THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 3/18/2011
GAIN Report Number: AS1106

Australia

Livestock and Products Semi-annual

2011

Approved By:
Grant Pettrie, Agricultural Counselor

Prepared By:
Mike Darby, Agricultural Specialist

Report Highlights:
Eastern Australian continues to receive above-average, and at times, record rainfall. Some of the more traditional pastoral areas of inland Australia have received their highest rainfall for 123 years. This is likely to constrain production and exports of beef while steadily increasing the production and exports of pig meat for the remainder of CY 2011. Inventories of both cattle and pigs are expected to grow steadily during CY 2011 as producers begin to rebuild herd numbers following the most prolonged and severe drought on record. Livestock prices are currently at historically high (or record) levels and are expected to remain high for the remainder of CY 2011.

Executive Summary:

Eastern Australia continues to receive widespread and heavy rainfall, following the wettest spring and summer on record for many key livestock producing districts. Eastern Australia, which is home to a majority of the Australian livestock industry, has benefited from significantly improved pasture conditions, improved grain and fodder production and a dramatic increase in irrigation water availability.

Heavy rainfall throughout CY 2010 followed the longest and most severe drought on record. The drought, which began in CY 2002, decimated pasture grain and fodder supplies and slashed irrigation water. Widespread and soaking rains commenced on Christmas day in December 2009 and began a period of above average to record rainfall in all states except Western Australia (which remains in drought).

Most recently Cyclone Yasi, the largest recorded cyclone to make landfall in Australia, dumped record falls of rain in eastern Australia including the typically drier inland areas of Australia. The short term effect of such a weather event has been catastrophic in some areas, most notably northeast Queensland. However, in other areas it has provided welcome relief from years of drought. Key inland pastoral areas, some of which have recorded their highest rainfall for 123 years, are likely to benefit from this rainfall over the longer term.

Greatly improved production conditions have seen the availability of cattle for sale and slaughter diminish considerably, as producers have begun to withhold cattle suitable for breeding purposes. In the most extreme cases, some producers are simply unable to market cattle due to wet weather and damaged roads.

Recent investigations conducted by Post have revealed a genuine shortage of cattle for slaughter causing some processing plants to wind back slaughter to match lower cattle supplies. Domestic prices paid for live cattle are at historically high levels and some producers have received record prices in recent months. Post expects these conditions to persist for the remainder of 2011.

Slightly lower cattle slaughter and increased closing inventory for CY 2011 are forecast. However, improved seasonal conditions are expected to see carcass weights improve sharply and a slight increase in production.

Pig meat production and exports are forecast to increase in CY2011. Imports are expected to ease somewhat in CY2011 as domestic production recovers.

Commodities:

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

Statistical Tables

Animal Numbers, Cattle Australia	2009		2010		2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	27,321	27,321	27,907	27,907	28,280	26,733
Dairy Cows Beg. Stocks	1,676	1,676	1,690	1,553	1,700	1,570
Beef Cows Beg. Stocks	12,903	12,903	13,400	12,933	13,800	13,300
Production (Calf Crop)	10,145	10,145	9,708	8,040	9,750	9,892
Intra-EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	37,466	37,466	37,615	35,947	38,030	36,625
Intra EU Exports	0	0	0	0	0	0
Other Exports	954	954	915	875	850	850
Total Exports	954	954	915	875	850	850
Cow Slaughter	3,813	3,813	2,865	3,644	2,475	3,300
Calf Slaughter	780	781	790	788	750	750
Other Slaughter	3,937	3,936	4,715	3,857	4,975	4,200
Total Slaughter	8,530	8,530	8,370	8,289	8,200	8,250
Loss	75	75	50	50	25	25
Ending Inventories	27,907	27,907	28,280	26,733	28,955	27,500
Total Distribution	37,466	37,466	37,615	35,947	38,030	36,625
1000 HEAD						

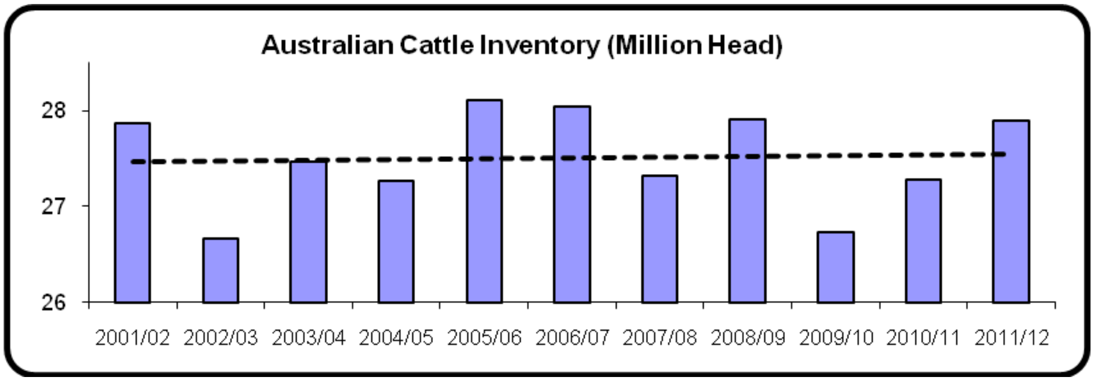
Meat, Beef and Veal Australia	2009		2010		2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	8,530	8,530	8,370	8,289	8,200	8,250
Beginning Stocks	115	115	143	143	146	112
Production	2,129	2,129	2,080	2,087	2,050	2,140
Intra-EU Imports	0	0	0	0	0	0
Other Imports	8	8	8	10	8	10
Total Imports	8	8	8	10	8	10
Total Supply	2,252	2,252	2,231	2,240	2,204	2,262
Intra EU Exports	0	0	0	0	0	0
Other Exports	1,364	1,364	1,325	1,368	1,325	1,350
Total Exports	1,364	1,364	1,325	1,368	1,325	1,350
Human Dom. Consumption	745	745	760	760	745	765
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	745	745	760	760	745	765
Ending Stocks	143	143	146	112	134	147
Total Distribution	2,252	2,252	2,231	2,240	2,204	2,262
1000 HEAD, 1000 MT CWE						

Animal Numbers, Swine Australia	2009		2010		2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	2,412	2,412	2,302	2,302	2,450	2,350
Sow Beginning Stocks	242	242	260	233	270	245
Production (Pig Crop)	4,467	4,467	4,748	4,686	4,850	4,750
Intra-EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	6,879	6,879	7,050	6,988	7,300	7,100
Intra EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	4,577	4,577	4,600	4,638	4,800	4,700
Total Slaughter	4,577	4,577	4,600	4,638	4,800	4,700
Loss	0	0	0	0	0	0
Ending Inventories	2,302	2,302	2,450	2,350	2,500	2,400
Total Distribution	6,879	6,879	7,050	6,988	7,300	7,100
1000 HEAD						

Meat, Swine Australia	2009		2010		2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4,577	4,577	4,600	4,638	4,800	4,700
Beginning Stocks	33	33	29	29	37	27
Production	327	327	327	340	346	350
Intra-EU Imports	0	0	0	0	0	0
Other Imports	176	176	195	173	205	170
Total Imports	176	176	195	173	205	170
Total Supply	536	536	551	542	588	547
Intra EU Exports	0	0	0	0	0	0
Other Exports	40	40	39	40	40	41
Total Exports	40	40	39	40	40	41
Human Dom. Consumption	467	467	475	475	485	485
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	467	467	475	475	485	485
Ending Stocks	29	29	37	27	63	21
Total Distribution	536	536	551	542	588	547
1000 HEAD, 1000 MT CWE						

Inventory

Closing inventory for CY 2011 is forecast at 27.5 million head, up sharply on the estimated closing inventory for the CY 2010. Greatly improved seasonal conditions experienced throughout CY 2010 and into CY 2011 are expected to see inventories increase as producers rebuild cattle herds following years of extreme drought conditions.



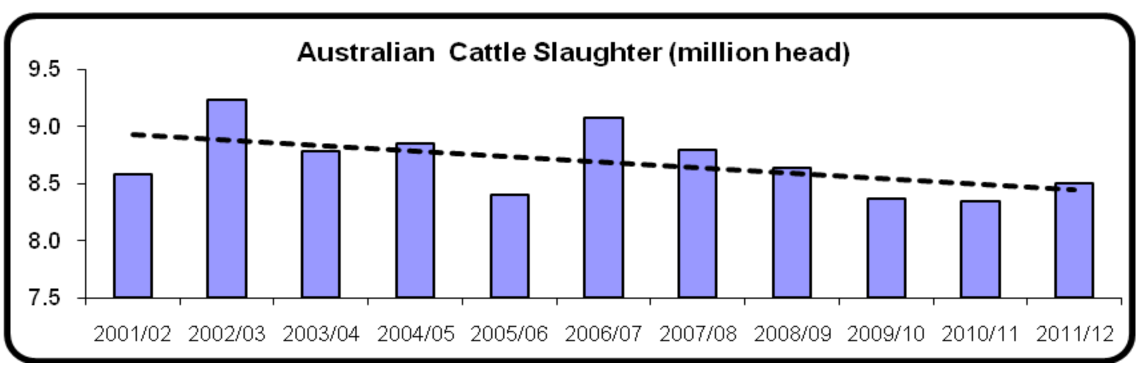
Source: ABARE Data

Recently published ABARE numbers have the Australian cattle herd increasing steadily over the longer term, reaching 28.7 million head by 2014/15.

Estimated closing inventory for CY 2010 has been revised downwards to 26.7 million in line with recently released official Australian Bureau of Statistics (ABS) data. This figure remains well below Post's previous estimate and comes as a surprise, as other ABS data also shows falling slaughter levels (including falling female slaughter) over the same period which would usually suggest otherwise.

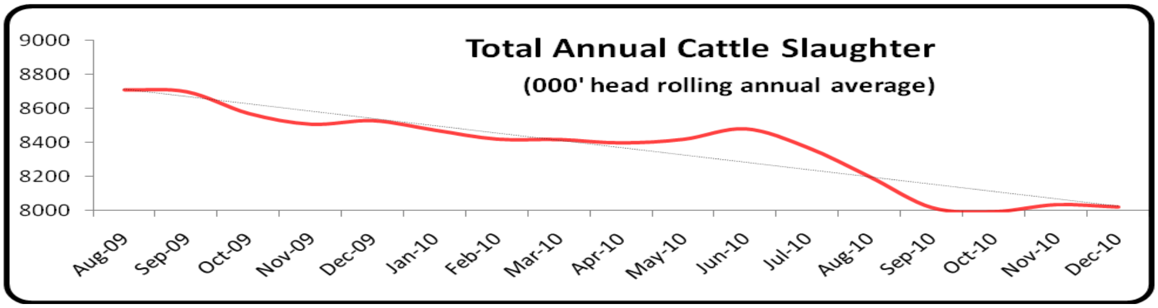
Slaughter

Total slaughter for CY 2011 is forecast at 8.25 million head, down slightly on the 8.29 million head estimated for CY 2010. According to historical ABARE data, this would represent the lowest slaughter level since 1989. Slaughter is expected to decline as producers begin withholding stock to rebuild herds following years of drought. Furthermore, industry sources have experienced difficulties in sourcing cattle for slaughter due to wet weather and flooding although this is likely to abate going forward.



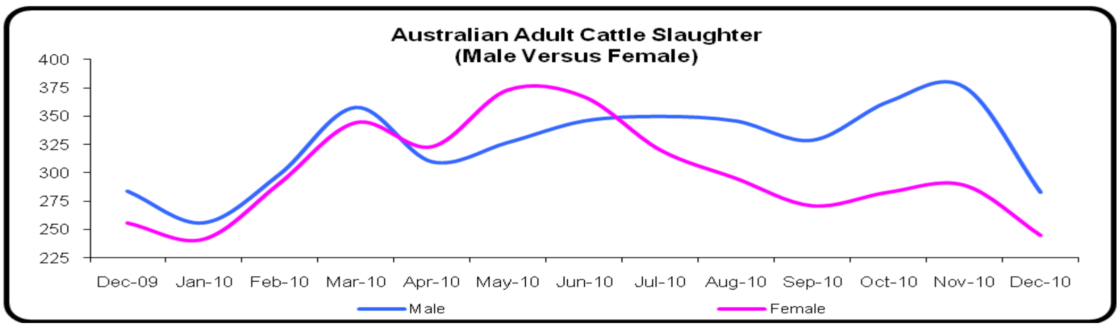
Source: ABARE Data

A lower forecast for cattle slaughter in CY 2011 is supported by ABS figures for the "rolling 12 months" which show steadily declining slaughter numbers throughout CY 2010. Post believes that this trend is likely to persist into CY 2011.



Source: ABS Data

ABS slaughter data also shows female cattle slaughter remaining well below male slaughter since June 2010. Post believes that this, combined with falling total slaughter numbers, confirms suggestions that the Australian cattle industry is entering a rebuilding phase of the inventory cycle.

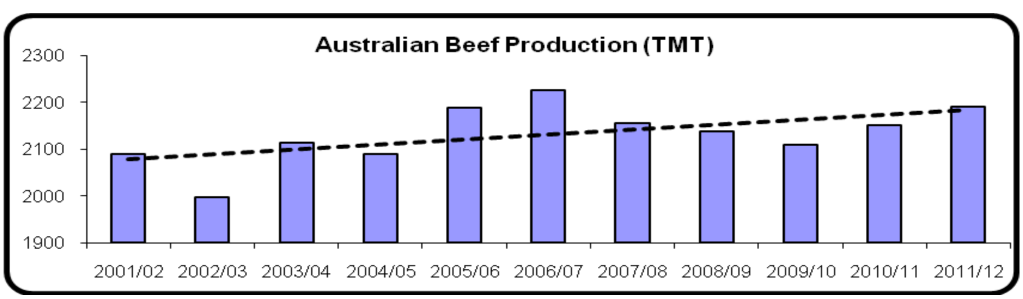


Source: ABS Data

Recently published ABARE figures have slaughter levels slowly increasing over the long term, from historically low levels at present, to 9.1 million head 2015/16. The record for cattle slaughter stands at 12.8 million head and was achieved in 1977, although slaughter has only surpassed 9.0 million head once since 1979.

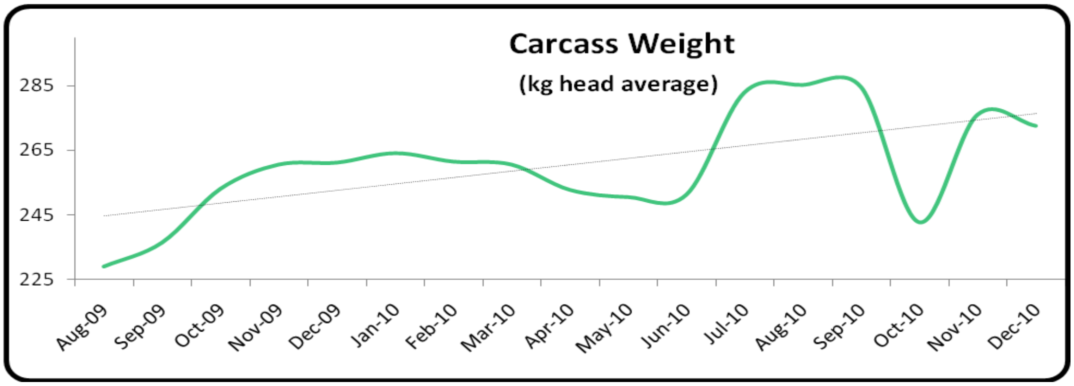
Production

Total beef and veal production for CY 2011 is forecast at 2,140 TMT, up slightly on the revised estimate for CY 2010. Despite this increase, if achieved, this forecast would represent a historically low level of production.



Source: ABARE Data

A slight increase in production is forecast for CY 2011 despite a slight fall in forecast slaughter. Improved seasonal conditions are expected to see average carcass weights increase significantly and this is likely to see production increase modestly.

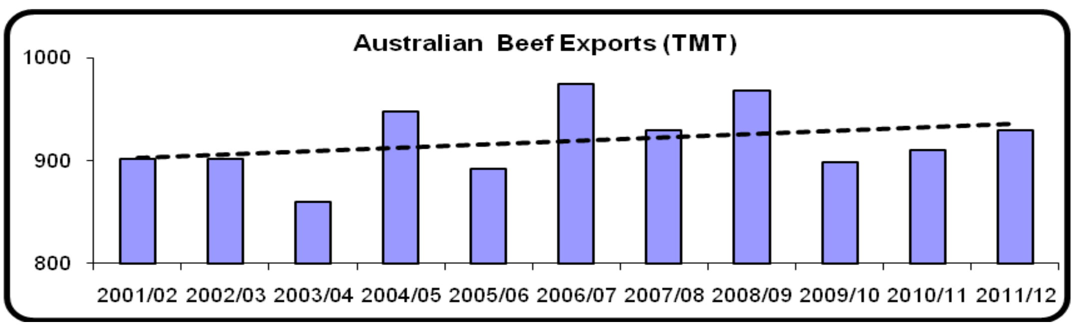


Source: ABS Data

An average carcass weight of 259 kilograms per head has been assumed for CY 2011. This is up from the assumed average of 252 kilograms per head for CY 2010. Historical ABS data shows average carcass weights fluctuate on a monthly basis but increased throughout CY 2010 as pasture conditions and feed supplies continued to improve. Post expects production conditions and slaughter weights to continue to improve throughout CY 2011.

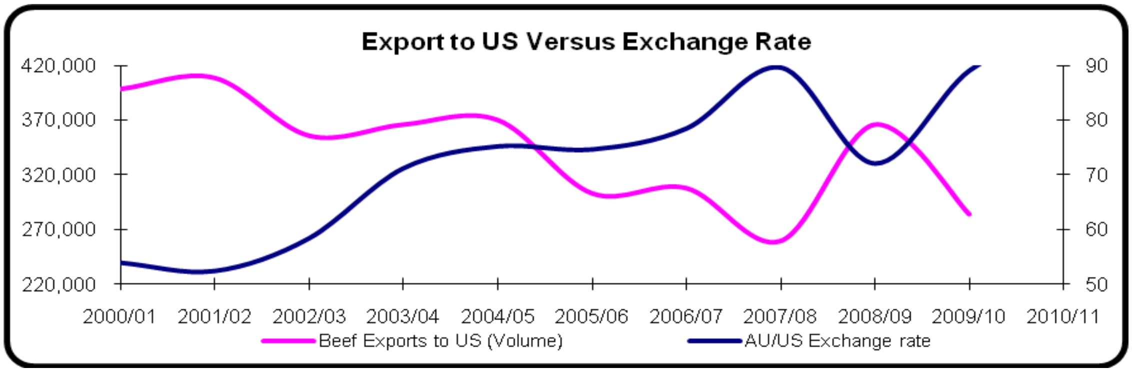
Exports

Total beef exports are forecast to fall slightly in CY 2011 to 1,350 TMT. Historically low production levels combined with relatively strong domestic demand is likely to see exports constrained in CY 2011. Ending stocks of beef and veal are expected to increase somewhat creating upside potential to Post's forecast should market opportunities allow for an increase.



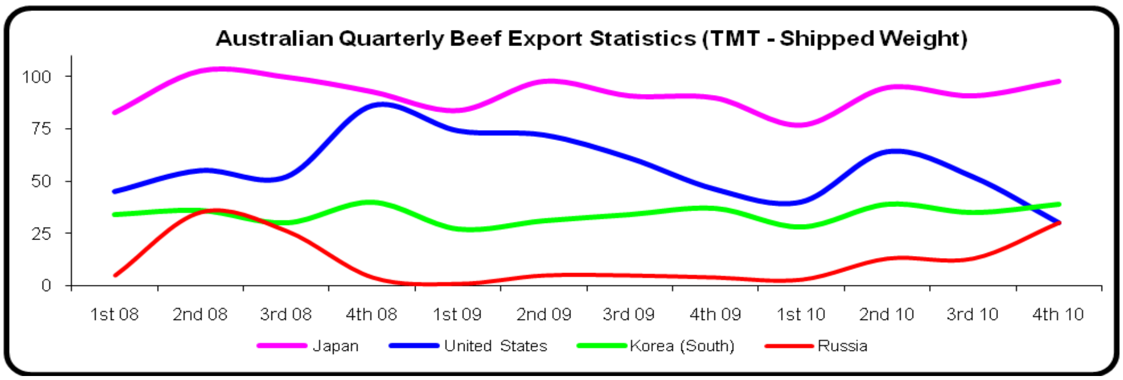
Source: ABARE Data

The Australian economy continues to show good economic signs and prospects for continued economic growth remains good. A recent ABARE report has assumed Australian economic growth to remain between two and four percent out to 2015/16. This should see continued strong domestic demand for beef and veal. Conversely, the historically high value of the Australian dollar is likely to place some downward pressure on beef exports, particularly to the US where the Australian dollar is currently valued at close to parity.



Source: ABARE Data

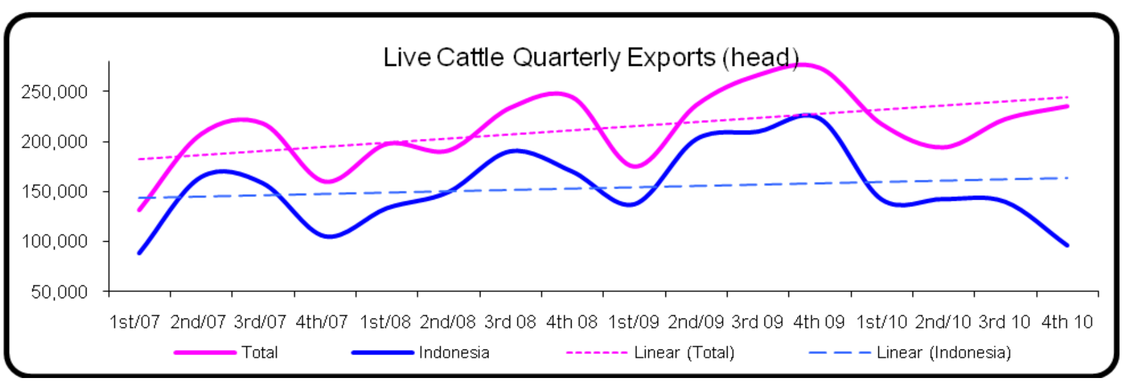
Quarterly ABS figures show exports of beef and veal to the US market have diminished considerably over CY 2010, at least in part to the historically high value of the Australian dollar. Despite increases in exports to other markets such as Japan and Korea (and more recently Russia), declines in shipments to the US are likely to continue to drag the total export figure lower in CY 2011.



Source: WTA Data

Live Cattle Exports

Australian exports of live cattle are forecast to decline slightly to 850,000 head in CY 2011. This forecast remains below industry expectations of around 880,000 head in CY 2011. Continued constraints placed on shipments of live cattle to Indonesia, the traditional driver of total export volume, account for the decline. Despite other export markets showing improvement, Post believes that total trade will decline somewhat.

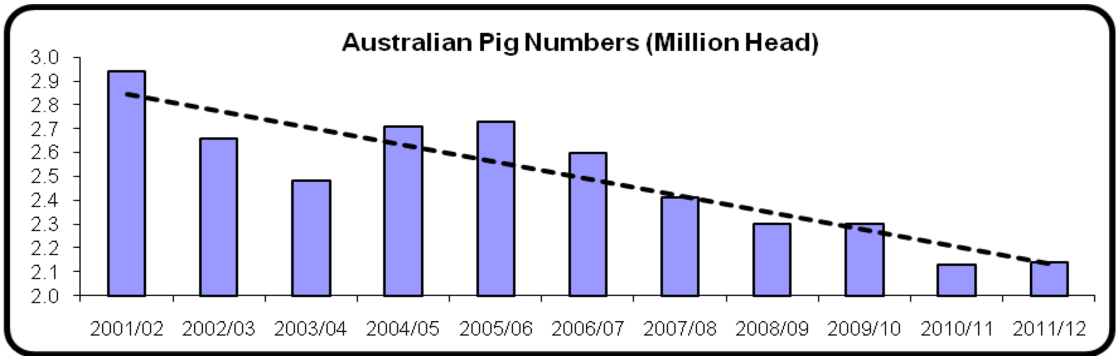


Source: WTA Data

Swine

Inventory

Total closing inventories are forecast to expand to 2.4 million head in CY 2011 as improved feed grain supplies and strong meat prices allow the Australian pig herd to expand. Industry sources are hopeful that the CY 2011 forecast has signified the end to the long term decline of the Australian pig meat industry as shown by the historic inventory data below.

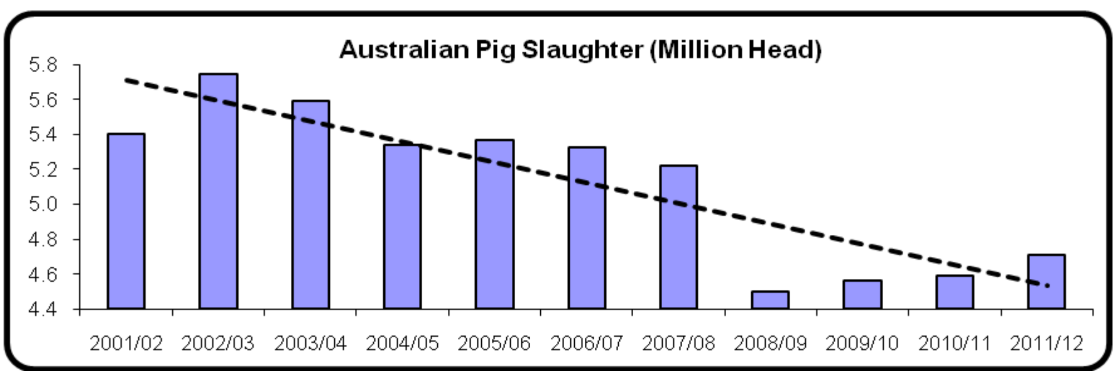


Source: ABARE Data

Improved seasonal conditions in CY 2010 have seen winter cereal production increase to record or near record levels. Furthermore, heavy rainfall at the time of harvest caused much downgrading of grain to feed quality, dramatically increasing domestic supplies of feed grain. Furthermore, production of summer crops such as sorghum is also forecast at high levels. Cotton and rice production have also increased dramatically and although not fed directly to livestock is likely to sharply increase by-product availability (such as cottonseed and rice hulls) for feed manufacturers. (See Feb Grain & Feed Lock-Up Report)

Slaughter

Total slaughter for CY 2011 is forecast at 4.7 million head, up on the revised estimate of 4.64 million head for the previous year. Despite the forecast increase, Post's slaughter forecast for CY 2011 and slaughter estimate for CY 2010 remain below those in Post's previous report.

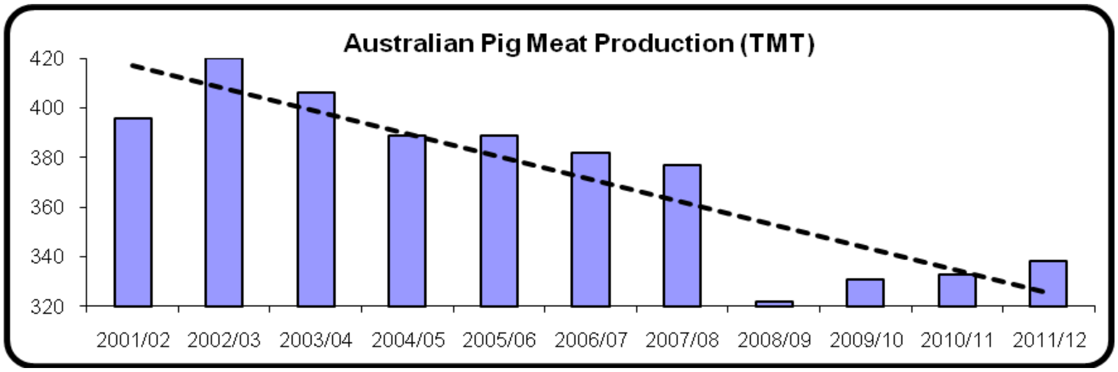


Source: ABARE Data

Very harsh economic conditions experienced by Australian pig meat producers have caused significant restructure in recent times. Despite greatly improved economic conditions, the industry continues to recover at a slower pace than previously forecast. This slow growth has required Post to revise slaughter forecasts and estimates downwards.

Production

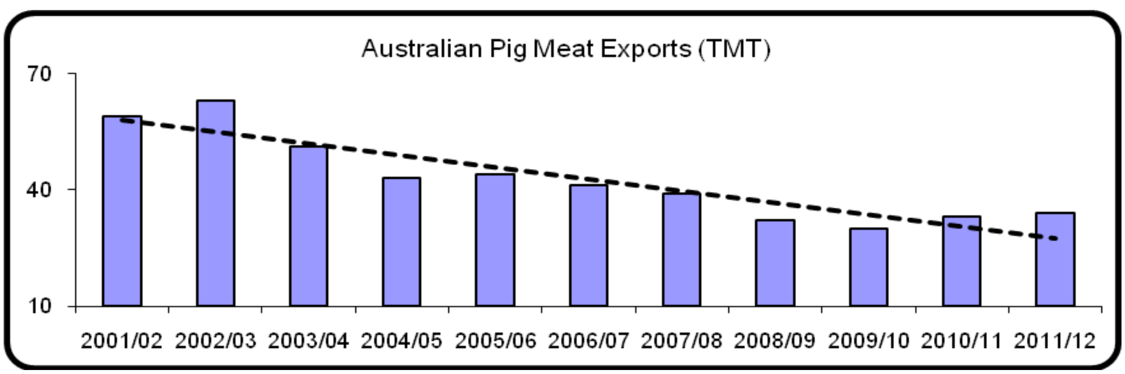
Total pig meat production for CY 2011 is forecast by at 350 TMT, up on the revised estimate of 340 TMT for the previous year. Increases slaughter together with a slight increase in carcass weight, is expected to see production pushed upwards somewhat. Post advises that the assumed increase in carcass weight is modest and that some upside potential exists for greater increases in carcass weight which would likely see Post's production forecast revised upwards.



Source: ABARE Data

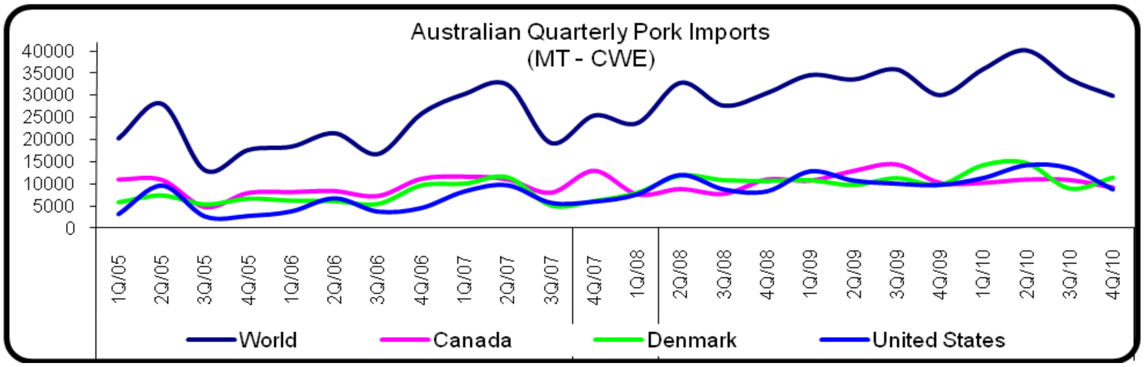
Trade

Total pig meat exports for CY 2011 are forecast to increase slightly to 41 TMT, up slightly on the revised estimate for CY 2010 and up slightly on Post's previous forecast. This forecast signifies what industry sources suggest is the turnaround in what has been a long period of decline for Australian pork exports.



Source: ABARE Data

Total pig meat imports for CY 2011 are forecast to decline slightly to 170 TMT as local production begins to recover and displaces, at least partially, imports of pig meat. According to official ABS statistics, pig meat imports have been declining since mid way through CY 2010 and post expects this decline to continue, albeit at a slow rate, into CY 2011.



Source: WTA Data

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
Wine Annual 2011	03/10/11
Public Attitudes Towards Agricultural Biotechnology in Australia	03/08/11
Review of Food Labeling & Policy	02/24/11
Grain & Feed Lock-Up – February 2011	02/01/11
Citrus Annual 2010	12/15/10
Ag DownUnder - Issue 7 2010	12/10/10
Winter crop harvest under way as rain continues in eastern Australia	11/30/10
Australia Moves toward Phasing Out the Use of Sow Gestation Stalls	11/24/10
Dairy and Products Annual 2010	11/23/10
Grain and Feed Lock-Up – November 2010	10/28/10
Ag DownUnder – Issue 6 2010	10/15/10
Sugar Semi Annual 2010	09/29/10
Livestock and Products Annual	09/01/10
Stone Fruit Annual 2010	08/20/10
Grain & Feed Update – August 2010	07/30/10
Ag DownUnder Issue 5 2010	07/22/10
Food & Agriculture Import Regulations & Standards Report	07/21/10
Agricultural Biotechnology Annual	07/14/10
Biofuels Annual 2010	07/06/10
Ag DownUnder Issue 4 2010	06/25/10
Increased Access for Australian Fresh Fruit to China & Japan	06/23/10
Ag DownUnder Issue 3 2010	06/11/10
Canola Production Forecast to Jump in 2010-11	06/03/10
Ag DownUnder – Issue 2	05/28/10
Soybean Meal Imports Down – U.S. Share Up	05/21/10