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Report Highlights:

Australian beef supply is forecast to climb after the herd rebuild period ends. The marked slowdown in the growth of the national herd is expected to drive a higher female slaughter rate, increase the overall supply of cattle for slaughter, and boost live cattle and beef exports in 2024. Live cattle exports are forecast to surge by 36 percent and beef exports are expected to grow nine percent, the fourth highest level on record. Australia is set to regain beef export market share in its key markets the United States, China, Japan and South Korea after low supply in recent years during the national herd rebuild. Pork production is forecast to continue its growth trajectory in 2024, but imports and exports are expected to remain relatively flat. A growing population and moderating cost of living pressures are forecast to support the growth of pork and beef consumption.

EXECUTIVE SUMMARY

Australian beef supply is forecast to grow after reaching the end of the herd rebuild period. This follows a multi-year drought from 2017 to 2019 which resulted in a large decline in the national cattle herd. The marked slowdown in the growth of the national herd is expected to be driven by a higher female slaughter in 2024, particularly with a young breeder age profile reducing breeder replacement rates in the short term. The increased supply of cattle for slaughter in 2024 is forecast to boost live cattle and beef exports.

Live export volumes are set for a 36 percent boost in 2024, albeit from a modest level in 2023. With a greater supply of livestock, after reaching the end of the herd rebuild phase, along with moderate live export cattle prices, live cattle exports are set for a big boost in 2024.

With the growth in the supply of beef cattle for 2024, beef exports are expected to reach the fourth highest on record. The three more considerable past export results are associated with cattle liquidation due to drought, and as such, the 2024 forecast, if realized, would be a substantial milestone for the Australian beef industry. The boost in beef exports correlates with the anticipated decline in beef production in the United States as the industry begins to enter its herd rebuild phase in 2024. The expected rise in Australian beef exports supports a likely rise in demand for beef imports by the United States, and creates an opportunity to regain the market share it lost in recent years during the herd rebuild to its key markets, China, Japan, and South Korea.

The Australian pork industry is forecast to continue its momentum of rising production in 2024. The prospect of softening feed grain prices during 2024, along with firm pork prices, is anticipated to encourage a further production boost. Much of the increased production is forecast to boost domestic consumption, while imports and exports are expected to remain relatively flat in 2024. The living cost pressures experienced in Australia over recent years show signs of moderating after wage growth matched a declining inflation rate at the end of 2023. With this, the per capita consumption of pork is anticipated to remain stable, and the growth in overall consumption is driven by the rising Australian population.

CATTLE

Table 1 - Production, Supply, and Distribution of Cattle Numbers for Australia

Animal Numbers, Cattle Market Year Begins Australia	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	23944	23944	25800	25800	27160	27071
Dairy Cows Beg. Stocks (1000 HEAD)	1335	1335	1270	1270	1250	1250
Beef Cows Beg. Stocks (1000 HEAD)	10600	10600	12000	12000	12000	12000
Production (Calf Crop) (1000 HEAD)	8760	8760	9500	9500	9500	9500
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	32704	32704	35300	35300	36660	36571
Total Exports (1000 HEAD)	593	593	590	626	750	850
Cow Slaughter (1000 HEAD)	2504	2504	3260	3286	3500	3600
Calf Slaughter (1000 HEAD)	265	265	380	374	450	450
Other Slaughter (1000 HEAD)	3345	3346	3710	3743	3950	3950
Total Slaughter (1000 HEAD)	6114	6115	7350	7403	7900	8000
Loss and Residual (1000 HEAD)	197	196	200	200	200	200
Ending Inventories (1000 HEAD)	25800	25800	27160	27071	27810	27521
Total Distribution (1000 HEAD)	32704	32704	35300	35300	36660	36571
(1000 HEAD)						

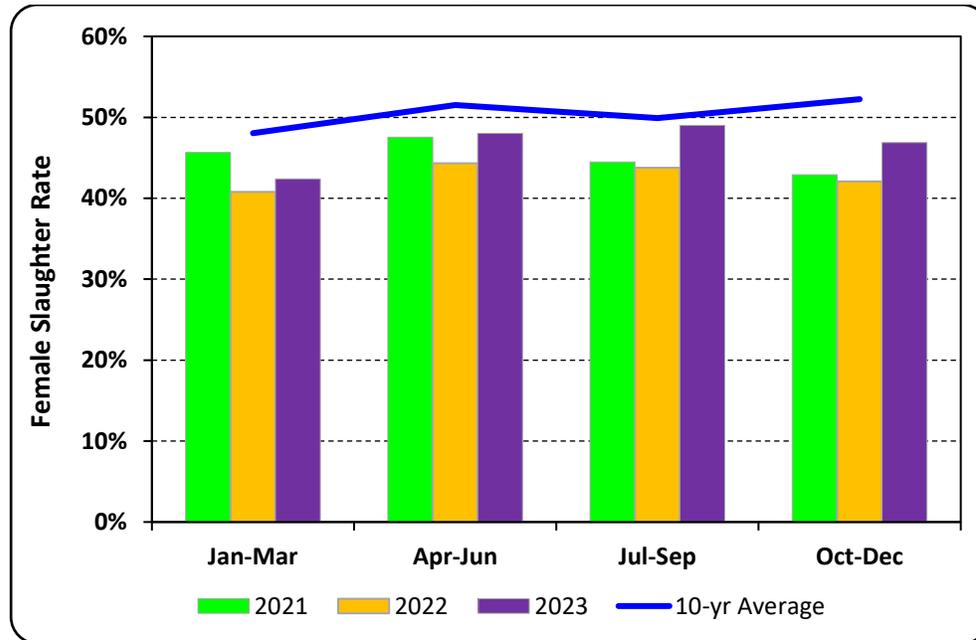
Production

2024

Cattle (calf crop) production in 2024 is forecast to remain stable from the prior year. Although the national herd is expected to continue to grow slowly, partly due to increased breeder numbers, at the same time, female slaughter rates are rising. They are anticipated to move nearer the 10-year average during 2024.

Female slaughter rates began increasing in 2023, indicating that the herd rebuild (including breeder numbers) is nearing its endpoint. This scenario follows a national herd growth period after to the multi-year drought in 2017 to 2019. Female slaughter rates are anticipated to return to around long-term average levels in 2024 after the trend of low slaughter rates in 2021 and 2022 moderated during 2023 (see Figure 1). This marks the start of the slowdown in the growth of Australia's beef herd, and effectively an end to the herd rebuild.

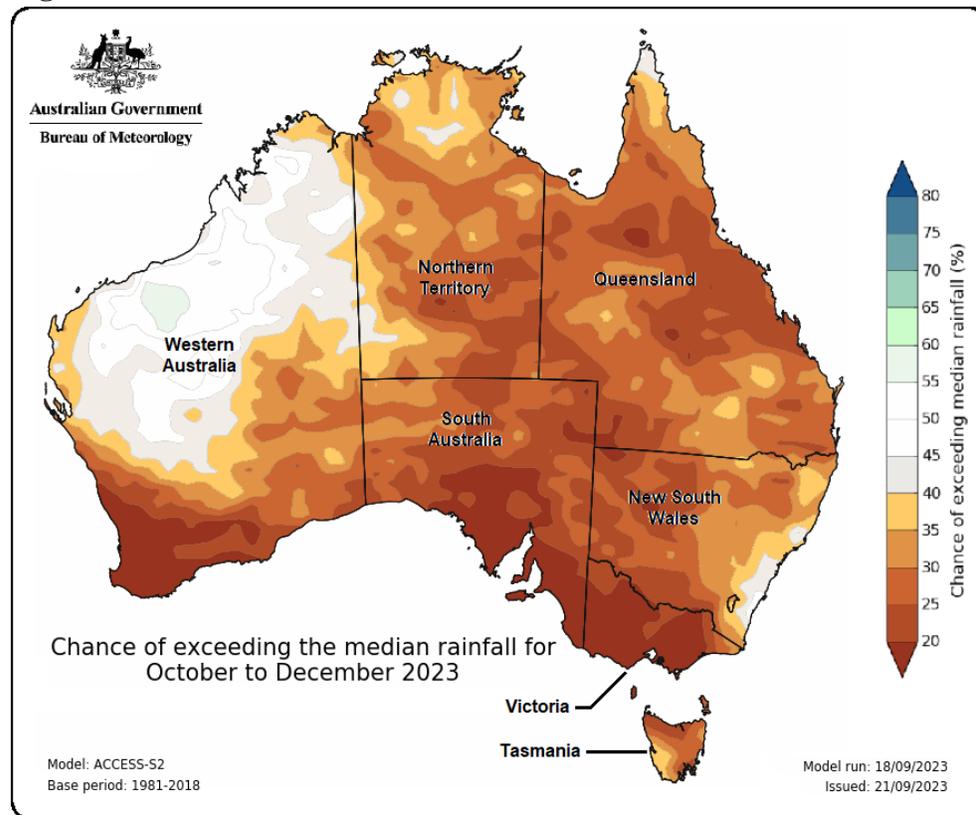
Figure 1 – Quarterly Female Slaughter Rate Trend



Source: Australian Bureau of Statistics

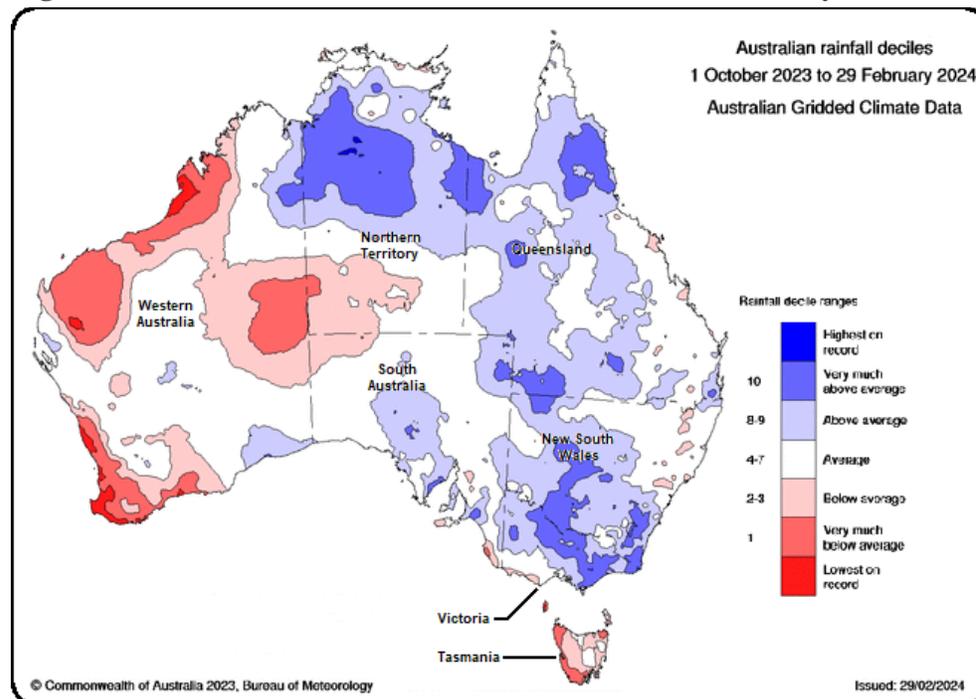
There was a strong uplift in the female slaughter rate from July to September 2023, nearing the previous 10-year average. This situation was borne about from dry conditions across northern New South Wales and southern Queensland in the lead-up to and including this period, coupled with the Australian Bureau of Meteorology (BOM) formally announcing El Niño conditions in September 2023 (which typically bring warmer and drier than usual weather). The rainfall forecast for the October to December 2023 period was for a well below-average chance of median rainfall (see Figure 2). Cattle producers in those areas that had already experienced dry conditions in the lead-up to and after this announcement had begun destocking, including breeders. However, the forecast El Niño conditions did not come to fruition, and rainfall in the following months across the eastern states has been above average (see Figure 3). Cattle producers, particularly in northern New South Wales and southern Queensland, acted upon the BOM forecast by partially destocking, which drove market prices down. Since the El Niño announcement, rainfalls were opposite to the forecast; producers have suffered financial losses and there has been substantial discontent with the Australian Bureau of Meteorology. However, it is pertinent to note that other international forecasting services had declared El Niño conditions for Australia well before the Australian Bureau of Meteorology.

Figure 2 – Australian Rainfall Forecast



Source: Australian Bureau of Meteorology

Figure 3 – Australian Rainfall Deciles – October to February 2024



Source: Australian Bureau of Meteorology

Much of Australia's cattle production is in northern Australia, influenced by the tropical wet season rains, mainly from December to March each year. Most beef calves in the tropical north are born during the wet season, so the drier-than-normal conditions during earlier parts of 2023 are reported to have had little impact on birth rates. This is mainly the case given good-standing dry feed was broadly available from the previous wet season during the main mating period, for tropical areas, in the first half of 2023.

Wet season rains have been very good so far this summer which will support good feed production. Cattle producers expect ample dry standing feed to carry stock through to the following wet season. With good feed availability conception rates are expected to be normal in northern Australia for 2024, and with this good birth rates for 2025.

2023

FAS/Canberra's cattle (calf crop) production for 2023 is unchanged and remains in line with the USDA official estimate.

Slaughter

2024

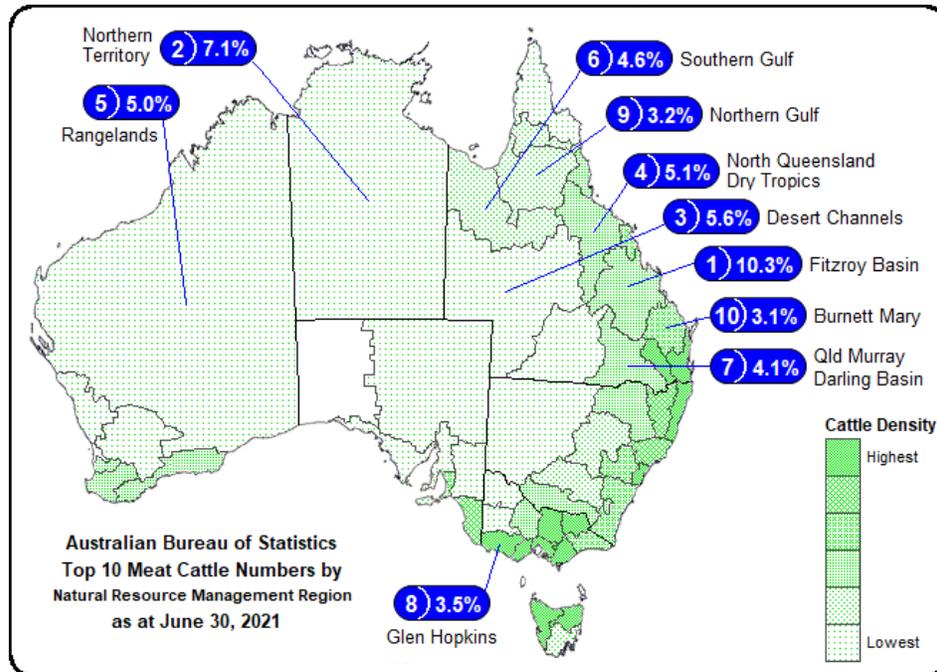
FAS/Canberra forecasts an increase in cattle slaughter in 2024 to 8.0 million head, an 8.1 percent increase over the upward-revised 2023 outcome of 7.4 million head. As part of the herd rebuild, young cattle numbers have built up to the extent that, in conjunction with broadly good pasture production conditions in 2023 (other than northern New South Wales and southern Queensland), the number of cattle ready for slaughter will increase in 2024. A key contributor is that the young breeder age profile, associated with the rapid herd rebuild, is anticipated to reduce the breeder replacement rate in the short term, supporting an increase in the female slaughter rate. Also, the increase in calf slaughter caused by a fall in beef cattle prices over the last two years is forecast to contribute to the rise in the overall slaughter number.

Tropical rainfall influences northern parts of Australia, the biggest beef cattle-producing regions in Australia. Queensland alone has seven of the top 10 beef producing regions (see Figure 4) in Australia with Northern Territory and northern parts of Western Australia also significant contributors.

The tropical northern parts of Australia have had very good wet season rainfalls so far (the wet season is typically December to March), which is expected to support good pasture production and establish ample standing dry grass feed for the dry season period. The government estimates that pasture production will be very favorable for the February to April 2024 period for most of northern Australia (see Figure 5)

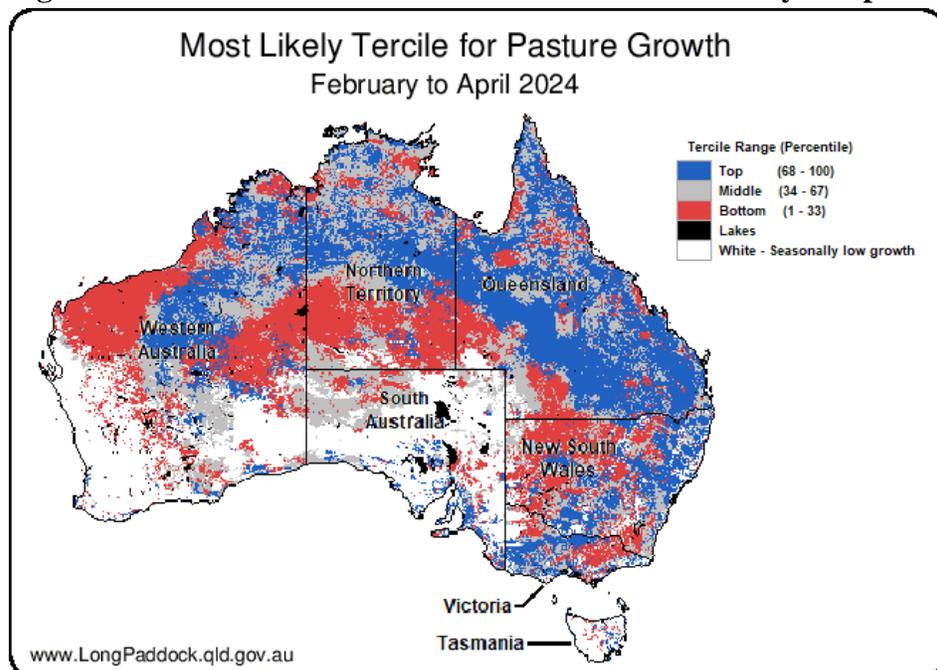
The strong start to rainfall and pasture production in 2024 for the major beef-producing areas, along with a broadly very good wet season the previous year, is expected to support higher numbers of grass-fed finished cattle for slaughter this year.

Figure 4 – Top 10 Livestock Cattle Numbers by Natural Resource Management Region



Source: Australian Bureau of Statistics

Figure 5 – Australia Pasture Growth Estimate – February to April 2024



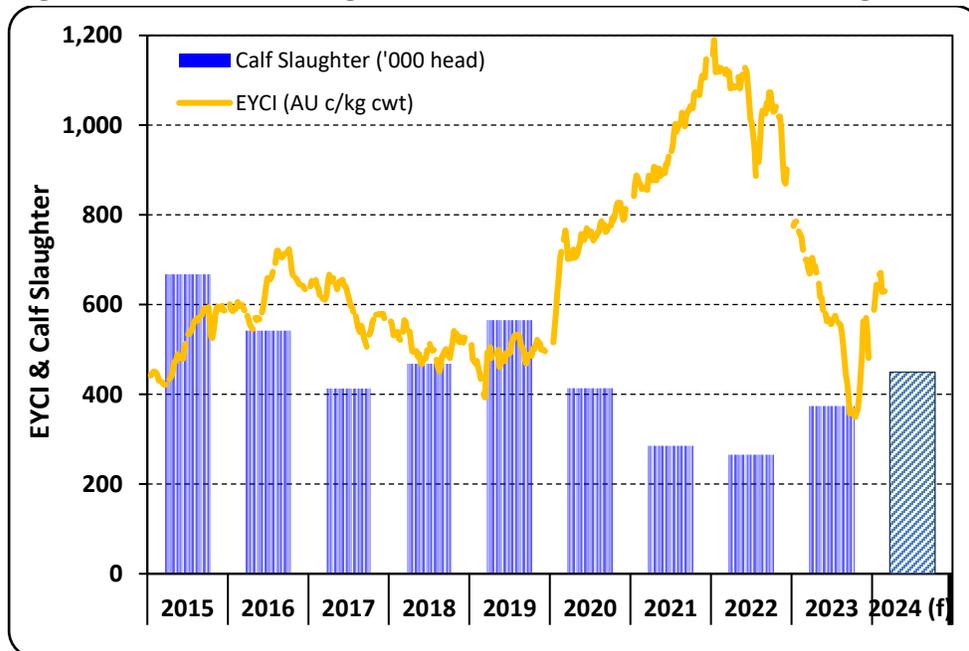
Source: The Long Paddock

A further contributing factor to the overall increase in cattle slaughter numbers for 2024 is the rise in calf slaughter, which will have little impact on beef production. Calf slaughter numbers are forecast to increase by 20 percent in 2024. Calf slaughter began to rise in 2023, from a record low level in 2022, after cattle prices started falling from the record peak in 2022 (see Figure 6). Most of the calf slaughter is from the dairy industry, and preparations are made well in advance of changes in beef cattle prices.

Management decisions are made in advance of the breeding season in terms of joining part of the dairy herd to low-genetic quality bulls for subsequent calf slaughter or alternately high-quality beef bulls, typically by artificial insemination, to produce calves for beef production. Some dairy farmers use sexed female dairy semen for replacements and sexed male beef semen for beef production. With such advanced planning, there is a lag effect in response to falling cattle prices.

Although cattle prices have risen from their lows in late 2023, the impact of the low prices is expected to be borne out in 2024 with higher calf slaughter. Sources in the dairy industry also indicate that dairy farmers intend to rear less dairy-beef calves for beef production in 2024.

Figure 6 – Eastern Young Cattle Indicator Price and Calf Slaughter History



Source: Australian Bureau of Statistics / Meat and Livestock Australia

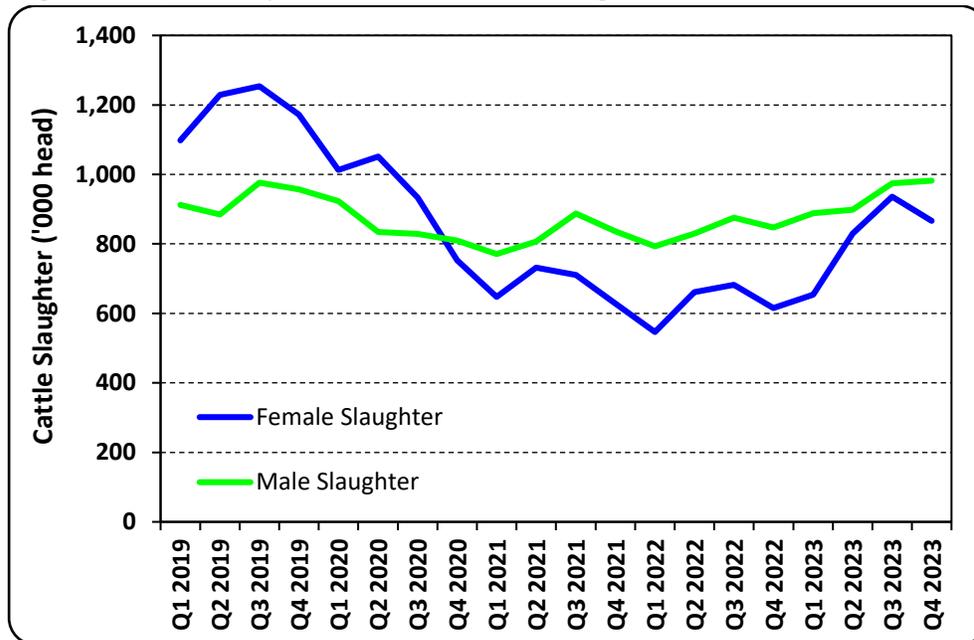
Note: EYCI = Eastern Young Cattle Indicator price

2023

FAS/Canberra has upward revised the overall slaughter number for 2023 after the release of the final quarter slaughter results from the Australian Bureau of Statistics. The full-year slaughter result of 7.40 million head was slightly above the official USDA estimate of 7.35 million. The final female and male slaughter numbers were slightly higher than those of the official USDA estimates for 2023.

The final slaughter results were significantly higher than earlier official USDA estimates for 2023, and the main driver was, as previously mentioned, the dry conditions experienced in northern New South Wales and southern Queensland and the announcement of El Niño conditions in September 2023 with the expectation of continuing dry conditions well into 2024. Cattle producers in the areas affected by earlier dry conditions took prudent steps leading up to and after the El Niño announcement by partially destocking their properties. This resulted in a higher than previously expected level of cattle slaughter, driven by a spike in female slaughter (see Figure 7). However, as previously discussed, the forecast for dryer-than-usual conditions did not occur, and there has been average to above average rain, including the northern New South Wales and southern Queensland area (see Figure 3). This resulted in a dip in female slaughter in the fourth quarter of 2023 (see Figure 7). This situation is not expected to be a trend but rather compensating for selling off too many females in the third quarter given rainfall in the fourth quarter was the opposite of forecasts.

Figure 7 –Quarterly Australian Cattle Slaughter Trends

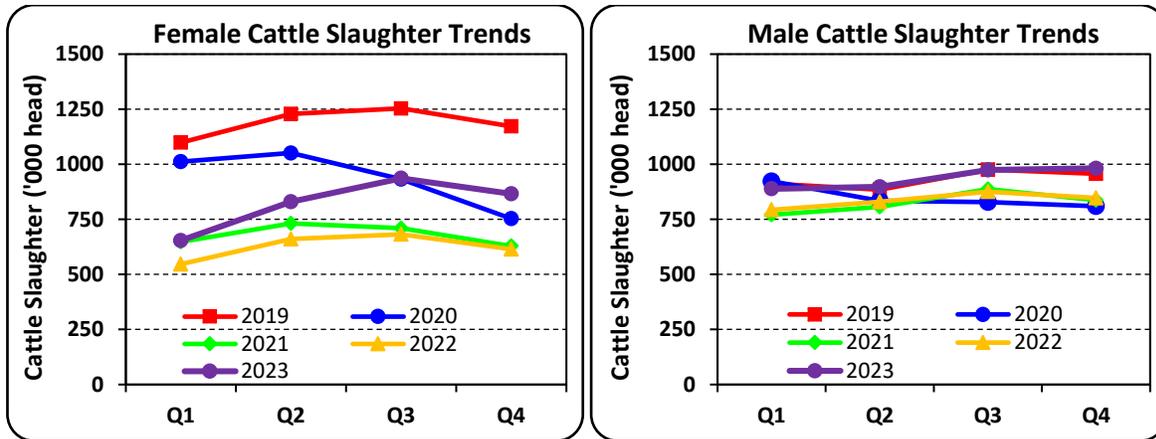


Source: Australian Bureau of Statistics

In Australia, the biggest driver of the overall cattle slaughter number is the variance in the female slaughter number. Cattle producers respond to changes in conditions mainly through varying on-farm female numbers. In drought, producers destock by raising female slaughter numbers, such as in 2019 (see Figure 8). In a herd rebuild phase, female slaughter numbers are low, such as in 2021 and 2022. Cattle prices may also have a substantial influence on female slaughter numbers. At the start of 2020, good rains had largely broken the drought for most cattle producers, and at the time cattle prices were near record levels. For the first half of 2020, cattle producers took advantage of the lofty cattle prices by continuing a high level of female slaughter before transitioning towards retaining females to begin the

herd rebuild phase in the second half of 2020. Throughout these extremes, there has been relatively slight variance in the number of male cattle slaughtered compared to females.

Figure 8 – Australian Cattle Slaughter Trends



Source: Australian Bureau of Statistics

In Australia, industry generally considers a female slaughter rate of 47 percent is a steady state position. The female slaughter rate in the first quarter of 2023 was 42.4 percent and was disrupted by the dry conditions in northern New South Wales and southern Queensland but finished with 46.9 percent in the fourth quarter of 2023 and an annual average of 46.8 percent. This clearly marks 2023 as the tail end of the rapid herd rebuild phase from the previous two years towards a steady state leading into 2024.

Trade

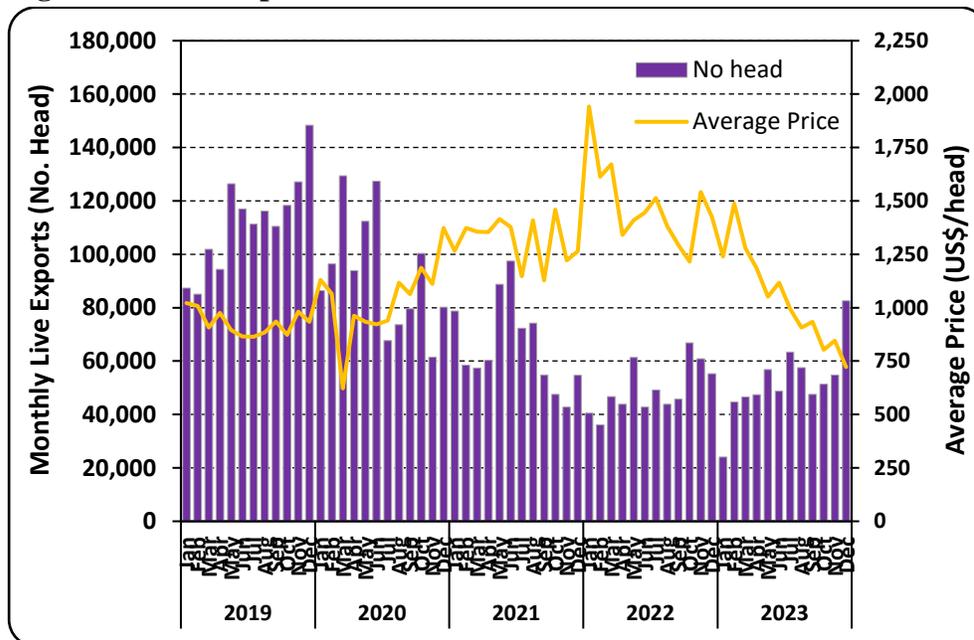
2024

FAS/Canberra forecasts cattle exports in 2023 to increase by 36 percent to 850,000 head from an upward-revised result of 626,000 head in 2023. This is an upward revision of 100,000 head from the official USDA forecast of 750,000. Although the forecast is a substantial increase for 2024, it is well below the peaks of 1.3 million head achieved on three occasions over the last 10 years. The key reason for this jump in the forecast export for 2024 is that the price of export cattle declined substantially during 2023, in part due to the national herd transitioning from a herd rebuild phase to a steady state position, as previously discussed. This will enable more cattle to become available for domestic and export markets in 2024.

Throughout 2023, the average export price of cattle declined by over 40 percent, and the market responded with a big export month in December 2023 of 82,610 head, which was 67 percent above the average over the previous 11 months (see Figure 9). It is also pertinent to note that a factor that impacted the delay in the price response was that Indonesian authorities found Lumpy Skin Disease (LSD) in a small number of Australian cattle some days after arriving in Indonesia in August 2023. It took some time to satisfy Indonesian authorities that the LSD did not originate in Australia.

It is anticipated that live cattle export volumes will be low in January and February 2024 due to Australia’s largest export destination, Indonesia, not granting 2024 import quota permits until late February. There are reports of large volumes of cattle on feed at export-accredited feedlots and ships had been waiting off the coast of Darwin waiting for Indonesia to issue the Import quota permit. The volume of the quota is unclear at this stage. Nevertheless, it is anticipated that there will be big export months in March and April 2024, catching up on the zero-export trade to Indonesia in January and most of February.

Figure 9 – Live Export Volumes and Unit Values



Source: Australian Bureau of Statistics

2023

The live cattle export in 2023, as the Australia Bureau of Statistics reported was 626,000 head, 36,000 head above the official USDA estimate of 590,000 head. This was due to an unexpected jump in the volume of live cattle exports in December 2023, mainly driven by demand from Indonesia.

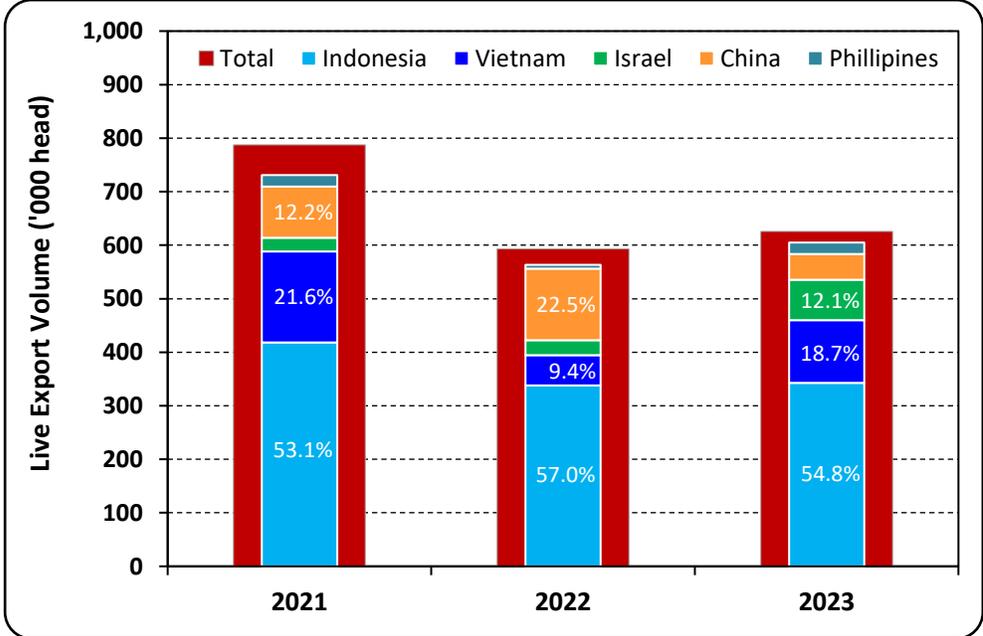
Indonesia typically accounts for a little over half of Australia’s live cattle exports, and on average, this was the case for the first 11 months of 2023, but jumped to two-thirds in December 2023. For the first 11 months of 2023, the volume of trade to Indonesia averaged 26,000 head but more than doubled to 54,000 head in December 2023. This step-up in trade accounted for the majority of the variance between the official USDA estimate of 590,000 head and the final result for 2023.

The primary live export destination for beef cattle from Australia is Indonesia which typically accounts for a little over half of overall exports (see Figure 10). Indonesia prefers Bos Indicus (tropical breed) cattle to suit their conditions. Vietnam is the second largest live cattle export destination and also prefers

Bos Indicus cattle. Industry sources indicate that trade with Vietnam is more price-sensitive than with Indonesia. This is because Vietnam sources mainly slaughter-weight cattle from Australia, which typically go into their feedlots for only a short period. In feedlots, typically when cattle are kept for an extended period, such as around 100 days before export to Indonesia, a higher price of cattle at entry can be averaged down (on a cost per kilogram basis) if feed costs are low, enabling finished cattle to be sold at a lower unit cost (price per kilogram) than the original purchase price while still maintaining profitability in the feedlot. The big drop in live cattle export prices during 2023 has improved the viability of Vietnam importing cattle from Australia. This has been a significant driver of live cattle exports to Vietnam, bouncing back in 2023 from the big fall seen in 2022.

In 2023, Israel emerged as Australia’s third-largest live cattle export destination surpassing China. The live cattle trade to China mainly involves higher-value dairy heifers rather than beef cattle. Dairy industry analysts indicate that China had an oversupply of milk in 2023, and there were indications that their industry intended to cull part of the herd to reduce supply. In this circumstance, the need to import dairy heifers from Australia had greatly diminished.

Figure 10 – Live Cattle Export Destinations –2021 to 2023



Source: Australian Bureau of Statistics

BEEF

Table 2 - Production, Supply, and Distribution of Beef and Veal Meat for Australia

Meat, Beef and Veal Market Year Begins Australia	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	6115	6115	7350	7403	7900	8000
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	1878	1878	2215	2224	2350	2380
Total Imports (1000 MT CWE)	24	24	18	19	18	18
Total Supply (1000 MT CWE)	1902	1902	2233	2243	2368	2398
Total Exports (1000 MT CWE)	1238	1238	1570	1562	1685	1705
Human Dom. Consumption (1000 MT CWE)	664	664	663	681	683	693
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	664	664	663	681	683	693
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	1902	1902	2233	2243	2368	2398
(1000 HEAD) ,(1000 MT CWE)						

Production

2024

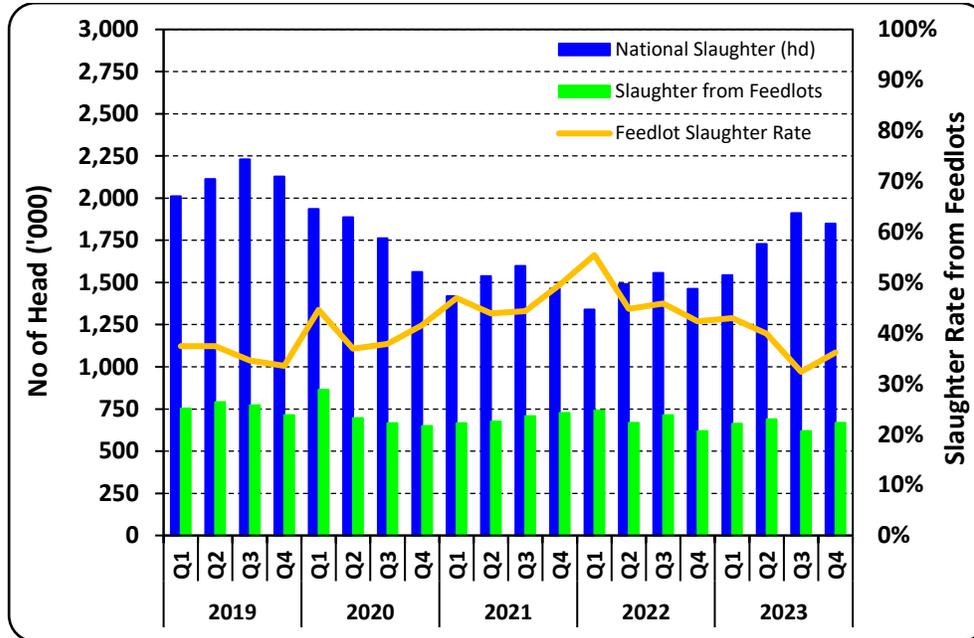
FAS/Canberra forecasts beef production in 2023 at 2.38 million metric tons (MMT) Carcass Weight Equivalent (CWE), 1.3 percent above the official USDA forecast of 2.35 MMT. If the forecast is realized, it would be the fourth-highest production on record. The three previous higher levels of production are all related to destocking due to drought impacts. However, the 2024 forecast relates to a return to normal production after herd rebuild ends. The forecast 7.0 percent increase in beef production correlates with an expected 8.1 percent increase in cattle slaughter volume. However, slaughter weights are expected to decline marginally, with an anticipated lower proportion of total slaughter from feedlot cattle, a higher rate of female slaughter, and an increase in calf slaughter numbers. But this is partly countered by an increasing proportion of long-fed Wagyu cattle turned off from feedlots.

The number of cattle slaughtered from feedlots had a 3.8 percent decline in 2023 (2.638 million head) from 2022 (2.742 million head), which is not forecast to change significantly in 2024. With a growing national slaughter volume forecast for 2024 and a relatively unchanged volume from feedlots, the proportion of feedlot cattle slaughtered relative to the national slaughter is expected to decline in 2024 (see Figure 11). This was similar to the case in 2023 for the same reasons. The proportion of the national slaughter from feedlots in 2023 averaged 38.5 percent and is expected to dip further in 2024.

Interestingly, there was a rise in cattle on feed in Australian feedlots in 2023 but there was a decline in the number of cattle turned off for slaughter from feedlots (see Figure 12). This situation underscores a continuing longer-term trend, reflecting the rise of Wagyu cattle in Australia. Wagyu cattle are typically fed for around 400 days in feedlots compared to other cattle breeds, which are usually fed for 70 days for the domestic market or 100 days for the export market. Although there are no feedlot industry statistics on the number of long-fed and short-fed cattle in Australian feedlots, industry sources indicate

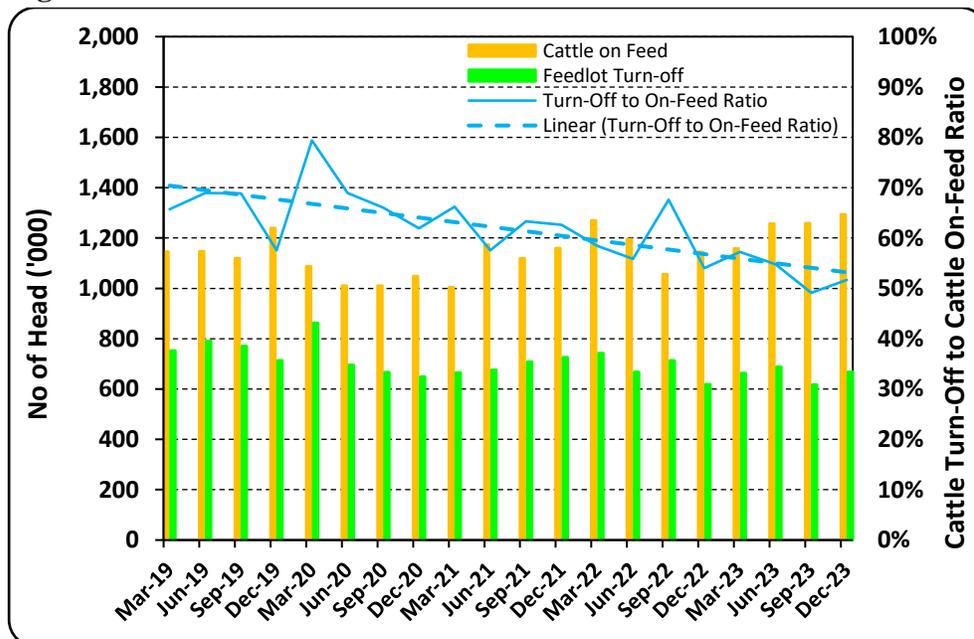
that there has been a steady rise in the volume of Wagyu cattle in feedlots since the end of the drought in 2020. They are estimated to account for over 20 percent of cattle on feed.

Figure 11 – Slaughter Rate from Feedlots



Source: Meat & Livestock Australia / Australian Bureau of Statistics

Figure 12 –Cattle on Feed and Feedlot Turn-off



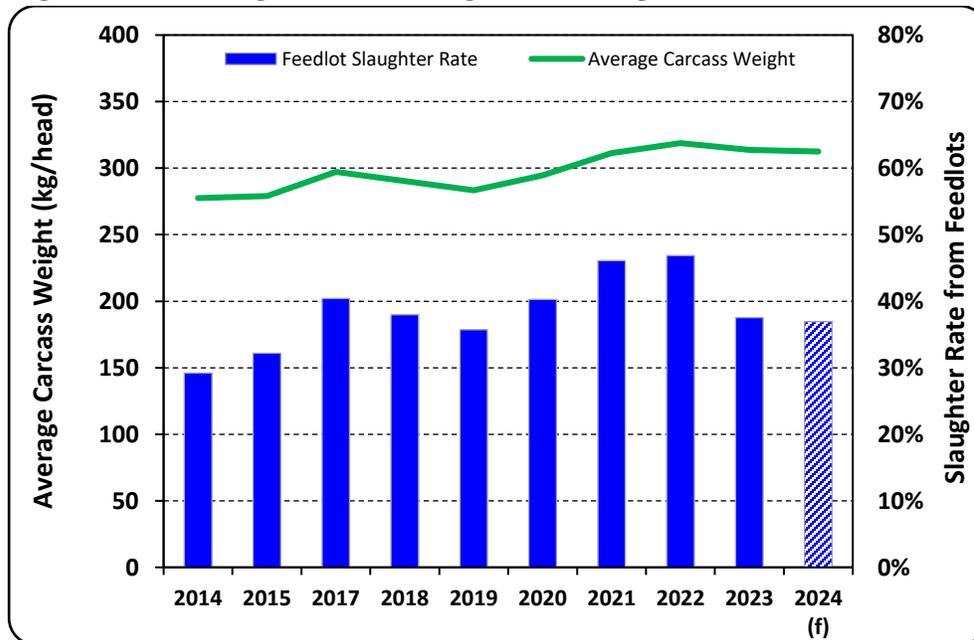
Source: Meat & Livestock Australia / Australian Bureau of Statistics

Typically, grass-fed finished cattle have lower slaughter weights than cattle finished in feedlots. With the expected increase in overall cattle slaughter numbers for 2024, and a relatively flat volume from feedlots, the proportion of cattle slaughtered from feedlots is expected to decline further.

However, the increase in the proportion of Wagyu cattle in feedlots is propping up the national average carcass weight. Wagyu cattle are typically fed in feedlots for 400 days and slaughtered at around 400 kg CWE, while other adult cattle are generally slaughtered at a little over 300 kg CWE. The increasing volume of Wagyu cattle finished in feedlots over recent years has positively impacted the national average carcass weight, and this is expected to continue to have a positive influence in 2024.

On balance, the average carcass weight for adult cattle slaughtered (excludes calves) is expected to decline in the forecast year to 312 kg/head compared to an outcome of almost 314 kg/head for 2023. This is still well above the past 10-year average of around 295 kg/head (see Figure 13). This is due to the expectation of broadly strong pasture production conditions in 2024, particularly for the early part of the year (see Figure 5).

Figure 13 – Average Carcass Weight and Slaughter Rate from Feedlots Trend



Source: Australian Bureau of Statistics / FAS/Canberra

Note: (e) = estimate, (f) = forecast

Slaughter Rate from Feedlots is the percentage of national slaughter from feedlot cattle

2023

The FAS/Canberra beef production outcome for 2023 is revised up marginally to 2.224 MMT (CWE), based on the Australian Bureau of Statistics (ABS) year-end results from the official USDA estimate of 2.215 MMT (CWE). This situation directly reflects the slightly higher-than-anticipated slaughter numbers for 2023.

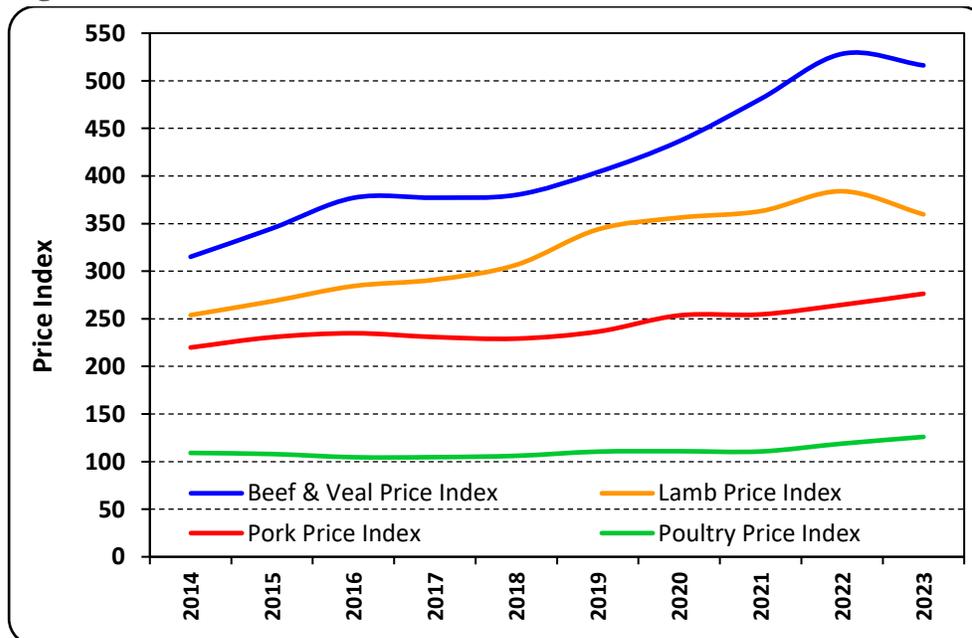
Consumption

2024

FAS/Canberra forecasts beef consumption for 2023 at 693,000 metric tons (MT) (CWE), which is 10,000 MT (CWE) above the official USDA forecast. FAS/Canberra's forecast is 1.8 percent higher than the 2023 estimate of 681,000 MT (CWE). This anticipation of a modest increase in beef consumption from 2023 is primarily related to the forecast rise in beef production, the growing Australian population, the easing of retail prices and wage increases now matching inflation. If the forecast is realized, this would be the highest level of consumption since 2019, when consumption was substantially higher.

For the first time in over a decade, beef prices (and also lamb) in Australia eased in 2023 (see Figure 14), mainly associated with increased supply, whereas pork and poultry prices increased. A further increase in beef supply is anticipated for 2024 which may result in some further easing of beef prices for consumers in Australia. This situation and higher pork and chicken prices could support increased beef consumption for 2024.

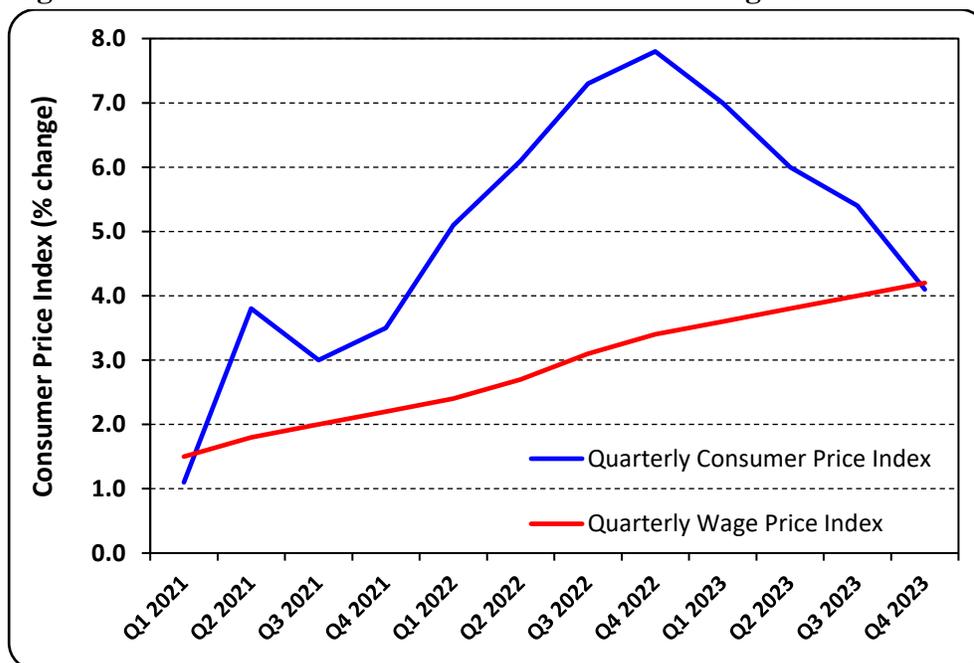
Figure 14 – Australian Consumer Price Index - 2014 to 2023



Source: Australian Bureau of Statistics

Over the last three years, and more so in the previous two years (2022 and 2023), living cost pressure has impacted the Australian economy. But at the end of 2023, through the combination of strong wage growth and a slowing of the rate of inflation (measured by the Consumer Price Index (CPI)), wage growth has caught up to the CPI (see Figure 15). However, over the same period, unemployment levels have risen from a 50-year record low of 3.6 to 4.1 in January 2024. Some economists have expressed concerns that the Australian economy is heading towards a technical recession which will dampen consumer sentiment. This is likely to slow down the rate of growth of beef consumption, which would otherwise be expected from an easing of beef prices and living cost pressure combined with a rising population.

Figure 15 – Australian Consumer Price Index and Wage Growth - 2021 to 2023



Source: Australian Bureau of Statistics

2023

The FAS/Canberra beef consumption estimate for 2023 is at 681,000 MT (CWE), 2.7 percent above the official USDA estimate of 663,000 MT (CWE). This reflects the slightly higher beef production and smaller exports compared to the official USDA estimates but also an easing of domestic beef prices in 2023.

Trade

2024

FAS/Canberra forecasts beef exports in 2024 to rise 9.2 percent to 1.705 MMT (CWE) from 1.562 MMT (CWE) in 2023. For 2024, this is 20,000 MT above the official USDA forecast of 1.685 MMT. If the forecast is realized, it would be the fourth highest on record, and this rise mainly relates to the forecast increase in beef production in 2024. With the United States commencing its national herd

rebuild, Australia is well positioned to support increasing demand beef imports by the United States and contribute to the void of lower beef exports from the United States.

If the forecast level of beef exports of 1.705 MMT (CWE) is realized in 2024, it will be the highest since 2019. The three previous higher results were all related to stock liquidation associated with drought. The forecast for 2024, if achieved, would be the highest result outside of any adverse effects impacting the industry and a substantial milestone for the industry.

Analysts anticipate that the United States in 2024 will transition to a herd rebuild phase after a drought period, which reduced the national herd size. With the United States being a major beef exporter, its herd rebuild phase is expected to result in a decline in beef production, which will reduce competition for Australian beef exports. This offers the Australian beef industry the opportunity to not only further increase beef exports to the United States (from a large growth in 2023) but also fill the anticipated void of supply to the top three exporting destinations for the United States, which are Japan, China, and South Korea. These three nations are also Australia's top three beef export destinations.

Contributing to the positive outlook for Australian beef exports, particularly to the United States, is that Brazil, the fifth largest source of beef imports for the United States, has already reached its beef quota for 2024. Any further exports from Brazil to the United States will attract a 26.4 percent tariff, which will challenge its competitiveness relative to other major beef exporters to the United States, including Australia, which is typically the second largest source of beef imports for the United States.

A further positive factor impacting Australian beef exports in early 2024 is that the Australian dollar has remained relatively weak at around AU\$1.52 to one U.S. dollar, compared to the first half of 2023, when the Australian dollar was a little stronger. Economists are forecasting the Australian currency to strengthen against the US dollar in 2024, and trade near the levels of the first half of 2023. The forecast strengthening of the Australian currency would negate some of the current competitive advantage it holds for beef exports.

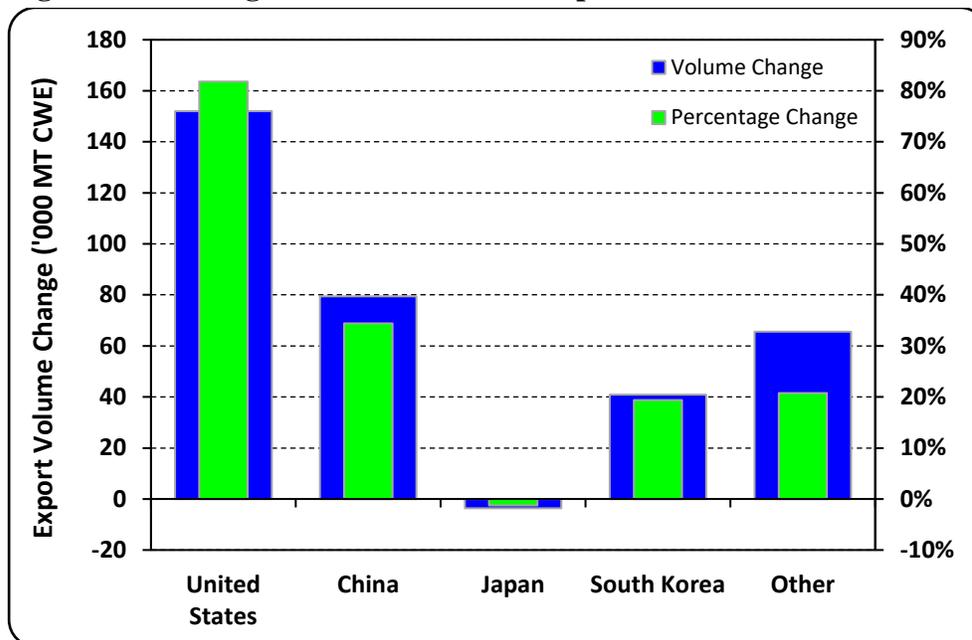
As part of the easing trade tensions between China and Australia, China announced in mid-December 2023 the reinstatement of export approvals for three Australian meat export processors. In recent years, during the herd rebuild phase, Australian beef production was relatively low, and fewer processors were approved for beef export to China. This was disruptive but did not significantly impact on the volumes of beef exported to China. Now that Australian beef exports are forecast to rise to a relatively high level, reinstatement of export approval to China for three processors will support the expansion of beef exports from Australia in 2024.

2023

Beef exports for 2023 were 1.562 MMT (CWE), 26 percent above the 2022 outcome. This big increase resulted from the Australian beef cattle industry transitioning towards the end of a rapid herd rebuild phase during 2023, as previously discussed.

The four major export destinations for Australian beef over many years have been Japan, China, the United States and South Korea, and have in recent years accounted for around 75 percent of Australian beef exports. Three of these four major beef export destinations had substantially increased their volume in 2023, taking advantage of the significant rise in Australia's overall beef exports. There was an 82 percent increase in exports to the United States and by far the biggest volume increase of 152,000 MT (CWE) in 2023 due to their herd entering a rebuilding phase after the recent drought (see Figure 16).

Figure 16 – Change in Australian Beef Exports – 2022 to 2023



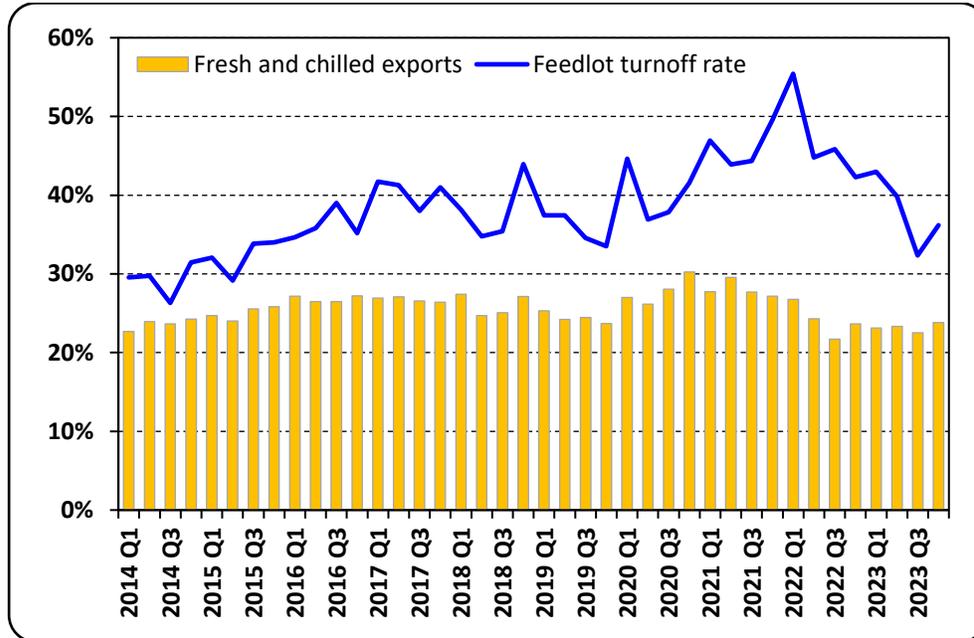
Source: Australian Bureau of Statistics

Of the overall beef exported by Australia over the last 10 years, 20 to 30 percent is higher quality chilled beef, and the balance is frozen. Industry sources indicate that the majority of the chilled beef is from feedlot cattle. However, there are primal cuts of grass-fed beef exported as chilled. Over the last 10 years, the proportion of cattle slaughtered from feedlots has been higher than that of chilled beef exported, and the gap has broadly widened over time (see Figure 17). This indicates an increased volume of feedlot produced beef was consumed domestically.

Over recent years, Australia's top four beef export destinations have accounted for over 80 percent of the chilled beef exports. In particular, over one-third of the chilled beef exported has been to Japan (see Figure 18). Also of note is that the proportion of chilled beef exported to the United States had declined

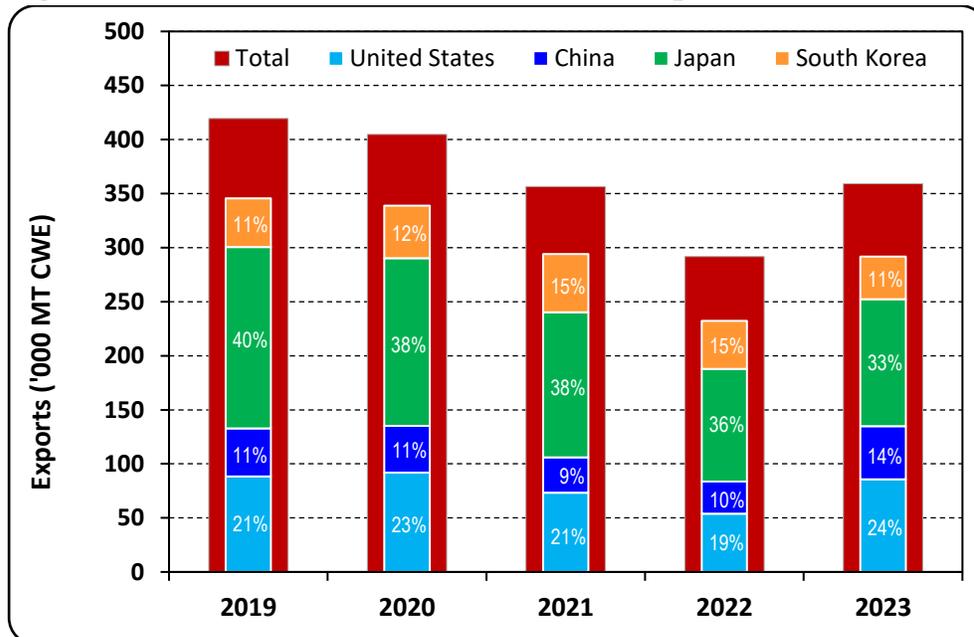
in 2022 during a stock liquidation period but bounced back strongly in 2023 as the national herd began transitioning towards a rebuilding phase. The United States has for some time been Australia’s second-largest destination for chilled beef products.

Figure 17 – Fresh and Chilled Exports v Feedlot Cattle Turnoff Rate



Source: Australian Bureau of Statistics / Meat and Livestock Australia

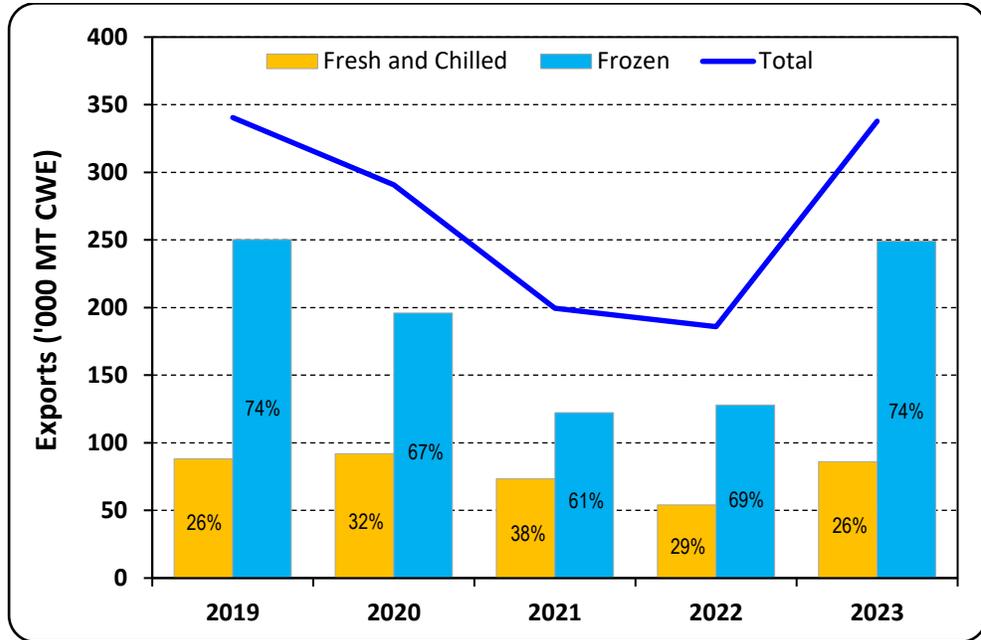
Figure 18 – Australian Fresh and Chilled Beef Exports – 2019 to 2023



Source: Australian Bureau of Statistics

There has been a broad market perception that exports from Australia to the United States have mainly been lean-grinding beef (frozen product) to blend with the higher fat-grinding beef produced in the United States. However, one-quarter to one-third of Australian beef exports to the United States have been chilled beef, mainly associated with higher-value primal cuts mostly from feedlot cattle (see Figure 19). On this basis, Australia can support the expected increase in demand for beef in the United States in the forecast year for both chilled and frozen products.

Figure 19 – Beef Exports to United States – Chilled v Frozen – 2019 to 2023



Source: Australian Bureau of Statistics

PORK

Table 3 - Production, Supply, and Distribution of Swine Meat for Australia

Meat, Swine Market Year Begins Australia	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	5437	5437	5800	5801	5900	5900
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	436	436	470	467	480	480
Total Imports (1000 MT CWE)	241	241	210	195	210	200
Total Supply (1000 MT CWE)	677	677	680	662	690	680
Total Exports (1000 MT CWE)	35	35	45	46	50	50
Human Dom. Consumption (1000 MT CWE)	642	642	635	616	640	630
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	642	642	635	616	640	630
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	677	677	680	662	690	680

(1000 HEAD) ,(1000 MT CWE)

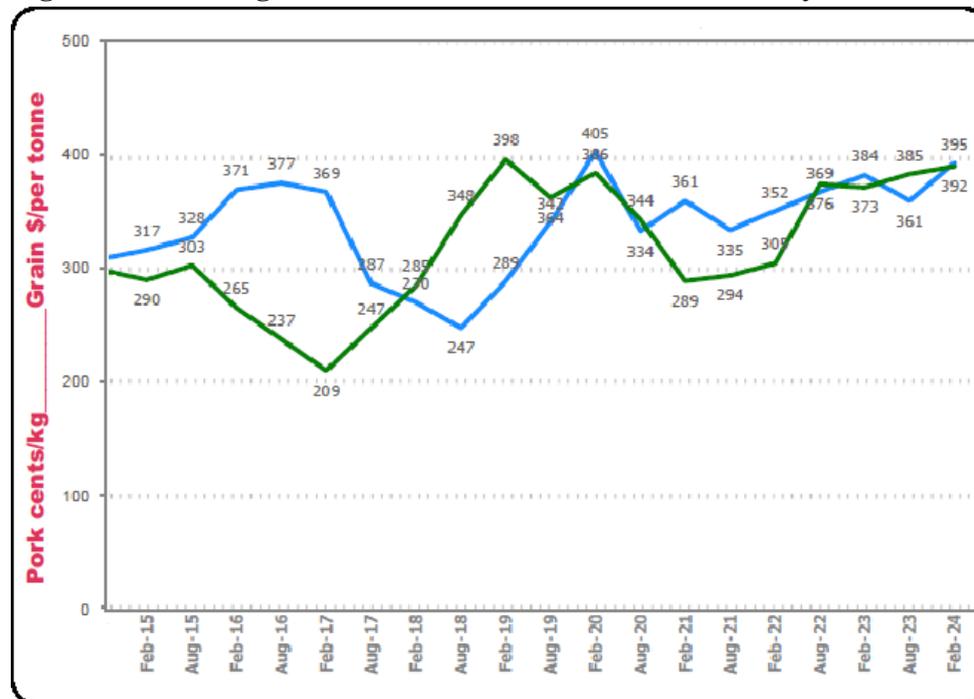
Production

2024

FAS/Canberra forecasts Australia's pork production in 2024 to increase to 480,000 MT (CWE), which aligns with the official USDA forecast. This is 13,000 MT (2.8 percent) higher than the 2023 production outcome. This forecast rise is mainly due to the growth momentum built up over the last two years against a backdrop of broadly improving domestic pork prices. This has been dampened somewhat by relatively high domestic feed grain prices in 2023, but the general expectation is further easing grain prices in 2024. The prospect of a positive widening gap between domestic pork prices and feed grain prices in 2024 is expected to support the forecast growth in pork production.

The major production cost for pork producers is feed costs. Past trends indicate that when the domestic average pork price on a cents per kilogram basis is below the average feed grain prices in AU\$ per ton, industry production stagnates or declines, which was the case from late 2017 to early 2020 (see Figure 20). In 2020, pork prices were at or above grain prices, which brought some confidence back to the industry. For the most part, pork prices have remained at or above the grain prices since that time. Given the breeding cycle timeline plus the period to grow out pigs to slaughter weight, production started to increase in 2021 and has broadly continued to increase since then - although the Japanese Encephalitis Virus (JEV) incursion had a negative impact on production in 2022. With the expected softening feed grain prices in 2024, rising pork production is expected to continue in the forecast year.

Figure 20 – Average Baconer and Feed Grain Price History



Source: Australian Pork Limited – Data from Pro Farmer

2023

The pork production outcome for 2023 was 467,000 MT (CWE), 3,000 MT (CWE) below the official USDA estimate set some months prior to the end of the year. The 2023 result was a strong 7.1 percent growth from 2022.

Consumption

Pork consumption is forecast to increase in 2024 to 630,000 MT (CWE) from an estimated 616,000 MT (CWE) in 2023. If realized this would be the third highest on record at 1.9 percent below the 2022 peak. Consumption in 2022 was the highest on record and likely related to importers taking advantage of lower EU prices. The forecast consumption growth mainly relates to the rapid growth in Australia’s population in 2023, and the continued growth forecast by the Australian government in 2024. With cost-of-living pressures now moderating, but with concern of a looming recession, and pork being a lower-cost red meat option for Australian consumers than lamb and beef, the per capita consumption of pork is expected to remain stable in 2024.

Consumption of pork in 2023 has been revised downward to 616,000 MT (CWE) from the official USDA estimate of 635,000 MT (CWE). Although there was a strong rise in production, imports in 2023 fell to a greater extent, impacting domestic consumption to a greater degree than previously estimated.

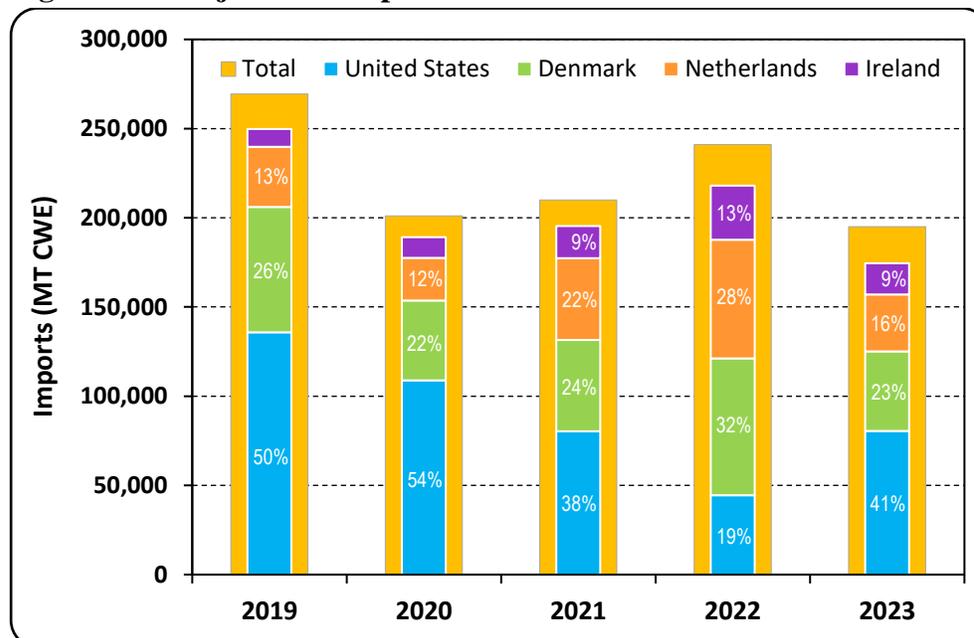
Trade

Imports

FAS/Canberra forecasts Australia's pork imports for 2024 to marginally increase to 200,000 MT (CWE) from 195,000 MT (CWE) in 2023. The forecast is 10,000 MT (CWE) lower than the official USDA forecast of 210,000 MT (CWE) for 2024. The forecast rise in production is expected to stifle any substantial growth of pork product imports to Australia. However, a small growth in imports, and production growth, supports the forecast growth in domestic consumption.

Over recent years, Australia's top four pork suppliers have accounted for over 95 percent of overall imports. In the past, the United States had supplied around half of Australia's pork import needs, but this was disrupted by a decline in world pork prices, which was due to a rapid drop in pork imports by China from the EU. In 2021 and 2022, Australian pork importers turned towards existing EU trading partners, Denmark, Netherlands, and Ireland for greater supply at the expense of the United States (see Figure 21). However, the strengthening of world pork prices in 2023 resulted in reversing to past norms where the United States is now once again the dominant source of pork imports for Australia. The disruption to world pork prices was associated with a rapid return to pork production in China after recovering from an African Swine Fever (ASF) incursion, which devastated their herd. A disruption of such magnitude to the world pork export market is not anticipated in the forecast year, so the United States is expected to remain the major source of pork imports for Australia.

Figure 21 – Major Pork Import Sources – 2019 to 2023



Source: Australian Bureau of Statistics

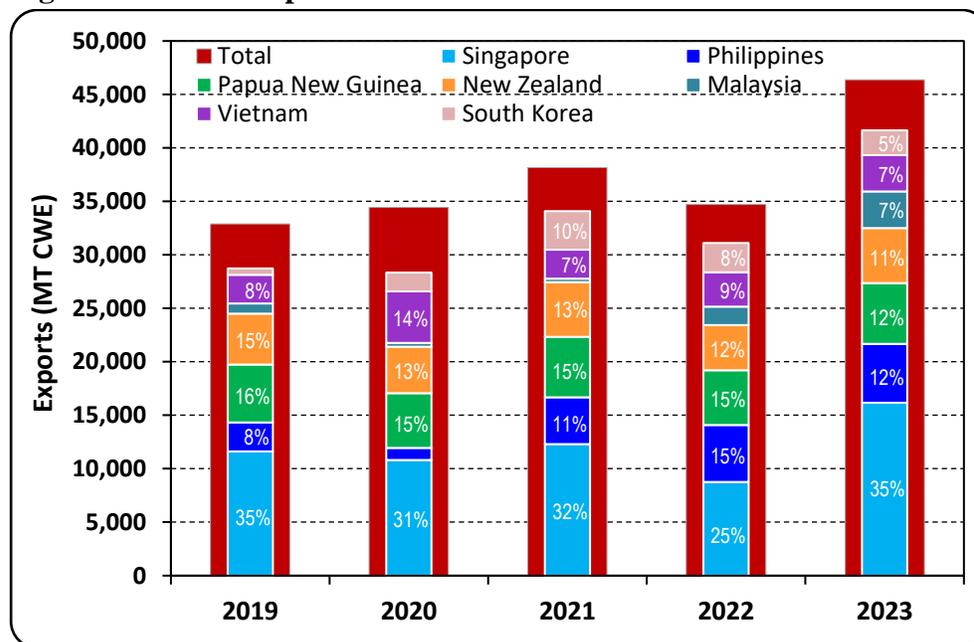
Exports

FAS/Canberra forecasts exports in 2024 to remain relatively stable at a very low amount of 50,000 MT (CWE), aligns with the official USDA forecast. The forecast is 4,000 MT (CWE) above the 2023 outcome, and the modest increase is partly due to the forecast increase in production.

Australia is a small exporter of pork at around 10 percent of production, but also exports far less than it imports. With the forecast rise in production going towards domestic consumption, little change to Australia's pork trade is expected for 2024.

Australian pork exports are relatively low, and around 90 percent are to seven countries, mainly in Asia. Singapore is the most important destination and in 2023 returned to around one-third of exports after a fall in 2022. The fall in 2022 was related to a fall in world pork prices as previously discussed. There was strong growth in demand from Malaysia in 2023, while demand from other key nations remained relatively stable (see Figure 21).

Figure 21 – Pork Export Destinations – 2019 to 2023



Source: Australian Bureau of Statistics

In 2023, exports were 46,000 MT (CWE), marginally above the official USDA estimate of 45,000 MT.

Attachments:

No Attachments