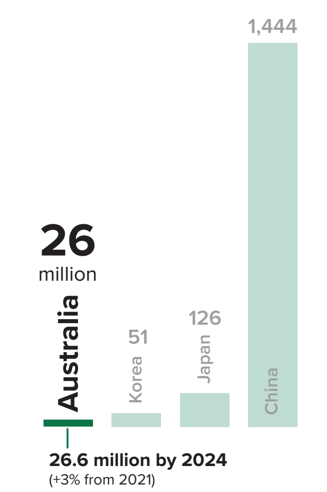
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Australia

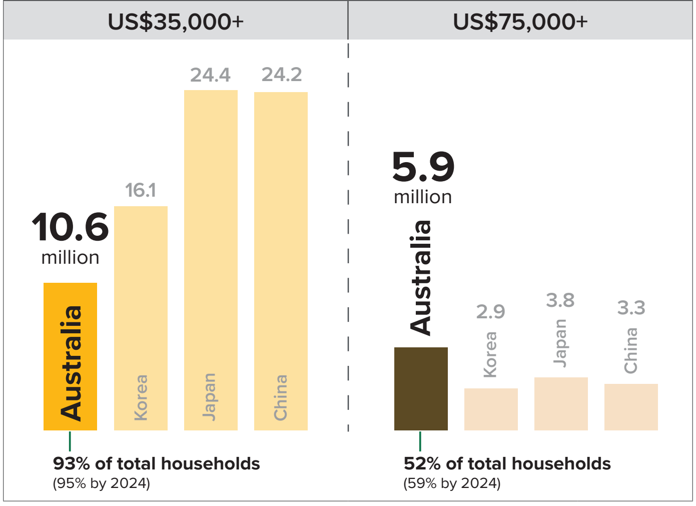
The domestic market is the largest destination for Australian red meat. Despite a small population, Australian consumers have comparatively high disposable incomes, allowing them to spend on premium food items that meet their needs and lifestyles.

While the Australian red meat market is dominated by home-grown products, 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.

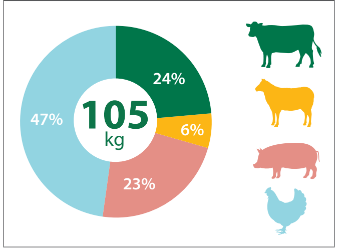
Population[1]



Household number by disposable income[2]



Meat consumption per capita[3]

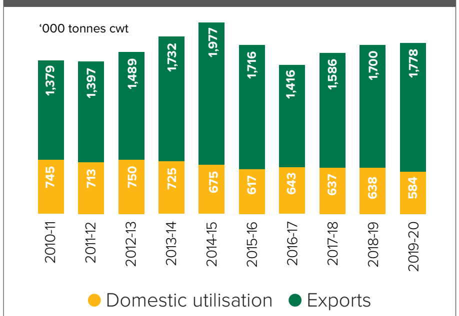


Grocery spend[4]

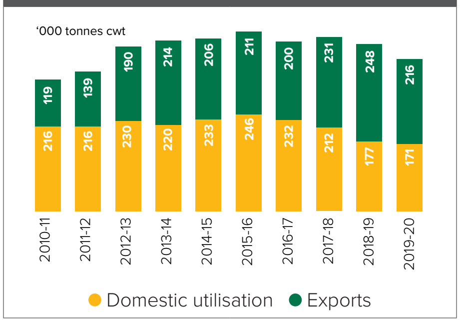
The Australian domestic market is the largest destination for Australian beef, consistently consuming almost 30% of total beef production volume.

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.

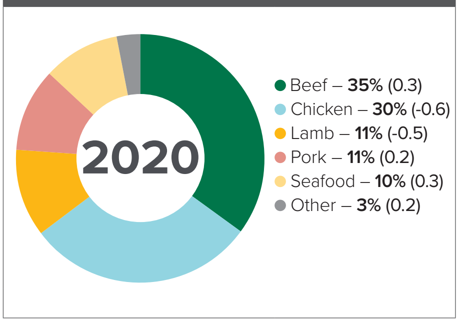
Beef domestic utilisation[5] (share of produced volume)



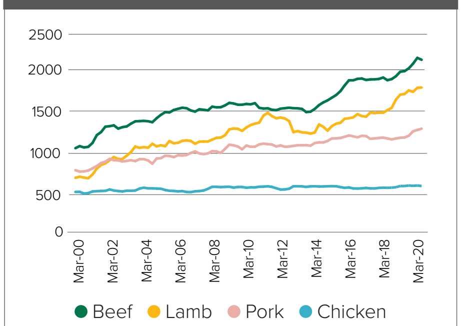
Sheepmeat domestic utilisation[6] (share of produced volume)



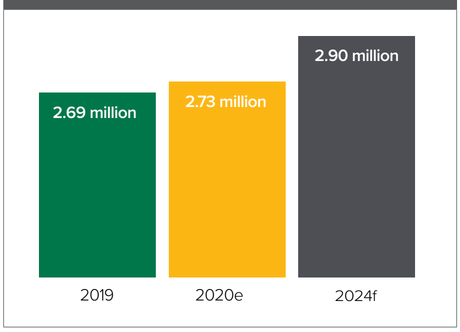
Retail fresh meat value share[7]



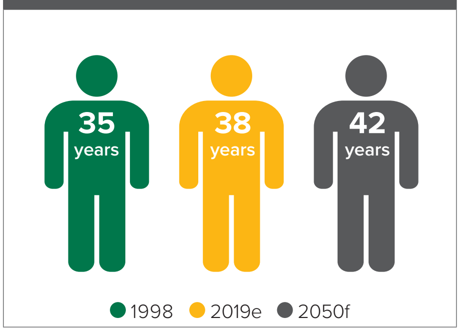
Australian retail meat price[8] (¢/kg)



Single person households[1]



Median age in Australia[1]



Data source for charts: [1]Fitch Solutions, [2]Fitch Solutions (Disposable income = earnings after taxes and social security charges), [3]Fitch Solutions, GIRA (per person per year in cwt excluding fish/seafood), [4]IGD, 2021f, (It is defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), [5]DAWE, ABS, IHS Markit, MLA calculations, [6]DAWE, ABS/IHS Markit, [7]Nielsen Homescan, MAT to 14/07/2020 (year-on-year change), [8]ABARES, calculated using ABS data

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 largest 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

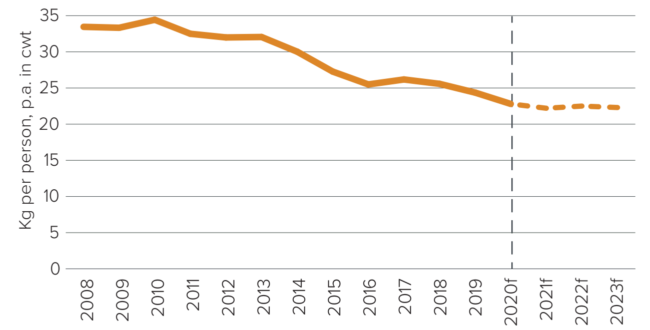
- Beef's strengths are around its perception of being a 'trusted quality' product and as 'the greatest meat'. It is also perceived as 'suitable for everyday meals' when compared to other proteins such as lamb, seafood and pork, but is behind chicken on this measure *(Source: MLA Global Consumer Tracker Australia, 2019).*
- There is 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, 2019).*
- 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).*
- While domestic consumption of beef has steadily declined over the past two decades, Australia remains ones of the world's largest consumers, with per capita consumption sitting well above the global average.

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 beef consumption per capita



Source:ABS, DAWE, IHS Markit, MLA calculations

Australia's increasingly diverse population

High levels of immigration are driving Australia's population growth and leading to an increasingly diverse population. The most recent Australian Bureau of Statistics Census showed around 30% of Australia's residents are now born overseas. This is leading to foodservice and retailer operators looking at adjusting in-store/menu space to better target these changing demographics. The COVID-19 outbreak has seen cost, health and 'easiness' rise in importance when consumers are selecting products *(Source: Global Data).*

FOODSERVICE

- Beef is one of the largest fresh meat proteins 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 as approximately 28% of domestic beef and veal supply is sold through this channel *(Source: RIRDC/Fresh Agenda).*
- The foodservice landscape is large and competitive, with around 87,000 places to eat out. It is 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 – most are occasion-based.
- The top three appealing factors for eating out are: convenience, variety and hard to recreate at home.
- Beef's share in foodservice is under threat from lower-cost proteins such as chicken and pork.
- The COVID-19 outbreak has had a great impact on the foodservice sector and brought uncertainties in the future. Delivery has became more important, however, it has not offset the loss of on-premises sales. It has been estimated that it will take at least a year to recover from the negative impact. Consumer needs for hygiene and value are out-weighing others like connectivity and shareability. It will take some time to reach a new balance.

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 and 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 35% share of fresh meat sales (by value) *(Source: Nielsen Homesan)*.
- Beef is a critical product for retailers, with the average grocery basket typically worth A$24. This jumps to around A$77 when the basket includes beef.

Grocery retail sales by channel

2020 2024 Growth % 2020–2024 (RHS)

Source: IGD, Growth % = Compound annual growth rate (CAGR) 2020–2024, IGD forecast

- 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. Red meat is 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)*. However, as a result of the COVID-19 outbreak, it is expected that the need for value options will increase, with some consumers experiencing ongoing financial concerns.
- The Australian grocery market is highly concentrated by global standards, with the two big retailers making up more than 60% of the market. However, during COVID-19, local channels have taken an increasing share from the big supermarkets as a result of a more convenient location, better product availability and the growing consumer trend of localism.
- 81% of fresh meat is sold in supermarkets, predominantly Woolworths and Coles, with butchers making up the other 19%. Butchers have gained a 2% share since the onset of the COVID-19 outbreak, which aligns with the localism trend.

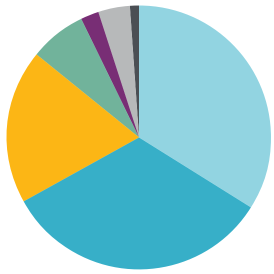
Place of fresh meat purchase by average customer spend and market share

	Value share	$ per trip
Australia	100%	20.3
Aust. supermarkets	81%	18.5
Aust. non supermarkets	19%	35.1

Source: Nielsen Homescan MAT Jun 2020

- **Woolworths (AU)**: Grocery sales were worth A$48 billion in 2019 and are forecast to be A$53 billion in 2022 *(Source: IGD)*.
- **Coles:** Grocery sales were worth A$35 billion in 2019 and are forecast to be A$38 billion in 2022. *(Source: IGD)*.
- **IGA (Metcash)**: Grocery sales are steady at $12.7 billion with an annual growth rate of 5% expected out to 2022 (*Source: IGD*).
- **Aldi (AU)**: Grocery sales were worth A$10 billion in 2019. Rapid expansion has continued, with the chain forecast to operate 645 stores and be worth A$13.6 billion in 2022 *(Source: IGD)*.
- **Costco**: Grocery sales were A$2.2 billion in 2019 and are forecast to be A$2.8 billion in 2022, with sales expected to continue to grow *(Source: IGD)*.

Main supermarket of purchase – beef and lamb



- Coles – **34%**
- Woolworths– **33%**
- Butcher – **19%**
- Aldi – **7%**
- IGA – **2%**
- Other – **4%**
- None of these – **1%**

Source: MLA's Global Tracker 2018

- 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. It has grown 1.5 times faster than total online growth and 10 times faster than total grocery growth in 2019 *(Source: Nielsen)*.

The changing face of retail

The retail sector in Australia is expected to undergo significant change in the near future, with the rapid increase in Woolworths and Coles sales through their online channels, and localism trends creating an opportunity for smaller retailers like local butchers. 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, who are some 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, 2019)*.
- 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, 2019)*.
- 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, 2019)*.

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

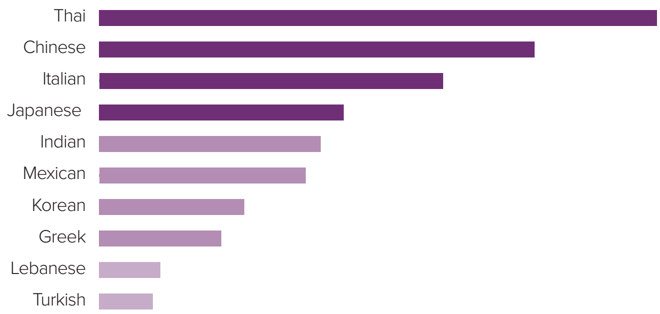
- ✓ All natural
- ✓ Colour of meat
- ✓ Price per kg
- ✓ Quality grading or guarantee
- ✓ Price per pack

Source: MLA Global Consumer Tracker Australia, 2018

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 the expectations of consumers. This trend has created a race among traditional quick service restaurant operators to 'premiumise' their brands and offering – including the removal of additives and introduction of natural ingredients *(Source: GlobalData)*.
- Cuisines and 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 for example, presenting lamb in non-traditional ways beyond roasts and premium grilling cuts, such as protein bowls, burritos and salads.

Top 10 most popular ethnic cuisines in Australia

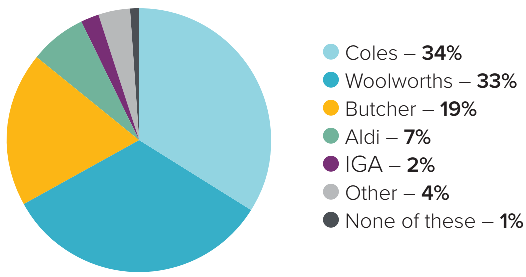


Source: "The Drop" – An analysis of Google Trends data by Chef's pencil Oct 2019 – the-drop.com.au/most-popular-ethnic-cuisine-in-australia

RETAIL

- In retail, lamb has a similar market share to pork, with around 11% share of fresh meat sales (by value) in the last 12 months, behind beef and chicken *(Source: Nielsen Homescan)*.
- Lamb buyers are premium buyers for retailers, with the average grocery basket value typically worth A$24. This jumps to around A$84 when the basket includes lamb *(Source: Nielsen Homescan 12 months to to June 2020)*.
- More than 80% of lamb is purchased at supermarkets, mainly from Woolworths and Coles.
- However, other supermarkets (e.g. Costco) and butchers are growing in both share and absolute sales *(source: Nielsen Homescan 12 months to June 2020)*.
- 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 – beef and lamb



Source: MLA's Global Tracker 2018

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