MEAT & LIVESTOCK AUSTRALIA

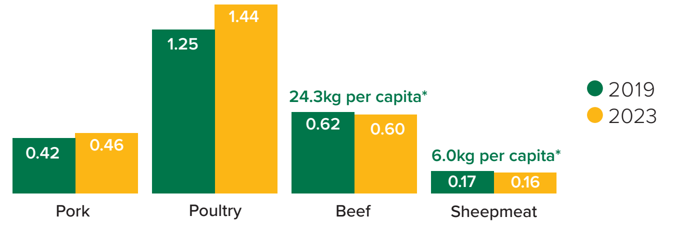
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Australia

The domestic market is the largest destination for Australian red meat; however, a changing demography and competitive pressures from other proteins remain strong. Targeted messaging on provenance, quality, environmental credentials and animal welfare – along with food integrity and transparency – provide opportunities to enhance consumer preferences for red meat and grow community trust.

Meat consumption

104.3kg 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), OECD Agriculture Statistics: OECD-FAO Agricultural Outlook (Edition 2018), GIRA, MLA calculations

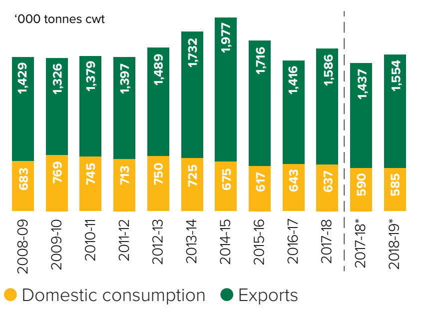
Population	Households earning* >US$35k/year	Households earning* >US$50k/year	Households earning* >US$75k/year
25.1 in 2019	**10.0** in 2019	**8.4** in 2019	**5.1** in 2019
26.3 in 2023	**10.9** in 2023	**9.5** in 2023	**6.3** in 2023
in million	in million households	in million households	in million households
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*

*Disposable income: earnings after taxes and social security charges.

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

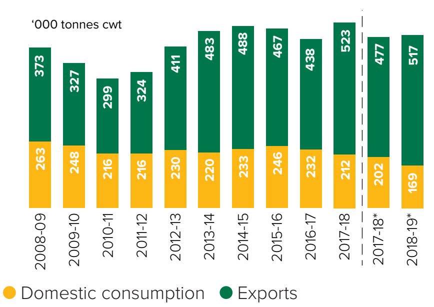
Australia is also the largest market for Australian sheepmeat, consuming about 35% of total production. Lamb occupies 95% of domestic distribution, while the majority of mutton produced is exported to overseas markets.

Beef domestic utilisation (share of produced volume)



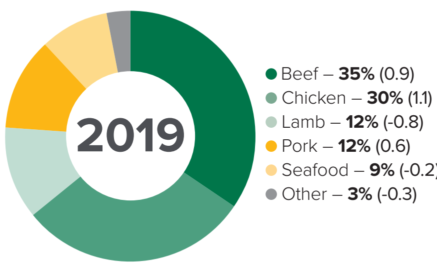
Source: DAWR, ABS, IHS Markit, MLA calculations
FYTD (July to May)

Sheepmeat domestic utilisation (share of produced volume)



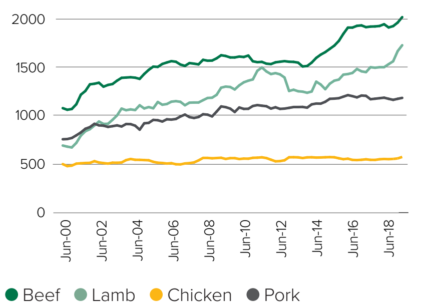
Source: DAWR, ABS, IHS Markit, MLA calculations
FYTD (July to May)

Retail fresh meat value share



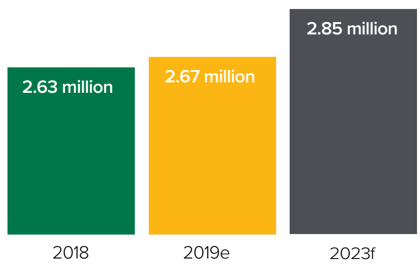
Source: Nielsen Homescan, MAT to 15/06/2019 (year-on-year change)

Australian retail meat price (¢/kg)



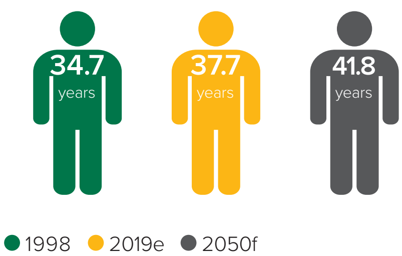
Source: ABARES, calculated using ABS data

Single person households



Source: Fitch Solutions

Median age in Australia



Source: Fitch Solutions

Beef

CONSUMERS

- Australian consumer demand for beef is impacted by many factors such as demographic shifts, income growth and changes in people's attitudes and beliefs towards food from family, friends and the media.
- Overall awareness of beef is high among Australians. Beef is the biggest animal protein type ranked by value and has also grown on year-ago levels. *(Source: MLA Global Consumer Tracker Australia, 2018, Nielsen Homescan).*

Protein image profiles

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

Source: MLA Global Tracker Australia, 2018
* Tick = Area of strength vs other proteins

- Beef's strengths are around its perception of being a 'trusted quality' product. It's also perceived as 'suitable for everyday meals' when compared to other proteins such as lamb, seafood and pork, but is behind chicken on this measure *(Source: MLA Global Consumer Tracker Australia, 2018).*
- There's an opportunity to increase beef's appeal by reinforcing quick, easy and convenient ways that it can be prepared for everyday healthy meals, especially when it comes to boosting consumers' confidence in preparing beef *(Source: MLA Global Consumer Tracker Australia, 2018).*
- When consumers are shopping for beef, the key information they look for on the pack relates to freshness, and then price, followed by elements such as 'naturalness' and quality grading or guarantee *(Source: MLA Global Consumer Tracker Australia, 2018).*

What things do consumers look for on pack/on shelf when buying beef?

✓ Price per kg	✓ Price per pack
✓ All natural	✓ Quality grading or guarantee
✓ Colour of meat	

Source: MLA Global Consumer Tracker Australia, 2018

Australia's increasingly diverse population

High levels of immigration are driving Australia's population growth and also leading to an increasingly diverse population. The most recent Australian Bureau of Statistics Census showed almost 30% of Australia's residents are now born overseas. From the top 10 countries with people migrating to Australia, five are Asian countries and only three are European. This is leading to foodservice and retailer operators looking at adjusting in-store/menu space that better targets these changing demographics.

FOODSERVICE

- Beef is the third largest fresh meat protein consumed through foodservice in value terms and has been growing steadily year-on-year *(Source: RIRDC/Fresh Agenda, Global Data).*
- The foodservice sector is a key channel for beef and sources approximately 28% of domestic beef and veal supply *(Source: RIRDC/Fresh Agenda).*
- The foodservice landscape is large and competitive, with around 87,000 places to eat out. It's highly fragmented, with many individual companies having a small market share.
- Australians spend 40% of food expenditure on 'eating out' and this percentage is growing. Many factors contribute to the choice to eat out or not – mostly occasion-based. Having children in the household indicates a higher level of convenient solutions like takeaways or delivery, which has contributed to the rise of quick service restaurants, supermarket meals-to-go and food delivery.
- Within foodservice, beef has a 12% value share in restaurants and pubs/bars in 2016. However beef's share is under threat from lower cost proteins such as chicken and pork.

Food delivery apps having an impact

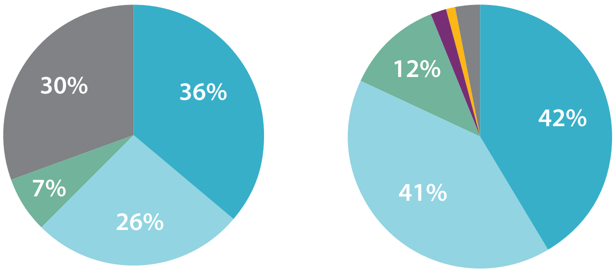
Food delivery apps have been a contributor to the growth in the foodservice sector and are establishing partnerships with the major quick service restaurants. This is driving two key trends – some restaurants are changing to cater to this delivery channel (specific menus and store format), while others are focusing on ensuring customers continue to come in for seated meals by offering unique dining experiences.

RETAIL

- Total fresh meat is the largest supermarket category (excluding liquor & tobacco) and plays a key role in driving store traffic and store loyalty *(Source: Nielsen Homescan)*.
- Beef had the highest share of retail sales of any meat in the last 12 months, with around a 34% share of fresh meat sales (by value) *(Source: Nielsen Homescan)*.
- Beef is a critical product for retailers, with the average grocery basket typically worth $35, it jumps to around $90 when the basket includes beef *(Source: Nielsen Homescan)*.

Grocery retail market shares and main supermarket of purchase – beef

Grocery retail market shares | *Main supermarket of purchase – beef*



Woolworths/Safeway – **36%**
Coles– **26%**
Aldi – **7%**
Other – **30%**

Woolworths/Safeway – **42%**
Coles– **41%**
Aldi – **12%**
IGA – **2%**
Costco – **1%**
Other – **3%**

Source: IGD 2019 | *Source: MLA's Global Tracker 2018*

- Retailers are responding to changing consumer needs and continue to seek category differentiation in the pursuit of sustainable growth and profitability. An example of this is the growth in premium products across the retail market. In red meat we are seeing more premium cuts and healthier options 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: Nielsen)*.
- The Australian grocery market is highly concentrated by global standards, with the two big retailers making up more than 60% of the market. Coles, Woolworths and IGA all have a broad and significant national footprint, with Aldi currently catching up through expansion into the western states and increasing store numbers on the east coast.
- 83% of fresh meat is sold in supermarkets, predominantly Woolworths and Coles with butchers making up the other 17%.

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

	Value share	$ per trip
Aus	100%	18.84
Aus supermarkets	83%	17.33
Aus non supermarkets	17%	32.53

Source: Nielsen Homescan 12 months to to April 2019

- **Woolworths**: Grocery sales are worth $47 billion in 2019 and are forecast to grow at 3.5% annually to 2023 *(Source: IGD)*.
- **Coles**: Grocery sales are worth $35 billion in 2019 and their growth rate is forecast to be 1.9% annually to 2023 *(Source: IGD)*.
- **IGA** (Metcash): Grocery sales are steady at $13 billion with a low annual growth rate of 0.3% expected out to 2023. *(Source: IGD)*.
- **Aldi**: Rapid expansion has continued, with the chain forecast to operate 757 stores nationwide by 2023. It experienced the largest growth out of the four major supermarkets with a 12% increase in sales year-on-year *(Source: IGD)*.
- **Costco**: Sales are expected to continue to grow by 9%. Costco plans to continue opening more new stores, increasing from its current 11 stores to 14 by 2023 *(Source: IGD)*.
- There's a 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. They have now achieved 3.2% penetration of Australian households *(Source: Nielsen)*.

The changing face of retail

The retail sector in Australia is expected to undergo some significant change in the near future, with the rapid increase in Woolworths and Coles sales through their online channels, Amazon Marketplace's launch and anticipated entry of new retailer Kaufland (operated by the world's fourth largest retailer, Germany's Schwarz Group). Emerging health trends and local sourcing are also two growing trends which are becoming more important to consumers.

Sheepmeat

CONSUMERS

- Lamb remains one of Australia's favourite proteins and has a unique role in the national diet of Australians, being one of the largest per capita consumers of lamb in the world *(Source: OECD)*.
- As awareness of lamb is high among Australians, the main opportunity sits with increasing frequency of purchase and demonstrating the value of lamb so people are happy to pay more, and thus keep consuming lamb. *(Source: MLA Global Consumer Tracker Australia, 2018)*.
- 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 *(Source: MLA Global Consumer Tracker Australia, 2018)*.
- When consumers are shopping for lamb, the key information they look for on-pack relates to freshness (meat colour and use-by date) and then price *(Source: MLA Global Consumer Tracker Australia, 2018)*.

What things do consumers look for on pack/on shelf when buying sheepmeat?

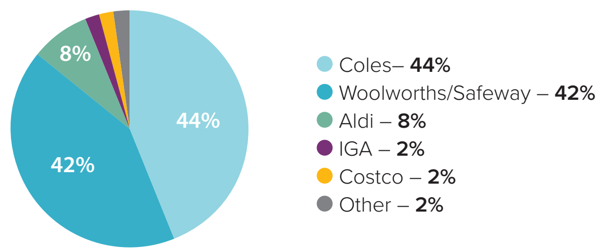
- ✓ All natural
- ✓ Colour of meat
- ✓ Price per kg
- ✓ Quality grading or guarantee
- ✓ Price per pack

Source: MLA Global Consumer Tracker Australia, 2018

RETAIL

- In retail, lamb has a similar market share to pork, with around 12% share of fresh meat sales (by value) in the last 12 months, behind beef and chicken *(Source: Nielsen Homescan)*.
- Lamb buyers are premium buyers to retailers with the average grocery basket value typically worth $35, it jumps to around $100 when the basket includes lamb *(Source: Nielsen Homescan 12 months to to April 2019)*.
- More than 85% of lamb is purchased via Coles and Woolworths, but other supermarkets (e.g. Costco) are growing both share and absolute sales *(source: Nielsen Homescan 12 months to to April 2019)*.
- Australia's consumption of lamb has come under pressure in the last year, as volatile supply and strong international demand combined to drive domestic prices into record territory.

Main supermarket of purchase – lamb



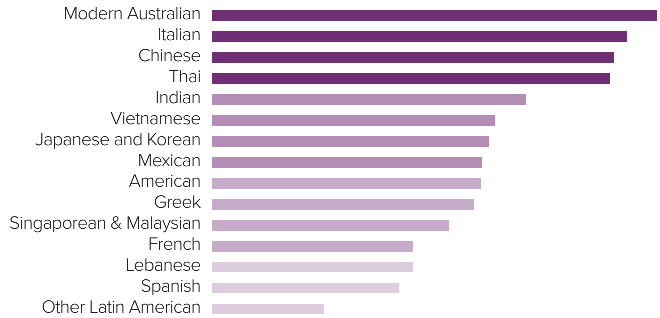
Source: MLA's Global Tracker 2018

- However, despite the high price, consumers continue to choose lamb and have increased their purchase volume per shopping trip, trading down with value cuts in retail.

FOODSERVICE

- Within foodservice, lamb is strong in the dining-out segment, which currently accounts for 60% of the foodservice lamb volume, with an opportunity to expand in the takeaway channel *(Source: RIRDC/Fresh Agenda)*.
- A key trend for lamb has been the emergence of fast casual outlets that have forced up expectations of consumers. This trend has created a race among traditional quick service restaurants operators to 'premiumise' their brands and offering – including the removal of additives and introduction of natural ingredients *(Source: GlobalData)*.
- Cuisines/food concepts are very diverse in Australia and lamb is regarded as a good protein source to fit most cuisines.
- There are also opportunities in new concepts – presenting lamb in non-traditional ways beyond roasts and premium grilling cuts – such as protein bowls, burritos and salads.

Cuisines/food concepts — popularity



Source: Eating Out in Australia 2017

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