MEAT & LIVESTOCK AUSTRALIA

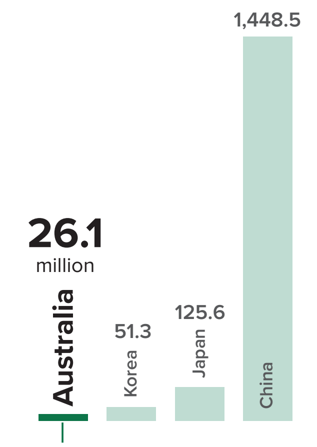
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Australia

The domestic market is the largest destination for Australian red meat. Despite a small population, Australian consumers have comparatively high disposable incomes, allowing them to spend on premium food items that meet their needs and lifestyle.

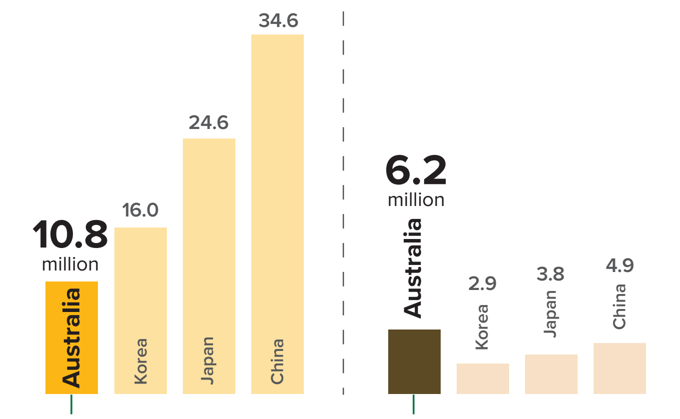
While the Australian red meat market is dominated by home-grown products, a changing demography and competitive pressure from other proteins remain strong. Showcasing red meat's health benefits, versatility and ease of preparation in addition to targeted messaging on provenance, quality, environmental credentials and animal welfare provide opportunities to grow consumer preferences for red meat and community trust.

Population[1]



27.1 million by 2026f
(+4% from 2022f)

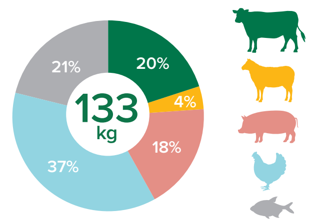
Household number by disposable income[2]



94% of total households
(96% by 2026f)

54% of total households
(64% by 2026f)

Meat consumption per capita[3]



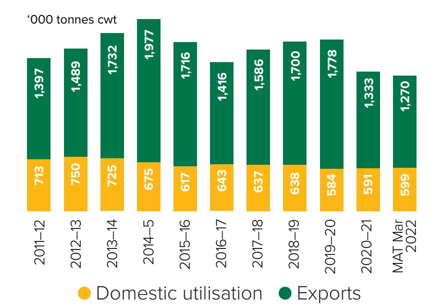
Annual grocery spend[4]

A$ **5,636** per person/year

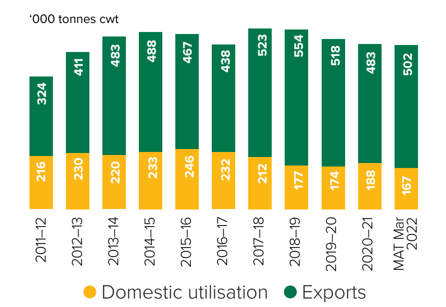
The Australian domestic market is the largest destination for Australian beef, consistently consuming almost 30% of total beef production volume.

Australia is also the largest market for Australian sheepmeat, consuming about 35% of total production. Lamb occupies 95% of domestic distribution, while the majority of mutton produced is exported to overseas markets.

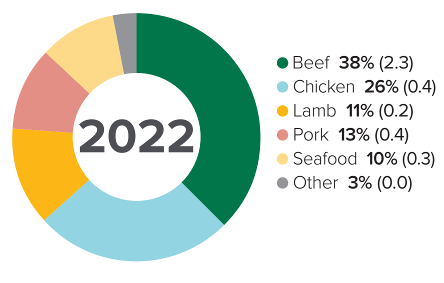
Beef domestic utilisation[5] (share of produced volume)



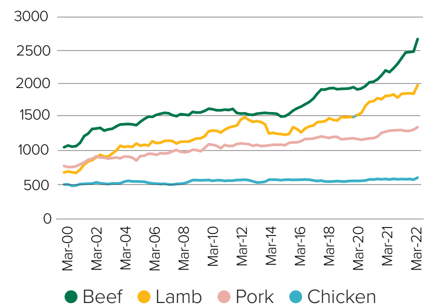
Sheepmeat domestic utilisation[5] (share of produced volume)



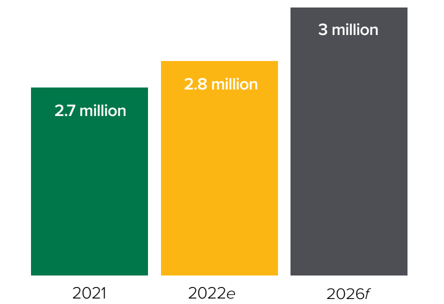
Retail fresh meat value share[6] (year-on-year % change)



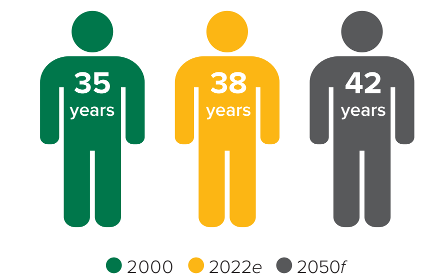
Australian retail meat price[7] (¢/kg)



Single person households[1]



Median age in Australia[1]



Data source for charts: [1]Fitch Solutions (2022), [2]Fitch Solutions (2022 Disposable income = earnings after taxes and social security charges), [3]Fitch Solutions, GIRA 2022f (per-person-per-year in cwt excluding fish/seafood), [4]IGD, 2022f, (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), [5]DAWR, ABS, IHS Markit, MLA calculations, [6]Nielsen Homescan, MAT to 19/06/2022 (year-on-year change), [7]ABARES, calculated using ABS data

Beef

CONSUMERS

- Australian consumer demand for beef is impacted by many factors such as demographic shifts, personal financial situations and changes in attitudes and beliefs towards food – influenced by family, friends and the media.
- The overall awareness and purchase rate of beef is high amongst Australians. It is the #1 ‘top of mind’ protein type, twice that of chicken and more than four times that of pork *(Source: Kantar Brand Funnels Report Q2 2022)*.
- Beef is the largest animal protein type ranked by sales in retail outlets. Additionally, beef is the largest contributor to the growth in absolute value of total fresh meat over the last two years *(MAT to June 2022 vs. 2020; Source: NielsenIQ Homescan)*.

Protein image profiles

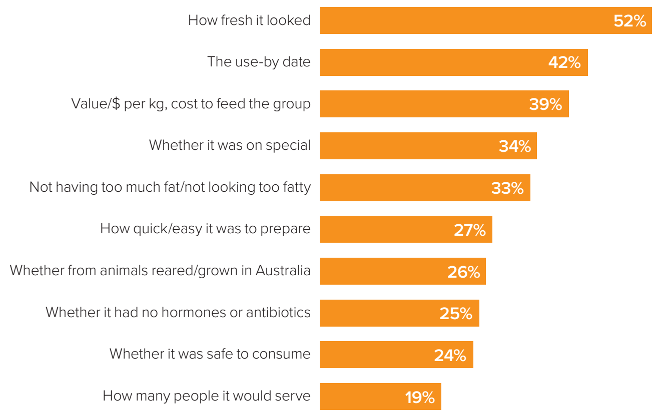
	Beef	Lamb	Chicken	Pork	Seafood
Easy everyday			✓		
Goodness	✓	✓			✓
A little bit special		✓			✓

Source: MLA Domestic Consumer Tracker Australia, 2021. * Tick = Area of strength vs other proteins

- Beef’s strengths are around its perception of being a ‘trusted quality’ product and as ‘the greatest meat’. It is also perceived as ‘suitable for everyday meals’ when compared to other proteins such as lamb, seafood and pork, but is well behind chicken on this measure *(Source: MLA Domestic Consumer Tracker Australia 2021)*.
- After almost two years of COVID-19 lockdowns, the shift in consumer behaviour and consumption is looking to be permanent. With a renewed focus on health, consumers are looking to understand the role protein plays in their pursuit of making better health choices. Reflecting this, consumers continue explore new recipes to meet their health needs and interests – this is particularly relevant to younger consumers. These both present opportunities to highlight beef as quick, easy and convenient to prepare everyday healthy meals and boost consumers’ confidence in preparing beef *(Source: MLA Domestic Consumer Tracker Australia 2021)*.

- When consumers shop for fresh meat, the top factors influencing their decisions are related to freshness, pricing, lean cuts and ease to prepare *(Source: Kantar Sustainability Module 2022)*.

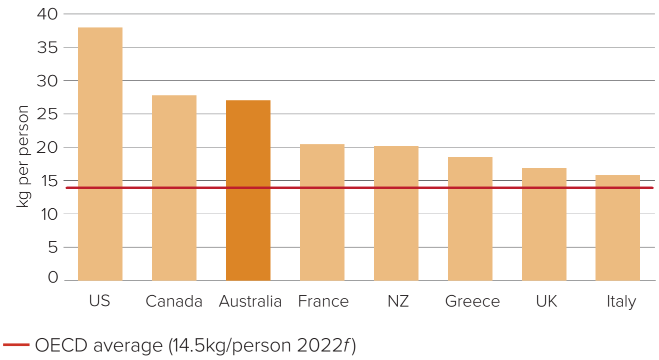
Top factors influencing shopper meat decision-making



Source: Kantar Sustainability Module 2022. Note: only top 12 factors displayed

- Despite declines in domestic volume consumption of beef over the past two decades, Australia remains one of the world’s largest consumers of beef, with per capita consumption sitting well above the global average.

Beef consumption per capita



Source: Fitch Solutions; OECD (for OECD average, OECD includes Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States).

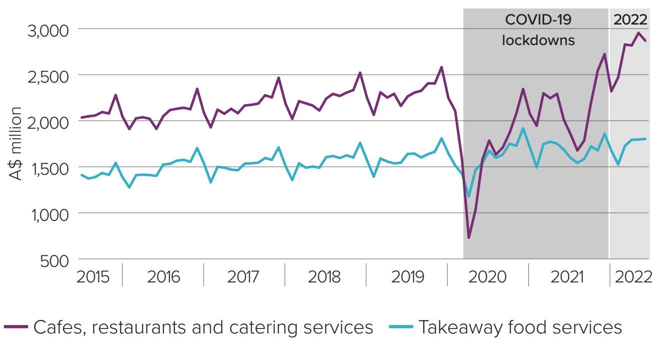
Australia’s increasingly diverse population

Although the COVID-19 pandemic stalled migration, high levels of immigration continue to drive Australia’s population growth leading to an increasingly diverse population. The 2021 Australian Bureau of Statistics Census showed almost 30% of Australia’s residents are born overseas and saw India move ahead of China and New Zealand to become the second largest source country of migrants in Australia, after England. Foodservice and retail operators are reacting to this shift by adjusting in-store/menu space to better target these changing demographics *(Source: GlobalData)*.

FOODSERVICE

- The Australian foodservice industry was valued around A$76 billion in 2019. The negative impacts of the COVID-19 pandemic in 2020 are estimated to have cost the sector 25% of its value, however initial estimates that recovery in 2022 would be slow and steady at 16% *(Source: GlobalData Foodservice Intelligence Centre)* appear to have been conservative.
- Despite the rising cost of living and ongoing COVID-19 concerns, Australians spend a significant amount of their income on out of home dining. Spending in this area has risen by 8.6% – a record well above pre-pandemic levels for the June quarter. This has outpaced restaurant menu prices which rose by 1.4% for the same period, indicating a true uplift in spend *(Source: ABS)*.

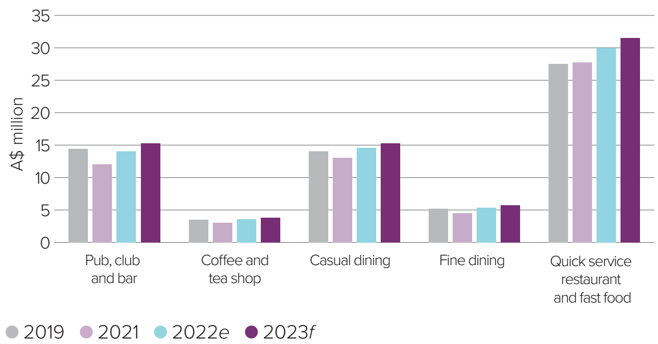
Spending in café, restaurant spending versus takeaway



Source: ABS, Retail trade monthly spending

- In value terms, (pre- and post-COVID-19) beef has been, and continues to be, the number one largest fresh meat protein consumed through foodservice. However, beef share in foodservice is under threat from lower-cost proteins such as chicken and pork.
- The Australian foodservice channel is estimated to account for 30% of total domestic beef utilisation in 2019 (in value) but with the impacts COVID-19 had on this channel, estimated utilisation in 2022 is yet to recover to pre-pandemic levels *(Source: MLA estimates 2022)*.
- Commercial restaurants contribute to the majority of the total foodservice industry's value. Less than 10% of beef consumed through the foodservice channel is through non-commercial restaurants (such as aged care, health care, military, education and others).
- The foodservice landscape is large, competitive, and highly fragmented, with many individual companies having a small market share. The COVID-19 outbreak had a significant impact on the foodservice sector, bringing about many uncertainties and forcing many providers to adapt to the changing landscape. Although the initial return to foodservice saw consumers increase spend in this sector, the current increase in inflation may mean consumers become more price conscious and are likely to see conservative shifts in spending.
- Delivery has become more important, however it has not offset the loss of on-premises sales. Takeaway sales accounted for 28% of the value share of total foodservice sales in 2021, a significant increase from 23% in 2019, with delivery seeing the largest growth. However, it is estimated that takeaway value share will soften in 2022 to 27% as on-premise recovers *(Source: GlobalData Foodservice Intelligence Centre)*.
- The top three drivers for eating out are: 'convenience', 'variety' and 'socialising' *(Source: GlobalData Consumer Survey Q4 2021)*, with consumer needs to connect again in 'the new normal' out-weighing value.

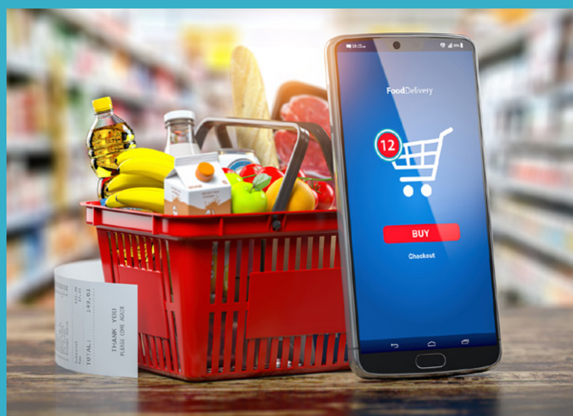
Foodservice value sales by channel



Source: GlobalData

The changing face of retail

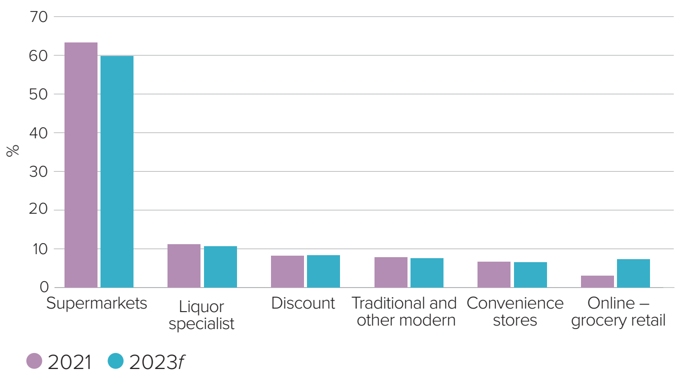
The retail sector in Australia is undergoing significant change. While the pandemic provided space for the growth and role of online grocery, investment from retailers to improve their online offerings and capabilities is identified as a priority and will continue to see rapid growth in this space. Additionally, the trend in 'shop local' has created opportunities for smaller retailers, such as local butchers, to become more competitive and tailor their customer experience to gain new consumers. Emerging health trends have seen consumers increasingly examining the foods they are consuming *(Source: MLA Domestic Consumer Tracker Australia 2021)*, with 75% of those increasing their red meat intake citing health and nutrition reasons *(Source: MLA Consumer Sentiment Research 2022)*.



RETAIL

- Fresh meat is the largest supermarket category (excluding liquor and tobacco) and plays a key role in driving store traffic and store loyalty *(Source: NielsenIQ Homescan)*.
- Beef holds the highest share of retail sales of any meat in the last MAT to June 2021, with around a 37.5% share of fresh meat sales (by value) *(Source: NielsenIQ Homescan)*.

Grocery retail sales by channel



Source: IGD

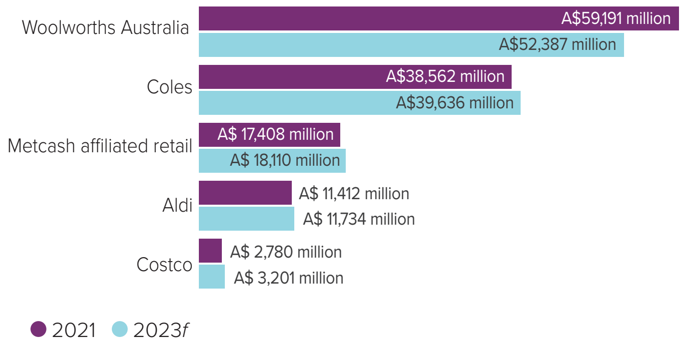
- Beef is a critical product for retailers. The average grocery basket is typically worth A$32, but this jumps to around A$82 when the basket includes beef *(Source: NielsenIQ Homescan MAT to July 2022)*.
- Retailers continually seek to differentiate their meat category through the pursuit of locally grown products, sustainable growth and profitability. An example of this is the growth in premium products seen across the retail market. Premium cuts and healthier options of red meat are experiencing growth ahead of the total category. This has been balanced with retailers introducing more affordable value offerings with fixed priced packaging at smaller transactional price points *(Source: NielsenIQ)*.
- The Australian grocery market is highly concentrated by global standards, with the two big retailers – Woolworths and Coles – making up around 60% of the market. The ongoing impacts of supply chain issues and out of stocks as a result of COVID-19 are seeing shoppers diversify their spend in 2022, with growth in other supermarkets versus year ago – similar behaviour to what we saw in 2020. *(Source: NielsenIQ Homescan MA T to June 2022)*.
- 82.8% of fresh meat is sold in supermarkets, predominantly Woolworths and Coles, with butchers making up the other 17.2%. Compared to 2021, sales through butchers declined by 3%, returning to 2019 levels *(Source: NielsenIQ Homescan MAT to June 2022)*.

Place of fresh meat purchase by average customer spend and market share

	Value share	A$ per trip
Total Australia	100%	23.19
Total Aust. supermarkets	82.8%	21.33
Aust. non supermarkets	17.2%	39.86

Source: NielsenIQ Homescan MAT to 19 June 2022

Grocery retail sales by value



Source: IGD

- The impact of COVID has accelerated the adoption of online grocery in Australia, and while fresh meat under indexes in terms of online sales compared to bricks & mortar (B&M), contributing just 8.1% of total sales, more Australians are becoming omnichannel shoppers with one in four households shopping across both B&M and online channels *(Source: NielsenIQ)*.
- Fresh meat online grew across all retailers with Woolworths contributing over half of the online volume meat growth in 2021 *(Source: IGD)*.
- Online is becoming increasingly important to fresh meat sales with more households now purchasing fresh meat online compared to two years ago (penetration up by 10.5% versus two years ago) and spending about $27.30 per trip, up $2.01 versus two years ago. *(Source: NielsenIQ Homescan MAT to June 2022)*.
- Beef mince is the leading cut across both online and B&M but there are differences across cuts bought online versus B&M *(Source: NielsenIQ Homescan MAT to June 2022)*.
- The online channel already holds the advantage of convenience and as such represents a key opportunity for red meat – from developments to improve consumer confidence with cuts or recipes, to partnering with major retailers to leverage their online reach and ongoing expansion initiatives in this space.
- The pandemic also accelerated the growing food box meal kit trend in Australia (such as Hello Fresh and Marley Spoon). These generally include portioned ingredients and simple recipes that allow consumers to quickly create their meal. It has grown 57.8% value in the last two years and reached a penetration of 14.8% of Australian households (households that purchased the product) and now representing 1% of Total Grocery. While penetration is quite low compared to other convenience categories, households are spending six times as much on this category compared to other convenience options such as frozen meals, packaged salads, ambient/canned meals, etc *(Source: NielsenIQ Homescan MAT to August 2022)*.

Sheepmeat

CONSUMERS

- Lamb remains one of Australia's favourite proteins and has a unique role in the national diet of Australians, who are among one of the largest per capita consumers of lamb in the world *(Source: OECD)*.
- Australian consumers have a traditional affinity with lamb: in the year to June 2022, around 74.6% of Australian households purchased lamb, on an average 8.5 occasions *(Source: NielsenIQ Homescan MAT to June 2022)*. However, with a more diverse demographic in 'Modern Australia', there is an opportunity to introduce lamb variety to the non-familiar eaters from international origins. Building cooking confidence amongst these consumers as well as reinforcing emotional connection and relevance to the younger demographic paves the way for future consumers.
- As awareness of lamb is high amongst Australians, the greatest opportunity for lamb sits with increasing the frequency of purchase and demonstrating the value of lamb so people will continue to pay for it, and consume it, even at significantly higher prices than alternative protein offerings *(Source: MLA Domestic Consumer Tracker Australia 2021)*.
- Consumers perceive lamb as 'special' relative to other proteins and are often choosing lamb as it 'tastes delicious'. However, there is an opportunity to focus on lamb's versatility and recipes that are easy to prepare to spread across more occasions *(Source: MLA Domestic Consumer Tracker Australia 2021)*.

Protein image profiles

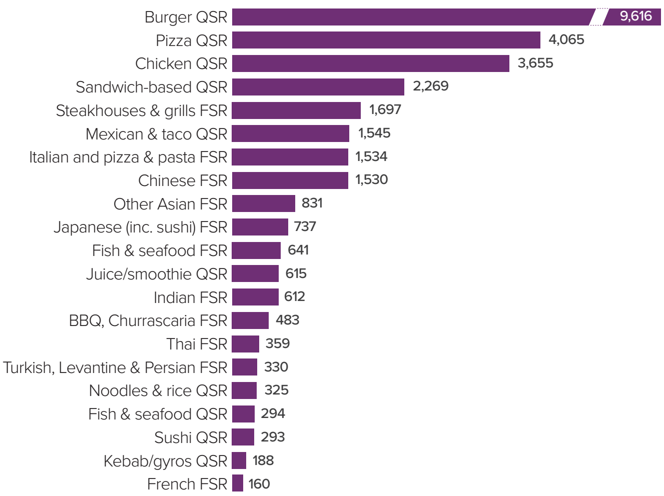
	Beef	Lamb	Chicken	Pork	Seafood
Easy everyday			✓		
Goodness	✓	✓			✓
A little bit special		✓			✓

Source: MLA Domestic Consumer Tracker Australia, 2021. * Tick = Area of strength vs other proteins

FOODSERVICE

- In Australia, lamb sales in foodservice normally accounts for 25% of the volume, while in 2022, it's estimated to remain around 20% due to the impacts of COVID-19 with many retailers restricting ranges for efficiency during periods of restriction *(Source: MLA estimates 2022)*.
- Cuisines which feature lamb a little more prominently in food service are Italian and Indian, however there are opportunities for lamb to feature in other cuisines where there is currently less menu penetration such as Turkish, Mexican, Asian – all of which can leverage lamb as a feature protein and additionally demonstrating lamb's ability to be diverse across a range of cuisines *(Source: GlobalData Menu Intelligence)*.
- In 2021, the most Googled restaurant cuisine was Chinese with an average of 6,600 monthly searches, followed by Mexican with an average of 5.400 monthly searches and Italian and Japanese sitting at equal third place with an average of 2,900 monthly searches *(Source: Lightspeed)* showcasing Australia's diversity in food.
- Lamb shanks recipes ranked number six in terms of most Googled recipes shining a light on what Australians craved through the lockdowns of 2021 and its relevance in Australian culture *(Source: Lightspeed)*.

Australian foodservice value by cuisine type (A$ million)



Source: GlobalData Menu Intelligence, 2025f.
FSR = full-service restaurant. QSR = quick service restaurant

RETAIL

- In retail, lamb has a similar market share to pork, accounting for around 11.1% of fresh meat sales (by value) in the 12 months to June 2022, behind beef and chicken *(Source: NielsenIQ Homescan)*.
- Lamb buyers are premium buyers for retailers, increasing the value of the average grocery basket from A$38 to around A$86 when the basket includes lamb *(Source: NielsenIQ Homescan MAT to July 2022)*.
- More than 80% of lamb is purchased at supermarkets, mainly from Woolworths and Coles. However, other supermarkets (e.g. Costco) are growing in both share and absolute sales and butchers remain stable versus year ago *(Source: NielsenIQ Homescan MAT to June 2022)*.
- Australia's consumption of lamb has come under pressure in the last few years, initially due to COVID-19 impacts on personal financial situations, and more recently with rising cost pressures coupled with increasing domestic retail price of lamb, which has resulted in a shift against lamb as shoppers seek more economical options such as sausages and mince.

Meat & Livestock Australia calculation based in part on data reported by NielsenIQ through its Homescan Service for the Fresh Meat category for 52 weeks to 19.06.2022, 17.07.2022 and 14.08.2022 for the Total Australia market, according to the NielsenIQ standard product hierarchy. Copyright © 2022, Nielsen Consumer LLC.

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