MARKET SNAPSHOT | BEEF & SHEEPMEAT

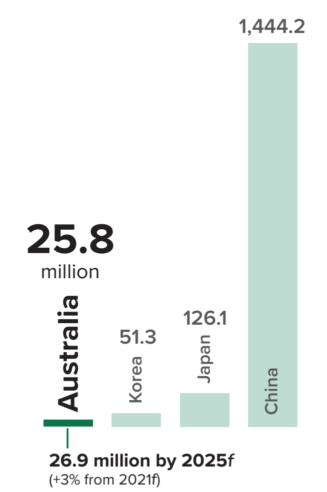
MEAT & LIVESTOCK AUSTRALIA

Australia

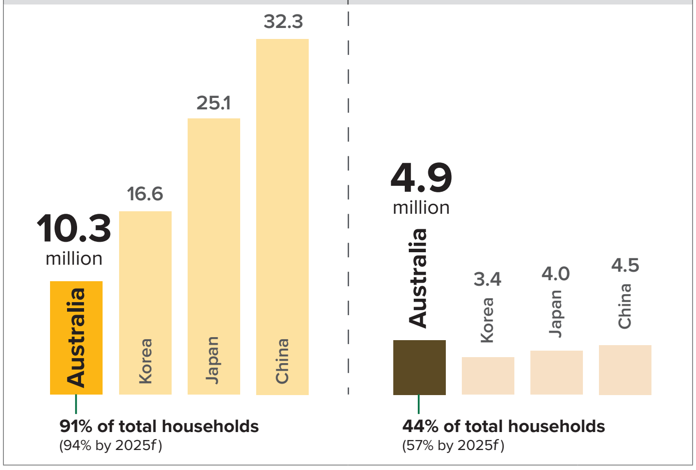
The domestic market is the largest destination for Australian red meat. Despite a small population, Australian consumers have comparatively high disposable incomes, allowing them to spend on premium food items that meet their needs and lifestyle.

While the Australian red meat market is dominated by home-grown products, a changing demography and competitive pressure 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 to grow community trust.

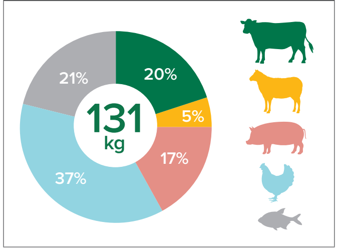
Population[1]



Household number by disposable income[2]



Meat consumption per capita[3]

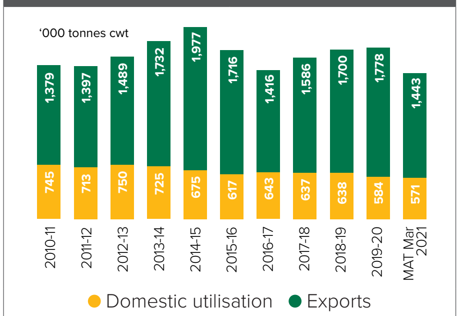


Annual grocery spend[4]

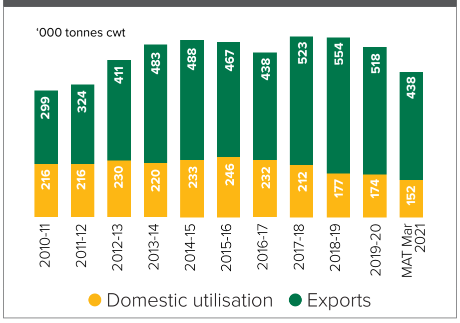
The Australian domestic market is the largest destination for Australian beef, consistently consuming almost 30% of total beef production volume.

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.

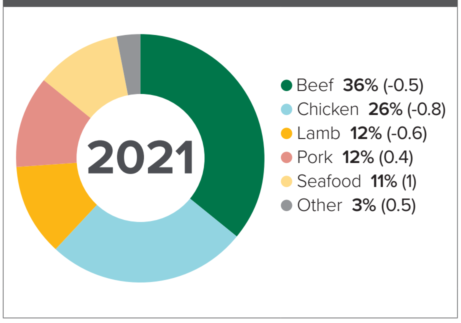
Beef domestic utilisation[5]
(share of produced volume)



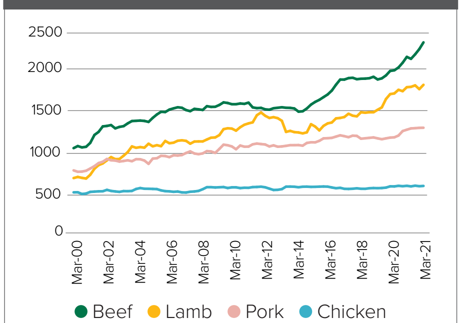
Sheepmeat domestic utilisation[6]
(share of produced volume)



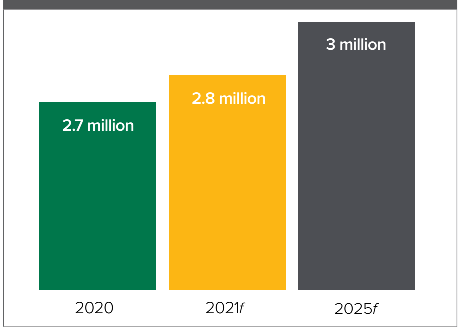
Retail fresh meat value share[7]
(year-on-year % change)



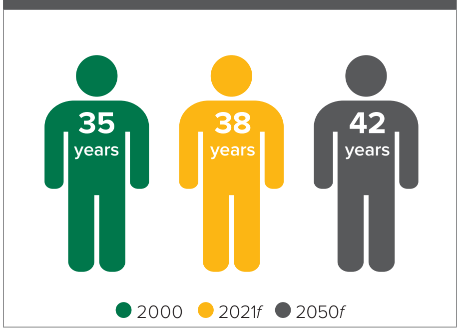
Australian retail meat price[8] (¢/kg)



Single person households[1]



Median age in Australia[1]



Data source for charts: [1]Fitch Solutions (2021), [2]Fitch Solutions (2021 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, (Total annual grocery retail market turnover. Grocery retail market data excludes VAT/sales tax), [5]DAWE, ABS, IHS Markit, MLA calculations, [6]DAWE, ABS, IHS Markit, MLA calculations, [7]NielsenIQ Homescan, MAT to 13/06/2021 (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, personal financial situations and changes in attitudes and beliefs towards food – influenced by family, friends and both social and mainstream media.
- The overall awareness and purchase rate of beef is high amongst Australians. It is the number one 'top of mind' protein type, more than twice that of chicken and four times that of pork *(Source: Kantar Brand Funnels report Q4 2020)*. Beef is the largest animal protein type ranked by value in retail outlets. In addition, compared to the pre-COVID-19 fiscal year of 2018–19, beef is the largest contributor to the growth in absolute value of total fresh meat over the last two years *(MAT to Jun 2021 vs. MAT to Jun 2019; Source: NielsenIQ Homescan Jun 2021)*.

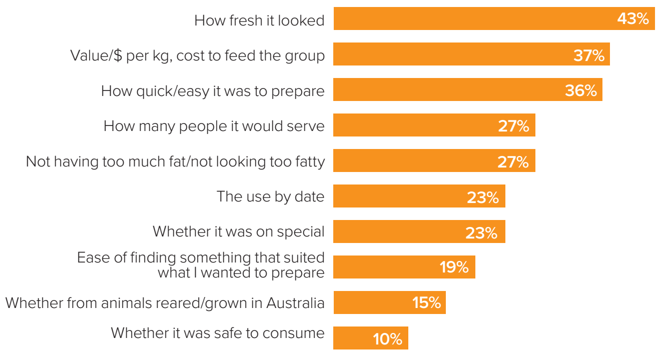
Protein image profiles

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

Source: MLA Domestic Consumer Tracker Australia, 2020. * Tick = Area of strength vs other proteins

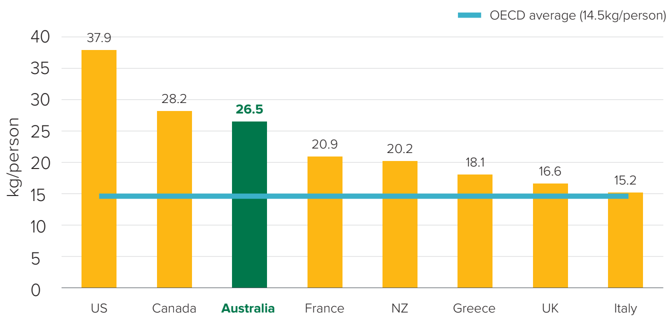
- Beef's strengths are around its perception of being a 'trusted quality' product and as 'the greatest meat'. It is also perceived as a better proposition for 'suitable for everyday meals' when compared to other proteins such as lamb, seafood and pork, but is behind chicken on this measure *(Source: MLA Domestic Consumer Tracker Australia, 2020)*.
- Since 2020 cooking at home has increased, related to new living and working arrangements as a result of the COVID-19 pandemic. This presents an opportunity to increase the appeal of beef by reinforcing quick, easy and convenient ways to prepare everyday healthy meals, thereby boosting consumers' confidence in preparing beef *(Source: MLA Domestic Consumer Tracker Australia, 2020)*.
- When consumers shop for fresh meat, the top three factors influencing their decisions are related to freshness, price and easiness to prepare *(Source: Koji Shopper Research 2019)*.
- Despite declines in domestic volume consumption of beef over the past two decades, Australia remains one of the world's largest consumers of the protein, with per capita consumption sitting well above the global average.

Top factors influencing shopper meat decision-making



Source: Koji Shopper Research 2019. Note: only top 10 factors displayed.

Beef consumption per capita

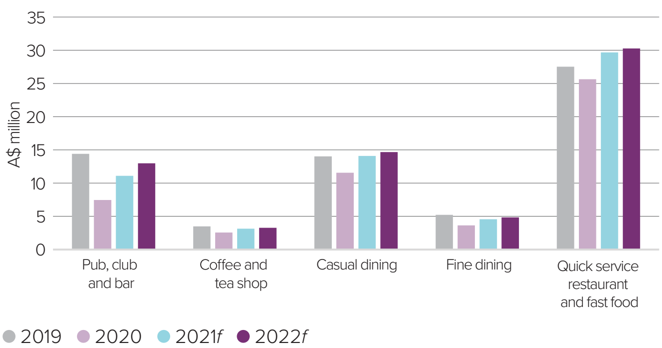


Source: Fitch Solutions; OECD.

FOODSERVICE

- The Australian foodservice industry was valued around A$76 billion in 2019, with 25% of its value calculated to have been lost as a result of the negative impacts of the COVID-19 pandemic in 2020 *(Source: GlobalData Foodservice Intelligence Centre)*.
- Beef has been, and continues to be, the number one largest fresh meat protein consumed through foodservice in value terms pre- and post-COVID-19. However, beef's share in foodservice is under threat from lower-cost proteins such as chicken and pork.
- Commercial restaurants contribute to the majority value of the total foodservice industry, with less than 10% of beef consumed through the foodservice channel going through non-commercial restaurants.
- Delivery has become more important, however, it has not offset the loss of on-premises sales. Take-away sales accounted for 31% of the value share of total foodservice sales in 2020, significantly increasing from 23% in 2019. However, it is estimated that value share will soften in 2021 to 28% *(Source: GlobalData Foodservice Intelligence Centre)*.
- The top three drivers for eating out are: 'convenience', 'variety' and 'hard to recreate at home' *(Source: GlobalData Consumer Survey Q2 2021)*, with consumer needs for hygiene and value out-weighing others like connectivity and shareability. It will take some time to reach a new balance.

Foodservice value sales by channel

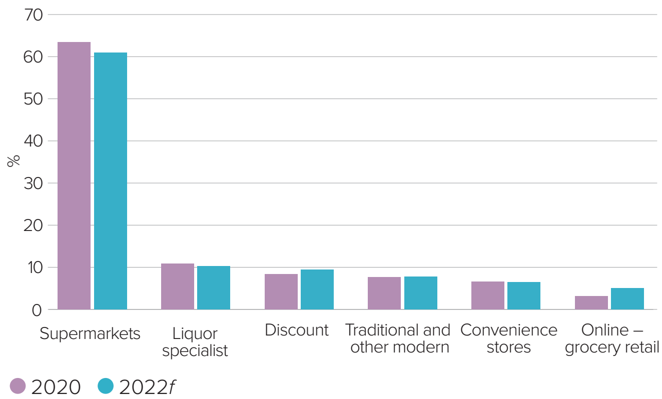


Source: GlobalData

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: NielsenIQ Homescan)*.
- Beef held the highest share of retail sales of any meat in the 12 months to June 2021, with around a 36% share of fresh meat sales (by value) *(Source: NielsenIQ Homesan)*.
- Beef is a critical product for retailers. The average grocery basket is typically worth A$38, but this jumps to around A$85 when the basket includes beef *(Source: NielsenIQ Homesan)*.

Grocery retail sales by channel



Source: IGD

- Retailers are responding to changing consumer needs in the context of COVID-19. Newly constrained shoppers – those who have experienced worsening income/financial situations – are driving spending shifts. On the other hand, the insulated shoppers – those who have a similar or even improved financial situation – do not feel the need to watch what they spend. For insulated shoppers, many of them are prepared to spend more on premium products and cuts for a treat, as they curtail their usual spending on restaurants, travel and leisure.
- Retailers continue to seek category differentiation by leveraging attributes such as local provenance and sustainability. An example of this is the growth in premium products seen across the retail market. Premium cuts and healthier options of red meat are experiencing growth ahead of the total category. This has been balanced with retailers introducing more affordable value offerings with fixed price packaging, bulk and smaller pack sizes *(Source: NielsenIQ Homescan)*.
- The Australian grocery market is highly concentrated by global standards, with the two biggest retailers making up around 60% of the market. During the COVID-19 outbreak in 2020, local channels took an increasing share from the big supermarkets. However, in 2021 the split has returned to the typical share balance seen with the large supermarkets and butchers in 2019 *(Source: NielsenIQ Homescan MAT to Jun 2021)*.
- 81.7% of fresh meat is sold in supermarkets, predominantly Woolworths and Coles, with butchers making up the other 18.3%. Compared to 2020, sales through butchers declined by 1%, returning to 2019 levels *(Source: NielsenIQ Homescan MAT to Jun 2021)*.

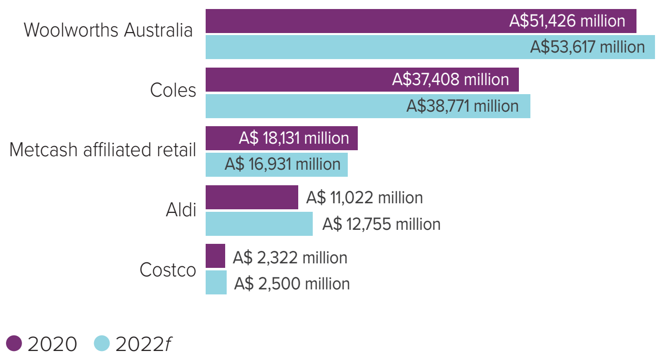
Place of fresh meat purchase by average customer spend and market share

	Purchase value % share of trade 52w	A$ value per occasion 52w
Total Australia	100%	21.9
Total Aust. supermarkets	81.7%	20
Aust. non supermarkets	18.3%	37.8

Source: NielsenIQ Homescan MAT to Jun 2021, w = weeks. Value in A$.

- **Woolworths:** Grocery sales were worth A$51.4 billion in 2020 and are forecast to be A$53.6 billion in 2022 *(Source: IGD)*.
- **Coles:** Grocery sales were worth A$37.4 billion in 2020 and are forecast to be A$38.8 billion in 2022 *(Source: IGD)*.
- **Metcash affiliated grocery:** Food sales totalled A$8.3 billlion in 2020–21, coming from its total of 1,641 supermarkets and convenience stores *(Source: IGD)*.
- **Aldi:** Grocery sales were worth A$11 billion in 2020. Above average growth has continued, at 7.6% CAGR 2020–22, which is expected to reach around A$12.8 billion in 2022. The chain is also forecast to operate 605 stores by 2022, increasing from 560 stores in 2020 *(Source: IGD)*.
- **Costco:** Grocery sales were A$2.3 billion in 2020 and with sales expected to continue to grow, are forecast to be A$2.5 billion in 2022 *(Source: IGD)*.

Grocery retail sales by value

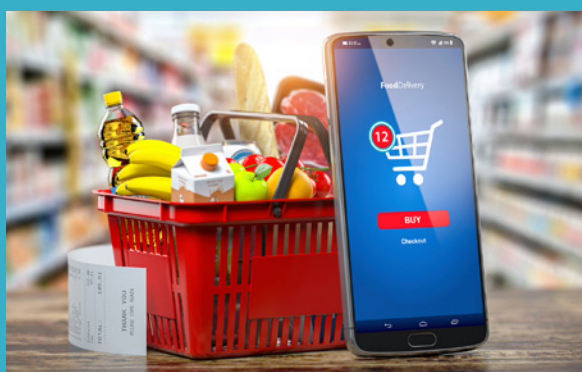


Source: IGD

- There is 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. For the year ending September 2021, it grew 27.3% in sales value versus the year prior and reached a penetration of 14.8% of Australian households *(Source: NielsenIQ Homescan)*.

The changing face of retail

The retail sector in Australia is expected to undergo significant change in the near future. The rapid increase in sales for Woolworths and Coles through their online channels, and localism trends are creating opportunities for smaller retailers like local butchers. Emerging health trends and local sourcing are also two growing trends that 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, with Australians among the largest per capita consumers of lamb in the world *(Source: OECD)*.
- Australian consumers have a traditional affinity with lamb: in the year to June 2021, around 75% of Australian households purchased lamb on an average 8.5 occasions *(Source: NielsenIQ Homescan)*. However, with a more diverse demographic in 'modern Australia', there is an opportunity to introduce lamb variety to non-familiar consumers of international origins.
- As awareness of lamb is high among Australians, the greatest opportunity for lamb sits with increasing the frequency of purchase and demonstrating the value of lamb so people will continue to pay for it, even at higher prices than other protein offerings *(Source: Kantar steak of the nation report, 2020)*.
- 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: Kantar steak of the nation report, 2020)*.

Protein image profiles

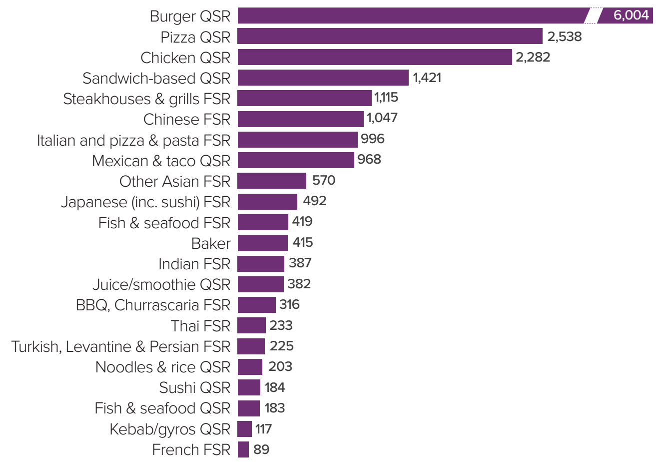
	Beef	Lamb	Chicken	Pork	Seafood
Easy everyday			✓		
Goodness	✓	✓			✓
A little bit special		✓			✓

Source: MLA Domestic Consumer Tracker Australia, 2020. * Tick = Area of strength vs other proteins

FOODSERVICE

- In Australia, lamb sales in foodservice normally account for 30% of total volume, but in 2020 this decreased to 26% *(Source: MLA calculation with NielsenIQ and GlobalData 2020)*.
- Within foodservice, lamb is strong in quick service restaurants, which currently account for over 60% of the commercial foodservice lamb volume, with an opportunity to expand into the takeaway channel *(Source: GlobalData Foodservice IC)*.
- As a result of the impact of COVID-19, there has been a decrease in foodservice transactions but an increase in spending per trip *(Source: NPD Group)*. Quick service restaurants take 69% of commercial foodservice lamb sales (in both volume and value). A trend for lamb in foodservice has emerged 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.

Australian foodservice value by cuisine type (A$ million)



Source: GlobalData Menu Intelligence, 2025f.
FSR = full-service restaurant. QSR = quick service restaurant

RETAIL

- In retail, lamb has a similar market share to pork, accounting for around 12% of fresh meat sales (by value) in the 12 months to June 2021, behind beef and chicken *(Source: NielsenIQ Homescan)*.
- Lamb buyers are premium buyers for retailers, increasing the value of the average grocery basket from A$38 to around A$91 when the basket includes lamb *(Source: NielsenIQ Homescan 12 months to June 2020)*.
- More than 80% of lamb is purchased at supermarkets, mainly from Woolworths and Coles. However, other supermarkets (such as Costco) and butchers are growing in both share and absolute sales *(Source: NielsenIQ Homescan)*.
- Australia's consumption of lamb has come under pressure in the last year, as COVID-19 has impacted on personal financial situations and due to the increasing domestic retail price of lamb.

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