MARKET SNAPSHOT | **BEEF**

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 beef across the region.

Challenges and opportunities in MENA for Australian beef include:

- Beef is a secondary protein after lamb, chicken and fish in most MENA diets, mainly driven by the low grade of domestic beef traditionally available. However, consumption and spending on beef is forecast to increase in many markets in the coming years.
- Spending on imported meat is generally higher across the Middle East compared to North Africa, particularly in Gulf Cooperation Council* (GCC) countries with a large and growing base of wealthy consumers, which will remain the main area of opportunity.
- Premium beef consumption and import demand are forecast to increase in a number of markets, particularly GCC countries, driven by a number of trends including increasing disposable incomes, ongoing urbanisation and westernisation and a large wealthy expat population.
- Retail is quite underdeveloped and fragmented, even in some GCC countries, but development is expected to increase and, with it, potential growth in chilled beef sales.
- Markets with developing tourism sectors are seeing growth in imported beef use in high-end foodservice outlets and the casual dining segment.
- 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 ease of doing business.

*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 (UAE). Plus: Egypt, Iran, Jordan and Lebanon

Population

253.8 in 2018 | **268.0** in 2022

In million

Source: BMI Research, 2018 estimate & 2022 forecast

Households earning* >US$35,000/year

3.9 in 2018 | **6.9** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast

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

Households earning* >US$55,000/year

2.3 in 2018 | **3.9** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast

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

Australian beef exports – volume

- Chilled grass – **26%**
- Chilled grain – **18%**
- Frozen grass – **45%**
- Frozen grain – **10%**

Total 28,197 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), 2017–18

Australian beef exports – value

- Chilled – **44%**
- Frozen – **56%**

Total A$263.4 million

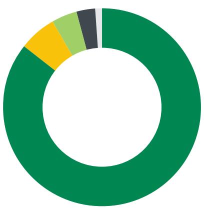
Source: ABS/GTA, 2017–18

Proportion of key cuts

- Manufacturing – **22%**
- Loins – **14%**
- Topside/inside – **11%**
- Ground/mince – **9%**
- Other – **44%**

Source: DAWR, 2017–18

Australian beef offal exports - volume



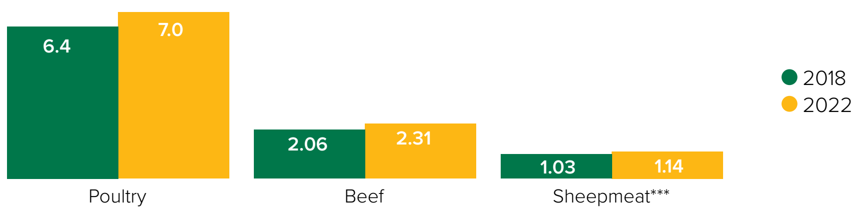
- Liver – **86%**
- Tripe – **6%**
- Kidney – **4%**
- Heart – **3%**
- Other – **1%**

Total 9,596 tonnes swt

Source: DAWR, 2017–18

Meat consumption

55.6kg per capita* total meat protein**



In million tonnes cwt

Source: GIRA, 2018 estimate, 2022 forecast, MENA-10.

*2018e per person per year in cwt **excluding fish/seafood
*** Sheepmeat figures include sheepmeat and goat

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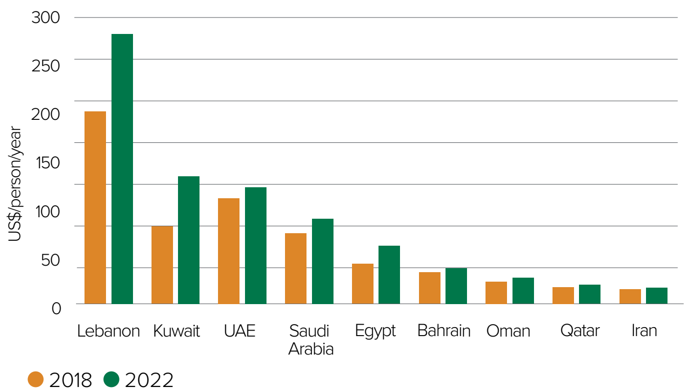
Consumers

- The growth of imported beef demand in MENA is being driven by urbanisation, westernisation, a young population, a large expat professional population, forecast low inflation and a developing tourism sector. However, risks are also significant due to a heavy reliance on oil and gas exports in several countries, as well as the presence of conflict and regional political instability, which can significantly impact on both trade and consumer demand for imported products.
- The contribution of beef to dietary protein varies by country, with the size of beef markets by both volume and value shaped by factors such as food traditions, the size of the domestic industry, the spending capacity of consumers and population size. Per capita beef consumption is forecast to increase in most markets in the region, along with spending on beef.

Beef sales per capita (US$)



Source: BMI Research. 2018 and 2022 forecast figures. Sales through all channels.

- Jordanians eat comparatively more beef than other MENA consumers and hence have more positive perceptions of it. In markets like the UAE and Saudi Arabia, where beef has traditionally been considered a generic protein, growth in the fast food and hotel sectors is shifting eating habits, particularly among the young and wealthy, resulting in increased beef consumption and spending growth.

Attributes important for all proteins and beef associations

What attributes are important for MENA consumers (all proteins)

UAE	Saudi Arabia
Is the most superior meat	Fresh
Tastes delicious	My/my family's favourite
The meat is usually tender	Tastes delicious
Consistent quality	Guaranteed safe to eat
Easy to prepare	High nutritional value

What associations do MENA consumers have to beef?

Can be used in many different meals	Can use in different meals
Tastes delicious	Fresh
The most superior meat	Guaranteed safe to eat
The animal is well-cared for	Easy and convenient to purchase/ prepare
Is my/my family's favourite meat	Tastes delicious

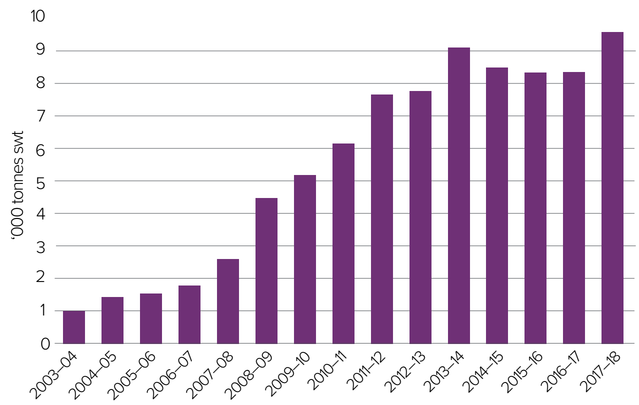
Source: MLA Global Consumer Tracker UAE, Saudi Arabia, 2018

- After domestic beef, Australian beef generally has the highest awareness in consumers' minds, significantly higher than other suppliers of imported beef. While domestic beef tends to rate strongest on the most important attributes of freshness, nutritious, Halal-certified and safety, Australian beef is seen as offering advantages on other dimensions such as being easy to purchase, having a variety of cuts that suit cooking styles and being positive on animal welfare.

Foodservice

- A significant proportion of Australian frozen grassfed beef exported to the Middle East is in the form of trimmings, hamburger patties and ground beef, which are used in the foodservice sector in both local and western-style chains.
- However, the past five years has also seen significant growth in demand for higher value cuts of Australian chilled beef, such as branded packaged loin cuts, particularly in areas with higher concentrations of five-star hotels such as some Gulf countries.

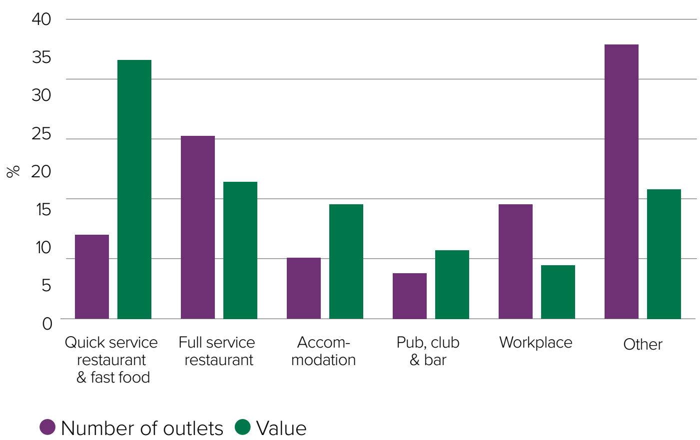
Australian chilled beef exports to the UAE, Bahrain, Qatar, Kuwait and Oman (combined)



Source: DAWR. Fiscal year.

- Leisure tourism is a core driver of beef consumption value growth in these key markets.
- In the UAE, quick service restaurants are the largest users of beef by value, followed by full service restaurants. However, both are expected to see equally strong value growth in beef sales over the next few years *(Source: GlobalData)*. Dubai's hosting of the World Expo in 2020 and Qatar's hosting of the 2022 FIFA World Cup are expected to be drivers of growth in the foodservice channel in these markets, with many new hotels planned for construction.
- In the comparatively less westernised market of Saudi Arabia, full service restaurants are the largest beef users by value (and 15 times larger than the same segment in the UAE). Religious tourism is the leading driver of the tourism sector in the Kingdom, with an estimated 18.7 million tourists in 2017, which has positive spin-offs for beef usage in the foodservice sector *(Source: World Travel and Tourism Council)*.

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

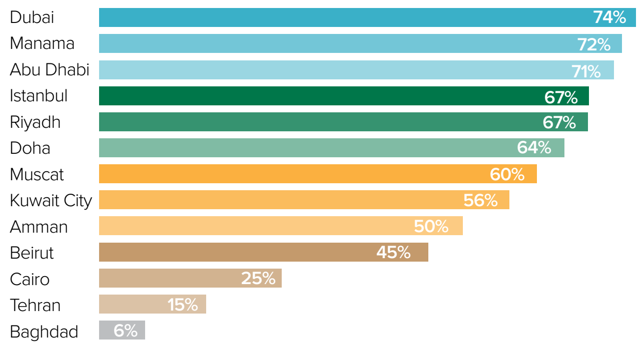


Source: GlobalData. 2018 forecast.

Retail

- Apart from some of the wealthier Gulf markets, the MENA region's mass grocery retail sector is largely under-developed and fragmented.
- However, the sector is seeing significant development across the region, which is typically accompanied by growth in the chilled market for red meat, representing a growing opportunity for premium Australian product.

Penetration of hyper/supermarkets



Source: MLA-GlobalData MENA Attractive Cities Study, 2018. 2018 forecast.

- The UAE's grocery retail sector is highly developed and consolidated by global and regional standards, with the majority of the urban middle class purchasing Australian beef from hypermarkets, although butchers and wet markets are still quite prominent.
- Key retailers in the region where consumers purchase Australian beef include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Panda and Danube Saudi (Arabia).
- While comparatively less developed, Saudi Arabia represents the largest food retail market in the region and the strongest retail growth opportunity due to its combined growth rates and scale *(Source: BMI Research)*. At the same time, *bakalas* (small corner shops) still account for more than half of grocery market share nationally, although most Australian beef is purchased through hypermarkets and supermarkets.
- In many MENA countries, country of origin labelling is not mandatory. However, at high-end retail most meat products are clearly labelled as wealthier consumers want to know where their meat comes from.

Top five most important beef claims on pack or at shelf

	UAE	Saudi Arabia	Jordan
1	100% all natural	100% all natural	Meat colour
2	Halal certification	Quality grading	No blood in pack
3	Quality grading	Halal certification	Halal certification
4	Animal welfare credentials	Safety certification	Country of origin
5	Safety certification	Animal origin	Date packed

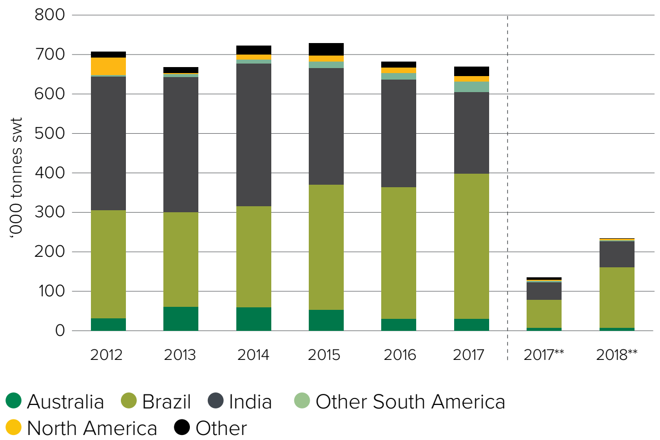
Source: MLA Global Tracker UAE, Saudi Arabia and Jordan, 2017

- In the MENA region, cheaper cuts are used for stewing and slow cooking, as well as the grilling of cubes in the form of kebabs. 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 popularity, as western influences have started to appear in the meal repertoires of wealthier consumers.

Other suppliers

- Beef import demand across the region varies significantly, depending on domestic production and consumption habits. In some GCC countries like the UAE, Kuwait, Oman, Qatar and Bahrain, almost all beef consumed is imported. In Saudi Arabia, Jordan, Egypt, Israel and Iran, generally over half of beef consumed is imported, with the rest coming from live imports and local production, primarily from the domestic dairy industry *(Source: GIRA)*. Overall, the main beef importers by volume are Egypt and Iran, followed by Saudi Arabia, UAE, Algeria and Israel *(Source: GTA)*.
- The bulk of beef imports come from Brazil and India, mostly frozen bone-out and lean cuts of beef/buffalo meat. Brazil has surpassed India as the leading supplier by volume since 2015.
- Australia is a key secondary source of beef by volume, but is a key supplier in the premium segment, along with some South American countries including Paraguay, Argentina and Uruguay, where quality beef has been benefiting from devalued currencies in their key markets of the UAE, Saudi Arabia and Qatar.
- Smaller volumes are also supplied by the United States (US) (mostly to the UAE, Kuwait and Qatar), South Africa (UAE, Kuwait and Jordan), New Zealand (NZ) (UAE, Saudi Arabia) and the European Union (EU) (mostly to Egypt, UAE and Saudi Arabia).

Beef/veal exports to MENA* by supplier



Source: GTA, DAWR.
* MENA-10 **Jan-Mar

Livestock exports

- In 2018, Turkey and Israel were Australia's key live feeder and slaughter cattle export destinations in the region, taking 40,051 and 38,549 head respectively for the 12 months to June, both down slightly on the previous year. Qatar, Kuwait and the UAE took smaller numbers *(Source: DAWR)*.
- Australia also exported a small number of beef and dairy breeder live cattle to the UAE *(Source: DAWR)*.
- In 2017–18, Australia's key competitors in the MENA live cattle market were Brazil, Uruguay and Romania (particularly in significant importing countries such as Turkey, Lebanon, Israel and Jordan) and to a smaller extent Ireland and Ukraine *(Source: GTA)*.

Market access overview

GCC member countries: Kuwait, Oman, UAE, Qatar, Saudi Arabia, Bahrain

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement however Australia is negotiating a GCC-Australia FTA	**2018** 0% for chilled meat and carcases 5% for frozen meat and carcases, chilled and frozen bovine offal	**India and Brazil** Same as Australia **NZ** FTA negotiation was concluded but yet to be ratified.	Zero	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Non-GCC countries:

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
N/A	Australia to: **Morocco:** 200% duty on beef **Turkey:** 225% duty on beef **Iran:** tariff rates vary depending on demand/supply situation **Israel:** 50% tariff on chilled offal **Jordan:** 10% tariff on boneless meat	**India and Brazil** Same as Australia **NZ** FTA negotiation was concluded but yet to be ratified	Quota restrictions in Tunisia and Palestine only	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Best access — Major challenges

Source: Trade agreements, MLA

Australian beef exports to MENA – summary table

Volume – in tonnes swt

		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average %	change 2017–18 vs 5-year average in tonnes swt
	Total	**28,197**	**100**	**27,688**	**100**	**46,916**	**100**	**-40**	**-18,719**
Storage	Chilled	12,508	44	10,956	40	15,609	33	-20	-3,102
	Frozen	15,689	56	16,732	60	31,307	67	-50	-15,618
Meat type	Grassfed	20,247	72	21,533	78	38,678	82	-48	-18,431
	Grainfed	7,949	28	6,155	22	8,238	18	-4	-288
Storage/meat type	Chilled grassfed	7,462	26	6,644	24	10,575	23	-29	-3,113
	Chilled grainfed	5,045	18	4,313	16	5,034	11	0	11
	Frozen grassfed	12,785	45	14,890	54	28,103	60	-55	-15,318
	Frozen grainfed	2,904	10	1,842	7	3,203	7	-9	-299

Source: DAWR

Value – in A$ 000

		2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	in A$ 000
	Total	**263,358**	**100**	**253,382**	**100**	**319,745**	**100**	**-18**	**-56,386**
Storage	Chilled	160,115	61	147,397	58	158,354	50	1	1,761
	Frozen	103,243	39	105,985	42	161,390	50	-36	-58,147

Source: ABS/GTA

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

	2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	in tonnes swt
Manufacturing	1,808	21	2,491	26	8,801	39	-79	-6,993
Ground/Minced beef	881	10	1,769	19	1,666	7	-47	-785
Brisket	770	9	482	5	391	2	97	379
Other	4,971	59	4,715	50	11,583	52	-57	-6,611
Total	**8,431**	**100**	**9,457**	**100**	**22,441**	**100**	**-62**	**-14,010**

Source: DAWR

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

	2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	in tonnes swt
Manufacturing	2,670	29	1,809	22	1,578	18	69	1,092
Topside/inside	1,469	16	1,501	18	1,856	22	-21	-386
Carcase	705	8	501	6	658	8	7	48
Other	4,226	47	4,342	53	4,515	52	-6	-289
Total	**9,071**	**100**	**8,153**	**100**	**8,606**	**100**	**5**	**465**

Source: DAWR