Opportunities for Canadian beef in the UK market

At present there are more than five million beef cows on 83,000 farms and ranches across Canada producing approximately 1.3 million tonnes of beef annually. Of that, 325,000 tonnes are exported, primarily to the United States, Mexico, Japan and other Pacific Rim markets. Canada's beef exports to the UK were worth an average of $1.5 million per year between 2010 and 2012 (source: Statistics Canada, CATSNET Analytics).

Upon entry into force, the Canada-EU Comprehensive Economic and Trade Agreement (CETA) will provide new market access opportunities for beef exports through a yearly duty-free quota of 50,000 tonnes and immediate duty-free access for Canadian beef under the existing 14,950-tonne Hilton Quota which currently has a 20% tariff, giving Canadian exporters preferential access to the EU's 500 million consumers. Now is the time for Canadian companies to start preparing to take advantage of this opportunity by looking at possibilities for beef in the UK market.

Overview

While overall beef consumption has been in decline due to concerns over health, there is a long term trend to quality in beef as well as convenience in both retail and foodservice channels.

Most purchases for home consumption (a much larger market than foodservice) go through the major supermarkets and there are no producer brands driving the market. Therefore premium beef is reliant on the quality of retailer brand particularly in the best tier. The online channel is growing and the independent butchers market (after years of contraction) is growing and offer potential opportunities for quality beef ranges.

The sustainability issues on beef have in the past two years focused on traceability and quality. Fresh beef and British sourced beef have in fact benefitted from the horse meat scandal. The long term trend to local has benefitted home reared beef. The Irish beef industry has successfully focused on their green credentials. The local competition is therefore entrenched. Canadian sustainability requires clear evaluation for motivating points of difference.

However we believe there is an exciting opportunity for Canada to take the high ground on premium beef quality and taste, supported by outdoors provenance, the strict grading system and cut differentiation. We believe that while CETA is being finalised, it is important that a clear, concise and compelling proposition for Canadian beef is established. This will benefit producers who can develop their own offers in line with the overall position.

We have highlighted several areas for developing premium beef sales (which is by no means an exhaustive list), which we hope will act as a springboard for brand and category development.

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1. Audit: what’s going on in the category?

Fresh Beef: Less costs more

The second most popular protein behind chicken, beef has been in decline in recent years with concerns over health (fat) and price increases, along with a reducing Sunday roast occasion. We are
seeing a growing trend to less volume consumption but better quality eating both in retail and foodservice (Retail is a £1.8bn market).

**Fresh beef: Cutting it fine**

We use mince cuts more than any other as they are a cheaper, more flexible family cut and a BBQ ingredient. However frying, grilling and roasting account for 44% of the market value, representing the steak and roasting joint heartland; an £890m market.

**Description:**

Graph indicates that by value in British Pounds
- Frying/grilling accounts for 25% of the overall value, and has increased by 11.9%
- Stewing accounts for 14% and saw a decrease of 3.6%
- Roasting accounts for 19% and saw a decrease of 3.8%
- Fresh beef other accounts for 3% and saw an increase of 0.2%
- Mince accounts for 39% and saw an increase of 7.4%

In terms of Volume the graph indicates:

- Frying/grilling accounts for 15% of the overall volume, and has decreased by 2.1%
- Stewing account for 14% and saw a decrease of 9.5%
- Roasting accounts for 18% and decreased by 10.6%
- Fresh beef and other accounts for 2% and decreased by 20.6%
- Mince accounts for 51% and rose by 0.3%

**Cooked beef: hidden ingredient**

Cooked beef is an overlooked, premium priced ingredient used in foodservice (mainly) and at home for sandwiches and salads. With a modest slice (12%) of the huge cooked meat and poultry retail market that of £2.1bn, it represents an opportunity for adding value. Compare this with continental cooked meats like Chorizo and other cured meats which are showing good growth and a 10% slice.

**The shopping experience**

There are no beacon producer brands in fresh meat and poultry. Retailers use their tiering (good, better, best, organic) to communicate, price, cut, origin and use by date. As appearance of the meat is by far the most important factor in the purchase decision, all pre-packs show off the product.

**Independent butchers**

When it comes to beef we still trust our independent butcher with 10% of beef sales through this channel and 7,000 shops in UK. There has been a return to the butcher in 2013 in the wake of the horse meat scandal and the trend to buy locally. Most of this channel needs servicing by expert distributors with easy to merchandise cuts, species and added value condiments. Elite butchers (120 members) are part of the Q Guild, representing the highest quality butchers and independent meat retailers in the UK.

**Field to door: The growth of online**

The online channel is increasingly important, accounting for about 5% of all grocery sales in the UK. Kantar estimate that 13% of UK households ordered fresh red meat online in 2013. Beef value sales online grew 22% in 2013. While the major multiples (e.g. Tesco.com) dominate, there is a wealth of independent premium producers and butchers (see Donald Russell) with an online service.

**Foodservice**

- **What do the customers want?**

Foodservice operators of all types are looking for the following from meat suppliers:
Quality of product and service, exacting specifications, alternative/new cuts, competitive pricing,
assurance to meet their legal obligations and something that is unique to them – specifically provenance (a quality origin message to diners), ‘breed or feed’ (to improve eating quality message to diners). How can Canadian beef producers deliver on these needs?

- **Steakhouse moves**

Special occasion steak eating is a growing trend in the UK and a showcase for provenance and new cuts. We have seen the resurgence of the steakhouse with chains like Gaucho (Argentinian), Hawksmoor (British), Barbecoa (butcher-BBQ), Café Rouge (French style) and Goodmans (US).

- **Beefed-up burgers**

Over the past decade there has been an explosion in premium burger restaurants and street foods where authenticity, beef provenance, tasty combinations and theatre are the watchwords. They offer a more affordable and relaxed eating experience, especially for a 16-34 demographic, led by GBK, with Byron being a key mainstream brand with trend setting newcomers waiting in the wings: Burger and Lobster, Meat Liquor and Five Guys.

**Packaging**

As appearance and quality are vital when purchasing quality beef products steak cuts and roasts tend to be tightly sealed to preserve the meat. The packs are black, gold, plastic or foil and are chosen to present as much of the meat as possible with a clean, fresh impression. Trays with beef resting on mats and water are reserved for standard steak, mince and stewing cuts. Retailers/packers could do more to explain how to cook certain cuts on the pack front.

**2. Insight: What are the consumer trends?**

**So what’s important for UK consumers**

For all meat and poultry taste, quality and purity combined with ease and speed of preparation are fundamentally important. Local British resonates as well. High animal welfare is the most important claimed ‘sustainable’ issue and is particularly prominent with poultry and pork. For seafood the issue is about sustainable supply.
Qualities of importance when deciding what meat, seafood or poultry products to buy:

- High quality ingredients: 72%
- High meat/seafood/poultry content: 68%
- British ingredients: 55%
- Easy to prepare: 54%
- High animal welfare: 46%
- Low/reduced fat: 41%
- Quick to prepare: 40%
- Local ingredients: 36%
- Low/reduced salt: 29%
- Interesting flavours: 25%
- Organic: 22%
- Unusual ingredients: 12%

In-store behavior

53% of us make up our minds what meat to eat in-store and we take our time - on average 74 seconds in the meat aisle - which reflects the importance of the meal, the lack of brands to simplify purchase and undoubtedly confusion on how to cook fresh raw meat. On average for beef, appearance 34%, price 21%, cut 10%, pack size 8%, quality (value, standard, premium) 7% and recipe 5% are rated most often in the three most important purchase considerations.

Premium beef: What is it?

Every definition is different so a challenge is to focus on a few points of difference. In UK the signals
are ‘prime cuts’ fillet vs. stewing, price per kilo and per pack, retailer brand premium ranges e.g. Sainsbury’s Taste the Difference, Tesco Finest etc. Breed: Angus or Hereford, Welsh Black, rare breed (foodservice mainly), marbling, organic, age and maturity, dry aged and country of origin British, Scottish (an advantage in foodservice: US, Argentina, Australia).

**Home and Away**

Imported beef makes up 15% of the fresh and frozen whole cuts volume sold in the UK retail sector. In foodservice, however, 73% of the beef sold is imported.

**Beef origins**

68% of the UK's imported beef is from Ireland, nearly four times the market share of the rest of the
EU combined. The biggest non-EU exporter is Australia, with a 3% market share (23% of non-EU exports).

**Canada effect**

Canada’s prime outdoors is the perfect environment for rearing prime cattle, resulting in some of the most flavorsome beef products found anywhere in the world.

**Canadian cuts**

Canada uses a different system of differentiating cuts of beef. This offers the potential to explore interesting new cuts for the UK market and a real point of difference in all channels. In addition classic Canadian beef dishes with a difference need to be investigated so a flagship recipe/s can be introduced.
Leveraging sustainability

We need to uncover if Canadian beef has an advantage in this complex area, particularly over Irish and British beef supply. The biggest issue has been on traceability (horse meat) in recent years. If animal welfare is the most important claimed 'sustainable' issue for meat, fish and poultry, we believe it is more applicable to poultry (battery farming). Free range is generally understood by the UK consumer, however is it a material advantage for Canadian beef farmers?
34% of UK consumers would like to see a simplified system of welfare and quality labeling as there are many labels found on UK beef products. Consider a simple Canadian quality and sustainability icon.

What UK consumers want:

Convenience

"I need ever more convenient, smart products that help me cope with life’s stresses and are good for me".
How can I find it more easily? How can I use it for quick tasty meals? Will it help me improve my mood and mind (good energy)?

Simple Pleasures

"I want to get more enjoyment from the simple things in life; to have experiences that add more fun and meaning"
How to have products that help us have more fun (with the ones we love)? How to intensify the taste and texture experience? How to reward with more indulgent experiences?

Keeping it real

"I am looking for products and brands that are real, authentic and honest, because I know I can trust what’s in them and where they come from"
How to build trust through openness and transparency? How to champion origin at all touch-points? How to create theatre and excitement around produce in-store and in restaurant?

3 Opportunities – What are the opportunities for Canadian companies looking at the UK market?

Here we provide some examples to think about:

Breed all about it

Breeds recognized for eating quality with benefits of Canadian provenance that deliver great taste.

Marvelous marble

A Canadian Prime grade USP, delivering on taste that reinforces your premium credentials.
**Steakhouse at home**

Restaurant style cuts, new cuts e.g. Tomahawk with added value.

**Seal of approval**

Authentic quality seal that gives unity for all exporters demonstrating a quality and ‘sustainable’ product.
A certain age
Focus on maturity, the unique ageing/selection method? Aged in transit, prepared in the UK.

Ready to graze
Pre-cooked or cured, barbequed, with accompaniment, tasty snacking

Toasted tourtiere
A signature dish that is convenient tapping into the British love of pies
Beef sushi
Super-fresh, sushi is a growing trend. Protein packed

Forest spices
Canadian accompaniments, flavoursome rubs, spices and sauces from the great outdoors

The ultimate roast
Prime beef, re-marinated and filled, BBQ plank pack for smoked effect.

A common standard
Best of both nations, best of both beef traditions, recognizes British heritage and standards
Ranch language

Talk about the great outdoors, cowboys/ranchersto evoke the image of Canada. Mainly foodservice.

BBQ feast

Pre-skewered for BBQ or grill, Canadian inspired