

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Livestock and Products Annual

2012

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Report Highlights:

Following two years of herd building and continued favorable weather conditions, additional cattle are expected to be brought to market in 2013. Australian beef production in CY13 is forecast at a record 2.225 million tons. Favorable water, fodder and pasture conditions are supporting a buildup in inventories and higher slaughter weights. Cattle ending stocks in 2013 are projected at 31.0 million head. Despite the challenges of a strong Australian dollar, beef exports in 2013 are forecast at a record 1.485 million tons, up about 4 percent from this year's current estimate of 1.425 million tons. Production of pig meat in 2013 is projected at 335,000 tons, down about 4 percent from the estimated 2012 production level. Imports of pork are projected to increase in 2013 and are forecast at 200,000 tons.

Executive Summary:

Further expansion of the Australian cattle herd is supported by favorable weather, feed and pasture conditions and a sustained contraction in female slaughter numbers. While the outlook for the supply side of the cattle sector is good, the competitive position of Australian beef in international markets remains challenged in response to global market forces and the high Australian dollar. Despite these challenges, beef production and exports are expected to reach record levels in 2013.

Following a modest recovery in CY 2011 and CY 2012, production of pork is expected to decline (4 percent) in 2013, as the recent spike in feedgrain prices is expected to present challenges for the sector. Pork imports are expected to increase in 2013 and are projected at 200,000 tons. Imports are being further supported by the historically high value of the Australian dollar.

Commodities:

Animal Numbers, Cattle

Animal Numbers, Swine

Meat, Beef and Veal

Meat, Swine

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Australia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	26,600	27,550	28,800	28,506		29,785
Dairy Cows Beg. Stocks	1,604	1,589	1,620	1,630		1,650
Beef Cows Beg. Stocks	13,595	12,883	14,000	13,100		13,450
Production (Calf Crop)	10,869	9,618	10,375	9,800		10,050
Total Imports	0	0	0	0		0
Total Supply	37,469	37,168	39,175	38,306		39,835
Total Exports	695	695	700	625		650
Cow Slaughter	2,908	3,125	3,000	3,100		3,150
Calf Slaughter	682	682	750	675		775
Other Slaughter	4,360	4,136	4,500	4,090		4,225
Total Slaughter	7,950	7,943	8,250	7,865		8,150
Loss	24	24	25	31		35
Ending Inventories	28,800	28,506	30,200	29,785		31,000
Total Distribution	37,469	37,168	39,175	38,306		39,835

1000 HEAD, PERCENT

Meat, Beef and Veal Australia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	7,950	7,943	8,250	7,865		8,150
Beginning Stocks	112	112	107	107		117
Production	2,150	2,129	2,200	2,140		2,225
Total Imports	13	13	10	10		10
Total Supply	2,275	2,254	2,317	2,257		2,352
Total Exports	1,410	1,410	1,425	1,425		1,485
Human Dom. Consumption	758	737	775	715		740
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	758	737	775	715		740
Ending Stocks	107	107	117	117		127
Total Distribution	2,275	2,254	2,317	2,257		2,352

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

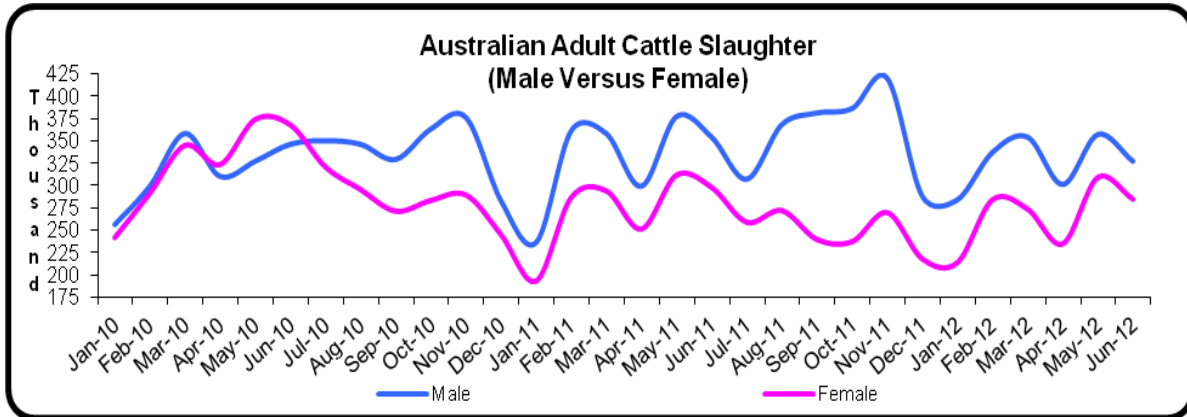
Animal Numbers, Swine Australia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	2,289	2,289	2,343	2,343		2,300
Sow Beginning Stocks	245	245	245	245		245
Production (Pig Crop)	4,731	4,717	4,810	4,757		4,600
Total Imports	0	0	0	0		0
Total Supply	7,020	7,006	7,153	7,100		6,900
Total Exports	0	0	0	0		0
Sow Slaughter	0	0	0	0		0
Other Slaughter	4,677	4,663	4,753	4,800		4,620
Total Slaughter	4,677	4,663	4,753	4,800		4,620
Loss	0	0	0	0		0
Ending Inventories	2,343	2,343	2,400	2,300		2,280
Total Distribution	7,020	7,006	7,153	7,100		6,900
1000 HEAD, PERCENT						

Meat, Swine Australia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4,677	4,663	4,753	4,800		4,620
Beginning Stocks	28	28	23	23		26
Production	344	344	350	350		335
Total Imports	175	175	185	190		200
Total Supply	547	547	558	563		561
Total Exports	41	41	42	42		40
Human Dom. Consumption	483	483	495	495		500
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	483	483	495	495		500
Ending Stocks	23	23	21	26		21
Total Distribution	547	547	558	563		561
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Beef

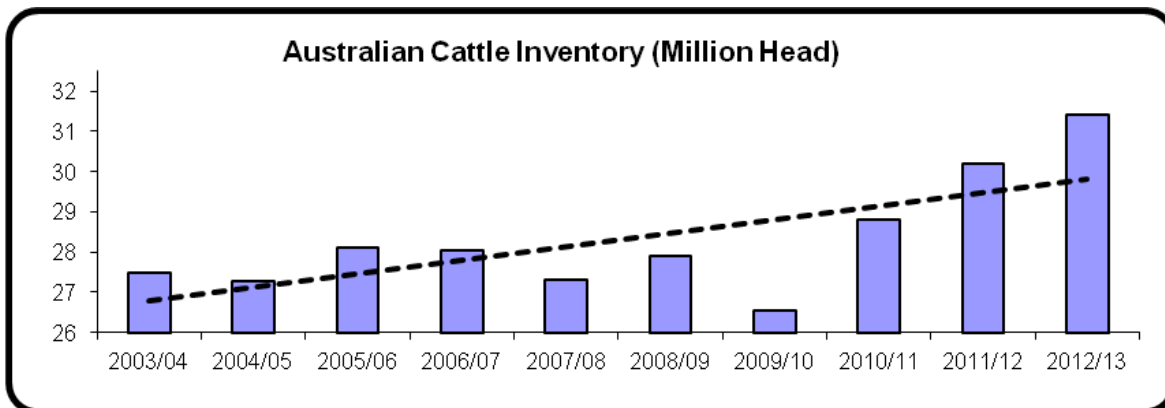
Inventory

Following the end of a near ten-year drought in CY 2010, greatly improved pasture conditions and fodder supplies have supported herd rebuilding, which is expected to continue through CY 2013. Official government data reveal that in 2012 the slaughter of female cattle remains well below the slaughter of male cattle, indicating that producers are continuing to withhold females from slaughter for the purposes of breeding and that the Australian cattle herd will likely continue to grow beyond the current forecast period.



Source: ABS Data

Closing cattle numbers in CY 2013 are forecast at 31.0 million head, up 4 percent relative to the revised estimate of nearly 29.8 million head for CY 2012.

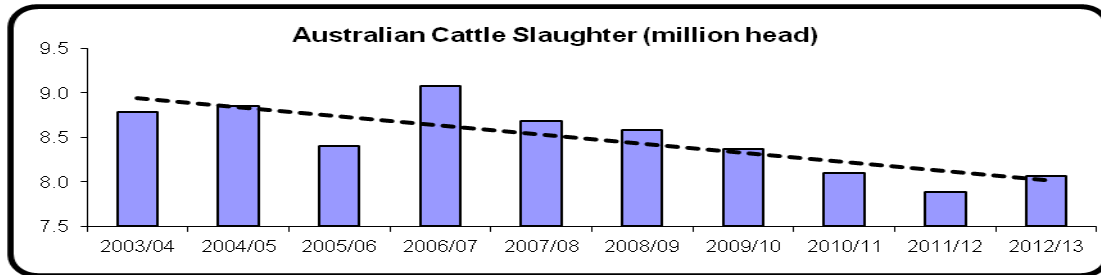


Source: ABARES Data

The all time record for cattle inventory remains at 32.65 million head and was achieved in CY 1975, according to historic ABARES data.

Slaughter

Total slaughter in CY 2013 is forecast at 8.150 million head, up about 3.6 percent from the revised slaughter estimate of 7.865 million head in CY 2012. It should be noted, however, that despite the increase, the 2013 slaughter forecast remains slightly below the 10-year average.



Source: ABARES Data

Post has assumed a return to more normal weather conditions for the balance of CY 2012 and into CY 2013. This will see lower rainfall and dryness in some areas as rainfall declines from the record high levels of CY 2010/11. Post expects that, moving forward, increasing numbers of cattle will become available for slaughter and slaughter numbers will subsequently increase.

Carcass Weight

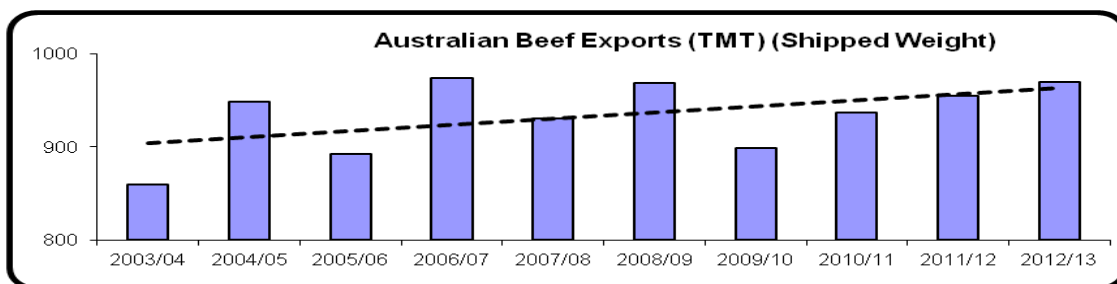
Total average carcass weight for CY 2013 is projected to remain at record levels as excellent pasture conditions and ample fodder availability continue to support record average slaughter weights.

Production

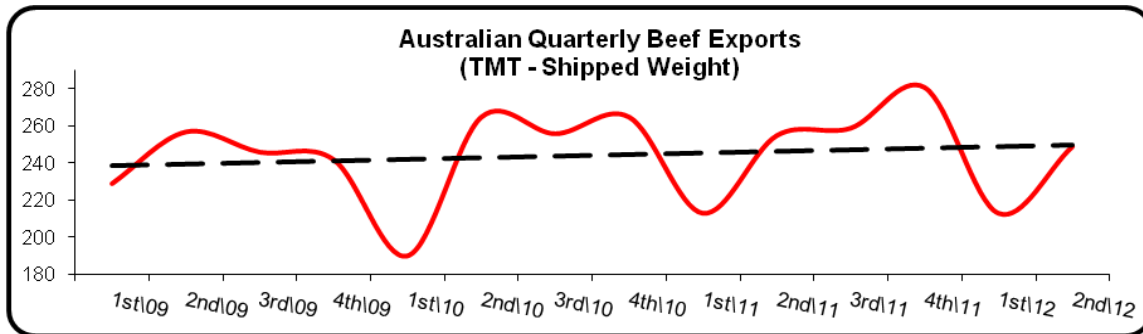
Total beef and veal production in CY 2013 is forecast at a record 2.225 million tons, about 4 percent higher than the estimated 2.140 million produced in CY 2012. Following two years of herd rebuilding, additional cattle are expected to be brought to market in 2013, particularly as weather conditions return to normal and fodder prices firm.

Exports

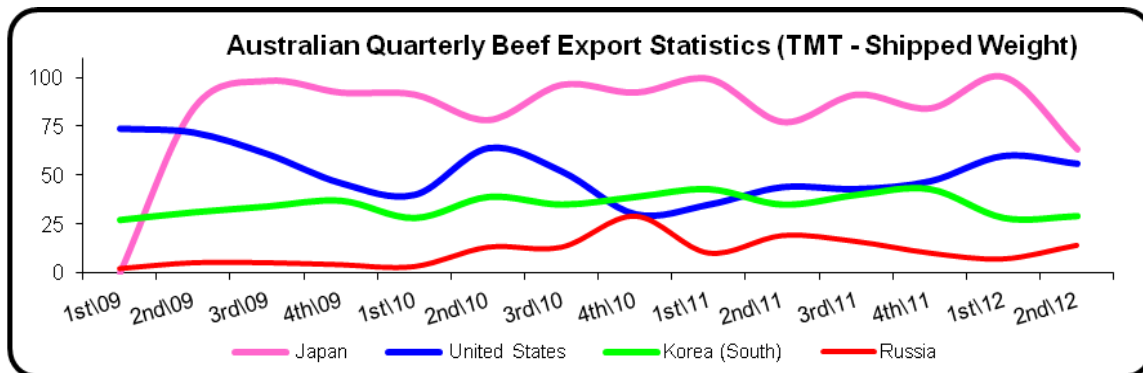
Total exports of beef and veal for CY 2013 are forecast at a record 1.485 million tons (CWE), about four percent higher than the estimated 1.425 million tons exported in 2012. Post uses a conversion factor of 1.4 to convert shipped weight to carcass weight equivalent (CWE).



Source: ABARES Data



Source: WTA



Source: WTA

Higher beef production in 2013 should support another year-on-year increase in Australian beef exports, with most of the growth coming in increased exports to the United States. Although the trade remains highly dependent on sales to the traditional big three markets (Japan, the United States and Korea), in 2011/12 a record 31 percent of Australian beef exports went to smaller, emerging markets. In contrast to the challenges faced by Australian quality beef in its traditional big three markets, demand from smaller, emerging markets for Australian manufacturing beef is growing, particularly in South Asia and the Middle East.

Policy

Australia's Foreign Investment Review Board (FIRB) issued no objection to the merger between Australia's largest locally owned processor (Teys Brothers) and Cargill Beef Australia. This follows clearance by the Australian Competition and Consumer Commission (ACCC) for the merger. The two entities remain legally free to merge, reportedly giving them a combined slaughter capacity of around 1.5 million head per annum, or around eighteen percent of Australia's total beef cattle slaughter.

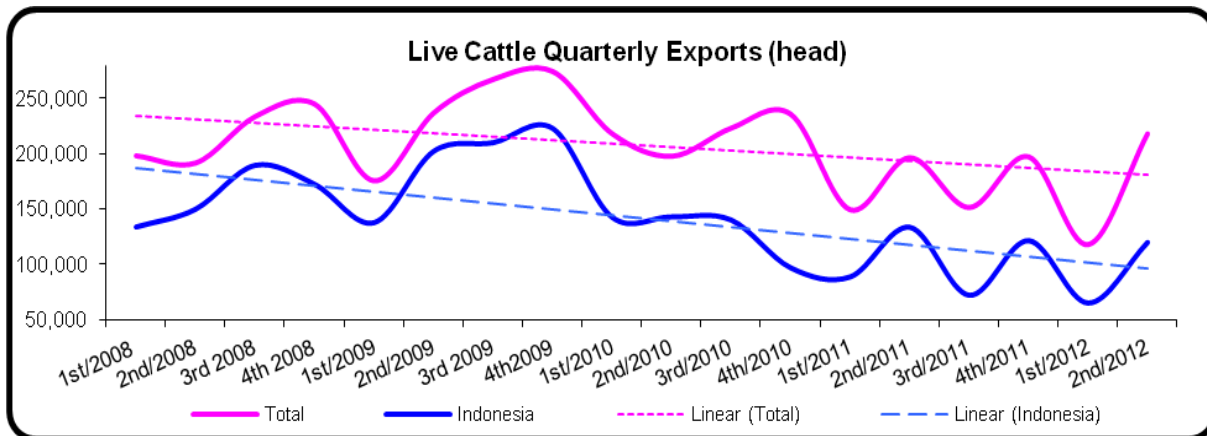
Trade Policy

In January 2009, the EU established an import quota for 20,000 MT (shipped weight) of High Quality (grain fed) Beef, and Australia gained access to this quota on January 20, 2009. The in-quota duty is set at zero and includes high quality fresh, chilled or frozen beef. The requirements for shipping under this quota remain stringent and as a result, industry sources suggest that the quota will be difficult to fill. The quota requires that cattle be slaughtered at less than 30 months of age and has specific guidelines for lot feeding rations.

Live cattle exports

Live cattle exports for CY 2013 are forecast at 650,000 head. Live cattle exports in 2012 are estimated at 625,000 head, one-third lower than the 2009 peak. The decline is largely attributed to reduced sales to Indonesia following the Government of Australia’s 2011 ban on exports of live cattle to Indonesia due to animal welfare concerns.

Following the government’s decision, exports of live cattle to Indonesia have plummeted from an estimated 521,000 head exported in 2010 to an estimated 283,000 exported in 2012. With no change in the number of import permits allocated by Indonesia, no significant change in exports is expected in the near term.



Source: WTA Data

The temporary ban in 2011, and the associated uncertainty which followed, caused considerable concern for cattle producers in northern Australia who, due to their remote location, rely heavily on the live export trade with Indonesia. Indonesia (Australia’s largest single market for live cattle exports) traditionally accounts for over half of total live exports and is relied upon as a primary driver of live cattle prices in northern Australia. The outlook for the northern cattle industry remains uncertain, with reports of additional cattle being shifted east and west to eventually enter the slaughter market.

Lot feeding

Despite incremental improvement since the end of the drought, the number of cattle on feed remains well below total capacity. The feedlot sector remains highly reliant upon export market pricing, and the high value of the Australian dollar has eroded export returns considerably. High feed grain prices have also increased the cost of production for lot fed beef, as have high live cattle prices for entry into feedlots.

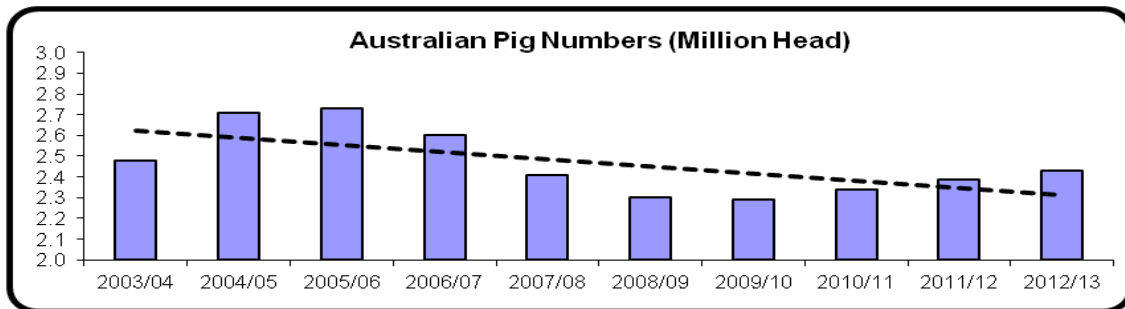
The Australian Lot Feeders Association and Meat and Livestock Australia report that over the past 12 quarters, the number of cattle feed has fluctuated between 710,000 head and 790,000 head—representing a plateau after two decades of expansion. The strong Australian dollar and relatively high grain prices are likely to persist for the remainder of CY 2012 and into CY2013. Consequently, trading conditions for Australian feedlots are likely to remain “very difficult” and this situation is unlikely to change significantly in the near term.

Swine

Following a modest recovery in CY 2011 and 2012, Post expects the Australian pig meat industry to contract slightly in 2013 due to a sharp increase in feedgrain prices. Inventory and production are forecast to decline modestly in 2013. This is expected to lead to higher imports of pork, further supported by the strong Australian dollar.

Inventory

Closing inventory in 2013 is forecast to decline to 2.280 million head. Faced with a sharp increase in feedgrain prices, farmers are expected to decrease their pig numbers over the next 12 months. The forecast remains well below the ten-year average of 2.74 million head established using historic ABARES data.

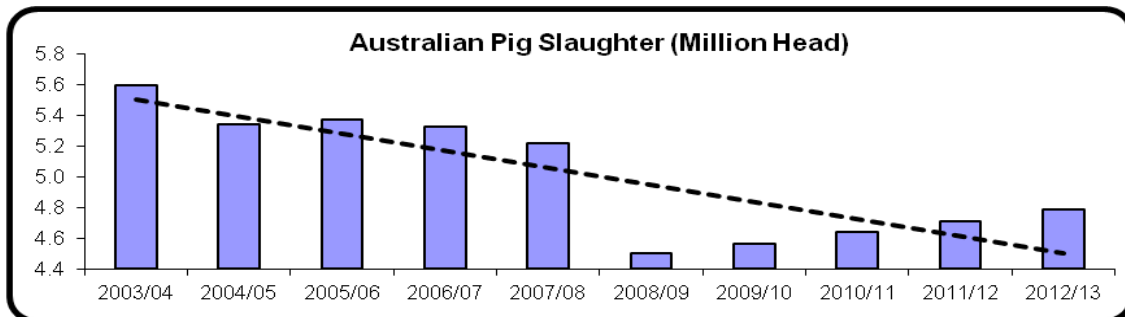


Source: ABARES Data

Despite the breaking of the drought at the end of CY 2009, and the sharp increase in fodder supply that followed, a recent spike high grain prices is expected to constrain the pig meat industry, particularly during the second half of 2013. Grain costs continue to account for the majority of the cost of pig meat production in Australia.

Slaughter

Total slaughter for CY 2013 is forecast at 4.62 million head, down almost 4 percent from the revised estimate of 4.80 million head in 2012. Post expects slaughter in 2012 to increase in-line with the modest increases in opening inventory and as grain prices firm. Post's 2012 estimate remains in-line with industry data showing a steady increase in monthly slaughter numbers beginning in September 2009 and continuing through June 2012.

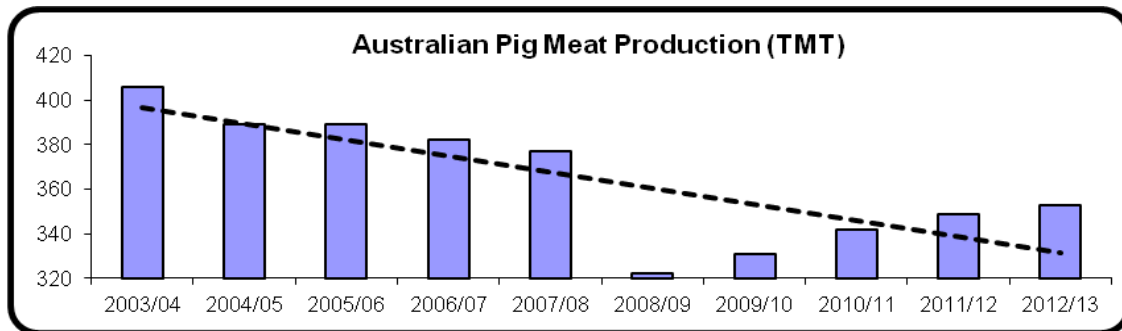


Source: ABARES Data

Relatively high feed costs and reduced export returns (due to the high Australian dollar value) are expected to continue to limit growth in CY 2013.

Production

Production of pork is forecast at 335 TMT in CY 2013, about 4 percent lower than the estimated 2012 production level.



Source: ABARES Data

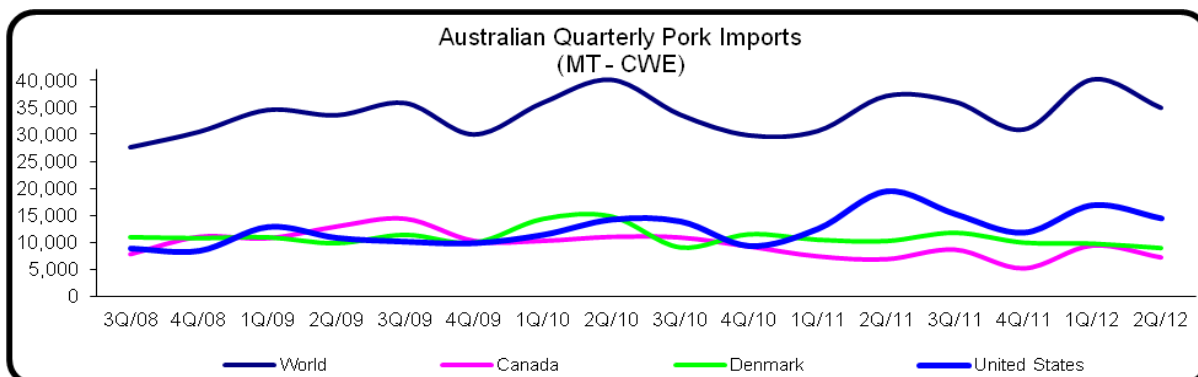
Exports

Exports are forecast to remain largely unchanged in CY 2013 at 40 TMT, marginally lower than the estimated 41 TMT exported in 2012. The strong Australian dollar is expected to continue into CY 2013 and this will likely constrain export returns and, in turn, export volumes.

Imports

Imports in 2013 are forecast at 200,000 tons, up about 5 percent from the revised 2012 estimate of 190,000 tons. The high value of the Australian dollar has greatly increased domestic purchasing power for imports, particularly from the US. The long-term, positive trend in pork consumption is also expected to assist pork imports for the foreseeable future.

In 2010 the U.S. enjoyed a 37 percent market share of Australia's total pork imports, followed by Denmark with a 35 percent share and Canada with a 29 percent of the import market. In 2011, the U.S. market share rose to 44 percent, while Denmark's share fell to 31 percent and Canada's to 21 percent. For the first six months of 2012, total imports of pork are up by 11 percent, with the U.S. market share at 42 percent, Denmark at 25 percent and Canada at 22%.



Source: WTA Data

Policy

The Australian pig meat industry currently raises industry funds for programs in the areas of marketing, research and development and chemical residue management. These funds are raised through an industry "levy" which is collected at the point of slaughter at the rate of AU\$2.525 per carcass. Funds collected are distributed at the rate of AU\$1.35 for marketing; AU\$1.00 for research and development; and AU\$0.175 for the nation residue survey.

Australian Pork Limited, the industry body, is currently in the process of consulting pork producers on a proposal to increase the "levy" by AU\$0.90. The proposed increase requires producers to vote yes to the proposal. According to media reports, the increase would only be added to the marketing portion of the levy, increasing it from the current AU\$1.35 to AU\$2.25. It is proposed that the increase be phased in over time with the first increase of AU\$ 0.30 taking effect on July 1 2012. A subsequent increase of AU\$0.30 would take effect on July 1 2014 and the remainder taking effect on July 1 2016. The "levy" was last increased in CY 1994.

In 2010, the Coles supermarket chain announced that it intends to broaden its sow stall free fresh pork initiative to include all forms of Coles brand pork including processed ham and bacon products produced in both Australia and overseas from 2014. (Note: Coles accounts for roughly 30% of the \$100 billion in food retail sales sold through supermarkets in Australia.) While the initiative is limited to Coles branded products, this could potentially negatively impact pork imports from the United States. Post continues to monitor the situation.

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Title of Report	Date
Exporter Guide 2012	08/14/12
Stone Fruit Annual 2012	08/06/12
Grain and Feed Update – August 2012	08/03/12
Agricultural Biotechnology Annual 2012	07/17/12
Biofuels Annual 2012	06/27/12
Retail Sector Report	06/11/12
Dairy and Products Semi Annual 2012	05/07/12
Sugar Annual 2012	04/10/12
Cotton and Products Annual 2012	03/29/12
Grain and Feed Annual 2012	03/20/12
Wine Annual 2012	03/15/12
Livestock and Product Semi-annual 2012	03/13/12