MARKET SNAPSHOT | **SHEEPMEAT**

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 long-term socio-economic drivers bode well for imported sheepmeat demand in a number of countries.

Challenges and opportunities in MENA for Australian sheepmeat:

- Sheepmeat is an important protein in the region, with consumption and import demand forecast to increase in a number of markets, particularly GCC** countries.
- Whilst imported mutton goes mostly into the lower tier foodservice sector, regional growth drivers of imported lamb demand are: increasing disposable incomes, urbanisation, westernisation, a young population, large expat professional populations and a developing tourism sector.
- The retail sector remains fragmented, even in GCC countries, but retail development growth is expected to increase, accompanied by growth in chilled red meat sales.
- Markets with developing tourism sectors are experiencing growth in demand for premium lamb cuts in the high-end foodservice sector.
- 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 sheepmeat exports – volume

- Chilled lamb – **47%**
- Chilled mutton – **6%**
- Frozen lamb – **10%**
- Frozen mutton – **37%**

Total 111,016 tonnes swt

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

Australian sheepmeat exports – value

- Lamb – **66%**
- Mutton – **34%**

Total A$ 636.6 million

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

Proportion of key cuts

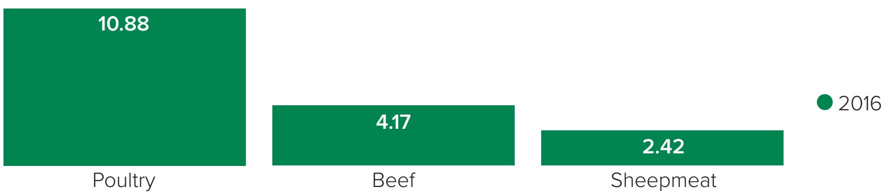
- Carcase – **67%**
- Leg – **15%**
- Shoulder – **6%**
- other – **12%**

Source: DAWR, CY 2016

Australia's share of imports

Source: GTA, based on MAT volume per country

Meat consumption



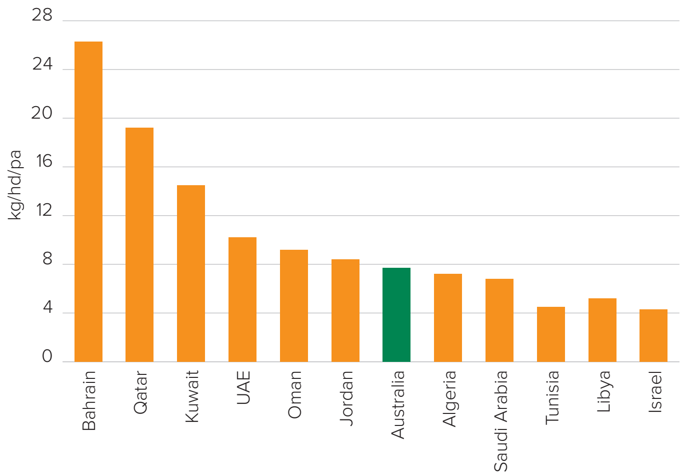
In million tonnes cwt

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

- Although economic growth prospects in the MENA region are strongly impacted by external factors, such as oil prices and conflict, increasing urbanisation, growing disposable incomes, westernisation, a young population and large expatriate population are key growth drivers for imported red meat demand.
- Sheepmeat is an important part of MENA diets, though per capita consumption in some countries is higher than others.

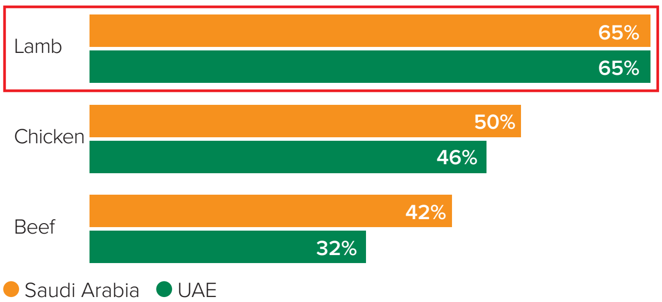
Per capita sheepmeat consumption, 2016f



Source: GIRA, FAO-OECD

- Demand for sheepmeat imports also varies, with greatest demand from Saudi Arabia and UAE, followed by Jordan and Qatar. Australian lamb has a high profile and is well-regarded in these markets.
- Sheepmeat is the most loved protein in the hearts and minds of Gulf States consumers, although actual consumption is dominated in volume and frequency by chicken due to its price advantage.

"I feel very positive about..."



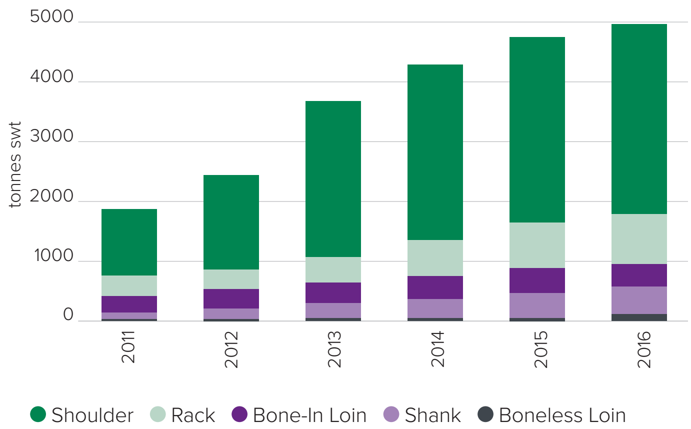
Source: MLA Global Consumer Tracker, 2016

- Along with a traditional regional preference for lean meat, some consumers are developing a stronger health awareness, which may impact on their meat and lamb consumption.
- Utilisation of Australian sheepmeat varies somewhat by country. In UAE, our product goes into both retail and foodservice, whilst in Oman and Saudi Arabia, a significant proportion (especially frozen mutton) goes into foodservice, particularly low end catering. In Qatar and Bahrain, carcases go into butchers, where they are cut up for sale to consumers.

Foodservice

- In some markets that are developing their tourism sectors, such as Dubai, Saudi Arabia and Qatar, demand in the high-end foodservice sector is expected to continue to grow for chilled lamb cuts such as boneless loin, rack and shank.
- The bulk of Australian frozen mutton imports, which are chiefly carcase and leg, is used in the lower-tier catering sector.
- In Bahrain, lamb carcases go from butchers into the foodservice sector. However, since the lifting of government subsidies from late 2015, mutton has replaced lamb.

Australian chilled lamb exports to MENA – selected cuts



Source: DAWR

Trade access

- For Australian sheepmeat exporters, 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 on Australian red meat exports.
- The majority of Australian sheepmeat exported to MENA is to GCC countries, which generally have zero tariffs on chilled meat and 5% on frozen and processed meat and offal. Some countries (Morocco, 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.
- There are currently no protocols for green runners (except with Jordan, Bahrain, Egypt and Lebanon), casings (except Lebanon), edible tallow, gelatine and collagen, skins, hides or rendered products for most MENA countries.

Key technical barriers to trade:

- There are regional inconsistencies for shelf life expiry dates.
- The GSO sets GCC standards for shelf life which limits vacuum packed sheepmeat to 70 days, 21 days for chilled, 9-12 months for frozen meat and 4-9 months for frozen offal. However, UAE and Jordan recognise a 90 day limit for vacuum packed meat.
- There are onerous document legalisation requirements and inconsistent labelling and packaging requirements across the region.
- For Jordan, the net weight of sheep carcases must not exceed 20kg.

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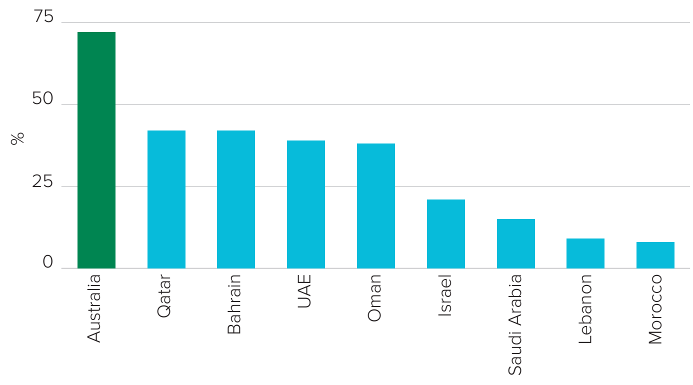
Retail

- MENA lamb product imports are primarily sold through the retail channel, with chilled lamb carcase being most in demand, as well as smaller but significant volumes of leg and shoulder. Small volumes of premium cuts are available in tier 1 retail with demand expected to grow.
- Apart from the few wealthier GCC markets, the MENA region's mass grocery retail sector is quite fragmented, with only a small proportion classified as organised.

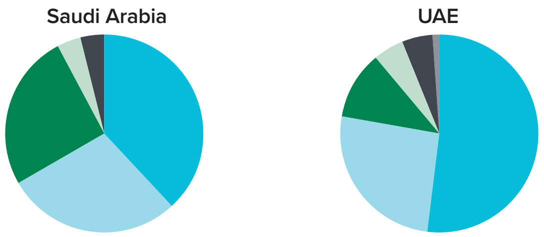
Organised retail as a proportion of total retail, 2017f



Source: IGD

- Reflecting their differing levels of development and cooking preferences, consumers in Saudi Arabia are more likely to buy lamb from butchers and wet markets, whilst more UAE consumers use hypermarkets. They are also somewhat different in their sheepmeat purchase decision-making.

I mainly buy lamb from...



Saudi Arabia	UAE
Hypermarket – **40%**	Hypermarket – **52%**
Wetmarket – **30%**	Wetmarket – **26%**
Butcher – **27%**	Butcher – **11%**
Convenience – **4%**	Convenience – **5%**
Supermarket – **4%**	Supermarket – **5%**
	Other – **1%**

Source: MLA Global Consumer Tracker, 2016

Influences me when buying lamb...

Saudi Arabia	UAE
Display/leaflet in store	TV show/cooking show
Friend/relative word of mouth	Celebrity chef endorsement
An advert on TV	Radio show/cooking segement
Newspaper, magazine article	Friend/relative word of mouth
Radio show/cooking segement	An advert on TV/Radio

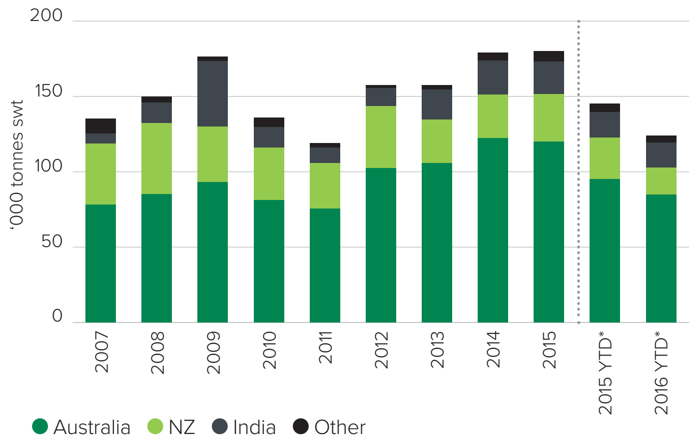
Source: MLA Global Consumer Tracker, 2016

- Key food retailers in the region where consumers purchase Australian sheepmeat from include Carrefour, Lulu, Panda and Sultan Centre.
- In the MENA region, home-cooking of sheepmeat dishes like stews and slow cooking, grilling of cubes for kebabs and mince as a filling for pastries and kofta are widespread. Grilling of prime cuts is also popular in the region.

Other suppliers

- Sheepmeat import demand in MENA is expected to continue to grow as urbanisation, desertification and conflict negatively impact domestic sheep rearing.
- Australia has traditionally been the region's main source of sheepmeat and live sheep, accounting for around two-thirds of imports in 2016 *(Source: GTA).*
- Other key suppliers:
  – NZ: export significant volumes of lamb, particularly forequarter, mostly to Jordan and Saudi Arabia and smaller quantities of mutton.
  – India and Pakistan: India supplies mostly chilled but also some frozen mutton to carcase UAE, Saudi Arabia, Qatar and Kuwait.

Sheepmeat exports to MENA by supplier



Source: DAWR, GTA
**YTD Jan-Sep*
(NB: Includes Lamb and Mutton; Excludes ovine offal and goat meat)

Live exports

- In 2016, Australia's key live sheep export markets in MENA were Kuwait and Qatar, both seeing significant growth on 2015. Other important markets were Jordan, UAE, Israel and Oman.
- In 2016, Australia exported just over 1.85 million head of live sheep to the region *(Source: DAWR, ABS).*
- Live sheep imports generally increase in the second half of the year as an important element in festival celebrations.
- Australia's key competitors in the live export market are India, Somalia and Sudan, as well as Romania, Georgia and Spain.

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
Australia-GCC FTA Under negotiation since 2007. Four rounds of negotiations have been held to-date, the last one in 2009.	**GCC countries generally:** • 0% for chilled meat, 5% for frozen • Average of 2.5% for chilled carcases/half carcases, 5% for frozen • 0% for chilled ovine offal, 5% for frozen **Morocco:** • 200% duty on sheepmeat, 54% on offal **Turkey:** • 225% duty on sheepmeat and offal	• NZ & India access currently same as Australia • NZ announced late 2016 re-newed efforts to verify, ratify & sign the NZ-GCC FTA, after negotiations concluded in 2009. This would result in 0% duty on frozen meat.	Quota restrictions in Tunisia and Palestine are not currently significant impediments	• 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 sheepmeat 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	**111,016**	**100**	**119,954**	**100**	**105,113**	**100**	**6**	**5,903**
by storage	Chilled	59,250	53	56,059	47	45,773	44	29	13,477
	Frozen	51,766	47	63,895	53	59,340	56	-13	-7,574
by meat type	Lamb	62,853	57	69,805	58	57,541	55	9	5,312
	Mutton	48,162	43	50,149	42	47,572	45	1	591
by storage/ meat type	Chilled lamb	52,053	47	54,166	45	40,866	39	27	11,187
	Chilled mutton	7,197	6	1,893	2	4,907	5	47	2,290
	Frozen lamb	10,801	10	15,640	13	16,675	16	-35	-5,875
	Frozen mutton	40,965	37	48,255	40	42,665	41	-4	-1,699

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	**636,643***	**100**	**710,382**	**100**	**544,961**	**100**	**17**	**91,681**
by meat type	Lamb	421,819*	66	465,401	66	343,446	63	23	78,373
	Mutton	214,824*	34	244,981	34	201,515	37	7	13,308

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

Australian lamb 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
Carcase	12,877	62	12,123	64	9,814	63	31	3,062
Leg	3,651	17	3,198	17	2,566	16	42	1,085
other	4,376	21	3,713	20	3,205	21	37	1,171
Total	**20,904**	**100**	**19,034**	**100**	**15,586**	**100**	**34**	**5,319**

Source: DAWR

Australian lamb 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
Carcase	15,240	96	13,196	95	7,179	91	112	8,061
Leg	278	2	272	2	308	4	-10	-30
other	386	2	472	3	405	5	-5	-19
Total	**15,904**	**100**	**13,941**	**100**	**7,893**	**100**	**101**	**8,011**

Source: DAWR

Australian lamb exports to Jordan – 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
Carcase	8,487	69	10,058	68	7,139	56	19	1,348
Shoulder	1,534	13	2,053	14	1,801	14	-15	-266
other	2,235	18	2,627	18	3,785	30	-41	-1,550
Total	**12,256**	**100**	**14,738**	**100**	**12,725**	**100**	**-4**	**-468**

Source: DAWR