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Global Agricultural Information Network

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Australia

Livestock and Products Annual

2014

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Report Highlights:

Drought in major cattle regions in Australia has significantly increased slaughter and production as producers bring forward turnoff, depressing domestic prices but boosting exports. In 2014, total slaughter will exceed 9.6 million and production is expected to be over 2.5 million tonnes. Live cattle exports are expected to reach 1.4 million in 2014 before declining the following year. In 2015, the diminished herd size is likely to impose supply constraints on exports, including to the United States. Rising international demand and domestic shortages will strengthen beef prices in Australia as domestic supplies contract. Pig production is expected to be relatively stable at 365,000 tonnes in 2015.

Commodities:

Animal Numbers, Cattle

Animal Numbers, Cattle

Meat, Beef and Veal

Meat, Swine

CATTLE

Overview

Australia is a major exporter and beef exports account for almost 70% of production. Livestock numbers vary with seasonal changes and market demand. In 2015, the beef cattle herd is expected to fall 9% to 27.6 million head but persistent drought in Queensland, the Northern Territory and northern NSW could affect this forecast. Over 2014, rainfall in these regions was often 10-40% below average, reducing carrying capacity (see Charts 1 and 2) and leading to herd rationalization. The Bureau of Meteorology’s three-month rainfall outlook for spring (September to November 2014) suggests that existing conditions could continue across most cattle producing regions but NSW could become drier in 2015.

Chart 1: Drought conditions in Australia over 2014

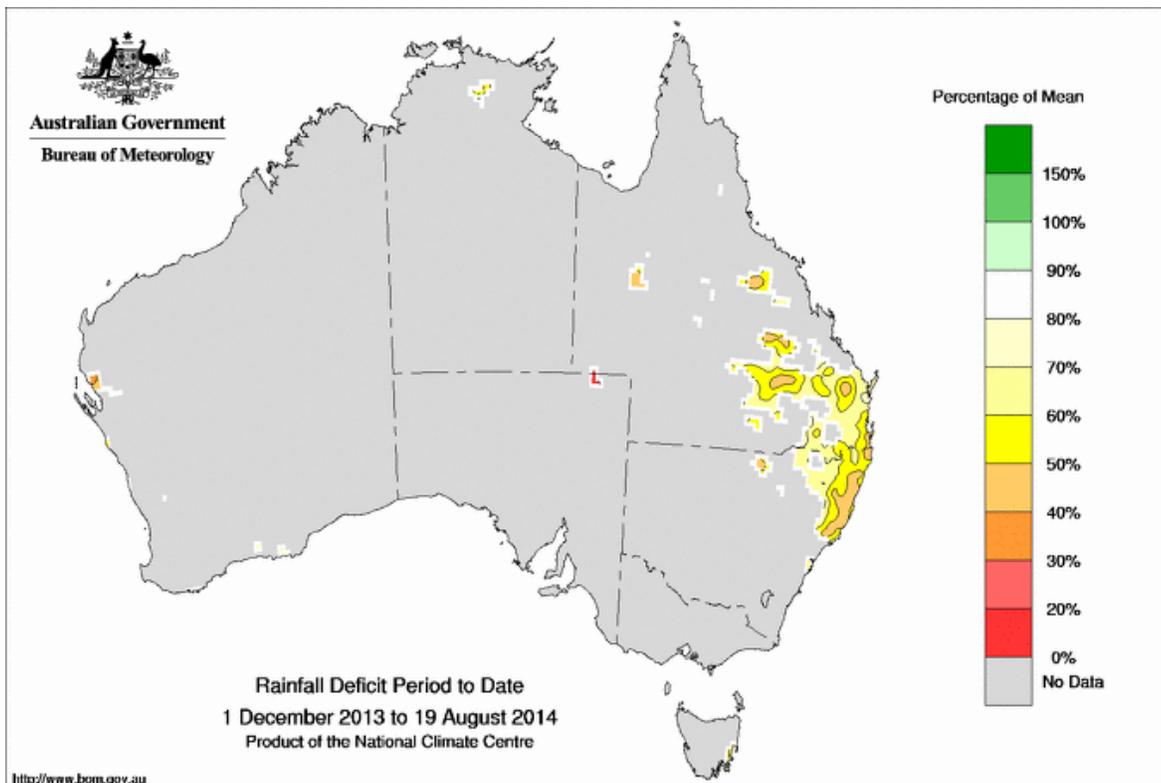
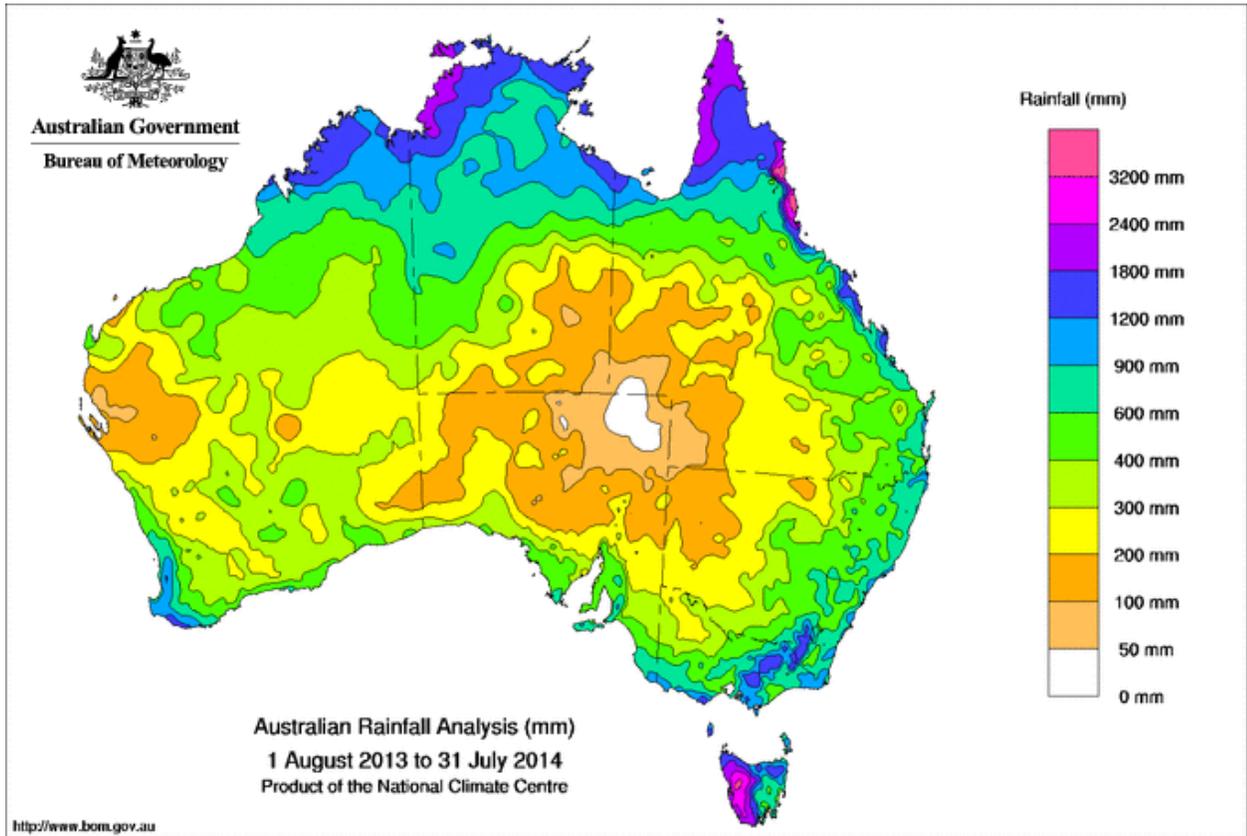


Chart 2: Rainfall patterns over the year to August 2014



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Source: Bureau of Meteorology (2014). See: [link](#)

Issued: 21/08/2014

Post, Supply and Distribution Data Statistics

Animal Numbers, Cattle Australia	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	29,000	29,000	28,250	29,290		27,600
Dairy Cows Beg. Stocks	1,725	1,688	1,710	1,700		1,710
Beef Cows Beg. Stocks	14,400	14,400	13,400	13,900		13,300
Production (Calf Crop)	9,168	10,200	8,480	9,425		9,700
Total Imports	0	0	0	0		0
Total Supply	38,168	39,200	36,730	38,715		37,300
Total Exports	851	851	900	1,400		1,100
Cow Slaughter	3,948	3,949	3,535	4,500		4,050
Calf Slaughter	690	690	670	725		650
Other Slaughter	4,396	4,393	4,270	4,450		4,200
Total Slaughter	9,034	9,032	8,475	9,675		8,900
Loss	33	27	30	40		25
Ending Inventories	28,250	29,290	27,325	27,600		27,275
Total Distribution	38,168	39,200	36,730	38,715		37,300
1000 HEAD, PERCENT						

Meat, Beef and Veal Australia	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	9,034	9,032	8,475	9,675		8,850
Beginning Stocks	120	120	90	90		20
Production	2,359	2,359	2,240	2,510		2,340
Total Imports	10	10	10	12		12
Total Supply	2,489	2,489	2,340	2,612		2,372
Total Exports	1,593	1,593	1,560	1,775		1,590
Human Dom. Consumption	806	806	760	817		765
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	806	806	760	817		765
Ending Stocks	90	90	20	20		17
Total Distribution	2,489	2,489	2,340	2,612		2,372
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Slaughter

In 2015, total slaughter will decline to around 8.9 million after exceeding 9.6 million the previous year and the diminished herd size will impose supply constraints on exports, including to the United States. Beef herd reduction has occurred because of ongoing drought conditions across large areas of Queensland and northern NSW since 2012. There have been two successive years of high slaughter levels and increasing live cattle shipments.

By 2015, the national herd will decline to a two decade low of around 27.6 million head, down 2% on the previous year. Total cattle turnoff (live cattle exports plus slaughter) is expected to reach 35% in 2014, one of the highest levels since the 1970s. Live cattle exports are forecast to reach 1.4 million in 2014 before declining the following year. Towards 2015, domestic cattle prices are forecast to recover due to supply constraints and rising international prices.

Production

In 2015, Australia is forecast to produce 2.3 million tonnes, down by 9% on the previous year. The uncertain outlook for rainfall in 2015 could affect this outlook as continuing drought and higher turnoff would boost slaughter rates and production volumes. Australia produces around 4% of the world's beef supply and is the world's seventh largest beef producer and third largest beef exporter. The industry is generally divided into two broad production regions. The southern region covers New South Wales, South Australia, Victoria, Tasmania and the remainder of southern Western Australia while the northern region includes Queensland, the Northern Territory and the northern part of Western Australia.

The meat processing industry in Australia is comparatively concentrated and the top five red meat processors account for over half of production. There are over 400 feedlots in Australia located in areas close to cattle and grain supplies and the feedlot sector consumes around 3.7 million tonnes of grain annually. During drought periods this percentage increases greatly as exports diminish. The March quarter of 2014 saw a record 875,000 cattle on feed at some time during the year.

Consumption

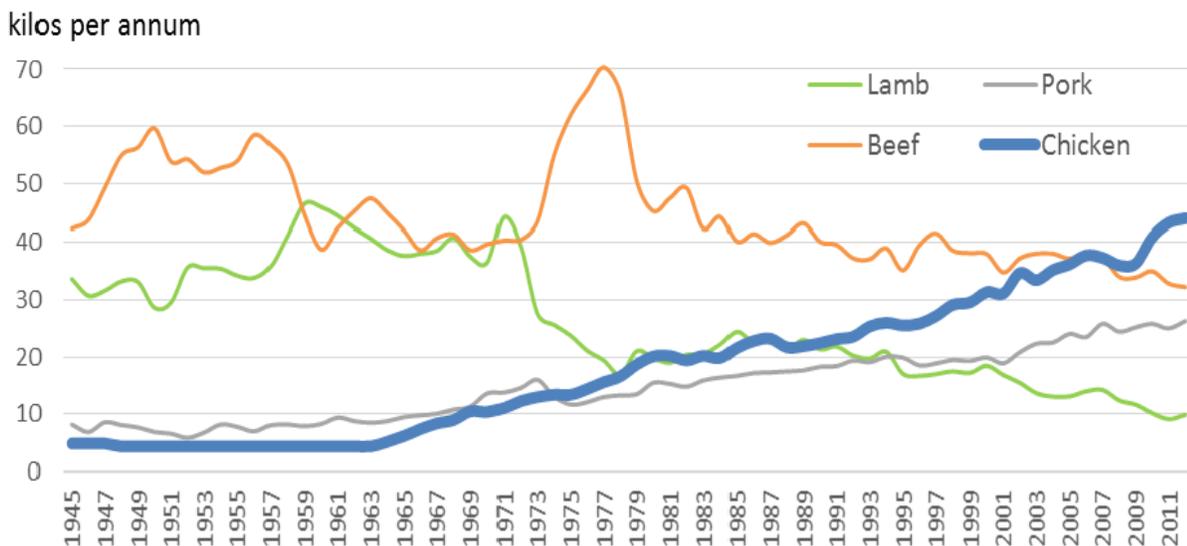
In 2015, domestic per capita beef consumption is expected to be around 33 kilograms, as in the previous year. Average unit prices for beef fell 5% over the year to mid-2014 due to the rise in domestic supplies and supported an increase in the volume of beef sold. From 2015, consumption is expected to decrease on a per capita basis due to supply shortages and exports. Supermarkets account for 80% of red meat sold at a retail level in Australia, a share that has increased in recent years.

Most beef sold by domestic supermarkets has been finished through grain-feeding at feedlots which are typically located in close proximity to cattle and grain supplies. Feed grains represent the single biggest cost in a kilo of beef, pork, dairy and chicken. In a normal season, 80% of Australia’s east coast grain production is consumed by these intensive livestock industries with the feedlot sector the largest user with 2.7 million tonnes. The main grains used by the sector include wheat, barley, sorghum and corn.

Trade

In 2015, beef and veal exports are expected to decline by 9% to 1.6 million tonnes as slaughter rates fall from record levels. Increasing demand from the United States, China, Korea, South-East Asia and the Middle East will maintain or increase beef prices but supply constraints will limit volumes. China is the fastest growing market for Australian beef exports and is now the third largest beef market.

Chart 3: Trends in meat consumption in Australia, 1945-2013



Source: ABARES (2013) Australian Commodity Statistics, Canberra.

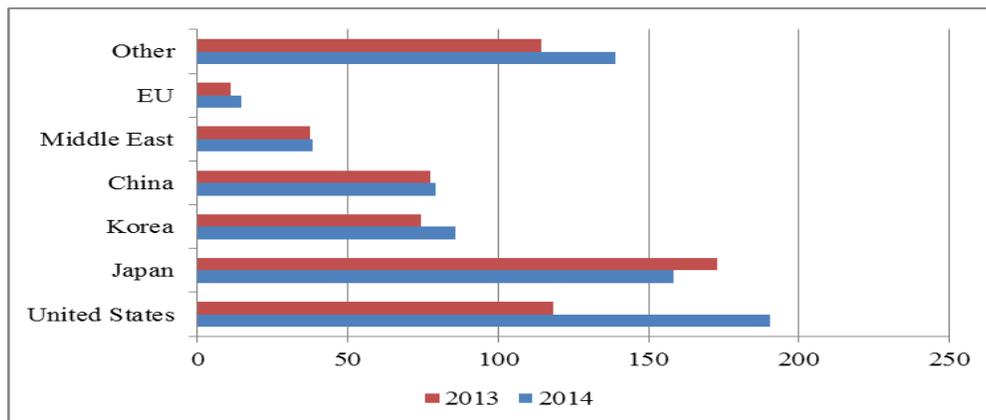
A number of Chinese investments have recently occurred in the Australian beef sector. In August 2014, Western Australia’s largest meat processor concluded a US\$1 billion joint venture with the Heilongjiang Grand Farm Group that is expected to boost its operations by 500,000 lambs and 30,000 cattle a year. The company is aiming to deliver up to 50 sea containers of lamb and beef per day to the Chinese market. In 2014, Australian beef exports to Korea are forecast at around 155,000 tonnes, while exports to China are expected to continue to grow to 162,000 tonnes in 2014 and 166,000 tonnes in 2015.

Exports of Live Cattle

In 2015, live cattle exports are expected to decline to 1.1 million from the 1.4 million head reached in 2014. This trend reflects supply constraints as there is strong demand from Indonesia and Vietnam. Exports of Australian feeder and slaughter cattle almost doubled in the first 8 months of 2014 to 990,000 head, as Indonesia opted to defer a self-sufficiency policy requiring a limit on imports to 10% of the market. In 2013, Australia's export of live beef cattle for feeder, slaughter and breeding purposes totaled 851,000 head, up 37 per cent on 2012. Indonesia was the largest market in 2013, taking 454,000 head followed by Israel with 98,320 and Vietnam, taking 67,000 head. Darwin is the largest live export port, shipping 345,000 head followed by Fremantle with 147,000 head and Portland with 97,000 head. Increased market access for live cattle exports is likely if an FTA is signed with China by end-2014.

In August 2014, Australia cattle producers signed the Indonesia-Australia Partnership on Food Security which sets collaborative ways to strengthen bilateral business, investment and trade ties across the red meat and cattle sector: [link](#). Further, in August 2014, Australia and Cambodia came to an agreement to allow live cattle exports to the latter country. Government veterinary authorities of each country reached agreement on animal health certification requirements, allowing the start of Australian exports of feeder and slaughter cattle to Indonesia: see [link](#). Once the Japan-Australia Economic Partnership Agreement (JAPEA) is ratified, Japan will reduce the tariffs on live cattle imports from Australia by 20 per cent, with no volume restrictions.

Chart 4: Australian beef and veal exports by country, 2014 (000' tonnes)



Note: Year to July 2014.

Source: MLA (2014), *Australian Cattle Industry Overview*, August.

Australian Beef Exports to the United States

Over 2014, the United States beef market is expected to overtake Japan as Australia's single largest beef export market. Exports of manufacturing grade beef increased by 34% compared to previous financial year. U.S. demand for imports of high volume low price has increased because the U.S. cattle herd size is at a 60-year low and grower are seeking to rebuild. In early August, U.S. importers were paying a record price of over US\$6 a kilogram for lean Australian beef. Australian beef exports to the United States are forecast to reach a record 265,000 tonnes over 2014 and at a similar level in 2015. Around 70% of Australian beef exported to the United States is frozen manufacturing beef. The share of chilled grass-fed beef exported to the U.S. increased from 15% in the first half of 2013 to 17% in the first half of 2014.

The Australia-United States Free Trade Agreement (AUSFTA) of 2005 eliminated all US beef tariffs over time, with the previous in-quota tariff of 4.4 US cents/kg eliminated from 1 January 2005 and the 26.4% over-quota tariff falling to zero over 18 years. The Agreement also provides for increasing quota access during this period. The annual quota for Australian beef exports to the United States expanded by 20,000 tonnes to 398,214 tonnes in 2007 and is increasing progressively to 448,214 tonnes in 2023. From 2024, all Australian beef will be free to enter the US market without tariff or quota restrictions and subject only to a discretionary price-based safeguard.

Trade Policy Developments

In early 2014, Australia signed trade agreements with Japan and Korea to increase market access to these countries, although neither of these agreements has yet been ratified. In April 2014, Australia and Korea signed a free trade agreement which eases restrictions on bilateral beef imports into Korea. Under the agreement, the current 40% tariff on Australian exports of beef and edible offal will be lowered over 15 years, subject to a safeguard trigger mechanism.¹ In addition, the current 72% tariff on processed beef will also be phased downwards. A tariff of 22.5% on sheep and goat meat will be phased out over a decade, while pork products tariffs will be phased out in 5-15 years. Details of the agreement are [here](#)

The Japan-Australia economic partnership agreement (JAEPA) was also signed in April 2014 and provides for a phased reduction of tariffs on key Australian agricultural exports, including beef. One result is that the 38.5 per cent tariff on frozen and chilled beef will be fall to 19.5% and 23.5%, respectively, over 15 years. Further, Japan's 50% global snapback tariff will no longer apply to imports of beef from Australia² which provides an advantage over other suppliers to this market, such as the United States. Australian beef into Japan will continue to be subject to a 38.5% ad valorem tariff, with a provision to increase to 50%, until the agreement comes into force.

The Japanese market for Australian beef and veal exports is forecast to decline slightly in 2014 to around 280,000 tonnes due to increased competition from U.S. beef but greater access to the Japanese market will support exports from 2015 once the JAEPA is ratified. The full schedule of tariff concessions is available at <http://www.dfat.gov.au/fta/jaepa>

¹ Beef exports can be subject to safeguard measures when imports in a given year exceed a determined trigger volume. Under KAFTA, the trigger volume is scheduled to grow at 2 per cent a year. If the trigger volume is reached, import tariffs as high as the most favored nation (MFN) tariff can be applied to imports in excess of the trigger until the end of the calendar year in which they are applied.

² Note: Japan's global snapback tariff applies when total beef imports rise by more than 17 per cent relative to imports in the same period of the previous year. Instead, these will be subject to a discretionary safeguard.

SWINE AND PORK

Post, Supply and Distribution Data Statistics

Animal Numbers, Swine Australia	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	2,138	2,138	2,140	2,140		2,140
Sow Beginning Stocks	240	240	245	245		245
Production (Pig Crop)	4,779	4,779	4,835	4,780		4,800
Total Imports	0	0	0	0		0
Total Supply	6,917	6,917	6,975	6,920		6,940
Total Exports	0	0	0	0		0
Sow Slaughter	0	0	0	0		0
Other Slaughter	4,777	4,777	4,825	4,780		4,800
Total Slaughter	4,777	4,777	4,825	4,780		4,800
Loss	0	0	0	0		0
Ending Inventories	2,140	2,140	2,150	2,140		2,140
Total Distribution	6,917	6,917	6,975	6,920		6,940

1000 HEAD, PERCENT

Meat, Swine Australia	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4,777	4,777	4,825	4,780		4,800
Beginning Stocks	23	23	20	20		20
Production	360	360	365	360		365
Total Imports	183	183	190	190		190
Total Supply	566	566	575	570		575
Total Exports	36	36	37	37		37
Human Dom. Consumption	510	510	513	513		513
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	510	510	513	513		513
Ending Stocks	20	20	25	20		25
Total Distribution	566	566	575	570		575

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

Production

Total pig slaughter for 2015 is forecast at 4.8 million while pig meat production is expected to increase slightly to 365,000 tonnes. Overall, there are around 2,000 pork producers in Australia producing 4.75 million pigs from a sow herd of around 260,000. In 2015, the number of breeding sows in the Australian pig herd will remain stable at around 245,000 head. The feed component (mainly grains such as wheat, barley and sorghum) makes up 60% of the total cost of producing pork and farm profitability varies with the cost of feed grain which has increased due to the drought.

Consumption

Australians consume around 23.5 kg of pork per person annually, made up of 8.5 kg of fresh pork and 15 kg of processed ham products such as bacon and small goods. Pork products account for ten per cent of total fresh meat retail consumption. Fresh pork sold in Australia is locally grown while around two thirds of processed pork products (ham, bacon and small goods products) are made from frozen boneless pork imported from Denmark, Canada and the United States. Consumption generally peaks during Christmas but is stable over the rest of the year.

Most pork products are traced from paddock to plate through traceability systems such as the 'PigPass' National Vendor Declaration (NVD). This system provides key information that can be used to trace pigs or pork back to the property of origin in the event of an emergency, such as an animal disease outbreak or a food safety incident. Australian pork producers voluntarily agreed to phase out the use of gestation stalls by 2017, the first national pork industry to take this step. Australia is free of diseases such as Porcine Reproductive and Respiratory Syndrome (PRRS).

Trade

In 2015, exports of pork products are expected to increase by around 8% to 38,000 tons. Australia typically exports pork worth A\$100 million to markets including Singapore and New Zealand. In 2015, pork imports in 2014 are forecast at 210,000 tons and the United States is the largest importer, followed by Denmark. The Australian market is not currently open to fresh, chilled or bone-in pork products on biosecurity grounds.

Future trade could also be affected by two bilateral trade agreements which have not yet been implemented. The Korea-Australia Free Trade Agreement (KAFTA) signed in April 2014 provides that tariffs on pork products will be phased out over 5-15 years. This increased market access is expected to allow Australian pork exporters to compete more equally with exporters from the United States which have benefited from provisions of the earlier Korea-United States free trade agreement. Further details of the agreement are [here](#).

Under the Japan-Australia Economic Partnership Agreement (JAEPA), Australia will gain preferential access for a large volume of pork (more than ten times current trade) via an Australia-only quota. In 2013, Australian pork exports to Japan were only 279 tonnes, due to significant import restrictions. Pork face tariffs (up to ¥482 (\$5.07) per kilogram) or variable duties that increase import prices to a standard level. In addition, a global safeguard mechanism, known as the "gate price safeguard" operates to allow Japan to effectively increase costs for exporters if global imports increase significantly. The full schedule of tariff concessions is available [here](#).

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