MARKET SNAPSHOT | BEEF & SHEEPMEAT

MENA

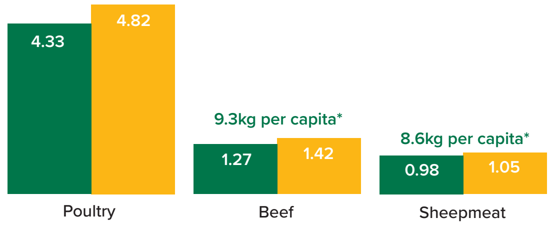
(Middle East & North Africa)

MENA* is a large, complex region with many varied consumer markets. Red meat demand in the region can be heavily impacted by factors such as oil price, political instability and conflict. However, some positive socio-economic trends – including a strong increase in the number of households earning disposable income over US$35,000/year and young, urbanised populations – provide numerous opportunities for premium imported red meat.

** Unless otherwise stated in this snapshot, MENA includes 10 countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE).*

Meat consumption

53.9kg per capita* total meat protein**



in million tonnes cwt

* 2019e per person per year in cwt ** Excluding fish/seafood

Source: Fitch Solutions, 2019 estimate and 2023 forecast

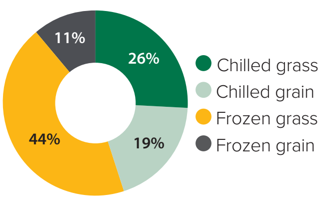
Population**	Households earning*** >US$35k/year	Households earning*** >US$50k/year	Households earning*** >US$75k/year
258.0 in 2019	**4.6** in 2019	**3.0** in 2019	**1.4** in 2019
273.1 in 2023	**7.5** in 2023	**6.1** in 2023	**2.5** in 2023
in million	in million households	in million households	in million households
Source: Fitch Solutions, 2019 estimate and 2023 forecast	*Source: Fitch Solutions, 2019 estimate and 2023 forecast*	*Source: Fitch Solutions, 2019 estimate and 2023 forecast*	*Source: Fitch Solutions, 2019 estimate and 2023 forecast*

** MENA-10

*** Disposable income: earnings after taxes and social security charge – includes Bahrain, Iran, Jordan, Kuwait, Qatar, Saudi Arabia and UAE

MENA's importance for Australian beef exports has been growing, but volumes to the markets fluctuate by year. Saudi Arabia and the United Arab Emirates (UAE) are the major customers within the region.

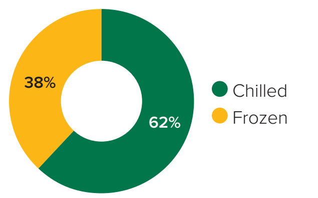
Australian beef exports – volume



Total 28,716 tonnes swt

Source: DAWR, 2018–19

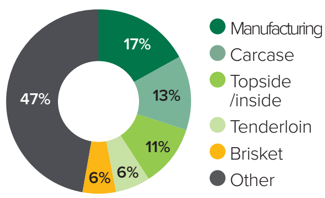
Australian beef exports – value



Total A$296.5 million

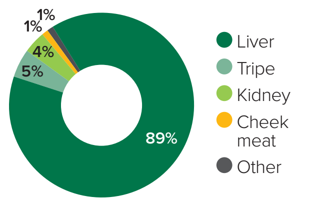
Source: ABS/IHS Markit, MAT (12 months ending May 2019)

Proportion of key cuts (beef)



Source: DAWR, 2018–19

Australian beef offal exports – volume

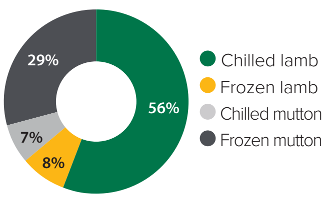


Total 11,680 tonnes swt

Source: IHS Markit, 2018–19

MENA has been a critically important market for Australian sheepmeat – accounting for almost a quarter of exports in 2018-19. The UAE is Australia's third largest sheepmeat destination.

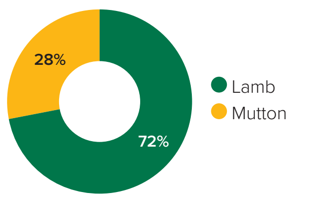
Australian sheepmeat exports – volume



Total 111,539 tonnes swt

Source: DAWR, 2018–19

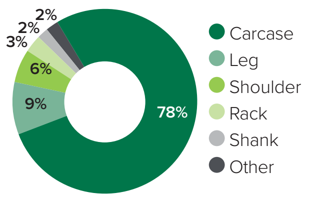
Australian sheepmeat exports – value



Total A$878.8 million

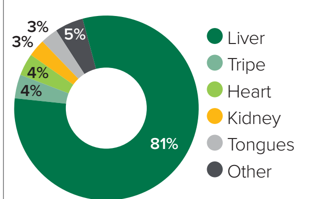
Source: ABS/IHS Markit, MAT (12 months ending May 2019)

Proportion of key cuts (lamb)



Source: DAWR, 2018–19

Australian sheep offal exports – volume



Total 10,770 tonnes swt

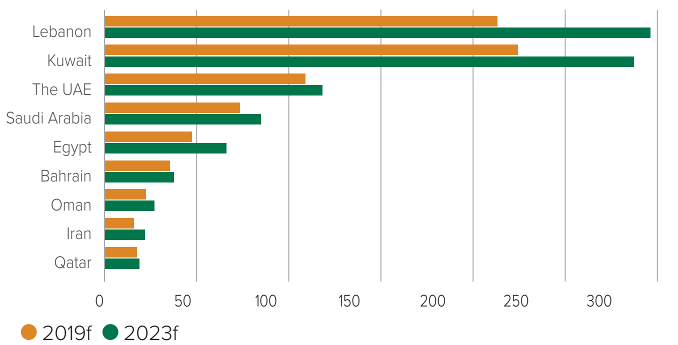
Source: IHS Markit, 2018–19

Beef

CONSUMERS

- In most MENA diets, beef is generally a secondary protein after chicken and fish, mainly due to the lower grade, ex-dairy industry beef product traditionally available locally. As such, beef has been known as a versatile but somewhat generic protein.
- MENA consumers have traditionally preferred leaner meat. However, consumption and spending on beef is forecast to increase across almost all MENA markets in the next several years as more affluent consumers come to appreciate the benefits of premium quality beef.
- Growing demand is driven by several factors, including increasing disposable incomes, ongoing urbanisation and westernisation, sizable wealthy expat populations and growth in the number of international tourist visitors.

Beef sales per capita (US$/person/year)



Source: Fitch Solutions. Based on annual household spending on beef for domestic consumption, all channels.

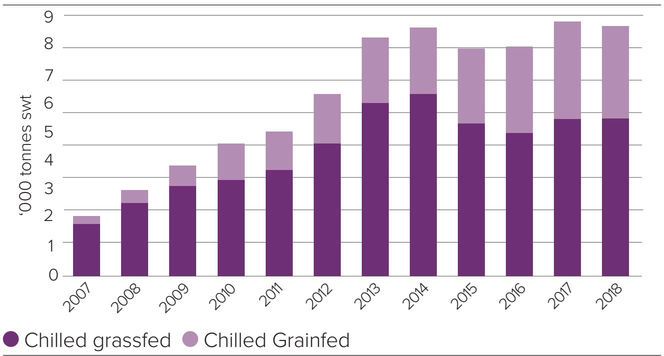
- After domestic beef, Australian beef generally has among the highest consumer awareness compared to other suppliers. While domestic product tends to rate highest on important attributes such as freshness, Halal-certified and safety, Australian beef is seen as offering advantages in other areas such as consistency of high quality standards, good taste, a variety of cuts to suit different cooking styles and high animal welfare standards.
- Across the region, cheaper beef cuts are used for stewing and slow cooking, as well as grilling of cubes in the form of kebabs. Mince is used in burgers, kofta/meatballs and as a filling for pastries.
- Grilling of prime cuts is gaining popularity, as western influences have started to appear in the meal repertoires of wealthier consumers.

Grilled beef kebabs, a popular regional beef dish

FOODSERVICE

- A significant proportion of Australian frozen grassfed beef exports to MENA 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.
- Dining out is an important part of social and business life in the region, where other leisure options are often more limited.
- As the western-style foodservice sector matures, quick service restaurants are being complemented by more casual style restaurants where consumers demand a higher quality beef product.
- Affluent locals enjoy a mix of cuisines when eating out, from local and other Middle Eastern cuisines, to Japanese, Chinese and western-style cuisines such as European and North American.

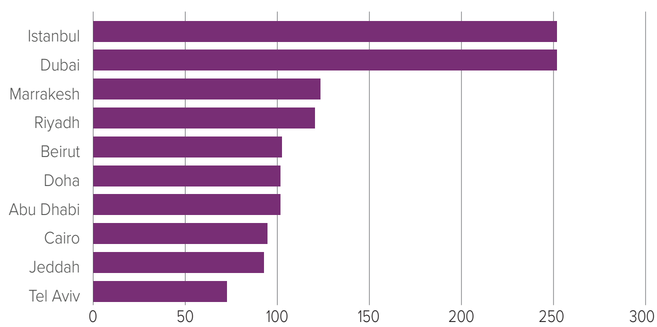
Australian chilled beef exports to the UAE, Bahrain, Qatar, Kuwait and Oman (combined)



Source: DAWR

- Australian exports of chilled and grainfed beef products, including loin cuts, have seen significant growth over the past decade, particularly to some of the Gulf countries with higher concentrations of western-style fine dining restaurants associated with five-star hotels and international tourism.

Number of 4 and 5-star hotels in the city (2020f)



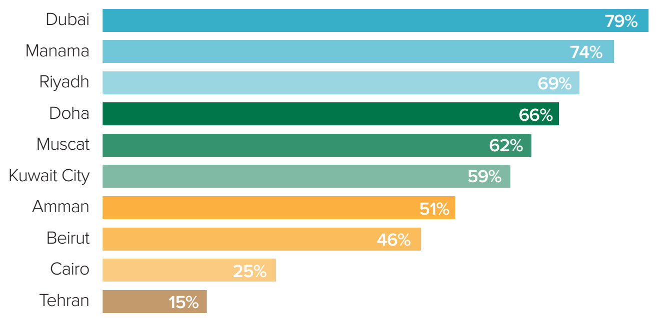
Source: MLA MENA Attractive Cities Study, 2018

- 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 further growth in demand for quality beef products in both the fine dining and fast casual sectors in the coming years.
- Home delivery food services have seen rapid growth, driven by young, affluent populations with high mobile broadband-connected smartphone penetration rates. In Dubai and Kuwait City, just over a third of consumers order meals for home delivery at least weekly, and around a quarter in Riyadh and Doha do so *(Source: MLA MENA Attractive Cities Study, 2018)*.

RETAIL

- The level of development of the retail sector varies significantly across the region and is generally higher in some of the wealthier Gulf markets. However, the sector is seeing significant development across the region with increasing urbanisation.
- Retail modernisation is typically accompanied by growth in the chilled market for red meat, representing a growing opportunity for premium Australian, branded and packaged beef product.

Penetration of hyper/supermarkets selected cities, 2020f



Source: MLA MENA Attractive Cities Study, 2018

- Key retailers in the region where consumers purchase Australian beef include Carrefour and Lulu (across the region), Spinneys and Choithrams (United Arab Emirates), Panda and Danube (Saudi Arabia).
- In many MENA countries, country of origin labelling is not mandatory. However, at high-end retail level, most meat products are labelled as wealthier consumers want to know where their meat comes from.
- With comparatively few market access restrictions in the region, consumers are usually presented with product from a large number of countries on retail shelves.

Top 5 beef choice motivators

	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

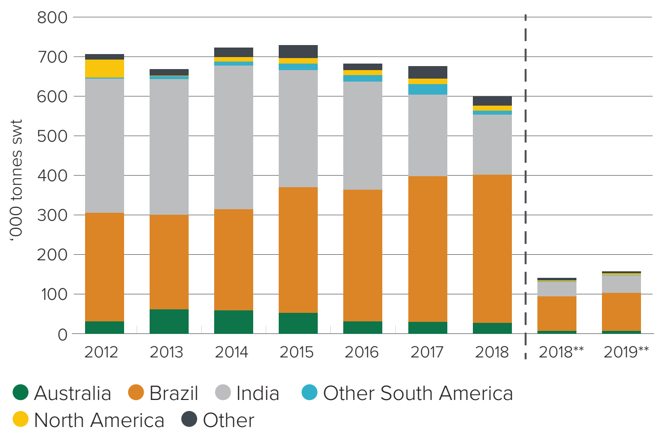
Source: MLA Global Tracker UAE, Saudi Arabia and Jordan, 2017

- The majority of beef used in home-cooking in the region is still commodity product. Beef steak will remain more a 'special occasion' rather than an 'everyday' product for most consumers for the forseeable future. However, many MENA consumers are learning about the benefits of premium beef and consumers who've had the opportunity to try premium Australian beef in the past year are particularly appreciative of its good taste, healthiness and high quality *(Source: MLA MENA Attractive Cities Study, 2018)*.

OTHER SUPPLIERS

- Beef import demand across the MENA region varies significantly, depending on domestic production and consumption habits. Overall, the main beef importers by volume are Egypt and Iran, followed by Saudi Arabia and the UAE *(Source: IHS Markit)*.
- In some Gulf 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 both live imports and local production, primarily from the domestic dairy industry *(Source: GIRA)*.
- The bulk of the region's beef imports come from Brazil and India, comprising mostly frozen bone-out and lean cuts of beef/buffalo meat.
- Australia is a key secondary source of beef by volume and a key supplier in the premium segment, along with some South American countries including Paraguay, Argentina and Uruguay, where quality beef has benefited from devalued currencies in the key markets of the UAE, Saudi Arabia and Qatar.
- Smaller volumes are supplied by the US (mostly to the UAE and Kuwait), South Africa (Kuwait, the UAE and Jordan), New Zealand (the UAE, Saudi Arabia and Oman) and the European Union (to Saudi Arabia, the UAE and Lebanon).

Beef/veal exports to MENA* by supplier



*Source: DAWR, IHS Markit. *MENA-10 countries **YTD Jan-Mar*

LIVESTOCK EXPORTS

- Israel has been Australia's key live feeder and slaughter cattle export destination in the region, taking 82,903 in the 12 months to May 2019. Turkey takes significant numbers periodically. Qatar, Kuwait and the UAE took smaller numbers *(Source: DAWR)*. In this same period, Australia also exported 1,744 breeder cattle to the UAE *(Source: DAWR)*.
- In 2018, Australia's key competitors in the MENA live cattle market were Uruguay, Brazil, Ukraine and Romania (particularly in significant importing countries such as Turkey, Egypt, Israel, Lebanon and Jordan) and to a lesser extent Ireland and the US *(Source: IHS Markit)*.

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	**2019 and 2020:** 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
No agreement	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

		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average %	change 2018–19 vs 5-year average in tonnes swt
	Total	**28,716**		**28,197**		**43,039**		**-33**	**-14,324**
Storage	Chilled	12,957	45	12,508	44	15,519	36	-17	-2,562
	Frozen	15,758	55	15,689	56	27,520	64	-43	-11,762
Meat type	Grassfed	19,949	69	20,247	72	34,604	80	-42	-14,655
	Grainfed	8,767	31	7,949	28	8,435	20	4	332
Storage/meat type	Chilled grassfed	7,407	26	7,462	26	10,354	24	-28	-2,947
	Chilled grainfed	5,550	19	5,045	18	5,165	12	7	385
	Frozen grassfed	12,542	44	12,785	45	24,250	56	-48	-11,708
	Frozen grainfed	3,216	11	2,904	10	3,270	8	-2	-53

*Source: DAWR.   *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the UAE.*

Value – in A$ 000

		2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in A$ 000
	Total	**296,513**		**263,159**		**323,564**		**-8**	**-27,051**
Storage	Chilled	182,465	62	159,986	61	167,161	52	9	15,304
	Frozen	114,048	38	103,172	39	156,403	48	-27	-42,355

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

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

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Carcase	2,435	22	685	8	700		248	1,734
Manufacturing	1,646	15	1,808	21	7,090	35	-77	-5,444
Brisket	1,054	10	770	9	500	2	111	554
Chuck & blade	820	7	761	9	699	3	17	121
Other	5,020	46	4,407	52	11,349	56	-56	-6,329
Total	**10,975**		**8,431**		**20,338**		**-46**	**-9,363**

Source: DAWR

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

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Manufacturing	2,080	24	2,670	29	1,863	21	12	217
Topside/inside	1,430	17	1,469	16	1,849	21	-23	-419
Carcase	690	8	705	8	679	8	2	11
Other	4,322	51	4,226	47	4,534	51	-5	-212
Total	**8,522**		**9,071**		**8,924**		**-5**	**-402**

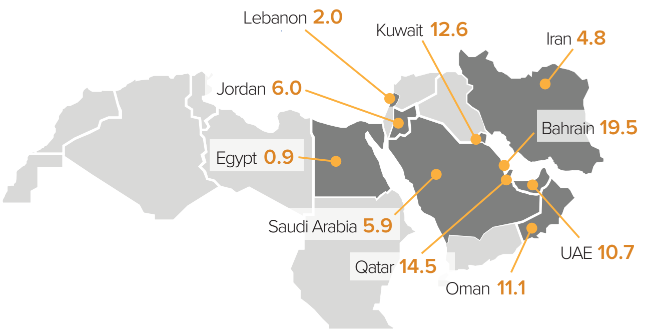
Source: DAWR

Sheepmeat

CONSUMERS

- Sheepmeat is an important protein in the MENA region, associated with important religious and family celebrations. While per capita consumption of sheepmeat is generally low compared to chicken and fish, consumption varies depending on domestic production and affordability.

MENA-10 countries, per capita sheepmeat consumption*



*Source: GIRA. 2018 forecast figures. *kg cwe/head/year.*

- There are significant markets in MENA for both mutton and lamb. While mutton has a lower price point than lamb, it's favoured in some sectors of some markets due to taste preference and cooking styles, for example in Oman, Saudi Arabia and Kuwait. Frozen mutton also goes into the lower tier catering sector in countries with significant numbers of migrant workers.
- While the majority of the sheepmeat market in MENA is commodity product in carcase form, premium lamb consumption and import demand are forecast to continue increasing in a number of markets, particularly Gulf countries, driven by trends like increasing disposable incomes, ongoing urbanisation and westernisation, young populations and large groups of wealthy expats.
- Compared to other proteins, lamb is considered a superior protein that is tender, delicious and nutritious. Its comparative high cost and perceived fattiness, however, are barriers to more frequent consumption.

Slow-cooked lamb shanks, a popular lamb dish in the region

- Australia has been a key sheepmeat supplier to MENA markets for over 50 years, building a strong, positive reputation. It's well-placed to meet the growing demand for higher value product. Consumers who have tried premium Australian lamb particularly appreciate its consistently high quality, good taste and healthiness.

FOODSERVICE

- Dining out is an important part of social and business life in the region, where other entertainment and leisure activity options are sometimes more limited. Along with some of the world's highest disposable income-earning consumers, affluent locals, particularly in the Gulf countries, more frequently enjoy premium dining experiences.

Affluent* local consumers' premium dining

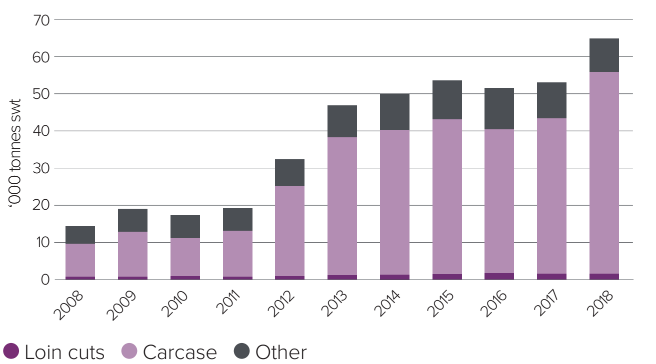
% Agree	Dubai	Doha	Riyadh	Kuwait City
"I enjoy indulging in more expensive food when I dine out"	81%	64%	73%	71%
*"I dine out at least weekly at top tier** restaurants"*	31%	42%	38%	49%

Source: MLA MENA Attractive Cities Study, 2018

** Affluent: living in households earning annual incomes over: Dubai (A$114,000), Riyadh (A$78,000), Doha (A$138,000), Kuwait City (A$138,000).*
***A$110/head equivalent..*

- While lamb is among the proteins of choice when dining at top tier restaurants, there are opportunities to further develop premium lamb offers in these establishments.
- In some markets, particularly those with fast-growing tourism sectors such as Dubai, Saudi Arabia and Qatar, demand for Australian high value chilled lamb cuts in the high-end foodservice sector is growing.

Australian chilled lamb exports to MENA*



*Source: DAWR. *MENA-10 countries, Loin cuts includes: Bone-in loin, boneless loin, loin, rack, shortloin.*

- The bulk of Australian frozen mutton exports, which are mainly carcase, leg and manufacturing, are mostly used in the lower-tier catering sector. This sector has grown along with infrastructure development in some Gulf countries and hence may see some contraction after the 2020 World Expo in Dubai and the FIFA World Cup in Doha in 2022.

RETAIL

- The modern retail sector is seeing significant development across the region, presenting growing opportunities for Australian premium, branded, packaged lamb products.
- In most MENA countries, the majority of Australian packaged lamb is purchased from hypermarkets and supermarkets, while a significant proportion of unpackaged product is sold through butchers. E-retail remains a small channel but has positive growth potential in the coming years for fresh produce, including meat.

Top 5 lamb choice motivators

UAE	Saudi Arabia	Jordan
100% all natural	100% all natural	Meat colour
Halal certification	Halal certification	Halal certification
Animal welfare credentials	Animal origin	No blood in pack
Quality grading	Animal welfare credentials	Country of origin
Safety certification	Quality grading	Antibiotic-free

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

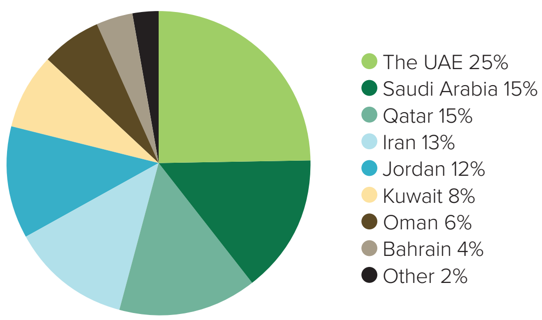
- Key retailers in the region where consumers purchase Australian sheepmeat include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Al Meera (Qatar), Sultan Centre (Kuwait), Panda, Al Othaim and Danube (Saudi Arabia).
- Regional home-cooking of sheepmeat dishes tends to involve slow-cook methods (roasting or stewing), followed by grilling or broiling. Pan-frying is less common but growing in popularity as a cooking method for prime cuts, particularly in some of the Gulf countries.

Syrian-spiced lamb chops, as promoted on MLA's MENA website www.lambandbeef.com.au

OTHER SUPPLIERS

- In 2018, the region's combined volume of boxed sheepmeat imports going through customs was over 186,000 tonnes shipped weight (swt), with the UAE taking the largest share.

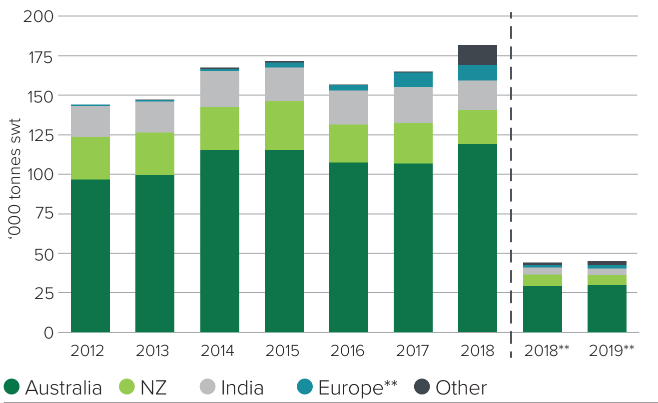
MENA* boxed sheepmeat importers by volume share, 2018



*Source: DAWR, IHS Markit   *MENA = includes 20 countries*

- Regional sheepmeat import demand is forecast to see continued growth in almost all markets in coming years as consumption demand grows at the same time that domestic production constraints mean limited domestic production expansion due to urbanisation, desertification and conflict *(Source: GIRA)*.
- Australia is the region's leading supplier but faces competition from New Zealand, India and increasingly some European countries.
- New Zealand exports significant volumes of both chilled and frozen lamb, particularly forequarter, mostly to Saudi Arabia and Jordan, and smaller volumes of mutton carcase to Oman.
- India supplies chilled and frozen mutton carcase and forequarter mostly to the UAE, with smaller volumes to Saudi Arabia, Qatar and Kuwait. In recent years, some European countries such as Romania, Georgia and Spain have become more significant suppliers, particularly to Jordan but also to the UAE, Oman and Kuwait.
- In 2018, Iran imported significant quantities of sheepmeat from Australia as well as from Russia and Georgia, followed by Armenia, Kazakhstan and Mongolia.

Sheepmeat exports to MENA* by supplier



Source: Source: DAWR, IHS Markit.
**MENA-10 Countries **Europe includes EU-27 and UK ***YTD Jan-Mar*

LIVESTOCK EXPORTS

- In the 12 months to May 2019, the MENA region continued to be Australia's top destination for live sheep exports, with just over 1 million head exported *(Source: DAWR, ABS)*. Key destinations were Qatar, Kuwait, Jordan and Turkey, followed by Israel, Oman and the UAE.
- Australia's key competitors in the live sheep market are Somalia, Sudan, India, Jordan and Romania, with other emerging nations such as Georgia, Spain, Hungary, France and Portugal *(Source: IHS Markit)*.
- Live sheep imports to MENA countries tend to be seasonal, depending on the timing of religious celebrations.

Market access overview

Gulf Cooperation Council (GCC) member countries: Kuwait, Oman, the UAE, Qatar, Saudi Arabia, Bahrain

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement yet but Australia is negotiating one	0% for chilled meat and carcases, 5% for frozen 2.5% for chilled ovine offal, 5% for frozen	**NZ* and India** Same as Australia	Zero	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, quality inspections and phytosanitary standards

Non-GCC countries:

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement	Australia to: **Morocco and Turkey:** (30%) **Iran:** (variable depending on demand/supply situation) **Jordan:** (boneless chilled/frozen 12.5%)	**NZ* and India** Same as Australia	Quota restrictions in Tunisia and Palestine	Numerous barriers by country including shelf life, product labelling, coding, document legalisation, quality inspections and phytosanitary standards

Best access — Major challenges

*Source: MLA, * NZ-GCC FTA negotiation was concluded but yet to be ratified.*

Australian sheepmeat exports to MENA* – summary table

Volume – in tonnes swt

		2018–19	% out of total	2017–18	% out of total	5-year average (2013–14 to 2017–18)	% out of total	change 2018–19 vs 5-year average %	change 2018–19 vs 5-year average in tonnes swt
	Total	**111,539**		**113,213**		**110,430**		**1**	**1,108**
Storage	Chilled	70,606	63	68,725	61	58,208	53	21	12,399
	Frozen	40,932	37	44,488	39	52,223	47	-22	-11,290
Meat type	Lamb	71,830	64	71,284	63	64,661	59	11	7,169
	Mutton	39,709	36	41,929	37	45,769	41	-13	-6,060
Storage/meat type	Chilled lamb	62,953	56	62,319	55	53,916	49	17	9,037
	Chilled mutton	7,653	7	6,406	6	4,292	4	78	3,362
	Frozen lamb	8,877	8	8,965	8	10,745	10	-17	-1,868
	Frozen mutton	32,056	29	35,523	31	41,478	38	-23	-9,422

*Source: DAWR. *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the UAE.*

Value – in A$ 000

		2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in A$ 000
	Total	**878,812**		**785,375**		**666,100**		**32**	**212,712**
Meat type	Lamb	633,240	72	543,678	69	444,461	67	42	188,779
	Mutton	245,572	28	241,697	31	221,639	33	11	23,934

Source: ABS/IHS Markit, 2018-19 = MAT (12 months ending May 2019)

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

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Carcase	13,614	67	12,713	62	12,079	63	13	1,535
Leg	3,271	16	3,773	18	3,318	17	-1	-47
Other	3,517	17	3,928	19	3,896	20	-10	-379
Total	**20,402**		**20,415**		**19,293**		**6**	**1,109**

Australian lamb exports to Qatar – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Carcase	20,369	97	16,065	97	13,023	95	56	7,346
Leg	170	1	174	1	274	2	-38	-104
Other	468	2	275	2	381	3	23	87
Total	**21,008**		**16,515**		**13,679**		**54**	**7,329**

Australian lamb exports to Jordan – by major cut (in tonnes swt)

	2018–19	% out of total	2017–18	% out of total	5-year average	% out of total	%	in tonnes swt
Carcase	5,782	67	8,748	73	8,719	68	-34	-2,937
Shoulder	2,106	24	2,314	19	1,867	15	13	239
Other	749	9	996	8	2,282	18	-67	-1,533
Total	**8,637**		**12,058**		**12,867**		**-33**	**-4,230**

Source: DAWR