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# Australia Livestock and Products Semi-annual 2013

#### Commodities:

Animal Numbers, Cattle Meat, Beef and Veal Animal Numbers, Swine Meat, Swine

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## Report Highlights:

Cattle slaughter numbers for Australia in 2013 are expected to be slightly higher than previously predicted at 8.30 million head. As a result beef production is also expected to be slightly higher than the previous estimate and inventory numbers are expected to level out at 30 million head earlier than previously forecast. These changes are primarily due to the return to drier seasonal conditions across Australia. Beef exports are also expected to be higher than the previous estimate driven by high prices for manufacturing beef in the United States

Swine numbers and pork production are expected to decline slightly as a result of higher feed grain prices.

## **Seasonal conditions**

Since Post's last forecast in September 2012 there has been a significant decline in rainfall and rainfall expectations across Australia. A run of three above-average rainfall years had encouraged herd rebuilding in the cattle and sheep industries while intensive livestock industries also benefited from record grain crops. However a relatively dry winter in 2012 which led into a dry spring and summer has changed forecasts for the coming year.

Recent heavy rain and flooding has been relatively isolated with large areas still experiencing below average rainfall. Compounding this effect were the extreme temperatures recorded in December and January. The graphs below show the variation in rainfall and the extreme temperatures.

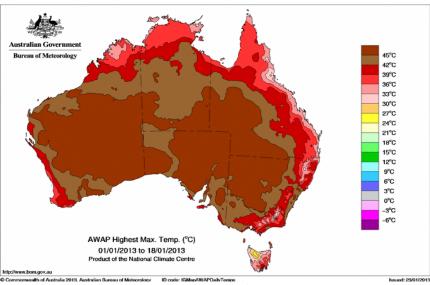
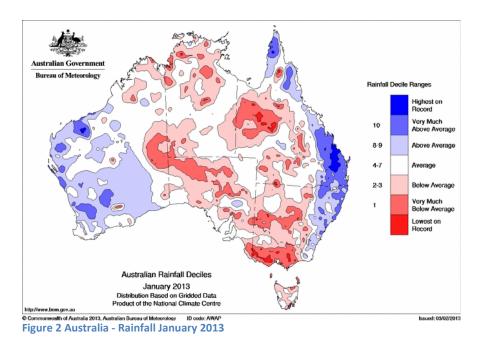


Figure 1 Highest recorded temperature 25 December 2012 to 18 January 2013



#### Cattle

#### **Inventory**

The Australian cattle herd was previously expected to continue to grow until 2015 but is now expected to reach 29.8 million head by mid-year then plateau at 30.8 million head by the end of the year. Thirty million head is the largest herd since 1976 when numbers reached 32.7 million head. The largest increase in herd size has occurred in Northern Australia where both the Northern Territory and Queensland are both carrying record herd sizes and now account for 52 percent of the national herd. However this estimate is slightly down on Post's previous estimate of 30.9 million head as a return to drier seasonal conditions, rising input costs and rising rural debt levels are expected to increase slaughtering and reduce herd build-up sooner than previously expected.

The number of cattle on feed in the December 2012 quarter was up 10% on the previous quarter but in line with the same period in 2011 at 792,000 head. The increase has been attributed to the same reasons for the forecast increase in slaughtering, ie a return to drier seasonal conditions.

Animal Numbers, Cattle Australia	2011  Market Year Begin: Jan 2011		2012 Market Year Begin: Jan 2012		2013  Market Year Begin: Jan 2013	
	Total Cattle Beg. Stks	27,550	27,550	28,506	28,506	29,710
Dairy Cows Beg. Stocks	1,589	1,589	1,630	1,630	1,650	1,655
Beef Cows Beg. Stocks	12,883	12,883	13,100	13,865	13,375	14,000
Production (Calf Crop)	9,618	9,618	9,800	10,000	10,000	9,825
Total Imports	0	0	0	0	0	0
Total Supply	37,168	37,168	38,306	38,506	39,710	39,704
Total Exports	695	695	700	620	725	580

Cow Slaughter	3,125	3,125	3,100	3,207	3,100	3,315
Calf Slaughter	682	682	675	625	775	695
Other Slaughter	4,136	4,135	4,090	4,145	4,225	4,290
Total Slaughter	7,943	7,942	7,865	7,977	8,100	8,300
Loss	24	25	31	30	35	34
Ending Inventories	28,506	28,506	29,710	29,879	30,850	30,790
Total Distribution	37,168	37,168	38,306	38,506	39,710	39,704
1000 HEAD, PERCENT						

#### Slaughter

As herd rebuilding slows slaughter numbers are expected to return to close to the five-year average at 8.30 million head, an increase of 200,000 head from the previous estimate. Although slaughter numbers are still slightly less than the record set in 1976 (8.94 million head) carcass weights have increased significantly since then, increasing total beef production.

Due to the increase in slaughter numbers total beef and veal production is expected to be 2.2MMT CWE in 2013, an increase of 2.1 percent from the previous record set in 2012 and a 1.2 percent increase from the previous estimate. While much of the increase in production will be absorbed by higher exports, stocks are also expected to increase by about 4 percent from the previous estimate.

A larger portion of the increase is expected to come from the slaughter of female cattle as producers turn off surplus cows and heifers not required as replacements for breeding herds. As a result carcass weights are expected to be slightly lower than 2011 and 2012.

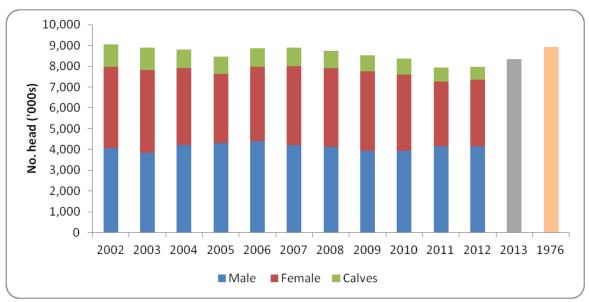


Figure 3 Australian cattle slaughter numbers

	2011  Market Year Begin: Jan 2011		2012 Market Year Begin: Jan 2012		2013  Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	7,943	7,942	7,865	7,978	8,100	8,300
Beginning Stocks	112	112	107	108	120	120
Production	2,129	2,129	2,140	2,152	2,185	2,210
Total Imports	13	13	10	12	10	10
Fotal Supply	2,254	2,254	2,257	2,272	2,315	2,340
Total Exports	1,410	1,410	1,380	1,407	1,410	1,465
Human Dom. Consumption	737	736	757	745	775	740
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	737	736	757	745	775	740
Ending Stocks	107	108	120	120	130	135
Total Distribution	2,254	2,254	2,257	2,272	2,315	2,340

## **Domestic consumption**

Domestic consumption is expected to remain steady at 740,000MT. The decline in consumption since 2010 has been primarily driven by price competition from other meats.

#### **Trade**

Sluggish domestic consumption demand and high beef prices internationally are expected to drive beef exports to a record level for the third consecutive year. Despite the continuing strength of the Australian dollar, at 1.5 million tons (CWT) beef exports for CY 2013 are forecast at 3.5 percent greater than 2012 and almost 4 percent higher than the previous estimate for 2013. A significant proportion of this increase expected to be exports to the United States which are expected to increase 14 percent year-on-year to fill gaps left by the smallest US cattle herd in many years.

Grass-fed beef is expected to increase its share of total exports as greater competition from the United States in Japan and Korea is expected to affect premium grain-fed product more than grass-fed. This continues the pattern set in 2012 when Australian exports of grain-fed beef to Japan and Korea declined by 12 percent and 19 percent respectively. These declines were offset by large increases into newer markets in Europe, South East Asia and the Middle East to leave total grain fed exports for 2012 down 9 percent on 2011.

#### Live export

Total exports of live cattle for both slaughter and breeding are forecast at only 580,000head. This forecast is significantly lower than the previous estimate but reflects the continued reduction in import permits issued by Indonesia which is Australia's largest live cattle market and the trade restrictions imposed under the Australian Exporter Supply Chain Assurance System (ESCAS). Import permits to Indonesia continue to decline and for 2013 only 267,000 permits have been issued. Cattle which miss

the boat will be processed domestically, either after grain feeding or in 1 to 2 years time after grass-finishing, thus increasing beef production in 2013 and beyond.

The figures for both 2011 and 2012 have also been updated to reflect official government statistics on live cattle exports.

## **Bovine Johnes Disease**

In November 2012 an outbreak of Bovine Johnes Disease (BJD) was identified at a stud cattle property in central Queensland. As of February 2013 121 properties in across three states remain under quarantine or movement restrictions awaiting the outcome of test results which were due March 1<sup>st</sup>, 2013. Queensland and the Northern Territory currently have Protected Zone status under the Australian BJD program while Western Australia is a declared BJD free zone. These declarations have supported market access for Northern Australia, particularly live-export markets in Asia. The largest live export market for Australia is Indonesia which requires a minimum of 5 years BJD clearance for feeder/slaughter cattle. The second largest live export market, Israel also requires a minimum 3 year clearance, Malaysia 2 year and the Philippines 1 year. As a result the six properties in Western Australian which have been identified as having purchased bulls from the infected property in QLD have been restricted from live export markets in 'BJD sensitive' countries until they can be formally cleared of the disease. Further restrictions may apply to other properties.

## **Swine**

As forecast previously swine inventory and pig meat production is expected to decline slightly in 2013. The primary driving factor is the increase in feed-grain prices which is expected to be exacerbated by the forecast fall in sorghum production.

As shown in Figure 4 the feed grain price index in Australia is generally above the 5 year average.

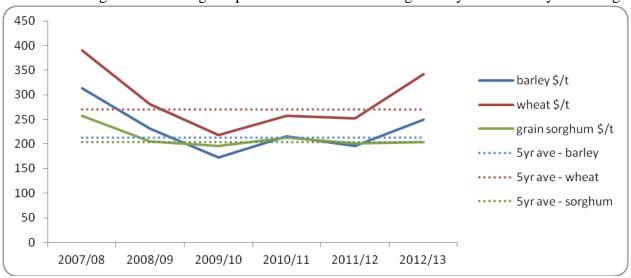


Figure 4 Australian Feed Grain Prices (ABARES December 2012)

Total pig numbers are now forecast to finish the year at 2.25 million head, at reduction of 50,000 head from the previous estimate.

Animal Numbers, Swine Australia	2011 Market Year Begin: Jan 2011		2012 Market Year Begin: Jan 2012		2013  Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	2,289	2,289	2,343	2,343	2,300	2,300
Sow Beginning Stocks	261	261	245	239	240	240
Production (Pig Crop)	4,717	4,717	4,757	4,685	4,680	4,600
Total Imports	0	0	0	0	0	0
Total Supply	7,006	7,006	7,100	7,028	6,980	6,900
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	4,663	4,663	4,800	4,728	4,700	4,650
Total Slaughter	4,663	4,663	4,800	4,728	4,700	4,650
Loss	0	0	0	0	0	0
LOSS			+			2 2 7 2
Ending Inventories	2,343	2,343	2,300	2,300	2,280	2,250

Total pig slaughter is forecast at 4.650 million head, a slight decline from the previous estimate of 4,700 million head. Forecast production thus declines to 340Mt. The continued high Australian dollar is expected to restrict exports to 35,000MT and as previously forecast imports are expected to continue to increase to 210,000MT, up from 194,000MT in 2012.

Trade and production numbers for 2012 have been modified slightly to reflect final official estimates. Exports in 2012 were lower than previously estimated due to the high Australian dollar and high prices for Australian pork products.

Meat, Swine Australia	2011  Market Year Begin: Jan 2011		2012	2	2013	
			Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4,663	4,663	4,800	4,728	4,700	4,650
Beginning Stocks	28	28	23	24	21	20
Production	342	344	355	352	345	340
Total Imports	175	175	200	194	210	210
Total Supply	545	547	578	570	576	570
Total Exports	41	41	37	36	35	35
<b>Human Dom. Consumption</b>	481	482	520	514	541	515
Other Use, Losses	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	481	482	520	514	541	515
Ending Stocks	23	24	21	20	0	20
<b>Total Distribution</b>	545	547	578	570	576	570
1000 HEAD, 1000 MT CWE, P	 ERCENT. PEOPLI	E. KG				