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Australia

Livestock and Products Semi-annual

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Report Highlights:
Australian beef production in CY 2012 is forecast at a record 2.2 million tons, slightly higher than the previous record set in CY 2006. Exports are also forecast to increase in CY 2012, albeit at a slower rate than production. Widespread, heavy rainfall and scattered reports of record flooding, have seen pasture and fodder production increase sharply during CY 2011. Post’s forecast for the CY 2012 closing inventory was revised upwards to 30.0 million head, the highest level since 1976.

Summary:

Australian beef production in CY 2012 is forecast at a record 2.2 million tons, slightly higher than the previous record set in CY 2006. While Post's estimate of the 2012 slaughter number was revised downward (4%), higher (record) average carcass weight is expected to support record meat production. Widespread, heavy rainfall and scattered reports of record flooding, have seen pasture and fodder production increase sharply during CY 2011. In the near term, movement of livestock for sale and slaughter has been hampered by flood waters and some losses are expected. Over the longer term, improved pasture and fodder availability is expected to support higher cattle numbers.

Record high grain production, combined with weather damage at harvest, has led to record levels of feed quality wheat and this, combined with a slump in domestic feed grain prices, is expected to see feed grain availability at record levels for the remainder of CY 2012. Carry out stocks of wheat are currently estimated at a record 10.0 MMT, which includes a historically high (and likely record) proportion of feed quality wheat.

Recent industry reports state that the fertility of the Australian herd has improved significantly and this, combined with increased cow numbers, has seen calf crop numbers improve sharply in CY 2011. In light of an improved calf crop, increased breading cow numbers and a relatively lower slaughter level, Post's forecast for the CY2012 closing inventory was revised upwards to 30.0 million head, the highest level since 1976.

Despite recent flooding and record rainfall, average rainfall for the remainder of CY 2012 is assumed. This should see monthly slaughter levels improve, particularly in the second half of CY 2012. However, should weather conditions become dry during this period, slaughter and production would likely be revised further upwards for 2012.

Exports are also forecast to increase in CY 2012, albeit at a slower rate than production. A higher Australian dollar value and increased competition in key export markets is expected to constrain exports to the third highest level on record.

Commodities:

Animal Numbers, Cattle
Meat, Beef and Veal

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

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Australia	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	27,907	27,907	26,733	26,600	27,500	28,800
Dairy Cows Beg. Stocks	1,553	1,553	1,610	1,604	1,620	1,620
Beef Cows Beg. Stocks	12,000	12,000	13,000	13,595	13,500	14,000
Production (Calf Crop)	8,040	7,993	9,592	10,869	9,780	10,175
Total Imports	0	0	0	0	0	0
Total Supply	35,947	35,900	36,325	37,469	37,280	38,975
Total Exports	875	875	550	694	700	700
Cow Slaughter	3,644	3,644	3,300	2,908	3,300	3,000
Calf Slaughter	788	788	750	682	790	750
Other Slaughter	3,857	3,943	4,200	4,360	4,490	4,500
Total Slaughter	8,289	8,375	8,250	7,950	8,580	8,250
Loss	50	50	25	25	25	25
Ending Inventories	26,733	26,600	27,500	28,800	27,975	30,000
Total Distribution	35,947	35,900	36,325	37,469	37,280	38,975
1000 HEAD, PERCENT						

Meat, Beef and Veal Australia	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	8,289	8,375	8,250	7,950	8,580	8,250
Beginning Stocks	143	143	112	112	147	107
Production	2,087	2,087	2,140	2,150	2,180	2,200
Intra-EU Imports	0	0	0	0	0	0
Other Imports	10	10	10	10	10	10
Total Imports	10	10	10	10	10	10
Total Supply	2,240	2,240	2,262	2,272	2,337	2,317
Intra EU Exports	0	0	0	0	0	0
Other Exports	1,368	1,368	1,350	1,400	1,380	1,405
Total Exports	1,368	1,368	1,350	1,400	1,380	1,405
Human Dom. Consumption	760	760	765	765	795	795
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	760	760	765	765	795	795
Ending Stocks	112	112	147	107	162	117
Total Distribution	2,240	2,240	2,262	2,272	2,337	2,317
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Animal Numbers, Swine Australia	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	2,302	2,302	2,350	2,289	2,400	2,343
Sow Beginning Stocks	233	232	245	262	247	292
Production (Pig Crop)	4,686	4,625	4,750	4,731	4,800	4,807
Total Imports	0	0	0	0	0	0
Total Supply	6,988	6,927	7,100	7,020	7,200	7,150
Total Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	4,638	4,638	4,700	4,677	4,750	4,750
Total Slaughter	4,638	4,638	4,700	4,677	4,750	4,750
Loss	0	0	0	0	0	0
Ending Inventories	2,350	2,289	2,400	2,343	2,450	2,400
Total Distribution	6,988	6,927	7,100	7,020	7,200	7,150
1000 HEAD, PERCENT						

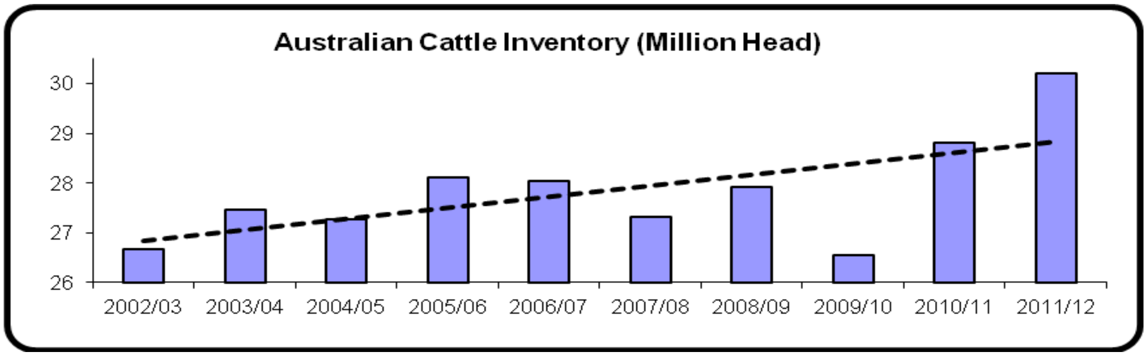
Meat, Swine Australia	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	4,638	4,638	4,700	4,677	4,750	4,750
Beginning Stocks	29	29	27	28	21	23
Production	340	340	345	344	350	350
Intra-EU Imports	0	0	0	0	0	0
Other Imports	183	183	175	175	180	175
Total Imports	183	183	175	175	180	175
Total Supply	552	552	547	547	551	548
Intra EU Exports	0	0	0	0	0	0
Other Exports	41	40	42	40	42	42
Total Exports	41	40	42	40	42	42
Human Dom. Consumption	484	484	484	484	485	485
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	484	484	484	484	485	485
Ending Stocks	27	28	21	23	24	21
Total Distribution	552	552	547	547	551	548
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Beef and Veal

Inventory

Closing inventory for CY 2012 is forecast at 30.0 million head, up significantly on Post's previous forecast and Australia's highest inventory since 1976. CY 2011 inventory was also revised upward, to an estimated 28.8 million head, in line with the preliminary estimate recently released by the Australian Bureau of Statistics (ABS).

Widespread rainfall during CY 2010 and CY 2011 has promoted excellent pasture growth and greatly improved fodder supplies. Assuming average weather conditions, cattle numbers are expected to continue to grow beyond the forecast period and into CY 2013.



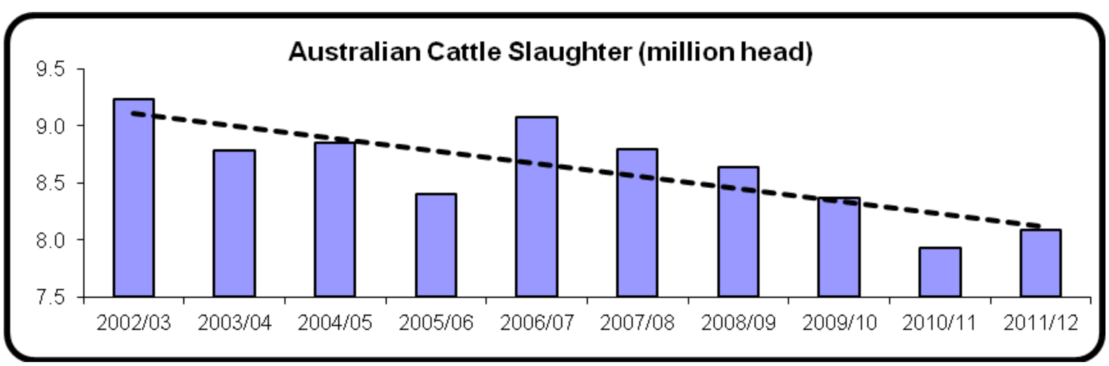
Source: ABARES Data

Recent media reports quote the eastern young cattle indicator (EYCI) at a record high price and this, combined with greatly improved feed supply, have provided almost unprecedented confidence among beef cattle producers.

Going forward, the only major threat to increasing cattle inventory is perhaps drier than average weather conditions in the second half of CY 2012.

Slaughter

Post's forecast for CY 2012 total slaughter was revised downward (4%), and the CY 2011 estimate reduced (4%) to 7.95 million head. Greatly improved feed supplies for CY 2011 and into CY 2012 has enabled producers to withhold stock from sale to take advantage of perhaps "once in a lifetime" production and fattening opportunities. To a lesser extent, this reduction has also been driven by logistical constrains caused by wet weather and flooding.



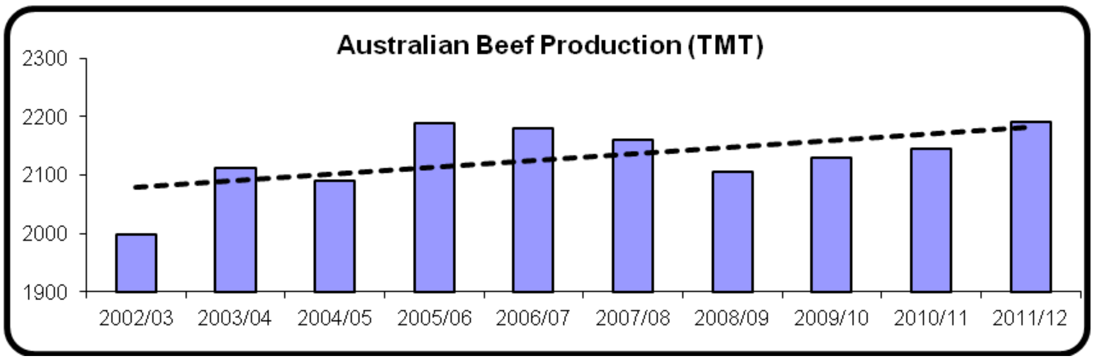
Source: ABARES Data

Widespread heavy rainfall and flooding in eastern Australia during CY 2011 and into CY 2012 have somewhat disrupted the supply of cattle for sale and slaughter placing downwards pressure on slaughter numbers.

Going forward, Post expects slaughter to remain at historically low levels (beyond the forecast period). However, drier than average conditions, particularly in the second half of CY 2012 would likely see slaughter surpass current expectations.

Production

Total Australian beef and veal production for CY 2012 is forecast at a record 2,200 TMT (2.2MMT), up on the revised estimate for the previous year and up on Post's previous report. The previous production record of 2,188 TMT was set in 2005/06 (Jul-Jun) according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) historical data.



Source: ABARES Data

Greatly improved average carcass weight (believed to be at record levels), due to improved seasonal conditions, is expected to push production to record levels in CY 2012 despite lower slaughter levels.

Exports

Total beef and veal exports for CY 2012 are forecast at 1,405 TMT, up on Post's previous forecast and up on the revised figure for the previous year. This forecast, falls just short of the all time record achieved in CY 2009, and the previous record in CY 2001.

The forecast increase in beef exports for CY 2012 is primarily driven by increased production as a result of improved seasonal conditions and record carcass weights, and not necessarily due to increased export demand or current prices.

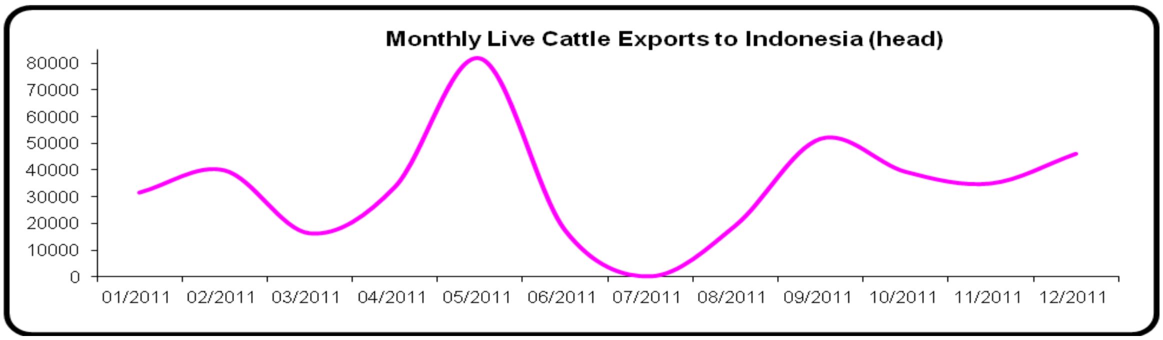
Prices received for young cattle are currently at record levels, due to very strong "restocker" demand driven by a sharp increase in pasture and fodder supplies. However, export indicator prices for beef are currently around ten percent lower than for the same period in the previous year.

Industry sources suggest that the combined effects of a very strong Australian dollar and high domestic live cattle prices have seen a decline in Australia's competitiveness in key export markets such as Japan and Korea, and this is expected to continue to limit trade volumes for the remainder of CY 2012.

Live Cattle Exports

Live cattle exports for CY 2012 are forecast at 700,000 head, unchanged from Post's previous report. The live export estimate for CY 2011 has been revised upwards significantly to 694,000 head.

Live cattle exports to Indonesia were temporarily banned on June 8, 2011 following a much publicized TV report on practices employed by some Indonesian slaughter facilities. 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 live cattle trade with Indonesia resumed in the second half of CY 2011. Monthly exports increased sharply following the resumption of trade and this has led post to revise upward the estimate for CY2011 total live cattle exports. The effect of the ban during the months of June and July can be clearly seen on the graph below.



Source: WTA Data

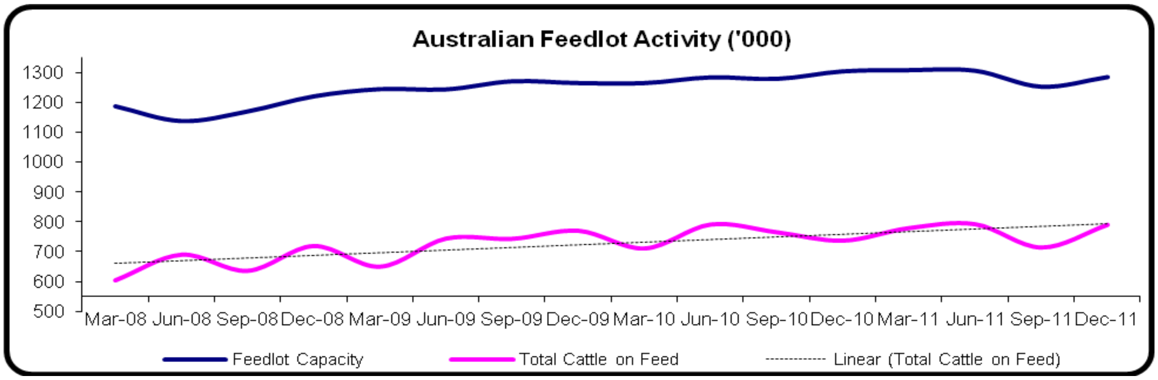
The Australian government, combined with the industry body (Meat and Livestock Australia), have since implemented new welfare standards designed to eliminate animal cruelty. However, at time of writing this report, Press allegations of cruelty continue to persist.

The temporary ban caused considerable concern and economic losses for cattle producers in northern Australia who, due to their remote location, rely heavily on the live export trade with Indonesia. One misconception which continues to persist in Australian media is that cattle in the live shipping zone of northern Australia can be readily shipped south for processing, eliminating welfare issues and boosting Australian jobs. At the March 2012 Outlook Conference hosted by ABARES, panel members demonstrated that Australian live cattle ports remain closer to South-East Asian markets than to southern Australian processing plants and that to process cattle in remote locations in Australia is simply not viable. Furthermore, the specifications of the northern Australian cattle typically exported live are not appropriate for the more developed markets serviced by the traditional southern Australian processing plants.

Perhaps of more concern to Australian live cattle exporters over the longer term will be Indonesia's plans to move toward self sufficiency, which will effectively limit the importation of live cattle from Australia.

Lot Feeding

Until recently, Australian cattle feedlots were stocked at levels well below capacity. During CY 2010 and CY 2011, high feed grain prices and high live cattle prices greatly constrained the number of cattle on feed. More recently, however, feed grain prices have fallen sharply with domestic feed grain availability perhaps at a record high. This is expected to provide some upward movement in numbers of cattle on feed over the longer term. Young cattle prices remain at record levels and this, combined with competition from excellent pasture conditions, should prevent cattle on feed numbers from recovering sharply.



Source: ABARES Data

Pork

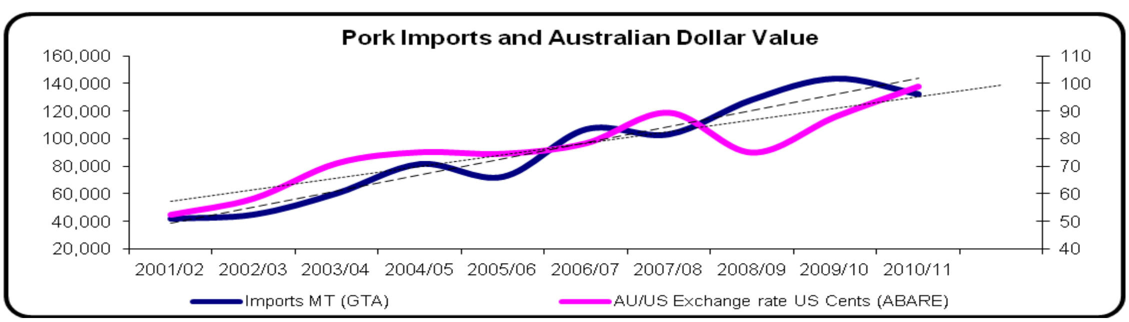
Production

Total Australian pig meat production is forecast to increase to 350 TMT in CY 2012, supported by a higher supply of slaughter stock and slightly increased carcass weights. Record high grain production and a recent slump in domestic feed grain prices are expected to boost pig meat production in CY 2012.

The recent sharp increase in feed grain supply and slump in feed prices, which account for nearly two thirds of the cost of production, follow a nearly decade long drought which created record low grain inventories and record high feed grain prices. Post expects the sharp increase in feed grain supply to extend beyond the CY 2012 period and should see Australian pig meat production continue to increase beyond the forecast period.

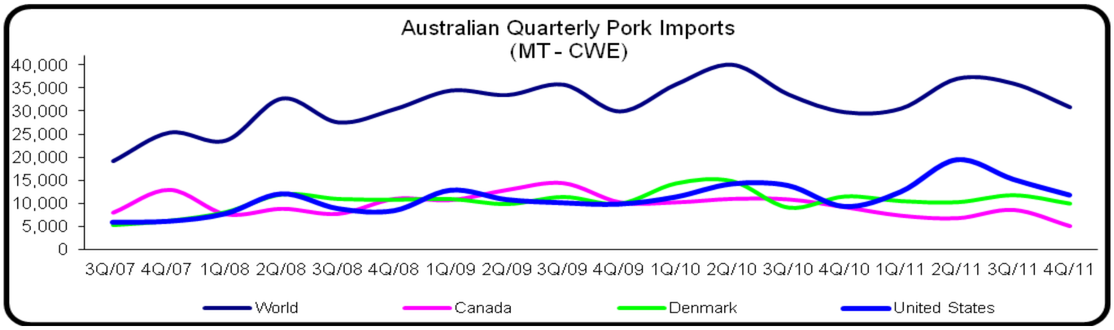
Imports

Total pork imports are forecast at 175,000 MT (CWE) in CY 2012, unchanged from the estimate for the previous year. Imports have grown significantly over the past decade, assisted by falling domestic production (due to drought) and a steadily rising Australian dollar value.



Source: WTA Data

Post expects the Australian dollar to remain at historically high levels for the remainder of CY 2012 and this should maintain imports at similarly high levels. However, increased domestic production should constrain further growth in imports in the near future.



Source: WTA Data

In 2011, the U.S. regained its position as the largest supplier of pig meat to Australia. A fall in the U.S. currency value relative to Australia (and to other pig meat suppliers) is believed to have improved the competativeness of pig meat imports from the US.

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx.

Title of Report	Date
Grain & Feed Lock-Up – February 2012	12/01/24
Citrus Annual 2011	11/12/07
Grain and Feed Update – November 2011	11/01/11
Dairy Annual 2011	10/14/11
Sugar Semi Annual 2011	09/16/11
Livestock and Products Annual 2011	08/31/11
FAIRS Country Report	08/17/11
Stone Fruit Annual 2011	08/11/11
US Cherries Break Through Quarantine Barrier into Western Australia	07/19/11
Agricultural Biotechnology Report	06/29/11
Exporter Guide	06/22/11
Sugar Update 2011	06/20/11