market snapshot

UNITED STATES

population

321 million
in 2015

GDP

up 2.5%
in 2015

consumption
(beef)

24.5kg
per capita
in 2015

export value

$3.2 billion
in 2015*

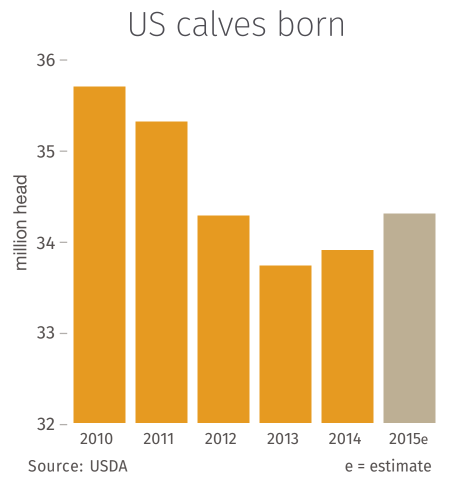
* estimate

BEEF

Australian trade overview

➡ The US is Australia's largest and most valuable export market for beef, with volumes in 2015 reaching 415,000 tonnes swt, valued around A$3.2 billion. Around 70% of the beef exported to the US is manufacturing beef, used in ground beef products or other further processing.

➡ Beef production in the US has been in decline in recent years, but the last two years have seen significant retention of cows and heifers. As a result, there has been an increase in the number of calves born in the last two years, and a corresponding increase in US cattle slaughter is forecast for 2016 and 2017. Average cattle weights have also been getting heavier over time, accentuating the effect on total beef production.



Key insights

➡ Consumers that purchase grassfed beef in the US are consistently and significantly more likely to purchase beef (both whole muscle and ground) with attributes including: no added hormones; antibiotic free; free range; natural; organic; sustainably raised; raised per animal welfare guidelines.

➡ Those consumers that purchase grassfed beef in the US tend to be younger and earn higher incomes than consumers that do not purchase grassfed beef.

➡ Grassfed beef purchasers tend to be more health conscious than other beef purchasers, including by watching their nutritional, and that of their family, and being more physically active.

➡ Social media is more widely used among grassfed beef purchasers than non-purchasers of grassfed beef, suggesting this is a strong medium for reaching potential new consumers.

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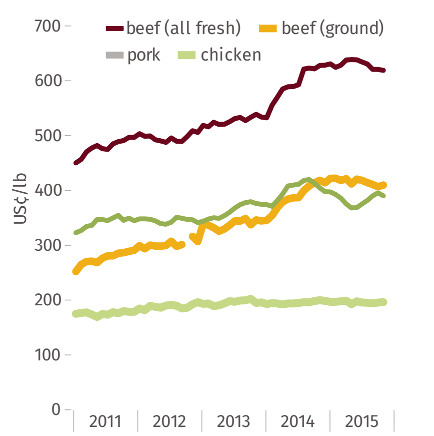
Market trends

➡ The price of beef at wholesale and retail was rising very quickly through 2013 until mid-2015, but has steadied as a result of greater production and increased competition from much cheaper pork and poultry.

➡ Price outlooks for beef suggest that recent declines are close to their lows for the future, but there is little room for upward movement in the beef sector in 2016. Large volumes of beef and other meats in storage, and higher production will limit potential price increases.

➡ Due to the relatively high price of beef, compared with poultry and pork, it features less regularly in specials at retail, and has been subject to a decreasing share of menu items in foodservice.

US retail meat prices



Source: USDA

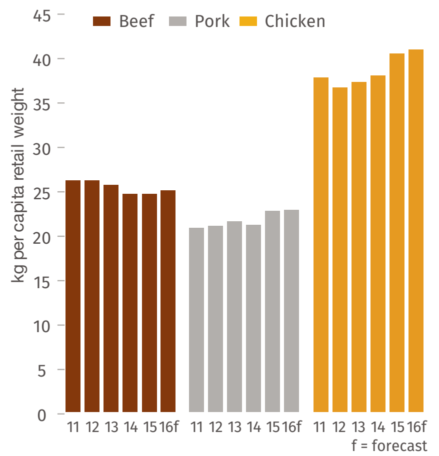
Consumption

➡ US per capita consumption of beef has been in decline for a number of years, which has been a function of lower available supplies of beef for a growing population, associations between red meat consumption and various health problems, and an increase in the availability and affordability of poultry and pork as an alternative source of protein.

➡ In 2015, beef consumption in the US dropped to 24.5kg retail weight per capita, and is expected to increase in 2016 (for the first time in almost a decade), to 24.9kg. This is predominantly due to a forecast increase in US domestic beef production in 2016.

➡ Chicken (40.7kg in 2016) and pork (22.7 kg) per capita consumption will be higher again in 2016, but growth will be much lower than the large jumps recorded in 2015.

US meat consumption



Source: USDA Livestock, Dairy and Poultry Outlook

75%

75% of red meat and poultry purchasers claim to have purchased grassfed beef, and 65% purchase it at least once a month

Sector growth

➡ Australian beef in the US is still predominantly an ingredient in foodservice ground beef (especially hamburgers). The traditional quick service restaurant sector has been slowing in growth recently, but there has been an expansion in fast casual dining, which is a new user of Australian beef. While retailers tend to use domestic beef for the majority of their commodity ground product items, niche offerings of imported grassfed ground beef are growing.

➡ Higher value cuts of grassfed beef from Australia have been growing in volume as US demand grows for beef that is seen by some as more environmentally sustainable and healthier. This remains a small segment of the total US market, but is well suited to Australian beef production.

➡ Grainfed beef accounts for only a very small percentage of Australia's exports to the US. This is a segment dominated by US domestic beef, which produces large volumes of beef at relatively low cost, and with a flavour that is preferred by a large proportion of the US consumer base.

USDA PROCESS VERIFIED

Subject to MLA and USDA approvals, Australian MSA graded beef can be sold in the USA under the USDA Process Verified Program

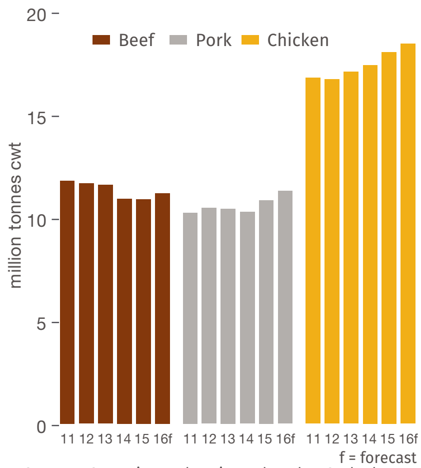
Consumer

➡ Purchasers of grassfed beef in the US are more likely to purchase their beef at specialty food stores and butcher shops. However, traditional grocery stores are still the most likely purchase place for meat, regardless of whether the consumer does or does not purchase grassfed beef.

➡ Grassfed purchasers are more willing to pay a premium than non-grassfed beef purchasers. 63% indicate a willingness to pay a 5% premium, while 12% are willing to pay more than a 10% premium. This premium is for factors including grassfed; no added hormones; antibiotic free; free range; natural; organic; sustainably raised; raised per animal welfare guidelines.

➡ Surveys conducted on behalf of MLA show that freshness, taste and safety are the most important attributes of meat to consumers in the US. Price is listed much further down as a priority in these surveys, but retailers and US research suggest that products "featured" (on special) at retail remain extremely popular and a strong way to move product.

US meat production



Source: USDA Livestock, Dairy and Poultry Outlook

Competitors

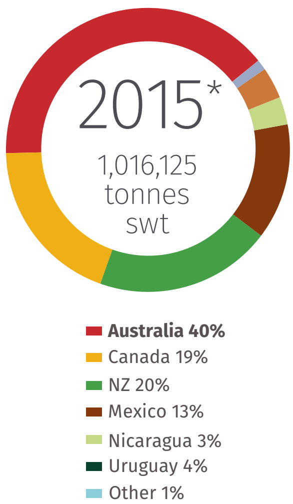
➡ The main competitors for Australian beef in the US market are the US itself, Canada, Mexico and New Zealand. Canada and Mexico are not quota restricted, under the NAFTA, while NZ has a quota of 213,402 tonnes (a little over half the size of Australia's quota).

➡ Other smaller suppliers include Uruguay and Central American nations, with much lower quotas. Ireland has recently regained access to the US, but remains restricted by supply and quota volume, and issues around plant testing of meat products. Brazil is expected to regain access to the US for chilled and frozen beef in 2016.

➡ In addition to competition from other beef suppliers, Australian beef also faces competition from other proteins, especially poultry and pork, in the US.

➡ Both poultry and pork have become much cheaper, relative to beef, in recent years, and an increase in supply expected for 2016 is likely to restrict the expansion of beef consumption.

US beef imports



Source: USDA * to November

Market access

➡ Australia maintains its preferred access status to the US (behind NAFTA partners Canada and Mexico), with the tariff rate quota continuing to expand. In 2016, the beef quota is 418,214 tonnes. In 2015, Australia filled the annual quota – the first time this has happened since the Free Trade Agreement came into effect in 2005. This is unlikely to happen again in the near future.

➡ To be able to export to the US, establishments must address E. coli O157:H7 in their HACCP plans. Testing for E.coli O157:H7 and other Shiga toxin-producing E. coli (STEC) has certain requirements addressed in DAFF Meat Notice 2012/03. This testing regime adds costs to those looking to export to the US. Contact the Australian Department of Agriculture and Water Resources for further information on testing.

US BEEF IMPORT QUOTAS – as at 1 January 2016

Country	Quantity (tonnes)	Notes
Canada	no limit	NAFTA
Mexico	no limit	NAFTA
Australia	378,214	+ 40,000 tonnes under AUSFTA
NZ	213,402	
Japan	200	
Argentina	20,000	
Uruguay	20,000	
other	64,805	

Source: US International Trade Commission

Top export markets

AUSTRALIAN BEEF EXPORTS		2015			2014			change			2015 (Jan-Nov)	2014 (Jan-Nov)	change
tonnes swt		TOTAL	GRASS FED	GRAIN FED	TOTAL	GRASS FED	GRAIN FED	TOTAL	GRASS FED	GRAIN FED	000 A$	000 A$	000 A$
	WORLD TOTAL	1,285,073	1,021,432	263,641	1,287,012	1,056,322	230,689	0%	-3%	14%	$8,537,879	$6,900,176	24%
1	US	415,951	400,740	15,211	397,889	388,358	9,532	5%	3%	60%	$2,889,231	$2,121,142	36%
2	JAPAN	285,224	145,540	139,685	293,780	163,133	130,646	-3%	-11%	7%	$1,712,311	$1,466,343	17%
3	SOUTH KOREA	166,588	122,385	44,203	150,918	115,278	35,640	10%	6%	24%	$1,099,955	$839,573	31%
4	CHINA	148,222	126,592	21,630	124,586	111,143	13,443	19%	14%	61%	$917,325	$593,410	55%
5	CANADA	42,575	39,837	2,738	32,972	30,484	2,488	29%	31%	10%	$230,068	$146,135	57%
6	INDONESIA	39,134	38,372	762	53,140	52,339	800	-26%	-27%	-5%	$232,383	$261,545	-11%
7	TAIWAN	30,448	28,923	1,525	36,419	34,180	2,239	-16%	-15%	-32%	$195,538	$213,400	-8%
8	SAUDI ARABIA	29,629	24,695	4,934	32,213	28,724	3,489	-8%	-14%	41%	$206,963	$157,837	31%
9	PHILIPPINES	25,352	20,332	5,020	34,352	31,120	3,231	-26%	-35%	55%	$105,674	$143,917	-27%
10	MALAYSIA	12,344	10,528	1,816	13,105	11,002	2,104	-6%	-4%	-14%	$75,282	$ 66,072	14%
	OTHER	89,605	63,487	26,118	117,638	90,561	27,077	-24%	-30%	-4%	$ 873,148	$890,802	-2%

Source: DAWR, GTA

Top cuts to the US

AUSTRALIAN BEEF EXPORTS		2015			2014			change		
tonnes swt		TOTAL	GRASS FED	GRAIN FED	TOTAL	GRASS FED	GRAIN FED	TOTAL	GRASS FED	GRAIN FED
	US TOTAL	415,951	400,740	15,211	397,889	388,358	9,532	5%	3%	60%
1	MANUFACTURING	273,768	273,689	79	274,892	274,771	121	0%	0%	-35%
2	TOPSIDE/INSIDE	28,261	26,301	1,960	27,235	25,629	1,606	4%	3%	22%
3	THIN FLANK	25,685	22,652	3,033	23,916	21,908	2,008	7%	3%	51%
4	SILVERSIDE/OUTSIDE	20,493	19,572	920	18,193	17,799	393	13%	10%	134%
5	THICK FLANK/KNUCKLE	15,524	14,009	1,516	14,539	13,557	982	7%	3%	54%
6	RUMP	9,200	7,850	1,350	4,157	3,889	268	121%	102%	403%
7	SHIN/SHANK	7,633	7,596	37	7,623	7,587	36	0%	0%	2%
8	BRISKET	7,173	6,207	966	6,325	5,134	1,190	13%	21%	-19%
9	CUBE ROLL/RIB EYE ROLL	6,475	4,748	1,727	3,701	2,820	881	75%	68%	96%
10	STRIPLOIN	6,268	4,719	1,549	4,053	3,301	751	55%	43%	106%
	OTHER	15,471	13,397	2,075	13,256	11,961	1,294	17%	12%	60%

Source: DAWR