Market Snapshot

MENA
Middle East & North Africa

BEEF
Australian trade overview

- Beef and veal was exported from Australia to 18 countries in the Middle East and North Africa (MENA) region (volumes over 1,000 tonnes swt ranked) in 2015: Afghanistan; Bahrain; Egypt (6); Iraq; Israel; Jordan (3); Kuwait (4); Lebanon; Libya; Morocco; Oman; Pakistan; Palestine; Qatar (5); Saudi Arabia (1); Tunisia; the UAE (2); and Yemen.

- There is a preference in some markets for veal, which can be substituted for lamb or mutton in a wide range of cuisine. This is often exported to parts of the Middle East as whole light veal carcasses or sides.

- In addition to the muscle cuts trade, the MENA region is also an important destination for Australian bovine offal exports, particularly Egypt and Saudi Arabia.

Key Insights

- The most important attributes of meat to consumers in the Middle East (based on surveys of Arab nationals in Saudi Arabia and the UAE) include “freshness”; “taste”; “guaranteed safe to eat”; “low in fat”; and “consistent quality standards”.

- Australian beef leads all other import sources in terms of awareness and most regular consumption. Local beef is favoured over imported beef in Saudi Arabia and the UAE.

- Having a reliable and reputable Halal processing system is vital for access to most markets in the MENA region. Australia’s systems are widely recognised as being compatible with the requirements of MENA countries, by religious institutions, governments, and consumers.

- The decline in world oil prices in the past two years has led to sharp downgrades in economic growth outlooks for major oil exporters in the MENA region. This is likely to have flow-on effects to other markets, and will see reduced government and consumer spending in the region.

GDP Growth

- 1.8%/3.9% oil exporters / oil importers in 2015

Population

- 1.25 billion in 2015

Flights (Australia to MENA)

- 17 per day

Aus Exports

- $435 million in 2015*

*estimate
Dubai expects over 100 million passengers through its two airports by 2020

Consumer

- Consumers in the Middle East can be loosely divided into three main groups – nationals of each of the various countries; highly-paid expatriates (predominantly from western or developed Asian nations); and expatriate labourers (generally from the Indian sub-continent).
- Meat is an important part of the Middle East diet and a 2012 study carried out by the UN Food and Agriculture Organization has shown that, among all Arab countries, Kuwait consumes the most meat with each person in the country eating an average of 97kg of meat a year.
- Amongst Arab nationals, the pink colour of the meat and juices of rare and medium rare cooked beef is sometimes linked with blood – causing concerns about Halal requirements. However, there is growing awareness that the degree of doneness can impact on tenderness and juiciness.

Consumption

- Meat is seen as a food product that should have its consumption limited to help avoid possible health problems in the Middle East, but the extent to which this is the perception varies among countries, and the proportion of people that think so is declining.
- Of those that think meat consumption should be limited, beef is the most likely to be named by consumers, ahead of lamb, goat, chicken and seafood. The main reason given by respondents to surveys conducted for MLA is because of the relatively high fat content of beef.
- Reflecting this perception of high fat content being bad for health, the most popular cuts of beef tend to be lean. Tenderloin, in particular, is also popular, as it can be cooked to a greater degree of doneness while maintaining tenderness.

Retail trends

- The modern retail sector has grown significantly, especially in the GCC countries, over the last five years, accommodating the increasingly wealthy Arab nationals and growing populations of wealthy expatriates.
- In the UAE, the majority of consumers purchase red meat from hypermarkets or supermarkets, while butchers and wet markets are more popular in Saudi Arabia. In both markets, counter sales account for the majority of the sales volume. Private label sales are low, but forecast to grow over time.
- Short to medium term forecasts suggest that there will be a rising demand for more convenience led retail stores. In response, large retail chains are investing in smaller deli type convenience stores and markets where retail case ready meat will be a focus.

Red meat: purchase place

Source: Brand Navigator global research for MLA
Foodservice trends

➡ Future growth is expected to be in high-end foodservice, particularly in countries that are looking to develop their tourism industries, such as the UAE. Other events, such as the World Expo 2020 in Dubai, and the FIFA World Cup 2022 in Qatar will help build capacity for tourism growth in the region.

➡ There will also be opportunities for growth in the quick service sector, with more shopping centres being built, and the expansion of airports to accommodate a growing tourism sector. Dubai, for example, is expecting to have over 100 million passengers per year through two airports by 2020

➡ Foodservice for the hotel sector is also forecast to grow with UAE forecasting over 100 new hotels by 2020. With this requirement for cheap protein for the expat labour will also increase. Over 800 hotels are under contract in the Middle East and Africa, with a capacity of over 200,000 rooms.

➡ These positive drivers of growth could potentially be somewhat offset by some negative influences, including the instability of the region and the recent drop in oil prices to decade-lows. Falls in oil revenue are having an impact on national incomes and budgets.

Beef at UAE foodservice
(country of origin of beef consumed at foodservice)

2015

Australia 30%
New Zealand 18%
India 16%
Local 24%
Brazil 12%

Source: Brand Navigator global research for MLA

Competitors

➡ Brazil has historically been a major supplier of beef into the Middle East, but has been disrupted in the last couple of years by the suspension of trade into GCC countries due to animal health issues (BSE and FMD). Brazilian beef has been approved for export to Saudi Arabia (late 2015), but as of January 2016 had not started shipping.

➡ The US currently has a very limited presence in the Middle East, concentrated mostly in the UAE and Kuwait. It has been, in the past, a major supplier to Egypt and Saudi Arabia, but is currently exporting very little to these markets.

➡ India is a large, and growing, source of relatively cheap, lean beef/buffalo meat, which is substitutable in some markets for Australian beef. India is also well recognised as having a suitable Halal processing system in place, which satisfies religious requirements for the region. Indian beef is currently traded to a wide range of countries across the Middle East.

➡ New Zealand, some EU nations, South Africa and a number of South American suppliers also compete on a smaller scale in the Middle East. South American exporters (Argentina, Paraguay and Uruguay) have a large presence in Israel.

➡ Religious considerations exclude pork from the vast majority of the Middle Eastern market, but there is huge demand across the region for protein in general, with lamb/mutton, goat, and poultry all popular. Seafood is also growing in popularity, particularly in high-end establishments.

Beef exports to the Middle East

Source: DAWR, GTA

Over 500 hotels in the Middle East and 300 hotels in Africa are under contract
Market access

- Most Australian beef exported to the Middle East is to GCC (Gulf Co-operative Council) countries, which have a 0% tariff on chilled beef, and 5% on frozen or processed beef and offal. Other markets have similar tariff regimes, with some differences (eg. Egypt: 0% chilled and frozen, 20% processed, 5% offal), while others have severe tariff barriers (eg. Morocco: 200% on chilled and frozen beef and offal, and 49% on processed beef).

- Besides tariff barriers, there are a large number of technical barriers to trade (TBTs), estimated to cost the Australian red meat industry (beef and lamb combined) up to A$360 million per year.

- The key TBTs in the Middle East are related to shelf life of chilled product – GCC countries have a limit of 40 days for vacuum packed meat to enter the country, and maximum expiry period of 70 days. Some countries have even shorter periods than this.

- Halal certification is an extra condition of entry to most countries in the Middle East, sometimes with different certifiers and conditions depending on which country the processor is looking to export to.

Key technical barriers to trade

Gulf Cooperation Council (GCC)

- Max. entry age for vacuum packed meat 40 days
- Max. expiry period for vacuum packed beef 70 days

Iraq

- Mandatory use of Bureau Veritas product testing service

Egypt

- Min. 2kg piece for manufacturing beef
- Max. entry age for vac packed meat 14-24 days
- Max. expiry period for vac packed meat 28-49 days

Top export markets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>GRASS FED</td>
<td>GRAIN FED</td>
<td>TOTAL</td>
<td>GRASS FED</td>
<td>GRAIN FED</td>
<td>TOTAL</td>
<td>GRASS FED</td>
<td>GRAIN FED</td>
<td>TOTAL</td>
<td>GRASS FED</td>
<td>GRAIN FED</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>1,285,073</td>
<td>1,021,432</td>
<td>263,641</td>
<td>1,287,012</td>
<td>1,056,322</td>
<td>230,689</td>
<td>0%</td>
<td>-1%</td>
<td>14%</td>
<td>$8,537,879</td>
<td>$6,900,176</td>
<td>24%</td>
</tr>
<tr>
<td>1 US</td>
<td>415,951</td>
<td>400,740</td>
<td>15,211</td>
<td>397,889</td>
<td>388,358</td>
<td>9,532</td>
<td>5%</td>
<td>3%</td>
<td>60%</td>
<td>$2,889,231</td>
<td>$2,121,142</td>
<td>36%</td>
</tr>
<tr>
<td>2 JAPAN</td>
<td>285,224</td>
<td>145,540</td>
<td>139,685</td>
<td>293,780</td>
<td>163,133</td>
<td>130,646</td>
<td>10%</td>
<td>6%</td>
<td>24%</td>
<td>$1,712,311</td>
<td>$1,466,343</td>
<td>17%</td>
</tr>
<tr>
<td>3 SOUTH KOREA</td>
<td>166,588</td>
<td>122,385</td>
<td>44,203</td>
<td>150,918</td>
<td>115,278</td>
<td>35,640</td>
<td>19%</td>
<td>14%</td>
<td>61%</td>
<td>$1,099,955</td>
<td>$839,573</td>
<td>31%</td>
</tr>
<tr>
<td>4 CHINA</td>
<td>148,222</td>
<td>126,592</td>
<td>21,630</td>
<td>124,586</td>
<td>111,143</td>
<td>13,443</td>
<td>29%</td>
<td>23%</td>
<td>7%</td>
<td>$917,328</td>
<td>$594,410</td>
<td>55%</td>
</tr>
<tr>
<td>5 CANADA</td>
<td>42,575</td>
<td>39,837</td>
<td>2,738</td>
<td>32,972</td>
<td>30,484</td>
<td>2,488</td>
<td>-2%</td>
<td>-2%</td>
<td>-5%</td>
<td>$2,322,383</td>
<td>$2,151,545</td>
<td>-11%</td>
</tr>
<tr>
<td>6 INDONESIA</td>
<td>39,134</td>
<td>38,372</td>
<td>762</td>
<td>36,419</td>
<td>34,180</td>
<td>2,239</td>
<td>-16%</td>
<td>-15%</td>
<td>-32%</td>
<td>$195,538</td>
<td>$213,400</td>
<td>-8%</td>
</tr>
<tr>
<td>7 TAIWAIN</td>
<td>30,448</td>
<td>28,923</td>
<td>1,525</td>
<td>32,213</td>
<td>28,724</td>
<td>3,489</td>
<td>-8%</td>
<td>-6%</td>
<td>-41%</td>
<td>$206,963</td>
<td>$157,837</td>
<td>31%</td>
</tr>
<tr>
<td>8 SAUDI ARABIA</td>
<td>29,629</td>
<td>26,695</td>
<td>2,934</td>
<td>34,352</td>
<td>31,320</td>
<td>3,032</td>
<td>-26%</td>
<td>-35%</td>
<td>55%</td>
<td>$105,674</td>
<td>$143,917</td>
<td>-27%</td>
</tr>
<tr>
<td>9 PHILIPPINES</td>
<td>25,352</td>
<td>20,332</td>
<td>5,020</td>
<td>12,105</td>
<td>11,002</td>
<td>1,104</td>
<td>-5%</td>
<td>-4%</td>
<td>-14%</td>
<td>$75,282</td>
<td>$66,072</td>
<td>14%</td>
</tr>
<tr>
<td>10 MALAYSIA</td>
<td>12,344</td>
<td>10,528</td>
<td>1,816</td>
<td>8,777</td>
<td>6,737</td>
<td>2,040</td>
<td>-12%</td>
<td>-11%</td>
<td>19%</td>
<td>$188,328</td>
<td>$169,693</td>
<td>27%</td>
</tr>
<tr>
<td>11 JORDAN</td>
<td>9,871</td>
<td>6,452</td>
<td>2,419</td>
<td>8,520</td>
<td>5,407</td>
<td>3,113</td>
<td>-34%</td>
<td>-23%</td>
<td>-41%</td>
<td>$17,184</td>
<td>$25,503</td>
<td>-33%</td>
</tr>
<tr>
<td>12 KUWAIT</td>
<td>3,626</td>
<td>2,666</td>
<td>960</td>
<td>4,849</td>
<td>4,074</td>
<td>775</td>
<td>-34%</td>
<td>-29%</td>
<td>-51%</td>
<td>$1,185</td>
<td>$1,119</td>
<td>6%</td>
</tr>
<tr>
<td>13 EGYPT</td>
<td>2,444</td>
<td>2,415</td>
<td>29</td>
<td>2,444</td>
<td>2,250</td>
<td>194</td>
<td>8%</td>
<td>7%</td>
<td>18%</td>
<td>$31,944</td>
<td>$20,852</td>
<td>53%</td>
</tr>
<tr>
<td>14 OTHER</td>
<td>4,374</td>
<td>4,277</td>
<td>97</td>
<td>91,676</td>
<td>69,577</td>
<td>22,099</td>
<td>-26%</td>
<td>-35%</td>
<td>-1%</td>
<td>$700,614</td>
<td>$735,273</td>
<td>-4%</td>
</tr>
<tr>
<td>TOTAL MENA</td>
<td>53,526</td>
<td>43,753</td>
<td>9,773</td>
<td>64,399</td>
<td>55,311</td>
<td>9,088</td>
<td>-17%</td>
<td>-21%</td>
<td>8%</td>
<td>$403,408</td>
<td>$346,325</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: DAWR, GTA