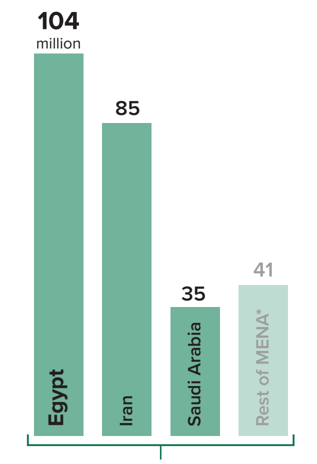
MARKET SNAPSHOT | BEEF & SHEEPMEAT

MENA
(Middle East & North Africa)

MENA* is a large, complex region with many varied consumer markets. Red meat demand is 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 affluent households and young, urbanised populations – provide numerous opportunities for premium imported red meat.

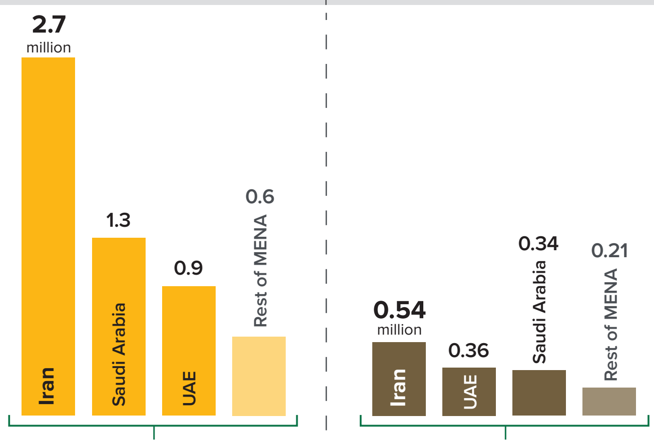
** Unless otherwise stated in this snapshot, MENA includes 10 countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia (KSA) and the United Arab Emirates (UAE).*

Population[1]



276.5 million by 2024
(+4% from 2021)

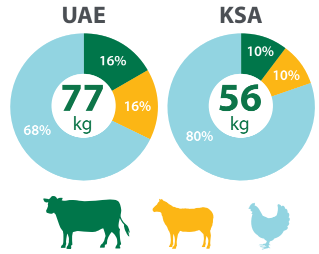
Household number by disposable income[2]



US$35,000+: **5.5 million in 2021**
8 million by 2024 (+45%)

US$75,000+: **1.5 million in 2021**
2.4 million by 2024 (+60%)

Meat consumption per capita[3]



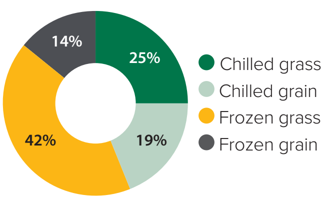
Grocery spend[4]

UAE: A$**3,963** per person/year

KSA: A$**2,624** per person/year

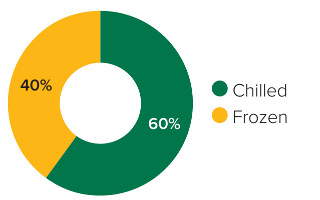
MENA's importance for Australian beef exports has been growing, but volumes to the markets fluctuate by year. Saudi Arabia (KSA) and the United Arab Emirates (UAE) are the major customers within the region.

Australian beef exports – volume[5]



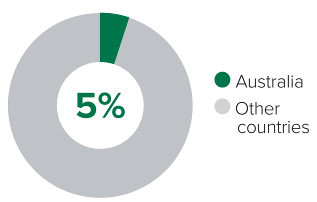
Total 27,616 tonnes swt

Australian beef exports – value[6]

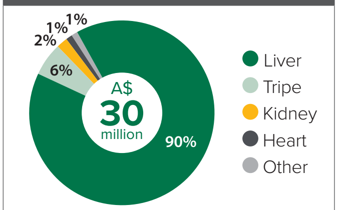


Total A$309 million

Australia's share of beef imports[7]



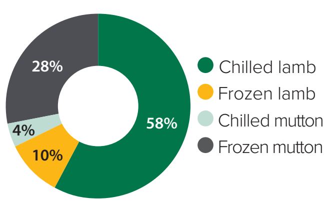
Australian beef offal cuts exports[5,6]



Total 13,665 tonnes swt

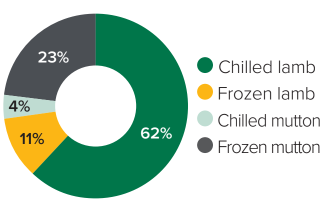
MENA has been a critically important market for Australian sheepmeat – accounting for almost a fifth of exports in 2019–20. The UAE is Australia's fourth largest sheepmeat destination.

Australian sheepmeat exports – volume[5]



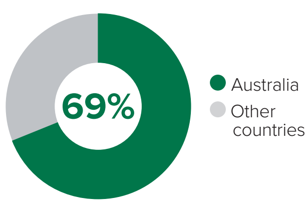
Total 83,363 tonnes swt

Australian sheepmeat exports – value[6]

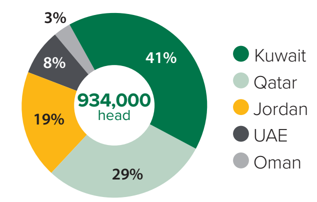


Total A$733 million

Australia's share of sheepmeat imports[7]



Australian live sheep exports[5,6]



Total A$137 million

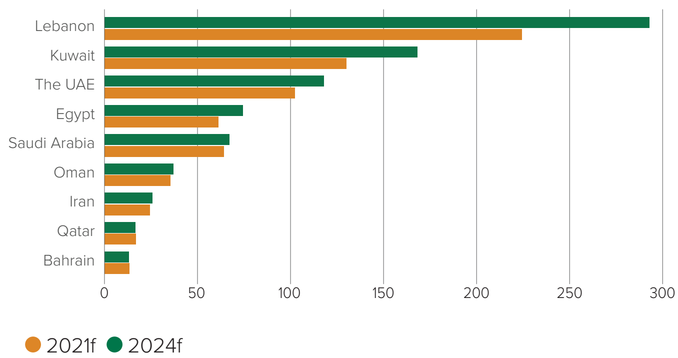
Data source for charts: [1]Fitch Solutions 2021, (Rest of MENA = Egypt, Bahrain, Iran, Jordan, Kuwait, Qatar, KSA, UAE), [2]Fitch Solutions 2021 (Disposable income = earnings after taxes and social security charges), (Rest of MENA = Egypt, Bahrain, Iran, Jordan, Kuwait, Qatar, KSA, UAE), [3]Fitch Solutions, Gira (per person per year in cwt excluding fish/seafood) 2020 and 2021, [4]IGD 2021 (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 (FY 2019–20), [6]ABS/IHS Markit (FY 2019–20), [7]IHS Markit (most recent 12 months due to data availability), supplier reported totals.

Beef

CONSUMERS

- In most MENA diets, beef is generally a secondary protein after chicken and fish. Consumers are able to choose from lower grade beef sources like local dairy by-product, to locally-slaughtered product from live imports, as well as boxed meat supplied by a diverse range of countries.
- 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. The region also has a comparatively young population – all MENA-10 countries except Kuwait have over half of their population aged under 35 years.
- 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, beef is 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, both at-home and out-of-home.

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



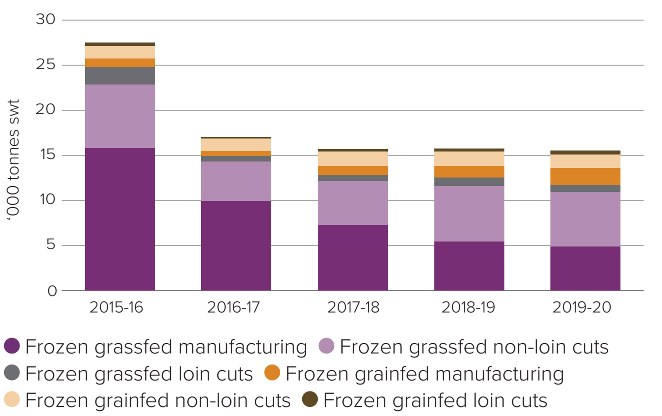
Source: Fitch Solutions. Based on annual household spending on beef for domestic consumption, all channels. (Data last reviewed July 2020)

Grilled beef kebabs, a popular regional beef dish

FOODSERVICE

- Dining out is an important part of social and business life in the region, where other leisure options can be more limited.
- A significant proportion of Australian beef exports to MENA are in the form of frozen manufacturing products such as trimmings, hamburger patties and ground beef, which are used in the fast food and casual dining sector. Higher value cuts are used in full-service restaurants, still often purchased in frozen format.
- A 'premiumisation' trend in exported frozen beef to the region is evident in the growing proportion of grainfed product and loin cuts. As the western-style foodservice sector grows and matures, quick service restaurants are being complemented by more casual-style restaurants and an expanding fine dining sector, increasing the demand for higher quality beef.

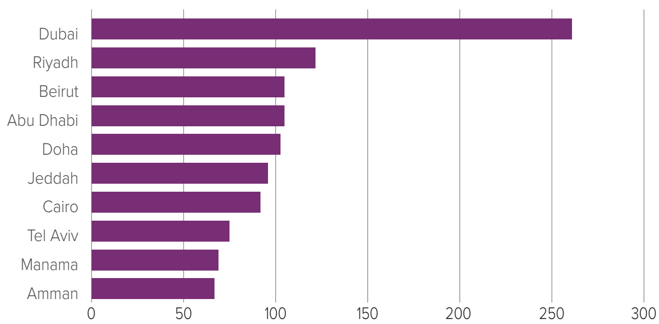
Australian frozen beef exports to MENA by category



Source: DAWE

- Affluent locals enjoy an increasing variety of cuisines when eating out, from local and other Middle Eastern cuisines, to Japanese, Chinese and western-style such as European and North American.

Number of 4 and 5-star hotels in the city (2021f)



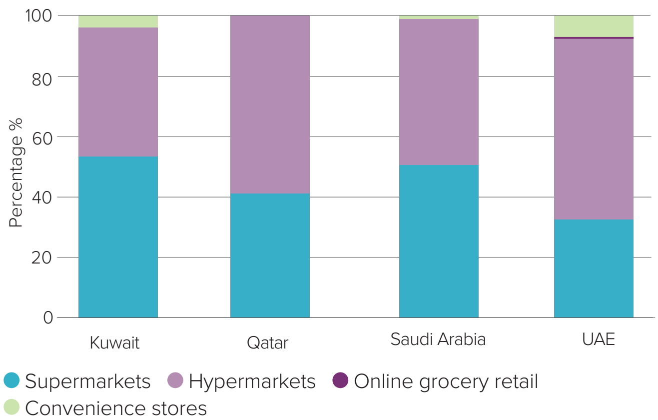
Source: MLA MENA Attractive Cities Study, 2018. Projection pre-dates COVID-19.

- Growth in home delivery food services has been accelerated by COVID-19, driven by younger and affluent urban populations with high mobile broadband connected smartphone penetration rates. Already in 2018, just over a third of consumers in Dubai and Kuwait City ordered meals for home delivery at least weekly, with around a quarter in Riyadh and Doha doing 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 the wealthier, more urbanised Gulf markets.
- Retail modernisation is typically accompanied by growth in the chilled market for red meat. Along with a preference for chilled product in retail, MENA markets present growing opportunities for premium Australian packaged and branded products.

Grocery retail sales by channel



Source: IGD 2020

- Among key retailers in the region where consumers purchase Australian beef are Carrefour and Lulu (across the region), Spinneys and Choithrams (the UAE) and Panda and Danube (Saudi Arabia).
- While country of origin labelling is generally not mandatory in the region, most beef products at modern retail are labelled, as many consumers wish to know where their meat comes from. With comparatively few market access restrictions, consumers are usually presented with product from a large number of countries on retail shelves.
- The majority of beef used in home-cooking in the region is still commodity product. While beef steak remains mostly a 'special occasion' rather than an 'everyday' product for most consumers, many are learning about the benefits of premium beef. Consumers who have tried premium Australian beef are particularly appreciative of its good taste, healthiness and high quality *(Source: MLA MENA Attractive Cities Study, 2018)*.

Strongest associations with Australian premium beef

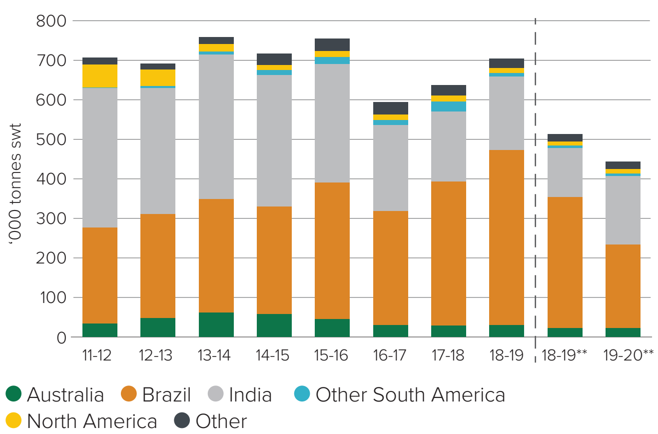
	The UAE	Saudi Arabia	Qatar
1	Nicely marbled	Well-cared for animals	Cheaper
2	Most superior beef	Consistent quality	Easy to buy
3	Usually tender	Guaranteed safe	Guaranteed safe
4	Well-cared for animals	More nutritious	Trusted Halal
5	Fresh	Offers suitable cuts	My family favourite

Source: MLA Global Tracker, the UAE, Saudi Arabia and Qatar, 2019

COMPETITIVE LANDSCAPE

- Beef import demand across the MENA region varies significantly depending on domestic production and consumption habits. Overall, the main boxed beef importers by volume are Egypt, the UAE, Saudi Arabia and Iran *(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. Australia is also a key supplier of frozen veal carcase to Saudi Arabia. South American countries, including Paraguay and Uruguay, have benefited from devalued currencies and grown exports, particularly to Kuwait and Lebanon.
- Smaller volumes are supplied to the region by South Africa, New Zealand and the European Union.

Beef/veal exports to MENA* by supplier



*Source: IHS Markit. Excludes offal. *MENA-10 countries **FYTD Jul-Mar*

LIVESTOCK EXPORTS

- Israel has been Australia's key live feeder cattle export destination in the region, taking just over 55,000 head in the 12 months to June 2020. Qatar and the UAE took a smaller number of mostly slaughter cattle, with a combined total of 5,308 head *(Source: DAWE)*.
- Australia's key competitors in the MENA live cattle market are Brazil and Uruguay, particularly in significant importing countries such as Turkey, Israel, Lebanon and Jordan *(Source: GIRA, MLA)*.

Market access overview

GCC member countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement, however, Australia is negotiating a GCC-Australia Free Trade Agreement (FTA)	**2020 and 2021:** 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, Brazil and NZ:** Same access as Australia		Numerous barriers by country including shelf life, product labelling, coding, document legalisation, phytosanitary standards and quality inspections

Best access — Major challenges

Source: DFAT, MLA.

Australian beef exports to MENA* – summary table

Volume – in tonnes swt

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
Total		**27,616**		**28,716**		**36,390**		**-24**	**-8,775**
Storage	Chilled	12,155	44	12,957	45	14,133	39	-14	-1,978
	Frozen	15,461	56	15,758	55	22,257	61	-31	-6,797
Meat type	Grassfed	18,683	68	19,949	69	28,373	78	-34	-9,691
	Grainfed	8,933	32	8,767	31	8,017	22	11	916
Storage/meat type	Chilled grassfed	7,042	25	7,407	26	8,895	24	-21	-1,853
	Chilled grainfed	5,113	19	5,550	19	5,238	14	-2	-125
	Frozen grassfed	11,641	42	12,542	44	19,478	54	-40	-7,837
	Frozen grainfed	3,820	14	3,216	11	2,779	8	37	1,041

*Source: DAWE. *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the United Arab Emirates.*

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total		**308,868**		**301,749**		**315,454**		**-2**	**-6,586**
Storage	Chilled	186,633	60	182,757	61	175,194	56	7	11,439
	Frozen	122,235	40	118,992	39	140,260	44	-13	-18,026

Source: ABS/IHS Markit

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Carcase	2,705	24	2,435	22	1,086	7	149	1,619
Manufacturing	1,770	16	1,646	15	4,427	28	-60	-2,656
Brisket	970	9	1,054	10	635	4	53	335
Topside/inside	671	6	491	4	1,909	12	-65	-1,237
Other	5,051	45	5,349	49	7,680	49	-34	-2,628
Total	**11,168**		**10,975**		**15,736**		**-29**	**-4,568**

Source: DAWE

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	1,905	23	2,080	24	2,169	24	-12	-263
Topside/inside	1,319	16	1,430	17	1,683	19	-22	-364
Carcase	846	10	690	8	700	8	21	146
Other	4,207	51	4,322	51	4,422	49	-5	-214
Total	**8,277**		**8,522**		**8,973**		**-8**	**-696**

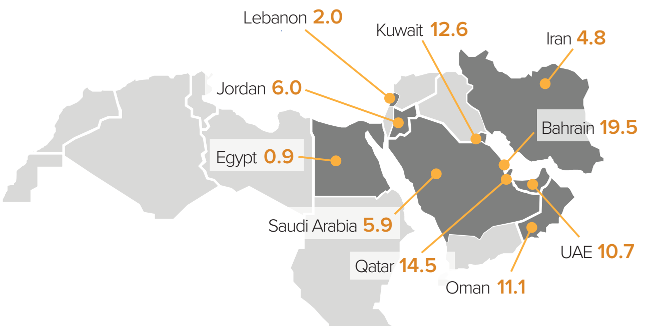
Source: DAWE

Sheepmeat

CONSUMERS

- Sheepmeat is an important protein in the MENA region, associated with religious occasions 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 countries, per capita sheepmeat consumption*



*Source: GIRA. 2020 forecast figures. MENA = MENA-10 countries. *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 is 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 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.

Grilled lamb kofta is a popular dish to order at restaurants

Australia has been a key sheepmeat supplier to MENA markets for over 50 years, building a strong, positive reputation; hence it is 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

- Over half of Australian sheepmeat exports to the MENA region are utilised in the foodservice sector. Dining out is an important part of social and business life in the region, where other entertainment and leisure activity options can be more limited. Along with some of the world's highest disposable income-earning consumers, affluent locals, particularly in the Gulf countries, frequently enjoy premium dining experiences.

Affluent* local consumers' premium dining

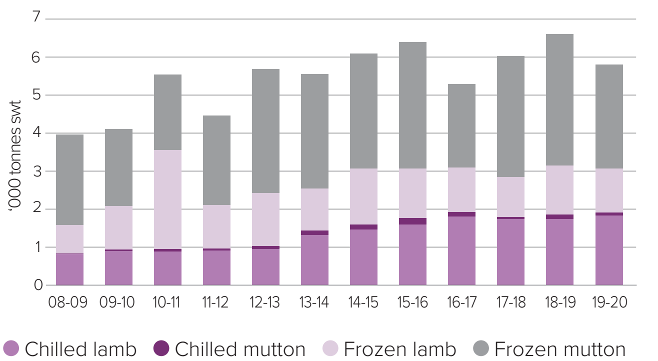
% Agree	Dubai	Doha	Riyadh	Kuwait City
"I enjoy indulging in more expensive food when I dine out"	81%	64%	73%	71%
*"I dine out at least weekly at top-tier** restaurants"*	31%	42%	38%	49%

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 loin cuts in the high-end foodservice sector has been growing.

Growth in loin cuts for foodservice*



*Source: DAWE. *Australian exports to MENA-10 countries, Loin cuts include: Backstrap, bone-in loin, boneless loin, loin, rack, shortloin.*

- The bulk of Australian frozen mutton exports particularly 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 but is seeing some contraction due to reduced migrant labour demand as well as strong competition for product from China.

RETAIL

- The modern retail sector is seeing significant development across the region, presenting growing opportunities for Australian premium, packaged and branded 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, typically in the form of chilled carcase, is sold through butchers. Fresh grocery e-retail has seen accelerated growth in 2020 as a result of COVID-19 lockdowns, with a number of operators specialising in meat.

Strongest associations with Australian premium lamb

The UAE	Saudi Arabia	Jordan
Consistent quality	More nutritious	Guaranteed safe
Well-cared for animals	Consistent quality	Well-cared for animals
Sustainable	Trusted Halal	Offers suitable cuts
Offers suitable cuts	Guaranteed safe	Consistent quality
Cheaper	Usually tender	Sustainable

Source: MLA Global Tracker, UAE, Saudi Arabia and Kuwait, 2019

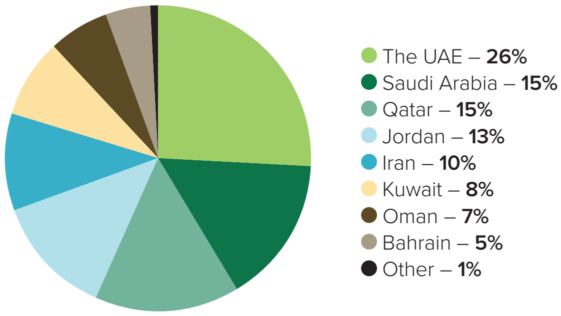
- Key retailers in the region where consumers purchase Australian sheepmeat include Carrefour and Lulu (across the region), Spinneys and Choithrams (UAE), Al Meera (Qatar), Sultan Center (Kuwait), Panda, Al Othaim and Danube (Saudi Arabia).
- Regional home cooking of sheepmeat dishes tends to involve 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 the Gulf countries.

Lamb shoulder is often boiled with aromatic spices, then roasted and served on rice

COMPETITIVE LANDSCAPE

- In 2019, the region's combined volume of boxed sheepmeat imports going through customs was over 153,000 tonnes shipped weight (swt).

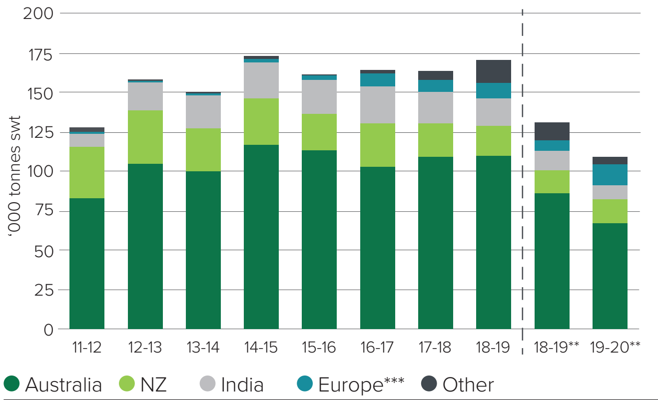
MENA* boxed sheepmeat importers by volume share, 2019



*Source: IHS Markit *MENA = includes MENA-10 countries*

- Total sheepmeat imports into the region were 16% lower in 2019 on 2018, mainly driven by mutton due to competition from China and weaker demand from the lower-end catering sector. Regional sheepmeat import demand is forecast to remain flat for the next two years but improve thereafter, driven by population, income and tourism sector growth *(Source: GIRA)*.
- Australia is the region's leading supplier, representing around 63% of imports in 2019, 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 and smaller volumes to Kuwait, Qatar and Saudi Arabia. In recent years, some European countries such as Romania, Georgia and Spain have become more significant suppliers to the region, particularly to Jordan and Oman.

Sheepmeat exports to MENA* by supplier



Source: Source: IHS Markit.
**MENA-10 Countries **FYTD Jul-Mar ***Europe includes EU-27 and UK*

LIVESTOCK EXPORTS

- In the MENA region, total live sheep imports from all exporting countries are larger in volume than boxed sheepmeat imports *(Source: GIRA)*. In the 12 months to June 2020, the MENA region continued to be Australia's top destination for live sheep exports, with just under one million head exported and valued at over A$137 million *(Source: ABS)*. Key export destinations are Kuwait, Qatar and Jordan, followed by the UAE, Oman and Israel.
- As a result of recent regulatory reforms, live sheep exports are prohibited from departing Australia between early May to late September, with specific dates depending on the port of arrival.
- As importers diversify their livestock sources, Australia is facing increased competition from South Africa and Romania. Live sheep are also supplied by a number of other countries, including Somalia, Sudan and India, and European countries such as Georgia, Spain, Hungary, France and Portugal *(Source: IHS Markit)*.

Market access overview

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

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
No agreement. Australia is negotiating an FTA with GCC.	**2020 and 2021:** 0% for chilled meat and carcases, 5% for frozen 2.5% for chilled ovine offal, 5% for frozen	**NZ* and India:** Same access 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 access as Australia		Numerous barriers by country including shelf life, product labelling, coding, document legalisation, quality inspections and phytosanitary standards

Best access — Major challenges

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

Australian sheepmeat exports to MENA* – summary table

Volume – in tonnes swt

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**83,363**		**111,539**		**112,187**		**-26**	**-28,824**
Storage	Chilled	51,982	62	70,606	63	62,144	56	-16	-10,162
	Frozen	31,381	38	40,932	37	50,043	45	-37	-18,662
Meat type	Lamb	56,634	68	71,830	64	67,129	60	-16	-10,494
	Mutton	26,729	32	39,709	36	45,059	40	-41	-18,330
Storage/meat type	Chilled lamb	48,261	58	62,953	56	56,607	50	-15	-8,346
	Chilled mutton	3,721	4	7,653	7	5,537	5	-33	-1,816
	Frozen lamb	8,373	10	8,877	8	10,522	9	-20	-2,149
	Frozen mutton	23,008	28	32,056	29	39,522	35	-42	-16,514

*Source: DAWE. *Includes Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the United Arab Emirates.*

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
	Total	**733,057**		**855,473**		**730,039**		**0**	**3,018**
Meat type	Lamb	533,483	73	618,723	72	495,546	68	8	37,936
	Mutton	199,574	27	236,750	28	234,493	32	-15	-34,919

Source: ABS/IHS Markit

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Carcase	11,911	64	13,614	67	12,762	64	-7	-851
Leg	3,230	17	3,271	16	3,423	17	-6	-194
Other	3,483	19	3,517	17	3,888	19	-10	-405
Total	**18,624**		**20,402**		**20,073**		**-7**	**-1,450**

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Carcase	18,950	98	20,369	97	15,578	96	22	3,373
Leg	175	1	170	1	241	1	-28	-67
Other	264	1	468	2	396	2	-33	-132
Total	**19,389**		**21,008**		**16,215**		**20**	**3,173**

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

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Carcase	4,674	54	5,782	67	8,242	68	-43	-3,568
Shoulder	2,434	28	2,106	24	1,988	16	22	446
Other	1,489	17	749	9	1,963	16	-24	-474
Total	**8,597**		**8,637**		**12,193**		**-29**	**-3,596**

Source: DAWE