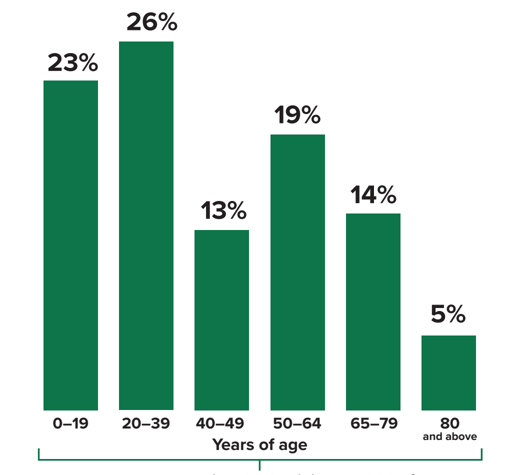
MARKET SNAPSHOT | BEEF & SHEEPMEAT

United Kingdom

The United Kingdom* (UK) is a market with good growth potential for Australian red meat exports, supported by its large population of affluent consumers very familiar with red meat. Australia has had a long trade relationship with the UK, pioneering the world's first successful export shipment of Australian frozen red meat to the UK in 1879. Despite having limited access to the UK market since it joined the European Common Market in 1973, the UK has been among Australia's highest value export markets. Looking ahead, the Australia-United Kingdom Free Trade Agreement will modernise the existing trading regime and significantly enhance Australia's access to the market.

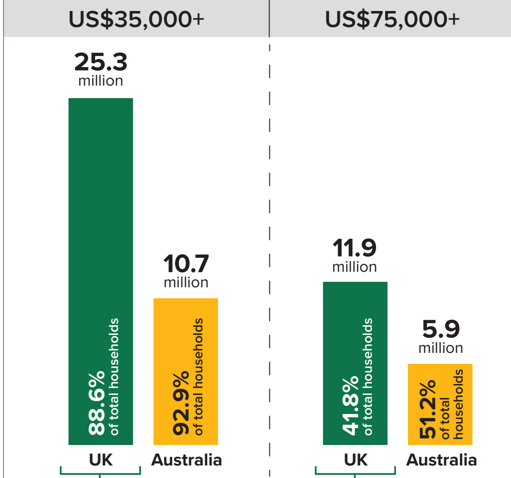
** The United Kingdom of Great Britain and Northern Ireland (UK), comprises England, Scotland and Wales (which collectively make up Great Britain) and Northern Ireland.*

Population[1]



Total population 69.3 million by 2025f
(+1% from 2022f)

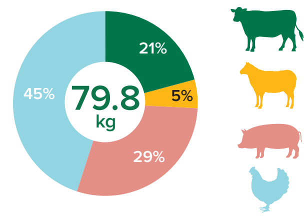
Household number by disposable income[2]



26.8 million by 2025f
(+6% from 2022f)

16 million by 2025f
(+35% from 2022f)

Meat consumption per capita[3]

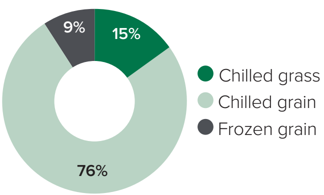


Annual grocery spend[4]

A$ 5,943 per person/year

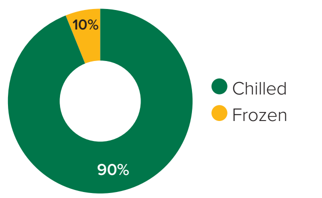
The UK is Australia's third largest beef destination in Europe after the Netherlands and Italy. It is a high value market, with three quarters of Australian beef exports comprised of grainfed chilled product across a wide range of cuts.

Australian beef exports – volume[5]



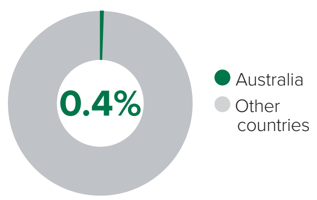
Total 803 tonnes swt

Australian beef exports – value[6]



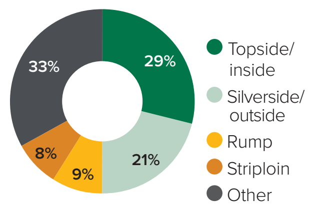
Total A$11 million

Australia's value share of UK beef imports[7]



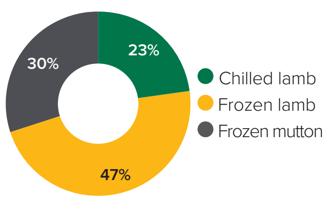
Total import value A$1.66 billion

Australian beef exports by cut[5]



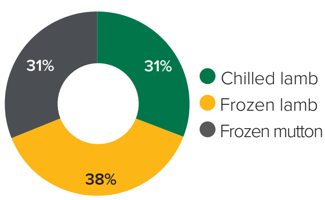
The UK has been the largest sheepmeat market for Australia in Europe, accounting for almost two-thirds by volume in 2020–21.

Australian sheepmeat exports – volume[5]



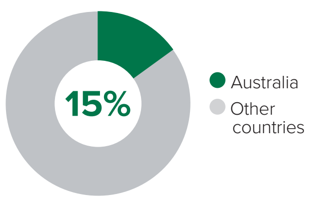
Total 9,017 tonnes swt

Australian sheepmeat exports – value[6]



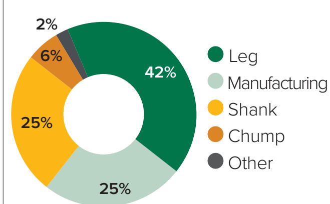
Total A$77 million

Australia's value share of UK sheepmeat imports[7]



Total import value A$485 million

Australian sheepmeat exports by cut[5]



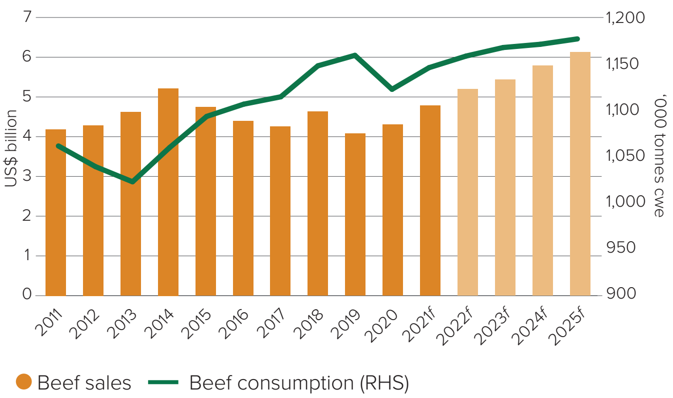
Data source for charts: [1]Fitch Solutions 2022f, [2]Fitch Solutions 2022f (disposable income = earnings after taxes and social security charges), [3]Fitch Solutions (beef, pork, chicken, 2021e), GIRA (sheep and goat meat combined, 2021e), [4]IGD 2022f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/ sales tax), [5]DAWE (2020–21), [6]ABS/IHS Markit (2020–21), [7]IHS Markit (2020–21), figures based on AUD value.

Beef

CONSUMERS

- While UK beef consumption of 16.5 kg per capita is somewhat higher than the EU-27 average (14.6 kg), it is significantly lower than some other markets such as the US (38.3kg) and Australia (26.5kg) *(Source: GIRA GMC20)*, which points to the potential for consumption growth.
- British consumers perceive beef as a superior, great tasting, family favourite meat, attributes considered worth paying more for compared to other proteins. However, beef underperforms on healthiness behind chicken and fish and lags behind chicken and pork on convenience in purchasing, preparation and versatility. Some 22% of consumers also say they are limiting beef consumption for health reasons *(Source: MLA Global Tracker UK, 2018)*.

UK beef consumption and sales outlook



Source: Fitch Solutions, sales based on annual household spending, all channels. Data last reviewed Oct 2021

- The current outlook for UK beef consumption and sales is positive, with beef among the fastest growing proteins with a projected CAGR of 8.3% 2020–25 to reach around U$6.4 billion by 2025 *(Source: Fitch Solutions)*.
- UK beef sales value will increase much faster than volume over the next few years, pointing to premiumisation in this relatively mature market. This will be driven in large part by rapid growth in the affluent consumer base – the number of households earning disposable incomes of US$75,000 is expected to increase from 10 million to 16 million from 2021 to 2025 *(Source: Fitch Solutions)*.
- Surveys suggest UK consumers reserve highest trust for local and Irish beef but Australian beef is among the most trusted import sources *(Source: Red Tractor 2021)*. Despite currently representing a very small share of the market (0.4% of total import value in 2020–21), some 19% of surveyed British consumers have a spontaneous awareness of Australian beef. Those aware of it perceive it to be safe and consistently high quality *(Source: MLA Global Consumer Tracker UK, 2018)*.

Premium beef attributes – UK consumers

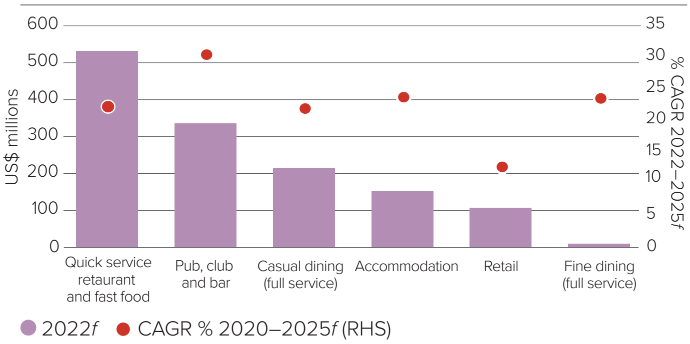
1	Nicely marbled fat throughout
2	Consistently high quality standards
3	Is my, my family's favourite beef
4	Is the most superior beef
5	Is fresh

Source: MLA Global Consumer Tracker UK, 2018

FOODSERVICE

- British diners' per capita restaurant and hotel spending is high by European standards, with eating out comprising a major aspect of social life.
- Despite the decline in 2020 restaurant sales due to the pandemic, foodservice spending is forecast to have exceeded 2019 levels already in 2021, with the sector re-opening from July 2021 *(Source: Fitch Solutions)*.

UK foodservice sector total beef sales by channel



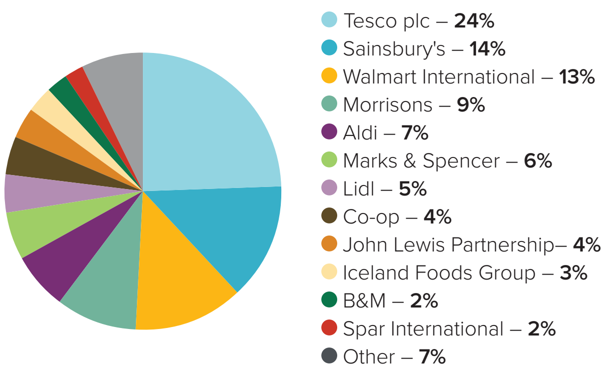
Source: GlobalData, Future of Foodservice to 2025 UK, Aug 2021. By Operator Buying Price.

- The quick service restaurant and fast food segment accounts for the largest beef sales in the UK foodservice sector, where it features prominently in American and Italian cuisine outlets, followed by Turkish, Chinese and British in popular items such as pizza, burgers, steak and curry *(Source: GlobalData Menu Intelligence 2021)*.
- The UK is unique for its large pub, club and bar sector, where beef is also popular. The highest penetration of beef in UK full-service restaurants is in establishments that feature British cuisine, then a mix of Italian, Indian, Chinese, American and Thai cuisines. Favourite beef dishes include steak and other mains, curry, burgers, pasta and noodles. Emerging cuisines that may grow beef consumption in the future include Malaysian, Mexican and Spanish.
- The market has a large accommodation foodservice segment where beef is enjoyed by tourist visitors, who numbered over 40.8 million in 2019 pre-pandemic. Visitor numbers are currently forecast to reach pre-pandemic levels again by 2025 *(Source: Fitch Solutions)*.
- MLA estimates that the vast majority of Australian beef exported to the UK has been utilised in the foodservice sector, where it has an established place in high-end restaurants and catering. The UK is among Australia's high value export markets with some 85% comprised of grainfed and the other 15% chilled grassfed. This has resulted in the five-year average unit price of Australia's total beef exports to the UK being almost 75% higher than Australia's global average export unit price *(Source: IHS Markit)*.

RETAIL

- The majority of UK shoppers purchase beef for home consumption from supermarkets, with 42% doing so at least weekly. 55% of UK shoppers also buy beef at least occasionally from butchers *(Source: MLA Global Consumer Tracker UK, 2018)*.
- As in most markets, the pandemic has accelerated a permanent shift by some to online grocery shopping in the UK *(Source: IGD)*. Of the 75% of UK shoppers who have bought groceries online, 81% say they are continuing to do so at least as often as earlier in 2021 *(Source: GlobalData Consumer Survey UK, Q3 2021)*.
- Retail sales of meat have been strong, as consumers have cooked more at home. Reports suggest that lower consumer confidence led to some trading down from higher value beef cuts such as steak and roasting joints to mince, chops and stewing cuts as well as from beef to cheaper proteins such as poultry *(Source: AHDB Oct 2021)*. However, UK spending on discretionary items including food is expected to grow strongly in coming years *(Source: Fitch Solutions)*.

UK top grocery retailers by sales value, 2022*f*



Source: IGD. Percentage based on total grocery sales value of A$334.5 billion.

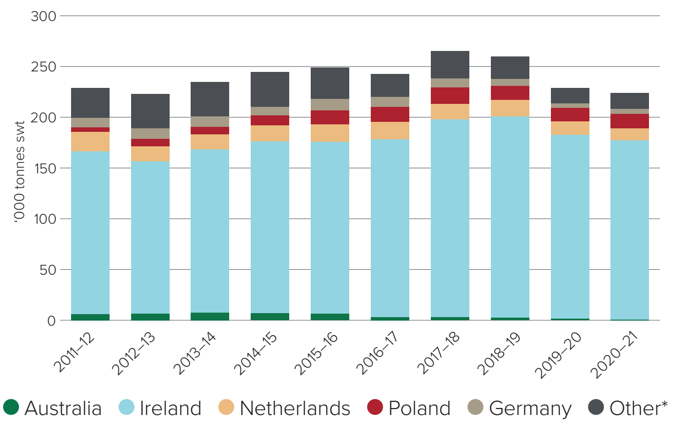
- Convenience is a key driver of growth in UK meat retail. In the UK, as elsewhere, the pandemic grew retail demand for meal kits and boxes and various pre-prepared and processed meat meal solutions. As health and safety concerns intensified, consumers sought more convenience solutions without having to compromise on quality. Around half (48%) of UK consumers consider high quality ingredients to be the main contributor to 'value for money' in prepared meals *(Source: GlobalData Consumer Survey UK, Q1 2021)*. Similarly, the food-to-go specialist segment is forecast to see continued growth in coming years, with sales to increase from GBP3.5 billion in 2021 to GBP6.1 billion by 2026, driven by an expansion of more premium offers *(Source: IGD)*.
- Product claims relating to sustainability and ethics are increasingly visible in UK meat retail. A significant proportion (45%) of younger consumers aged under 35 say they are often or always influenced in their purchase choice by on-pack information about a product's carbon footprint *(Source: GlobalData Global Consumer Survey UK Q3 2021)*.

Beef Wellington, a Christmas favourite in the UK

COMPETITIVE LANDSCAPE

- Around 56% of beef consumed in the UK in 2020 was domestically produced. The current outlook is for UK beef production to decline at a CAGR of 1% from 2021 to 2025 due to reduced government support payments to producers and low profitability reducing the breeding herd. With both consumption and export volumes set to increase, imports will need to grow to meet increased demand, at a CAGR of 3.5% from 364,000 tonnes cwe in 2020 to 466,000 tonnes cwe by 2025 *(Source: GIRA GMC20)*.
- The UK has a wide beef supplier base of over 40 countries. Over the past five years, the UK has imported an average of around 240,000 tonnes swt of beef per year. Country of origin labelling is mandatory in the UK for all red meat products sold to end consumers at retail and foodservice.
- Ireland has long been the UK's largest beef supplier with an import value share of 81% in 2020–21, two-thirds of which is chilled product. However, Ireland's total beef five-year average UK export unit value is 85% lower than Australia's *(Source: IHS Markit, 2016–2020)*.
- British and Irish beef are perceived as fresher and more convenient to purchase, offering a wider variety of cuts that appeals to loyal UK consumers. Some retailers feature 100% local sourcing and branding, particularly in the wake of the 2013 horsemeat scandal, which shook public trust in regional meat supply chains.
- Since joining the EU in 1973 and up until Brexit in early 2020, the UK had been a notable export market for Australian beef in Europe, with the vast majority comprised of chilled beef, both grassfed and grainfed. However, volumes of Australian beef exports to the UK have reduced in recent years due to weaker UK consumption.

UK total beef imports by supplier



*Source: IHS Markit. Excludes offal. *Other includes 40+ countries.*

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United Kingdom Free Trade Agreement (A-UK FTA) was signed on 17 December 2021	**2021–22:** 4,669 tonnes country specific HQB* quota In quota tariff – 20% Above quota tariff – 12% and up to £2.6/kg 0% tariff on live cattle	**Ireland:** under the EU-UK Trade and Co-operation Agreement (TCA), Irish beef can enter the UK tariff and quota-free **HQB quotas to access UK beef market are country-specific:** **Brazil:** 1,049 tonnes (t) **Uruguay:** 770t **New Zealand:** 454t **Argentina:** 111t **US/Canada:** 19t	**A-UK FTA:** Increasing TRQ* volumes for beef over 10 years, with access to a duty-free transitional quota of 35,000 tonnes on EIF*, rising in equal instalments to 110,000 tonnes in year 10 In the subsequent 5 years (year 11-15 post-EIF) a safeguard will be applied on beef imports exceeding a further volume threshold rising in equal instalments to 170,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year Out of quota tariffs to remain at MFN until year 10 and then be eliminated	All beef supplied to the UK must be European Union Cattle Accreditation Scheme (EUCAS) accredited All beef exported to the UK must be HGP-free Australia can export processed red meat products, composite products and items such as offals, green runners, pet food, rendered products, coproducts and treated blood products

Best access — Major challenges

*Source: DFAT, WTO, DAWE. *TRQ = Tariff Rate Quota. *EIF = Entry Into Force. *HQB = High Quality Beef*

Australian beef exports to UK – summary table

Volume – in tonnes swt

		2020–21	% of total	2019–20	% of total	five-year average (2015–16 to 2019–20)	% of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**803**		**2,783**		**5,514**		**-85**	**-4,711**
Storage	Chilled	733	91	2,691	97	5,460	99	-87	-4,727
	Frozen	70	9	92	3	54	1	-28	15
Meat type	Grassfed	118	15	614	22	2,006	36	-94	-1,888
	Grainfed	685	85	2,169	78	3,508	64	-80	-2,824
Storage/meat type	Chilled grassfed	118	15	614	22	1,990	36	-94	-1,872
	Chilled grainfed	615	77	2,078	75	3,470	63	-82	-2,854
	Frozen grassfed	0	0	0	0	16	0	-100	-16
	Frozen grainfed	70	9	92	3	39	1	79	31

Source: DAWE, figures are rounded

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
	Total	**11,113**		**40,203**		**73,202**		**-85**	**-62,089**
Storage	Chilled	10,043	90	39,127	97	72,565	99	-86	-62,522
	Frozen	1,070	10	1,075	3	637	1	68	433

Source: ABS/IHS Markit.

Volume – by major cut (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Topside/inside	231	29	546	20	1,115	20	-79	-885
Silverside/outside	166	21	365	13	706	13	-77	-541
Rump	74	9	368	13	801	15	-91	-728
Striploin	69	9	368	13	840	15	-92	-771
Cube roll/ribeye roll	54	7	279	10	516	9	-90	-462
Blade	37	5	180	6	312	6	-88	-275
Tenderloin	34	4	159	6	306	6	-89	-272
Thick flank/knuckle	33	4	156	6	321	6	-90	-287
Chuck roll	26	3	139	5	225	4	-88	-199
Other	79	10	223	8	371	7	-79	-292
Total	**803**		**2,783**		**5,514**		**-85**	**-4,711**

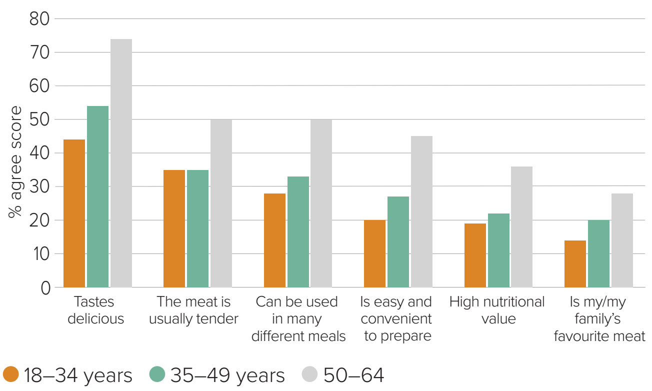
Source: DAWE

Sheepmeat

CONSUMERS

- UK per capita sheepmeat consumption in 2021 is estimated to be 3.9kg, notably higher than the EU-27 average (of 1.6kg) but lower than markets such as New Zealand (6.8kg) and Australia (5.8kg). Although per capita sheepmeat consumption in the UK is forecast to decline somewhat over the coming years at a CAGR of -2.2% from 2020–2025 *(Source: GIRA GMC20)*, total lamb sales will increase at a CAGR of 5.6% to reach around US$2.1 billion by 2025 *(Source: Fitch Solutions)*.
- Consumers perceive lamb as a superior, great tasting meat, which makes it worth paying more for compared to other proteins, even though it is considered less healthy than chicken and fish and less versatile than chicken and pork *(Source: MLA Global Tracker UK, 2018)*.
- Most older UK consumers have bought lamb at some time and have enough familiarity and exposure to it to know how to prepare and cook it. However, there are opportunities to increase the appeal of lamb to younger consumers.

UK consumer perceptions of lamb by age group



Source: MLA Global Consumer Tracker UK, 2018

- Key barriers for those who have not purchased lamb are mainly due to not liking the taste or smell of lamb and its perceived fattiness *(Source: MLA Global Consumer Tracker UK, 2018)*. There may be opportunities to encourage trial and consumption frequency by promoting Australian lamb in recipes with herbs or spices.
- Red meat production has increasingly been the subject of public discussion in the UK in relation to the industry impact on animal welfare, greenhouse gas emissions and food safety, which has had some negative impacts on trust and affinity, and hence some weakening of demand *(Source: Red Tractor 2021)*. Australian sheepmeat has the opportunity to address these concerns by communicating its carbon neutrality, world-leading animal welfare and food safety standards and systems.
- The UK has been Australia's largest sheepmeat market in the EU. The majority of Australian sheepmeat exports to the UK have been both chilled and frozen lamb leg, frozen mutton leg, frozen lamb trimmings, lamb chump, lamb shortloin and frozen mutton thick and thin skirt. The UK has been a relatively high value market for Australia, with the five-year average unit price of Australia's total sheepmeat exports to the UK being 10% higher than Australia's global average export unit price *(Source: IHS Markit, 2016–2020)*.
- Local and New Zealand lamb have been the dominant suppliers in the UK market and hence are perceived as being more convenient to purchase and fresher. Australian lamb is considered to have strong food safety credentials but is seen as somewhat weaker on freshness.

Premium lamb attributes – UK consumers

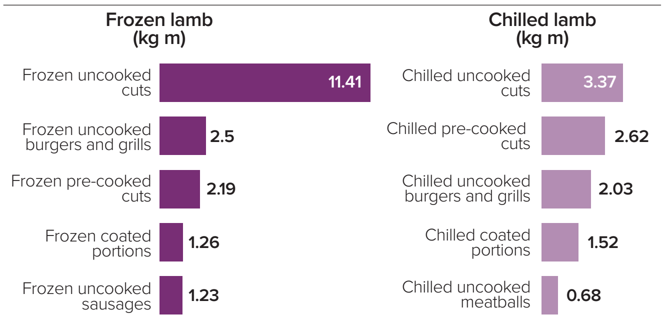
1	Is my/my family's favourite lamb
2	Is the most superior lamb
3	Consistently high quality standards
4	The animal is well-cared for
5	Offers a varity of cuts that suit the meals I make

Source: MLA Global Consumer Tracker UK, 2018

FOODSERVICE

- Lamb and mutton feature on menus across a range of foodservice channels in the UK, with the largest lamb sales value coming from quick service and fast food, casual dining full-service and accommodation restaurants. Retail foodservice, such as meals through bakeries, department stores, super and hypermarkets and convenience stores, is also a significant channel for lamb sales *(Source: GlobalData Future of Foodservice UK, based on US$ in 2022f)*.
- Two-thirds of the lamb used in UK foodservice is bought as frozen product, with a variety of non-processed cuts the largest segment, followed by burgers and grills and coated portions. Sausages and meatballs are similar in volume *(Source: GlobalData UK Future of Foodservice to 2025)*.
- The highest penetration of lamb in UK full-service restaurants is in establishments that feature Indian and British cuisines, followed by Italian and American. Lamb is also found in British cuisine on hotel/motel and pub menus, where it features as the meat main, as well as in curries and kebabs. Emerging cuisines in the UK that may help grow sheepmeat consumption in the foodservice channel in the future include Persian, Nepalese and Lebanese *(Source: GlobalData UK Future of Foodservice to 2025)*.

Lamb segments purchasing by UK foodservice operators, 2022*f*



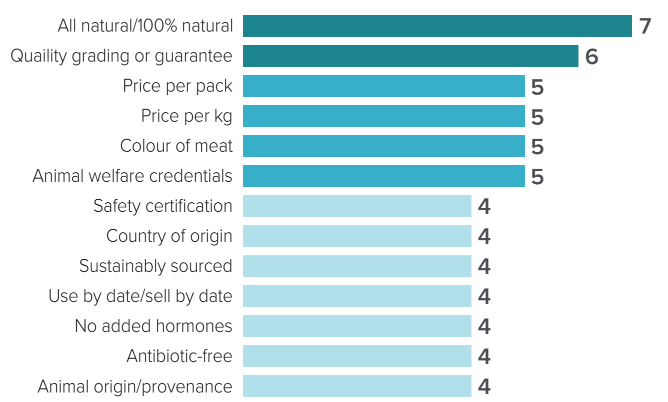
Source: GlobalData, The Future of Foodservice UK 2020-2025. Total lamb volume utilised in UK foodservice in 2022f is 31.427 million kg or 31,427 tonnes. Top 5 segments for frozen and chilled lamb selected. Volume is for utilisation in all foodservice channels combined.

- In the UK quick service restaurant segment, lamb features in American, Turkish, Italian and Indian cuisine outlets in popular items such as kebabs, curries and as various mains, as well as in wraps, sandwiches and savoury pies. Mutton is concentrated in Indian, American and Caribbean cuisines in full and quick service restaurants, particularly in curry dishes *(Source: GlobalData Menu Intelligence 2021)*.

RETAIL

- UK consumers purchase the majority of their lamb from supermarkets, though around 30% have also purchased it from butchers. Domestic lamb is more likely to be bought from butchers compared to imported lamb *(Source: MLA Global Consumer Tracker UK, 2018).*
- In 2018, 'naturalness' was the most important attribute UK shoppers looked for when purchasing lamb. Surveys with UK consumers since the pandemic reveal that personal health and naturalness became even more important as health and safety considerations became higher priorities in the context of food purchasing.

Attributes most motivating to UK lamb shoppers at retail



Source: MLA Global Consumer Tracker UK, 2018. Ranking based on relative importance, Max Diff Score.

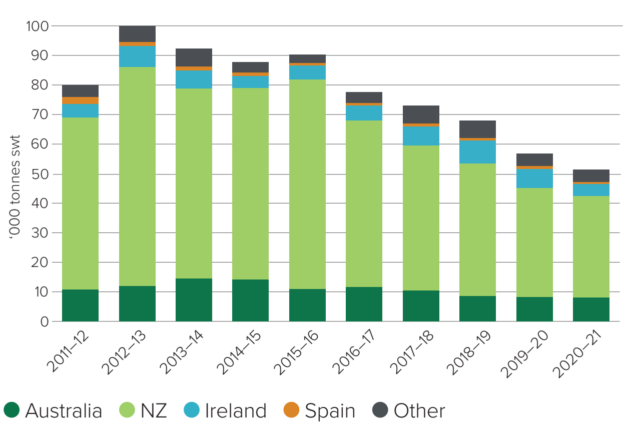
- In recent years there has been notable growth in demand by UK shoppers for meal solutions that help save time and effort but also deliver an enjoyable experience and don't require major health compromises.
- In the UK meat category, while the fastest growing segment by volume is frozen meat, the processed chilled and cooked packaged segments are among the largest by value, with the fastest value growth seen by frozen processed meat and meatballs, burgers and grills *(Source: GlobalData 2020).*
- Men and younger consumers aged under 45 tend to be heavier users of meal kits to cook at home. In September 2021, the majority (83%) of meal kit users are continuing to use them at least as often as they did three months prior, despite foodservice opening up since July *(Source: GlobalData Consumer Survey UK Q3 2021).*

Roast lamb leg is a Sunday lunch favourite

COMPETITIVE LANDSCAPE

- Approximately 70% of the sheepmeat consumed in the UK is domestically-produced, with the remainder filled by imports. UK domestic sheepmeat production is expected to reach around 301,000 tonnes cwe in 2021 and is forecast to fall somewhat over the next few years, in line with weakened demand *(Source: GIRA GMC20).*
- UK sheepmeat imports have similarly declined from all key suppliers, particularly over the past five years, to historically low levels, as consumption demand has weakened and global sheepmeat prices hit record highs with supply tight in both New Zealand and Australia. In 2020–21, the UK imported 58,500 tonnes of imported sheepmeat, with 65% of this product sourced from New Zealand, 15% from Australia and 10% from Ireland. The remaining suppliers were largely made up of European nations.
- New Zealand has been the largest sheepmeat import supplier to the UK, providing both chilled and frozen lamb. Supply out of New Zealand has also been constrained in recent years, with continued reallocation of land to the dairy sector and strong demand from Asian markets.

UK total sheepmeat imports by supplier



Source: IHS Markit

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United Kingdom Free Trade Agreement (A-UK FTA) was signed on 17 December 2021	**2021 and 2022:** In quota tariff – 0% Above quota tariff – 12% and up to £2.6/kg 0% tariff on live sheep	**New Zealand:** Has a quota of 114,205 tonnes	**A-UK FTA:** Increasing TRQ* volumes for sheepmeat over 10 years, with a duty-free transitional quota of 25,000 tonnes on EIF* rising in equal instalments to 75,000 tonnes in year 10 In the subsequent 5 years (year 11-15 post-EIF) a safeguard will be applied on sheepmeat imports exceeding a further volume threshold rising in equal instalments to 125,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year Out of quota tariffs to remain at MFN until year 10 and then be eliminated	No trade restrictive non-tariff barriers currently Australia can export processed red meat products, composite products and items such as offals, green runners, pet food, rendered products, coproducts and treated blood products

Best access — Major challenges

*Source: DFAT, WTO, DAWE. *TRQ = Tariff Rate Quota. *EIF = Entry Into Force.*

Australian sheepmeat exports to UK – summary table

Volume – in tonnes swt		2020–21	% out of total	2019–20	% out of total	five-year average (2015–16 to 2019–20)	% out of total	change 2020–21 vs five-year average	
								%	in tonnes swt
	Total	**9,017**		**8,515**		**10,284**		**-12**	**-1,267**
Storage	Chilled	2,071	23	1,625	19	2,133	21	-3	-62
	Frozen	6,946	77	6,890	81	8,151	79	-15	-1,206
Meat type	Lamb	6,292	70	5,989	70	6,456	63	-3	-164
	Mutton	2,724	30	2,526	30	3,828	37	-29	-1,104
Storage/ meat type	Chilled lamb	2,071	23	1,625	19	2,133	21	-3	-62
	Chilled mutton	0	0	0	0	0	0	0	0
	Frozen lamb	4,221	47	4,364	51	4,323	42	-2	-102
	Frozen mutton	2,724	30	2,526	30	3,828	37	-29	-1,104

Source: DAWE, figures are rounded

Value – in A$ 000		2020–21	% out of total	2019–20	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**77,186**		**81,806**		**81,065**		**-53**	**-3,879**
Meat type	Lamb	52,989	69	57,026	70	53,202	66	-0	-213
	Mutton	24,197	31	24,780	30	27,863	34	-13	-3,666

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)		2020–21	% out of total	2019–20	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Leg	2,661	42	3,228	54	3,364	52	-21	-702
	Manufacturing	1,575	25	509	8	927	14	70	648
	Shank	1,545	25	1,791	30	1,552	24	0	-7
	Other	511	8	462	8	613	9	-17	-102
	Total	**6,292**		**5,989**		**6,456**		**-3**	**-164**
Mutton	Leg	2,283	84	2,321	92	3,203	84	-29	-920
	Shank	223	8	100	4	83	2	168	140
	Thin/thick skirt	148	5	105	4	290	8	-49	-142
	Other	70	3	0	0	252	6	-72	-182
	Total	**2,724**		**2,526**		**3,828**		**-29**	**1,104**

Source: DAWE