MARKET SNAPSHOT | BEEF & SHEEPMEAT

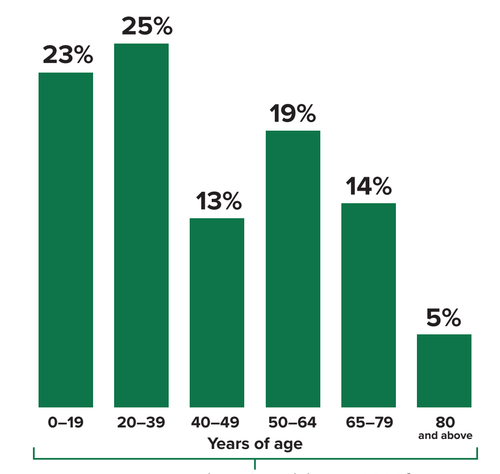
MEAT & LIVESTOCK AUSTRALIA

United Kingdom

The United Kingdom* (UK) is a market with good potential for Australian red meat exports, supported by its large population of affluent consumers very familiar with red meat. Australia pioneered the world's first successful export shipment of frozen red meat to the UK in 1879 and, for much of the period thereafter, was Australia's largest export market. Despite having limited access since the UK joined the European Common Market in 1973, the UK has been among Australia's highest value export markets. Looking ahead, as the Australia-United Kingdom Free Trade Agreement (A-UK FTA) enters into force from 31 May 2023, Australian exports will expand, supported by significantly enhanced market access.

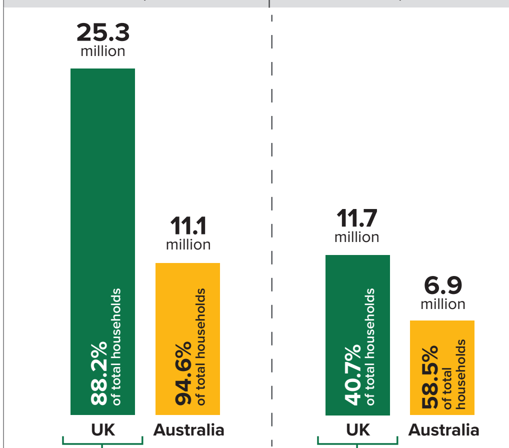
** The United Kingdom of Great Britain and Northern Ireland (UK), comprises England, Scotland and Wales (which collectively make up Great Britain) and Northern Ireland.*

Population[1]



Total population 69.5 million by 2026f
(+1% from 2023f)

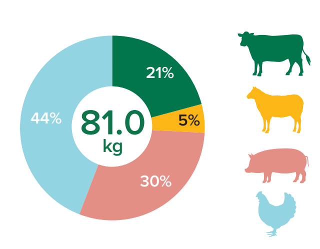
Household number by disposable income[2]



26.6 million by 2026f
(+5.3% from 2023f)

14.9 million by 2026f
(+28% from 2023f)

Meat consumption per capita[3]

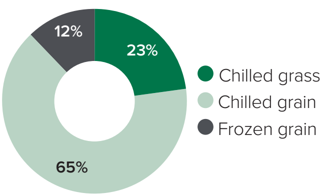


Annual grocery spend[4]

A$ 5,599 per person/year

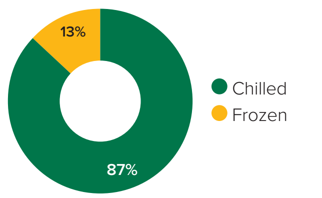
The UK is Australia's second largest beef destination in Europe after the Netherlands. It is a high value market, with almost two-thirds of Australian exports comprised of chilled grainfed product across a range of cuts.

Australian beef exports – volume[5]



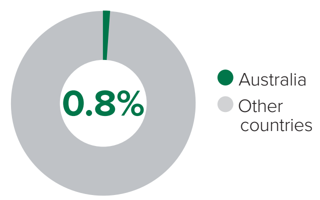
Total 1,102 tonnes swt

Australian beef exports – value[6]



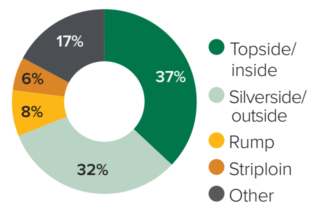
Total A$15 million

Australia's value share of UK beef imports[7]



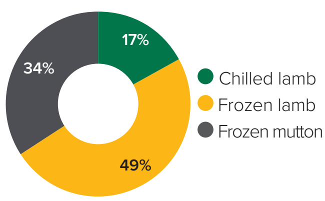
Total import value A$2.31 billion

Australian beef exports by cut[5]



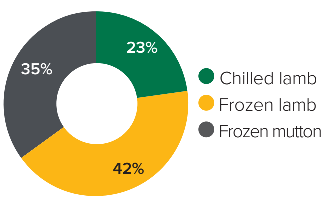
The UK has been Australia's largest sheepmeat market in Europe, with the UK accounting for over two-thirds of regional volume in 2021–22.

Australian sheepmeat exports – volume[5]



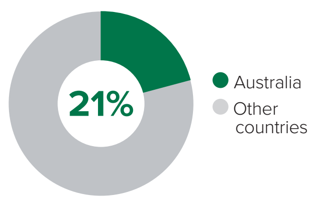
Total 11,285 tonnes swt

Australian sheepmeat exports – value[6]



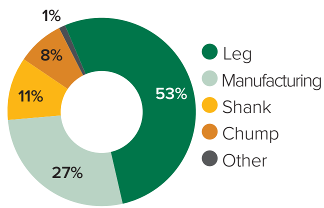
Total A$136 million

Australia's value share of UK sheepmeat imports[7]



Total import value A$622 million

Australian sheepmeat exports by cut[5]



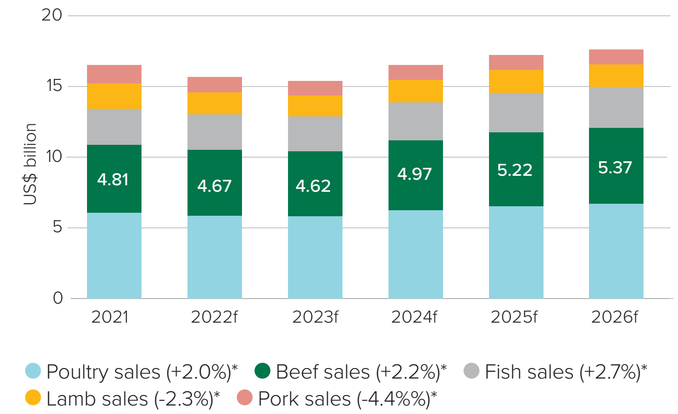
Data source for charts: [1]Fitch Solutions 2023f, [2]Fitch Solutions 2023f (disposable income = earnings after taxes and social security charges), [3]GIRA, kg cwe/head/year, 2022f, [4]IGD 2023f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year. Grocery retail market data excludes VAT/sales tax), [5]DAFF (2021–22), [6]ABS/IHS Markit (2021–22), [7]IHS Markit (2021–22), figures based on AUD value

Beef

CONSUMERS

- UK beef consumption of 16.7 kg per capita is higher than the EU average (of 14.2 kg) though it has been on a very gradual decline over the past two decades due to growing concerns relating to health, the environment, animal welfare and cost *(Source: GIRA, 2023f)*.
- Britons have a long history of enjoying beef, which is still the second most frequently-consumed protein after chicken. It is perceived as a superior, great-tasting, family favourite and versatile meat, which enables it to command a premium price compared to many other proteins.
- Many traditional beef dishes are based on slow cooking or mince, with domestic product generally on the lean side. Britons have relatively low awareness of some premium beef products – 18% have heard of high marble score beef, compared to 33% of Chinese urban consumers, for example *(Source: MLA Global Consumer Tracker, 2022)*.
- By total sales value, beef is the second largest protein segment and among the fastest-growing, with a projected compound annual growth rate (CAGR) of 2.2% 2021–2026 to reach around US$5.3 billion by 2026 *(Source: Fitch Solutions)*.
- Britons generally reserve highest trust for local and Irish beef following several decades of a "buy British beef" campaign, particularly in retail. However, despite limited market access since 1973, Australian beef is among the most trusted import suppliers. Among those aware of it, Australian beef is perceived to be safe, consistently high quality and tender – 49% say it will either be their first choice or they will seriously consider buying it when they next have the opportunity *(Source: MLA Global Consumer Tracker UK, 2022)*.

UK sales outlook for beef in protein context



*Source: Fitch Solutions. Sales based on annual household spending, all channels. * (CAGR 2021–2026f), CAGR = compound annual growth rate. Data last reviewed Oct 2022*

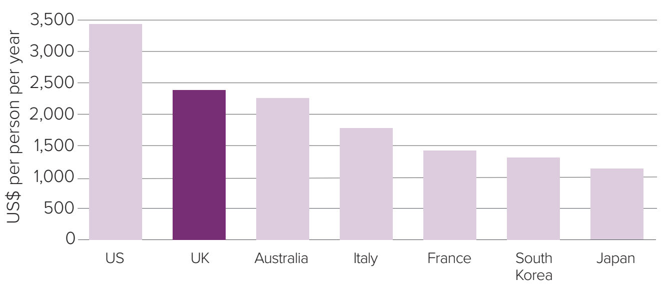
UK consumers' associations with Australian beef

Source: MLA Global Consumer Tracker UK, 2021. % Agree score

FOODSERVICE

- British diners' per capita restaurant and hotel spending is high by European standards, with eating out a key part of social life. The foodservice sector has largely recovered since re-opening post-pandemic from July 2021, though is experiencing other challenges from rising inflation and labour shortages, as many other developed markets are.

Restaurants and hotels spending per capita – 2023f

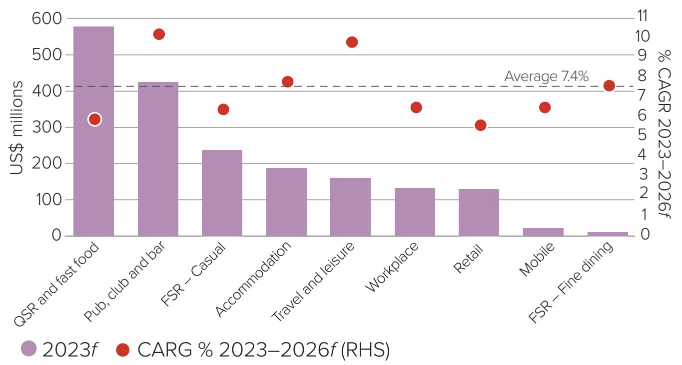


Source: Fitch Solutions. Based on annual household spending. Data last reviewed Aug-Nov 2022

- The quick service and fast food segment accounts for the largest share of beef sales in the UK foodservice sector, where it features prominently in popular items such as pizza, burgers and curry. The UK is unique for its large pub sector, where beef is also popular in British and Irish cuisine dishes. Emerging cuisines that may support beef consumption in future include Thai, Indian, Japanese, Turkish and Mexican *(Source: GlobalData Menu Intelligence 2022)*.

- The market has a large hospitality foodservice segment where beef is enjoyed by tourist visitors, which numbered over 40.8 million in 2019 pre-pandemic. Visitor numbers are currently forecast to surpass pre-pandemic levels by 2024, with a weaker pound encouraging more visitors in 2022 *(Source: Fitch Solutions)*.

UK foodservice sector total beef sales by channel



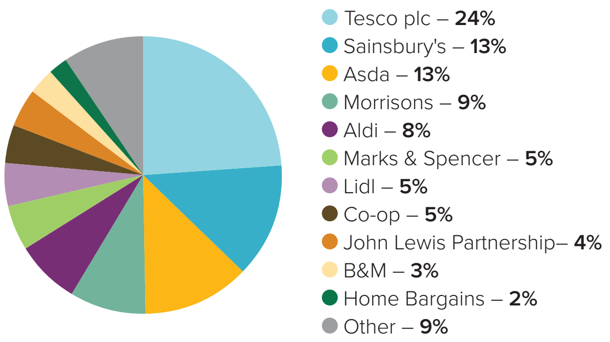
Source: GlobalData Future of Foodservice to 2026 UK, Jul 2022. Profit operators only. FSR = full-service restaurant. QSR = quick service restaurant. By Operator Buying Price. CAGR = compound annual growth rate

- MLA estimates that the vast majority of Australian beef exported to the UK in recent decades has been utilised in the foodservice sector, where it has an established place in high-end restaurants. With the bulk of this product being grainfed or chilled grassfed, the UK is among Australia's highest value export markets with a 5-year average export unit price to the UK 63% higher than Australia's global export average *(Source: IHS Markit, 2016–17 to 2021–22)*.

RETAIL

- The majority of UK shoppers purchase beef for home consumption from supermarkets, 38% do so at least weekly, with 31% also buying beef from butchers at least monthly. The UK has a relatively small but advanced and growing online retail sector by developed market standards, with around 13% of consumers having bought beef online at least fortnightly during the previous six months *(Source: MLA Global Consumer Tracker UK, 2022)*.

UK top grocery retailers by sales value – 2022*f*



Source: IGD. Percentage based on total grocery sales value of A$308.7 billion

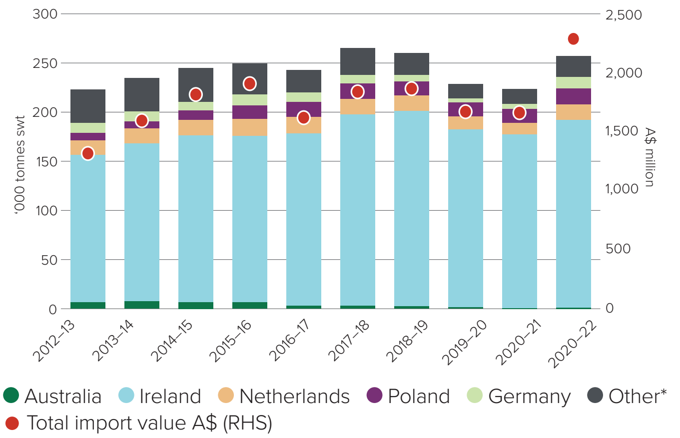
- Convenience has been a driver of growth in UK meat retail with the pandemic increasing purchasing of meal kits, various pre-prepared and processed meat and meal solutions at retail. High cost of living pressures are expected to weigh on growth of this segment and the online channel until pressures ease.
- The relatively high food CPI rate since 2022 has increased shoppers' price sensitivity, driving an increased demand for strong value propositions. At the same time, UK spending on discretionary items including food is expected to continue to grow in coming years *(Source: Fitch Solutions)*.
- A significant proportion (45%) of younger consumers aged under 35 say they are often influenced in their purchase choice by how ethical, environmentally and socially responsible a product is *(Source: GlobalData Global Consumer Survey UK Q4 2022)*. Hence, claims relating to sustainability and ethics are becoming more visible in UK meat retailing.

Beef Wellington, a Christmas favourite in the UK

COMPETITIVE LANDSCAPE

- An estimated 80% of beef consumed in the UK in 2022 was domestically produced. The current outlook is for UK beef production to decline at a CAGR of -0.4% from 2021 to 2026 due to reduced government support payments to producers and low profitability reducing the breeding herd. Total beef consumption is expected to remain steady over the next few years but with falling production, the UK is forecast to increase imports at a CAGR of +1.0% over the same period and import around 400,000 tonnes cwe of beef in 2023 *(Source: GIRA)*.
- UK beef import demand in 2021–22 strengthened with foodservice opening up, with volume up 14% and value up 38% on the previous year, achieving an all-time record value of A$2.3bn.
- The UK has a wide beef supplier base of over 40 countries. Over the past 5 years, the UK has imported an average of around 240,000 tonnes swt of beef per year. Country of origin labelling is mandatory in the UK for all red meat products sold to end consumers at retail and foodservice.
- Ireland has long been the UK's largest beef supplier with an import value share of 74% in 2021–22. Around two-thirds of this grassfed product was chilled, with a large proportion utilised in retail *(Source: IHS Markit)*.
- British and Irish beef are perceived as fresher and more convenient to purchase, offering a wider variety of cuts and trust, particularly in the wake of the 2013 horsemeat scandal which shook public trust in regional meat supply chains.

UK total beef imports by supplier



*Source: IHS Markit. Excludes offal. In 2021-22, *Other includes 27 countries*

- Since the UK joined the EU in 1973 and up until Brexit in early 2020, the UK has been a notable export market for Australian beef in Europe, with the vast majority comprised of chilled beef, both grassfed and grainfed. However, volumes of Australian beef exports to the UK have reduced in recent years due to various factors such as pandemic impacts on UK foodservice, tight supply out of Australia and increased imports from other European countries such as France and Germany.

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
The Australia-United Kingdom Free Trade Agreement **(A-UK FTA)** was signed by parties in December 2021 and will enter into force on 31 May 2023	**From 31 May 2023:** 35,000 tariff free quota. Above quota tariff 12% and up to GBP2.6 GBP/kg **From 1 Jan 2024:** 43,333 tariff free quota. Above quota tariff 12% and up to GBP2.6/kg 0% tariff on live cattle	**Ireland:** under the EU-UK Trade and Co-operation Agreement **(TCA)**, Irish beef can enter the UK tariff and quota-free **US/Canada:** tariff-free access Australia has access to higher HQB quota volumes than all other competitors, with the highest percentage EU/UK quota split to the UK awarded to Australia (65.3%) Once the NZ-UK FTA EIF*, anticipated in late 2023 following the AIP* signing in March 2022, a duty free transitional quota of 12,000 tonnes in year one will apply up to 38,000 by year 10 upon FTA EIF	Increasing TRQ* volumes for beef over 10 years, with access to a duty-free transitional quota of 35,000 tonnes on EIF*, rising in equal instalments to 110,000 tonnes in year 10 In the subsequent 5 years (year 11–15 post-EIF) a safeguard will be applied on beef imports exceeding a further volume threshold rising in equal instalments to 170,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year Out of quota tariffs to remain at MFN until year 10 and then be reduced to zero	All beef supplied to the UK must be European Union Cattle Accreditation Scheme **(EUCAS)** accredited All beef exported to the UK must be HGP-free Australia can export processed red meat products, composite products and items such as offals, green runners, pet food, rendered products, coproducts and treated blood products

Best access — Major challenges

*Source: DFAT, WTO, DAWE. *HQB = High Quality Beef, *EIF = Entry Into Force, *AIP = Agreement in Principle, *TRQ = Tariff Rate Quota*

Australian beef exports to UK – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
	Total	**1,102**		**803**		**3,812**		**-71%**	**-2,710**
Storage	Chilled	971	88%	733	91%	3,756	99%	-74%	-2,785
	Frozen	132	12%	70	9%	70	2%	87%	61
Meat type	Grassfed	259	23%	118	15%	1,165	31%	-78%	-906
	Grainfed	844	77%	685	85%	2,647	69%	-68%	-1,804
Storage/meat type	Chilled grassfed	259	23%	118	15%	1,162	30%	-78%	-903
	Chilled grainfed	712	65%	615	77%	2,594	68%	-73%	-1,883
	Frozen grassfed	0	0%	0	0%	9	0%	-100%	-9
	Frozen grainfed	132	12%	70	9%	66	2%	100%	66

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**15,212**		**11,023**		**51,187**		**-70%**	**-35,975**
Storage	Chilled	13,240	87%	9,952	90%	50,434	99%	-74%	-37,194
	Frozen	1,972	13%	1,070	10%	753	1%	162%	1,219

Source: ABS/IHS Markit.

Volume – by major cut (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Topside/inside	410	37%	231	29%	776	20%	-47%	-365
Silverside/outside	348	32%	166	21%	470	12%	-26%	-122
Striploin	71	6%	69	9%	555	15%	-87%	-484
Rump	66	6%	74	9%	548	14%	-88%	-482
Cube roll/ribeye roll	59	5%	54	7%	368	10%	-84%	-309
Tenderloin	36	3%	34	4%	219	6%	-83%	-183
Ribs prepared	9	1%	2	0%	15	0%	-39%	-6
Thick flank/knuckle	9	1%	33	4%	204	5%	-96%	-195
Brisket	3	0%	23	3%	85	2%	-96%	-81
Other	91	8%	117	15%	574	15%	-84%	-482
Total	**1,102**		**803**		**3,812**		**-71%**	**-2,710**

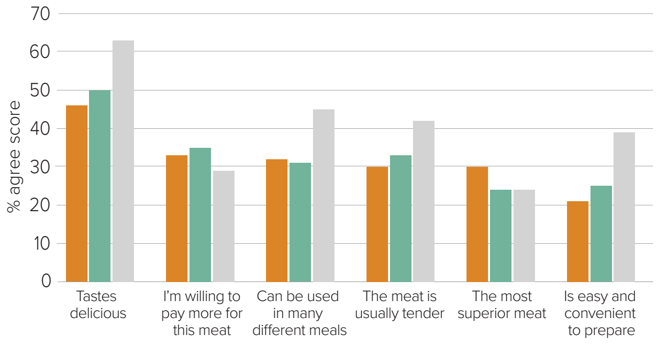
Source: DAFF

Sheepmeat

CONSUMERS

- UK per capita sheepmeat consumption in 2022 was forecast to be 4.0 kg, notably higher than the EU average (of 1.6 kg) but is expected to see a continuation of a long-term gradual decline at a CAGR of -0.5% from 2021–2026 *(Source: GIRA)*. UK lamb sales in 2023 across all channels are forecast to total around US$1.55 billion *(Source: Fitch Solutions)*.
- Britons perceive lamb as a superior, great tasting and tender meat, which justifies its price premium. As such, it tends to be considered a 'special' meat, reserved for meals such as on weekends and holidays when there is more time to prepare and enjoy it *(Source: MLA Global Tracker UK, 2022)*.
- Many older consumers have bought lamb at some time and have enough familiarity with it to know how to prepare and cook it. The country has sizable and growing populations with Southern Asian, African, Middle Eastern and Caribbean backgrounds that enjoy sheepmeat – comprising around 15% and over 10 million people *(Source: ONS, 2021)*. There are opportunities to increase appeal to younger consumers, with 26% of 18–34 year olds less familiar with lamb because they didn't grow up with it.
- Key barriers to increased purchase frequency of lamb besides cost are some dislike of the taste or smell of the product, and perceived fattiness *(Source: MLA Global Consumer Tracker UK, 2022)*. There may be opportunities to encourage trial and increased consumption frequency by promoting Australian lamb in quick cook recipes that include herbs or spices.
- Red meat production has increasingly been the subject of public discussion in relation to industry impact on animal welfare, greenhouse gas emissions and food safety *(Source: Red Tractor 2021)* which has contributed to consumption decline. Australian sheepmeat has an opportunity to address some of these concerns by communicating its carbon neutrality, world-leading animal welfare, food safety standards and systems in addition to its other strengths.

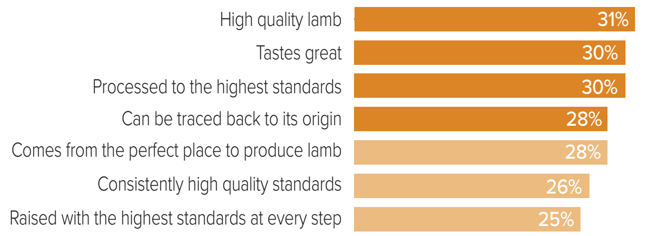
UK consumer perceptions of lamb by age group



Source: MLA Global Consumer Tracker UK, 2022

- The UK has been Australia's largest sheepmeat market in the EU. The majority of Australian sheepmeat exports to the UK have been both chilled and frozen lamb leg, frozen mutton leg, frozen lamb trimmings, lamb shank, lamb shortloin and frozen mutton thick and thin skirt *(Source: DAFF)*.

UK consumers' associations with Australian lamb

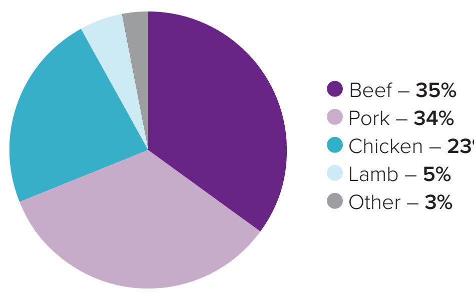


Source: MLA Global Consumer Tracker, 2022. Base: those who have any awareness of Australian lamb

FOODSERVICE

- Lamb and mutton feature on menus across a range of foodservice channels in the UK, with the largest lamb sales value coming from quick service and fast food, casual dining full-service and accommodation restaurants. Retail foodservice, such as meals through bakeries, supermarkets and convenience stores, is also a notable channel *(Source: GlobalData)*.
- The UK sector has a large presence of chains in all segments including pubs and even full-service restaurants where chains contributed an estimated 58% of total sales in 2021. The total sales value of lamb in the UK foodservice sector in 2023 is forecast to be around US$322 million.
- The highest penetration of lamb in UK full-service restaurants is in establishments that feature Indian and other Southern Asian, British, Middle Eastern and Caribbean cuisines. Lamb is also used in British and Irish cuisine items in accommodation restaurants and pubs where it is often an option in carvery type establishments.
- Lamb typically features as the main meat, popular in curries, kebabs, pies and roasts. Almost half of Britons (47%) say they experiment with different cuisines when eating out. Emerging cuisines that may help grow sheepmeat consumption in the foodservice channel include Turkish and Lebanese *(Source: GlobalData)*.

Share of UK foodservice sales value – 2023*f*

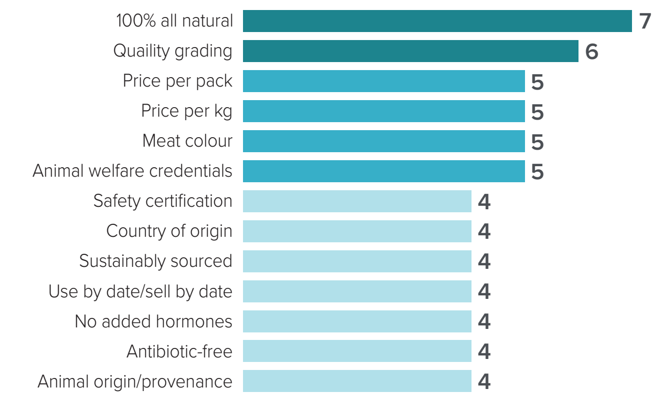


Source: GlobalData Future of UK Foodservice to 2026. Based total sales value by operator buying price of all meat species, US$6.15 billion

RETAIL

- UK consumers purchase the majority of their lamb from supermarkets, though around 18% also often buy it from butchers. At the end of 2021, some 13% had bought lamb online at least weekly in the past 6 months *(Source: MLA Global Consumer Tracker UK, 2022)*.

Attributes most motivating to UK lamb shoppers at retail



Source: MLA Global Consumer Tracker UK, 2022. Ranking based on relative importance, Max Diff Score

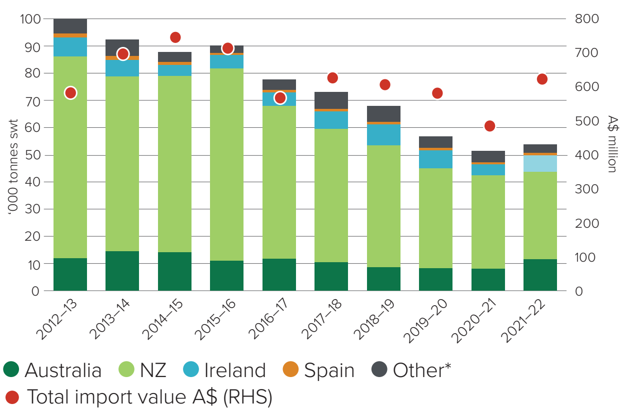
- The pandemic caused an upsurge of interest in new cuisines to expand home repertoires when dining out and travel were restricted. This openness to trying new foods has continued since restrictions were lifted: at the end of 2022, 54% of UK consumers say they experiment with different recipes at home *(Source: GlobalData)*. Lamb is in a unique position to deliver 'something new' with shoppers seeking recipe ideas to help them try new lamb dishes.

Roast lamb leg is a Sunday favourite

COMPETITIVE LANDSCAPE

- Approximately 77% of the sheepmeat consumed in the UK in 2022 was domestically-produced, the remainder filled by imports. UK domestic sheepmeat production is expected to reach around 291,000 tonnes cwe in 2022 and is forecast to fall somewhat over the next few years, in line with a smaller flock and softer demand *(Source: GIRA)*.
- UK sheepmeat imports have declined from all key suppliers, particularly over the past 5 years, to historically low levels, as consumption demand weakened and global sheepmeat prices hit record highs with supply tight in both New Zealand and Australia. In 2021–22, the UK imported 53,763 tonnes of imported sheepmeat valued at A$622 million, with 60% of this product sourced from New Zealand, 21% from Australia and 11% from Ireland. The remaining suppliers were largely made up of European nations.
- UK sheepmeat import demand has a seasonal component, with consumption spikes around Christmas and Easter. A large proportion of these imports are frozen leg and other bone-in cuts, popular for roasting.
- New Zealand has been by far the largest sheepmeat import supplier to the UK for over 20 years, providing both chilled and frozen lamb. Supply out of New Zealand has been more constrained in recent years, with reallocation of land to the dairy sector, poor conditions and strong demand from Asian markets such as China. Production and exports are forecast to decline up to 2027 *(Source: GIRA)*. The NZ-UK FTA signed in March 2022 will, once it enters into force, further enhance New Zealand's market access.
- With Australian production forecast to increase following a period of flock rebuilding, Australian sheepmeat is well-positioned to increase exports to the UK during 2023 and beyond.

UK total sheepmeat imports by supplier and total value



*Source: IHS Markit. Excludes offal. *Other includes 29 countries*

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
The Australia-United Kingdom Free Trade Agreement **(A-UK FTA)** was signed by parties in December 2021 and will enter into force on 31 May 2023	**From 31 May 2023:** 25,000 tariff free quota. Above quota tariff 12% and up to GBP2.6 GBP/kg **From 1 Jan 2024:** 30,556 tariff free quota. Above quota tariff 12% and up to GBP2.6 GBP/kg 0% tariff on live sheep	**New Zealand:** Has a quota of 114,205 tonnes Once the NZ-UK FTA EIF*, anticipated in late 2023 following the AIP* signing in March 2022, a duty free transitional quota of 35,000 tonnes will apply in the first 5 years of the FTA EIF	Increasing TRQ* volumes for sheepmeat over 10 years, with a duty-free transitional quota of 25,000 tonnes on EIF* rising in equal instalments to 75,000 tonnes in year 10 In the subsequent 5 years (year 11-15 post-EIF) a safeguard will be applied on sheepmeat imports exceeding a further volume threshold rising in equal instalments to 125,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year Out of quota tariffs to remain at MFN until year 10 and then will be eliminated	No trade restrictive non-tariff barriers currently Australia can export processed red meat products, composite products and items such as offals, green runners, pet food, rendered products, coproducts and treated blood products

Best access — Major challenges

*Source: DFAT, WTO, DAFF. *EIF = Entry Into Force, *AIP = Agreement in Principle, *TRQ = Tariff Rate Quota*

Australian sheepmeat exports to UK – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average	
								%	in tonnes swt
	Total	**11,285**		**9,017**		**9,789**		**15%**	**1,497**
Storage	Chilled	1,862	17%	2,071	23%	1,948	20%	-4%	-86
	Frozen	9,423	83%	6,946	77%	7,840	80%	20%	1,583
Meat type	Lamb	7,398	66%	6,292	70%	6,327	65%	17%	1,071
	Mutton	3,887	34%	2,724	30%	3,462	35%	12%	426
Storage/ meat type	Chilled lamb	1,862	16.5%	2,071	23%	1,948	20%	-4%	-86
	Chilled mutton	0	0%	0	0%	0	0%	0%	0
	Frozen lamb	5,536	49%	4,221	47%	4,378	45%	26%	1,157
	Frozen mutton	3,887	34%	2,724	30%	3,462	35%	12%	426

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**135,993**		**77,186**		**80,226**		**70%**	**55,767**
Meat type	Lamb	88,924	65%	52,989	69%	52,982	66%	68%	35,942
	Mutton	47,068	35%	24,197	31%	27,244	34%	73%	19,824

Source: ABS/IHS Markit, figures are rounded

Volume – by major cut (in tonnes swt)

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Leg	3,899	53%	2,661	42%	3,174	50%	23%	725
	Manufacturing	1,977	27%	1,575	25%	947	15%	109%	1,030
	Shank	824	11%	1,545	25%	1,627	26%	-49%	-804
	Other	698	9%	511	8%	578	9%	21%	120
	Total	**7,398**		**6,292**		**6,327**		**17%**	**1,071**
Mutton	Leg	3,483	90%	2,283	84%	2,956	85%	18%	527
	Mince/ground	144	4%	148	5%	199	6%	-28%	-56
	Backstrap	121	3%	0	0%	35	1%	242%	85
	Other	140	4%	293	11%	271	8%	-48%	-131
	Total	**3,887**		**2,724**		**3,462**		**12%**	**426**

Source: DAFF