 years to 2014, EU sheepmeat production has since stabilised. Sheepmeat production is forecast to remain around 637,500 tonnes per year, with forecasts indicating that this level of production is expected to grow slightly over the decade to 661,500 tonnes in 2030. The EU sheep flock is largely concentrated in a few countries, with Spain, France, Romania and Greece accounting for around 70% in 2023 (Source: Eurostat).
- UK sheepmeat accounts for over 56% of EU lamb and mutton imports into the EU, while EU markets accounted for 93% of all UK sheepmeat exports in 2022–23, highlighting the importance of the trade relationship between the two regions.

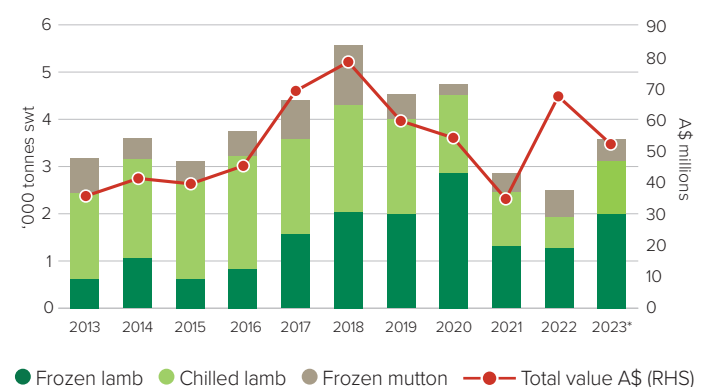
- New Zealand's preferential market access with the EU has allowed it to capture the majority of remaining market share. However, imports from New Zealand over the last several years have fallen due to a combination of land increasingly reallocated to the dairy sector and Asian markets' continued emergence as major buyers of New Zealand sheepmeat.
- Australian sheepmeat exports to the EU are high value product, with the average unit price in 2022–23 of A\$15.38 which was 81% higher than the average of Australia's global exports. While the unit price of EU imports from Australia was similar to New Zealand, UK product was 28% lower than Australia's.

EU sheepmeat imports by supplier*



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

Australian sheepmeat exports to the EU



Source: DAFF, S&P Global MI Global Trade Atlas (GTA), *2023 = 12 months ending August





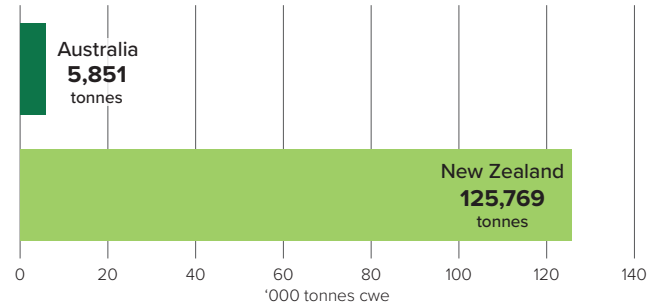
Sheepmeat



MARKET ACCESS

- Australia has a 5,851 tonne cwe (combined sheepmeat/ goatmeat) country-specific import quota into the EU. Out-of-quota imports from Australia incur prohibitive import duties of 12.8%, plus up to an additional €3.10/kg.
- There is also a 200 tonne *erga omnes* sheepmeat and goatmeat quota that is accessible to a number of countries.
- Australian sheepmeat access is currently disadvantaged compared to New Zealand, which has a 125,769 tonnes cwe sheepmeat and goat meat tariff free quota annual allocation from 1 July 2023.
- Although New Zealand has not fully utilised its quota in recent years, reaching just 47% of the allotted volume in 2022, their sheepmeat export volumes to the EU were 12 times larger than Australia in that same year (Source: S&P Global MI Global Trade Atlas (GTA)).
- New Zealand and the EU signed the New Zealand – European Union Free Trade Agreement on 1 July 2022, which will increase the NZ Sheepmeat import quota to 163,769 tonnes seven years after entry into force. The EU-NZ FTA is yet to be ratified, and is anticipated to enter into force some time during 2024.

EU annual sheepmeat quota volume: Australia compared to New Zealand



Source: DAFF, NZ Meat Board. Annual tariff-free quota





Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement negotiations commenced in July 2018 and are on-going	<p>2023–24: 3,389 tonnes country specific HQB Hilton quota: 20% in-quota tariff; above quota tariff 12.8% + €3/kg</p> <p>Access to 16,000 tonnes grainfed quota for 2023–24 shared with Argentina, Canada, New Zealand and Uruguay allocated quarterly: 0% in-quota tariff; above quota tariff 12.8% + €3/kg</p>	<p>Argentina, Brazil and US/Canada have larger allocations than Australia under the Hilton quota</p> <p>Canada-EU CETA gives Canada tariff-free access to 35,000 tonnes of chilled and 15,000 tonnes of frozen beef annually.</p> <p>The NZ-EU FTA was signed in July 2022 and may enter into force some time in 2024</p> <p>Ongoing pressure on reduced shared grainfed quota – with quarterly allocation being filled within weeks</p>	<p>2023–24: 3,389 tonnes under country specific High Quality Beef quota</p> <p>Shared access to 16,000 tonnes global grainfed quota (4,300 tonnes of quota available for the Jul–Sep and Oct–Dec quarters and 3,700 tonnes available for the Jan–Mar and Apr–Jun quarters)</p> <p>Access (via EU importer held licences) to shared frozen beef quota and frozen beef for processing quota</p>	All beef supplied to market must be EUCAS accredited, which adds significant cost to doing business with the EU



Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-EU Free Trade Agreement negotiations commenced in July 2018 and are on-going	<p>2024: In quota – 0%</p> <p>Above quota – 12.8% + 90.2–311.8 €/100kg</p>	<p>NZ: Has a quota of 114,184 tonnes (carcase weight equivalent, calendar year basis). The NZ-EU FTA was signed in July 2022 and may enter into force some time in 2024</p> <p>UK: No quota or tariff applicable</p>	Access is limited to 5,851 tonnes country-specific quota (carcase weight equivalent, calendar year basis)	No trade restrictive non-tariff barriers currently operational

Best access  Major challenges

Source: Trade agreements, DFAT, MLA

Global Insights on



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