MARKET SNAPSHOT | SHEEPMEAT

North America

For the majority of US consumers, lamb continues to be an unfamiliar protein resulting in low consumption levels. Lamb is still perceived as a niche product primarily appealing to higher disposable income earners residing on the east coast of North America.

Challenges and opportunities in the US for Australian Sheepmeat:

- In the US, an increase in migration of ethnic populations that have lamb as part of their stable diet is slowly creating further demand for the protein.
- Households earning a higher income are on the rise creating new market opportunities with an estimated 28.5 million households (income over USD75K pa). This is expected to increase by 17% by 2020 *(Source: BMI Research)*.
- Increasing consumer health concerns poses a threat to red meat consumption.
- New food package labelling that aims to reflect new scientific information will be a key issue in the US in the coming years.

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

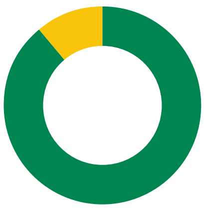
Australian sheepmeat exports – volume

- Chilled lamb – **44%**
- Chilled mutton – **0%**
- Frozen lamb – **41%**
- Frozen mutton – **15%**

Total 64,562 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR)

Australian sheepmeat exports – value

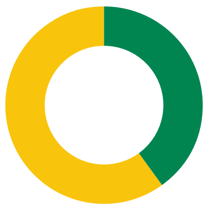


- Lamb – **89%**
- Mutton – **11%**

Total A$ 666.8 million

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

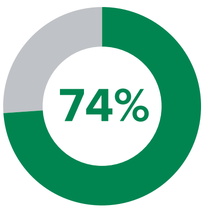
Estimated usage split of Australian sheepmeat



- Retail – **40%**
- Foodservice – **60%**

Source: MLA

Australia's share of imports

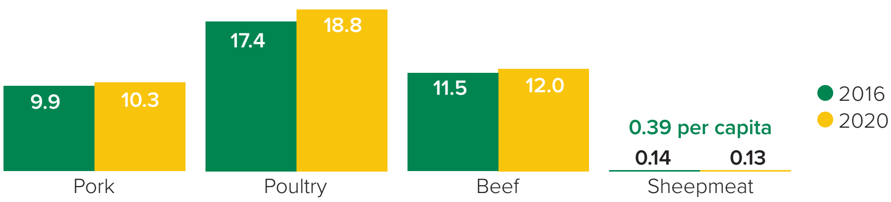


- Australia
- Other Countries

Source: MAT 2016 (November 2015 to October 2016).

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*

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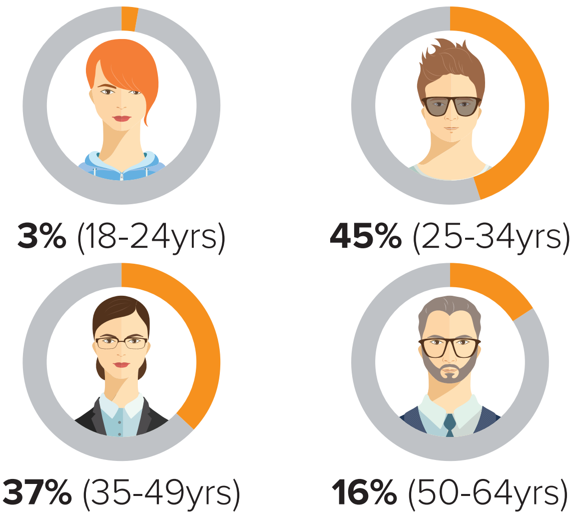
Consumers

- Lamb is the least consumed protein in the US at an average of 0.4kg per person per year *(Source:OECD-FAO)* with 49% of US consumers having never purchased lamb *(Source: MLA Global Consumer Tracker, 2016)*.
- The majority of Australian lamb consumers in the US earn over US$90k p.a. However 25-34 year-olds make up the largest proportion of consumers who dine out on Australian lamb *(Source: MLA Global Consumer Tracker, 2016)*.

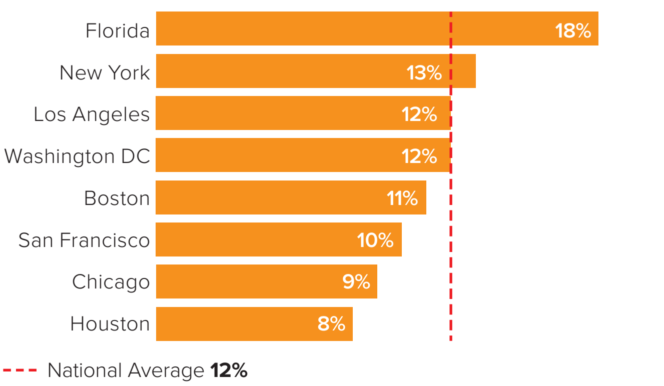
% by age of people who choose Australian lamb when eating out*



*Source: MLA Global Consumer Tracker, 2016 * based on people surveyed*

- As ethnically diverse millennials in the US seek more ethnically diverse cuisines and more exciting 'non-traditional' flavours, lamb is being recognised as a viable option. Around 15% of people in the US aged 20-34 were born in a foreign country *(Source: The Council of Economic Advisers, '15 Economic Facts about Millennials' 2014)*.
- Out of the 8 cities surveyed, lamb consumption varied with above national average consumption in Florida and New York City.

Past 7 days Australian Lamb Consumption



Source: MLA Global Consumer Tracker, 2016

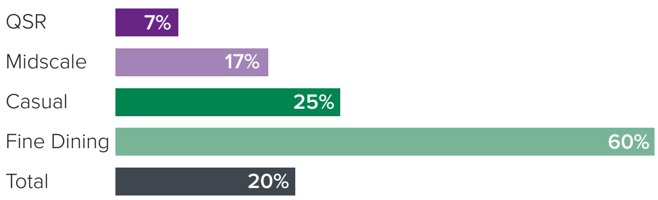
What attributes are important for US consumers? (all proteins)	Main reasons haven't bought lamb
Family's favourite	Not familiar
Most superior	Don't know how to cook it
Guaranteed safe to eat	Don't like the taste
Part of healthy diet for kids	
Consistent quality stands	

Source: MLA Global Consumer Tracker, 2016

Foodservice

- The availability of lamb on US restaurant menus has grown steadily over the years, featuring on 42% more menus than 10 years ago (2005-2015).
- Historically lamb has been more popular in foodservice in the US with a reputation of being a niche product appealing to the higher end consumer.
- Lamb maintains its position as a core protein at fine dining restaurants however strong growth is occurring in other segments such as QSR/family/casual.

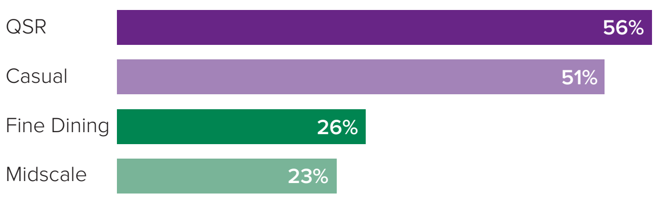
Lamb at US Chains & Independents – Penetration by segment



Source: Datassential – Lamb Menu Trends 2015

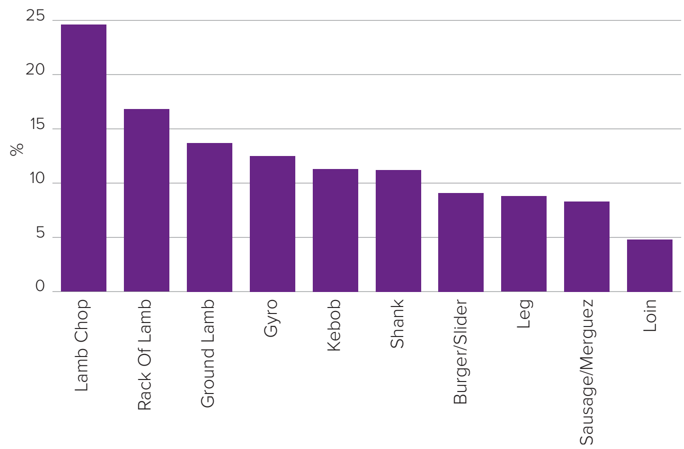
- Growth in these segments has been driven by changing demographics and the shift in demand for more convenient and affordable lamb options such as lamb burgers, meatballs and kebabs.

Growth by segment – 10 year% change (2005-2015)



Source: Datassential – Lamb Menu Trends 2015

Fastest growing popular lamb cuts and formats on menus – 2015 Penetration

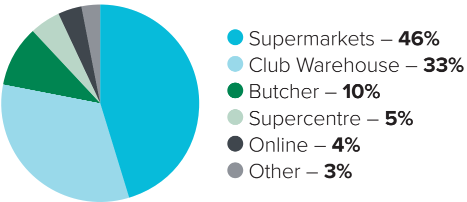


Source: Datassential – Lamb Menu Trends 2015 Top 10 listed only.

Retail

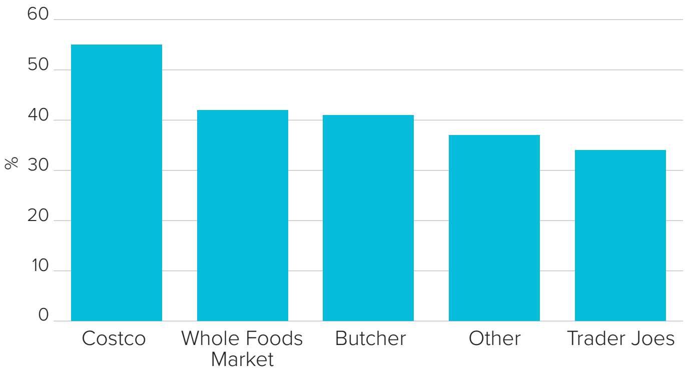
- Consumers mainly shop at supermarkets when buying lamb however club warehouse channels such as Costco attracts the young affluent consumer.

Where do shoppers go to buy Australian lamb



Source: MLA Global Consumer Tracker, 2016

Where do high income earners shop when purchasing lamb (income over US$90K p.a)



Source: MLA Global Consumer Tracker, 2016

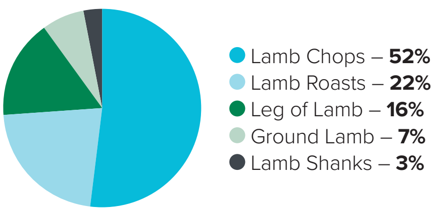
What things do consumers look for on lamb retail packs?

All Natural/100% natural	**46%**
Colour of meat	**43%**
Date packed	**43%**
Freshness	**40%**
Use by date	**28%**

Source: MLA Global Consumer Tracker, 2016

- 2.8% of households purchase fresh lamb at retail and make 2.6 trips a year to buy it, up 7.2% from the previous year.
- Fresh lamb consumers are premium shoppers, spend more in stores and prefer healthier, home-cooked items *(Source: Nielsen shopper behaviour analysis, 2015).*

Value share of fresh lamb

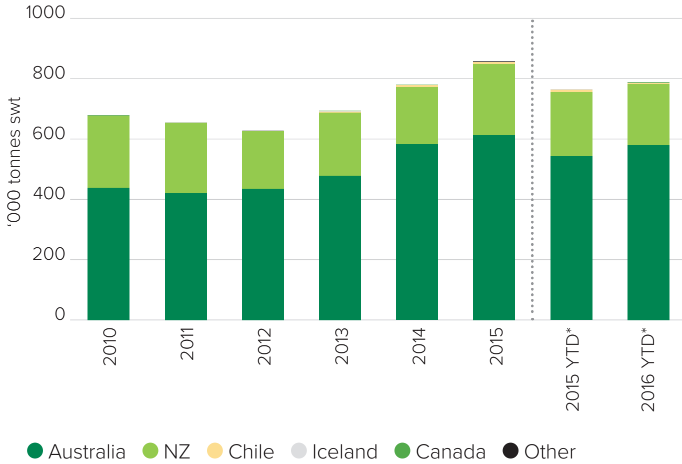


Source: Nielsen, shopper behavior analysis, 2015

Other suppliers

- Imports make a significant contribution to the lamb and mutton supply in the US.
- In 2016* imports accounted for approximately 65%** of total sheepmeat consumed in the US. *** Calculated based on OECD-FAO consumption and total sheepmeat imports sourced from GTA.*
- New Zealand sheepmeat imports to the US decreased by 5.5% during the year ending November 2016 compared to the same period in 2015. Conversely, Australian imports increased by 7%.

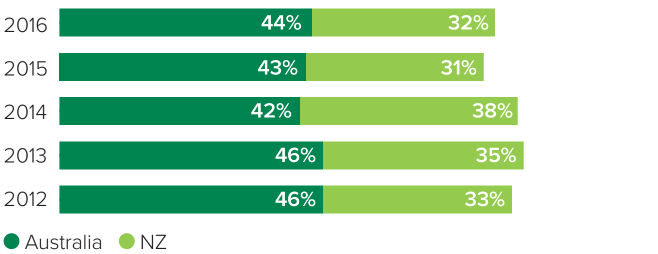
Sheepmeat imports by major supplier



Source: GTA
** YTD Jan-Nov*

In 2016* 44% of Australia's sheepmeat to the US was chilled, compared to New Zealand at 32%.

% of chilled sheepmeat imports to the US



Source: GTA

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access	Technical access
Australia-United States FTA (AUSFTA, EIF* 2005)	Australia to US – 0% To Canada – 2.5% To Mexico – 10%	New Zealand has a tariff of US 0.7 cents per kg for lamb and US 2.8 cents per kg for mutton.	There are no trade restrictions on Australian lamb and mutton exported to the US.	**US** Issues include point of entry inspection, label approvals and port mark compliance.	**Mexico** No protocol for the export of flat stacked sheep carcases prevent further shipments to Mexico.

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** Entry into force.*

Australian sheepmeat 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	**64,562**	**100**	**62,875**	**100**	**50,678**	**100**	**27**	**13,884**
by storage	Chilled	28,376	44	26,261	42	22,799	45	24	5,577
	Frozen	36,185	56	36,613	58	27,878	55	30	8,307
by meat type	Lamb	54,545	84	49,904	79	41,262	81	32	13,284
	Mutton	10,016	16	12,971	21	9,416	19	6	600
by storage/ meat type	Chilled lamb	28,365	44	26,261	42	22,661	45	25	5,705
	Chilled mutton	11	0	-	0	139	0	-92	-128
	Frozen lamb	26,180	41	23,643	38	18,601	37	41	7,579
	Frozen mutton	10,005	15	12,971	21	9,277	18	8	728

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	**666,799***	**100**	**690,383**	**100**	**461,454**	**100**	**44**	**205,344**
by meat type	Lamb	590,567*	89	597,579	87	409,756	89	44	180,811
	Mutton	76,232*	11	92,803	13	51,698	11	47	24,534

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

Australian lamb 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
Carcase	19,303	35	14,612	29	8,499	21	127	10,804
Leg	14,906	27	14,982	30	13,179	32	13	1,728
Shank	5,348	10	4,104	8	3,952	10	35	1,395
Shoulder	4,767	9	5,931	12	5,421	13	-12	-654
Shortloin	4,374	8	4,027	8	4,198	10	4	176
other	5,847	11	6,249	13	6,013	15	-3	-166
Total	**54,545**	**100**	**49,904**	**100**	**41,262**	**100**	**32**	**13,284**

Source: DAWR

Australian lamb 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
Leg	3,034	43	2,991	42	2,286	42	33	748
Shortloin	1,243	17	1,308	18	1,126	21	10	117
Rack	816	11	714	10	699	13	17	118
other	2,030	28	2,085	29	1,367	25	49	663
Total	**7,124**	**100**	**7,098**	**100**	**5,478**	**100**	**30**	**1,646**

Source: DAWR

Australian lamb 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
Neck	619	57	638	51	526	52	18	93
Shoulder	373	34	583	47	434	43	-14	-62
other	96	9	18	1	58	6	66	38
Total	**1,088**	**100**	**1,240**	**100**	**1,018**	**100**	**7**	**70**

Source: DAWR