MARKET SNAPSHOT | SHEEPMEAT

United States (US)

The US remains one of the main destinations for Australian lamb in volume and value terms, with sheepmeat exports to the US increasing for the last six years.. However, lamb continues to be an unfamiliar protein for the majority of US consumers, resulting in low per capita consumption levels (on average 0.5kg/year/person).

Challenges and opportunities in the US for Australian sheepmeat include:

- US consumers are increasing their awareness and willingness to try lamb.
- The foodservice channel represents a key area to expand lamb consumption, particularly within the quick service restaurant and casual dining sectors.
- Millennials* are driving the mindset towards more adventurous eating, including alternative proteins like lamb.
- The US will continue to rely on imported sheepmeat to satisfy consumer demand, as local production is expected to be stagnant.
- When Americans do buy lamb, they are open to buying imported product. There are many opportunities for Australian lamb to differentiate from the competition, particularly in the areas of quality, tenderness and nutrition.

* Millennials: the generation that follows Generation X, with birth years ranging from the early 1980s to the early 1990s.

Population

326.8 in 2018 | **336.1** in 2022

In million

Source: BMI Research, 2018 estimate & 2022 forecast

Households earning* >US$35,000/year

86.4 in 2018 | **94.2** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast

*Disposable income

Households earning* >US$50,000/year

64.9 in 2018 | **74.0** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast

*Disposable income

Households earning* >US$75,000/year

40.1 in 2018 | **49.0** in 2022

In million households

Source: BMI Research, 2018 estimate & 2022 forecast

*Disposable income

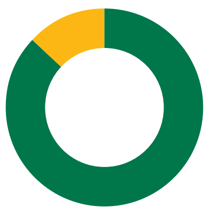
Australian sheepmeat exports – volume

- Chilled lamb – **39%**
- Chilled mutton – **0%**
- Frozen lamb – **42%**
- Frozen mutton – **19%**

Total 71,524 tonnes swt

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

Australian sheepmeat exports – value

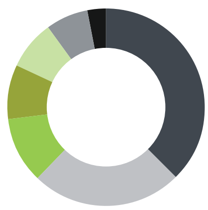


- Lamb – **87%**
- Mutton – **13%**

Total A$750.2 million

Source: ABS/GTA, 2017–18

Proportion of key cuts

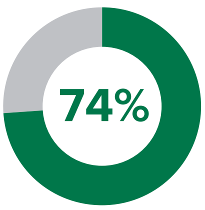


- Carcase* – **48%**
- Leg – **25%**
- Shoulder – **11%**
- Shank – **9%**
- Rack – **8%**
- Shortloin – **7%**
- Other – **3%**

Source: DAWR, 2017–18

** 17% of carcase is made up of assorted cuts*

Australia's share of imports

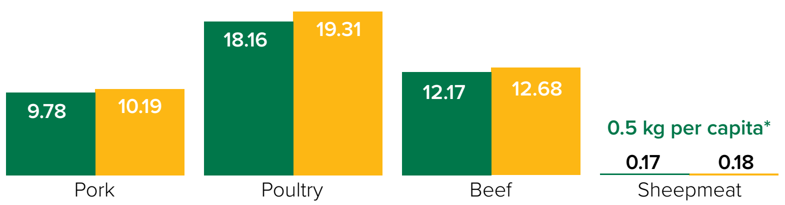


- Australia
- Other countries

Source: GTA. 12 months to June 2018.

Meat consumption

123.2kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, OECD

* 2018e per person per year ** excluding fish/seafood

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Consumers

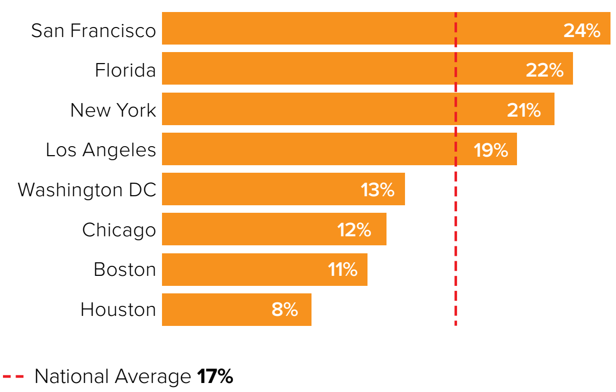
- Lamb remains a niche and unfamiliar protein to around 40% of US consumers, driven by taste concerns, the lack of familiarity and limited knowledge on how to prepare it. However, US consumers are progressively increasing their willingness to try lamb, particularly the millennial generation.
- Without any real knowledge of lamb, Americans are much more likely to consider naturalness, safety and freshness ahead of country of origin when purchasing lamb.
- Consumers who purchase chilled lamb are generally premium shoppers, spend more in store and prefer healthier, home-cooked food. Lamb loin and ribs are the most frequently purchased cuts *(Source: IRI)*.

What attributes are important for US consumers? (all proteins)	Main reasons haven't bought lamb
Family's favourite	Don't like the taste
Is easy & convenient to prepare	Not familiar
Consistent quality standards	Don't know how to cook it
Part of healthy diet for kids	
Most superior	

Source: MLA Global Consumer Tracker US, 2016 and 2017

- Lamb consumption patterns varied across the eight cities surveyed by MLA's global consumer research, with San Francisco, Florida, New York City and Los Angeles having above average consumption – see chart below.
- Australia has started to close the gap and has increased consumer awareness and frequency of consumption compared to both American and New Zealand lamb.

Past month Australian lamb consumption

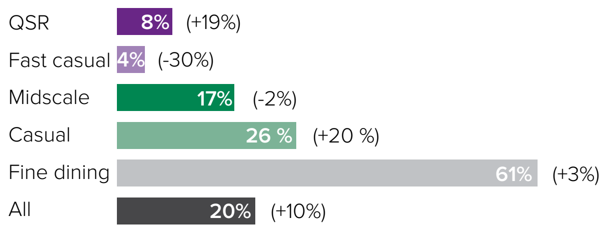


Source: MLA Global Consumer Tracker US, 2017

Foodservice

- Of all segments within the US foodservice sector, lamb is most prevalent in fine dining restaurants. However, strong growth is now occurring in other segments such as quick service restaurants, family and casual dining. Growth in these segments has been driven by changing demographics and the shift in demand for more convenient and affordable lamb options such as lamb burgers, meatballs and kebabs.
- It is estimated that 60% of total Australian lamb imports are consumed in the foodservice channel.

Casual and quick service restaurant (QSR) operators are increasingly menuing lamb



(Bracket percentage) = 4 year % change 2016 vs. 2012

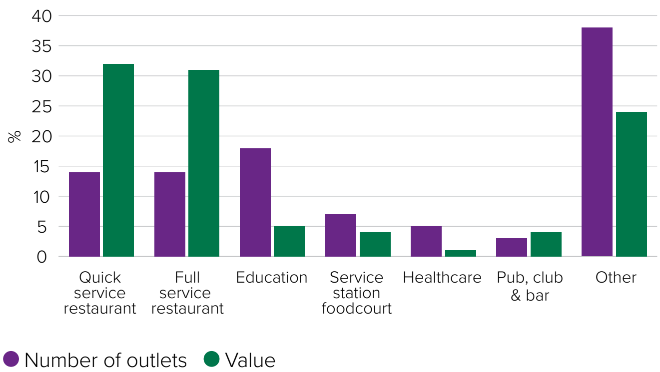
Source: Dataessential, beef and lamb menu analysis, 2017

- Another interesting growth area is the non-commercial long-term health care segment, which saw 14% penetration of lamb in the area in 2016 reflecting an older, more affluent demographic demand for natural, healthy and interesting protein options, such as lamb *(Source: Datassential menu monitor, 2017)*.
- The penetration of lamb on US restaurant menus has grown steadily over the years and overall, there has been a 3% increase in the past four years. Lamb was featured in an average of four menu items in 2017.

> Lamb is one of the fastest growing burger proteins. Lamb burger menu penetration is still relatively small, but there has been triple digit growth on restaurant menus. *(Source: DataEssential, Menu Matters beef and lamb 2017)*

- The US foodservice segment is set to continue growing in coming years, with transactions and consumer spending driving strong growth, as outlet numbers are forecast to stagnate, demonstrating the maturity of the US foodservice market *(Source: GlobalData, The future of foodservice to 2021)*.

Number of outlets and value by key foodservice channel (% of total)

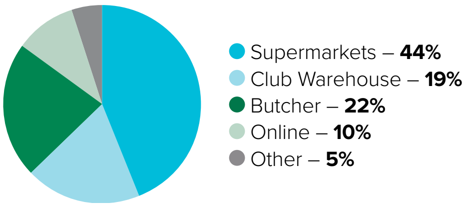


Source: GlobalData, 2017 estimate

Retail

- At the retail level, while supermarkets are still the main purchase channel for Australian lamb, butchers and club warehouses also have a significant share of lamb shoppers.

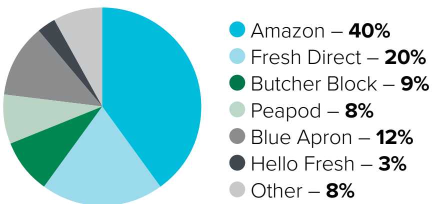
Where do shoppers buy Australian lamb?



Source: MLA Global Consumer Tracker US, 2018

- Stores such as Costco attract a younger, affluent consumer, who seeks more ethnically diverse cuisine and more exciting 'non-traditional' flavours, with lamb recognised as a viable option.
- Although there are significant barriers to purchasing meat online, it is growing rapidly. Purchasing of Australian lamb online this year has doubled, from 5% last year to 10% this year, with Amazon and Fresh Direct the leading destinations for online lamb puchases.

Most common online retailer for purchasing lamb



Source: MLA Global Consumer Tracker US, 2018

What things do consumers look for on lamb retail packs?

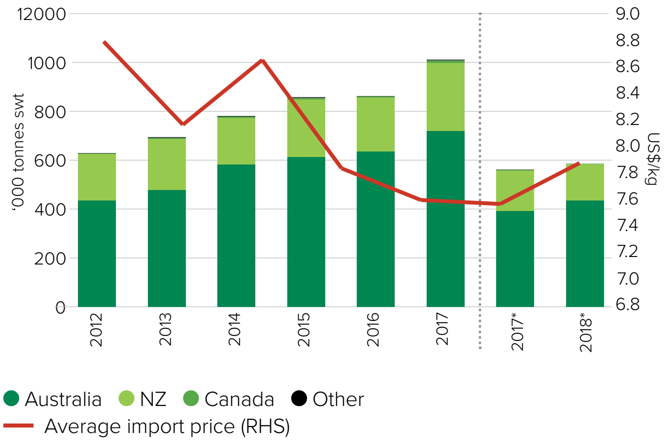
1	Freshness
2	Natural
3	Value
4	Quality/safety
5	Environmental
6	Origin
7	Nutritional

Source: MLA Global Consumer Tracker US, 2018

Other suppliers

- Imports make a significant contribution to the lamb and mutton supply in the US. In 2017, imports accounted for approximately 60–65% of total sheepmeat consumed in the US. *(MLA estimates based on Steiner, USDA and BMI).*

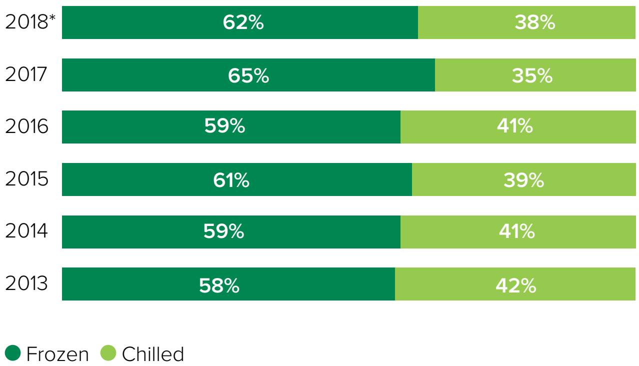
Sheepmeat imports by major supplier



Source: GTA
*Jan to Jun

- Australia is the major supplier of lamb in the US, followed by New Zealand. NZ sheepmeat imports to the US reached a peak in 2017, however it declined a little in the first half of 2018 compared to year ago, accounting for 25% of total imports.

% of chilled and frozen sheepmeat imports to the US



Source: GTA
*Jan-Jun

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States Free Trade Agreement (AUSFTA)	Australia to US – 0%	NZ has a tariff of US 0.7 cents per kg for lamb and US 2.8 cents per kg for mutton	Zero	Point of entry inspection, label approvals and port mark compliance

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

Australian sheepmeat exports to US – 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	**71,524**	**100**	**64,648**	**100**	**58,463**	**100**	**22**	**13,061**
Storage	Chilled	27,837	39	27,313	42	25,061	43	11	2,776
	Frozen	43,687	61	37,335	58	33,402	57	31	10,285
Meat type	Lamb	58,118	81	52,757	82	46,865	80	24	11,254
	Mutton	13,406	19	11,891	18	11,599	20	16	1,807
Storage/meat type	Chilled lamb	27,837	39	27,313	42	25,051	43	11	2,786
	Chilled mutton	0	0	0	0	10	0	-99	-10
	Frozen lamb	30,281	42	25,443	39	21,814	37	39	8,468
	Frozen mutton	13,406	19	11,891	18	11,588	20	16	1,818

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	**750,234**	**100**	**721,509**	**100**	**565,362**	**100**	**33**	**184,873**
Meat type	Lamb	650,206	87	619,202	86	493,632	87	32	156,575
	Mutton	100,028	13	102,308	14	71,730	13	39	28,298

Source: ABS/GTA

Australian lamb exports to US – 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
Carcase	17,579	30	17,450	33	13,756	29	28	3,823
Leg	15,754	27	14,802	28	13,783	29	14	1,971
Shoulder	6,569	11	5,033	10	4,982	11	32	1,587
Shank	5,861	10	5,275	10	4,399	9	33	1,462
Rack	5,445	9	4,352	8	4,372	9	25	1,073
Other	6,911	12	5,844	11	5,574	12	24	1,337
Total	**58,118**	**100**	**52,757**	**100**	**46,865**	**100**	**24**	**11,254**

Source: DAWR

Australian sheepmeat exports to Canada

Volume – in tonnes swt

		2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	in tonnes swt
Total		**9,829**	**100**	**7,425**	**100**	**7,049**	**100**	**39**	**2,780**
Storage/meat type	Chilled lamb	3,798	39	3,879	52	3,703	53	3	95
	Chilled mutton	1	0	0	0	0	0	100	1
	Frozen lamb	5,046	51	3,158	43	2,626	37	92	2,419
	Frozen mutton	984	10	388	5	719	10	37	264

Source: DAWR

Australian sheepmeat exports to Mexico

Volume – in tonnes swt

		2017–18	% out of total	2016–17	% out of total	5-year average	% out of total	%	in tonnes swt
Total		**2,897**	**100**	**0**	**100**	**3,860**	**100**	**-35**	**-1,355**
Storage/meat type	Chilled lamb	1	0	0	0	0	0	100	1
	Chilled mutton	0	0	696	0	0	0	0	0
	Frozen lamb	939	37	2,131	25	976	25	-4	-37
	Frozen mutton	1,565	62	2,990	75	2,731	75	-46	-1,319

Source: DAWR