MARKET SNAPSHOT

BEEF

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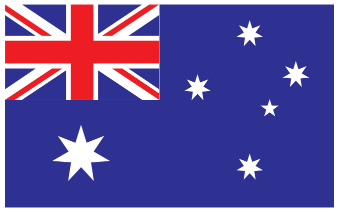
MARKET SNAPSHOT | BEEF

Australia



Australian consumers are increasingly cautious and price-sensitive. Disposable income has not kept pace with inflation, with wage growth stagnating. Growth in food sales, including in the meat category, is largely driven by population growth and price inflation.

Beef consumption in Australia is facing some challenges and opportunities:

- Australians remain the second-largest consumers of meat per capita, and the sixth-largest consumers of beef in the world *(Source: OECD)*.
- Changing demography – including increased migrations from Asian countries where pork is the dominant protein, and an aging population who are avoiding red meat for health/functional/price reasons.
- Increased competition from pork (marketing activity) and chicken (price pressure) will continue to challenge beef.
- Social factors such as increased consumer consciousness of environmental impact, animal welfare, health concerns, and increased demand for food integrity provide opportunities to consider in red meat messaging.
- Beef value share remains steady as prices increase. Maintaining value share, and limiting decline in volume, remain a challenge.

Population

24.3 in 2016

25.6 in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning

US$15000+ p.a.

10.3 in 2016 | **11.1** in 2020

US$35000+ p.a.

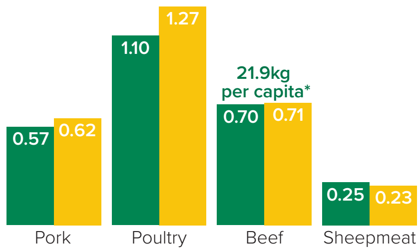
9.1 in 2016 | **9.8** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

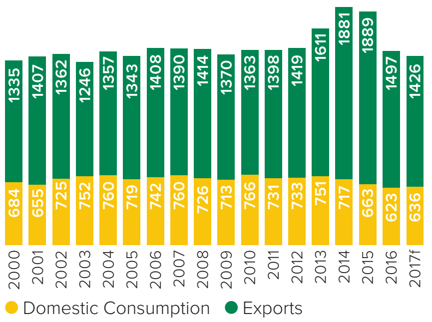
Meat consumption

92.7kg per capita* total meat protein**



Source: BMI Research, GIRA, 2016 estimate and 2020 projection
** 2016e per person per year* *** excluding fish/seafood*

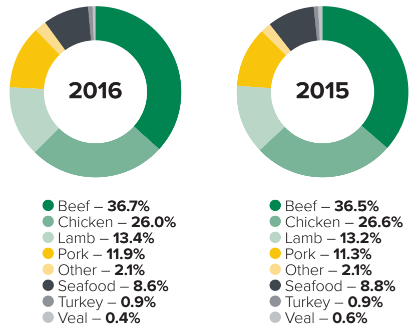
Domestic utilisation (share of produced volume)



'000 tonnes cwt

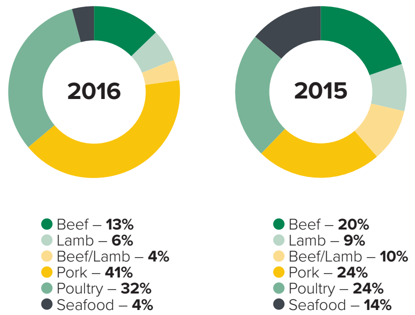
Source: ABS, MLA forecast *f = forecast*

Retail fresh meat value share



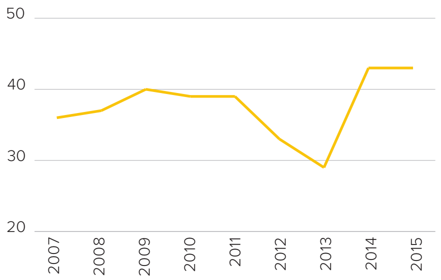
Source: Nielsen HomeScan MAT to 3/12/2016 vs. year ago

Share of voice advertising spend



Source: Nielsen AIS Dec 2014 – Nov 2016, via Universal McCann

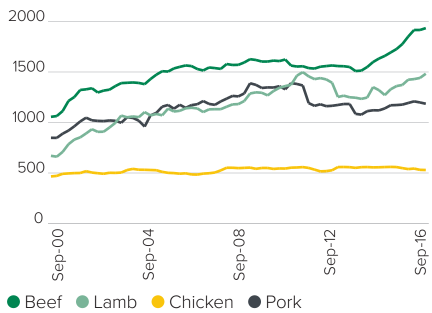
Price Sensitivity in Australia (all categories)



%

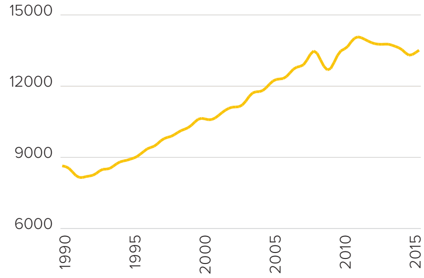
Source: KANTAR Millward Brown BrandZ 2007-2015

Australian retail meat price



Source: ABARES/ABS

Per Capita Disposable Income



Per capita

Source: ABS

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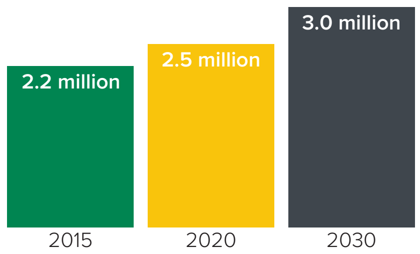
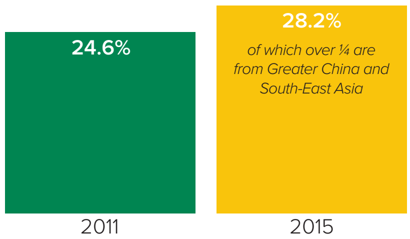
Single person households



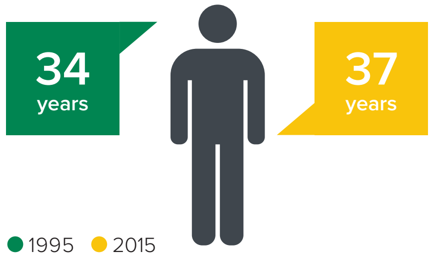
Source: ABS

Australians born overseas



Source: ABS

Median age in Australia



Source: ABS

Consumers

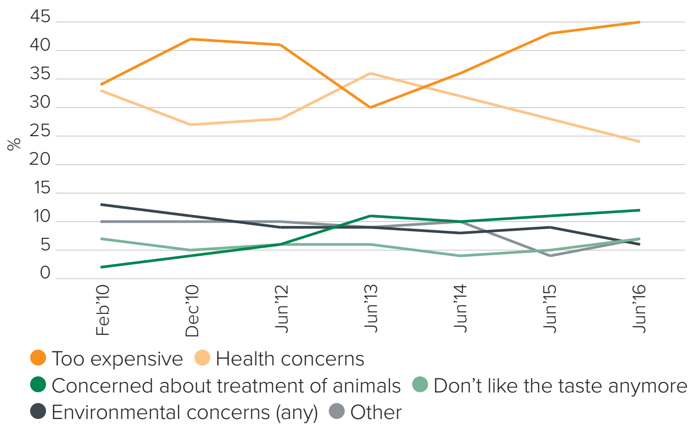
- Consumer demand for beef is affected by many factors, such as demographic change, and changes in attitudes and beliefs towards food from family, friends, and the media.
- Consumers are increasingly challenged to cut back on sugar, and eat more natural, fresh and unprocessed foods *(Source: IPSOS Food CHATS 2016)*. Consumers claim to want to see more food products that are "All natural" *(Source: Nielsen – Eliminating the Unnatural 2016)*. "All natural" product claims doubled between 2009 and 2014 *(Source: Mintel, quoted in Australian Food News October 2014)*.
- Regarding animal products, 60% of consumers claim they want to avoid antibiotics/hormones – the number one ranked concern *(Source: Nielsen, ibid)*.
- MLA research has shown that, when consumers are choosing meat, the attributes most closely associated with frequent consumption are that it is a **"family favourite"** and that it is **"easy and convenient to prepare"**.
- When consumers are shopping for beef, the key information they look for on pack relates to **freshness** and **price**.

What things do consumers look for on pack/on shelf when buying beef?	What are attributes that are important for Australian consumers? (all protein)	What key strengths does beef have?
Colour of meat	Is my/my family's favourite meat	Is the most superior meat
Price per kg	Is easy and convenient to prepare	Is an essential part of a healthy diet for growing children
Date packed	Is the most superior meat	Can be used in many different meals
Freshness	Tastes delicious	Consistent quality standards
Use by date	Consistent quality standards	Tastes delicious

Source: MLA Global Consumer Tracker, 2016

- There's no doubt that price is a key barrier for Australians when considering beef, especially when compared to chicken However, beef is seen as being more expensive than it actually is *(Source: MLA Domestic Consumer Tracker 2016)*.

Main reason for eating less red meat



Source: MLA/Pollinate annual tracker 2010-2016

- If the price barrier can be overcome, beef remains a very popular meat choice that has pride of place in Australian hearts and minds. While some concerns are on the rise, consumers generally feel very positive about the beef industry.
- However, social trends indicate an increasingly challenging future for beef in Australia.

Vegetarianism

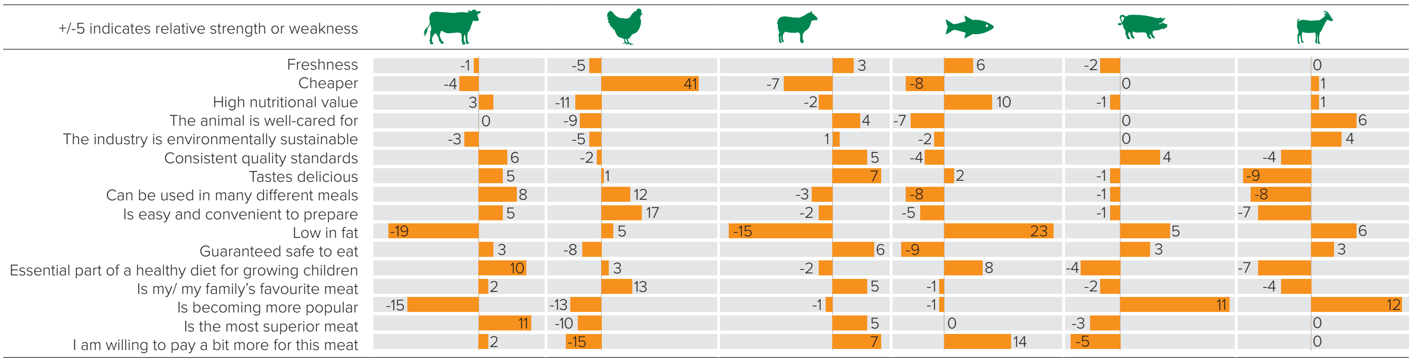
- Vegetarianism is reportedly on the rise, with Roy Morgan reporting in August 2016 that 11.2% of the population reported as vegetarian, up from 9.7% in 2012. However, the definition was somewhat flexible, with the actual claim being "The food I eat is all, or almost all, vegetarian" – a group more closely aligned to the term 'flexitarian'.

– MLA/Pollinate research suggested the number of pure vegetarians is closer to 7%.

– 13% of current meat eaters claim to have been a vegetarian at some stage in the past.

– There is some interest in meat substitutes but the market remains small.

Protein Image Profiles



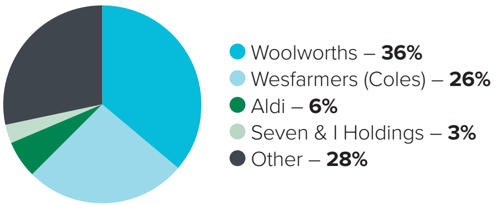
Source: MLA Global Consumer Tracker, 2016

Retail

- The grocery retail industry is robust, with turnover totalling $123 billion in 2016, forecast to rise 5.7% in 2017 *(Source: IGD)*.
- Food and beverages comprise the majority of grocery sales, however the trend is towards lower growth, with non-food retail sales growth outperforming food sales for the first time in 10 years *(Source: Citi Research "Looking across the supermarket horizon" October 2016)*.
- With the average grocery basket value worth $45, a basket with fresh meat/seafood jumps up to around $80 *(Source: Nielsen HomeScan)*.
- Shopper research suggests fresh meat is a "Hero" category for supermarkets – a driver of both traffic to store, and extra spend when in store, and also acting as a 'price beacon' category by which shoppers generally judge the level of value provided by a retailer *(Source: Shopper Tracker 2016)*.
- Supermarkets are also increasing their ready-to-eat meal range, targeting shoppers looking for a convenient meal option that might otherwise come from foodservice.

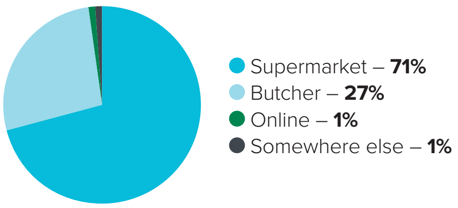
Grocery retail market shares

Major organised retailers – 2016



Source: IGD

Where do consumers typically purchase beef from?



Source: MLA Global Consumer Tracker, 2016

Chicken Wars

In 2016 Coles and Woolworths played out a very visible price war on takeaway hot roast chicken, reminiscent of a similar price war on milk. A Roy Morgan study* showed this was impacting not just supermarket visitation but also fast-food chicken outlet sales. This is an example of the competition for a share of the convenience economy which is likely to escalate – look for convenience stores to increasingly challenge the ready-meal market.

To capture share back for red meat Woolworths rolled out a trial of hot ready-to-eat beef meals.

** Quoted in press release Oct 27 2016*

Mini-resurgence of independent retail

The independent meat retail sector has seen a modest resurgence, with 23% of butchers surveyed in 2015-16 saying their business is "Thriving" – up from 21% in 2014-15 *(Source: MLA NFS telephone survey)*.

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

Place of purchase	Average customer spend	Value market share ($)
Butcher	$37	23.5%
Market/Delicatessen/ Other	$34	9.4%
Woolworths/Safeway	$27	26.4%
Coles	$25	23.2%
ALDI	$22	7.6%
IGA	$22	5.4%

Source: Roy Morgan Jan-Dec 2015, quoted in press release Feb 2016

The changing face of food retail

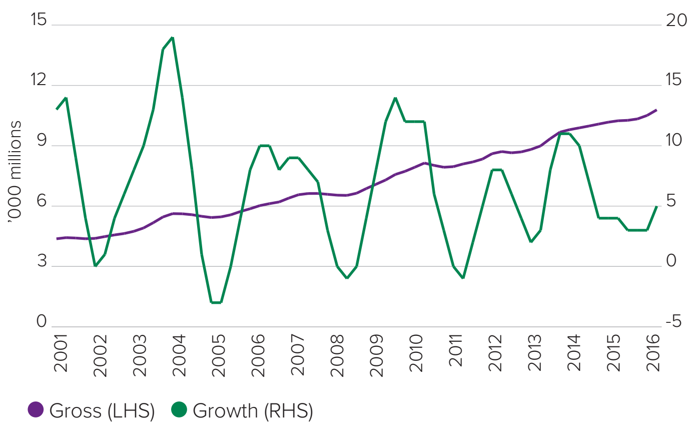
- The retail sector is progressively adopting disruptive technology. The major retailers are building online sales, with Coles reporting a 25% increase YOY *(Source: IGD 2016)*.
- Fresh Logic forecast that online sales of Australian food & grocery may lift from 3.8% share of the Australian grocery market currently to 7-8% similar to current levels in the UK & US markets *(Source: FreshLogic.com.au)*.
- Non-traditional grocery chains (e.g. Google, Amazon, Uber) may be looking to bring new online grocery shopping solutions to Australians in 2017.

Key things to know about major grocery retailers

- Competition remains aggressive at grocery, especially at the discount end with all retailers engaging in visible price wars, particularly within staple categories. These are set to escalate, with speculation that other discount retailers (e.g. Lidl) may launch in the near future.
- **Woolworths:** Food, liquor and petrol sales were down – 1.7% YOY in FY2016 *(Source: IGD)*. Woolworths has been opening new shopfronts, offset by the gradual closure of Thomas Dux outlets. In FY17 they will slow down new store openings to focus on 80+ store refreshes *(Source: IGD)*, potentially including the butcher counters being trialled in some stores now. Citi Research estimate that successful refurbishments can add roughly 1.0% to like-for-like sales growth.
- **Coles:** Food & liquor sales were up +5.1% YOY in FY2016 *(Source: IGD)*. Coles are continuing with an Every Day Low Price *(Source: EDLP)* strategy – by the end of June, Coles had increased the number of SKU's at 'Every Day' prices to 3,100, up from 2,000 at the start of 2016 *(Source: IGD)*.
- **IGA (Metcash):** Experiencing low growth with food & grocery sales up 0.5% YOY *(Source: IGD)*.
- **Aldi:** Rapid expansion, as Aldi has opened 36 stores in 2016 (to October), and is forecast to operate 590 stores nationwide by 2021 *(Source: IGD)*. +13.3% sales YOY in 2015 *(Source: IGD)*. Aldi has the highest level of customer satisfaction of any supermarket, according to Roy Morgan (Jan-Dec 2015).
- **Costco:** Continue to announce record sales – +50.6% revenue YOY in FY2015 *(Source: IGD)*. Costco are set to launch a new Sydney store in 2017 and Melbourne store in 2018. The focus is on high quality meat products, often sold in bulk.

Foodservice

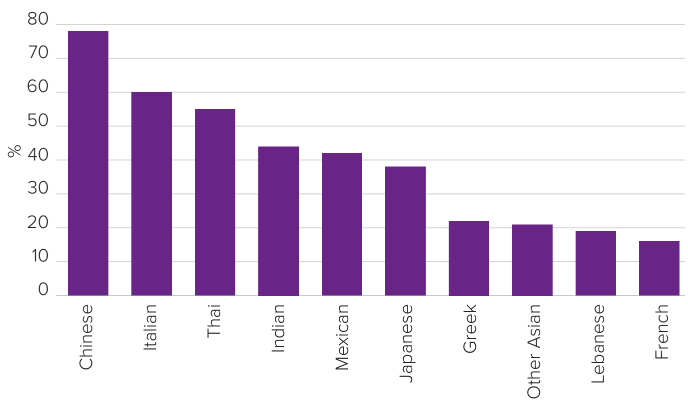
Quarterly turnover in millions & Growth Quarter vs Quarter YA
Cafes, restaurants & takeaways



Source: ABS. Represents approx.. 75% of the foodservice industry

- The Australian foodservice sector is large, and competitive, with over 85,000 places to eat out, dominated by Quick Service Restaurants (QSR), cafes, and casual dining restaurants.
- Australians eat out an average of two to three times a week, spending $45 billion per annum (nearly $100 per household per week) *(Source: Intermedia – Eating Out in Australia, quoted in press release Nov 2016).*
- The foodservice channel is highly fragmented, with many individual companies having small market share. Exceptions include QSRs and institutional channels such as hospitals and aged care.
- Shifting consumer attitudes and behaviour drive innovation and evolution from foodservice providers and these are responsible for some of the volatility seen in the market. Foodservice growth is also impacted by tourism and therefore by international market dynamics, and by the fluctuating Australian dollar.
- The eating out behaviour of Australian consumers over recent years has seen slower rates of growth, and this is set to continue, with only 17% of Australians saying they are eating out more now than they were a year ago – with 36% saying less and only 11% say they are intending to eat out more in future *(Source: MLA Domestic Consumer Tracker 2016).*

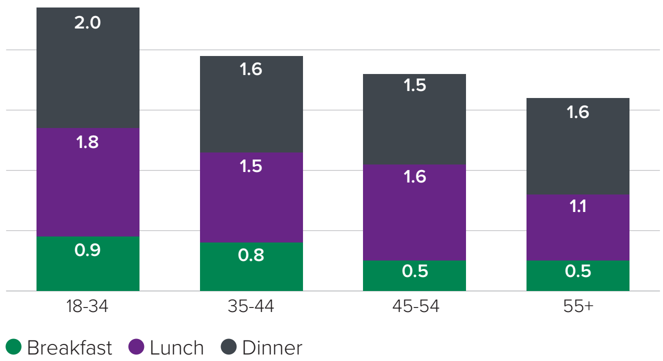
Favourite international cuisine types



Source: Roy Morgan Jan-Dec 2015, quoted in press release May 2016

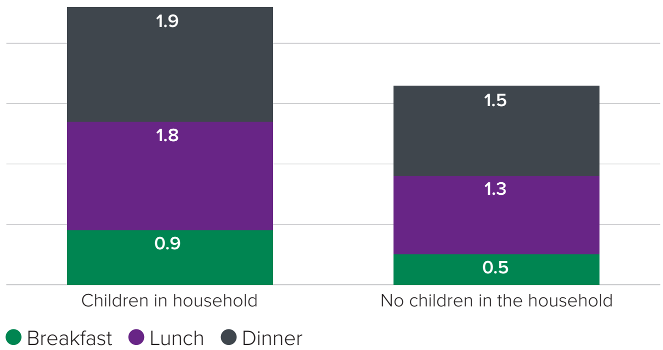
A trend to watch for 2017: tech-driven food delivery by aggregators such as Deliveroo, Foodora, MenuLog and UberEats

Average number of meals out of home per week by age



Source: MLA Domestic Consumer Tracker 2016

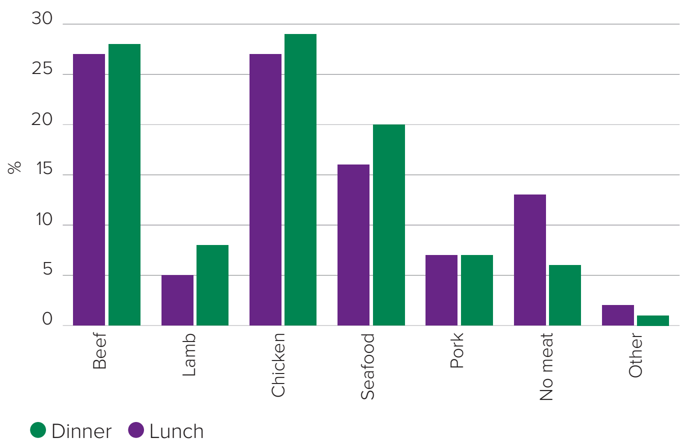
Average number of meals out of home per week by household composition



Source: MLA Domestic Consumer Tracker 2016

- There are many factors that contribute to the choice to eat out or not, mostly occasion-based i.e. where and when the meal takes place, and with whom. Having children in the household indicates a higher level of eating out, as well as influencing choice of venue and choice of meal. When it comes to where to go, convenience, value and familiarity are key, which partly explains the rise of QSRs, supermarket meals-to-go, and other casual dining options.
- Other foodservice trends to watch are menu customisation (for example, McDonalds' "Create Your Taste") and increased demand for integrity (e.g. Guzman Y Gomez' switch to 100% free range chicken). Authentic eating and personalisation are amongst the "Top 10 Global Consumer Trends for 2017", according to Euromonitor International.

Meats eaten when dining out – lunch and dinner



Source: MLA Global Consumer Tracker, 2016

MARKET SNAPSHOT | **BEEF**

North America

The United States is the largest consumer of beef globally and ranks 5th in terms of the most beef per capita consumed in the world behind Hong Kong, Argentina, Uruguay and Brazil *(Source: BMI Research).*

Challenges and opportunities in the US for Australian Beef include:

- Beef sales are forecast to rise in 2017 buoyed by slightly lower beef prices. Comparably cheaper poultry continues to outpace red meat consumption growth and additional competition from plant-based, alternative proteins is expected to challenge the red meat industry as consumers search for what they perceive to be healthier options.
- Grassfed has a relatively high profile in the US, with the majority of beef buyers seeing it as better for their health. *(Source: MLA Global Tracker, 2016).*
- Animal welfare continues to be an important issue for US consumers as well as quality and 'naturally' raised animals.
- Demand for Australian beef has decreased as a consequence of recently increased US beef production and tighter Australian beef supplies. Beef imports to the US from NAFTA partner countries are likely to rise as a result of the appreciated value of the U.S. dollar against the Canadian dollar and the Mexican peso.

Population

324.1 in 2016 | **333.6** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning
US$15000+ p.a.

113.6 in 2016 | **118.7** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

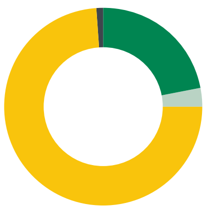
Households earning
US$35000+ p.a.

75.0 in 2016 | **83.5** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian beef exports – volume



Total 242,013 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR)

Australian beef exports – value

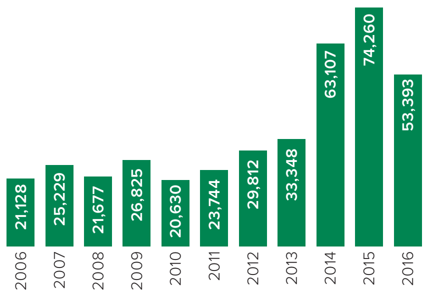
Total A$ 1,858 million

Source: MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

Source: DAWR, CY 2016

Chilled grassfed beef exports to the US

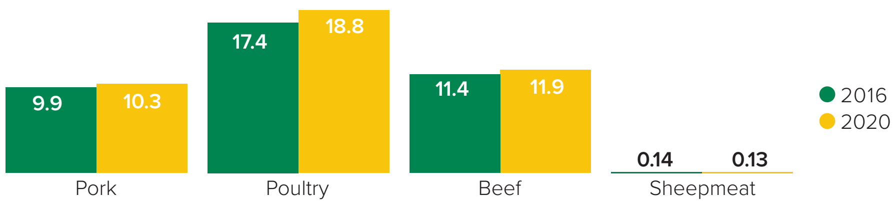


In tonnes swt

Source: DAWR

Meat consumption

119.9kg per capita*
total meat protein**



In million tonnes cwt

Source: BMI Research, OECD

* 2016e per person per year ** excluding fish/seafood

Consumers

- Beef is a popular protein choice in the US with consumption at 35.5 kg per capita in 2016 *(Source: BMI Research estimates)*. A slight increase is expected in 2017 at 35.6kg per capita as a result of improved domestic production and slightly lower beef prices.
- A global study performed by MLA in 2016 reveals the majority of US consumers are aware of grassfed beef and would consider buying imported grassfed beef with price and availability being a key motivator.
- 69% of US consumers surveyed claim to have previously bought grassfed beef.
- Purchasers of grassfed beef in the US are interested in quality and 'naturally' raised beef. Concern for animal welfare is also a major factor considered when purchasing beef.
- Australia is well placed to meet the demands for quality and animal welfare with our best-in-class food safety, traceability protocols and unique eating quality grading system, Meat Standards Australia (MSA).

Awareness of types of beef

Source: MLA Global Consumer Tracker, 2016

- Consumers of grassfed beef are more than likely to have a higher income of over US$90k p.a and aged between 25-49 years.

What attributes are important for US consumers? (All proteins)

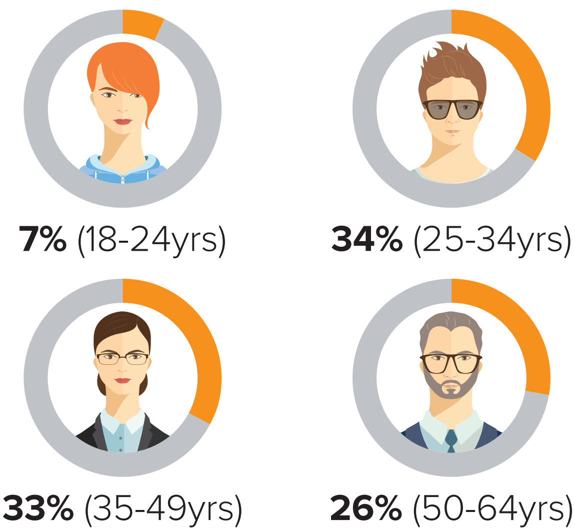
Family's favourite
Most superior
Guaranteed safe to eat
Part of healthy diet for kids
Consistent quality standards

Advantages of grassfed beef as perceived by US consumers (top 5)

Better quality	59%
Naturally raised	59%
Better for my health	56%
Raised on open pastures	53%
Raised in a manner that treats animals more humanely	49%

Source: MLA Global Consumer Tracker, 2016

Consumers who have trialled Australian Grassfed beef by age group

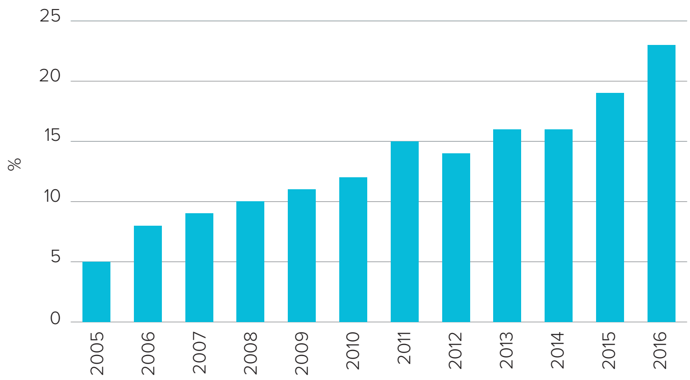


Source: MLA Global Consumer Tracker, 2016

Retail

- Australian grassfed retail segment in the US is relatively small, however demand for higher value cuts is increasing. Popular cuts include tenderloins and striploin.
- The chilled beef sector is gradually taking a greater volume share of Australian grassfed beef exported to the US.

% of total Australian beef exports to the US that are chilled grassfed



Source: DAWR

- When buying beef, shoppers look primarily for markers of freshness and all-natural ingredients.

Top things to look for when buying beef

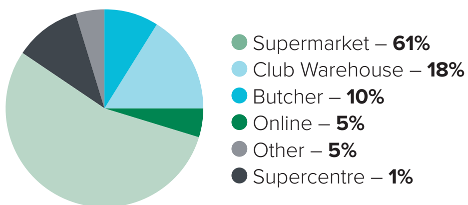
Colour of meat	**55%**
Date packed	**46%**
Freshness	**45%**
All natural/100% Natural	**44%**
Price per pack and Use by date	**34%**
Fat content	**30%**

Source: MLA Global Consumer Tracker, 2016

- Millennials seek both animal welfare and health cues from beef packaging, while colour of meat matters less. Word of mouth and food blogs are more influential on purchase while seeing it in-store is far less important.

Millennial definition – The generation that follows Generation X, with birth years ranging from the early 1980s to the early 1990s.

Where do consumers go to buy Australian beef



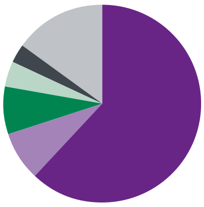
Source: MLA Global Consumer Tracker, 2016

Foodservice

- Manufacturing beef for burgers, and other processed beef products makes up a large portion of Australian beef sold into the foodservice sector in the US.

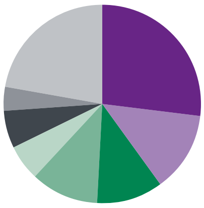
Australian beef exports to the US – 2016

Total beef



- Manufacturing – **62%**
- Thin Flank – **8%**
- Topside/Inside – **8%**
- Silverside/Outside – **4%**
- Fullset – **3%**
- Other – **15%**

Chilled grassfed beef

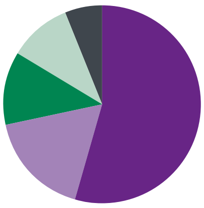


- Topside/Inside – **27%**
- Thin Flank – **13%**
- Fullset – **11%**
- Silverside/Outside – **11%**
- Rump – **6%**
- Brisket – **6%**
- Blade – **4%**
- Other – **22%**

Source: Department of Agriculture and Water Resources
Note: Manufacturing beef includes Trimmings, FQTR, HQTR, solid packed beef. Fullset is a set of primals that commonly consists of 12 or 13 cuts. Cuts included are determined by the customer.

- Casual dining and quick-service chains offer the largest proportion of beef meals in the US.

Beef meals on menus



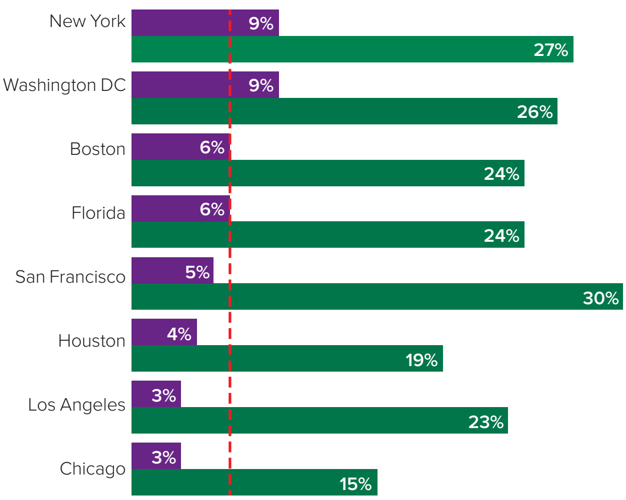
- Casual dining – **54%**
- Quick service – **17%**
- Midscale – **12%**
- Fast casual – **10%**
- Fine Dining – **6%**

Source: Technomic's 2015 Center of the Plate: Beef and Pork Report
Note: Main meal items

Grassfed Beef Awareness and Consumption

- Out of the 8 cities surveyed, consumption levels of grassfed beef varied. Although awareness of grassfed beef is high in Los Angeles, consumption remains low. In New York & Washington DC consumption is above the national average of 6%.

Australian Grassfed Beef Awareness and Consumption



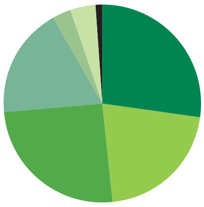
Past 7 days consumption • Aware • National Average **6%**

Source: MLA Global Consumer Tracker, 2016
Base – Bought beef in past month or ever buy beef

Other suppliers

- The main competitors for Australian beef in the US market are the US itself, Canada, Mexico and New Zealand. Smaller suppliers include Uruguay and Nicaragua with access to lower quotas.

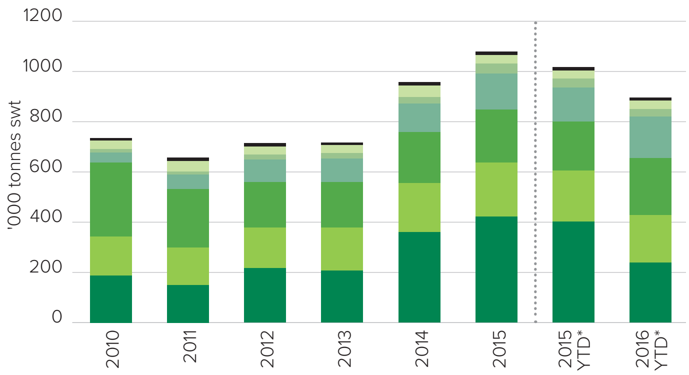
US Beef imports by market share – 2016*



- Australia – **27%**
- NZ – **21%**
- Canada – **25%**
- Mexico – **18%**
- Uruguay – **3%**
- Nicaragua – **4%**
- Other – **1%**

*Source: GTA * 2016 YTD Jan-Nov*

US Beef Imports by major supplier



Australia • NZ • Canada • Mexico • Uruguay • Nicaragua • Other

*Source: GTA * 2016 YTD Jan-Nov*

- In 2016 the USA granted access for fresh and frozen Brazilian beef, following the determination that Brazil's animal health and food safety protocols are equivalent to US standards.
- The countries that will be impacted are those currently supplying under the 64,805 tonne 'Other Countries' quota, including Nicaragua and Ireland, although Nicaragua does have the potential to access additional amounts under the Central American Free Trade Agreement.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-United States FTA (AUSFTA, EIF* 2005)	2017: Australia to US – 0% (17.60% above quota) To Canada – 0% (26.5% above quota) To Mexico – 20-25%	Canada and Mexico – their exports to the US are not quota restricted under the NAFTA** NZ – No FTA, has country specific quota*** Brazil – No FTA, 'other countries' quota****	2017 quota: Australia to US – 423,214 tonnes swt To Canada – 35,000 tonnes swt	E. coli sampling program and testing at point of entry; salmonella sampling program; label approvals and port mark compliance.

Best access — Major challenges

Source: Trade agreements DFAT, MLA

** Entry into force. ** North America Free Trade Agreement. *** NZ quota = 213,402 tonnes swt. **** Other countries quota = 64,805 tonnes swt. Out-of-quota tariff is 26.4%*

Australian beef exports to US – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**242,013**	**100**	**415,951**	**100**	**283,695**	**100**	**-15**	**-41,682**
by storage	Chilled	61,364	25	87,121	21	51,231	18.1	20	10,133
	Frozen	180,649	75	328,830	79	232,464	81.9	-22	-51,815
by meat type	Grassfed	232,242	96	400,740	96	275,844	97.2	-16	-43,601
	Grainfed	9,770	4	15,211	4	7,851	2.8	24	1,919
by storage/ meat type	Chilled grassfed	53,393	22	74,260	18	44,854	15.8	19	8,539
	Chilled grainfed	7,971	3	12,861	3	6,376	2.2	25	1,594
	Frozen grassfed	178,850	74	326,480	78	230,990	81.4	-23	-52,140
	Frozen grainfed	1,799	1	2,351	1	1,475	0.5	22	325

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**1,858,420***	**100**	**3,075,891**	**100**	**1,656,752**	**100**	**12**	**201,668**
by storage	Chilled	626,311*	34	886,834	29	425,550	26	47	200,762
	Frozen	1,232,108*	66	2,189,057	71	1,231,202	74	0	906

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	150,679	62	273,768	66	191,197	67	-21	-40,518
Thin Flank	19,861	8	25,685	6	22,674	8	-12	-2,814
Topside/Inside	18,431	8	28,261	7	19,107	7	-4	-676
Silverside/Outside	10,728	4	20,493	5	12,759	4	-16	-2,031
Fullset	6,979	3	-	0	2	0	359,430	6,977
other	35,335	15	67,745	16	37,955	13	-7	-2,621
Total	**242,013**	**100**	**415,951**	**100**	**283,695**	**100**	**-15**	**-41,682**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	14,247	74	31,092	73	17,432	73	-18	-3,184
Silverside/Outside	1,698	9	4,190	10	2,834	12	-40	-1,136
Cube Roll/Rib Eye Roll	667	3	1,060	2	559	2	19	108
other	2,704	14	6,234	15	3,026	13	-11	-323
Total	**19,316**	**100**	**42,575**	**100**	**23,851**	**100**	**-19**	**-4,535**

Source: DAWR

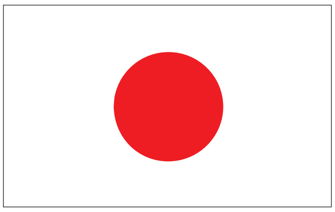
Australian beef exports to Mexico – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Thin Flank	96	100	659	95	603	98	-84	-506
Manufacturing	0	0	27	4	6	1	-100	-6
other	0	0	7	1	4	1	-100	-4
Total	**96**	**100**	**692**	**100**	**612**	**100**	**-84**	**-516**

Source: DAWR

MARKET SNAPSHOT | **BEEF**

Japan



Japan is the world's third largest economy and one of the largest meat importers globally. In volume terms, although beef is a secondary protein behind seafood, pork and poultry, Japanese consumers appreciate beef's taste, making it worth paying comparatively more for. Per capita consumption of seafood has declined significantly, with pork and chicken increasing over the same time. Beef consumption remains relatively steady.

Challenges and opportunities in Japan for Australian beef include:

- Japan has continuously been a critically important destination for Australian beef and will likely remain so, based on established trade protocols and a mature trade relationship.
- Japan will continue to depend on imports to fulfil its protein requirements.
- While Japanese favour local Kokusan and Wagyu Beef, Australian beef has the highest awareness and frequency of consumption.
- Competition from the US continues to grow, with frequency of consumption increasing.
- Traditional cooking styles that use finely sliced beef still dominate but there is a growing trend towards steaks.

Population

126.3 in 2016 **125.0** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning
US$15000+ p.a.

49.6 in 2016 **52.3** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

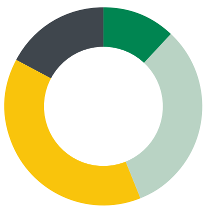
Households earning
US$35000+ p.a.

24.5 in 2016 **33.5** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian beef exports – volume



Total 264,325 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value

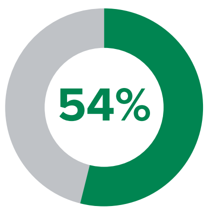
Total A$ 1,773.2 million

Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

*Source: DAWR, CY 2016. * Striploin, tenderloin and cube roll*

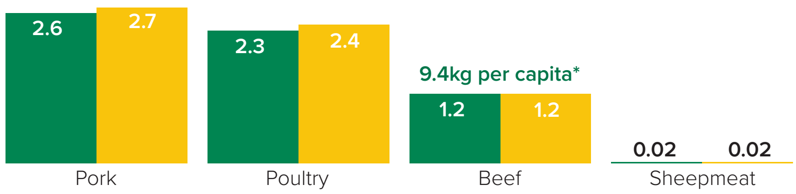
Australia's share of imports



Source: Ministry of Finance (Japan), MAT December 2015 to November 2016

Meat consumption

48.3kg per capita* total meat protein**



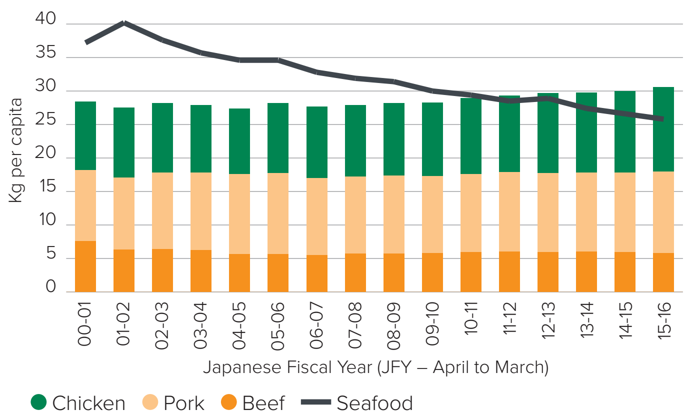
In million tonnes cwt

Source: BMI Research, GIRA, 2016 estimate and 2020 projection ** 2016e per person per year* *** excluding fish/seafood*

Consumers

- Japan is the third largest economy in the world, with a net household income averaging US$41,500 *(Source: BMI Research, 2017 forecast).* The country is also one of the largest meat importers in the global protein market.
- Seafood consumption has significantly fallen over the last 15 years, while chicken and pork have gradually grown share of meat proteins consumed. Beef remains relatively stable over the same period.

Japanese consumption is changing



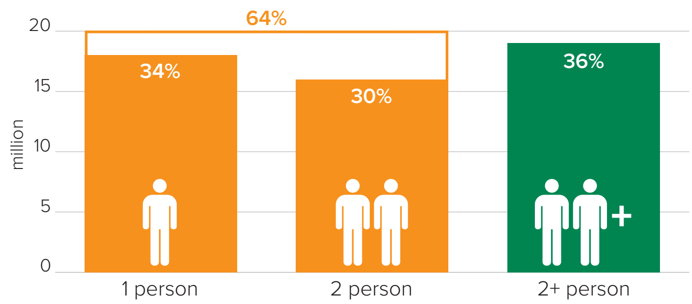
Source: MAFF, MLA

When consumers are purchasing proteins, it is important that meat:	Consumers think beef...
	Tastes delicious*
	Worth paying more*
Can be used in different meals	**But also**
Is the most superior	Is comparatively expensive**
Is my family's favourite	Is not versatile**

Source: MLA Global Consumer Tracker, 2016
** relative strengths, ** relative weaknesses Protein Image Profiles*

- Japan's aging population and smaller household size are driving the growth of nakashoku – pre-cooked and smaller portion meals for home consumption. Chicken and pork are popular in this segment, however beef meals are also increasing.

Japan household number by structure



Source: National Institute of Population and Social Security Research (Japan), 2017 forecast

Portioned meal – beef bento box

Foodservice

- The Japanese foodservice sector is estimated at over 25 trillion yen[1] (A$ 275 billion) and of Australian beef exported to Japan, MLA estimates 60% is utilised in this sector.

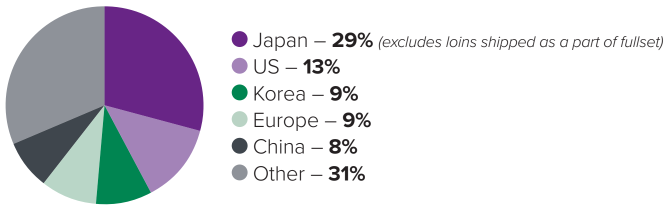
Major outlets of Australian beef (and key cuts used):

Hamburger and gyudon chains (manufacturing and brisket)
Family and local restaurants (manufacturing and various cuts)
Yakiniku – Japanese/Korean style table top barbecue (skirts, loins, offal)
Canteens – schools, hospitals, catering (various cuts)
Various independent and franchise hotels/restaurants (loins, hindquarter and other)

Source: MLA

- Consumer appreciation of meat has changed in recent years with the younger generation developing a taste for steaks, aged beef and leaner red meat. In response, meat specialist bistros/steak bars are gaining popularity in Japan. Concurrently, demand for marbled yakiniku cuts and offal remain high.

Australian beef exports – loin cuts



Source: DAWR, CY 2016

[1] 2014 data, Japan Foodservice Association

Gyudon beef rice bowl

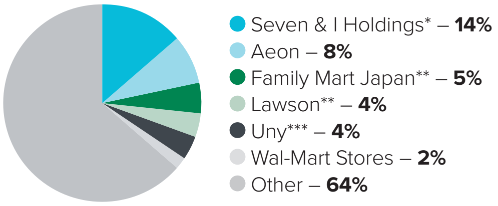
Japanese style yakiniku BBQ

Retail

- While Japan has one of the most sophisticated retail sectors in the world, it is also very fragmented and highly competitive, with the top 5 retailers commanding 35% of grocery retail market share.

Grocery retail market share

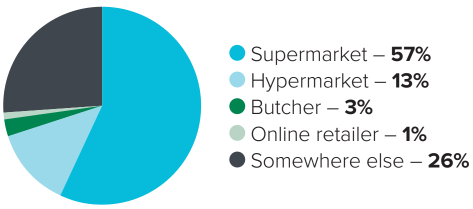
Major organised retailers – 2016



Source: IGD
** includes Seven-Eleven convenience store*
*** convenience stores*
**** Uny and Family Mart formed Uny Family Mart Holdings in Sept 2016*

- MLA estimates that approximately 40% of Australian beef is distributed via retail, including fresh, value added and cooked products. Supermarkets are the most common outlets for consumers to purchase beef.

Where do consumers go to buy Australian beef?



Source: MLA Global Consumer Tracker, 2016

Key retailers by prefecture

Tokyo	Aeon, Ito-Yokado (Seven & I), Life, Summit
Chiba	Aeon, Ito-Yokado, Yaoko
Saitama	Aeon, Ito-Yokado, Maruetsu
Osaka	Aeon, Life, Mandai
Hyogo	Aeon, Izumiya

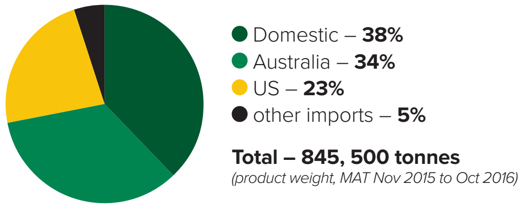
Source: MLA Global Consumer Tracker, 2016

- Japanese convenience stores are having an impact on supermarkets, attracting consumers who are seeking convenient meal solutions, with a wide range of pre-cooked, small portioned sozai (delicatessen items) and bento (take away meal) boxes.
- Similar to the foodservice sector, meat preferences of young consumers are driving diversification in the retail sector. Responding to such opportunities, more retailers are selling thick cut steaks and other cuts that can be enjoyed by barbecuing or grilling, in addition to traditional finely sliced beef for stir frying and other Asian style cooking.

Other suppliers

- Japanese traditional Wagyu beef occupies a unique position with consumers in terms of product (highly marbled), price (considerably higher than imports) and preference (most favoured). In that sense, it is US products (in beef category) and pork (both domestic and imports) that a consumer would consider and compare with Australian products, at the time of meal planning and shopping.

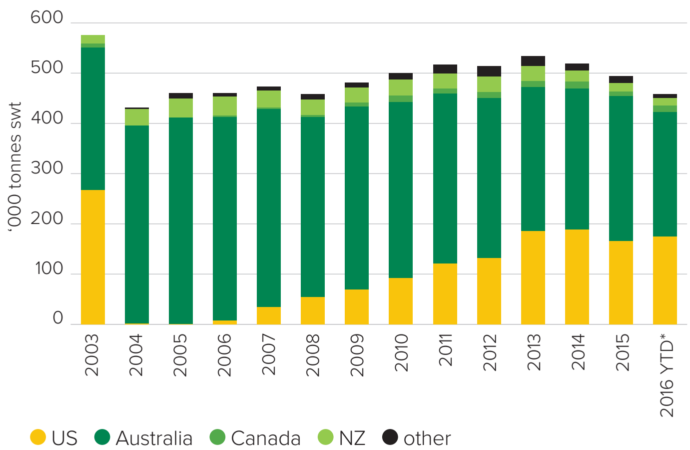
Japan beef consumption by supplier



Source: Agriculture and Livestock Industries Corporation of Japan, Ministry of Finance (Japan), MLA estimate

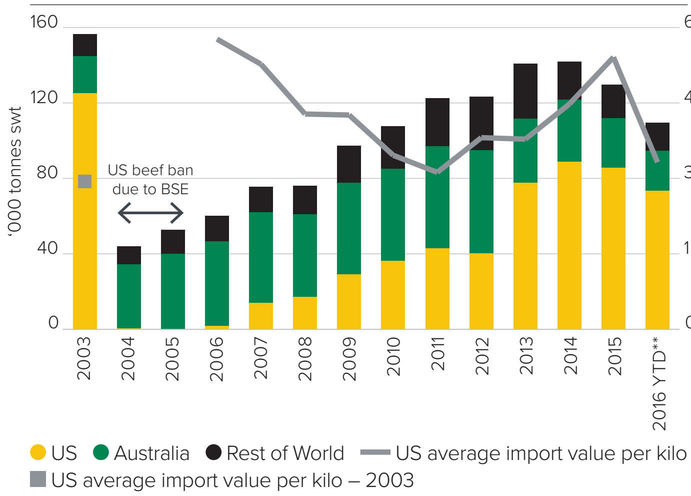
- Besides Australia, the US is the major supplier of imported beef into the market, followed by New Zealand, Mexico and Canada.
- The US recovered some market share in Japan during 2016, on the back of increased production and subsequent price falls.

Japan beef imports by supplier



Source: MOF
** YTD Jan-Oct*

Japan frozen brisket* imports



*Source: MOF, MLA * HS code 020230030 frozen brisket and plate ** YTD Jan-Oct*

- The US is the largest supplier of frozen brisket and plate to Japan, mainly supplying to the gyudon beef rice bowl sector. The average value of other key US cuts such as shoulder and loins have also fallen during 2016.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
JAEPA* Tariff reduction to 23.5% by 2028 (chilled) and 19.5% (frozen) by 2031	**Current**** = 30.5% for chilled, 27.5% for frozen **1 April 2017** = 29.9% for chilled, 27.2% for frozen	**US** US has no FTA with Japan and is applied 38.5% import tariff for both chilled and frozen beef	**Safeguard** Tariff bounces back to 38.5% if imports from Australia exceed trigger levels***	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** Japan Australia Economic Partnership Agreement*
*** as at February 2017*
**** Trigger level for chilled: 133,300 tonnes swt for Japan Fiscal Year (JFY) 2016 (until March 2017), 135,000 tonnes swt for JFY2017 (April 2017 to March 2018). For frozen: 198,300 tonnes swt and 200,000 tonnes swt, respectively.*

Australian beef exports to Japan – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**264,325**	**100**	**285,224**	**100**	**303,706**	**100**	**-13**	**-39,381**
by storage	Chilled	116,657	44	127,633	45	127,605	42	-9	-10,948
	Frozen	147,668	56	157,592	55	176,100	58	-16	-28,432
by meat type	Grassfed	135,320	51	145,540	51	173,251	57	-22	-37,932
	Grainfed	129,005	49	139,685	49	130,455	43	-1	-1,449
by storage/ meat type	Chilled grassfed	31,994	12	32,617	11	39,823	13	-20	-7,829
	Chilled grainfed	84,663	32	95,016	33	87,782	29	-4	-3,119
	Frozen grassfed	103,326	39	112,923	40	133,428	44	-23	-30,102
	Frozen grainfed	44,342	17	44,669	16	42,672	14	4	1,670

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**1,773,241***	**100**	**1,886,907**	**100**	**1,627,413**	**100**	**9**	**145,829**
by storage	Chilled	1,088,611*	61	1,092,787	58	899,117	55	21	189,495
	Frozen	684,630*	39	794,120	42	728,296	45	-6	-43,666

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	97,500	37	103,591	36	105,682	35	-8	-8,181
Brisket	42,381	16	40,367	14	54,491	18	-22	-12,110
Silverside/Outside	16,614	6	15,118	5	15,614	5	6	1,000
Blade	16,271	6	19,473	7	18,862	6	-14	-2,591
Chuck Roll	14,084	5	20,014	7	18,135	6	-22	-4,051
Topside/Inside	13,831	5	12,669	4	14,717	5	-6	-885
Striploin	12,148	5	12,713	4	10,505	3	16	1,643
Fullset	11,074	4	19,264	7	16,635	5	-33	-5,561
other	40,422	15	42,015	15	49,066	16	-18	-8,644
Total	**264,325**	**100**	**285,224**	**100**	**303,706**	**100**	**-13**	**-39,381**

Source: DAWR

Australian BEEF OFFAL exports to Japan – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Tongues	7,866	35	9,567	34	8,822	34	-11	-956
Skirt	7,170	32	8,521	31	7,813	30	-8	-643
Intestines	2,774	12	3,303	12	3,411	13	-19	-637
other	4,939	22	6,529	23	5,717	22	-14	-778
Total	**22,748**	**100**	**27,920**	**100**	**25,762**	**100**	**-12**	**-3,014**

Source: DAWR

value – in A$ 000

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total	**238,780***		**203,627**		**173,280**		**38**	**65,500**

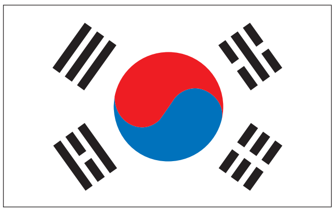
Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF

Korea

Beef consumption lags behind pork and poultry in Korea, although consumers associate beef with being the most superior meat. Consumers favour local Hanwoo beef but Australian beef awareness and frequency of consumption is higher than other imports. A recently introduced anti-corruption law will continue to challenge consumer and business spending.



Challenges and opportunities in Korea for Australian beef include:

- US beef awareness and frequency of consumption has increased.
- The new Anti-Bribery Act 2016 has the potential to impact premium foodservice beef consumption and retail beef gifting as businesses reduce the spend per gift of these items in line with the Act.
- Korea has a well-developed retail and foodservice sector.
- Australian beef exports to Korea have had a consecutive record year in 2016.
- Safeguard* restricts the tariff benefits that Australia gained under the Korea-Australia Free Trade Agreement (KAFTA).

** Trade mechanism under KAFTA that Korea can revert to the 40% tariff level when imports exceed agreed volume.*

Population

50.5 in 2016 | **51.3** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$15000+ p.a.

19.4 in 2016 | **20.8** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

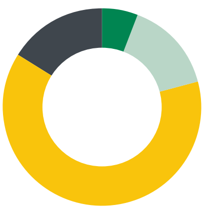
Households earning US$35000+ p.a.

12.1 in 2016 | **15.7** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian beef exports – volume



Total 179,854 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value

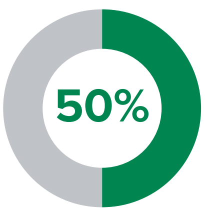
Total A$ 1,325.3 million

Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

Source: DAWR, CY 2016

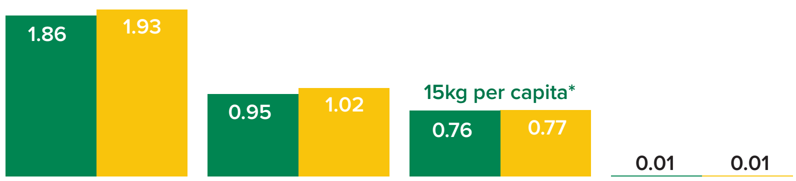
Australia's share of imports



Source: GTA, MAT (Moving Annual Total) December 2015 to November 2016

Meat consumption

70.7kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA,

** 2016e per person per year ** excluding fish/seafood*

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www.mla.com.au or email us at: **marketinfo@mla.com.au**

Consumers

- South Korea is the third largest economy in Asia, with a net income per household averaging US$ 41,433 *(Source: BMI Research, 2016 data).*
- Pork is the most consumed meat in Korea, underpinned by it's versatile, convenient and affordable nature. Consumers have positive views towards beef, associating it with nutrition, taste and superior quality. It is the local marbled Hanwoo beef that consumers highly favour.
- Australian beef in Korea is consumer's favourite amongst imported beef, and is considered trusted, affordable and natural. Hanwoo (local) beef is consumer's favourite amongst all proteins, because of its local origin and luxury status associated with it.

Average number of meals eaten in last 7 days

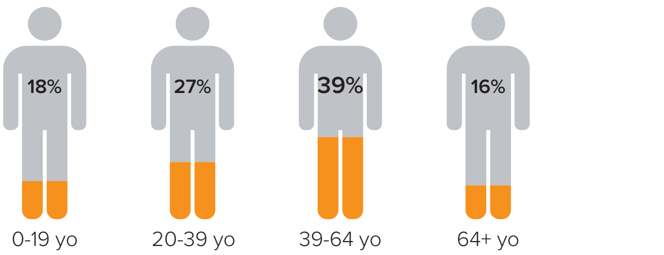
Source: MLA Global Consumer Tracker, 2016

What attributes are important for Korean consumers? (all protein)	What associations do consumers have to Australian beef?	What things do consumers look for on beef retail pack?
Guaranteed safe to eat	Cheaper	Country of origin
Freshness	Easy to purchase	Colour of meat
Family's favourite	Becoming more popular	Freshness
Easy to prepare		Price per kilo
Most superior		Animal origin/ provenance

Source: MLA Global Consumer Tracker, 2016

- South Korea's population is ageing, and this trend is anticipated to continue. Young adults (those between 20 and 39) currently account for 28.3% of the population, and will decline to 27% of the population by 2020 *(Source: BMI Research)*. With their median age reaching 43 by 2020, demand for products and information that appeal to middle aged consumers, will likely increase.

Population by age – 2020 forecast



Source: World Bank/United Nations/BMI

It is important for Korean consumers to know the origin of beef they consume as well as the provenance of its source location, providing imported beef with positioning and messaging opportunities.

Foodservice

- The value of the Korean foodservice market is estimated at A$96 billion *(Source: Korean trade, MLA)*, and Australian beef is consumed across the sector with products ranging from frozen manufacturing beef to highly marbled Australian Wagyu grainfed loin cuts.
- In the traditional barbecue sector, highly marbled domestic beef is the most popular, followed by US beef, then Australian grainfed products.
- Korea introduced the Anti-Bribery Act in 2016 which led to a very cautious approach by business to foodservice expenditure. Prestigious but expensive Hanwoo beef sales have reportedly declined due to this change, providing increased opportunities for imported beef, including Australian.

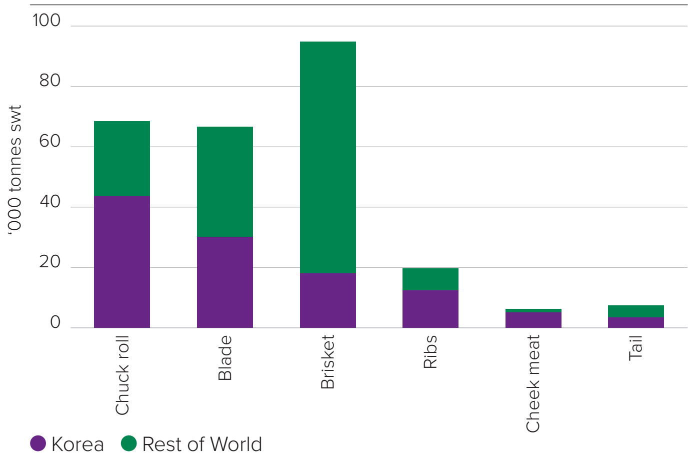
Korean foodservice – key users of Australian beef

Category	Major brands	Major cuts used
Fast food	Hamburger (Lotteria, Burger King, McDonald's)	manufacturing beef
Casual eatery	Brisket soup (Shinsun Seolongtang, Hanchon SLT, Yukdaejang), various small BBQ outlets	chuck roll, brisket, ribs, skirts, tail
Mid-end	Outback Steakhouse, TGI Fridays, VIPs, Ashley (family restaurant), various BBQ chains	chuck roll, loins, bone-in rib eye, various fore and hind cuts, offal
High-end	All five star hotels	loins

Source: MLA

- MLA estimates that outlets serving Korean style dishes account for approximately 45% of sales in the foodservice sector. Numerous franchised venues are offering brisket menus such as chilli brisket soup, introducing differentiated offers and building consumer demand.

Australian beef exports – selected cuts (2016)



Source: DAWR, 2016 data

Bulgogi

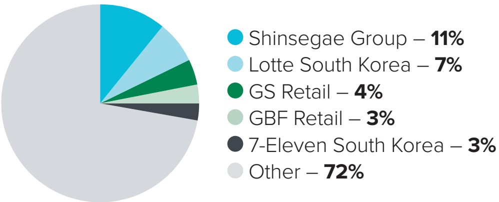
Ox tail soup

Retail

- Korea has a well developed modern retail sector, and also a large group of second tier and individual operators competing for their share in the market.

Grocery retail market shares

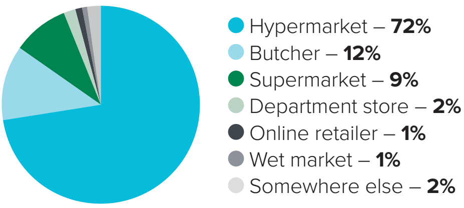
Major organised retailers – 2016



Source: IGD

- It is estimated that approximately 50% of Australian beef is distributed via retail, including fresh, value added and cooked products *(Source: Trade research, MLA).*
- Australian beef is largely available through hypermarkets and supermarkets, while domestic Hanwoo is also distributed into butchers and department stores.

Where do consumers go to buy Australian beef?



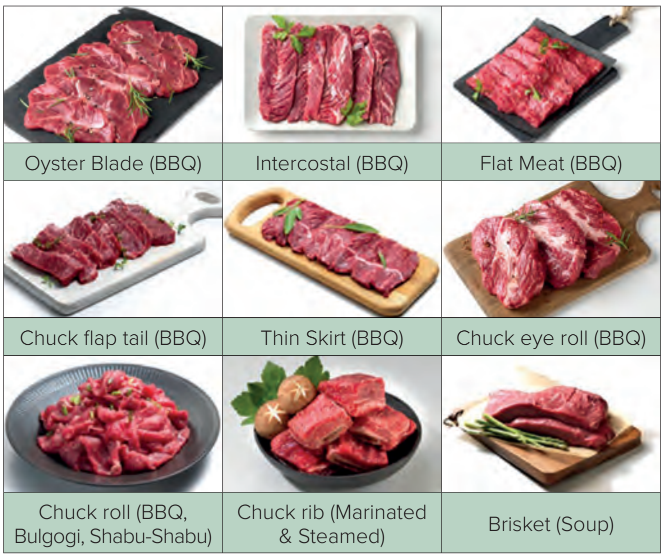
Source: MLA Global Consumer Tracker, 2016

From which stores do consumers mainly purchase Australian beef?

E-Mart	emart
Homeplus	Home plus
Lotte Mart	LOTTE Mart
Costco	COSTCO WHOLESALE

Source: MLA Global Consumer Tracker, 2016, hypermarkets only

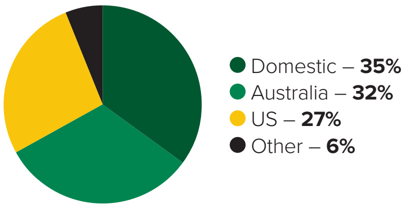
What are the key cuts and typical dishes using Australian beef in Korea?



Other suppliers

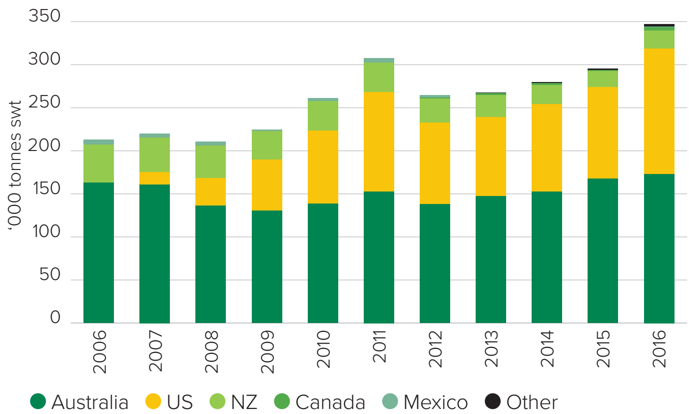
- It is estimated that around 280,000 tonnes cwt of beef was produced domestically in Korea during 2016. Production is likely to remain limited in growth in coming years, largely due to producer uncertainty over future cattle prices *(Source: USDA GAIN report).*
- Increased availability and easing prices of US beef resulted in a rise in imports from the supplier during 2016. Intake from other countries also grew substantially, making the 2016 year-to-date (Jan to Nov) volume already the highest annual beef imports on record at 346,892 tonnes swt.
- Brazil and India have not entered the market and will likely not do so for the foreseeable future, due to the country's stringent animal health and food safety requirements.

Korea beef consumption by supplier (2016)



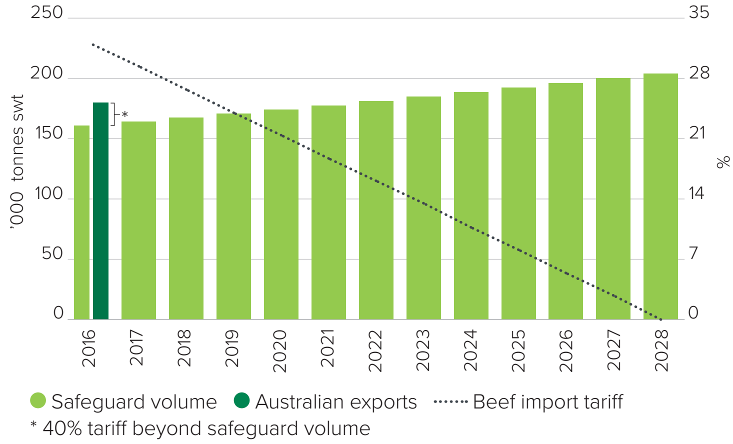
Source: Estimates by MLA based on USDA consumption & domestic production figures, and GTA imports figure. Jan to Nov 2016.

Korea beef imports by supplier



Source: GTA

KAFTA – tariff rates and safeguard volumes



Source: Trade agreement, MLA

Safeguard is a trade mechanism under Korea-Australia Free Trade Agreement (KAFTA) that Korea can revert to the 40% tariff level when imports exceed agreed volume.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
KAFTA Korea-Australia Free Trade Agreement	32% in 2016 **29.4% in 2017** 0% in 2028 Under **KAFTA**	**US** 24% import tariff in 2017 (5.4% less than Australian tariff)	**Safeguard** 40% tariff applies if imports from Australia exceed 164,046 tonnes swt in 2017	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** Under KORUS FTA (Korea-US Free Trade Agreement), import tariff on US beef will be eliminated in 2026*

Australian beef exports to Korea – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**179,854**	**100**	**166,588**	**100**	**146,835**	**100**	**22**	**33,020**
by storage	Chilled	36,641	20	35,490	21	34,332	23	7	2,308
	Frozen	143,214	80	131,097	79	112,502	77	27	30,711
by meat type	Grassfed	124,098	69	122,385	73	110,643	75	12	13,455
	Grainfed	55,756	31	44,203	27	36,191	25	54	19,565
by storage/ meat type	Chilled grassfed	10,168	6	12,601	8	14,937	10	-32	-4,770
	Chilled grainfed	26,473	15	22,889	14	19,395	13	36	7,078
	Frozen grassfed	113,930	63	109,784	66	95,706	65	19	18,224
	Frozen grainfed	29,283	16	21,314	13	16,796	11	74	12,487

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**1,325,341***	**100**	**1,243,776**	**100**	**878,580**	**100**	**51**	**446,761**
by storage	Chilled	420,469*	32	395,996	32	284,741	32	48	135,729
	Frozen	904,872*	68	847,780	68	593,840	68	52	311,032

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Chuck Roll	43,561	24	39,289	24	35,458	24	23	8,102
Blade	30,160	17	27,332	16	22,189	15	36	7,971
Manufacturing	24,134	13	20,331	12	17,899	12	35	6,235
Brisket	17,991	10	20,665	12	13,880	9	30	4,111
Ribs	12,367	7	11,743	7	9,862	7	25	2,505
Silverside/Outside	12,168	7	9,795	6	8,366	6	45	3,802
Short Ribs	10,238	6	11,461	7	13,619	9	-25	-3,381
other	29,236	16	25,972	16	25,562	17	14	3,674
Total	**179,854**	**100**	**166,588**	**100**	**146,835**	**100**	**22**	**33,020**

Source: DAWR

Australian BEEF OFFAL exports to Korea – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Skirt	5,283	23	5,515	21	5,327	21	-1	-45
Cheek Meat	5,021	22	6,309	25	6,086	24	-18	-1,065
Tail	3,409	15	3,870	15	3,453	14	-1	-44
other	8,859	39	10,046	39	10,216	41	-13	-1,358
Total	**22,571**	**100**	**25,740**	**100**	**25,083**	**100**	**-10**	**-2,511**

Source: DAWR

value – in A$ 000

	2016		2015		5 year average (2011-2015)		%	in A$ 000
Total	**115,113***		**123,192**		**83,931**		**37**	**31,182**

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

MARKET SNAPSHOT | BEEF

China

China is a large, complex country with significant regional cultural variation, requiring a sophisticated market segmentation approach to identifying and developing opportunities for Australian beef. Demand for imported beef is forecast to grow as the number of wealthier consumers in larger cities increases.

Challenges and opportunities in China for Australian beef:

- Despite slowing economic growth, consumer demand for premium imported beef is expected to continue to grow, driven by increasing urbanisation, disposable incomes, premiumisation and health awareness.
- Whilst beef generally contributes a small share of dietary protein compared to fish and pork, wealthier consumers eat more beef than average and spend more on it when they buy it.
- Beef is traditionally used in a variety of stir fry, stew, soup and hot pot dishes.
- China's retail sector is the largest globally (based on retail sales) but is among the world's most fragmented.
- China's beef market is very competitive and import demand very price-sensitive, though more so at the commodity than the premium end of the market.
- Whilst ChAFTA* is reducing tariffs on Australian beef, improving market access remains a priority, particularly for chilled.

** China-Australia Free Trade Agreement*

Population

1,382 in 2016 **1,403** in 2020

In million

Source: *BMI Research, 2016 estimate & 2020 projection*

Households earning US$15000+ p.a.

61.8 in 2016 **102.9** in 2020

In million households

Source: *BMI Research, 2016 estimate & 2020 projection*

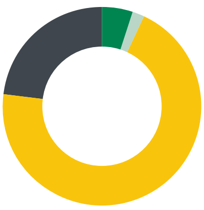
Households earning US$35000+ p.a.

7.9 in 2016 **15.4** in 2020

In million households

Source: *BMI Research, 2016 estimate & 2020 projection*

Australian beef exports – volume

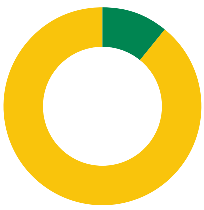


- Chilled grass – **5%**
- Chilled grain – **2%**
- Frozen grass – **70%**
- Frozen grain – **23%**

Total 94,040 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value



- Chilled – **11%**
- Frozen – **89%**

Total A$ 737.3 million

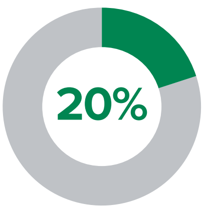
Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

- Brisket – **23%**
- Shin/shank – **14%**
- Trimmings – **13%**
- other – **50%**

Source: DAWR, CY 2016

Australia's share of direct imports

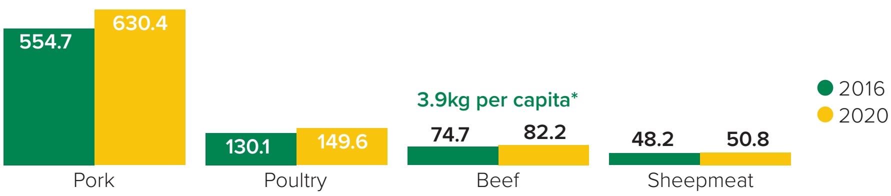


- Australia
- Other Countries

Source: GTA, MAT October 2015 to November 2016

Meat consumption

49.9kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, GIRA, 2016 estimate and 2020 projection

** 2016e per person per year ** excluding fish/seafood*
Source: FAO-OECD

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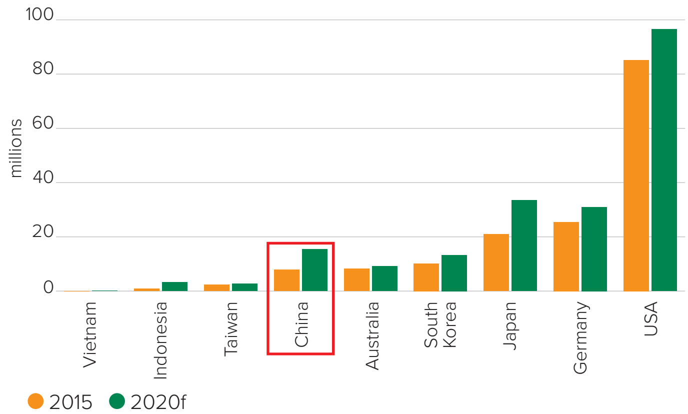
Consumers

- China is a country of great regional cultural diversity and variation in consumption habits and preferences. Considering cuisine alone, there are at least 8 official Chinese cuisines with distinct characteristics.
- Despite being the most populous country in the world, the number of consumers who can regularly afford to buy imported beef is comparatively small, although their number will double over the next 5 years.

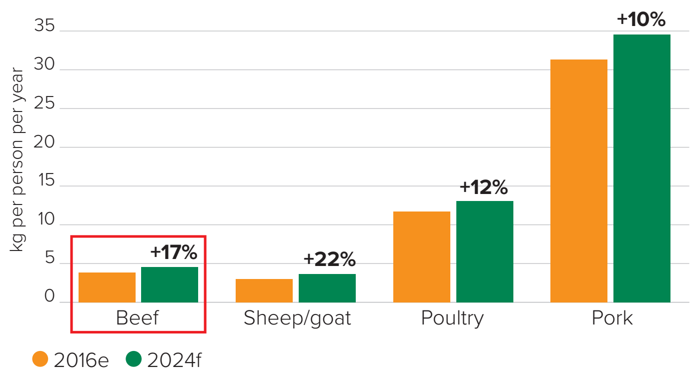
Number of households earning >U$35,000 p.a.



Source: BMI Research

- Per capita beef consumption in China is small relative to other proteins but is forecast to continue to gradually increase.

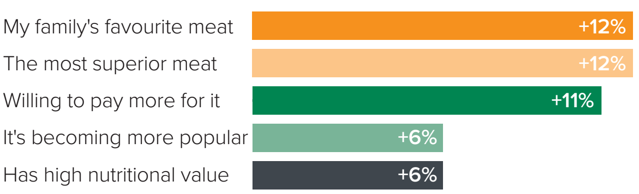
China per capita protein consumption trends



Source: FAO-OECD

- Whilst pork and chicken appeal for their low price, versatility and convenience, consumers consider beef a premium protein.

Perceptions of beef vs average of all other proteins



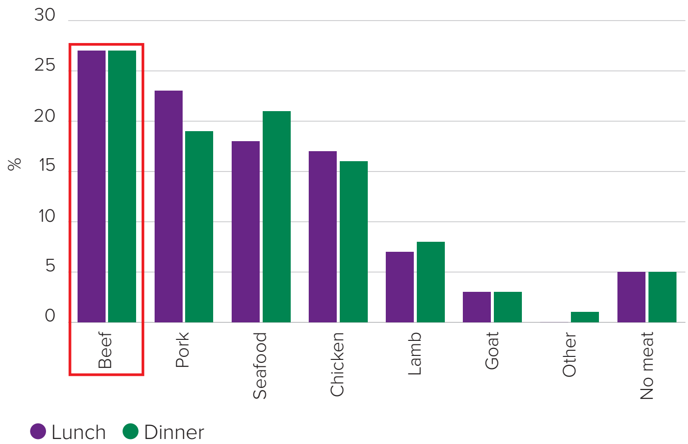
Source: MLA Global Consumer Tracker, 2016

- Beef and beef offal have traditionally been used in a variety of stir fry, stew, soup and hot pot recipes. In urban upper middle class households, there is increasing trial of western style steaks and burgers.
- Affluent consumers appreciate Australian beef and recognise it offers advantages that are worth paying more for, such as safety and consistent quality standards as well as its superiority when it comes to taste and nutritional value.

Foodservice

- Australian beef has a strong, established presence in China's premium western-style foodservice sector, as well as some up-scale hot pot restaurant chains, where differentiation based on quality and country of origin is important. Some product is used in mid-level western and Chinese style restaurants as well as some Western QSR chains.
- Due to lower familiarity with how to cook beef, particularly western-style steak type cuts, beef comprises a significant proportion of protein for meals eaten out.

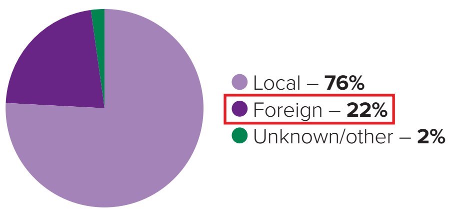
Meats eaten out for lunch and dinner



Source: MLA Global Consumer Tracker, 2016

- Eating beef out at restaurants is also a chance for consumers to try different cuisines.

Cuisine of last beef dinner meal eaten out

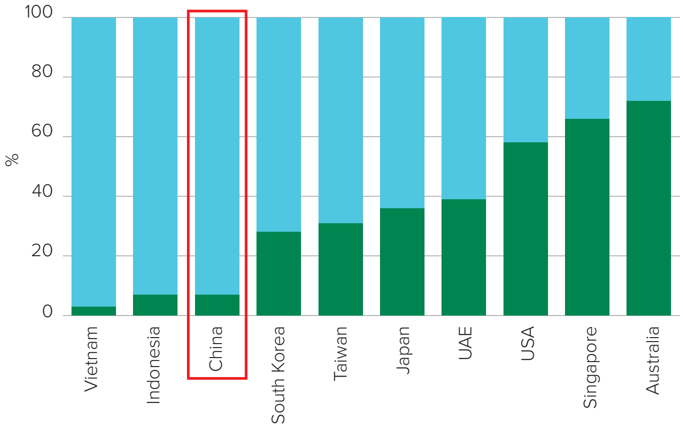


Source: MLA Global Consumer Tracker, 2016

Retail

- Despite its size – ranking globally No. 1 in total retail sales (valued at U$1,231.3bn in 2017f) – China's grocery retail sector is very fragmented *(Source: IGD)*.

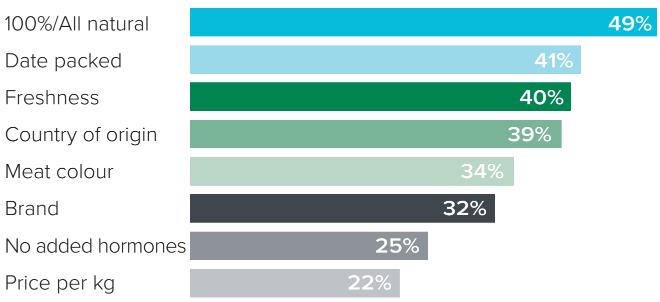
Market share of total grocery retail – 2017f



Source: IGD

- Australian beef has a strong, established presence in the specialist high-end retail sector in Tier 1 cities, such as Beijing, Shanghai, Guangzhou and Shenzhen. It has a smaller footprint in the large modern hypermarket sector, where there are growing opportunities. Chinese supermarket chains and wet markets are dominated by domestic product.

Top things look for on-pack when buying beef



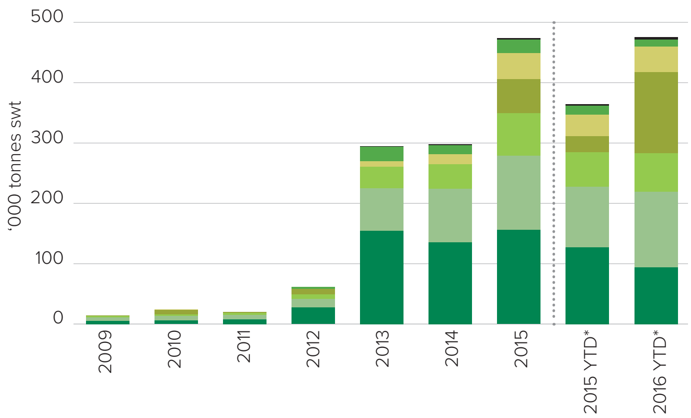
Source: MLA Global Consumer Tracker, 2016

- E-commerce is a well-developed channel in China, particularly for apparel, personal care and electricals and through which a variety of frozen and manufacturing beef products are being sold. Challenges with cold chain management remain significant for fresh food, including higher-end beef product.

Other suppliers

- The China beef market is a very competitive one and will become increasingly so as more countries are granted access.
- China has one of the world's largest beef cattle herds, estimated at 50.7 million head in 2015 *(Source: GIRA)*, with domestic beef production expected to see continued but slow growth in the coming years *(Source: BMI research, GIRA)*.
- Direct beef imports comprised around 9% of the beef consumed in China in 2015. In 2016, the volume of direct imports grew 31% (YTD Jan-Oct), highlighting strong demand.
- Key competitors for frozen beef:
  – Brazil re-gained access to China mid-2015, and in 2016 already supplied almost 30% of imported frozen beef.
  – Uruguay has been a consistently significant supplier to China, with volumes increasing during 2016.
  – NZ and Argentina are secondary suppliers.

China beef imports



Source: GTA, China Customs
**YTD Jan-Oct*

Trade access

- Market access work is complex, time-consuming and challenging and is a high priority for Australia.
- Australia has made some significant market access gains in the China beef market since 2012. Australia has favourable access for chilled product, however several access issues that constrain trade remain.
- The key issues that remain a priority for Australia to resolve relate to the limited number of plants approved to export to China (particularly for chilled beef) and restrictions on offal exports.

Live exports

- Australia and China signed the live feeder and slaughter cattle protocol in September 2015. There has been limited trade to-date due to protocol complexity with 150 head exported to China in 2015 and 338 head in 2016 *(Source: DAWR, ABS)*.
- China is an important market for Australian live breeder and dairy cattle exports. In 2016, 90,758 head of beef and dairy breeder cattle were exported, a 2% increase on 2015 *(Source: DAWR, ABS)*.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ChAFTA China-Australia Free Trade Agreement (entered into force 20 December, 2015)	**Under ChAFTA: 2017:** • Chilled bone-in/ boneless meat: 8.4% • Chilled carcases/ half-carcases: 14% • Frozen bone-in/ boneless meat: 8.4% • Frozen carcases/ half carcases: 17.5% • Chilled offal: 4.8% • Frozen offal: 4.8-11.3% **2024:** Zero	**NZ:** Zero tariffs from Jan 2016 **Brazil, Uruguay, Argentina, Canada & US:** • 12% tariff on meat • 20% on chilled carcases/ half carcases • 25% on frozen carcases/ half carcases	**Under ChAFTA:** • "Trigger" levels for beef have been set until 2024, where additional customs duty will apply • 2017 "trigger" volume is 170,000 tonnes swt	Restrictions on the number of export-approved plants, chilled plants and edible offals.

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
NB: China applies a 13% VAT on most items (muscle cuts, offal) and 17% on processed

Australian beef exports to China – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**94,040**	**100**	**148,222**	**100**	**93,660**	**100**	**0**	**380**
by storage	Chilled	6,526	7	6,998	5	5,145	5	27	1,381
	Frozen	87,514	93	141,225	95	88,515	95	-1	-1,001
by meat type	Grassfed	70,483	75	126,592	85	81,327	87	-13	-10,844
	Grainfed	23,557	25	21,630	15	12,333	13	91	11,224
by storage/ meat type	Chilled grassfed	4,656	5	6,205	4	4,249	5	10	408
	Chilled grainfed	1,870	2	792	1	896	1	109	974
	Frozen grassfed	65,827	70	120,387	81	77,079	82	-15	-11,252
	Frozen grainfed	21,687	23	20,838	14	11,436	12	90	10,251

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**737,327***	**100**	**1,005,573**	**100**	**518,229**	**100**	**42**	**219,099**
by storage	Chilled	80,915*	11	71,221	7	44,608	9	81	36,308
	Frozen	656,412*	89	934,352	93	473,621	91	39	182,791

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Brisket	21,689	23	32,257	22	19,329	21	12	2,360
Shin/Shank	13,565	14	15,384	10	13,581	15	0	-16
Manufacturing	13,071	14	12,656	9	7,051	8	85	6,020
Silverside/Outside	6,813	7	14,266	10	9,006	10	-24	-2,194
Blade	6,124	7	10,717	7	6,459	7	-5	-336
other	32,779	35	62,941	42	38,234	41	-14	-5,455
Total	**94,040**	**100**	**148,222**	**100**	**93,660**	**100**	**0**	**380**

Source: DAWR

Australian BEEF OFFAL exports to China – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Heart	1,643	37	1,970	44	1,197	35	37	446
Tendon	1,618	37	1,530	34	1,481	44	9	137
other	1,146	26	1,005	22	704	21	63	442
Total	**4,407**	**100**	**4,505**	**100**	**3,382**	**100**	**30**	**1,025**

Source: DAWR

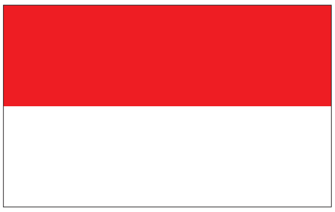
value – in A$ 000

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total	**27,400***		**23,832**		**19,823**		**38**	**7,576**

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

MARKET SNAPSHOT | BEEF

Indonesia



Indonesia has the 4th largest population in the world with the number of households earning over US$15000 p.a. being 7 million in 2016. The number of households earning over this is forecast to almost triple by 2020. With the majority of the population being Muslim, chicken and beef are the primary meats consumed. This is a highly price sensitive market, Australian beef is the favourite beef but frequency of consumption is low.

Challenges and opportunities in Indonesia for Australia include:

- Entry of Indian buffalo meat in a highly price sensitive market.
- While Australia currently remains a top boxed beef supplier to the market, Indian buffalo meat is gradually increasing its presence in wet markets and the manufacturing sector.
- Complex import regulations governed by the Indonesian authorities – including import permit system, and newly introduced '5+1 feeder-breeder' policy for live cattle imports.
- Increasing number of modern supermarkets and foodservice venues in major cities provide opportunities to promote country of origin, taste and the consistent quality of Australian products.

Population

260.6 in 2016

271.9 in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$15000+ p.a.

7.0 in 2016

19.4 in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$35000+ p.a.

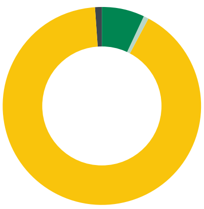
0.9 in 2016

3.2 in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian boxed beef exports – volume



- Chilled grass – **7%**
- Chilled grain – **1%**
- Frozen grass – **91%**
- Frozen grain – **1%**

Total 61,676 tonnes swt

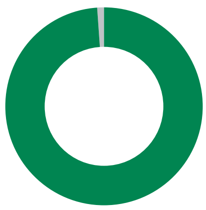
Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Proportion of key cuts

- Manufacturing – **59%**
- Brisket – **7%**
- Striploin – **6%**
- Thick flank/knuckle – **5%**
- Short ribs – **4%**
- other – **19%***

*Source: DAWR, CY 2016. * See page 4 for further breakdown*

Australian live cattle exports



- Feeder – **99%**
- other* – **1%**

Total 604,120 head

*Source: DAWR, ABS, CY 2016. * Beef & Dairy breeder cattle*

Value of Australian trade

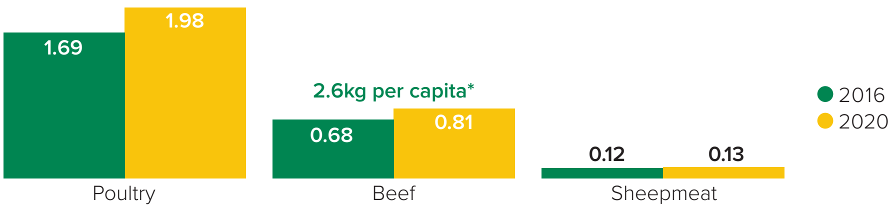
- Live – **64%**
- Boxed* – **36%**

Total A$ 980 million

Source: ABS/GTA, MAT November 2015 to October 2016.
** includes boxed beef offal*

Meat consumption

12.6kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, OECD (includes goatmeat), 2016 estimate and 2020 projection

** 2016e per person per year   ** excluding fish/seafood*

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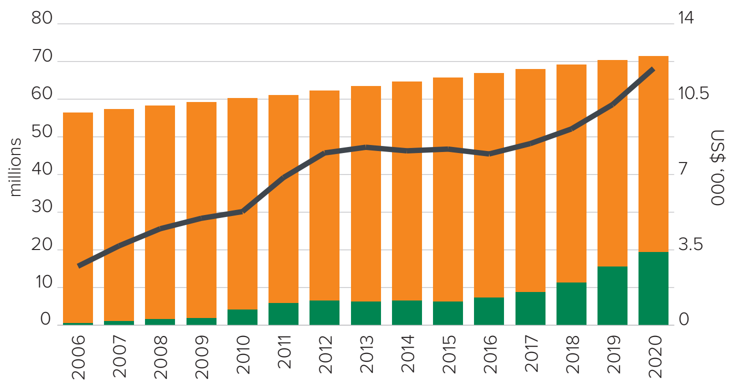
Consumers

- Indonesia has the fourth largest population in the world, with 67% (or 175 million) being 'working age' (between 15 to 64 years old).
- While the current number of consumers who can regularly afford to buy imported beef is comparatively small, the country is undergoing rapid economic growth, creating a large mass of urban, middle class consumers.

Indonesian household (HH) income



HHs earning more than US$15000 · Less than U$15000
Net average income per HH in US$ '000

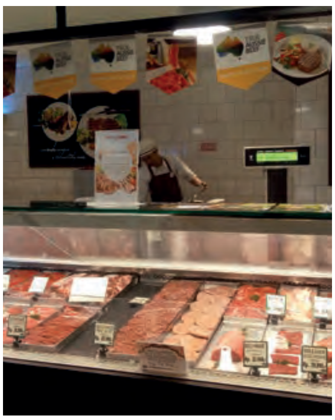
Source: BMI Research. 2016^~= forecast

- With the majority of consumers being Muslim, beef and chicken are the most common meat proteins in Indonesia.
- Consumers have strong, positive associations with Australian beef, particularly desired for its taste, nutritional value and quality. In turn, local beef is more associated with freshness, price (cheaper) and being halal *(Source: MLA Global Consumer Tracker, 2016).*

What attributes do consumers in Jakarta associate with...

Beef	Chicken
Tastes delicious	Convenient to prepare
Animal is well-cared for	Cheap
Most superior meat	Used in different meals
Consistent quality	Safe to eat
Family's favourite	Healthy diet for children
Willing to pay more for this meat	

Source: MLA Global Consumer Tracker, 2016



Many consumers in Jakarta utilise both traditional and modern outlets to purchase beef

Foodservice

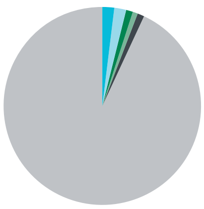
- Consumers in Jakarta enjoy eating out – about 150 times a year for lunch, and 100 times for dinner *(Source: MLA Global Consumer Tracker, 2016).* While chicken is most often consumed on these occasions due to its affordability, beef and seafood are also popular.
- The most traditional beef dish in Indonesia is bakso ball – beef meat ball soup, sold by street vendors, as well as in food courts and restaurants.
- Urban consumers are fast embracing a diverse food culture, ranging from grainfed loin steaks, Korean style table top barbeque to Japanese gyudon beef rice bowl.
- Australian beef is utilised across the foodservice sector, with country of origin often clearly displayed as a point of difference.

Retail

- Indonesia's modern retail sector is rapidly expanding, however it is still the traditional and individual small outlets that dominate the daily grocery purchase (displayed as Other in below chart).

Grocery retail market share

Major organised retailers – 2016



- Indomaret* – **2%**
- Alfamart* – **2%**
- Lotte Indonesia – **1%**
- PT Carrefour Indonesia – **1%**
- Matahari – **1%**
- Other – **93%****

Source: IGD
** convenience store ** include wet markets*

- Modern retailers often sell boxed beef imported from Australia, as well as beef from Australian cattle lot-fed in Indonesia.

Key retailers of Australian beef

Carrefour (Hyper and supermarkets)
Ranch Market
Hypermart (Matahari)
Giant (Dairy Farm)

Source: MLA

When shopping for beef, Jakarta consumers are influenced by:

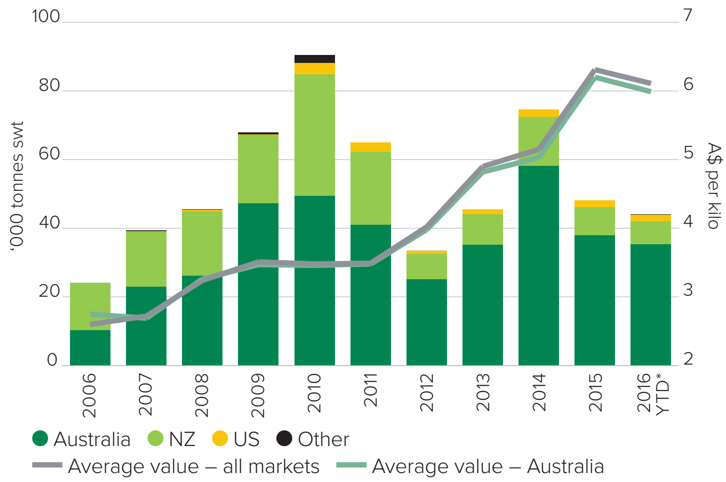
Seeing it on a shelf
Friend/relative
Food websites
In-store shop display/leaflet

Source: MLA Global Consumer Tracker, 2016

Other beef suppliers

- Australia was the major supplier of imported beef to Indonesia (with a market share of 81%), followed by New Zealand (15%) and the US (4%) from August 2015 to July 2016 (data does not include India as recent import data is not yet available).
- The Indonesian government is seeking to provide more affordable beef to consumers. To facilitate this, the government approved 10 Indian meat establishments for exports of frozen, boneless, deglanded buffalo meat to Indonesia, in August 2016.
- Currently, BULOG (National Food Logistic Agency) is the sole importer of Indian buffalo meat into Indonesia. As at end of December 2016, approximately 25,000 tonnes swt of Indian buffalo meat have reportedly been imported into the market, with an additional 85,000 tonnes swt anticipated to arrive prior to Ramadan which runs May-June 2017.
- Besides wet markets, Indian buffalo meat is sold in modern hypermarkets and meat shops, as well as being a key ingredient of bakso balls for the manufacturing sector.

Indonesia beef imports by supplier

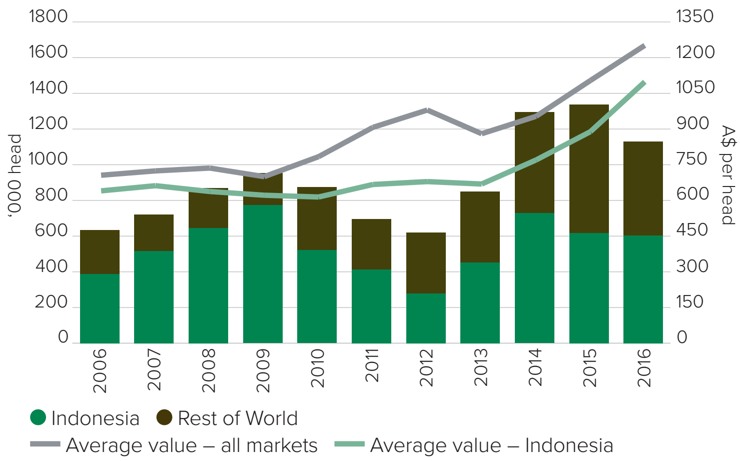


*Source: GTA * YTD Jan-Jul*

Live cattle exports

- Indonesia is Australia's largest destination for live cattle exports. In 2016, 595,950 feeder cattle were shipped to the market, down 3% from the previous year*, largely influenced by strong livestock prices from Australia and delays in issuing permits in Indonesia *(*Source:DAWR).*
- Commonly, Australian cattle are processed after being lot-fed in Indonesia for 90 to 120 days. Beef from Australian cattle is widely distributed; sold through wet markets, used in manufacturing of bakso balls, and a small percentage is sold through modern retail outlets. These products are an integral part of the market's beef consumption.
- Australia is currently the sole external supplier of cattle to the market. With the Indonesian government's efforts to reduce beef prices, it has recently approved Mexico as a potential supplier of cattle to Indonesia, however there has been no trade as of January 2017.

Australian live cattle exports



Source: ABS/GTA. DAWR/ABS. 2016 average values are Jan-Oct figures.
There might be minor differences between the ABS/GTA data above and other reports published by DAWR owing to differences in the data extraction dates and source.

Trade access

- A priority for the Indonesian government is to achieve food security through being self-sufficient in a number of food commodities, including beef. The government aims to boost its domestic cattle/beef production through a number of public initiatives, including imports of breeding cattle. Concurrently, the government manages import volumes of beef and live cattle through an import permit system.
- The Indonesian government stated during the last quarter of 2016 that there are no longer quotas placed on boxed beef or live cattle imports. However, all imports are still subject to a recommendation and an import permit (by the Indonesian Ministry of Agriculture and Ministry of Trade, respectively).
- With regard to boxed beef, the government also regulates the type of meat and offal products that can be imported into the country.
- For live beef cattle (i.e. non-breeder cattle), weight restrictions limit imports to young, lighter animals destined for local feedlots. Additionally, the '5+1 feeder-breeder' import policy (that importers must import one breeder cattle per every five feeder steer) has been in place since October 2016, adding further complexity to both Australian and Indonesian live cattle trade operations.
- IA-CEPA: The fifth round of Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) negotiations was held in November 2016. The IA-CEPA could address impediments to bilateral trade, and explore ways to enhance economic cooperation in specific sectors identified as key drivers of economic growth. The agricultural sector is one of the key discussion items in the negotiations.

Ramadan

- Beef demand surges during festive seasons, including Ramadan month. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing of demand spike for red meat changes with it every year.

Ramadan schedule

Year	First day	Last day
2017	**May 27**	**Jun 25**
2018	May 16	Jun 14
2019	May 6	Jun 4
2020	Apr 24	May 23

Note: Ramadan start day may vary by country as it depends on when the new moon is first sighted

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
AANZFTA* Entered into force in 2010 **IA-CEPA**** Under negotiation	**Boxed beef – 5%** on chilled & frozen bone-less beef*** **Live cattle – 5%** (0% for pure-bred breeding cattle)	**India** (buffalo meat): India-ASEAN FTA. 5% tariff **US:** No bi-lateral trade agreement. 5% tariff	No safeguard or quota system, although import volumes are managed by the Indonesian government's import permit system****	Complex protocols and regulations (see page 3)

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** ASEAN-Australia-New Zealand Free Trade Agreement*
*** Indonesia-Australia Comprehensive Economic Partnership Agreement*
**** to be eliminated by 2020 **** '5+1 feeder-breeder' policy for live cattle imports also adds to the complexity of feeder cattle trade*

Australian beef exports to Indonesia – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**61,676**	**100**	**39,134**	**100**	**39,676**	**100**	**55**	**22,000**
by storage	Chilled	4,667	8	1,424	4	3,334	8	40	1,333
	Frozen	57,009	92	37,710	96	36,341	92	57	20,667
by meat type	Grassfed	60,525	98	38,372	98	39,018	98	55	21,508
	Grainfed	1,151	2	762	2	658	2	75	493
by storage/ meat type	Chilled grassfed	4,139	7	1,014	3	2,867	7	44	1,272
	Chilled grainfed	528	1	410	1	467	1	13	61
	Frozen grassfed	56,387	91	37,359	95	36,151	91	56	20,236
	Frozen grainfed	622	1	351	1	191	0	226	431

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**321,903***	**100**	**243,965**	**100**	**201,501**	**100**	**60**	**120,402**
by storage	Chilled	43,368*	13	26,215	11	32,519	16	33	10,849
	Frozen	278,535*	87	217,751	89	168,982	84	65	109,554

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	36,143	59	28,974	74	19,927	50	81	16,217
Brisket	4,031	7	168	0	932	2	333	3,099
Striploin	3,662	6	2,663	7	1,556	4	135	2,107
other	17,840*	28	7,330	19	17,262	44	3	578
Total	**61,676**	**100**	**39,134**	**100**	**39,676**	**100**	**55**	**22,000**

*Source: DAWR. * Includes thick flank/knuckle (3,165 tonnes swt or 5% of total exports in 2016), short ribs (2,492 tonnes swt or 4%), topside/inside (2,391 tonnes swt or 4%), silverside/outside (1,408 tonnes swt or 2%), blade (1,283 tonnes swt or 2%), rump (1,009 tonnes swt or 2%), and carcase (966 tonnes swt or 2%).*

Australian BEEF OFFAL exports to Indonesia (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing*	6,155	34	126	8	2,264	25	172	3,892
Lips	2,692	15	-	0	1,096	12	146	1,596
Tongues	2,592	14	681	42	554	6	368	2,038
other	6,716	37	834	51	5,277	57	27	1,439
Total	**18,155**	**100**	**1,641**	**100**	**9,190**	**100**	**98**	**8,965**

*Source: DAWR. * Manufacturing includes tongue root, tongue root meat and tongue trimming.*

value – in A$ 000

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total	**31,300***		**11,207**		**20,277**		**54**	**11,022**

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

Australian LIVE CATTLE exports to Indonesia

Live Cattle Exports	2016		2015		5 year average (2011-2015)	
Head	604,120		618,323		498,292	
Value – in A$ 000	626,424		548,772		374,935	

Source: Head = DAWR/ABS, CY2016. Value = ABS/GTA, MAT Nov 2015 to Oct 2016.

MARKET SNAPSHOT | **BEEF**

South East Asia (excluding Indonesia)

South East Asia (SEA*) is a diverse region with vast differences in wealth, religion and economy across countries. Rapid urbanisation, growing incomes and changing dietary patterns are key growth drivers for imported red meat. Meat consumption is steadily rising in line with the region's economic development and population growth.

Challenges and opportunities in SEA for Australian beef include:

- Competitively priced Brazilian beef and Indian buffalo meat will continue to challenge Australia in the manufacturing beef and casual foodservice sectors.
- Household earnings across the markets is steadily on the rise, increasing the number of households who can regularly afford to buy higher value proteins such as premium imported beef.
- The period of strong demand for red meat is Ramadan.
- Per capita consumption of beef is forecast to grow.
- The retail sector is largely under developed with the exception of Singapore.
- Tourism is significant in the region and growing in some areas. High end Foodservice tends to follow this growth, which bodes well for Australian beef demand.

** In this report, SEA includes the following countries –Malaysia, Thailand, Singapore, the Philippines, and Vietnam, as well as Brunei, Cambodia, Laos and Myanmar. MLA has published a separate snapshot report for Indonesia.*

Population

378.9 in 2016 **394.5** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection, total of 9 ASEAN countries excluding Indonesia

Households earning US$15000+ p.a.

9.0 in 2016 **15.2** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection, total of 6 countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

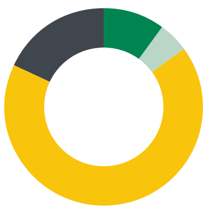
Households earning US$35000+ p.a.

2.6 in 2016 **4.1** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection, total of 6 countries – Malaysia, Philippines, Singapore, Thailand, Vietnam and Cambodia

Australian beef exports – volume

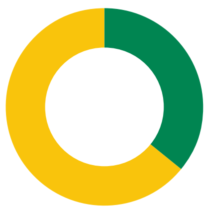


- Chilled grass – **10%**
- Chilled grain – **5%**
- Frozen grass – **67%**
- Frozen grain – **18%**

Total 58,203 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value



- Chilled – **36%**
- Frozen – **64%**

Total A$ 376.5 million

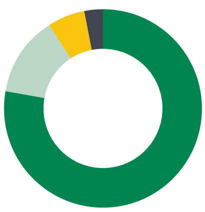
Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

Proportion of key cuts

- Manufacturing – **55%**
- Striploin – **6%**
- Cube roll/rib eye roll – **4%**
- other – **35%**

Source: DAWR, CY 2016

Australian live cattle exports – volume

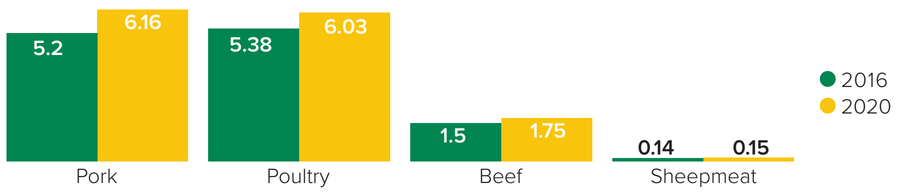


- Vietnam – **77%**
- Malaysia – **13%**
- Philippines – **6%**
- other – **3%**

Total 249,981 cattle

Source: number of head = DAWR/ABS CY2016

Meat consumption



In million tonnes cwt

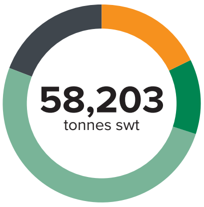
Source: BMI Research, 2016 estimate and 2020 projection, total of 5 countries – Malaysia, Philippines, Singapore, Thailand, and Vietnam. Singapore data are GIRA 2016 & 2021 forecasts, sheepmeat data are OECD forecast and include goatmeat

Consumers

- The South East Asia (SEA) region is diverse in many aspects, and there is a vast difference in wealth, religion, and political landscape. Yet, rapid urbanisation, growing income and changing dietary patterns are key growth drivers for imported red meat demand.
- Preference for Australian beef varies by country. Singapore is the largest chilled beef destination for Australia among the nine countries, underpinned by a large number of high income households and international tourists. In comparison, the Philippines largely imports frozen manufacturing beef from Australia for the country's highly popular fast food sector. Another important market Malaysia, has gradually been increasing chilled and grainfed beef intake from Australia.

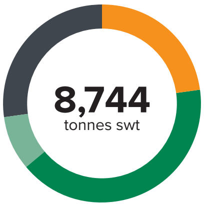
Australian beef exports to SEA (2016)

Total beef exports



- Malaysia – **18%**
- Singapore – **12%**
- Philippines – **51%**
- Other – **19%**

Chilled beef exports

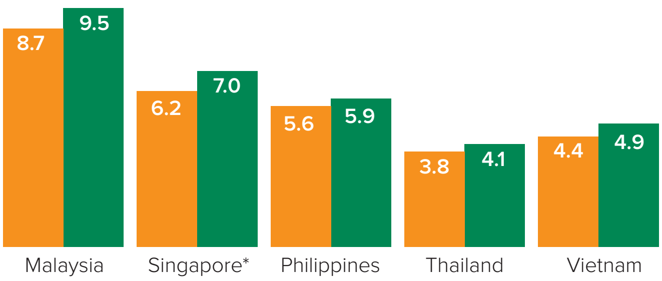


- Malaysia – **23%**
- Singapore – **41%**
- Philippines – **9%**
- Other – **27%**

Source: DAWR

- In SEA, pork (except Malaysia) and chicken are the highest demanded meat proteins for their low price, versatility and convenience. Consumers see beef as superior (to other meats), more nutritious, becoming more popular, and worth paying more for *(Source: MLA Global Consumer Tracker, 2016).*
- Per capita beef consumption is expected to rise across markets, where economic growth is likely to be sustained by low inflation and high wage growth (albeit off a small base) (Source: BMI Research).

Per capita beef consumption, kg per year



2016 2020

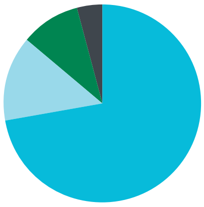
Source: BMI Research
**GIRA 2016 & 2021, estimate and projection*

- The region also has a high number of non-residents travelling and consuming food items during their stay in the market. (See insert Singapore – Corridor of Asia)

Retail

- The SEA region's modern grocery retail sector is largely under-developed, with the exception of Singapore and major cities in Malaysia and Thailand.
- Key food retailers in the region where consumers purchase Australian beef from, include: Dairy Farm (inc. Cold Storage), NTUS FairPrice, Tesco, Jusco (Aeon), SM Retail, Carrefour, Lotte and CP Group.

I typically buy beef from... (Singapore)



- Supermarket – **73%**
- Hypermarket – **14%**
- Butcher – **10%**
- Other – **4%**

Influences me when I'm buying beef (Singapore)

- Seeing it on shelf/at a shop
- Free tasting/sampling
- TV program/cooking show
- Special offers in a catalogue
- Friends/relatives

Source: MLA Global Consumer Tracker, 2016

- While accounting for a modest market share, the presence of quality focused, upmarket butchers is one of the key strengths of the Singapore beef market, serving wealthy locals and foreign residents.

Ramadan

- Beef demand surges during festive seasons, including Ramadan month. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing of the demand spike for red meat changes with it every year.

Ramadan schedule

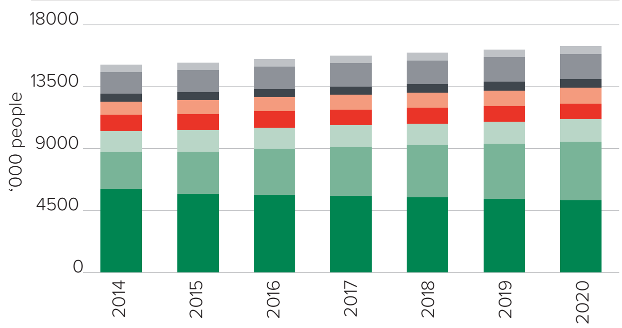
Year	First day	Last day
2017	**May 27**	**Jun 25**
2018	May 16	Jun 14
2019	May 6	Jun 4
2020	Apr 24	May 23

Note: Ramadan start day may vary by country as it depends on when the new moon is first sighted

SINGAPORE – CORRIDOR OF ASIA

- Singapore's population is less than 6 million people but the country receives over 15 million visitors every year. These travellers are vital to Singapore's economy, and to consumption of red meat in the hospitality sector.

Tourist arrivals



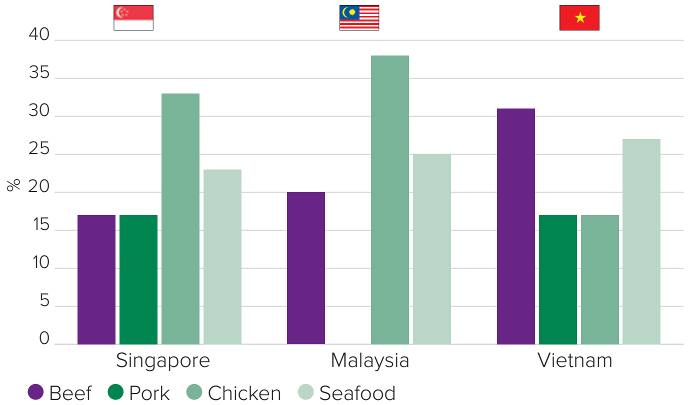
ASEAN Greater China Europe (inc. Russia) Australia & NZ India US & Canada Other Asia Other

Source: BMI Research, includes forecast

Foodservice

- The dining scene in the SEA region is dynamic and multi-faceted, underpinned by its diverse food culture – from street vendors in Vietnam, to top tier, Michelin-starred restaurants in Singapore. Australian beef is widely leveraged across these sectors and markets.
- In comparison with counterparts in Singapore or Malaysia, Vietnam consumers are more likely to choose beef when they are dining out, indicating future opportunities in this growing market.

Meats eaten when out (dinner)



Source: MLA Global Consumer Tracker, 2016

Typical beef dishes

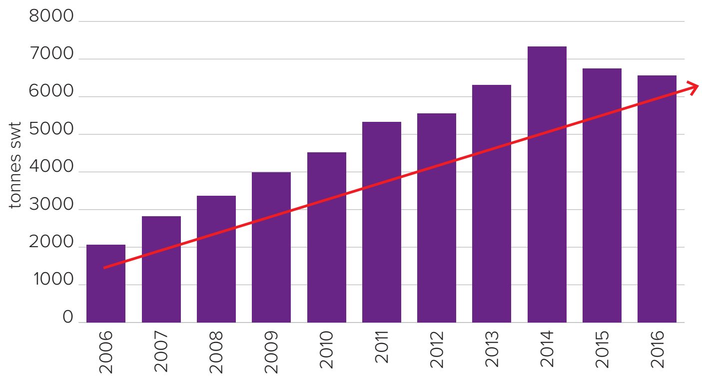
Steak

Beef laksa

Beef pho

- Brazilian, Indian and some local beef products are prevalent among fast food and casual eateries, especially when the cooking methods mask or substitute meat quality (i.e. spicy curries, minced meat balls, slow cooked stews). Australian product is also used for these dishes, as well as for steaks and western-style menus.
- Seafood is perceived as fresh, low in fat and to have good taste across these markets, posing competition with beef, especially in the mid to high expenditure dining sector.
- Besides the growing middle-income consumer base and fast economic growth, the region is a popular tourist destination. Australian red meat – including high value grainfed products and loin cuts – is often featured as a menu drawcard by international hotels and resorts.

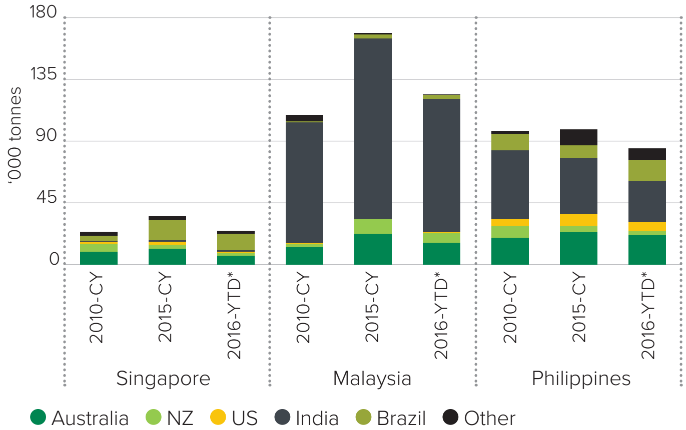
Australian beef exports to SEA – loin cuts



Source: DAWR. Includes cube roll, striploin, tenderloin and other loin group cuts. Total of 9 countries

Other suppliers

SEA beef imports by supplier



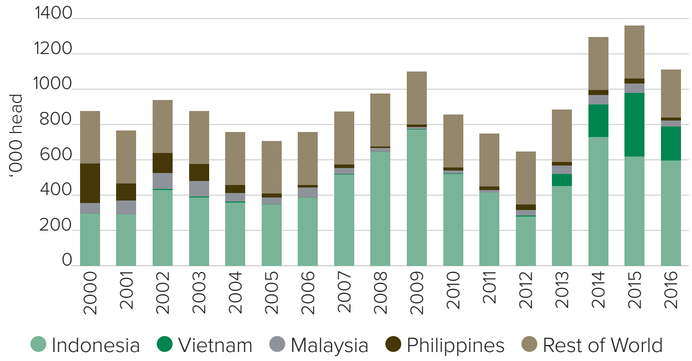
*Source: GTA * 2016-YTD = Jan to Sep.*

- India is the largest exporter of bovine meat (buffalo) to the region, followed by Australia and Brazil.
- While export volumes from the US are comparatively small at 16,000 tonnes swt (MAT Nov 2016, *(Source: GTA)*), the average value is at around A$9 per kilo (Australia is about A$6), with their products often placed at high-end steakhouses and hotels.

Live exports

- Vietnam is the second largest export market for Australian live cattle exports, taking 194,267 head in 2016 (down 47% from 2015), *(Source: DAWR, ABS/GTA)*.

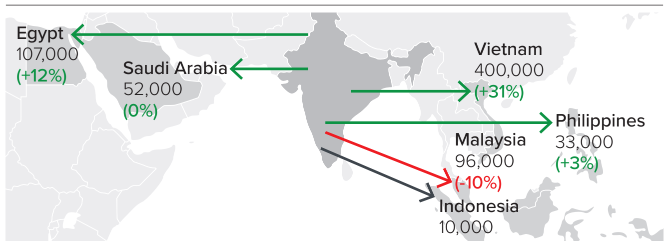
Australian live cattle exports



Source: ABS/GAT, DAWR

- Tight supplies of Australian livestock and subsequently strong prices, and the Exporter Supply Chain Assurance System (ESCAS) compliance, negatively affected trade with Vietnam in 2016. Furthermore, the country is the largest importer for Indian buffalo meat, presenting competition for Australian cattle. It is believed that a large proportion of Indian imports is re-exported out of the market.

Indian beef exports*



tonnes swt, % change 2015 YTD / 2016 YTD (Jan to Sep)

*Source: GTA. * = bovine meat exports, including buffalo meat*

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia-New Zealand FTA (AANZFTA)*	0%** (Philippines, Malaysia, Singapore, Brunei)	**India** (buffalo meat) 0% tariff into Malaysia & Brunei. 5% to the Philippines, 12% to Vietnam. **Brazil** – no trade agreement	N/A Except Thailand under Thailand-Australia FTA (TAFTA) safeguard****	Malaysia and Brunei maintain import regulations in accordance with Halal

Best access ... Major challenges

Source: Trade agreements, DFAT, MLA

** Australia also has independent free trade agreements (FTAs) with Singapore, Malaysia and Thailand*

*** Tariff will be 0% in Vietnam (2018), Thailand (2020), Cambodia (2021), and Laos (2023). Cambodia will maintain 35% tariff on bone-less products*

***** The tariff on imported beef into Thailand is 8% in 2017, but will bounce back to 50% for products imported beyond a specified quantity (1,393.3 tonnes swt in 2017)*

Australian beef exports to SEA* – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**58,203**	**100**	**57,136**	**100**	**59,136**	**100**	**-2**	**-933**
by storage	Chilled	8,744	15	9,018	16	7,347	12	19	1,397
	Frozen	49,459	85	48,118	84	51,789	88	-4	-2,330
by meat type	Grassfed	44,929	77	48,177	84	52,904	89	-15	-7,975
	Grainfed	13,274	23	8,960	16	6,232	11	113	7,042
by storage/ meat type	Chilled grassfed	5,834	10	6,583	12	5,648	10	3	186
	Chilled grainfed	2,910	5	2,435	4	1,699	3	71	1,211
	Frozen grassfed	39,095	67	41,594	73	47,256	80	-17	-8,161
	Frozen grainfed	10,364	18	6,525	11	4,533	8	129	5,831

*Source: DAWR. * Includes SEA 9 countries (Malaysia, Singapore, the Philippines, Thailand, Vietnam, Brunei, Laos, Myanmar and Cambodia)*

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**376,542***	**100**	**378,882**	**100**	**317,255**	**100**	**19**	**59,287**
by storage	Chilled	136,837*	36	128,775	34	88,388	28	55	48,449
	Frozen	239,705*	64	250,107	66	228,867	72	5	10,838

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Striploin	978	14	1,179	13	1,211	11	-19	-232
Neck	717	10	1,454	17	1,351	13	-47	-634
Manufacturing	664	10	689	8	1,469	14	-55	-804
other	4,607	66	5,445	62	6,604	62	-30	-1,997
Total	**6,967**	**100**	**8,767**	**100**	**10,634**	**100**	**-34**	**-3,668**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	4,877	47	5,297	43	6,268	44	-22	-1,391
Neck	1,054	10	2,182	18	3,204	22	-67	-2,151
Striploin	1,048	10	987	8	1,028	7	2	21
other	3,412	33	3,879	31	3,773	26	-10	-361
Total	**10,391**	**100**	**12,344**	**100**	**14,273**	**100**	**-27**	**-3,882**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	25,532	87	21,014	83	22,818	86	12	2,714
Shin/Shank	309	1	1,305	5	1,384	5	-78	-1,074
Brisket	107	0	308	1	221	1	-52	-114
other	3,482	12	2,724	11	2,260	8	54	1,222
Total	**29,431**	**100**	**25,352**	**100**	**26,682**	**100**	**10**	**2,748**

Source: DAWR

MARKET SNAPSHOT | BEEF

European Union

The European Union covers 28 European countries with varied population sizes. Consumption of beef and sheepmeat is expected to increase in 2017 on the back of slightly improved economic conditions and lower meat prices.

Challenges and opportunities in EU for Australian Beef include:

- Australian beef through its strong presence in the foodservice sector is positioned to capitalise on improved spending on goods & services in 2017.
- The demand for more convenient meals will be a key driver of meat trends across Europe. Foodservice channels that cater to convenience are proving popular particularly quick service restaurants in the UK.
- Social factors such as an ageing European population, animal welfare and environmental issues are concerns the red meat industry is facing is likely to face going forward.
- Australia's beef access to the EU remains constrained by low volume tariff rate quotas, therefore improving market access remains a priority. Despite limited access the EU is Australia's highest value export market on a per tonne basis reaching $13,430/tonne in 2016* and almost double the global average.
- The 'Brexit' vote significantly affected global stock prices, as the United Kingdom voted to leave the EU; creating an extremely attractive proposition for Australian exporters if further trade access can be granted.

*YTD November 2016

This report covers EU28 unless otherwise stated. EU28 – Austria, Belgium, Bulgaria, Croatia, Cyprus Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Population

505.9 in 2016 **508.2** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection includes EU-28 countries

Households earning US$15000+ p.a.

196.7 in 2016 **218.9** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection includes EU-28 countries

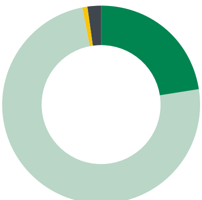
Households earning US$35000+ p.a.

104.9 in 2016 **129.0** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection includes EU-28 countries

Australian beef exports – volume

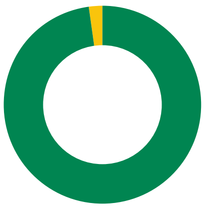


- Chilled grass – **23%**
- Chilled grain – **75%**
- Frozen grass – **1%**
- Frozen grain – **2%**

Total 20,841 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value



- Chilled – **98%**
- Frozen – **2%**

Total A$ 291.9 million

Source: A$ '000, MAT (Moving Annual Total) November 2015 to October 2016. EU excluding Croatia. Source: ABS/GTA

Proportion of key cuts

- Topside – **15%**
- Striploin – **14%**
- Rump – **12%**
- Silverside/ outside – **12%**
- other – **47%**

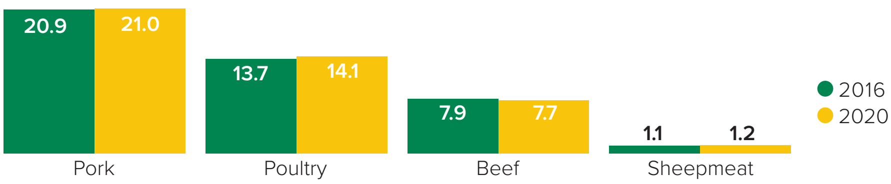
Source: DAWR, CY 2016

Australian beef exports by country

- United Kingdom – **37%**
- Netherlands – **32%**
- Italy – **22%**
- Denmark – **4%**
- Other – **5%**

Source: DAWR, CY 2016

Meat consumption



In million tonnes cwt

Source: European Commission, Prospects for EU agriculture markets and income 2016-2026, OECD-FAO, 2016 estimate and 2020 projection

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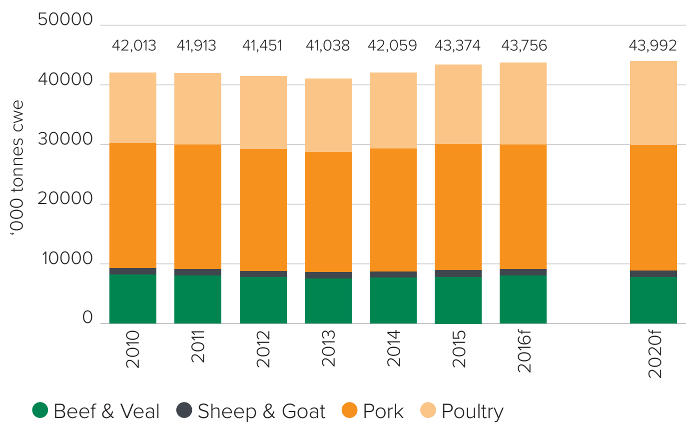
Consumption

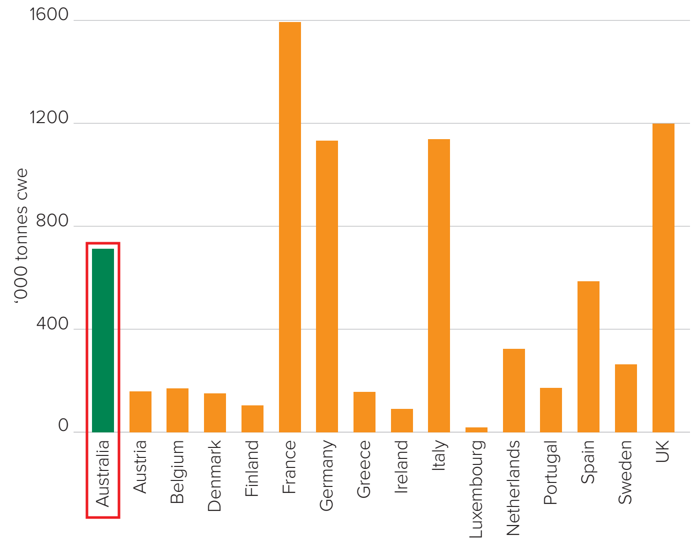
- Total EU meat consumption has shown a recovery since 2014 attributed to improved economic conditions and growth in population. Beef accounts for 18% of total meat consumption at 16kg per capita estimated in 2016 *(Source: GIRA Meat Club).*
- The EU consumed an estimated 7.99 million tonnes of beef in 2016 with consumption forecast to decline slightly in 2018 as beef competes with other proteins such as chicken, alternative proteins (faux meats), and an increase in flexitarinism (occasional consumption of meat).
- Fresh and chilled foods represent a large share of customer spending at food stores in Europe with more than 90% of raw meat distributed sold through modern retailing *(Source: GIRA Meat Club).*

EU meat consumption by meat types



Source: European Commission *f = forecast*

Beef & veal consumption by selected country – 2016 estimates

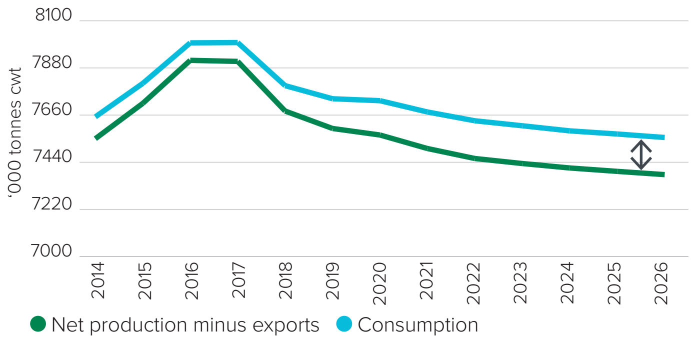


Source: Gira GMC16, Australia figure – BMI Research

Production

- The EU produced an estimated 7.92 million tonnes in 2016 and is forecast to decrease to 7.7 million tonnes by 2018 *(Source: European Commission)*. France continues to be the largest beef producer in the region, producing an estimated 1.5 million tonnes cwt in 2016, up 2% from 2015 and a 19% share of total EU beef production in 2016. Germany was the second largest producer at 14% market share following by United Kingdom (11%) *(Source: BMI Research estimates).*
- Beef production in the EU is driven largely by dairy herd development with an estimated 65% of EU beef production derived from the diary industry.
- According to figures by the European Commission, by 2026 the EU will require an additional 354,000 tonnes from overseas markets to meet domestic requirements.

EU Beef Production & Consumption



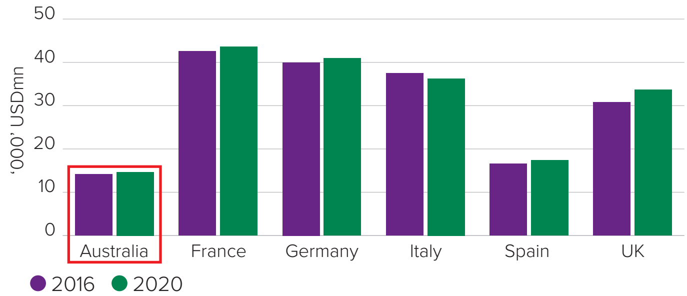
Source: European Commission European Commission, Prospects for EU agriculture markets and income 2016-2026.

Opportunities

- European consumer confidence is improving with private consumption* within the EU forecast to increase from USD8.8 billion in 2016 to USD9.6 billion in 2020, up 9% *(Source: BMI Research).* Across key member states, economic growth and household spending on meat is expected to increase.

** Private consumption is the sum of all household spending on goods and services within the economy.*

Annual meat sales, USDmn



Source: BMI Research estimates

Macroeconomic variables

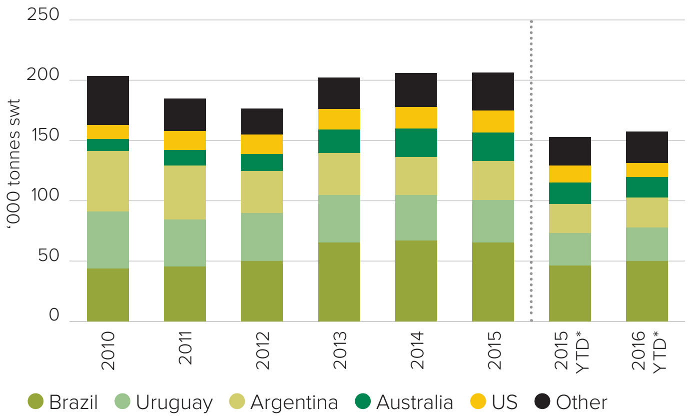
Country	GDP Per capita 2016	GDP Per capita 2020 % growth	Population (millions)	Population 2020 % growth
Germany	42,260	3%	80.7	0%
UK	40,192	12%	65.1	2%
France	37,747	1%	64.7	2%
Italy	30,043	-1%	59.8	0%
Spain	26,021	6%	46.1	0%

Source: BMI Research accessed January 2017, estimates

Other suppliers

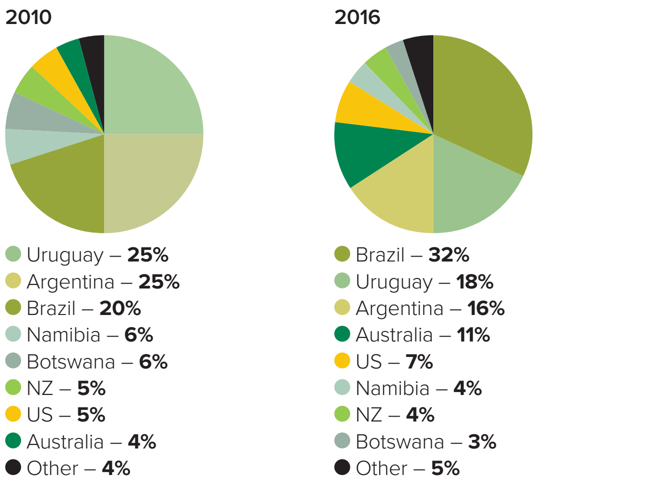
- Brazil is the largest supplier of beef imports to EU with 32% market share, followed by Uruguay (18%) and Argentina (16%). Majority of beef imported from Brazil during the year to date September 2016 was frozen (63%) whereas Australia imported mainly chilled beef (96%) over the same period.

Beef Imports by supplier



*Source: Global Trade Atlas   * YTD Sep 2016*

EU Beef Imports by supplier – market share*

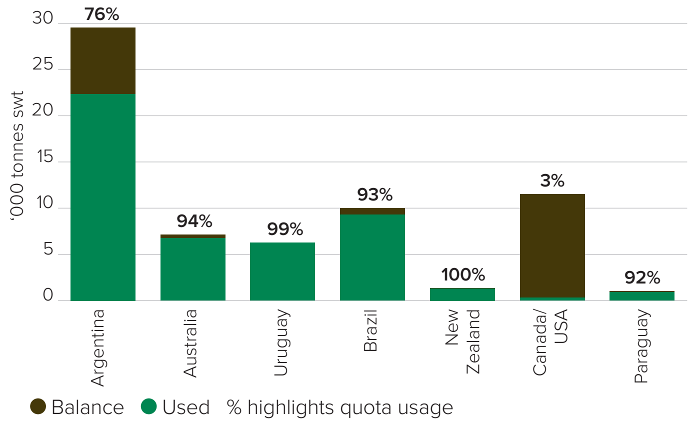


*Source: Global Trade Atlas, * YTD September 2016*

Market Access

- Australia's current red meat access is limited by the EU's highly restrictive import regime – involving low volume import quotas and high out of quota import tariffs. The EUs regime is in stark contrast to the majority of Australia other export markets.
- Current trading arrangements between Australia and EU (including the UK) will remain unchanged for the next two years (until April 2019) while Brexit negotiations are carried out.
- Australia and the EU have begun procedures to secure a closer bilateral trade partnership with formal free trade agreement (FTA) negotiations between the two parties expected to commence in mid-2017.
- Beef exports are shipped under two major quotas—the High Quality Beef (HQB) 'Hilton' country specific quota and the HQB global grainfed quota.
- 7,150 tonnes of Australian country specific High Quality Beef with 20% in-quota tariff.
- Shared access (with US, Canada, Uruguay, NZ, Argentina) to 48,200 tonne global grainfed beef quota with 0% in-quota tariff.

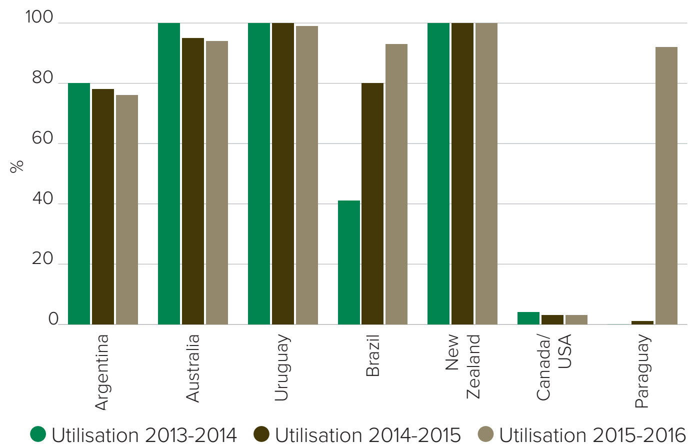
Hilton beef quota 2015/2016



Source: European Commission, Meat Market Observatory Beef and Veal

- Australia is a significant supplier of beef to the EU under the High Quality Grain Fed (HQB GF) quota with 35% share in 2015/2016 *(Source: DAWR)*.
- Australia has been a consistently high user of its HQB Hilton Quota allocation, reaching 94.4% utilisation (6,750 tonnes swt) in 2015-16 following 95.3% in 2014-15 and 99.8% in 2013-14 *(Source: European Commission)*.

Hilton quota utilisation rate



Source: European Commission. Note: Hilton quota allocation (swt tonnes) – Argentina 29,500, Australia 7,150, Uruguay 6,300, Brazil 10,000, New Zealand 1,300, US & Canada 11,500, Paraguay 1,000

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
A-EU FTA currently being scoped with formal negotiations between the two parties expected to commence in mid-to-late 2017.	2016 (12.8% + 3 euro /kg out of quota).	Argentina, Brazil & US/ Canada have larger quota allocations than Australia under the Hilton quota.	7,150 tonnes of Australian country specific High Quality Beef with 20% in-quota tariff Shared access (with US, Canada, Uruguay, NZ, Argentina) to 48,200 tonne global grainfed beef quota with 0% in-quota tariff.	The European Union Cattle Accreditation Scheme (EUCAS) allows Australia to meet the European Union (EU) market requirements for beef by segregating cattle that have never been treated with hormonal growth promotants (HGPs) at any time.

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

Australian beef exports to EU – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	**20,841**	**100**	**23,445**	**100**	**19,155**	**100**	**9**	**1,686**
by storage	Chilled	20,273	97	22,598	96	17,702	92	15	2,571
	Frozen	568	3	846	4	1,453	8	-61	-885
by meat type	Grassfed	4,862	23	7,317	31	8,235	43	-41	-3,374
	Grainfed	15,980	77	16,128	69	10,920	57	46	5,060
by storage/ meat type	Chilled grassfed	4,727	23	6,960	30	7,237	38	-35	-2,510
	Chilled grainfed	15,546	75	15,639	67	10,465	55	49	5,081
	Frozen grassfed	134	1	357	2	998	5	-87	-864
	Frozen grainfed	433	2	489	2	455	2	-5	-22

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	**291,961***	**100**	**302,455**	**100**	**210,840**	**100**	**38**	**81,121**
by storage	Chilled	285,683*	98	290,389	96	195,307	93	46	90,376
	Frozen	6,278*	2	12,066	4	15,533	7	-60	-9,254

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Topside/Inside	3,127	15	3,789	16	3,520	18	-11	-393
Striploin	2,957	14	3,459	15	2,849	15	4	108
Rump	2,590	12	2,998	13	2,495	13	4	96
Silverside/Outside	2,469	12	2,799	12	2,310	12	7	159
Cube Roll/Rib Eye Roll	1,771	8	1,968	8	1,510	8	17	260
Blade	1,643	8	1,634	7	1,211	6	36	432
Chuck Roll	1,633	8	1,789	8	1,269	7	29	365
Thick Flank/Knuckle	1,453	7	1,605	7	1,361	7	7	91
Tenderloin	976	5	1,205	5	1,102	6	-11	-125
Chuck	544	3	530	2	322	2	69	221
other	1,678	8	1,670	7	974	5	72	704
Total	**20,841**	**100**	**23,445**	**100**	**19,155**	**100**	**9**	**1,686**

Source: DAWR

MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF

MENA (Middle East & North Africa)

MENA* (Middle East and North Africa) is a large, complex region with varied consumer markets. Consumer confidence and spending are impacted by factors such as oil & gas prices and conflict, but socio-economic trends bode well for premium imported beef demand in a number of countries.

Challenges and opportunities in MENA for Australian beef:

- Beef is a secondary protein after chicken and fish in most MENA diets but per capita consumption is increasing.
- Spending on imported meat is higher across the Middle East compared to North Africa, particularly GCC** countries with a large and growing wealthy consumer base.
- Regional growth drivers of imported beef demand are: increasing disposable income, urbanisation, westernisation, a young population, large expat professional populations and a developing tourism sector.
- Retail is fragmented even in GCC countries but sector development is expected to increase and, with it, chilled red meat sales.
- Markets with developing tourism sectors are seeing growth in imported beef use in high-end foodservice, in both formal and casual dining segments.
- Technical barriers to trade are significant and differ between countries.

*Unless otherwise stated, in this report MENA includes 29 countries: (Middle East) Afghanistan, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Pakistan, Palestinian Auto Zone, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, Yemen; (North Africa) Algeria, Ivory Coast, Gambia, Guinea, Liberia, Libya, Morocco, Nigeria, Senegal, Sudan, Tunisia. **Gulf Cooperation Council countries are highlighted above in blue.

Population

430.0 in 2016 | **459.8** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, UAE, West Bank And Gaza, Yemen*

Households earning US$15000+ p.a.

16.8 in 2016 | **31.4** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, UAE, Israel, Iraq*

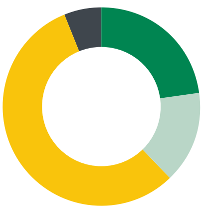
Households earning US$35000+ p.a.

3.8 in 2016 | **7.3** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection
**Countries: Bahrain, Egypt, Iran, Jordan, Kuwait, Morocco, Qatar, Saudi Arabia, Tunisia, UAE, Israel, Iraq*

Australian beef exports – volume



Total 30,813 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Australian beef exports – value

Total A$ 303.8 million

Source: GTA, MAT (Moving Annual Total) November 2015 to October 2016

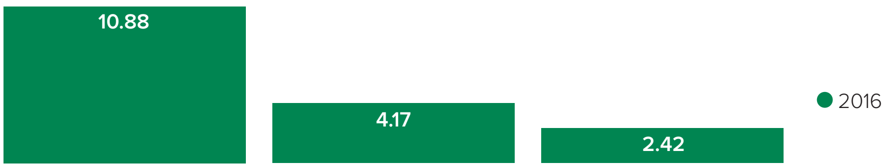
Proportion of key cuts

Source: DAWR, CY 2016

Australia's share of imports

Source: GTA, based on MAT volume per country

Meat consumption



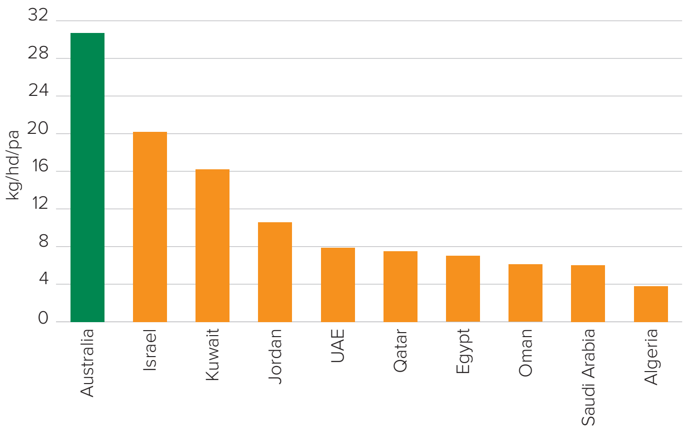
In million tonnes cwt

Source: GIRA, 2016 estimate and 2020 projection (20 countries: Morocco, Algeria, Tunisia, Libya, Egypt, Saudi Arabia, United Arab Emirates, Bahrain, Kuwait, Qatar, Oman, Yemen, Jordan, Palestine, Lebanon, Israel, Turkey, Syria, Iraq, Iran.)

Consumers

- MENA countries' economic growth is strongly impacted by external factors, such as oil prices and conflict, but increasing urbanisation, growing disposable incomes, westernisation, a young population and large expatriate population are key growth drivers for imported red meat demand.
- Beef is generally a minor protein in MENA diets compared to chicken, though per capita consumption in some countries is higher than others.

Per capita beef consumption, 2015



Source: GIRA, FAO-OECD

- Key importers by volume share are Egypt, Iran, Saudi Arabia, UAE, Algeria and Israel. In these countries, domestic production falls well short of consumption requirements.
- Some countries have a cultural preference for lean meat, whilst among the wealthier populations in the region, a growing preference for less marbling and fat is driven by a growing health awareness.

%	Saudi Arabia	UAE
Bought in the Past Month		
Chicken	80	91
Lamb	76	83
Beef	**69**	**54**
Average Serves Consumed in the Past 7 Days		
Chicken	2.3	1.5
Lamb	2.1	1.4
Beef	**1.7**	**0.8**

Source: MLA Global Consumer Tracker, 2016

- Australian beef has a high profile in the minds of consumers in Oman, UAE and Saudi Arabia

Top-of-mind awareness of Australian beef

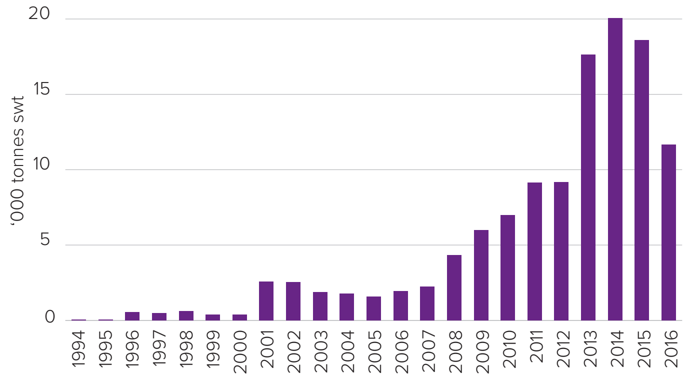
Source: MLA Global Consumer Tracker 2016

- Utilisation of Australian beef varies by country. In UAE, the bulk of Australian product goes into both retail and foodservice, with a smaller proportion going into processing. In Jordan, the bulk goes into processing. In Saudi Arabia, there is currently a more even split between these three channels. However, with the re-entry of Brazil this split will change as Brazilian product will service much of the processing market and retail.

Foodservice

- The bulk of imported Australian frozen beef goes into the foodservice sector, particularly processing for the fast food sector, both domestic and western chains.
- Saudi Arabia and UAE are becoming more important regional meat processing centres, producing burger patties, other minced meat products and deli meats.
- In some markets that are developing their tourism sectors, such as Dubai and Qatar, growth in the high-end, casual dining and QSR foodservice sectors is expected.
- Demand for chilled premium Australian beef products such as branded packaged loin cuts is strong and growing, particularly in areas with a high concentration of 5-star hotels.

Australian chilled beef exports to MENA



Source: DAWR

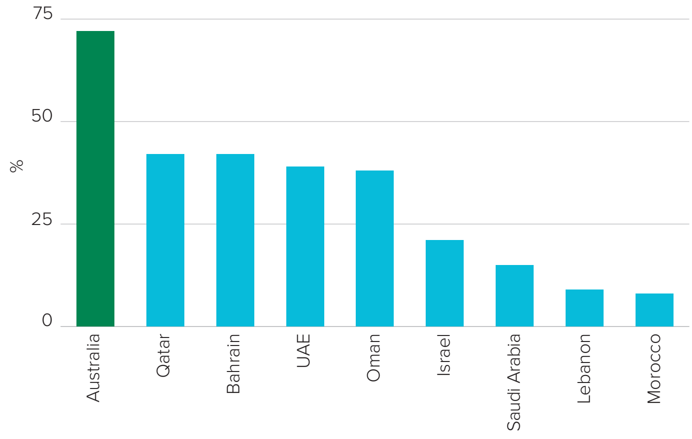
Live exports

- In 2016, Israel and Turkey were Australia's key live feeder and slaughter cattle export destinations in MENA, taking 72,334 and 56,546 head respectively for the past 12 months to December 2016. Kuwait and Qatar took smaller numbers. Our largest MENA markets in 2016 for beef and dairy breeder live cattle were Turkey and Kuwait, taking 5,381 and 2,555 head respectively in 2016 *(Source: DAWR, ABS)*.
- Australia's key competitors in the MENA live cattle market are Brazil, parts of northern Africa and Europe.

Retail

- Apart from the few wealthier GCC markets, (Gulf Cooperation Council: Saudi Arabia, Kuwait, UAE, Qatar, Bahrain & Oman) the MENA region's mass grocery retail sector is largely under-developed and fragmented.

Organised retail as a proportion of total retail, 2017f



Source: IGD

- Saudi Arabia is less developed than Qatar and UAE but represents the largest food retail market in the region and the strongest retail growth opportunity given its combination of growth rates and scale *(Source: BMI Research)*.
- Retail sector growth is usually accompanied by growth in the chilled market for red meat as the market segments, representing a growing opportunity for Australian premium product.
- Zooming in on particular markets, even two neighbouring Gulf States, highlights differences in beef purchase habits largely due to the differing maturity of the market, cultural affiliation with preferred species and cooking habits.
- Consumers in UAE and Saudi Arabia both look for similar on-pack cues that the beef is natural, fresh and from a trusted country of origin. However, in terms of beef purchase decision-making, influencers in the markets differ.

Influences me when buying beef...

Saudi Arabia	UAE
Display/leaflet in store	Celebrity Chef endorsement
Friend/relative word of mouth	TV show/cooking show
Radio show /cooking segment	Food Websites
TV show/cooking show	Friend/relative word of mouth
An advert on TV	An advert on TV

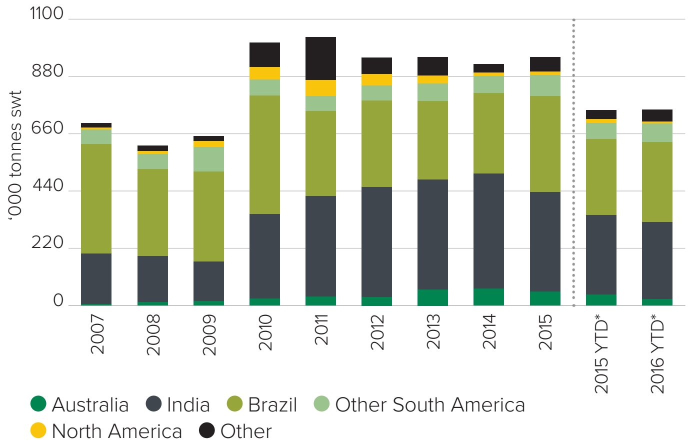
Source: MLA Global Consumer Tracker, 2016

- In the MENA region, when it comes to home-cooked beef dishes, cheaper cuts are used for stewing and slow cooking, grilling of cubes in the form of kebabs and mince is used in burgers, kofta and as a filling for pastries. In Egypt, bovine liver and cuts such as brisket and flank are popular.
- Grilling of prime cuts is gaining in popularity as western influences have started to appear in the repertoires of wealthier consumers. As markets mature, it is important to further educate consumers on which cuts are more suitable for which cooking methods.

Other suppliers

- Beef import demand across the region varies significantly. In some GCC countries like Kuwait, Oman, Qatar and Bahrain, almost all beef consumed is imported product. Whilst well over half the beef consumed in Saudi Arabia, UAE, Israel, Jordan and Egypt is imported, in other countries like Turkey, Tunisia and Morocco, imports account for less than 5% *(Source: GIRA)*.
- By far the bulk of beef imports to the MENA region come from India and Brazil, mostly frozen bone-out, lean cuts of beef/buffalo meat.
- Australia is a key secondary source of beef, along with several other countries:
  - Paraguay, Argentina and Uruguay: where quality beef is benefiting from devalued currencies. The bulk of this product goes to Israel.
  - The EU: which exports mostly to Israel and Algeria.
  - Smaller volumes supplied by the US (mostly to UAE and Kuwait), South Africa (Qatar and UAE) and New Zealand (UAE and Saudi Arabia).

Beef/veal exports to MENA by supplier



Source: DAWR, GTA
**YTD Jan-Sep, (NB: Excludes bovine offal)*

Trade access

- For Australian red meat exports, tariff barriers are generally not onerous but there are significant technical barriers to trade. Those associated with product age and expiry dates have the biggest impact.
- The majority of Australian beef exported to MENA is to GCC countries, which generally have zero tariffs on chilled beef and 5% on frozen and processed beef and offal. Some selected countries (Morocco, Turkey, Israel, Egypt, Jordan) have more severe tariff barriers for some product categories.
- Religious slaughter is an official requirement for import of meat and meat products into most MENA countries.

Key technical barriers to trade:

- There are regional inconsistencies for shelf life expiry dates.
- The GSO (standardisation organisation for GCC) sets GCC standards for shelf life which limits vacuum packed beef to 70 days, 21 days for chilled beef, 9-12 months for frozen meat and 4-9 months for frozen offal. However, UAE, Qatar and Jordan recognise a 90 day limit for vacuum packed meat.
- There are also onerous document legalisation requirements and inconsistent labelling and packaging requirements across the region.
- For Egypt, technical barriers relate to piece size (minimum 2kg), and shelf life with only 29-49 days for chilled vacuum packed beef.

Market Access Overview

Trade agreements

Australia-GCC FTA
Under negotiation since 2007. Four rounds of negotiations have been held to-date, the last one in 2009.

Import tariffs

GCC countries generally:
- 5% for frozen meat, carcases/half carcases
- 5% for chilled & frozen bovine offal
- 0% for chilled meat, carcases/half carcases

Morocco:
- 200% duty on beef, 54% on offal

Turkey:
- 225% duty on beef and offal

Competitors

- India & Brazil market access same as Australia.
- NZ-GCC FTA negotiations concluded in 2009 but FTA yet to be ratified & signed. This would result in 0% tariffs on frozen meat.

Volume restrictions

Quota restrictions in Tunisia and Palestine are not currently significant impediments

Technical access

- Numerous technical barriers to trade that vary by country
- Key barriers relate to: shelf life, importer labelling, product coding, document legalisation and quality inspections

Best access — Major challenges

Source: Trade agreements, DFAT, MLA

Australian beef exports to MENA – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
Total		**30,813**	**100**	**53,526**	**100**	**49,353**	**100**	**-38**	**-18,540**
by storage	Chilled	11,665	38	18,604	35	14,925	30	-22	-3,259
	Frozen	19,147	62	34,923	65	34,428	70	-44	-15,281
by meat type	Grassfed	24,365	79	43,753	82	41,677	84	-42	-17,312
	Grainfed	6,448	21	9,773	18	7,676	16	-16	-1,228
by storage/ meat type	Chilled grassfed	7,208	23	12,741	24	10,255	21	-30	-3,047
	Chilled grainfed	4,458	14	5,863	11	4,670	9	-5	-212
	Frozen grassfed	17,157	56	31,012	58	31,422	64	-45	-14,265
	Frozen grainfed	1,990	6	3,910	7	3,006	6	-34	-1,016

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
Total		**303,802***	**100**	**436,868**	**100**	**297,649**	**100**	**2**	**6,152**
by storage	Chilled	167,805*	55	214,682	49	134,714	45	25	33,091
	Frozen	135,997*	45	222,186	51	162,936	55	-17	-26,939

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	3,235	29	9,311	31	8,969	43	-64	-5,734
Topside/Inside	1,145	10	5,322	18	3,147	15	-64	-2,002
Chuck & Blade	744	7	755	3	357	2	108	386
other	6,147	55	14,241	48	8,372	40	-27	-2,225
Total	**11,271**	**100**	**29,629**	**100**	**20,845**	**100**	**-46**	**-9,574**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	1,999	23	2,626	27	1,585	19	26	414
Topside/Inside	1,638	19	2,001	20	1,875	22	-13	-236
Carcase	759	9	580	6	553	7	37	207
other	4,356	50	4,665	47	4,329	52	1	27
Total	**8,753**	**100**	**9,871**	**100**	**8,341**	**100**	**5**	**411**

Source: DAWR

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

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	791	31	697	26	629	26	26	163
Topside/Inside	674	26	823	31	791	33	-15	-116
Thick Flank/Knuckle	265	10	200	8	172	7	54	93
other	856	33	924	35	790	33	8	66
Total	**2,587**	**100**	**2,644**	**100**	**2,381**	**100**	**9**	**206**

Source: DAWR