MARKET SNAPSHOT | **BEEF**

MENA (Middle East & North Africa)

MEAT & LIVESTOCK AUSTRALIA

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

249.7 in 2017 | **264.7** in 2021

In million

Source: BMI Research, 2017 estimate & 2021 forecast

Households earning* >US$35,000/year

3.2 in 2017 | **6.0** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

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

Households earning* >US$55,000/year

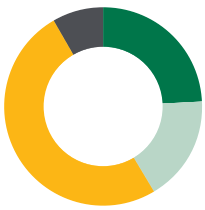
1.8 in 2017 | **3.1** in 2021

In million households

Source: BMI Research, 2017 estimate & 2021 forecast

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

Australian beef exports – volume



Total 29,220 tonnes swt

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

Australian beef exports – value

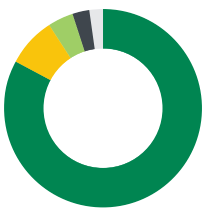
Total A$263.3 million

Source: ABS/GTA, MAT (Moving Annual Total) November 2016 to October 2017

Proportion of key cuts

Source: DAWR, CY 2017

Australian beef offal exports - volume



Total 6,982 tonnes swt

Source: DAWR, CY 2017

Meat consumption

In million tonnes cwt

Source: GIRA, 2016 estimate MENA-10.

* Sheepmeat figures include sheepmeat and goat

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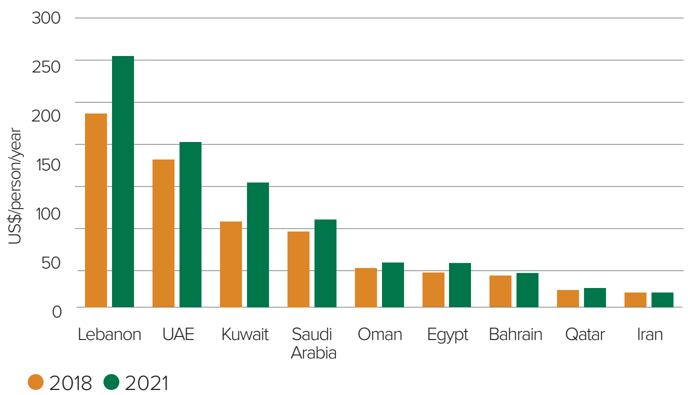
Consumers

- 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 2021 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 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	Jordan
Tastes delicious	Tastes delicious	My/my family's favourite
Convenient to buy	My/my family's favourite	Tastes delicious
Fresh	Easy to prepare	Fresh
Consistent quality	Highly nutritious	Convenient to buy
Easy to prepare	Can use in different meals	Easy to prepare

What associations do MENA consumers have to beef?

UAE	Saudi Arabia	Jordan
Animal is well-cared for	Can use in different meals	Fresh
Convenient to buy	Industry is sustainable	Can use in different meals
Can use in different meals	Fresh	Tastes delicious
Consistent quality	Consistent quality	Essential part of children's diet
Tastes delicious	Tastes delicious	Animal is well-cared for

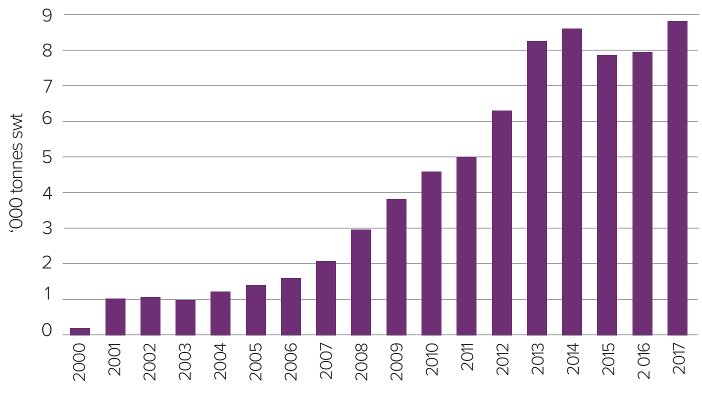
Source: MLA Global Consumer Tracker UAE, Saudi Arabia and Jordan, 2017

- After domestic beef, Australian beef generally has the second 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 is 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 in some of the Gulf countries.

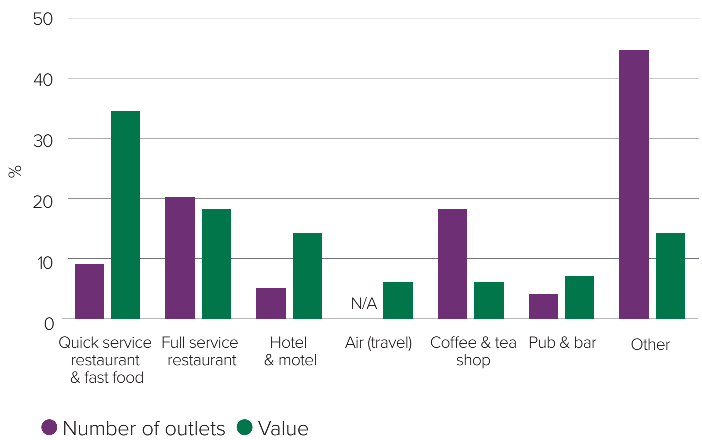
Australian chilled beef exports to UAE, Bahrain, Qatar, Kuwait, Oman (combined)



Source: DAWR

- 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, though both are expected to see equally strong value growth for 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 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 UAE). Religious tourism is the leading driver of the tourism sector in the Kingdom, recording over 18 million tourist arrivals in 2015, which has positive spin-offs for beef usage in the foodservice sector there *(Source: MasterCard)*.

UAE number of outlets and value by key foodservice channel (% out of total) – 2017

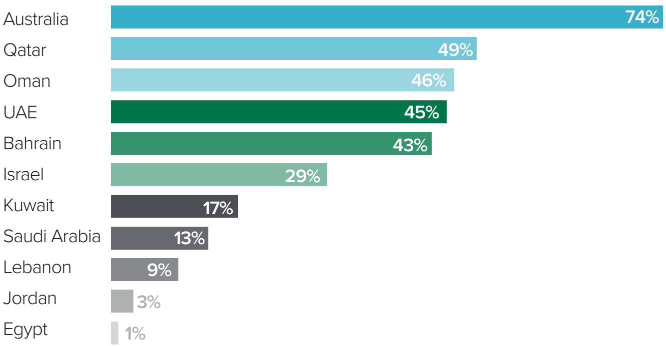


Source: GlobalData

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 as the market segment develops, representing a growing opportunity for Australian premium product.

Consolidated retail as a proportion of total grocery retail



Source: IGD. 2017 estimate. Share of major modernised grocery retail outlets.

- 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 from include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Panda and Danube (KSA).
- 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

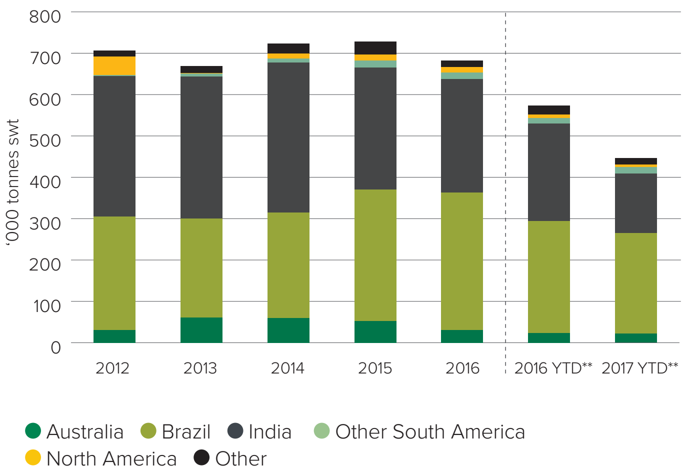
Source: MLA Global Tracker UAE, Saudi Arabia and Jordan, 2017

- 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 in 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 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 in the region are Egypt and Iran, followed by Saudi Arabia, UAE, Algeria and Israel *(Source: GTA)*.
- The bulk of beef imports to the MENA region 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 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 UAE, Saudi Arabia and Qatar.
- Smaller volumes are also supplied by the US (mostly to UAE, Kuwait and Qatar), South Africa (UAE, Kuwait and Jordan), New Zealand (UAE, Saudi Arabia and Qatar) and the EU (mostly to Egypt, UAE and Saudi Arabia).

Beef/veal exports to MENA* by supplier



Source: GTA, DAWR.
* MENA-10 **YTD Jan-Sep

Livestock exports

- In 2017, Turkey and Israel were Australia's key live feeder and slaughter cattle export destinations in the region, taking 36,555 and 27,797 head respectively for the 12 months to October. Turkey has seen some growth on the previous year, while Israel was down. Qatar, Kuwait and UAE took smaller numbers *(Source: DAWR)*.
- Australia also exported a small number of beef and dairy breeder live cattle to UAE and Kuwait, 358 and 255 head respectively, in the past 12 months to October 2017 *(Source: DAWR)*.
- In 2016–17, Australia's key competitors in the MENA live cattle market were Brazil, Uruguay, Romania and Portugal (particularly in significant importing countries such as Turkey, Lebanon, Israel and Jordan) and to a smaller extent Ireland, Ukraine and Chile *(Source: GTA)*.

Market access overview

Gulf Cooperation Council (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 GCCAustralia FTA	**2017** 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	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**29,220**	**100**	**30,367**	**100**	**46,880**	**100**	**-38**	**-17,660**
Storage	Chilled	12,022	41	11,661	38	15,423	33	-22	-3,401
	Frozen	17,197	59	18,706	62	31,457	67	-45	-14,259
Meat type	Grassfed	21,761	74	24,224	80	38,835	83	-44	-17,074
	Grainfed	7,459	26	6,143	20	8,045	17	-7	-587
Storage/meat type	Chilled grassfed	7,012	24	7,207	24	10,497	22	-33	-3,485
	Chilled grainfed	5,010	17	4,454	15	4,927	11	2	84
	Frozen grassfed	14,749	50	17,016	56	28,338	60	-48	-13,589
	Frozen grainfed	2,449	8	1,689	6	3,119	7	-21	-670

Source: DAWR

Value – in A$ 000

		2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in A$ 000
	Total	**263,341***	**100**	**274,778**	**100**	**309,466**	**100**	**-15**	**-46,125**
Storage	Chilled	154,977*	59	157,969	57	151,674	49	2	3,303
	Frozen	108,364*	41	116,809	43	157,792	51	-31	-49,428

Source: ABS/GTA. 2017 = Moving Annual Total (MAT), November 2016 to October 2017.*

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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in tonnes swt
Manufacturing	2,363	25	3,235	29	8,819	40	-73	-6,456
Other*	1,320	14	2,121	19	1,512	7	-13	-192
Carcase	922	10	458	4	743	3	24	180
Other	5,002	52	5,457	48	10,822	49	-54	-5,821
Total	**9,607**	**100**	**11,271**	**100**	**21,896**	**100**	**-56**	**-12,289**

*Source: DAWR. *Other includes hamburger/minced (ground) beef, hamburger patty.*

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

	2017	% out of total	2016	% out of total	5-year average (2012-2016)	% out of total	%	in tonnes swt
Manufacturing	2,181	25	1,999	23	1,587	18	37	594
Topside/inside	1,592	18	1,638	19	1,918	22	-17	-326
Tenderloin	586	7	742	8	679	8	-14	-92
Other	4,251	49	4,373	50	4,422	51	-4	-170
Total	**8,611**	**100**	**8,753**	**100**	**8,606**	**100**	**0**	**5**

Source: DAWR